

CGG
Form 20-F/A
July 30, 2015

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F/A

AMENDMENT NO. 1

REGISTRATION STATEMENT PURSUANT TO SECTION 12(B) OR (G) OF THE SECURITIES EXCHANGE ACT OF 1934
OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 2014

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Event Requiring this Shell Company Report

Commission File Number 001-14622

CGG

(Exact name of registrant as specified in its charter)

CGG

(Translation of registrant's name into English)

Republic of France

(Jurisdiction of incorporation or organization)

Tour Maine Montparnasse

33, avenue du Maine

75015 Paris France

(Address of principal executive offices)

Stephane-Paul Frydman

Chief Financial Officer

CGG

Tour Maine Montparnasse

33, avenue du Maine

75015 Paris France

tel: +33 (0) 16467 4500

fax: +33 (0) 16447 3429

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Name of each exchange on which registered
American Depositary Shares representing	New York Stock Exchange
Ordinary Shares, nominal value 0.40 per share	

Securities registered or to be registered pursuant to Section 12(g) of the Act.

None

(Title of class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

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7.75% Senior Notes due 2017

6.50% Senior Notes due 2021

6.875% Senior Notes due 2022

(Title of class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

177,065,192 Ordinary Shares, nominal value 0.40 per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes No

Note: checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those sections.

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).** Yes No

** This requirement is not currently applicable to the registrant.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing: US GAAP

International Financial Reporting Standards as issued by the International Accounting Standards Board Other

If other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow: Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

EXPLANATORY NOTE

This Amendment No. 1 to CGG's Annual Report on Form 20-F for the fiscal year ended December 31, 2014 (this Amendment) is being filed solely to amend Item 18 to include the audit report of Mazars and Ernst & Young et Autres relating to the financial statements included in Item 18 of CGG's Annual Report on Form 20-F for the fiscal year ended December 31, 2012 filed with the SEC on April 25, 2013. CGG's Annual Report on Form 20-F for the fiscal year ended December 31, 2014 (the Original Filing) was originally filed with the U.S. Securities and Exchange Commission (the SEC) on April 13, 2015.

Other than the amendment described above and updating of Item 19, no changes have been made to this or any other Items to the Form 20-F as originally filed. This Amendment continues to speak as of the date of the Original Filing and, except as described above, does not purport to amend or update the information contained in the Original Filing, or reflect any events that have occurred after the Original Filing.

Item 18: FINANCIAL STATEMENTS

The following audited financial statements of the CGG Group and related schedules, together with the reports of Ernst & Young et Autres and Ernst & Young et Autres and Mazars, are filed as part of this annual report:

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Item 19: EXHIBITS

Exhibit No	Exhibit
1.1*	English translation of our Articles of Association (statuts).
4.1	Mixed Capital Company Contract dated November 26, 2003 by and among Sercel SA, the Committee of the Hebei JunFeng Prospecting Equipment Company, the Dongfang Geological Prospecting Limited Liability Company, and the Xian General Factory for Oil Prospecting Equipment (Exhibit 10.1 to the Report on Form 6-K, dated May 13, 2004, is incorporated herein by reference).
4.2	Agreement between the Shareholders of CGG Ardiseis, dated June 23, 2006, between Industrialization & Energy Services Company (TAQA) and us (we have requested that the Commission grant confidential treatment for certain portions of this document) (Exhibit 4.22 to the Registrant's Annual Report on Form 20-F for the fiscal year ended December 31, 2006, dated May 7, 2007, is incorporated herein by reference).
4.3	Joint Venture Agreement ⁽¹⁾ relating to Seabed Geosolutions B.V. between Fugro Consultants International N.V. and CGGVeritas S.A. dated 27 January 2013 (Exhibit 4.5 to the Registrant's Annual Report on Form 20-F for the fiscal year ended December 31, 2012, dated April 25, 2013, is incorporated herein by reference).
4.4	Amendment dated February 16, 2013 ⁽¹⁾ to the Joint Venture Agreement relating to Seabed Geosolutions B.V. between Fugro Consultants International N.V. and CGGVeritas S.A. (Exhibit 4.6 to the Registrant's Annual Report on Form 20-F for the fiscal year ended December 31, 2012, dated April 25, 2013, is incorporated herein by reference).
8*	Our subsidiaries
11	Code of Ethics (Exhibit 11 to the Registrant's Annual Report on Form 20-F for the fiscal year ended December 31, 2013, dated April 10, 2014, is incorporated herein by reference).
12.1**	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002.
12.2**	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002.
13.1**	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes Oxley Act of 2002 (10 U.S.C. § 1350).
13.2**	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes Oxley Act of 2002 (10 U.S.C. § 1350).
15.1*	Consent of Ernst & Young et Autres.

* *Previously filed.*

** *Filed herewith.*

(1)

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Pursuant to the rules of the SEC, the schedules and similar attachments to the agreement have not been filed herewith. The Company agrees to furnish supplementally a copy of any omitted schedule to the SEC upon request.

The Company and its consolidated subsidiaries are party to several debt instruments under which the total amount of securities authorized does not exceed 10% of the total assets of the Company and its subsidiaries on a consolidated basis. Pursuant to paragraph 2(b)(i) of the instructions to the exhibits to Form 20-F, the Company agrees to furnish a copy of such instruments to the SEC upon request.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

CGG

(Registrant)

/s/ STEPHANE-PAUL FRYDMAN
Stéphane-Paul Frydman

Chief Financial Officer

Date: July 30, 2015

CGG

ERNST & YOUNG

1-2 place des Saisons, Paris La Défense 1
92400 Courbevoie

Report of Independent Registered Public Accounting Firm on the consolidated financial statements

To the Board of Directors and Shareholders of CGG,

We have audited the accompanying consolidated financial statements of financial position of CGG and subsidiaries as at December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive income (loss), changes in equity and cash flows for each of the years in the two-years period ended December 31, 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of CGG and subsidiaries at December 31, 2014 and 2013, and the consolidated results of its operations and its cash flows for each of the years in the two-years period ended December 31, 2014, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), CGG's internal control over financial reporting as at December 31, 2014, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) (the COSO criteria) and our report dated April 13, 2015 expressed an unqualified opinion thereon.

Paris-La Défense,

April 13, 2015

ERNST & YOUNG et Autres

Pierre Jouanne

Laurent Vitse

COMPAGNIE GENERALE DE GEOPHYSIQUE-VERITAS

ERNST & YOUNG

1-2 place des Saisons, Paris La Défense 1
92400 Courbevoie

MAZARS

Exaltis 61, rue Henri Regnault
92400 Courbevoie

Report of Independent Registered Public Accounting Firms

To the Board of Directors and Shareholders of Compagnie Générale de Géophysique Veritas SA:

We have audited the accompanying consolidated balance sheets of Compagnie Générale de Géophysique Veritas, SA and subsidiaries (the Company) as of December 31, 2012, 2011, 2010 and 2009, and the related consolidated statements of operations, comprehensive income (loss), changes in equity and cash flows for each of the three years in the period ended December 31, 2012. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2012, 2011, 2010 and 2009, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2012, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

As discussed in Note 1 to the consolidated financial statements, the Company changed its presentation currency from the euro to the U.S. dollar, effective January 1, 2012.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria) and our report dated April 25, 2013 expressed an unqualified opinion thereon.

Courbevoie and Paris La Défense, France

April 25, 2013.

MAZARS

Jean-Marc Deslandes

ERNST & YOUNG et Autres

Pierre Jouanne

Laurent Vitse

CGG

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		December 31,		
	Notes	2014	2013	2012 (restated) ⁽¹⁾
(in millions of US\$)				
ASSETS				
Cash and cash equivalents	28	359.1	530.0	1,520.2
Trade accounts and notes receivable, net	3	942.5	987.4	888.7
Inventories and work-in-progress, net	4	417.3	505.2	419.2
Income tax assets		145.9	118.1	111.7
Other current assets, net	5	126.5	175.6	139.6
Assets held for sale, net	5	38.3	37.7	393.9
Total current assets		2,029.6	2,354.0	3,473.3
Deferred tax assets	24	98.2	222.6	171.4
Investments and other financial assets, net	7	141.8	47.8	53.7
Investments in companies under equity method	8	137.7	325.8	124.5
Property, plant and equipment, net	9	1,238.2	1,557.8	1,159.5
Intangible assets, net	10	1,373.8	1,271.6	934.9
Goodwill, net	11	2,041.7	2,483.2	2,415.5
Total non-current assets		5,031.4	5,908.8	4,859.5
TOTAL ASSETS		7,061.0	8,262.8	8,332.8
LIABILITIES AND EQUITY				
Bank overdrafts	13	2.9	4.5	4.2
Current portion of financial debt	13	75.7	247.0	47.8
Trade accounts and notes payables		444.2	557.6	505.5
Accrued payroll costs		222.5	251.1	209.9
Income taxes payable		72.2	73.9	97.0
Advance billings to customers		54.4	52.4	36.0
Provisions current portion	16	106.0	73.1	21.0
Other current liabilities	12	231.8	283.9	300.2
Total current liabilities		1,209.7	1,543.5	1,221.6
Deferred tax liabilities	24	153.8	148.9	106.0
Provisions non-current portion	16	220.3	142.5	123.5
Financial debt	13	2,700.3	2,496.1	2,253.2
Other non-current liabilities	17	30.7	41.7	46.6
Total non-current liabilities		3,105.1	2,829.2	2,529.3

Common stock: 286,705,217 shares authorized and 177,065,192 shares with a 0.40 nominal value issued and outstanding at December 31, 2014

	15	92.8	92.7	92.4
Additional paid-in capital		3,180.4	3,180.4	3,179.1
Retained earnings		562.0	1,273.9	1,190.6
Other Reserves		64.7	(46.1)	(27.8)
Treasury shares		(20.6)	(20.6)	(20.6)
Net income (loss) for the period attributable to owners of CGG SA		(1,154.4)	(698.8)	75.2
Cumulative income and expense recognized directly in equity		(7.6)	(7.6)	(7.6)
Cumulative translation adjustment		(24.3)	26.0	1.9
Equity attributable to owners of CGG SA		2,693.0	3,799.9	4,483.2
Non-controlling interest		53.2	90.2	98.7
Total equity		2,746.2	3,890.1	4,581.9
TOTAL LIABILITIES AND EQUITY		7,061.0	8,262.8	8,332.8

(1) Restatement related to IAS19 revised see note 1 Change in Accounting Policies.

The accompanying notes are an integral part of the consolidated financial statements.

CGG

CONSOLIDATED STATEMENTS OF OPERATIONS

	Notes	Year		
		2014	2013	2012 (restated) ⁽⁴⁾
(in millions of US\$, except per share data)				
Operating revenues	19	3,095.4	3,765.8	3,410.5
Other income from ordinary activities	19	1.5	2.1	3.6
Total income from ordinary activities		3,096.9	3,767.9	3,414.1
Cost of operations		(2,510.8)	(2,977.2)	(2,685.4)
Gross profit		586.1	790.7	728.7
Research and development expenses net	20	(101.2)	(105.9)	(92.8)
Marketing and selling expenses		(113.9)	(118.6)	(96.0)
General and administrative expenses		(146.6)	(215.9)	(182.6)
Other revenues (expenses) net	21	(921.9)	(745.2)	(26.7)
Operating income	19	(697.5)	(394.9)	330.6
Expenses related to financial debt		(202.3)	(193.3)	(159.0)
Income provided by cash and cash equivalents		1.7	1.6	2.3
Cost of financial debt, net	22	(200.6)	(191.7)	(156.7)
Other financial income (loss)	23	(43.0)	(22.3)	(19.7)
Income (loss) of consolidated companies before income taxes		(941.1)	(608.9)	154.2
Deferred taxes on currency translation		(15.9)	9.7	
Other income taxes		(107.9)	(92.6)	(99.2)
Total income taxes	24	(123.8)	(82.9)	(99.2)
Net income (loss) from consolidated companies		(1,064.9)	(691.8)	55.0
Share of income (loss) in companies accounted for under equity method		(81.7)	0.6	37.4
Net income (loss)		(1,146.6)	(691.2)	92.4
Attributable to:				
Owners of CGG SA	\$	(1,154.4)	(698.8)	75.2
Owners of CGG SA ⁽⁵⁾		(866.1)	(527.2)	58.3
Non-controlling interests	\$	7.8	7.6	17.2
Weighted average number of shares outstanding ⁽³⁾	29	176,985,293	176,734,989	162,077,608
Dilutive potential shares from stock options	29	(1)	(1)	827,902
Dilutive potential shares from performance share plan	29	(1)	(1)	503,932
Dilutive potential shares from convertible bonds	29	(1)	(1)	(2)

Dilutive weighted average number of shares outstanding adjusted when dilutive		176,985,293	176,734,989	163,409,442
Net income (loss) per share⁽³⁾				
Basic	\$	(6.52)	(3.95)	0.46
Basic ⁽²⁾		(4.89)	(2.98)	0.36
Diluted	\$	(6.52)	(3.95)	0.46
Diluted ⁽⁴⁾		(4.89)	(2.98)	0.36

- (1) *As our net result was a loss, stock options and performance shares plans had an anti-dilutive effect; as a consequence, potential shares linked to those instruments were not taken into account in the dilutive weighted average number of shares or in the calculation of diluted loss per share.*
- (2) *Convertible bonds had an accretive effect; as a consequence, potential shares linked to those instruments were not taken into account in the dilutive weighted average number of shares or in the calculation of diluted income per share.*
- (3) *As a result of the 2012 CGG SA capital increase via an offering of preferential subscription rights to existing shareholders, the calculation of basic and diluted earnings per shares for 2012 has been adjusted retrospectively. Number of ordinary shares outstanding has been adjusted to reflect the proportionate change in the number of shares.*
- (4) *Restatement related to IAS19 revised see note 1 Change in Accounting Policies.*
- (5) *Converted at the average exchange rate of US\$1.3328, US\$1.3254 and US\$1.29 per for 2014, 2013 and 2012 respectively.*

The accompanying notes are an integral part of the consolidated financial statements.

CGG

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Year		
	2014	2013	2012 (restated) ^(a)
	(in millions of US\$)		
Net income (loss) from statements of operations	(1,146.6)	(691.2)	92.4
Other comprehensive income to be reclassified in profit (loss) in subsequent period:			
Gain (loss) on cash flow hedges	(1.8)		3.7
Income taxes	0.6		(1.3)
Net gain (loss) on cash flow hedges	(1.2)		2.4
Exchange differences on translation of foreign operations	(49.2)	25.2	27.7
Net other comprehensive income to be reclassified in profit (loss) in subsequent period (1)	(50.4)	25.2	30.1
Other comprehensive income not to be classified in profit (loss) in subsequent period:			
Gain (loss) on actuarial changes on pension plan	(13.0)	(3.8)	(18.0)
Income taxes	4.5	1.3	6.2
Net gain (loss) on actuarial changes on pension plan	(8.5)	(2.5)	(11.8)
Net other comprehensive income not to be reclassified in profit (loss) in subsequent period (2)	(8.5)	(2.5)	(11.8)
Other comprehensive income (loss) for the period, net of taxes, in companies accounted for under the equity method (3)			1.5
Total other comprehensive income (loss) for the period, net of taxes (1) + (2) + (3)	(58.9)	22.7	19.8
Total comprehensive income (loss) for the period	(1,205.5)	(668.5)	112.2
<i>Attributable to :</i>			
<i>Owners of CGG</i>	<i>(1,213.2)</i>	<i>(677.6)</i>	<i>95.0</i>
<i>Non-controlling interests</i>	<i>7.7</i>	<i>9.1</i>	<i>17.2</i>

^(a) Restatement related to IAS19 revised see note 1 Change in Accounting Policies.

Actuarial changes on pension plan are not classified to profit or loss in subsequent periods. Other components recognized in other comprehensive income are reclassified to profit or loss under certain conditions.

The accompanying notes are an integral part of the consolidated financial statements.

CGG

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Number of Shares issued	Share capital	Additional paid-in capital	Retained earnings (in millions of US\$, except share data)	Other reserves	Treasury shares	Income and expense recognized directly in equity	Cumulative Adjustment in Translation	Equity attributable to owners of CGG SA	Non- controlling interests	Total equity
Balance at January 1, 2012 (restated)^(a)	151,861,932	79.8	2,669.3	1,120.4	(17.0)	(20.6)	(11.5)	(25.8)	3,794.6	87.1	3,881.7
Capital increase	24,530,293	12.6	509.8						522.4		522.4
Dividends										(5.6)	(5.6)
Net income				75.2					75.2	17.2	92.4
Cost of share-based payment				21.5					21.5		21.5
Net gain (loss) on actuarial changes on pension plan ⁽¹⁾				(11.8)					(11.8)		(11.8)
Net gain (loss) on cash flow hedges ⁽²⁾							3.9		3.9		3.9
Exchange differences on foreign currency translation ⁽³⁾								27.7	27.7		27.7
Other comprehensive income⁽¹⁾⁺⁽²⁾⁺⁽³⁾				(11.8)			3.9	27.7	19.8		19.8
Issuance of convertible bonds, net of deferred taxes				64.1					64.1		64.1
Changes in consolidation scope and other				(3.6)	(10.8)				(14.4)		(14.4)
Balance at December 31, 2012 (restated)^(a)	176,392,225	92.4	3,179.1	1,265.8	(27.8)	(20.6)	(7.6)	1.9	4,483.2	98.7	4,581.9

(a) Restatement related to IAS19 revised see note 1 Change in Accounting Policies

	Number of Shares issued	Share capital	Additional paid-in capital	Retained earnings (in millions of US\$, except share data)	Other reserves	Treasury shares	Income and expense recognized directly in equity	Cumulative Translation adjustment	Equity attributable to owners of Non- CGG SA controlling interests	Total equity	
Balance at January 1, 2013 (restated)^(a)	176,392,225	92.4	3,179.1	1,265.8	(27.8)	(20.6)	(7.6)	1.9	4,483.2	98.7	4,581.9
Capital increase	498,641	0.3	1.3	(0.2)					1.4		1.4
Dividends										(7.5)	(7.5)
Net income				(698.8)					(698.8)	7.6	(691.2)
Cost of share-based payment				11.9					11.9		11.9
Net gain (loss) on actuarial changes on pension plan ⁽¹⁾				(2.5)					(2.5)		(2.5)
Net gain (loss) on cash flow hedges ⁽²⁾											
Exchange differences on foreign currency translation ⁽³⁾							(0.4)	24.1	23.7	1.5	25.2
Other comprehensive income⁽¹⁾⁺⁽²⁾⁺⁽³⁾				(2.5)			(0.4)	24.1	21.2	1.5	22.7
Changes in consolidation scope and other				(1.1)	(18.3)		0.4		(19.0)	(10.1)	(29.1)
Balance at December 31, 2013	176,890,866	92.7	3,180.4	575.1	(46.1)	(20.6)	(7.6)	26.0	3,799.9	90.2	3,890.1

(a) Restatement related to IAS19 revised see note 1 Change in Accounting Policies

Number of Shares	Share capital	Additional paid-in capital	Retained earnings	Other reserves	Treasury shares	Income and expense recognized directly in equity	Cumulative Translation adjustment	Equity attributable to owners of Non- CGG SA controlling interests	Total equity
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	issued	capital	recognized directly in equity	Adjustment	owners of CGG SA	interests					
(in millions of US\$, except share data)											
Balance at January 1, 2014	176,890,866	92.7	3,180.4	575.1	(46.1)	(20.6)	(7.6)	26.0	3,799.9	90.2	3,890.1
Capital increase	174,326	0.1		(0.1)							
Dividends										(7.5)	(7.5)
Net income				(1,154.4)					(1,154.4)	7.8	(1,146.6)
Cost of share-based payment				8.2					8.2		8.2
Net gain (loss) on actuarial changes on pension plan ⁽¹⁾				(8.5)					(8.5)		(8.5)
Net gain (loss) on cash flow hedges ⁽²⁾							(1.2)		(1.2)		(1.2)
Exchange differences on foreign currency translation ⁽³⁾							1.2	(50.3)	(49.1)	(0.1)	(49.2)
Other comprehensive income⁽¹⁾⁺⁽²⁾⁺⁽³⁾				(8.5)				(50.3)	(58.8)	(0.1)	(58.9)
Reimbursement of convertible bonds, net of deferred taxes				(16.3)					(16.3)		(16.3)
Exchange differences on foreign currency translation generated by the parent company						110.8			110.8		110.8
Changes in consolidation scope and other				3.6					3.6	(37.2)	(33.6)
Balance at December 31, 2014	177,065,192	92.8	3,180.4	(592.4)	64.7	(20.6)	(7.6)	(24.3)	2,693.0	53.2	2,746.2

CGG

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year		
	Notes	2014	2013	2012 (restated) ⁽¹⁾
(in millions of US\$)				
OPERATING				
Net income (loss)		(1,146.6)	(691.2)	92.4
Depreciation and amortization	28	1,031.3	1,213.0	368.0
Multi-client surveys depreciation and amortization	10, 28	565.8	398.7	340.9
Depreciation and amortization capitalized in multi-client surveys	10	(130.0)	(92.9)	(54.2)
Variance on provisions		116.1	39.6	(20.1)
Stock based compensation expenses		6.1	15.8	20.9
Net gain (loss) on disposal of fixed assets	28	(7.3)	(90.3)	(9.4)
Equity income (loss) of investees		81.7	(0.6)	(37.4)
Dividends received from investments in companies under equity method		30.7	10.0	48.2
Other non-cash items		44.8	4.5	(0.5)
Net cash including net cost of financial debt and income tax		592.6	806.6	748.8
Less net cost of financial debt		200.6	191.7	156.7
Less income tax expense		123.8	82.9	99.2
Net cash excluding net cost of financial debt and income tax		917.0	1,081.2	1,004.7
Income tax paid		(22.9)	(117.3)	(145.1)
Net cash before changes in working capital		894.1	963.9	859.6
change in trade accounts and notes receivables		7.6	46.5	(49.3)
change in inventories and work-in-progress		40.3	(46.8)	(46.7)
change in other current assets		12.8	25.5	7.1
change in trade accounts and notes payable		(73.4)	(76.9)	113.8
change in other current liabilities		(36.3)	0.5	37.8
Impact of changes in exchange rate on financial items	28	19.1	(5.0)	(1.4)
Net cash provided by operating activities		864.2	907.7	920.9
INVESTING				
Total capital expenditures (including variation of fixed assets suppliers, excluding multi-client surveys)	9	(281.9)	(347.2)	(368.8)
Investments in multi-client surveys, net cash	10	(583.3)	(479.4)	(363.8)
Proceeds from disposals of tangible & intangible assets		7.8	6.1	6.2
Total net proceeds from financial assets	28	21.5	33.7	35.4
Acquisition of investments, net of cash & cash equivalents acquired	28	(8.1)	(937.9)	(52.5)
Variation in loans granted		(50.0)	3.9	1.7
Variation in subsidies for capital expenditures		(0.9)	(1.5)	(1.2)
Variation in other non-current financial assets		1.4	2.8	(1.6)
Net cash used in investing activities		(893.5)	(1,719.5)	(744.6)

FINANCING				
Repayment of long-term debt		(1,288.1)	(481.3)	(94.8)
Total issuance of long-term debt		1,382.3	444.4	537.4
Lease repayments		(8.8)	(16.8)	(30.1)
Change in short-term loans		(0.8)	(0.4)	(1.7)
Financial expenses paid	28	(144.0)	(136.9)	(125.2)
<i>Net proceeds from capital increase:</i>				
from shareholders		0.1	1.4	514.8
from non-controlling interests of integrated companies				
<i>Dividends paid and share capital reimbursements:</i>				
to shareholders				
to non-controlling interests of integrated companies		(43.2)	(7.5)	(5.6)
Net cash provided by (used in) financing activities		(102.5)	(197.1)	794.8
Effect of exchange rates on cash		(8.7)	21.4	17.7
Impact of changes in consolidation scope		(30.4)	(2.7)	
Net increase (decrease) in cash and cash equivalents		(170.9)	(990.2)	988.8
Cash and cash equivalents at beginning of year	28	530.0	1,520.2	531.4
Cash and cash equivalents at end of period	28	359.1	530.0	1,520.2

⁽¹⁾ Restatement related to IAS19 revised see note 1 Change in Accounting Policies.

The accompanying notes are an integral part of the consolidated financial statements.

CGG

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CGG S.A. (the Company), along with its subsidiaries (together, the Group), is a global participant in the geophysical and geological services industry, providing a wide range of data acquisition, processing and interpretation services as well as related imaging and interpretation software to clients in the oil and gas exploration and production business. It is also a global manufacturer of geophysical equipment.

Given that the Company is listed on a European Stock Exchange and pursuant to European regulation n(o)1606/2002 dated July 19, 2002, the accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union at December 31, 2014.

The consolidated financial statements were authorized for issue by the Board of Directors on February 25, 2015 and are subject to the approval of our General Meeting expected to be held on May 29, 2015.

Critical Accounting Policies

Our accounting policies, which we have applied consistently, are described below. However, the accounting policies related to the accounts impacted by the judgments and estimates described below are particularly important to reflect our financial position and results of operations. As we must exercise significant judgment when we apply these policies, their application is subject to an inherent degree of uncertainty.

Those accounting policies are consistent with those used to prepare our consolidated financial statements as at December 31, 2013, except for the first adoption of the following Standards, Amendments, and Interpretations:

Amendment to IFRS7 / IAS32 Offsetting financial assets and financial liabilities

Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets

Amendments to IAS 39 Financial Instruments Novation of derivatives and continuation of hedge accounting

IFRIC 21 Levies Recognition of a liability for a levy imposed by a government (early adoption as authorized by the European Union).

The adoption of these Standards, Amendments, and Interpretations had no significant impact on the Group s financial statements. Comparative information has therefore not been restated.

The Group decided not to early adopt those Standards, Amendments and Interpretations that the European Union adopted but that were not effective as of December 31, 2014, namely:

Annual Improvements (2010-2012)

Annual Improvements (2011-2013)

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

At the date of issuance of these consolidated financial statements, the following Standards, Amendments, and Interpretations were issued but not yet adopted by the European Union and were not effective:

IFRS 9 Financial instrument classification and valuation of financial assets

Annual Improvements (2012-2014)

Amendment to IFRS11 Acquisition of an interest in a joint operation

Amendments to IAS16 & IAS38 Clarification of Acceptable Methods of Depreciation and Amortization

IFRS15 Revenue from Contracts with Customers

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Amendments to IAS 1 Disclosure initiative

We are currently reviewing these Standards, Amendments, and Interpretations to assess their potential impact on our consolidated financial statements.

Application of IAS19 revised Employee benefits

Starting January 1, 2013, we applied IAS19 revised Employee benefits. As the application of this new standard was a change of accounting policy, all comparative financial information was restated to present comparative amounts for each period presented as if the new accounting policy had always been applied:

- Unvested past services costs are recognized immediately if the benefits have vested immediately following the introduction of, or changes to, a pension plan.
- Discounting effects are calculated on the amount of the net defined benefit liability. Interests in the profit and loss are calculated using the discount rate used to measure the defined benefit obligation. Changes in actual return are shown in Other comprehensive income .
- The Group recognizes actuarial gains and losses in other comprehensive income (OCI).

The adjustments resulting from the application of this standard were as follows:

(in millions of US\$)	December 2012
Increase in employee benefit liability	15.9
Decrease in deferred tax liability	(5.9)
Net increase in the profit before tax of the year	1.5
Net increase in tax expense of the year	(0.5)
Impact on net income	1.0
Impact on retained earnings and cumulative translation adjustment	(11.0)
Total impact on equity	(10.0)
Attributable to:	

Owners of CGG SA

(10.0)

Non-controlling interests

This had no impact on statement of cash flows. The impact on the basic and diluted net income per share was not significant.

Estimates

The preparation of consolidated financial statements in accordance with IFRS requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from those estimates due to the change in economic conditions, changes in laws and regulations, changes in strategy and the inherent imprecision associated with the use of estimates.

Key judgments and estimates used in the financial statements are summarized in the following table:

Note	Judgments and estimates	Key assumptions
Note 2	Fair value of assets and liabilities acquired through purchase accounting	Pattern used to determine the fair value of assets and liabilities
Note 3	Recoverability of client receivables	Assessment of clients' credit default risk
Notes 7 and 8	Valuation of investments	Financial assets fair value Equity method companies fair value
Note 10	Amortization and impairment of multi-client surveys	Expected margin rate for each category of surveys Expected useful life of multi-client surveys
Note 10	Depreciation and Amortization of tangible and intangible assets	Assets useful lives
Note 11	Recoverable value of Goodwill and intangible assets	Expected geophysical market trends Discount rate (WACC)
Note 16	Post-employment benefits	Discount rate Participation rate to post employment benefit plans Inflation rate
Note 16	Provisions for restructuring and onerous contracts	Assessment of future costs related to restructuring plans and onerous contracts
Note 16	Provisions for risks, claims and litigations	Assessment of risks considering courts ruling and attorneys positions
Note 19	Revenue Recognition	Contracts completion rates Assessment of fair value of customers loyalty programs Assessment of fair value of contracts identifiable parts
Note 20	Development costs	Assessment of future benefits of each project
Note 24	Deferred tax assets	Hypothesis supporting the achievement of future taxable benefits

Changes in estimates

In 2013, the useful life of our Sentinel solid streamers was reassessed from seven to six years. Accordingly, we calculated depreciation expenses over the revised useful life for the remaining periods. This change was applied prospectively and did not affect previous years. The effect of this change for the twelve months ended December 31, 2013 was as follows:

Increase in depreciation expenses in operating income of US\$13.3 million,

Decrease in the carrying amount of property, plant and equipment of US\$13.3 million

1 Basis of consolidation

Our consolidated financial statements include CGG SA and all its subsidiaries.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which we obtain control, and continue to be consolidated until the date when such control ceases. Control is achieved when we are exposed or have rights to variable returns from our involvement with the investee and have the ability to affect

those returns through our power over the investee. When we have less than a majority of the voting or similar rights of an investee, we consider all relevant facts and circumstances in assessing whether we have power over the investee, including contractual arrangements with the other holders or potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If we lose control over a subsidiary, we:

derecognize the assets (including goodwill) and liabilities of the subsidiary,

derecognize the carrying amount of any non-controlling interest,

derecognize the cumulative translation differences, recorded in equity,

recognize the fair value of the consideration received,

recognize the fair value of any investment retained,

recognize any surplus or deficit in profit or loss, and

reclassify the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

We use the equity method for investments classified as joint venture. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

2 Foreign currency

Effective January 1, 2012, we changed the presentation currency of our consolidated financial statements from the euro to the US dollar to better reflect the profile of our revenues, costs and cash-flows, which are primarily generated in US dollars, and hence, to better present the financial performance of the Group.

The financial statements of all of our subsidiaries are maintained in the local currency, with the exception of the financial statements of subsidiaries for which the functional currency is different. In those subsidiaries, the functional currency is the currency in which they primarily conduct their business. Goodwill attributable to subsidiaries is accounted for in the functional currency of the applicable entities.

When translating the financial statements of subsidiaries to US dollars, year-end exchange rates are applied to the statement of financial position items, while average annual exchange rates are applied to income statement items. Adjustments resulting from this process are recorded in a separate component of shareholders' equity.

With respect to affiliates accounted for using the equity method, the effects of exchange rates changes on the net assets of the affiliate are recorded in a separate component of shareholders' equity.

Transactions denominated in currencies other than the functional currency of a given entity are recorded at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies other than the functional currency are revalued at year-end exchange rates and any resulting unrealized exchange gains and losses are included in income. Unrealized exchange gains and losses arising from monetary assets and liabilities for which settlement is neither planned nor likely to occur in the foreseeable future are recorded in a separate component of shareholder's equity.

3 Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, we measure the non-controlling interest in the acquiree either at fair value or at the proportionate share in the recognized amounts of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss. Any contingent consideration to be transferred by us will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be a financial instrument will be recognized in accordance with IAS 39 either in profit or loss or as a change in other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity. Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred measured at fair value and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed.

If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

4 Operating revenues

Operating revenues are recognized when they can be measured reliably, and when it is likely that the economic benefits associated with the transaction will flow to the entity, which is at the point that such revenues have been realized or are considered realizable.

Multi-client surveys

Revenues related to multi-client surveys result from (i) pre-commitments and (ii) licenses after completion of the surveys (after-sales).

Pre-commitments Generally, we obtain commitments from a limited number of customers before a seismic project is completed. These pre-commitments cover part or all of the survey area blocks. In return for the commitment, the customer typically gains the right to direct or influence the project specifications, advance access to data as it is being acquired, and favorable pricing. We record payments that we receive during periods of mobilization as advance billing in the statement of financial position in the line item "Advance billings to customers".

We recognize pre-commitments as revenue when production has started based on the physical progress of the project, as services are rendered.

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After sales Generally, we grant a license entitling non-exclusive access to a complete and ready for use, specifically defined portion of our multi-client data library in exchange for a fixed and determinable payment. We recognize after sales revenue upon the client executing a valid license agreement and being granted access to the data.

In case after sales agreements contain multiple deliverable elements, the revenue is allocated to the various elements based on specific objective evidence of fair value, regardless of any separate allocations stated within the contract for each element. Each element is appropriately accounted for under the applicable accounting standard.

After sales volume agreements We enter into a customer arrangement in which we agree to grant licenses to the customer for access to a specified number of blocks of the multi-client library. These arrangements typically enable the customer to select and access the specific blocks for a limited period of time. We recognize revenue when the blocks are selected and the client has been granted access to the data and if the corresponding revenue can be reliably estimated.

Exclusive surveys

In exclusive surveys, we perform seismic services (acquisition and processing) for a specific customer. We recognize proprietary/contract revenues as the services are rendered. We evaluate the progress to date, in a manner generally consistent with the physical progress of the project, and recognize revenues based on the ratio of the project cost incurred during that period to the total estimated project costs as far as they can reliably be assessed.

The billings and the costs related to the transit of seismic vessels at the beginning of the survey are deferred and recognized over the duration of the contract by reference to the technical stage of completion.

In some exclusive survey contracts and a limited number of multi-client survey contracts, we are required to meet certain milestones. We defer recognition of revenue on such contracts until all milestones that provide the customer a right of cancellation or refund of amounts paid have been met.

Equipment sales

We recognize revenues on equipment sales upon delivery to the customer when risks and rewards are fully transferred. Any advance billings to customers are recorded in current liabilities.

Software and hardware sales

We recognize revenues from the sale of software and hardware products following acceptance of the product by the customer at which time we have no further significant vendor obligations remaining. Any advance billings to customers are recorded in current liabilities.

If an arrangement to deliver software, either alone or together with other products or services, requires significant production, modification, or customization of software, the entire arrangement is accounted for as a production-type contract, i.e. using the percentage of completion method.

If the software arrangement provides for multiple deliverables (e.g. upgrades or enhancements, post-contract customer support such as maintenance, or services), the revenue is allocated to the various elements based on specific objective evidence of fair value, regardless of any separate allocations stated within the contract for each element. Each element is appropriately accounted for under the applicable accounting standard.

Maintenance revenues consist primarily of post contract customer support agreements and are recorded as advance billings to customers and recognized as revenue on a proportional performance basis over the contract period.

Other geophysical sales/services

Revenues from our other geophysical sales/services are recognized as the services are performed and, when related to long-term contracts, using the proportional performance method of recognizing revenues.

Customer loyalty programs

We may grant award credits to our main clients. These award credits are contractually based on cumulative services provided during the calendar year and attributable to future services.

These credits are considered as a separate component of the initial sale and measured at their fair value by reference to the contractual rates and the forecasted cumulative revenues for the calendar year. These proceeds are recognized as revenue only when the obligation has been fulfilled.

5 Cost of net financial debt

Cost of net financial debt includes expenses related to financial debt, composed of bonds, the debt component of convertible bonds, bank loans, capital-lease obligations and other financial borrowings, net of income provided by cash and cash equivalents.

Borrowing costs are capitalized for all eligible assets.

6 Income taxes and deferred taxes

Income taxes includes all tax based on taxable profit.

Deferred taxes are recognized on all temporary differences between the carrying value and the tax value of assets and liabilities, as well as on carry-forward losses, using the balance sheet liability method. Deferred tax assets are recognized only when the recovery is considered as probable.

Deferred tax liabilities are recognized on intangible assets identified and recognized as part of business combinations (technological assets, customer relationships).

Deferred tax assets and deferred tax liabilities are not discounted.

7 Intangible and tangible assets

In accordance with IAS 16 Property, Plant and equipment and IAS 38 Intangible assets only items for which cost can be reliably measured and for which the future economic benefits are likely to flow to us are recorded in our consolidated financial statements.

Property, plant and equipment

Property, plant and equipment are valued at historical cost less accumulated depreciation and impairment losses. Depreciation is generally calculated over the following useful lives:

equipments and tools

3 to 10 years

vehicles	3 to 5 years
aircrafts	5 to 10 years
seismic vessels	12 to 30 years
buildings for industrial use	20 years
buildings for administrative and commercial use	20 to 40 years

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Depreciation expense is determined using the straight-line method.

We include residual value, if significant, when calculating the depreciable amount. We segregate tangible assets into their separate components if there is a significant difference in their expected useful lives, and depreciate them accordingly.

Lease agreements

Assets under a finance lease agreement or a long-term lease agreement that transfers substantially all the risks and rewards incidental to ownership to the Group are accounted for as fixed assets at the commencement of the lease term, at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability and the finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Assets under finance lease are depreciated over the shorter of its useful life and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term. Depreciation is determined on the same basis as owned-assets and is included in depreciation expense.

Rent payments under operating leases are recognized as operating expenses on a straight-line basis over the lease term.

Goodwill

Goodwill is determined according to IFRS 3 Revised Business Combinations. Goodwill is not amortized but subject to an impairment test at least once a year at the statement of financial position date.

Multi-client surveys

Multi-client surveys consist of seismic surveys to be licensed to customers on a non-exclusive basis. All costs directly incurred in acquiring, processing and otherwise completing seismic surveys are capitalized into the multi-client surveys (including transit costs when applicable). The value of our multi-client library is stated on our statement of financial position at the aggregate of those costs less accumulated amortization or at fair value if lower. We review the library for potential impairment at each statement of financial position date at the relevant level (independent surveys or groups of surveys).

Multi-client surveys are classified into a same category when they are located in the same area with the same estimated sales ratio, and such estimates generally rely on the historical patterns.

We amortize the multi-client surveys over the period during which the data is expected to be marketed using an amortization rate applied to recognized revenues.

Depending on the category of the survey, we generally use amortization rates from 50% to 80 % corresponding to the ratio of total estimated costs over total estimated sales, unless specific indications lead to apply a different rate.

For all categories of surveys, starting from data delivery, a minimum straight-line depreciation scheme is applied over a five-year to seven-year period, if total accumulated depreciation from the applicable amortization rate is below this equivalent minimum level.

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Development costs

Expenditures on research activities undertaken with the prospect of gaining new scientific or technological knowledge and understanding are recognized in the income statement as expenses as incurred and are presented as Research and development expenses net . Expenditures on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, are capitalized if:

the project is clearly defined, and costs are separately identified and reliably measured,

the product or process is technically and commercially feasible,

we have sufficient resources to complete development, and

the intangible asset is likely to generate future economic benefits, either because it is useful to us or through an existing market for the intangible asset itself or for its products.

The expenditures capitalized include the cost of materials, direct labor and an appropriate proportion of overhead. Other development expenditures are recognized in the income statement as expenses as incurred and are presented as Research and development expenses net .

Capitalized development expenditures are stated at cost less accumulated amortization and impairment losses.

Capitalized developments costs are amortized over 5 years.

Research and development expenses in our income statement represent the net cost of development costs that are not capitalized, of research costs, offset by government grants acquired for research and development.

Other intangible assets

Other intangible assets consist primarily of customer relationships, technology and trade name acquired in business combinations. Customer relationships are generally amortized over periods ranging from 10 to 20 years and acquired technology are generally amortized over periods ranging from 5 to 10 years.

Impairment

The carrying values of our assets (excluding inventories, assets arising from construction contracts, non-current assets classified as held for sale in accordance with IFRS 5, deferred tax assets, assets arising from employee benefits and financial assets) are reviewed at each statement of financial position date or if any indication exists that an asset may be impaired, in compliance with IAS 36 Impairment of assets . Factors we consider important that could trigger an impairment review include the following:

significant underperformance relative to expected operating results based upon historical and/or projected data,

significant changes in the manner of our use of the tested assets or the strategy for our overall business, and

significant negative industry or economic trends.

The recoverable amount of tangible and intangible assets is the greater of their net fair value less costs of disposal and value in use.

Goodwill, assets that have an indefinite useful life and intangible assets are allocated to cash generating units or groups of cash generating units. We estimate the recoverable amount of these cash generating units at each statement of financial position closing date and whenever any indication exists that the cash generating unit may be impaired.

We determine the value in use by estimating future cash flows expected from the assets or from the cash generating units, discounted to their present value using the sector weighted average cost of capital (WACC) estimated on a yearly basis by the Group. When the recoverable value retained is a fair value less cost of disposal, the fair value is determined by reference to an active market.

We recognize an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Impairment losses are recognized in the statement of operations. Impairment losses recognized in respect of a group of non-independent assets allocated to a cash-generating unit are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis provided that the carrying amount of an individual asset is not reduced below its value in use or fair value less costs of disposal.

A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the income statement unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

Impairment losses recognized on goodwill cannot be reversed.

Assets held for sale

Assets classified as assets held for sale correspond to non-current assets for which the net book value will be recovered by a sale rather than by their use in operations. Assets held for sale are valued at the lower of historical cost and fair value less cost to sell.

8 *Investments and other financial assets*

Investments and other financial assets include investments in non-consolidated entities, loans and non-current receivables.

Investments in companies under equity method

Under the equity method, the investments in our associates or joint ventures are carried in the statement of financial position at cost plus post acquisition changes in our share of net assets of the associates or joint ventures. Goodwill relating to the associates is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

After application of the equity method, we determine whether it is necessary to recognize an additional impairment loss on our investment in the associates. We determine at each reporting date whether there is any objective evidence that the investments in our associates are impaired. If this is the case we calculate the amount of impairment as the difference between the recoverable amount of the associates and their carrying value and recognize the amount in the share of profit of an associate in the statement of operations.

Upon loss of significant influence over the associate, we measure and recognize any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss.

From the date when an investment ceases to be an associate or a joint venture and becomes a financial asset we discontinue the use of the equity method. The retained interests are measured at fair value. We recognize in profit or loss any difference between (i) the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture; and (ii) the carrying amount of the investment at the date the equity method was discontinued.

Investments in non-consolidated entities

In accordance with IAS 39 Financial instruments , we classify investments in non-consolidated entities as available-for-sale and therefore present them on the statement of financial position at their fair value. The fair value for listed securities is their market price at the statement of financial position date. If a reliable fair value cannot be established, securities are valued at historical cost.

Gains or losses on disposal of impaired investments in non-consolidated entities classified as available for sale are not recognized through profit and loss.

Loans and non-current receivables

Loans and non-current receivables are accounted for at amortized cost.

Impairment

We examine available-for-sale securities and other financial assets at each statement of financial position date to detect any objective evidence of impairment. Where this is the case, we record an impairment loss in the statement of operations.

Where there is objective evidence of impairment of an investment in a non-consolidated entity (for instance in case of significant or prolonged decline of the value of the asset) we record an irreversible impairment loss in the statement of operations.

Derecognition

We derecognize a financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) when:

The rights to receive cash flows from the asset have expired, or

We have transferred the rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement; and either (a) we have transferred substantially all the risks and rewards of the asset, or (b) we have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

When we have transferred the rights to receive cash flows from an asset, we evaluate if and to what extent we have retained the risks and rewards of ownership. When we have neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of our continuing involvement in the asset. In that case, we also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that we have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that we could be required to repay.

9 Treasury shares

We value treasury shares at their cost, as a reduction of shareholders' equity. Proceeds from the sale of treasury shares are included in shareholders' equity and have no impact on the statement of operations.

10 Inventories

We value inventories at the lower of cost (including direct production costs where applicable) and net realizable value.

We calculate the cost of inventories on a weighted average price basis for our Equipment segment and on a first-in first-out basis for Acquisition and Geology, Geophysics & Reservoir (GGR) segments.

The additions and deductions in valuation allowances for inventories and work-in-progress are presented in the consolidated statements of operations as Cost of sales .

11 Trade accounts and Notes receivable

In the Acquisition and Geology, Geophysics & Reservoir (GGR) segments, customers are generally large national or international oil and gas companies, which management believes reduces potential credit risk.

In the Equipment segment, a significant portion of sales is paid by irrevocable letters of credit.

The Group maintains an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, historical trends and other information. Credit losses have not been material for the periods presented and have consistently been within management's expectations.

Recoverable costs and accrued profit not billed comprise amounts of revenue recognized under the percentage of completion method on contracts for which billings had not been presented to the contract owners. Such unbilled accounts receivable are generally billed over the 30 or 60 days after services have been delivered.

12 Provisions

We record a provision when the Group has a present obligation (legal or constructive) as a result of a past event for which it is probable that an outflow of resources embodying economic benefits (that can be reliably determined) will be required to settle the obligation.

Onerous contracts

We record a provision for onerous contracts equal to the excess of the unavoidable costs of meeting the obligations under the contract over the economic benefits expected to be received under it, as estimated by the Group.

Pension, post-employment benefits and other post-employment benefits

We record obligations for contributions to defined contribution pension plans as an expense in the income statement as incurred. We do not record any provision for such plans as we have no further obligation.

Our net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. We

perform the calculation by using the projected unit credit method.

That benefit is discounted to determine its present value, and the fair value of any plan assets is deducted.

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Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. Interest is recorded in the profit and loss.

Unvested past services costs are recognized immediately if the benefits have vested immediately following the introduction of, or changes to, a pension plan.

We record actuarial gains and losses on defined benefits plans directly in equity.

13 Financial debt

Financial debt is accounted for:

As at the date of issuance, at the fair value of the consideration received, less issuance fees and/or issuance premium;

Subsequently, at amortized cost, corresponding to the fair value at which it is initially recognized, less repayments at the nominal amount and increased or decreased for the amortization of all differences between this original fair value recognized and the amount at maturity; differences between the initial fair value recognized and the amount at maturity are amortized using the effective interest rate method.

14 Convertible debt

The Company recognizes separately the components of a convertible debt respectively a financial liability and an option to the holder of the instrument to convert it into an equity instrument of the company.

The Company first determines the carrying amount of the liability component by measuring the fair value of a similar liability (including any embedded non-equity derivative features) that does not have an associated equity component.

The carrying amount of the equity instrument represented by the option to convert the instrument into ordinary shares is then determined by deducting the fair value of the financial liability from the fair value of the compound financial instrument as a whole. The carrying amount is presented net of associated deferred taxes.

The sum of the carrying amounts assigned to the liability and equity components on initial recognition is always equal to the fair value that would be ascribed to the instrument as a whole.

15 Derivative financial instruments

We use over-the-counter derivative financial instruments to hedge our exposure to foreign exchange fluctuations from operational, financing and investment activities denominated in a currency different from the functional currency. In accordance with our treasury policy, we do not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments in Other

financial income (loss) .

Over-the-counter derivatives are entered into in the frame master agreements that provide a right of set-off in the event of default, insolvency or bankruptcy of one of the parties to the agreement (those netting agreements do not fulfill IAS 32 criteria to offset the fair value of derivatives on the balance sheet).

Exchange gains or losses on foreign currency financial instruments that represent the efficient portion of an economic hedge of a net investment in a foreign subsidiary are reported as translation adjustments in shareholder s equity under the line item Cumulative translation adjustments , the inefficient portion being recognized in the statement of operations. The cumulative value of foreign exchange gains and losses recognized directly in equity will be transferred to statement of operations when the net investment is sold.

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Derivative financial instruments are stated at fair value.

The gain or loss on reassessment to fair value is recognized immediately in the statement of operations. However, where derivatives qualify for cash flow hedge accounting, we account for changes in the fair value of the effective portion of the hedging instruments in shareholder's equity. The ineffective portion is recorded in Other financial income (loss). Amounts recorded in other comprehensive income are reclassified into the statement of operations when the hedged risks impact the statement of operations.

16 Cash flow statement

The cash flows of the period are presented in the cash flow statement within three activities: operating, investing and financing activities:

Operating activities

Operating activities are the principal revenue-producing activities of the entity and other activities that are not investing or financing activities.

Investing activities

Investing activities are the acquisition and disposal of long-term assets and other investments not included in cash equivalents. When a subsidiary is acquired, a separate item, corresponding to the consideration paid net of cash and cash equivalents held by the subsidiary at the date of acquisition, provides the cash impact of the acquisition.

Investments in multi-client surveys are presented net of depreciation and amortization capitalized in multi-client surveys, in order to reflect actual cash outflows. Depreciation and amortization capitalized in multi-client surveys are also restated in operating activities.

Financing activities

Financing activities are activities that result in changes in the size and composition of the contributed equity and borrowings of the entity.

They include the cash impact of financial expenses.

The financial expenses paid include mainly fees and interests related to the Senior Notes, the convertible bonds and other facilities.

Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less that are readily convertible to known amounts of cash.

17 Share-based payments, including stock options

Employees (including senior executives) of the Group receive remuneration in the form of share-based payments. These rights can be settled either in equity (equity-settled transactions) or in cash (cash-settled transactions).

Equity-settled transactions

We include stock options granted to employees in the financial statements using the following principles: the stock option's fair value is determined on the grant date and is recognized in personnel costs, with a corresponding increase in equity, on a straight-line basis over the period between the grant date and the end of the vesting period. We calculate stock option fair value using the Black-Scholes mathematical model.

Cash-settled transactions

The cost of cash-settled transactions is measured initially at the grant date using a binomial model. A provision is recognized over the period until the vesting date. This liability is re-measured to fair value at each reporting date up to and including the settlement date, which changes in fair value recognized in the statement of operations.

18 Grants

Government grants, including non-monetary grants at fair value, are not recognized until there is reasonable assurance that the entity will comply with the conditions of the grant and that the grants will be received.

Government grants are recognized as income over the periods necessary to match them with the related costs which they are intended to compensate. They are presented as a reduction of the corresponding expenses in the item Research and development expenses, net in the statement of operations.

Refundable grants are presented in the statement of financial position as Other non-current liabilities .

19 Earnings per share

Basic per share amounts are calculated by dividing net income for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net income attributable to ordinary equity holders of the Company and adjusted for the after-tax amounts of preference dividends, differences arising on the settlement of preferences shares, and other similar effects of preference shares classified as equity, by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of convertible bonds, the exercise of stock options and shares from performance share plans.

NOTE 2 ACQUISITIONS AND DIVESTITURES

During 2014

Framework agreement with Industrialization & Energy Services Company (TAQA) and sale of 2% of Ardiseis FZCO

On December 31, 2013, CGG and TAQA entered into a Framework Agreement which strengthens and extends their historical and long-term partnership in the Middle East.

CGG and TAQA are shareholders of two joint ventures in the Middle East: Argas, a Saudi company established in 1966, covering geophysical activities in the Kingdom of Saudi Arabia (KSA), of which TAQA owns 51% and CGG owns 49%; Ardiseis, a company established in 2006 in Dubai, covering land and shallow water data acquisition activities in the rest of the Middle East, of which CGG owns 51% and TAQA 49%.

Through the Framework Agreement, Argas would become the sole shareholder of Ardiseis, with Argas and Ardiseis pooling all their resources to create a more efficient and powerful combined Argas Group. The new Argas group would have a stronger capital base, would cover a larger business scope, and would be 51% owned by TAQA and 49% owned by CGG.

In relation with this agreement, net assets of Ardiseis were reclassified in Assets held for sales for an amount of US\$22 million as of December 31, 2013 (see note 5).

In June 2014, CGG and Industrialization & Energy Services Company (TAQA) signed a share sale and purchase agreement under which CGG Services UK Ltd, a subsidiary of CGG, sold 2% of the share capital of Ardiseis FZCO to TAQA for a total consideration of US\$1.2 million. As a result of the transaction, CGG owns 49% of Ardiseis FZCO and does not control the company any longer. From June 30, 2014, Ardiseis FZCO is no longer fully consolidated in our consolidated financial statements but is accounted for under the equity method.

The net gain arising from this transaction amounts to US\$11.9 million and is recorded in the line item Other revenues (expenses), net in the 2014 consolidated statement of operations.

Agreement with Geokinetics Inc.

On September 30, 2014 CGG sold its North American land contract assets and activities to Geokinetics Inc. against a minority equity stake in this company. Our stake in Geokinetics has been presented as a non-consolidated investment for US\$49 million in our statement of financial position since this date and is measured at its fair value (see note 7). The net gain arising from this transaction is not significant.

Agreement with Alcatel-Lucent

On October 20, 2014, Sercel and Alcatel-Lucent Submarine Networks (ASN) have signed a binding agreement for the sale of Optoplan AS, a fully consolidated subsidiary of CGG for a total consideration of US\$20.7 million. The closing of the transaction was completed on October 31, 2014.

Purchase option over Geomar SAS with Louis Dreyfus Armateurs group (LDA)

On November 27, 2013, we agreed with LDA to exercise a purchase option on the shares held by LDA in Geomar SAS, the company owning the CGG Alizé vessel. This purchase took effect on April 1, 2014.

This transaction had no impact on the consolidation method of this subsidiary which remains fully consolidated. The change of ownership interests was accounted for as an equity transaction as of December 31, 2013.

During 2013

Acquisition of Fugro's Geoscience Division

Pursuant to the terms of a Sale and Purchase Agreement (the SPA) between the Company and Fugro NV (Fugro) dated September 24, 2012, we agreed to acquire (the Acquisition) most of the Geoscience division of Fugro, i.e.:

Fugro-Geoteam (specializing in marine streamer seismic data acquisition);

Fugro Seismic Imaging (specializing in seismic data processing services);

Fugro Geophysical and Geological Services (specializing in geographical exploration services);

De Regt Marine Cables (specializing in high-end cables and umbilicals); and

as well as all related entities and assets, but excluding Fugro's multi-client library and ocean bottom nodes (OBN) activity (the acquired activities are referred to herein as the Geoscience Division).

The Parties had also agreed to establish certain strategic partnerships with Fugro, in particular, to:

Establish a joint venture with Fugro, Seabed Geosolutions BV, to which Fugro would contribute its OBN activity and we would contribute our shallow water, ocean bottom cable (OBC) and OBN activities; and

Enter into certain commercial agreements with Fugro, including (i) a non-exclusive selling and marketing agreement with respect to Fugro's multi-client library, (ii) a technological and commercial agreement providing reciprocal preferred supplier status and (iii) a transitional services agreement (together, the Commercial Agreements).

On January 31, 2013, we completed the acquisition with the exception of the Airborne activity and certain minor assets for which the acquisition took place on September 2, 2013, upon obtaining the main administrative authorizations.

The total purchase price, amounted to US\$1,572 million, leading to a goodwill of US\$721 million.

This transaction was financed with the net proceeds of a 414 million capital increase with the rights issue we conducted in October 2012 (see note 15), with the net proceeds of the 360 million convertible bonds we issued in November 2012 (see note 13), and with a vendor loan from Fugro which was agreed upon to achieve a rapid closing. This vendor loan amounted to 125 million at the closing date, and was extended to 225 million at the date of effective acquisition of the airborne activity.

As of December 31, 2013, we paid a total net consideration of US\$933.0 million for the whole Fugro transaction, after final adjustments, notably for actual levels of working capital, indebtedness and cash position. Moreover, half of the vendor loan is repaid.

Based on the financial information related to entities we acquired (Fugro Geoscience Division, excluding multi-client survey), the Group operating revenues in 2013 would have been US\$3,875.8 million if the acquisition had taken place on January 1, 2013. The impact on the net income (loss) would have been not significant.

The amounts of net assets acquired and liabilities assumed recognized at the acquisition date are as follows:

	Fair value (in millions of US\$)
Cash & cash equivalents	28
Current assets (liabilities), net	39
Vessels and fixed assets, net ⁽¹⁾	625
Other non-current assets, net	12
Intangible assets, net ⁽¹⁾	94
Customer relationships (weighted-average life of 14 years)	53
Multi-client geological data library (maximum life of 7 years) ⁽²⁾	39
Financial debt	(4)
Non-current liabilities	(35)
Total identifiable net assets acquired	851
Goodwill	721
Purchase price consideration	1,572

⁽¹⁾ The fair values of two vessels and their related equipment and technologies were determined by using comparable market data.

⁽²⁾ The fair value of the Robertson's geological data library was determined by using a relief from royalty approach. The goodwill recognized included intangible assets that did not qualify for separate recognition such as assembled workforce and synergies expected between the business lines of our GGR segment that resulted from the acquisition

(see note 19). None of the goodwill recognized is expected to be deductible for income tax purposes.

Creation of the joint venture Seabed Geosolutions BV

The signing of the joint venture Seabed Geosolutions BV between CGG and Fugro took place on February 16, 2013. We hold 40% of the share-capital of Seabed Geosolutions BV. We have accounted for Seabed Geosolutions BV using the equity method since then.

The following table summarizes the consideration received for the contribution of our Shallow water and OBC businesses and the carrying value of the assets contributed:

	(in millions of US\$)
Consideration received	
Credit note ⁽¹⁾	281
Fair value of our shares in Seabed Geosolutions BV ⁽²⁾	217
Total consideration received	498
Carrying value of the contributed assets and liabilities	
Cash	9
Goodwill	313
Other assets and liabilities	91
Total carrying value of the contributed assets and liabilities	413
Net gain realized	85

(1) This related to the amount due by Fugro and offsets partially the gross cash paid for the acquisition of the Fugro Geoscience Division (see above)

(2) The fair value of our shares in Seabed Geosolutions BV was assessed using a multi-criteria approach based on the present value of discount cash flows and market multiples derived from a set of comparable transactions.

The net gain of US\$84.5 million arising from our contribution to this entity was recorded in the line item Other revenues (expenses) net in our statement of operations.

As of December 31, 2012, in accordance with the terms of the SPA and especially the establishment of the joint venture Seabed Geosolutions BV, we reclassified the contributed assets for US\$76.4 million in assets held for sale in our statement financial position. We also reclassified the goodwill corresponding to contributed businesses for US\$300 million (see note 5).

Creation of a ship management joint venture with Louis Dreyfus Armateurs group (LDA)

On April 16, 2013, CGG and Louis Dreyfus Armateurs Group (LDA) created a ship management joint venture, Geofield Ship Management Services SAS, in which we own 50%. The new joint venture provides maritime ship management services for CGG's high-capacity 3D seismic vessels. We account for this entity using the equity method since then.

Sale of the Company's shareholding interest in Spectrum ASA

During the year ended December 31, 2012, we sold an 18.82% stake in Spectrum ASA and we recognized a gain amounting to US\$15 million in the line item Other revenues (expenses) of our statement of operations. Our remaining shareholding interest as of December 31, 2012 represented 10.14% of Spectrum ASA. Spectrum ASA was accounted under the equity method in our financial statements as we had one member attending the Board of Directors.

On February 20, 2013, we sold all of the remaining shares we held in Spectrum ASA at NOK 47.50 per share. We recognized a US\$19.8 million gain recorded in the line item Other revenues (expenses) net in our consolidated statement of operations.

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During 2012***Geophysical Research Corporation***

On January 17, 2012, Sercel acquired the assets of Geophysical Research Corporation, LLC (GRC). Headquartered in Tulsa, Oklahoma (USA), and established in 1925 by Amerada Petroleum Corporation, GRC is a leading provider of downhole sensors and gauges for the oil and gas industry. The purchase price amounted to US\$66 million, including an earn-out of US\$17 million, and after allocation of the purchase price, we recorded a final goodwill of US\$23 million.

GRC is fully consolidated in our financial statements since January 17, 2012.

PTSC CGGV Geophysical Survey Company Limited

On March 27, 2012, we contributed the seismic vessel *Amadeus*, a high capacity 3D seismic vessel, to our newly established joint venture PTSC CGGV Geophysical Survey Company Limited while PTSC contributed the *Binh Minh II*, a 2D seismic vessel. The joint venture is 51% owned by PTSC and 49% owned by CGG. The company is accounted under the equity method in our financial statements since this date.

NOTE 3 TRADE ACCOUNTS AND NOTES RECEIVABLE

Analysis of trade accounts and notes receivables by maturity is as follows:

	December 31,		
	2014	2013	2012
	(in millions of US\$)		
			(restated)
Trade accounts and notes receivable gross current portion	651.9	751.1	600.4
Less: allowance for doubtful accounts current portion	(34.7)	(29.6)	(23.8)
Trade accounts and notes receivables net current portion	617.2	721.5	576.6
Trade accounts and notes receivable gross non-current portion	3.0	5.2	9.6
Less: allowance for doubtful accounts non-current portion		(1.0)	(0.5)
Trade accounts and notes receivables net non-current portion	3.0	4.2	9.1
Recoverable costs and accrued profit, not billed	322.3	261.7	303.0
Total accounts and notes receivables	942.5	987.4	888.7

In 2013, net trade accounts and notes receivable acquired in Fugro Geoscience Division amounted to US\$192.3 million. In 2012, we reclassified trade accounts and note receivables to be contributed to the joint venture Seabed Geosolutions BV for US\$11 million in assets held for sale .

The non-current receivables relate to our Equipment segment as of December 31, 2014, 2013 and 2012.

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Allowances for doubtful accounts only relate to overdue receivables as of December 31, 2014.

As of December 31, 2014 the ageing analysis of net trade accounts and notes receivables is as follows:

	Not past due	30 days	30 - 60 days	60 - 90 days	90 - 120 days	> 120 days	Total
2014	326.9	100.6	45.4	48.3	10.6	88.4	620.2
2013	445.3	99.9	71.6	18.6	12.6	77.7	725.7
2012	340.8	103.4	16.8	42.3	13.1	69.3	585.7

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Litigation

On March 18, 2013, CGG Services SA, a fully owned subsidiary of CGG SA, initiated arbitration proceedings against ONGC, an Indian company, to recover certain unpaid amounts under three commercial contracts entered into by the two entities between 2008 and 2010. The proceedings are on-going. We believe that this arbitration proceeding will allow us to recover the receivables that are recorded on our statement of financial position as unpaid receivables as of December 31, 2014.

Factoring agreements

In 2014, 2013 and 2012, we entered into several factoring agreements with various banks. As of December 31, 2014, we had transferred US\$81.1 million compared to US\$36.9 million and US\$68.2 million as of December 31, 2013 and 2012 respectively, of notes receivable as part of these agreements. The risks retained by the Group are mainly the risk of payment delay up to 30 days and the risk of commercial litigation. Both have been historically low with the transferred clients.

As a consequence, the Group retained only non-significant amounts to the extent of its continuing involvement. Related costs recorded in operating income are not significant.

NOTE 4 INVENTORIES AND WORK IN PROGRESS

	December 31, 2014			December 31, 2013			December 31, 2012 (restated)		
	Cost	Valuation Allowance	Net	Cost	Valuation Allowance	Net	Cost	Valuation Allowance	Net
(in millions of US\$)									
Consumables and spares parts	36.4	(0.6)	35.8	60.6	(0.8)	59.8	48.1	(1.2)	46.9
Raw materials and sub-assemblies	91.9	(13.5)	78.4	121.8	(16.5)	105.3	108.7	(14.5)	94.2
Work in progress	197.0	(26.4)	170.6	245.6	(17.5)	228.1	212.2	(11.7)	200.5
Finished goods	143.8	(11.3)	132.5	127.1	(15.1)	112.0	87.5	(9.9)	77.6
Inventories and work in progress	469.1	(51.8)	417.3	555.1	(49.9)	505.2	456.5	(37.3)	419.2

Variation of inventories and work in progress

Variation of the period	December 31, 2012		
	2014	2013	(restated)
(in millions of US\$)			
Balance at beginning of period	505.2	419.2	361.5
Variations	(30.8)	60.1	49.2
Movements in valuation allowance	(9.5)	(11.3)	(2.5)
Change in consolidation scope	(8.0)	20.9	6.0

Change in exchange rates	(39.6)	13.8	6.4
Others	0.0	2.5	(1.4)
Balance at end of period	417.3	505.2	419.2

In 2014, change in consolidation scope corresponds to inventories and work in progress contributed to Alcatel-Lucent Submarine Networks (ASN) and Geokinetics (see note 2). In 2013, this line item corresponded to inventories and work in progress acquired in the Fugro Geoscience Division.

In 2013 and 2012, the line item Others mainly corresponded to reclassifications of inventories in assets held for sale of US\$2.9 million and US\$2.0 million respectively.

NOTE 5 OTHER CURRENT ASSETS AND ASSETS HELD FOR SALE*Other current assets*

	December 31, 2012		
	2014	2013	(restated)
	(in millions of US\$)		
Personnel and other tax assets	41.9	61.7	44.3
Fair value of financial instruments (see note 14)	1.4	1.8	3.0
Other miscellaneous receivables ^(a)	32.1	34.4	27.3
Supplier prepayments	33.3	52.1	39.2
Prepaid expenses	17.8	25.6	25.8
Other current assets	126.5	175.6	139.6

^(a) Includes restricted cash for US\$1.0 million in 2014.

Assets held for sale

	December 31, 2012		
	2014	2013	(restated)
	(in millions of US\$)		
Massy headquarters land	10.7	10.7	10.7
Ardiseis Net assets related to the framework agreement with TAQA (see note 2)		21.9	
Seabed Geosolutions BV Net assets (see note 2)			376.4
Seismic vessels	26.2		6.8
Equipments and others	1.4	5.1	
Assets held for sale	38.3	37.7	393.9

As of December 31, 2014, three seismic vessels were classified as assets held for sale as part of our transformation plan.

NOTE 6 ASSET VALUATION ALLOWANCE

	December 31, 2014					
Balance at beginning of year	Additions	Deductions	Unused Deductions	Others ^(a)	Balance at end of period	
						(in millions of US\$)

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Trade accounts and notes receivables	30.6	17.4	(12.4)	(0.8)	34.8
Inventories and work-in-progress	49.9	13.6	(4.1)	(7.7)	51.7
Tax assets	0.1	7.9			8.0
Other current assets	11.2	2.7	(3.9)	(0.2)	9.8
Loans receivables and other investments	0.1			(0.1)	
Total assets valuation allowance	91.9	41.6	(20.4)	(8.8)	104.3

(a) Includes the effects of exchange rate changes and changes in the scope of consolidation.

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	December 31, 2013					Balance at end of period
	Balance at beginning of year	Additions	Deductions	Unused Deductions	Others ^(a)	
Trade accounts and notes receivables	24.3	7.9	(6.1)		4.5	30.6
Inventories and work-in-progress	37.3	14.2	(2.9)		1.3	49.9
Tax assets	1.6		(1.5)			0.1
Other current assets	13.9	3.9	(6.6)			11.2
Loans receivables and other investments	0.2		(0.2)		0.1	0.1
Total assets valuation allowance	77.3	26.0	(17.3)		5.9	91.9

^(a) Includes the effects of exchange rate changes and changes in the scope of consolidation.

	December 31, 2012 (restated)					Balance at end of period
	Balance at beginning of year	Additions	Deductions	Unused Deductions	Others ^(a)	
Trade accounts and notes receivables	23.9	4.0	(3.8)		0.2	24.3
Inventories and work-in-progress	32.4	6.9	(4.4)		2.4	37.3
Tax assets	1.0	0.6				1.6
Other current assets	10.6	3.3				13.9
Loans receivables and other investments	1.2		(1.1)		0.1	0.2
Total assets valuation allowance	69.1	14.8	(9.3)		2.7	77.3

^(a) Includes the effects of exchange rate changes and changes in the scope of consolidation.

NOTE 7 INVESTMENTS AND OTHER FINANCIAL ASSETS

	December 31,		
	2014	2013	2012
	(in millions of US\$)		
Non-consolidated investments	57.0	8.5	7.3
Loans and advances	72.5	26.5	30.5
Deposits and other	12.3	12.8	15.9
Total	141.8	47.8	53.7

Non-consolidated investments

	Country	2014 % of interests	December 31,		
			2014	2013	2012 (restated)
<i>Other investments in non-consolidated companies</i>					
<i>(in millions of US\$)</i>					
Tronic s Microsystems SA	France	15.43%	4.7	5.3	5.1
Geokinetics Inc. (see note 2)	USA	16.00%	49.0		
Other investments in non-consolidated companies			3.3	3.2	2.2
Total non-consolidated investments			57.0	8.5	7.3

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On September 30, 2014 CGG sold its North American land contract assets and activities to Geokinetics Inc against a minority equity stake in this company. Our stake in Geokinetics is presented as a non-consolidated investment in our statement of financial position since this date; and is measured at its fair value for US\$49 million that was assessed using a market multiples approach.

No Restriction or commitment exists between CGG and the non-consolidated investments.

Loans and advances

CGG granted a loan amounting to US\$45.1 million as of December 31, 2014 to Seabed Geosolutions BV. CGG also committed to provide financial support to the joint venture up to US\$110 million, which means a potential extension of the existing loan of US\$65 million.

Loans and advances also include a loan granted by CGG Holding BV to PTSC CGGV Geophysical Survey Limited for US\$26.7 million as of December 31, 2014, US\$25.1 million as of December 31, 2013 and US\$29.2 million as of December 31, 2012.

NOTE 8 INVESTMENTS IN COMPANIES UNDER EQUITY METHOD

	Country / Head office	2014 % of interests	December 31,		
			2014	2013	2012 (restated)
(in millions of US\$)					
<u>Marine acquisition</u>					
CGG Eidesvik Ship Management AS	Norway / Bergen	49.0%	0.2	1.2	(0.8)
Eidesvik Seismic Vessels AS	Norway / Bomlo	49.0%	16.6	14.2	12.5
Gardline	Singapore	49.0%	5.5	5.8	4.9
Geofield Ship Management Services SAS	France / Suresnes	50.0%	(0.1)		
Oceanic Seismic Vessels AS	Norway / Bomlo	49.0%	23.5	21.6	19.2
PT Elnusa-CGGVeritas Seismic	Indonesia / Jakarta	49.0%	0.5	0.6	0.5
PTSC CGGV Geophysical Survey Limited	Vietnam / Vung Tau City	49.0%	23.9	28.9	27.1
<u>Land and Airborne acquisition</u>					
Ardiseis FZCO	United Arab Emirates / Dubai	49.0%	27.4		
Argas	Saudi Arabia / Al-Khobar	49.0%	37.2	63.3	51.1
Seabed Geosolutions BV	The Netherlands / Amsterdam	40.0%	4.9	193.2	
Veri-Illuq Geophysical Ltd.	Canada / Calgary	49.0%	(0.1)	(0.1)	
Yamoria Geophysical Ltd.	Canada / Calgary	49.0%	(0.4)	(0.4)	
<u>GGR</u>					
Magnitude Microseismic LLC	US / Houston	49.0%	(4.6)	(4.1)	(2.4)
Reservoir Evaluation Services LLP	Kazakhstan / Almaty	36.0%	3.2	1.6	
Spectrum ASA	Norway / Oslo	0.0%			12.4
Investments in companies under the equity method			137.7	325.8	124.5

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The variation of Investments in companies under equity method is as follows:

	December 31,		
	2014	2013	2012 (restated)
	(in millions of US\$)		
Balance at beginning of period	325.8	124.5	131.7
Change in consolidation scope	29.2	(13.9)	(20.4)
Investments made during the year	4.9	219.6	21.7
Equity in income	(81.7)	0.6	37.4
Impairment	(107.0)		
Dividends received during the period, reduction in share capital	(30.7)	(10.0)	(48.2)
Change in other comprehensive income of entities under the equity method			1.5
Change in exchange rate and other	(2.8)	5.0	0.8
Balance at end of period	137.7	325.8	124.5

The changes in consolidation scope in 2014 correspond for US\$27.6 million to the change of consolidation method of Ardiseis in June 2014 (see note 2). In 2013 and 2012, the changes in consolidation corresponded to the disposal of the remaining shares we held in Spectrum ASA (see note 2). The adoption of IFRS11 in 2013 had no impact on the consolidation perimeter.

The investments in 2014 correspond for US\$4.9 million to our contribution in our joint venture Magnitude. The investments in 2013 corresponded for US\$217 million to our 40% investment in Seabed Geosolutions BV. In 2012, it corresponded for US\$21.7 million to our contribution in our joint venture PTSC CGGV Geophysical Survey limited (see note 2).

The 2014 impairment corresponds to the impairment of our shares in Seabed Geosolutions BV that is recorded in the line item Other revenues (expenses) net in the consolidated statement of operations.

Main contributive companies under equity method

The following tables illustrate summarized financial information as of December 31, 2014 of the main contributive entities operating in the land and airborne acquisition business, where we expand the scope of our partnerships for strategic reasons:

	Ardiseis	Seabed Geosolutions	
	FZCO	Argas	BV
	(in millions of US\$)		
Revenue	50.0	82.4	306.0
Depreciation and amortization	3.0	(13.9)	(327.1)
Cost of financial debt		(0.2)	(2.0)
Tax income (expense)	5.2		4.6
Net income (loss)	(0.5)	6.6	(472.1)

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Cash and cash equivalents	11.4	8.1	21.8
Current assets	65.4	100.3	97.6
Total non-current assets	27.8	89.1	284.6
Current financial liabilities		6.7	
Current liabilities	46.7	66.9	150.6
Non-current financial liabilities		46.6	101.9
Non-current liabilities	2.3	10.8	70.2
Equity	55.6	66.6	81.3
Dividends paid to CGG		26.1	

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CGG granted a loan amounting to US\$45.1 million as of December 31, 2014 to Seabed Geosolutions BV. CGG also committed to provide financial support to the joint venture up to US\$110 million, which means a potential extension of the existing loan of US\$65 million.

CGG also issued guarantees for US\$60 million on behalf of companies under equity method in 2014.

Transactions with investments in companies under the equity method: see note 27- Related parties.

Reconciliation of the summarized financial information above with the carrying amount of the main contributive entities in our statement of financial position and with our share of income as of December 31, 2014 is as follows:

	Ardiseis FZCO	Argas	Seabed Geosolutions BV	Other entities	Total
	in millions of US\$				
Equity of main contributive entities	55.6	66.6	81.3		
% of interest	49%	49%	40%		
% of equity of main contributive entities	27.2	32.6	32.5		
Adjustments and eliminations	0.2	4.6	(27.6)		
Investments in companies under the equity method	27.4	37.2	4.9	68.2	137.7

	Ardiseis FZCO	Argas	Seabed Geosolutions BV	Other entities	Total
	July to December⁽¹⁾		in millions of US\$		
Net income of main contributive entities	(0.5)	6.6	(472.1)		
% of interest	49%	49%	40%		
% of income of main contributive entities	(0.3)	3.2	(188.8)		
Adjustments and eliminations ⁽²⁾			107.3		
Share of income (loss) in companies accounted for under the equity method	(0.3)	3.2	(81.5)	(3.1)	(81.7)

⁽¹⁾ From June 30, 2014, Ardiseis FZCO is no longer fully consolidated but is accounted for under the equity method.

⁽²⁾ Corresponds to the impairment of our shares in Seabed Geosolutions BV that is recorded in the line item Other revenues (expenses) net in the consolidated statement of operations.

NOTE 9 PROPERTY, PLANT AND EQUIPMENT

	December 31,				2012
	2014		2013		(restated)
	Gross	Net	Gross	Net	Net

	Accumulated depreciation		Accumulated depreciation			
	(in millions of US\$)					
Land	19.6		19.6	21.1	21.1	20.2
Buildings	248.3	(106.4)	141.9	276.8	(110.1)	150.9
Machinery & equipment	1,112.6	(626.4)	486.2	1,590.4	(912.8)	559.0
Vehicles & vessels	682.7	(181.3)	501.4	975.0	(400.6)	353.9
Other tangible assets	125.3	(86.9)	38.4	140.3	(99.8)	35.8
Assets under constructions	50.7		50.7	77.5	77.5	39.7
Total Property, plant and equipment	2,239.2	(1,001.0)	1,238.2	3,081.1	(1,523.3)	1,159.5

Variation of the period

	December 31,		
	2014	2013	2012
	(in millions of US\$)		
			(restated)
Balance at beginning of period	1,557.8	1,159.5	1,183.2
Acquisitions	201.0	289.5	339.1
Acquisitions through finance lease			2.8
Depreciation	(400.2)	(482.2)	(287.5)
Disposals	(16.7)	(16.1)	(16.4)
Change in exchange rates	(25.7)	6.4	4.4
Change in consolidation scope	(41.0)	624.1	2.0
Reclassification of tangible assets as Assets held for sale	(29.6)	(20.8)	(57.5)
Other	(7.4)	(2.6)	(10.6)
Balance at end of period	1,238.2	1,557.8	1,159.5

In 2014, the Depreciation line item includes a US\$65 million impairment of marine fixed equipment mainly. In 2013, it included US\$105 million of non-recurring impairment of seismic vessels and equipment (see notes 19 & 21).

Disposals of assets mainly relate to marine seismic equipment scrapped or damaged.

In 2014, the Change in consolidation scope is mainly due to the sale of the North American land contract assets and activities to Geokinetics against a minority equity stake in this company (see note 2). In 2013, it mainly related to the acquisition of the Fugro Geoscience Division.

In 2014, as a consequence of the fleet downsizing plan of our fleet, three seismic vessels have been reclassified as Assets held for sale. In 2013, assets had been reclassified as Assets held for sale for US\$20.8 million in relation to the framework agreement signed with TAQA (see note 2). In 2012, tangible assets that had been contributed to the joint venture Seabed Geosolutions BV, were classified as well as Assets held for sale for an amount of US\$57.5 million.

Reconciliation of acquisitions with the consolidated statements of cash flows

	December 31,		
	2014	2013	2012
	(in millions of US\$)		
			(restated)
Acquisitions of tangible assets (excluding finance lease)	201.0	289.5	339.1
Development costs capitalized see notes 10 and 20	56.8	56.9	29.1
Additions in other intangible assets (excluding non-exclusive surveys) see note 10	20.6	8.7	2.5
Variance of fixed assets suppliers	3.5	(7.9)	(1.9)
Total purchases of tangible and intangible assets according to cash flow statement	281.9	347.2	368.8

Land, buildings and geophysical equipment recorded under finance leases

	December 31,						2012
	2014	2013		2013		(restated)	
	Gross	Accumulated depreciation	Net	Gross	Accumulated depreciation	Net	Net
	(in millions of US\$)						
Geophysical equipment and vessels under finance leases	18.2	(1.4)	16.8	117.4	(92.5)	24.9	40.5
Land and buildings under finance leases	93.5	(12.4)	81.1	106.3	(10.0)	96.3	96.2
Other tangible assets under finance leases	3.7	(3.7)		3.7	(3.7)		0.3
Total Property, plant and equipment under finance leases	115.4	(17.5)	97.9	227.4	(106.2)	121.2	137.0

Repairs and maintenance expenses

Repairs and maintenance expenses included in cost of operations amount to US\$106.8 million in 2014 due to upgrades and repairs on seismic vessels. Repairs and maintenance expenses amounted to US\$115.9 million in 2013, and to US\$114.7 million in 2012.

NOTE 10 INTANGIBLE ASSETS

	December 31,						2012
	2014	2013		2013		(restated)	
	Gross	Accumulated depreciation	Net	Gross	Accumulated depreciation	Net	Net
	(in millions of US\$)						
Multi-client surveys Marine	3,727.7	(2,903.9)	823.8	3,049.2	(2,380.9)	668.3	474.1
Multi-client surveys Land	908.4	(784.8)	123.6	867.5	(752.6)	114.9	130.1
Development costs capitalized	332.4	(133.1)	199.3	306.9	(101.6)	205.3	96.2
Software	103.2	(61.3)	41.9	89.3	(55.9)	33.4	30.5
Research Technology	89.7	(81.9)	7.8	153.5	(111.5)	42.0	51.4
Customer relationships	250.5	(113.8)	136.7	239.6	(102.3)	137.3	132.2
Trade names	44.1	(31.0)	13.1	45.2	(30.3)	14.9	3.7
Other intangible assets	117.2	(89.6)	27.6	105.2	(49.7)	55.5	16.7
Total intangible assets	5,573.2	(4,199.4)	1,373.8	4,856.4	(3,584.8)	1,271.6	934.9

Variation of the period

	December 31,		
	2014	2013	2012 (restated)
	(in millions of US\$)		
Balance at beginning of period	1,271.6	934.9	865.1
Increase in multi-client surveys	713.3	572.3	418.0
Development costs capitalized	56.8	56.9	29.1
Other acquisitions	20.6	8.7	2.5
Depreciation on multi-client surveys	(565.8)	(398.7)	(340.9)
Other depreciation	(109.0)	(90.8)	(80.5)
Disposals	(0.1)	(0.4)	(0.2)
Change in exchange rates	(28.3)	2.3	4.2
Change in consolidation scope	0.2	184.9	34.5
Reclassification of intangible assets as Assets held for sale			(6.7)
Other	14.5	1.5	9.8
Balance at end of period	1,373.8	1,271.6	934.9

In 2014 and 2013, high level of investments in multi-client surveys is related to ongoing programs in Gulf of Mexico.

In 2014, depreciation on multi-client surveys includes US\$112.7 million of impairment of multi-client surveys notably acquired in Brazil (2007-2009 surveys) and North Sea.

In 2014, other depreciations include a US\$21.7 million related to seabed activities. In 2013 and 2012 respectively, other depreciation included US\$21.0 million of customer relationship impairment and a US\$30 million impairment loss related to the trade name Veritas (see note 21).

In 2013 and 2012 respectively, change in consolidation scope related to the acquisition of the Fugro Geoscience division and the acquisition of the assets of GRC.

In 2012, intangible assets to be contributed to the joint venture Seabed Geosolutions BV were classified as Assets held for sale for an amount of US\$6.7 million.

Reconciliation of acquisitions with the consolidated statements of cash flows and capital expenditures in note 19

	December 31,		
	2014	2013	2012 (restated)
	(in millions of US\$)		
Increase in multi-client surveys	713.3	572.3	418.0
Multi-client depreciations & amortizations capitalized	(130.0)	(92.9)	(54.2)
Investment in multi-client surveys according to cash flow statement	583.3	479.4	363.8

NOTE 11 GOODWILL

Analysis of goodwill is as follows:

Variation of the period	December 31,		
	2014	2013	2012 (restated)
	(in millions of US\$)		
Balance at beginning of period	2,483.2	2,415.5	2,688.2
Additions		721.6	23.0
Impairment	(415.0)	(640.0)	
Reclassification to Assets held for sale (see note 5)	(13.7)	(13.0)	(300.0)
Adjustments			
Change in exchange rates	(12.8)	(0.9)	4.3
Other			
Balance at end of period	2,041.7	2,483.2	2,415.5

In 2014, we recognized an impairment of US\$415 million and US\$640 million in 2013 resulting from the annual impairment test, which we booked under the line Other revenues (expenses) net in our statement of operations (see note 21).

Impairment review

Group management undertakes at least an annual impairment test covering goodwill, intangible assets and indefinite lived assets allocated to the cash generating units to consider whether impairment is required.

The recoverable value retained by the Group corresponds to the value in use of the assets, cash generating units or group of cash generating units, defined as the discounted expected cash flows. In certain occasions, the recoverable value retained is the fair value less costs of disposal, in which case defined by reference to an active market.

Following Fugro Geoscience Division acquisition in January 2013, and the new organization of the Group with three Divisions, Acquisition, GGR and Equipment, the cash generating units have been redefined in a consistent way with the new reportable segments. This has notably been required by the split of some of the previous cash generating units, like Marine, with multi-client activity in one segment and acquisition activity in one other segment. Furthermore, the new geoscience activities acquired from Fugro required the identification of new cash generating units.

As a consequence, there are now 8 cash generating units. A cash generating unit is a homogeneous group of assets that generates cash inflows that are largely independent of the cash inflows from other groups of assets.

The following table provides the split of the total Group Goodwill per segment:

2014	Goodwill	
	2013	2012 (restated)

	(in millions of US\$)		
Acquisition ⁽¹⁾	366	782	1,344
GGR	1,492	1,493	901
Equipment	184	208	170
Total	2,042	2,483	2,415

(1) Acquisition Goodwill being carried by Marine cash generating units only in 2013 and 2014.

Since 2013, the remaining goodwill in Acquisition segment is located within Marine cash generating unit only. Hence, the key assumptions used to determine the recoverable value and the analysis of sensitivities will be detailed only for Marine cash generating unit and not for the Acquisition Group of cash generating units.

Key assumptions used in the determination of recoverable value

In determining the asset recoverability through value in use, management makes estimates, judgments and assumptions on uncertain matters. For each cash generating unit, the value in use are determined based on economic assumptions and forecasted operating conditions as follows:

expected cash flows estimated in the 2015 budget and 2016-2017 outlook as presented to the Board of Directors on February 25, 2015,

use of normative cash flows beyond Year 3, the discounted normative cash flows weight more than 80% of the total value in use,

long-term growth rate between 2% and 2.5% regarding the activity,

discount rates, unchanged compared to 2013, we consider reflecting the respective sector weighted average cost of capital (WACC):

10% for the Equipment segment (corresponding to a pre-tax rate of 14.0%);

8.5% for the Marine cash generating unit within the Acquisition segment (corresponding to a pre-tax rate of 10.4%);

9.5% for the cash generating units within the GGR segment (corresponding to a pre-tax rate from 12.9% up to 14.2%).

CGG operates in a cyclical market, currently driven down by the drastic drop in oil prices, and the low point of the cycle will be reached somewhere in the next three years to come. However, key economic assumptions, except the reduction of our marine fleet, have not changed compared to past year on the medium term view, i.e. for the normative year.

Marine cash generating unit will be strongly impacted by the deteriorated market conditions. As a consequence of the second phase of our fleet downsizing plan and the difficult market conditions, the impairment test of our Marine cash generating unit as of December 31, 2014 triggered a goodwill impairment for US\$415 million.

GGR segment should be resilient in these market conditions. The impairment tests did not trigger any goodwill impairment on the group of cash generating units GGR or on each individual cash generating unit within this group. The excess of expected future discounted cash-flows over the carrying value of assets including goodwill is close to zero.

In 2013, a goodwill impairment of US\$582 million and of US\$58 million was recognized respectively for Marine and Land cash generating units. No impairment loss was recorded for the year ended December 31, 2012.

Sensitivity to changes in assumptions

Changing the assumptions selected by Group management, in particular the discount rate and the normative cash flows (based on EBITDAS) could significantly affect the evaluation of the value in use of our cash generating units and, hence, Group's impairment result. As the profile of the cycle could affect, to a lesser extent compared to the two previous assumptions, the evaluation of the value in use of our cash generating units, the cash flow generated during one year -2016 chosen as middle of the three years sequence- is an important assumption.

The following changes to the assumptions used in the impairment test lead to the following:

		Excess of the expected future Discounted cash-flows over the carrying value of assets	Decrease by 10%	Increase by 10%	Decrease by 10%	Increase by 10%	Decrease by 0.25%	Increase by 0.25%
Goodwill	Including goodwill							
(in millions of US\$)								
Marine CGU	366	0	(6)	+6	(106)	+106	+51	(47)
GGR	1,492	1	(13)	+13	(268)	+268	+120	(112)
Equipment	184	1,266	(11)	+11	(169)	+169	+68	(64)
Total	2,042							

NOTE 12 OTHER CURRENT LIABILITIES

	December 31, 2012		
	2014	2013	(restated)
(in millions of US\$)			
Value added tax and other taxes payable	67.7	89.1	75.6
Deferred revenue	119.0	109.3	139.3
Fair value of financial instruments (see note 14)	2.6	1.0	0.8
Other liabilities	42.5	84.5	84.5
Other current liabilities	231.8	283.9	300.2

Other liabilities include an earn-out related to the acquisition of Geophysical Research Corporation, LLC in 2012 (see note 2) amounting to US\$15.7 million as of December 31, 2014. This debt based on the revenues of the entity from January 2012 to January 2015 was paid in February 2015.

In 2012 and 2013, other liabilities also included US\$28 million purchase option on the shares held by LDA in Geomar SAS, the company owning the *CGG Alizé* vessel. This purchase took effect on April 1, 2014 (see note 2).

NOTE 13 FINANCIAL DEBT

	2014		December 31,			2012 (restated)
	Current	Non-current	Total	Current	Non-current	Total
	(in millions of US\$)					
High yield bonds		1,731.3	1,731.3		1,234.9	1,234.9
Convertible bonds		367.0	367.0		836.6	836.6
Credit facilities ^(a)		273.0	273.0	168.5	68.7	237.2
Bank loans ^(a)	35.5	133.1	168.6	31.0	88.6	119.6
Other loans ^(a)	3.2	102.5	105.7	18.8	155.1	173.9
Finance lease debt	8.6	93.4	102.0	9.0	112.2	121.2
Sub-total	47.3	2,700.3	2,747.6	227.3	2,496.1	2,723.4
Accrued interests	28.4		28.4	19.7		19.7
Financial debt	75.7	2,700.3	2,776.0	247.0	2,496.1	2,743.1
Bank overdrafts	2.9		2.9	4.5		4.5
Total			2,778.9			2,747.6

^(a) At December 31, 2014, US\$453.4 million out of US\$547.3 million of loans (credit facilities, bank loans and other loans) were secured by tangible assets and receivables (drawn amount).

Financial debt by financing sources

	Issuing date	Maturity	Nominal amount Dec. 31, 2014 (in millions of currency)	Net balance Dec. 31, 2014 (in millions of US\$)	Interest rate
High yield bond 2017	2007	2017	US\$400	134.0	7 3/4%
High yield bond 2020	2014	2020	400	478.8	5 7/8%
High yield bond 2021	2011	2021	US\$650	624.1	6 1/2%
High yield bond 2022	2014	2022	US\$500	494.4	6 7/8%
Sub-total High yield bonds				1,731.3	
Convertible bond 2019	2012	2019	360	367.0	1 1/4%
Sub-total Convertible bonds				367.0	
Credit facilities				273.0	

Nordic Credit line (excluding credit facility)	2014	2019	US\$	150	147.9	4 ² / ₅ %
Other bank loans					20.7	
Sub-total bank loans					168.6	
Other loans					105.7	
Real estate finance lease	2010	2022		75	73.3	
Other finance lease					28.7	
Sub-total Finance lease debt					102.0	
Total financial debt, excluding accrued interests and bank overdrafts					2,747.6	

Financial debt by currency

	December 31,		
	2014	2013	2012 (restated)
(in millions of US\$)			
US dollar	1,570.6	1,493.1	1,431.3
Euro	1,177.0	1,230.3	853.0
Other currencies			
Total financial debt, excluding accrued interests and bank overdrafts	2,747.6	2,723.4	2,284.3

Financial debt by interest rate

	December 31,		
	2014	2013	2012 (restated)
(in millions of US\$)			
Variable rates (average effective rate December 31, 2014: 2.82%, 2013: 2.20%, 2012: 2.84%)	240.1	168.2	41.4
Fixed rates (average effective rate December 31, 2014: 6.46%, 2013: 7.20%, 2012: 6.27%)	2,507.5	2,555.2	2,242.9
Total financial debt, excluding accrued interests and bank overdrafts	2,747.6	2,723.4	2,284.3

Variable interest rates are generally based on inter-bank offered rates of the related currency.

The impact of hedging instruments has not been considered in the above tables.

Analysis of financial covenants as of December 31, 2014

	Leverage Ratio ^(a)	Interests Cover Ratio ^(b)	Minimum Liquidity ^(c)
French Revolving facility	£ 3.75x	³ 4.00x	
US Revolving facility	£ 3.75x	³ 4.00x	
US\$250 million Nordic credit facility	£ 3.75x	³ 3.00x	> \$ 75m
US\$45 million Secured Term Loan Facility	£ 3.75x	³ 3.00x	> \$ 75m

(a) Leverage ratio is defined as total net financial debt to EBITDAS.

(b) Interests cover ratio is defined as EBITDAS to Interests Expenses.

(c) Minimum liquidity is defined as the available cash held by the company.

EBITDAS is defined as earnings before interest, tax, depreciation, amortization net of amortization costs capitalized to multi-client surveys, and share-based compensation cost. Share-based compensation includes both stock options

and shares issued under our performance share allocation plans. For the determination of ratios included in the covenants, EBITDAS is before non-recurring items.

Net financial debt is defined as bank overdrafts, plus current portion of financial debt, plus financial debt less cash and cash equivalents.

All those financial covenants were complied with at December 31, 2014.

In order to increase our financial flexibility, we have revised certain terms in several of our credit facilities, namely our French revolving facility, our US revolving facility agreement, our Nordic credit facility and our US\$45 million Term Loan Facility secured by the *Geowave Voyager* vessel. Pursuant to such amendments, the maximum leverage ratio (defined as total net financial debt to EBITDAS) was increased from a constant ratio of 3.00x to a ratio of 3.75x for each rolling 12-month period ending on or before September 2015, 3.50x for each such period ending on or before September 2016, 3.25x for each such period ending on or before September 2017 and 3.00x thereafter.

High Yield bonds

Since 2007, CGG SA issued several bonds in US dollar and euros, with maturities 2016, 2017, 2020, 2021 and 2022.

These notes are listed on the Luxembourg Stock Exchange; and are guaranteed on a senior basis by certain of our subsidiaries.

Those bonds include certain restrictive covenants, including limitations on additional indebtedness subscriptions, pledges arrangements, sales and lease-back transactions, issuance and sale of equity instruments and dividends payments by certain subsidiaries of the Group. In addition, the Company is required to maintain a ratio of EBITDAS to gross interest expenses equal to or greater than 3.

High yield bonds (US\$500 million, 6.875% Senior Notes, maturity 2022)

On May 1, 2014, we issued US\$500 million principal amount of our 6.875% Senior Notes due 2022.

The Senior Notes were issued at a price of 100% of their principal amount. We used the net proceeds from the notes to redeem the entire US\$225 million outstanding principal amount of our 9.50% Senior Notes due 2016 and to repay US\$265 million in principal amount of our 7.75% Senior Notes due 2017.

High yield bonds (400 million, 5.875% Senior Notes, maturity 2020)

On April 23, 2014, we issued 400 million (or US\$546.3 million, converted at historical closing exchange rate of US\$1.3658) principal amount of our 5.875% Senior Notes due 2020.

The Senior Notes were issued at a price of 100% of their principal amount. We used the net proceeds from the notes to fully repurchase our 1.75% OCEANE convertible bonds due 2016 amounting to 360 million. The remaining net proceeds were used to reimburse the 28.1 million installment of the vendor loan granted by Fugro due in 2015.

High Yield bonds (US\$650 million, 6.50% Senior Notes, maturity 2021)

On May 31, 2011, we issued US\$650 million principal amount of 6.50% Senior Notes due June 1, 2021.

The Senior Notes were issued at a price of 96.45% of their principal amount, resulting in a yield of 7%. We used the net proceeds of the issuance to redeem the remainder of our US\$530 million 7.50% Senior Notes due May 2015 and to repay in full the US\$508 million outstanding under our term loan B facility.

High Yield bonds (US\$350 million, 9.50% Senior Notes, maturity 2016)

On June 2, 2014, we redeemed in full the US\$225 million outstanding principal amount of our 9.50% Senior Notes due 2016. This redemption was financed through the US\$500 million Senior Notes issuance described above. The notes were redeemed at 102.375% of their principal amount.

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On August 21, 2013, we redeemed US\$125 million aggregate principal amount of our US\$350 million 9.50% Senior Notes due 2016 at a price of 104.75% plus accrued interest.

On June 9, 2009, we issued US\$350 million principal amount of our 9.50% Senior Notes due May 15, 2016. The Senior Notes were issued at a price of 97.0% of their principal amount, resulting in a yield of 10.125%.

High Yield bonds (US\$400 million, 7.75% Senior Notes, maturity 2017)

On June 2, 2014, we redeemed US\$265 million of our 7.75% Senior Notes due 2017. This redemption was financed through the US\$500 million Senior Notes issuance described above. The notes were redeemed at 101.292% of their principal amount.

On February 9, 2007, we issued US\$400 million of 7.75% Senior Notes due 2017. We used the net proceeds from the notes to repay one part of US\$700 million outstanding under the bridge loan facility used to finance Veritas acquisition.

Convertible bonds

Convertible bonds (360 million, 1.75% Senior Notes, maturity 2016)

The entire 360 million principal amount of the 2016 OCEANE convertible bonds was cancelled by June 30, 2014. On 24 April 2014, we repurchased 81.3% of the principal amount through a reverse book building procedure at a price of 28.60 per bond for a total amount of 293 million. In May 2014, we then repurchased 16.8 % of the bonds following a tender offer at a price of 28.60 per bond for a total amount of 60 million. The early redemption of the remaining 1.9% occurred on June 27, 2014.

Redemption premium and transaction costs were allocated to the liability and equity components at the date of the transaction. The net loss relating to the liability component amounting to US\$37.6 million is recorded in line item Other financial income (loss) of our consolidated statement of operations. The negative impact on equity amounts to US\$16.3 million, net of taxes.

Accelerated amortization of deferred expenditures is recorded for US\$2.4 million in the line item Cost of financial debt net in our consolidated statement of operations.

On January 27, 2011, we issued 12,949,640 bonds convertible into and/or exchangeable for new or existing shares of our company to be redeemed on January 1, 2016 for a total nominal amount of 360 million. We used the net proceeds of the issuance to partially redeem our US\$530 million 7.50% Senior Notes due May 2015, allowing us to reduce our cash interest expense.

The bonds nominal value was set at 27.80 per bond, representing an issue premium of 25% of the CGG s reference share price on the regulated market of NYSE Euronext in Paris. The bonds bear interest at a rate of 1.75% payable semi-annually in arrears on January 1 and July 1 of each year. The bonds entitle the holders to receive new and/or existing CGG shares at the ratio of one share per one bond, subject to adjustments. Under certain conditions, the bonds may be redeemed prior to maturity at our option.

As of January 27, 2011, the financial liability component was US\$364 million (266 million) and the equity component was US\$121 million (89 million), net of issuing fees. The fair value of the financial liability was assessed using an 8.15% interest rate.

Convertible bonds (360 million, 1.25% Senior Notes, maturity 2019)

On November 20, 2012, we issued 11,200,995 bonds convertible into and/or exchangeable for new or existing shares of our company to be redeemed on January 1, 2019 for a total nominal amount of 360 million. We used the net proceeds of the issuance to finance a portion of the 1.2 billion acquisition price for Fugro Geoscience.

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The bonds' nominal value was set at 32.14 per bond, representing an issue premium of 40% of the CGG's reference share price on the regulated market of NYSE Euronext in Paris. The bonds bear interest at a rate of 1.25% payable semi-annually in arrears on January 1 and July 1 of each year. The bonds entitle the holders to receive new and/or existing CGG shares at the ratio of one share per one bond, subject to adjustments. Under certain conditions, the bonds may be redeemed prior to maturity at our option.

As of November 20, 2012, the financial liability component was US\$359 million (277 million) and the equity component was US\$98 million (75 million), net of issuing fees. The fair value of the financial liability was assessed using a 5.47% interest rate.

Credit facilities

Analysis of authorized credit lines as of December 31, 2014 is as follows:

	Date	Maturity	Authorized amount	Used amount (in millions of US\$)	Mobilized amount	Available amount
US Revolving facility	2013	2018	165.0	75.0		90.0
French Revolving facility ⁽¹⁾	2013	2017	325.0	158.0		167.0
Nordic Revolving facility	2014	2019	100.0	50.0		50.0
Total credit facilities before issuing fees			590.0	283.0		307.0
Short-term credit lines (bank overdrafts)			6.7	2.9		3.8

(1) Authorized amount will decrease to US\$275 million in 2016.

Out of the fixed rate credit lines, no significant credit line is expected to be renewed within the next twelve months (see note 18).

Those credit facilities include certain restrictive covenants the Group is required to adhere to (see covenants table).

Based upon the current level of operations, our planned CAPEX, and our near-to mid-term debt repayment schedule, we believe that cash flow from operations, available cash and cash equivalents, together with liquidity available under our revolving credit facilities will be adequate to meet our liquidity needs for the next twelve months.

US revolving facilities

US\$165 million Revolving Credit Agreement (US revolving facility)

During the twelve months ended December 31, 2014, we drew a net amount of US\$75 million from our US revolving facility.

On July 15, 2013, we entered into a new US revolving credit facility of up to US\$165 million with a 5-year maturity. This facility was undrawn as of December 31, 2013.

US\$140 million Revolving Credit Agreement (US revolving facility)

On July 18, 2013, we terminated our US revolving facility agreement.

On December 11, 2012, we obtained consent to the acquisition of Fugro's Geoscience Division from the lenders under the US revolving credit facility. This amendment extended flexibility under certain covenants to permit the establishment of the joint venture Seabed Geosolutions BV, provide guarantees and incur indebtedness in connection with the transaction.

On January 12, 2007, the Group obtained a US\$140 million senior secured US revolving facility (which revolving facility includes letter of credit and swingline subfacilities).

French revolving facilities

US\$325 million Revolving Credit Agreement (French revolving facility)

During the twelve months ended December 31, 2014, we drew a net amount of 20 million (or US\$27 million converted at the average exchange rate of US\$1.3328) from our French revolving facility, mostly for the purpose of financing our current euro needs, leading to an amount outstanding as of December 31, 2014 under this facility of 130 million (or US\$158 million converted at the closing exchange rate of US\$1.2141).

On July 24, 2014, we extended the maturity of our French revolving credit facility. Our French revolving credit facility is now US\$325 million until July 31, 2016 and US\$275 million until July 31, 2017.

On July 31, 2013, we entered into a new French revolving credit facility of up to US\$325 million with a three-year maturity with two extension options of one year each.

US\$200 million Revolving Credit Agreement (French revolving facility)

On July 18, 2013, we terminated our French revolving facility agreement.

On February 7, 2007, CGG SA entered into a US\$200 million revolving credit agreement with Natixis as administrative agent and Crédit Suisse as collateral agent. The proceeds of this revolving credit agreement may be drawn in US dollars or in euros, and may be used for the general corporate purposes of the borrower.

Nordic revolving facility

See bank loans below

Bank loans

Our US\$250 million Nordic credit facility and our US\$45 million Secured Term Loan Facility include certain restrictive covenants the Group is required to adhere to (see covenants table above).

US\$250 million Nordic credit facility

The outstanding value at December 31, 2014, is US\$195.2 million net of issuing fees.

On December 16, 2014, we completed the amendment and extension of our Nordic credit facility. The credit amount was increased from US\$175 million to US\$250 million and the maturity extended from May 2018 to December 2019. The new amount is split into a US\$100 million authorized revolving facility and a US\$150 million term loan. We entered into an interest rate swap to fix the annual rate at 4.3%.

On July 1, 2013, we entered into a five-year US\$200 million financing secured by vessel assets, split into two tranches of US\$100 million each, the proceeds of which were used in part to reimburse the 2013 tranche of the vendor loan granted by Fugro. We entered into an interest rate swap to fix the annual effective rate at 4.4%.

US\$25 million streamer financing

The outstanding value at December 31, 2014, is US\$6.3 million.

On September 29, 2014, the US\$25 million streamer financing line was reduced to US\$12.5 million and further reduced to US\$6.3 million on December 18, 2014, in line with the reduction of the capital expenditures and the fleet.

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On December 19, 2013, we signed a loan agreement for a maximum amount of US\$25 million with multiple drawings. This loan is dedicated to finance the acquisition of marine equipment to be delivered in up to twelve monthly lots over a period of one year. On December 30, 2014, we entered into an interest rate swap to fix the annual rate at 3.6%. This loan is to be reimbursed over 5 years after the deadline for drawing.

US\$45 million Secured Term Loan Facility

The outstanding value at December 31, 2014, is US\$14.1 million net of issuing fees.

On January 13, 2011, Exploration Vessel Resources II AS entered into a US\$45 million credit facility secured by a pledge over the seismic vessel *Geowave Voyager*.

US\$25 million Secured Term Loan Facility

This facility was fully repaid as of December 31, 2014.

On April 30, 2007, Geomar concluded a credit facility of US\$25 million. The proceeds from this credit facility were used to refinance the seismic vessel *CGG Alizé*.

Other loans

Vendor loan granted by Fugro

The outstanding amount as of December 31, 2014 is 84.4 million (or US\$102.4 million converted at the closing exchange rate of US\$1.2141).

On December 22, 2014, Fugro and CGG amended the Vendor loan including to the effect that 50% of the repayment scheduled on January 31, 2016 to be repaid by CGG on or before January 31, 2017 and the other 50% to be repaid on or before January 31, 2018 (i.e. 42.2 million payable on or before each of January 31, 2017 and January 31, 2018).

On June 27, 2014 we early redeemed the 28.1 million (or US\$38,6 million converted at historical average exchange rate of US\$1.3726) tranche annual repayment due on January 31, 2015. This redemption was financed with a portion of the proceeds from the 400 million Senior Notes due 2020 issued in April 2014.

On August 21, 2013, we repaid an amount of 112.5 million under the vendor loan to Fugro.

In connection with the Fugro's Geoscience Division acquisition, Fugro granted to us, on January 31, 2013, a 125 million vendor loan with a five-year maturity bearing an interest rate of 5.5% per annum, which was increased to 225 million at the date of effective acquisition of the Airborne business.

NOTE 14 FINANCIAL INSTRUMENTS

Because we operate internationally, we are exposed to general risks linked to operating abroad. Our major market risk exposures are changing interest rates and currency fluctuations. We do not enter into or trade financial instruments including derivative financial instruments for speculative purposes. Please also refer to Item 11 of our annual report for qualitative information.

Foreign currency risk management

As a company that derives a substantial amount of its revenue from sales internationally, we are subject to risks relating to fluctuations in currency exchange rates. Our revenues and expenses are mainly denominated in US dollars and euros, and to a significantly lesser extent, in Canadian dollars, Brazilian reais, Australian dollars, Norwegian kroner, British pounds and Ren-min-bi Yuan. Historically, a significant portion of our revenues that were invoiced in euros related to contracts that were effectively priced in US dollars, as the US dollar often serves as the reference currency when bidding for contracts to provide geophysical services.

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Foreign currency sensitivity analysis

Fluctuations in the exchange rate of the US dollar against such other currencies, particularly the euro, have had in the past and will have in the future a significant effect upon our results of operations, which are reported now in US dollars. Since we participate in competitive bids for data acquisition contracts that are denominated in US dollars, the depreciation of the US dollar against the euro harms our competitive position against companies whose costs and expenses are denominated to a greater extent in US dollars. While we attempt to reduce the risks associated with such exchange rate fluctuations through our hedging policy, we cannot assure you that we will maintain our profitability level or that fluctuations in the values of the currencies in which we operate will not materially adversely affect our future results of operations. As of December 31, 2014, we estimated our annual fixed expenses in euros to be approximately 500 million and as a result, an unfavorable variation of US\$0.10 in the average yearly exchange rate between the US dollar and the euro would reduce our operating income and our shareholders' equity by approximately US\$50 million.

Our financial debt is partly denominated in euro and converted in US dollar at the closing exchange rate. As of December 31, 2014, the US\$2,419.8 million of net debt included a part of debt in euro amounted to 957 million based on the closing exchange rate of US\$1.2141. From a year end closing to another, a variation of US\$0.10 in the closing exchange rate between the US dollar and the euro would impact by approximately US\$100 million our net debt.

As a result of our compliance with IAS 12 Income Taxes, our results of operation are also exposed to the effect of exchange rate variations on our deferred tax amounts when the functional currency for an entity that owns an asset is not the same as the currency used for taxation purposes.

Foreign forward exchange contracts

In order to protect the Group against the reduction in the value of future foreign currency cash flows, we follow a policy of selling US dollars forward at average contract maturity dates that the Group attempts to match with future net US dollar cash flows (revenues less costs in US dollars) to be generated by firm contract commitments in its backlog generally over the ensuing six months. A similar policy, to a lesser extent, is carried out with respect to contracts denominated in British pounds, in Ren-min-bi Yuan, in Norwegian kroner, Singapore dollar, Euros, Canadian dollar, Australian dollar, Russian ruble and Swiss Franc. This foreign currency risk management strategy has enabled us to reduce, but not eliminate, the positive or negative effects of exchange movements with respect to these currencies.

At December 31, 2014, contracts were outstanding for the US dollar equivalent of US\$91.6 million (notional amount), of which US\$23.6 million of forward sales contracts of US dollar against British pounds, US\$16.8 million against Norwegian kroner, US\$26.2 million against Euros, US\$5.8 million against Ren-min-bi Yuan, US\$5.3 million against Singapore dollar, US\$5.3 million against Canadian dollar, US\$4.9 million against Swiss franc, US\$2.0 million against Russian ruble, and US\$1.7 million against Australian dollar.

Effects of forward exchange contracts on financial statements are as follows:

	December 31,		
	2012		
	2014	2013	(restated)
	(in millions of US\$)		
Carrying value of forward exchange contracts (see notes 5 and 12)	(1.2)	0.8	2.2
Gains (losses) recognized in profit and loss (see note 21)	(0.9)	1.9	0.8

Gains (losses) recognized directly in equity	(1.8)	3.7
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Net gains (loss) on cash flow hedges in companies consolidated under the equity method are not included in the above table. Net gain (loss) recognized in profit and loss for these entities are included in the line item Equity in income of investees in the Consolidated Statement of Operations. Gains (losses) recognized directly in equity are presented in the line item Other comprehensive income (loss) for the period, net of taxes, in companies consolidated under the equity method in the consolidated statements of comprehensive income (loss).

Call contracts

There were no call contracts outstanding as of December 31, 2014, 2013 and 2012.

Interest rate risk management

Our policy is to manage interest rates through maximization of the proportion of fixed rate debt. As of December 31, 2014, 91% of our debt consisted of fixed-rate bonds, along with some fixed-rate finance leases and fixed-rate medium-term bank credit facilities with variable maturities. This debt is not exposed to interest rate fluctuations. However, drawings under our revolving credit facilities incur interest at variable rates that are reset at each interest period (generally between one and 12 months). As a result, a portion of our interest expenses vary in line with movements in short-term interest rates. We may use interest rate swaps to adjust interest rate exposure when appropriate based upon market conditions.

Interest rate sensitivity analysis

Our sources of liquidity include credit facilities and debt securities which are or may be subject to variable interest rates. As a result, our interest expenses could increase if short-term interest rates increased. The sensitivity analysis is based on a net liability exposure of US\$94 million. Our variable interest rate indebtedness carried an average interest rate of 2.8% in 2014, and our investments and other financial assets earned interest at an average rate of 1.1%. Each 100 basis point increase would increase our interest expenses by US\$1.0 million per year and each 100 basis point decrease in this rate would decrease our interest expenses by US\$1.0 million per year.

Interest rate cap contracts

There was no interest rate cap agreement as of December 31, 2014.

Credit risk management

We seek to minimize our counter-party risk by entering into hedging contracts only with well rated commercial banks or financial institutions and by distributing the transactions among the selected institutions. Although our credit risk is the replacement cost at the then-estimated fair value of the instrument, we believe that the risk of incurring losses is remote and those losses, if any, would not be material.

Our receivables and investments do not represent a significant concentration of credit risk due to the wide variety of customers and markets in which we sell our services and products and our presence in many geographic areas. We seek to reduce commercial risk by monitoring our customer credit profile. In 2014, the Group's two most significant customers accounted 7.1% and 5.2% of the Group's consolidated revenues compared with 5.1% and 3.9% in 2013 and 7.1% and 5.8% in 2012.

Liquidity risk management

Our principal capital needs are for the funding of ongoing operations, capital expenditures (particularly repairs and improvements to our seismic vessels), investments in our multi-client data library and acquisitions.

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We intend to fund ongoing operations and debt service requirements through cash generated by operations. Our ability to make scheduled payments of principal, or to pay the interest or additional interest, if any, on, or to refinance our indebtedness, or to fund planned capital expenditures will depend on our future performance, which, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. Based upon the current level of operations, we believe that cash flow from operations, available cash and cash equivalents, together with borrowings available under the US revolving facility, the French revolving facility and the Nordic Credit will be adequate to meet our future liquidity needs for the next twelve months (see note 13).

Financial instruments by categories in the Statement of financial position

The impact and the breakdown of the Group's financial instruments in the statement of financial position as of December 31, 2014 are as follows:

	Fair value hierarchy ⁽¹⁾	Carrying Amount	Fair Value	December 31, 2014			Derivatives
				Fair value in Available-for-sale assets	Fair value in income statement	Loans, receivables	
(in millions of US\$)							
Non-consolidated investments	Level 3	57.0	57.0	57.0			
Financial and non-current assets	Level 3	84.7	84.7			84.7	
Notes receivables	Level 3	942.5	942.5			942.5	
Financial and current assets	Level 2	1.4	1.4				1.4
Cash equivalents	Level 2	74.1	74.1	74.1			
Cash	Level 2	285.1	285.1	285.1			
Total assets		1,444.8	1,444.8	359.2	57.0	1,027.2	1.4
Financial debts (note 13)	Level 2	2,747.6	3,198.6				2,747.6
Bank overdraft facilities	Level 2	2.9	2.9				
Notes payables	Level 3	444.2	444.2			444.2	
Financial and current liabilities	Level 2	2.6	2.6				2.6
Total liabilities		3,197.3	3,648.3			444.2	2,747.6

(1) Level 1 Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

There was no change of fair value hierarchy in 2014 compared to previous years.

The Group considers the fair value of financial assets and liabilities recorded at amortized cost equals their carrying value, except for financial debts.

For bank loans with fixed interest rates, the fair values have been estimated using discounted cash flow (interest payments and reimbursements) analysis based on the Group's incremental borrowing rates for similar types of borrowing arrangements. At December 31, 2014, the rate of 11.4% (source: Thomson Reuters) is used to determine the fair value of high yield bonds, the rate of 8.5% (source: BNP) is used to determine the fair value of convertible bond, the rate of 4.1% (source: Thomson Reuters) is used to determine the fair value of our US\$250 million Nordic credit facility and the rate of 9.3% (source: Thomson Reuters) is used to determine the fair value of the Vendor loan. For variable-rate bank loans, vendor equipment financing and the shareholder loans, fair values approximate carrying values.

The market value of forward sales is assessed based on models commonly used by market participants to price such instruments, using forward rates, available on the financial markets for similar maturities.

NOTE 15 COMMON STOCK AND STOCK OPTION PLANS

The Company's share capital at December 31, 2014 consisted of 177,065,192 shares, each with a nominal value of 0.40 and 176,890,866 as of December 31, 2013 and 176,392,225 as of December 31, 2012.

CGG seeks to continuously enhance its financial structure through the equilibrium between its financial indebtedness and its equity as presented in our consolidated statement of financial position. The Group manages its financial structure and operates the adjustments deemed necessary considering the evolution of the financial environment. The managing objectives, policies and procedures have remained unchanged for many reporting periods. Excluding the legal requirements applicable in France, CGG SA is not bound to any requirement in terms of minimal amount of equity.

Rights and privileges related to ordinary shares

Ordinary shares give right to dividend. Ordinary shares registered held for more than two years give a double voting right.

Dividends may be distributed from the statutory retained earnings, subject to the requirements of French law and the Company's articles of incorporation.

Retained earnings available for distribution amounted to 1,044.4 million (US\$1,268.0 million) at December 31, 2014.

We did not pay any dividend during the years ended December 31, 2014, 2013 and 2012.

Issued shares

In 2014, CGG SA issued 174,326 ordinary shares fully paid corresponding to allocated performance shares.

Stock options

Pursuant to various resolutions adopted by the Board of Directors, the Group has granted options to purchase Ordinary Shares to certain employees, executive officers and Directors of the Group.

Options granted under the March 2007 option plan, which expire eight years from the date of grant, are vested by one third each year from March 2007 and, once vested, can be exercised at any time. For the French tax residents, the shares resulting from the exercise of those options may not be sold before March 24, 2011. Out of the 1,308,750 options granted in March 2007, 675,000 were granted to the executive officers.

Options granted under the March 2008 option plan, which expires eight years from the date of grant, are vested by one third each year from March 2008 and, once vested, can be exercised at any time. For the French tax residents, the shares resulting from the exercise of those options may not be sold before March 14, 2012. Out of the 1,188,500 options granted in March 2008, 584,742 were granted to the executive officers.

Options granted under March 16, 2009, have an eight-year duration subject to the requirement, for all French residents, to hold the resulting shares in registered form from their purchase date until March 16, 2013, inclusive, except in limited cases listed in the plan regulations. Rights to these options vest by one-third during each of the first three years of the plan. 1,327,000 stock options were allocated to 149 beneficiaries; including 200,000 stock options to

the Chairman and Chief Executive Officer and 125,000 stock options to the Chief Operating Officer.

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On January 6, 2010, the Board of Directors allocated 220,000 stock options to one beneficiary pursuant to a shareholders' resolution. The exercise price of the stock options is 14.71. The stock options expire on January 6, 2018. 110,000 of these stock options vested immediately, 55,000 vested as of January 7, 2011 and 55,000 vested as of January 7, 2012.

On March 22, 2010, the Board of Directors allocated:

1,348,150 stock options to 338 beneficiaries pursuant to a shareholders' resolution. The exercise price of the stock options is 19.44. The stock options expire on March 22, 2018. Rights to these options vested by one-third during each of the first three years of the plan;

200,000 stock options to the Chairman and Chief Executive Officer. Their exercise price is 19.44. Rights to these options vest by one-third during each of the first three years of the plan. Such vesting is subject to performance conditions based on the fulfillment of one of the following objectives:

A share price performance objective relative to the share price considering the SBF 120 index;

A share price performance objective relative to the ADS price considering the PHLX Oil Services SectorSM (OSXSM) index; or

A financial indicator in the form of an EBITDAS objective expressed in US dollars and related to the target for the annual variable part of compensation of the Chairman and Chief Executive Officer.

On October 21, 2010, the Board of Directors allocated 120,000 stock options to three beneficiaries pursuant to a shareholders' resolution. The exercise price of the stock options is 16.88. The plan expires on October 21, 2018. Rights to these options vested by one-third during each of the first three years of the plan.

On March 24, 2011, the Board of Directors allocated:

964,363 stock options to 364 beneficiaries pursuant to a shareholders' resolution. The exercise price of the stock options is 25.48. The stock options expire on March 24, 2019. Rights to these options vest by one-third during each of the first three years of the plan;

66,667 stock options to the Chairman and 133,333 stock options to the Chief Executive Officer. Their exercise price is 25.48. Rights to these options vest by one-third during each of the first three years of the plan. Such vesting is subject to performance conditions based on the fulfillment of one of the following objectives:

A share price performance objective relative to the share price considering the SBF 120 index;

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A share price performance objective relative to the ADS price considering the PHLX Oil Service SectorSM (OSXSM) index; or

A financial indicator in the form of an EBITDAS objective expressed in US dollars and related to the target for the annual variable part of compensation of the Chairman and of the Chief Executive Officer. The exercise price of each option is the average market value of the share during the 20-day period ending the day before the date the option is allocated.

On June 26, 2012, the Board of Directors allocated:

590,625 stock options to certain employees. Their exercise price is 18.77. The options vest in three batches, in June 2014 (for 50% of the options allocated), June 2015 (for 25% of the options allocated) and June 2016 (for 25% of the options allocated). The options have an eight-year duration.

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420,000 stock options to the Executive Committee. Their exercise price is 18.77. The options vest in three batches, in June 2014 (for 50% of the options allocated), June 2015 (for 25% of the options allocated) and June 2016 (for 25% of the options allocated). The options have an eight-year duration. Such vesting is subject to performance conditions based on the fulfillment of the following objectives:

A share price performance objective relative to the share price considering the SBF 120 index;

A share price performance objective relative to the ADS price considering the PHLX Oil Service SectorSM (OSXSM) index;

A financial indicator in the form of an EBITDAS objective expressed in US dollars and related to the target for the annual variable part of compensation of the Executive Committee members;

A share price performance objective relative to the share price increase over the vesting period.

200,000 stock options to the Chief Executive Officer and 100,000 to each of the Corporate Officers. Their exercise price is 18.77. The options vest in three batches, in June 2014 (for 50% of the options allocated), June 2015 (for 25% of the options allocated) and June 2016 (for 25% of the options allocated). The options have an eight-year duration. Such vesting is subject to performance conditions based on the fulfillment of the following objectives:

A share price performance objective relative to the share price considering the SBF 120 index;

A share price performance objective relative to the ADS price considering the PHLX Oil Service SectorSM (OSXSM) index;

A financial indicator in the form of an EBITDAS objective expressed in US dollars and related to the target for the annual variable part of compensation of the Chief Executive Officer and Corporate Officers;

A share price performance objective relative to the share price increase over the vesting period.

The exercise price of each option is the average market value of the share during the 20-day period ending the day before the date the option is allocated.

On June 24, 2013, the Board of Directors allocated:

1,062,574 stock options to certain employees. Their exercise price is 18.47. The options vest in three batches, in June 2015 (for 50% of the options allocated), June 2016 (for 25% of the options allocated) and June 2017 (for 25% of the options allocated). The options have an eight-year duration.

180,000 stock options to the other Corporate Committee members. Their exercise price is 18.47. The options vest in three batches, in June 2015 (for 50% of the options allocated), June 2016 (for 25% of the options allocated) and June 2017 (for 25% of the options allocated). The options have an eight-year duration. Such vesting is subject to performance conditions based on the fulfillment of the following objectives:

A share price performance objective relative to the share price considering the SBF 120 index;

A share price performance objective relative to the ADS price considering the PHLX Oil Service SectorSM (OSXSM) index;

A financial indicator in the form of an EBITDAS objective expressed in US dollars and related to the target for the annual variable part of compensation of the Corporate Committee members;

A share price performance objective relative to the share price increase over the vesting period.

200,000 stock options to the Chief Executive Officer and 100,000 to each of the Corporate Officers. Their exercise price is 18.47. The options vest in three batches, in June 2015 (for 50% of the options allocated), June 2016 (for 25% of the options allocated) and June 2017 (for 25% of the options allocated). The options have an eight-year duration. Such vesting is subject to performance conditions based on the fulfillment of the following objectives:

A share price performance objective relative to the share price considering the SBF 120 index;

A share price performance objective relative to the ADS price considering the PHLX Oil Service SectorSM (OSXSM) index;

A financial indicator in the form of an EBITDAS objective expressed in US dollars and related to the target for the annual variable part of compensation of the Chief Executive Officer and Corporate Officers;

A share price performance objective relative to the share price increase over the vesting period. The exercise price of each option is the average market value of the share during the 20-day period ending the day before the date the option is allocated.

On June 26, 2014, the Board of Directors allocated:

1,135,843 stock options to certain employees. Their exercise price is 10.29. The options vest in three batches, in June 2016 (for 50% of the options allocated), June 2017 (for 25% of the options allocated) and June 2018 (for 25% of the options allocated). The options have an eight-year duration.

120,000 stock options to the other Corporate Committee members. Their exercise price is 10.29. The options vest in three batches, in June 2016 (for 50% of the options allocated), June 2017 (for 25% of the options allocated) and June 2018 (for 25% of the options allocated). The options have an eight-year duration. Such vesting is subject to performance conditions based on the fulfillment of the following objectives:

A share price performance objective relative to the share price considering the SBF 120 index;

A share price performance objective relative to the ADS price considering the PHLX Oil Service SectorSM (OSXSM) index;

A financial indicator in the form of an EBITDAS objective expressed in US dollars and related to the target for the annual variable part of compensation of the Corporate Committee members;

A share price performance objective relative to the share price increase over the vesting period.

200,000 stock options to the Chief Executive Officer and 100,000 to each of the Corporate Officers. Their exercise price is 10.29. The options vest in three batches, in June 2016 (for 50% of the options allocated), June 2017 (for 25% of the options allocated) and June 2018 (for 25% of the options allocated). The options have an eight-year duration. Such vesting is subject to performance conditions based on the fulfillment of the following objectives:

A share price performance objective relative to the share price considering the SBF 120 index;

A share price performance objective relative to the ADS price considering the PHLX Oil Service SectorSM (OSXSM) index;

A financial indicator in the form of an EBITDAS objective expressed in US dollars and related to the target for the annual variable part of compensation of the Chief Executive Officer and Corporate Officers;

A share price performance objective relative to the share price increase over the vesting period. The exercise price of each option is the average market value of the share during the 20-day period ending the day before the date the option is allocated.

Information related to options outstanding at December 31, 2014 is summarized below:

Date of Board of Directors	Resolution	Options granted	Options outstanding at Dec. 31, 2014	Exercise price per share ()	Expiration date	Remaining duration
March 23, 2007		1,308,750	1,216,425 ^(a)	28.89 ^(a)	March 23, 2015	2.7 months
March 14, 2008		1,188,500	1,112,331 ^(a)	30.95 ^(a)	March 14, 2016	14.4 months
March 16, 2009		1,327,000	828,039 ^(a)	8.38 ^(a)	March 16, 2017	26.5 months
January 06, 2010		220,000	231,538 ^(a)	13.98 ^(a)	January 06, 2018	36.2 months
March 22, 2010		1,548,150	1,408,607 ^(a)	18.47 ^(a)	March 22, 2018	38.7 months
October 21, 2010		120,000	126,291 ^(a)	16.05 ^(a)	October 21, 2018	45.7 months
March 24, 2011		1,164,363	1,118,534 ^(a)	24.21 ^(a)	March 24, 2019	50.8 months
June 26, 2012		1,410,625	1,431,487 ^(a)	17.84 ^(a)	June 26, 2020	65.9 months
June 24, 2013		1,642,574	1,588,773	18.47	June 24, 2021	77.8 months
June 26, 2014		1,655,843	1,634,118	10.29	June 26, 2022	89.8 months
Total		11,585,805	10,696,143			

^(a) Following the capital increase in October 2012, the stock options were adjusted as follows:

Date of stock options	Adjustment of number of options as of October 23, 2012	Exercise price before adjustment per share ()	Adjusted exercise price per share ()
March 23, 2007	1,221,425	30.40	28.89
March 14, 2008	1,120,226	32.57	30.95
March 16, 2009	950,179	8.82	8.38
January 06, 2010	231,538	14.71	13.98
March 22, 2010	1,430,622	19.44	18.47
October 21, 2010	126,291	16.88	16.05
March 24, 2011	1,150,636	25.48	24.21
June 26, 2012	1,483,424	18.77	17.84
Total	7,714,341		

A summary of the Company's stock option activity, and related information for the years ended December 31, 2014 follows:

2014		2013		2012 (restated)	
Number of options	Weighted average	Number of options	Weighted average	Number of	Weighted average

		exercise price		exercise price	options	exercise price
		(weighted average exercise price in)				
Outstanding-beginning of year	10,151,820	21.33	8,711,012	21.67	7,062,320	23.16
Granted	1,655,843	10.29	1,642,574	18.47	1,410,625	18.77
Adjustments followings the capital increase					435,498	21.68
Exercised			(122,561)	8.42	(132,758)	13.06
Forfeited	(1,111,520)	24.29	(79,205)	20.30	(64,673)	23.98
Outstanding-end of year	10,696,143	19.31	10,151,820	21.33	8,711,012	21.67
Exercisable-end of year	6,757,509	21.85	6,694,183	22.62	5,943,122	22.06
The average price of CGG share was	8.16 in 2014,	17.46 in 2013,	21.89 in 2012.			

Performance shares

On June 26, 2012 the Board of Directors implemented a performance share allocation plan for a maximum amount of 516,550 performance shares out of which 27,500 were allocated to the Chief Executive Officer, 11,250 were allocated to each of the Corporate Officers, 57,000 were allocated to the Executive Committee members and 409,550 were allocated to certain employees. This allocation of shares is subject to the following performance conditions: (i) the achievement of a minimum average consolidated EBI over fiscal years 2012 and 2013 and (ii) the achievement of an average EBITDAS over fiscal years 2012 and 2013 of either the Group, the Services segment or the Equipment segment, depending upon the segment to which each beneficiary belongs. In addition, the beneficiary still had to be an employee or officer of the Group upon final allocation of the shares.

Following the capital increase of October 2012, the number of existing or newly issued shares to be allocated to the Beneficiaries, including the Senior Executive Officers and the members of the Executive Committee was adjusted to 535,018.

The Board of Directors held on June 4, 2014 confirmed that the performance conditions for the plan implemented on June 26, 2012 were partially fulfilled and that 174,326 shares were allocated pursuant to this plan on June 26, 2014.

Performance units

Allocation plan dated June 24, 2013

On June 24, 2013, the Board of Directors of the Company, upon proposal of the Appointment-Remuneration Committee, implemented a multi-annual bonus system in the form of performance units, replacing the performance shares plans with a twofold objective:

Implement a remuneration mechanism globally harmonized and consistent with the growing internalization of our Group,

Establish a closer link between the remuneration of the main senior executives and the share price performance combined with the economic performance of the Group taken as a whole on a mid-term basis (three years).

The Corporate Committee members (including the Chief Executive Officer and the Corporate Officers) along with the senior executives of the Group and certain employees contributing to the Group performance or with a strong evolution potential within the Group are eligible to the plan.

625,500 performance units were allocated out of which 27,500 were allocated to the Chief Executive Officer, 12,500 were allocated to each of the Corporate Officers, 20,000 were allocated to the other Corporate Committee members and 553,000 were allocated to certain employees.

The performance units vest upon the expiry of a three-year period from the vesting date subject to a presence condition in the Group at the time of vesting and achievement of certain performance conditions. These performance conditions are based on the achievement of Group objectives related to the return on capital employed and statement of financial position structure along with achievement of Divisions financial objectives aligned with the Group strategic orientations over a three-year period.

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The number of vested 2013 performance units is determined upon achievement of the Group objectives up to 60% of the global allocation. The balance will be acquired based on the achievement of the Divisions' objectives.

The valuation of each vested 2013 performance unit shall be equal to the average closing prices of the CGG share on Euronext over the five trading days prior to the vesting date. The vested performance units will be paid half in cash and half in existing CGG shares.

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Allocation plan dated June 26, 2014

On June 26, 2014, the Board of Directors implemented a performance units plan for a maximum amount of 723,800 performance units out of which 27,500 were allocated to the Chief Executive Officer, 12,500 were allocated to each of the Corporate Officers, 20,000 were allocated to the other Corporate Committee members and 651,300 were allocated to certain employees.

The performance units vest upon the expiry of a three-year period from the vesting date subject to a presence condition in the Group at the time of vesting and achievement of certain performance conditions. These performance conditions are based on the achievement of Group objectives related to the return on capital employed and statement of financial position structure along with achievement of Divisions' financial objectives aligned with the Group strategic orientations over a three-year period.

The number of vested 2014 performance units is determined upon achievement of the Group objectives up to 60% of the global allocation. The balance will be acquired based on the achievement of the Divisions' objectives.

The valuation of each vested 2014 performance unit shall be equal to the average closing prices of the CGG share on Euronext over the five trading days prior to the vesting date. The vested performance units will be paid half in cash and half in existing CGG shares.

Compensation cost on stock options, performance shares and units

The following table lists the assumptions used to value the 2012, 2013 and 2014 options plans, the 2012 performance shares allocation plan, the 2013 and 2014 performance units allocation plan according to IFRS 2. The Group uses the Black & Scholes model.

	Options granted	Volatility^(a)	Risk-free rate	Exercise price per share (€)	Estimated Maturity (years)	Fair value per share at the grant date (€)	Dividends yields
2012 stock options plan	1,410,625	42%	1.23%	17.84	4	5.98	0.0%
2013 stock options plan	1,642,574	42%	1.11%	18.47	4	5.14	0.0%
2014 stock options plan	1,655,843	39%	0.34%	10.29	4	3.23	0.0%

	Performance shares granted	Achievement of performance Conditions^(b)	Fair value per share at the grant date (€)	Dividends yields
2012 performance shares allocation plan	516,550	35%	18.13	0.0%
2013 performance units allocation plan	625,500	25%	16.80	0.0%
2014 performance units allocation plan	723,800	50%	10.44	0.0%

- (a) *Corresponds to the average of restated historical volatility and implied volatility.*
- (b) *Estimated.*
- (c) *Corresponds to CGG share price at the date of allocation.*

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According to IFRS 2, fair value of stock options and performance shares and units granted since November 7, 2002 must be recognized as an expense over the life of the plan. Detail of this expense is as follows:

	Year					
	IFRS 2 total expense			Of which for the executive managers of the Group		
	2014	2013	2012 (restated)	2014	2013	2012 (restated)
	(in millions of US\$)					
2009 stock options plan			0.1			0.1
2010 stock options plan		0.6	3.2		0.3	1.4
2011 stock options plan	0.3	1.7	4.3	0.2	1.1	2.9
2012 stock options plan	1.8	3.8	1.9	0.5	1.8	0.9
2013 stock options plan	3.5	1.8		1.1	0.6	
2014 stock options plan	1.1			0.3		
2010 performance shares plan			0.1			
2011 performance shares plan		1.9	9.9		0.5	2.4
2012 performance shares plan	1.0	1.7	1.4	0.2	0.3	0.3
2013 performance units plan paid in shares	0.2	0.7			0.1	
2014 performance units plan paid in shares	0.5					
Recognized expense from equity-settled share based payment transactions	8.4	12.2	20.9	2.3	4.7	8.0

NOTE 16 PROVISIONS

	Balance at 31 December, 2013		Deductions (used)	Deductions (unused)	Others ^(a)	Balance at 31 December, 2014
		Additions				
	(in millions of US\$)					
Provisions for restructuring costs	6.7	80.2	(35.9)	(13.9)	(4.0)	33.1
Provisions for onerous contracts	38.1	52.2	(11.6)	(10.6)	(9.7)	58.4
Provisions for litigations	2.1	0.3	(0.6)		(0.1)	1.7
Provision for tax contingencies	6.3			(6.3)		
Other provisions related to contracts	19.0	3.9	(11.9)		1.0	12.0
Provisions for demobilization costs	0.9	0.8	(0.9)			0.8
Total current provisions	73.1	137.4	(60.9)	(30.8)	(12.8)	106.0
Provisions for cash-settled share-based payment arrangements (note 15)	3.8	0.1		(2.4)		1.5
Retirement indemnity provisions	83.6	4.9	(13.5)	(4.7)	3.6	73.9
Provisions for tax contingencies	6.0	1.2	(2.0)		(1.7)	3.5
Provisions for onerous contracts	6.6	90.8	(2.3)		12.9	108.0

Customers Guarantee provisions	17.7	4.8	(9.0)		(2.7)	10.8
Provisions for customs and other contingencies	24.8	4.5	(4.2)		(2.5)	22.6
Total non-current provisions	142.5	106.3	(31.0)	(7.1)	9.6	220.3
Total provisions	215.6	243.7	(91.9)	(37.9)	(3.2)	326.3

^(a) Includes the effects of exchange rates changes, variations in scope, reclassifications, and gain (loss) on actuarial changes.

Provision for restructuring costs

In 2014, provisions for restructuring costs relate to the Group transformation plan and mainly include redundancy costs and facilities exit costs.

Provision for onerous contract (short term and long term)

In 2013 and 2014, we recognized provisions for onerous contracts as part of our marine fleet downsizing plan, steps one and two (see note 21).

Customers Guarantee provisions

It corresponds to the warranty given by Sercel to external clients.

Retirement indemnity provisions

The Group has defined benefit pension plans in France, in the United States, in the UK and in Mexico.

In addition, a supplemental pension and retirement plan was implemented in December 2004 for the members of the Group's Management Committee and members of the Management Board of Sercel Holding. A contribution amounting to US\$4.3 million was paid in 2014 and US\$4.6 million in 2013. No contribution was paid in 2012.

The Group records retirement indemnity provisions based on the following actuarial assumptions:

historical staff turnover and standard mortality schedule;

age of retirement between 60 and 65 years old in France; and

actuarial rate and average rate of increase in future compensation.

As of December 31, 2014, the net liability for these plans amounted to US\$73.9 million. The status of the retirement indemnity plans is as follows:

	2014	2013	December 31, 2012 (restated)	2011 (restated)
	(in millions of US\$)			
Amount recognized in the statement of financial position				
Present value of the obligation ^(a)	155.2	163.0	145.5	115.9
Fair value of plan assets	(81.3)	(79.4)	(72.3)	(63.5)
Deficit (surplus) of funded plans	73.9	83.6	73.2	52.4
Net liability (asset) recognized in the statement of financial position				
	73.9	83.6	73.2	52.4
Amounts recognized in the income statement				
Service cost	5.9	5.7	4.4	4.9
Interest cost (income)	2.3	2.2	2.5	2.0
Effects of curtailments/settlements	(12.4)	(4.1)		(0.3)
Payroll tax			0.1	0.1
Net periodic expense (profit)	(4.2)	3.8	7.0	6.7
Movements in the net liability recognized in the statement of financial position				
Net liability at January 1	83.6	73.2	52.4	55.8
Expense as above	(4.2)	3.8	7.0	6.7
Actuarial (gains)/losses recognized in other comprehensive income ^(b)	13.0	6.3	14.4	1.8
Contributions paid	(5.8)	(6.6)	(1.4)	(7.3)
Benefits paid by the company	(3.3)	(2.1)	(2.3)	(2.9)
Consolidation scope entries and changes in exchange rates	(9.4)	8.4	2.8	(1.3)
Other		0.6	0.3	(0.4)
Net liability at December 31	73.9	83.6	73.2	52.4
Change in benefit obligation				
Benefit obligation at January 1	163.0	145.5	115.9	117.1
Payroll tax adjustment			0.1	0.2
Current service cost	5.9	6.0	4.4	4.9
Contributions paid	0.5	0.3	0.4	1.1
Interest cost	5.9	5.2	5.6	5.6
Past service cost		(0.3)		
Benefits paid from plan	(8.4)	(7.2)	(2.7)	(15.3)
Actuarial (gains)/losses recognized in other comprehensive income	19.1	7.1	16.0	4.5
Effects of curtailments/settlements	(16.3)	(6.4)		(0.6)
Consolidation scope entries and changes in exchange rates	(14.5)	12.2	5.8	(1.6)
Other		0.6		
Benefit obligation at December 31	155.2	163.0	145.5	115.9
Change in plan assets				
Fair value of plan assets at January 1	79.4	72.3	63.5	61.3
Interest income	3.6	3.0	3.1	3.6
Contributions paid	6.3	6.9	1.8	8.4

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Benefits paid from plan	(5.1)	(5.1)	(0.4)	(12.4)
Actuarial gains/(losses) recognized in other comprehensive income	6.1	0.8	1.6	2.7
Effects of curtailments/settlements	(3.9)	(2.3)		(0.3)
Consolidation scope entries and changes in exchange rate	(5.1)	3.8	3.0	(0.3)
Other			(0.3)	0.5
Fair value of plan assets at December 31^(c)	81.3	79.4	72.3	63.5
Key assumptions used in estimating the Group's retirement obligations are:				
Discount rate ^(d)	1.50%	3.00%	3.00%	4.75%
Average rate of increase in future compensation ^(e)	3.00%	3.31%	3.04%	2.93%

^(a) In 2014 the obligation amounts to US\$155.2 million of which US\$46.2 million for defined benefit plans not covered (US\$54.3 million in 2013, US\$46.9 million in 2012 and US\$37.1 million in 2011). The average duration of the defined benefit plan obligation at the end of the reporting period is 17.7 years in 2014, 15.3 years in 2013 and 16.6 years in 2012.

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(b) Other comprehensive income

Cumulative actuarial losses recognized in other comprehensive income amount to US\$30.0 million as of December 31, 2014. Changes in the defined benefit obligation and fair value of plan assets are, as follows:

	December 31, 2014 2013 (in millions of US\$)	
Amount recognized in the other comprehensive income		
Experience adjustment	(0.4)	4.0
Actuarial changes arising from changes in demographic assumptions		3.1
Actuarial changes arising from changes in financial assumptions	19.5	(0.1)
Return on plan assets (excluding amounts included in net interest expense)	(6.1)	(0.7)
Sub-total included in the other comprehensive income	13.0	6.3

(c) Plan assets

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	December 31,			
	2014	2013	2012	2011
Equity securities	48%	48%	47%	35%
Debt securities	19%	22%	22%	29%
Real estate	8%	8%	8%	4%
Other	25%	22%	23%	32%

(d) Discount rate

The discount rate for entities belonging to the euro zone is 1.50%. It has been defined by comparison to the following rates at December 31, 2014:

Bloomberg Corporate 15 years: 1.30%

IBOXX 10 + AA: 1.49%

IBOXX 10 + AA Financial: 1.54%

IBOXX 10+ AA Non Financial: 1.47%

For entities not included in the euro zone, the discount rates used are 3.80% for the United Kingdom, 3.60% for the United States and 6.25% for Mexico.

An increase of 0.25% of the discount rate would decrease the defined benefit plan (DBO) by US\$6.2 million, and a decrease of the discount rate of 0.25% would increase the DBO by US\$6.6 million.

A variation of 0.25% of the discount rate would have no significant impacts on Service Cost and on Interest Cost (calculated impact is within US\$0.3 million).

(e) Increase in future compensation

An increase of 0.25% of the average rate would increase the future compensation by US\$3.3 million, and a decrease of the average rate of 0.25% would decrease the future compensation by US\$3.2 million.

A variation of 0.25% of the average rate would have no significant impacts on Service Cost and on Interest Cost (calculated impact is within US\$0.2 million).

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NOTE 17 OTHER NON-CURRENT LIABILITIES

Detail of other non-current liabilities is as follows:

	December 31, 2012		
	2014	2013	(restated)
	(in millions of US\$)		
Deposit and guarantees			
Research and development subsidies	2.7	4.2	5.5
Profit sharing scheme	28.0	37.5	41.1
Other non-current liabilities	30.7	41.7	46.6

NOTE 18 CONTRACTUAL OBLIGATIONS, COMMITMENTS AND CONTINGENCIES**Status on contractual obligations**

	December 31, 2012		
	2014	2013	(restated)
	(in millions of US\$)		
Long-term debt obligations	3,570.6	3,388.8	3,013.5
Finance lease obligations	96.7	120.3	136.6
Bareboat agreements ⁽¹⁾	670.4	807.4	898.3
Operating leases obligations	382.3	403.7	276.0
Total obligations	4,720.0	4,720.2	4,324.4

⁽¹⁾ In 2014, the Bareboat agreements amount to US\$670.4 million of which US\$169.2 million for vessels included in the fleet downsizing plan.

The following table presents payments in future periods relating to contractual obligations as of December 31, 2014:

	Payments due by period				Total
	Less than 1 year	2-3 years	4-5 years	After 5 years	
	(in millions of US\$)				
<i>Long-term debt obligations:</i>					
Repayments: fixed rates	34.5	248.7	600.8	1,635.6	2,519.6
Repayments: variables rates ⁽²⁾	8.5	164.0	75.0		247.5
Bonds and facilities interests	142.1	270.1	227.7	163.6	803.5

Total Long-term debt obligations	185.1	682.8	903.5	1,799.2	3,570.6
<i>Finance leases:</i>					
Finance lease Obligations: fixed rates	13.9	27.8	25.4	29.6	96.7
Finance lease Obligations: variables rates ^(a)					
Total Finance lease obligations	13.9	27.8	25.4	29.6	96.7
Bareboat agreements	154.2	244.9	158.2	113.1	670.4
Other operating lease agreements	86.4	115.9	74.8	105.2	382.3
Total Contractual Obligations^(b)	439.6	1,071.4	1,161.9	2,047.1	4,720.0

(a) Payments are based on the variable rates applicable as of December 31, 2014.

(b) Payments in foreign currencies are converted in US\$ at December 31, 2014 exchange rates.

Contractual obligations – finance leases

The Group leases land, buildings and geophysical equipments under finance lease agreements expiring at various dates until 2023.

The following table presents reconciliation between finance lease obligations and finance lease debts as of December 31, 2014:

	Less than 1 year	1-5 years (in millions of US\$)	After 5 years	Total
Finance lease Obligations	13.9	53.2	29.6	96.7
Discounting	(5.3)	(9.7)	(11.6)	(26.6)
Headquarters purchase option			31.9	31.9
Finance lease debt (see note 13)	8.6	43.5	49.9	102.0

Contractual obligations – operating leases

Operating lease agreements relate primarily to bareboat charter agreements for seismic vessels, geophysical equipments, offices and computer equipments.

Rental expenses were US\$393.2 million in 2014, US\$488.8 million in 2013 and US\$466.1 million in 2012.

Guarantees

	December 31, 2012		
	2014	2013	(restated)
	(in millions of US\$)		
<i>Operations</i>			
Guarantees issued in favor of clients (guarantees issued by the Company to mainly support bids made at the subsidiaries level)	457.7	789.0	720.2
Other guarantees and commitments issued (guarantees issued by the Company on behalf of subsidiaries and affiliated companies in favor of customs or other governmental administrations)	139.5	215.0	184.2
<i>Financing</i>			
Guarantees issued in favor of banks (mainly to support credit facilities)	0.7	1.5	3.9
Total	597.9	1,005.5	908.3

The duration of the guarantees and commitments is as follows:

	Due date				
	Less than 1 year	2-3 years	4-5 years	After 5 years	Total
	(in millions of US\$)				
<i>Operations</i>					
Guarantees issued in favor of clients	296.1	154.0	5.0	2.6	457.7
Other guarantees and commitments	24.4	5.9	6.4	102.8	139.5
<i>Financing</i>					
Guarantees issued in favor of banks	0.7				0.7
Total	321.2	159.9	11.4	105.4	597.9

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Others

Commitments issued or received on behalf of related parties are presented in note 8.

The Group has no off-balance sheet obligations under IFRS that are not described above.

Legal proceedings, claims and other contingencies

The Group is a defendant in a number of legal proceedings arising in the ordinary course of business and has various unresolved claims pending. The outcome of these lawsuits and claims is not known at this time. The Group believes that the resulting liability, if any, net of amounts recoverable from insurance or other sources will not have a material adverse effect on its consolidated results of operations, financial position or cash flows.

Requests for information made by the US Department of Commerce's Bureau of Industry and Security

In order to provide complete and accurate responses to recent requests for information made by representatives of the US Department of Commerce's Bureau of Industry and Security (BIS), we conducted an internal review of the facts surrounding shipments to our vessels operating in or near Cuba. During the course of our review, we discovered that, despite our precautions, some shipments may not have complied fully with our internal policies and possibly violated applicable export controls and sanctions laws. We have provided BIS with all of the information it has requested to date and are cooperating fully with it in this matter. We have also informed on a voluntary basis the US Office of Foreign Assets Control.

The Company does not expect this matter to have any material impact on the Group's results of operation, financial position, or cash flows.

NOTE 19 ANALYSIS BY OPERATING SEGMENT AND GEOGRAPHIC AREA

Since February 1, 2013, as a result of the acquisition of the Fugro's Geoscience division, we have organized our activities into three divisions which we also use as segments for our financial reporting. These segments are:

Acquisition, which comprises the following operating segments:

- Marine: offshore seismic data acquisition undertaken by us on behalf of a specific client or for our Multi-client business line (internal activity);
- Land and Airborne: other seismic data acquisition undertaken by us on behalf of a specific client, or for our Multi-client business line (internal activity);

Geology, Geophysics & Reservoir (GGR). This operating segment comprises the Multi-client business line (development and management of seismic surveys that we undertake and license to a number of clients on a non-exclusive basis) and the Subsurface Imaging and Reservoir business line (processing and imaging of geophysical data, reservoir characterization, geophysical consulting and software services, geological data library and data management solutions). Both business lines regularly combine their offerings, generating overall synergies between their respective activities.

Equipment, which comprises our manufacturing and sales activities for seismic equipment used for data acquisition, both on land and marine. We carry out the activity in the Equipment segment through our subsidiary Sercel.

Financial information by segment is reported in accordance with our internal reporting system and provides internal segment information that is used by the chief operating decision maker to manage and measure the performance.

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As a complement to operating income, EBIT is used by Management as a performance indicator because it captures the contribution to our results of the significant businesses that are managed through our joint ventures. We define EBIT as operating income plus our share of income in companies accounted for under the equity method.

Inter-company transactions between segments are made at arm's length prices. They relate primarily to geophysical equipment sales made by the Equipment segment to the Acquisition segment and to services rendered by the Acquisition segment to the GGR segment for the multi-client seismic library.

These inter-segment revenues and the related earnings are eliminated in consolidation in the tables that follow under the column "Eliminations and other".

The inter-segment sales and the related earnings recognized by the Equipment segment are eliminated and presented in the tables that follow as follows: (i) operating income and EBIT for our Acquisition segment are presented after elimination of amortization expenses corresponding to capital expenditures between our Equipment segment and Acquisition segment; and (ii) capital expenditures for our Acquisition segment are presented after elimination of inter-segment margin.

Operating income and EBIT may include non-recurring items, which are disclosed in the reportable segment if material. General corporate expenses, which include Group management, financing, and legal activities, have been included in the column "Eliminations and other" in the tables that follow. The Group does not disclose financial expenses or financial revenues by segment because they are managed at the Group level.

Identifiable assets are those used in the operations of each segment. Unallocated and corporate assets consist primarily of financial assets, including cash and cash equivalents. Due to the constant changes in work locations, the Group does not track its assets based on country of origin or ownership.

Capital employed is defined as total assets excluding cash and cash equivalents less (i) current liabilities excluding bank overdrafts and current portion of financial debt and (ii) non-current liabilities excluding financial debt.

The following tables also present operating revenues, operating income and EBIT by segment, and operating revenues by geographic area (by location of customers).

In 2014, the Group's two most significant customers accounted for 7.1% and 5.2% of the Group's consolidated revenues compared with 5.1% and 3.9% in 2013 and 7.1% and 5.8% in 2012.

Analysis by segment

	2014				
	Acquisition	GGR	Equipment	Eliminations and Other	Consolidated Total
	(in millions of US\$, except for assets and capital employed in billions of US\$)				
Revenues from unaffiliated customers	1,024.7	1,383.5	687.2		3,095.4
Inter-segment revenues	750.0		114.7	(864.7)	
Operating revenues	1,774.7	1,383.5	801.9	(864.7)	3,095.4
Depreciation and amortization (excluding multi-client surveys)	(893.1)	(71.8)	(66.4)		(1,031.3)
Depreciation and amortization of multi-client surveys		(565.8)			(565.8)
Operating income	(821.5)	222.7	142.6	(241.3)	(697.5)
Share of income in companies accounted for under equity method ⁽¹⁾	(76.1)	(5.6)			(81.7)
Earnings before interest and tax⁽²⁾	(897.6)	217.1	142.6	(241.3)	(779.2)
Capital expenditures (excluding multi-client surveys) ⁽³⁾	148.3	71.0	59.1	3.5	281.9
Investments in multi-client surveys, net cash		583.3			583.3
Capital employed	1.5	3.0	0.7		5.2
Total identifiable assets	2.1	3.2	1.0	0.2	6.5

⁽¹⁾ Share of operating results of companies accounted for under the equity method were US\$(68.2) million for the year ended December 31, 2014.

⁽²⁾ For the year ended December 31, 2014, Acquisition EBIT includes:

(i) US\$(690.5) million related to the transformation plan, phases 1 & 2: US\$(415.0) million of marine goodwill depreciation as a consequence of the fleet downsizing and the deterioration of the market conditions, US\$(210.7) million relating to redundancies costs, facilities exit costs and provisions for onerous contracts and US\$(64.8) million impairment on marine fixed assets mainly;

(ii) US\$(107.0) million impairment of our investment in the company Seabed Geosolutions BV accounted for under the equity method; and

(iii) a net gain arising from the sale of Ardiseis FZCO amounting to US\$11.9 million (see Note 2).

GGR EBIT includes: (i) US\$(112.7) million impairment of multi-client surveys notably in Brazil (2007-2009 surveys) and North Sea; and (ii) US\$(7.5) million of redundancies and facilities exit costs, net of reversal of provisions.

Equipment EBIT includes a US\$(21.7) million impairment of intangible assets.

Eliminations and other include US\$(65.5) million of general corporate expenses and US\$(175.8) million of intra-group margin.

⁽³⁾ Capital expenditures include (i) industrial capital expenditures for US\$(205.2) million; (ii) Sercel lease pool for US\$(16.4) million; and (iii) capitalized development costs of US\$(56.8) for the year ended December 31, 2014.

Eliminations and other corresponds to assets suppliers variance.

	2013				
	Acquisition	GGR	Equipment (in millions of US\$, except for assets and capital employed in billions of US\$)	Eliminations and Other	Consolidated Total
Revenues from unaffiliated customers	1,635.5	1,296.0	834.3		3,765.8
Inter-segment revenues	590.5		210.6	(801.1)	
Operating revenues	2,226.0	1,296.0	1,044.9	(801.1)	3,765.8
Depreciation and amortization (excluding multi-client surveys)	(1,106.0)	(62.8)	(44.2)		(1,213.0)
Depreciation and amortization of multi-client surveys		(398.7)			(398.7)
Operating Income	(766.2)	317.0	293.0	(238.7)	(394.9)
Share of income in companies accounted for under equity method ⁽¹⁾	22.2	0.2		(21.8)	0.6
Earnings before interest and tax⁽²⁾	(744.0)	317.2	293.0	(260.5)	(394.3)
Capital expenditures (excluding multi-client surveys) ⁽³⁾	249.8	49.6	55.0	(7.2)	347.2
Investments in multi-client surveys, net cash		479.4			479.4
Capital employed	2.4	2.8	0.9		6.1
Total identifiable assets	3.1	3.1	1.2	0.3	7.7

⁽¹⁾ Share of operational results of companies accounted for under equity method was US\$(0.7) million for the year ended December 31, 2013.

⁽²⁾ For the year ended December 31, 2013, Acquisition EBIT included US\$(800.0) million of non-recurring items: (i) US\$(721.0) million related to the Marine business, out of which US\$(139.0) million of assets impairment and provisions for onerous contracts and US\$(582.0) million of goodwill depreciation as a consequence of the 25% fleet downsizing plan and change of market outlook; and (ii) US\$(79.0) million of goodwill and assets impairment as a consequence of more overall difficult Land market conditions.

GGR EBIT included a gain of US\$19.8 million related to the sale of the Company's shareholding interest in Spectrum ASA.

Eliminations and other included general corporate expenses of US\$(54.0) million, US\$(189.1) million of intra-group margin and US\$(17.4) million of non-recurring items related to the Fugro Geoscience transaction including: (i) a gain of US\$84.5 million related to contribution of shallow-water and OBC assets to our Seabed joint venture with Fugro; offset by (ii) share of income of our Seabed joint venture of US\$(21.8) million; and (iii) acquisition and integration costs, net of reversal of provisions, of US\$(80.1) million, out of which US\$(41.1) million related to the Marine business and the acquired vessels from Fugro.

⁽³⁾ Capital expenditures included industrial capital expenditures for US\$(296.8) million, Sercel lease pool for US\$(0.7) million and capitalized development costs of US\$(56.9) for the year ended December 31, 2014.

	Acquisition	GGR	2012 (restated)		Consolidated Total
			Equipment	Eliminations and Other	
	(in millions of US\$, except for assets and capital employed in billions of US\$)				
Revenues from unaffiliated customers	1,507.3	949.5	953.7		3,410.5
Inter-segment revenues	370.9		250.6	(621.5)	
Operating revenues	1,878.2	949.5	1,204.3	(621.5)	3,410.5
Depreciation and amortization (excluding multi-client surveys)	(258.2)	(36.5)	(43.3)	(30.0)	(368.0)
Depreciation and amortization of multi-client surveys		(340.9)			(340.9)
Share of income in companies accounted for under equity method ⁽¹⁾	34.1	3.3			37.4
Operating Income	(13.6)	179.4	380.4	(215.6)	330.6
Earnings before interest and tax⁽²⁾	20.5	182.7	380.4	(215.6)	368.0
Capital expenditures (excluding multi-client surveys) ⁽³⁾	296.3	33.4	44.1	(5.0)	368.8
Investments in multi-client surveys, net cash		363.8			363.8
Capital employed	2.9	1.8	0.7		5.4
Total assets⁽⁴⁾	3.3	2.0	1.0	0.5	6.8

(1) Operational results of companies accounted for under equity method were US\$49.2 million for the year ended December 31, 2012.

(2) For the year ended December 31, 2012, general corporate expenses amounted to US\$(53.8) million and an impairment loss of US\$(30.0) million related to the Veritas trade name.

(3) Capital expenditures included capitalized development costs of US\$(29.1) million for the year ended December 31, 2012.

(4) Included net assets corresponding to contributed businesses reclassified as assets held for sale for US\$376.4 million (see note 5).

Analysis by geographic area

Analysis of operating revenues by location of customers

	2014		2013		2012 (restated)	
			(in millions of US\$)			
North America	781.7	25.3%	872.2	23.2%	730.3	21.4%
Central and South Americas	366.5	11.8%	309.9	8.2%	499.7	14.7%
Europe, Africa and Middle East	1,297.8	41.9%	1,666.2	44.2%	1,245.8	36.5%
Asia Pacific	649.4	21.0%	917.5	24.4%	934.7	27.4%
Total operating revenues	3,095.4	100%	3,765.8	100%	3,410.5	100%

Operating revenue attributed to France is US\$36.7 million for the year ended December 31, 2014.

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Analysis of operating revenues by category

	2014		2013 (in millions of US\$)		2012 (restated)	
Services rendered ^(a)	2,217.8	71.7%	2,674.8	71.1%	2,281.0	67.2%
Sales of goods	654.0	21.1%	825.7	21.9%	913.4	26.8%
After-sales on multi-client surveys	208.7	6.7%	259.9	6.9%	208.0	5.8%
Leases	14.9	0.5%	5.4	0.1%	8.1	0.2%
Total operating revenues	3,095.4	100%	3,765.8	100%	3,410.5	100%

^(a) Included services rendered and royalties.

NOTE 20 RESEARCH AND DEVELOPMENT EXPENSES

Analysis of research and development expenses is as follows:

	December 31,		
	2014	2013	2012 (restated)
	(in millions of US\$)		
Research and development costs	(189.0)	(181.0)	(135.1)
Development costs capitalized	56.8	56.9	29.1
Research and development expensed	(132.2)	(124.1)	(106.0)
Government grants recognized in income	31.0	18.2	13.2
Research and development costs net	(101.2)	(105.9)	(92.8)

Research and development expenditures related primarily to:

for the Acquisition and GGR segments, projects concerning data processing services and marine acquisition;
and

for the Equipment segment, projects concerning seismic data recording equipment.

NOTE 21 OTHER REVENUES AND EXPENSES

	December 31,		
	2014	2013	2012 (restated)
	(in millions of US\$)		

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Impairment of goodwill	(415.0)	(640.0)	
Impairment of assets	(306.4)	(130.0)	(30.0)
Restructuring costs	(66.4)	(5.6)	(6.9)
Change in restructuring reserves	(151.6)	(40.0)	6.1
Other revenues (expenses)	11.3	(21.8)	(6.1)
Non-recurring revenues (expenses) net	(928.1)	(837.4)	(36.9)
Exchange gains (losses) on hedging contracts	(0.9)	1.9	0.8
Gains (losses) on sales of assets	7.1	90.3	9.4
Other revenues (expenses) net	(921.9)	(745.2)	(26.7)

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Year ended December 31, 2014

Impairment of goodwill

In 2014, we recognized US\$415.0 million of Marine goodwill impairment as a consequence of the fleet downsizing plan and deterioration of market conditions (see note 11).

Impairment of assets

This line item includes:

- (i) a US\$(128.7) million impairment related to seabed activities of which US\$(107.0) million is impairment of our investment in the company Seabed Geosolutions BV accounted for under the equity method and US\$(21.7) million is impairment of intangible assets;
- (ii) a US\$(112.7) million impairment of multi-client surveys notably in Brazil (2007-2009 surveys) and North Sea; and
- (iii) a US\$(65.0) million impairment of marine fixed equipment mainly.

Restructuring costs and change in restructuring reserve

As part of the group transformation plan, we paid US\$66.4 million in 2014, mostly offset by the use of the corresponding provisions. Additional provisions have also been booked for the second step of this plan in the fourth quarter of year 2014 (provisions for onerous contracts mainly).

Gains (losses) on sales of assets

This line item includes a net gain arising from the sale of Ardiseis FZCO amounting to US\$11.9 million (see note 2); and losses related to marine seismic equipment damaged or scrapped. These costs are fully offset by insurance indemnities included in the line Other revenues (expenses) .

Year ended December 31, 2013

Impairment of goodwill

In 2013, we recognized US\$582.0 million of Marine goodwill impairment as a consequence of the 25% fleet downsizing plan and change of market outlook; and US\$58.0 million of Land goodwill impairment as a consequence of more overall difficult market conditions (see note 11).

Impairment of assets

In 2013, we recognized an impairment of vessels and related equipment amounting to US\$105.0 million and an impairment of intangible Land assets for US\$21.0 million.

Change in restructuring reserves

This item included a provision for onerous contract of US\$34.0 million as part of our marine fleet downsizing plan (see note 16).

Other revenues (expenses)

This line item mainly corresponded to acquisition costs related to the Fugro Geoscience transaction.

Gains (losses) on sales of assets

In 2013, we recognized a US\$84.5 million gain arising from our contribution of shallow-water and OBC assets to the joint venture Seabed Geosolutions BV that took place on February 16, 2013 between CGG and Fugro (see note 2).

This line item also included a gain amounting to US\$19.8 million arising from the disposal of our remaining shares we held in Spectrum ASA at NOK 47.50 per share (see note 2); and equipment losses mainly relating to the scrap of marine equipment.

Year ended December 31, 2012*2012 Performance plan*

In 2012, we paid US\$6.9 million related to our 2010 performance plan, which was offset by the use of the corresponding provisions.

Gains (losses) on sales of assets

In 2012, gains on assets included the gain arising from the disposal of our stake in Spectrum ASA amounting to US\$15.0 million. We also recognized a US\$6.1 million gain arising from the contribution of our seismic vessel *Amadeus* to our joint venture PTSC CGGV Geophysical Survey Company Limited during the first quarter of 2012 (see note 2).

This line item also included equipment losses mainly relating to the scrap of marine equipment for US\$10.6 million.

Other revenues (expenses)

This line item included fees related to the acquisition of Fugro Geoscience Division amounting to US\$6.3 million.

An impairment loss related to the Veritas Trade name was also recorded for an amount of US\$30 million after the decision to change our brand name from CGGVeritas to CGG.

NOTE 22 COST OF FINANCIAL DEBT

	December 31,		
	2014	2013	2012
	(in millions of US\$)		
			(restated)
Current interest expenses related to financial debt	(180.6)	(179.4)	(151.5)
Amortization of deferred expenditures on financial debts	(21.7)	(13.9)	(7.5)
Income provided by cash and cash equivalents	1.7	1.6	2.3
Cost of financial debt, net	(200.6)	(191.7)	(156.7)

On June 2, 2014, we redeemed in full the US\$225 million outstanding principal amount of our 9.50% Senior Notes due 2016 and US\$265 million of our 7.75% Senior Notes due 2017 (see note 13). Accelerated amortization of deferred expenditures for early repayment are recorded for US\$6.3 million and US\$2.3 million respectively in line Amortization of deferred expenditures on financial debts .

By June 30, 2014, the entire 360 million principal amount of the 2016 OCEANE convertible bonds was cancelled (Note 13). Accelerated amortization of deferred expenditures is recorded for US\$2.4 million in the line item Amortization of deferred expenditures on financial debts in our consolidated statement of operations.

On August 21, 2013, we redeemed US\$125 million aggregate principal amount of our US\$350 million 9.50% Senior Notes due 2016 at a price of 104.75% plus accrued interest. Accelerated amortization of deferred expenditures for early repayment are recorded for US\$4.3 million in line Amortization of deferred expenditures on financial debts .

NOTE 23 OTHER FINANCIAL INCOME (LOSS)

	December 31,		
	2014	2013	2012
	(in millions of US\$)		
			(restated)
Exchange gains (losses) net	2.2	(4.6)	0.7
Other financial income (expenses)	(45.2)	(17.7)	(20.4)
Other financial income (loss)	(43.0)	(22.3)	(19.7)

In 2014, other financial expenses include a US\$36.5 million expense related to the early repayment of our 360 million OCEANE convertible bonds. These expenses also include a US\$5.2 million premium for the early repayment of our US\$350 million 9.50% Senior Notes due 2016, and a US\$3.4 million premium for the early repayment of our US\$400 million 7.75% Senior Notes due 2017.

In 2013 and 2012, other financial expenses included arrangement fees for a bridge credit facility that was planned to finance a portion of the acquisition of the Fugro Geoscience Division, for US\$3.7 million and US\$12.0 million respectively. This line item also included in 2013 a US\$5.9 million expense for the early repayment penalty of our US\$350 million 9.50% Senior Notes due 2016.

NOTE 24 INCOME TAXES

Income tax benefit (expense)

The Company and its subsidiaries compute income taxes in accordance with the applicable tax rules and regulations of the numerous tax authorities where the Group operates. The tax regimes and income tax rates legislated by these taxing authorities vary substantially. In foreign countries, income taxes are often accrued based on deemed profits calculated as a percentage of sales as defined by local government tax authorities.

Due to the mobile nature of seismic acquisition activities, current relationships between the French and foreign components of such tax items are not reliable indicators of such relationships in future periods.

	December 31,		
	2014	2013	2012 (restated)
	(in millions of US\$)		
France			
Current income tax expense			(9.9)
Adjustments on income tax recognized in the period for prior periods		5.4	3.9
Deferred taxes on temporary differences for the period	(14.2)	11.8	(9.9)
Deferred taxes recognized in the period for prior periods ⁽¹⁾	(38.0)	(21.6)	(18.6)
Deferred taxes on currency translation	(12.0)	16.6	2.6
Total France	(64.2)	12.2	(31.9)
Foreign countries			
Current income tax expense, including withholding taxes ⁽²⁾	(34.3)	(110.7)	(107.7)
Adjustments on income tax recognized in the period for prior periods ⁽³⁾	36.2	2.8	0.1
Deferred taxes on temporary differences for the period	7.5	21.1	45.1
Deferred taxes recognized in the period for prior periods ⁽⁴⁾	(65.1)	(6.2)	(8.1)
Deferred taxes on currency translation	(3.9)	(2.1)	3.3
Total Foreign countries	(59.6)	(95.1)	(67.3)
Total income tax benefit (expense)	(123.8)	(82.9)	(99.2)

⁽¹⁾ In 2014, includes a reversal of deferred tax assets on French losses carried forward amounting to US\$32.0 million based on a revised 2015-2019 tax planning.

In 2013, it included a reversal of deferred tax assets on losses carried forward amounting to US\$19.9 million; and in 2012, included a reversal of deferred tax asset amounting to US\$14.5 million related to the correction of the French tax group loss due to the carry back and research and development tax credit adjustments.

⁽²⁾ In 2014, foreign income tax expense is reduced by a carry back of US\$27.0 million in United-Sates.

⁽³⁾ The current foreign income tax is impacted by the change of tax amortization method on assets since January 1, 2013 in several entities.

⁽⁴⁾ In 2014, deferred taxes liabilities related to multi-client surveys increased by US\$85.0 million due to a change of tax amortization methods. This line also includes a valuation allowance on deferred tax asset on losses carried forward amounting to US\$26.7 million based on revised 2015-2019 tax planning in Norway and Australia.

Both impacts are partially offset by the recognition of a deferred tax asset on 2013 losses carried forward for the US tax group amounting to US\$48.0 million.

Income tax reconciliation

The reconciliation between income tax expense in the income statement and the theoretical tax charge is detailed below:

	2014	2013	2012 (restated)
	(in millions of US\$)		
Net income (loss)	(1,146.6)	(691.2)	92.4
Income taxes	(123.8)	(82.9)	(99.2)
Net Income (loss) before taxes	(1,022.8)	(608.3)	191.6
Equity investment companies income	(81.7)	0.6	37.4
Theoretical tax basis	(941.1)	(608.9)	154.2
Enacted tax rate in France	38.00%	38.00%	36.10%
Theoretical taxes	357.6	231.4	(55.6)
<i>Differences on tax:</i>			
Differences in tax rates between France and foreign countries	18.5	(4.3)	25.6
Non-deductible part of dividends	(5.8)	(4.7)	(1.5)
Adjustments on the tax expense recognized in the period for prior periods	(3)	36.2	8.2
Adjustments on the deferred tax expense recognized in the period for prior periods	(4)	(44.4)	(5.6)
Valuation allowance on deferred tax assets previously recognized on losses on the French tax group	(1)	(32.0)	(19.9)
Valuation allowance on deferred tax assets previously recognized on losses on foreign entities	(4)	(26.7)	(2.4)
Other permanent differences (including withholding taxes)	(2)	(206.8)	(269.7)
Deferred tax unrecognized on losses of the period on the French tax group	(5)	(122.0)	(20.2)
Deferred tax unrecognized on losses of the period on foreign entities	(5)	(82.5)	(10.3)
Unrecognized deferred tax on losses of prior periods	1.1	3.0	0.7
Income tax and deferred tax on Argas net income (equity method company)	(1.1)	(3.0)	(6.1)
Deferred tax on currency translation adjustments	(15.9)	14.6	5.9
Income taxes	(123.8)	(82.9)	(99.2)

(1) (3) (4) See comments on income tax benefit (expense) above.

(2) In 2014, permanent differences include US\$415 million impairment of the Marine goodwill and US\$107.0 million impairment of our investment in Seabed Geosolutions BV (see notes 8 and 21). In 2013, permanent differences included impairment of goodwill for the Acquisition segment for US\$640 million.

(5) Corresponds notably to the French and Norwegian tax groups according to short and medium term uncertainties and revised 2016-2019 tax planning.

Deferred tax assets and liabilities

	December 31,		
	2014	2013	2012
	(in millions of US\$)		
Total deferred tax assets	98.2	222.6	171.4
Total deferred tax liabilities	153.8	148.9	106.0
Total deferred taxes, net	(55.6)	73.7	65.4

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Net deferred tax assets (liabilities) per nature

	December 31,		
	2014	2013	2012 (restated)
	(in millions of US\$)		
Non-deductible provisions (including pensions and profit sharing)	38.4	50.8	52.1
Tangible assets	77.4	93.0	100.0
Effect of currency translation adjustment not recognized in income statement	(30.7)	6.1	(2.2)
Multi-client surveys (including deferred revenues)	(190.2)	(60.9)	(86.5)
Assets reassessed in purchase accounting of acquisitions	(93.1)	(102.1)	(83.2)
Development costs capitalized	(25.7)	(22.4)	(15.1)
Other deferred revenues	2.0	(7.8)	(10.1)
Convertible bonds and other financial instruments	(23.9)	(42.5)	(60.9)
Other	11.8	7.8	33.6
Total deferred tax assets net of deferred tax (liabilities) related to timing differences	(234.0)	(78.0)	(72.3)
Tax losses carried forward	178.4	151.7	137.7
Total deferred tax assets net of deferred tax (liabilities)	(55.6)	73.7	65.4

Deferred tax assets (liabilities) per tax group as of December 31, 2014

	France	Norway	US	Other	Total
Net deferred tax assets (liabilities) related to timing differences	(48.2)		(182.6)	(3.2)	(234.0)
Deferred tax assets on losses carried forward	85.2	17.0	55.5	20.7	178.4
Total deferred tax assets (liabilities)	37.0	17.0	(127.1)	17.5	(55.6)

The deferred taxes recognized on losses carried forward are recoverable without expiration date.

The deferred tax assets recognized on losses carried forward of the French, Norwegian and US tax group are based on revised 2015-2019 tax planning.

The Group records valuation allowances on any deferred tax asset recognized on losses carried forward for entities that have a recent history of generating losses and low recovery perspectives or, for which there is a dispute with tax authorities.

Net operating loss carried forward not recognized as of December 31, 2014

	France	Foreign countries	Total
	(in millions of US\$)		
Losses scheduled to expire in 2015		19.6	19.6

Losses scheduled to expire in 2016 and thereafter		88.8	88.8
Losses available indefinitely	262.4	167.5	429.9
Total	262.4	275.9	538.3

Tax audit and litigation*US*

The tax audit regarding CGG Holding (U.S.) Inc. for the 2007 fiscal year and extended to 2008-2011 is finalized but the procedure is still pending until the conclusions of the CGG Americas litigation.

The Group is litigating the tax authorities' position related to the tax audit of CGG Americas covering fiscal years 2006 and 2007 before the Civil Courts and does not fear any material consequences. All petitions, motions, objections and rebuttals have been filed during 2012 but the Courts' decisions were not still released in 2014.

In 2012, CGG Holding (U.S.) Inc. has received a redetermination notice regarding its Texas State tax for the years 2007 and 2008 for US\$3.4 million. The Group is litigating the Texas Controller's position before the Civil Courts. Depositions occurred in June 2013 and were favorable to the company. A favorable decision was rendered in February 2014 and confirmed in October 2014. The Comptroller appealed in November 2014.

Brazil

The City of Rio has claimed US\$48 million (103 million Brazilian reais) against Veritas do Brazil Ltda and US\$30 million (63 million Brazilian reais) against CGG do Brazil Participacoes Ltda in relation to tax on services (ISS) with respect to the years 2001 to 2009, which has been duly disputed.

By the end of year 2013, reassessment against CGG do Brazil Participacoes Ltda for ISS was cancelled for a failure of procedure.

In February 2014, the Superior Court of Justice rendered a final decision in favor of Veritas do Brazil Ltda. Based on this decision, Veritas do Brazil Ltda presented in June 2014, conclusions to extinguish the foreclosure on years 2001 to 2003. In October and November 2014, two decisions were rendered in favor of Veritas do Brazil Ltda in the foreclosure procedure covering 2001 to 2003. The municipality did not appeal and the decision became definitive.

Following a 2012 audit on year 2009, CGG do Brazil Ltda was reassessed US\$6.8 million of withholding tax and US\$4.5 million of CIDE. The reassessment is disputed. In April 2014, the Administrative Court rendered a decision against CGG do Brazil Participacoes Ltda. The company appealed in May 2014.

Following an audit conducted in 2013 and 2014 for the tax years 2009 to 2013, CGG do Brazil Participacoes Ltda received in August 2014 a reassessment of USD US\$15 million (40 million Brazilian reais) for service tax on services imports. The company appealed in October 2014.

Middle East

In Egypt, the discussions with the tax authorities on the US\$25 million tax claim, based on revenues earned without any deduction of costs incurred, have not lead to any new decision in 2014. The Group does not expect this claim to have any material impact. Nevertheless, a provision has been booked in the Group's consolidated statements to cover the estimated risk.

India

The Group has litigation with Indian Tax authorities regarding the application of the specific regime dedicated to activities in connection with exploration of mineral oil (subject to 4.2% withholding tax) for years 2006 to 2010. Indian Tax Authorities has changed its interpretation indeed, by requesting a 10% withholding tax as fees for technical services.

The whole industry is concerned. Several judgments were issued in favor of seismic companies, stating that seismic activities are eligible to the specific regime issued from section 44BB. Indian Supreme Court should issue a final decision on this issue in 2015.

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In January 2012, Delhi Income Tax Appellate Tribunal (ITAT) issued an unfavorable decision, based on assumptions which we consider as not fitting with the current legal situation. CGG appealed this decision to the Nainital High Court. The hearings have been postponed to 2015.

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The Group does not expect this claim to have any material impact on the Group's statements.

NOTE 25 PERSONNEL

The analysis of personnel is as follows:

	Year ended December 31,		
	2014	2013	2012 (restated)
Personnel employed under French contracts	1,901	1,960	1,929
Personnel employed under local contracts	6,639	7,728	5,631
Total	8,540	9,688	7,560

Including field staff of: 1,225 1,617 1,500
 The total cost of personnel employed was US\$1,002.6 million in 2014, US\$1,142.6 million in 2013 and US\$911.5 million in 2012.

NOTE 26 KEY MANAGEMENT PERSONNEL COMPENSATION

From February 1st 2013, the Corporate Committee (C-Com) replaced the Executive Committee. The C-Com is chaired by the Chief Executive Officer and brings together the two Corporate Officers of the Group and the Senior Executive Vice Presidents of the Divisions.

The director fees and C-Com members' remuneration for years 2014 and 2013 and Executive Committee members' remuneration for 2012 were:

	Year ended December 31,		
	2014	2013 (in US\$)	2012 (restated)
Short-term employee benefit paid ^(a)	4,038,503	4,714,636	8,337,564
Directors' fees	1,021,984	967,542	941,700
Long-term employee benefit pension ^(b)	77,848	69,015	62,293
Long-term employee benefit supplemental pension ^(c)	920,437	954,088	1,221,058
Share-based payments ^(d)	2,340,198	4,495,433	7,254,272

^(a) Excludes tax on salary.

^(b) Cost of services rendered and interest cost.

^(c) Cost of services rendered and interest cost on the supplemental pension implemented by the end of 2004.

^(d) Expense in the income statement related to the stock options and performance shares plans.

Contractual indemnity in case of termination

Chief Executive Officer

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The Board of Directors of June 4, 2014, having renewed the term of office of Mr. Jean-Georges Malcor for a three-year period, i.e. until the General Meeting convened to approve the financial statements for the financial year ended December 31, 2016, also renewed for the duration of this office, the terms and conditions of the advantages granted to Mr. Jean-Georges Malcor in case of termination of its term of office as they had previously been approved by the Board of Directors of May 10, 2012 and ratified by the General Meeting of May 3, 2013. These benefits will be submitted to the General Meeting of May 29, 2015 for ratification.

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These advantages are the following:

Mr. Jean-Georges Malcor does not benefit from any contractual termination indemnity, except in case of a forced departure relating to a change of control or a change of strategy. Such indemnity shall be equal to the difference between:

- (i) a gross amount of 200% of the gross fixed compensation paid by the Company to Mr. Jean-Georges Malcor during the 12-month period preceding his departure date, to which is added the annual average of the variable compensation paid by the Company to Mr. Jean-Georges Malcor over the 36-month period preceding his departure date, (hereinafter the Reference Annual Compensation), and
- (ii) any sum to which Mr. Jean-Georges Malcor may be entitled as a result of his departure from the Group, including any sums to be paid further to the application of his non-competition commitment.

The indemnity global amount shall not exceed 200% of the Reference Annual Compensation.

Pursuant to article L.225-42-1 of the Commercial Code, the payment of the special termination indemnity referred to hereinabove shall remain subject to the achievement of the following performance conditions, related to the Company's performance:

The average, calculated over the 60 trading days preceding the departure date, of the ratio of the CGG ADS price over the PHLX Oil Service SectorSM (OSXSM) index shall equal at least two-thirds of the same average ratio over the same 60-day period 4 years before the date on which Mr. Malcor leaves the Group;

The average, calculated over the 60 trading days preceding the departure date, of the ratio of the CGG share price over the SBF 120 index shall equal at least two-thirds of the same average ratio over the same 60-day period four years before the date on which Mr. Malcor leaves the Group;

The average margin rate of the Group EBITDAS over the four years preceding the date on which Mr. Malcor leaves the Group 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 case only one condition is fulfilled, then Mr. Jean-Georges Malcor will be entitled to receive only 50% of the said special termination indemnity.

Finally, pursuant to said article L.225-42-1 of the Commercial Code in particular, the Board of Directors shall verify prior to the payment of the special severance payment (i) that the performance conditions described above are duly fulfilled and (ii) that the payment of such special termination indemnity complies with the corporate governance code applicable at the date of departure.

Corporate Officers (Directeurs Généraux Délégués)

The benefits granted to Messrs. Frydman and Rouiller in case of their departure from the Group were renewed by the Board of Directors on February 25, 2015 upon renewal of their term of office and will be submitted to the General

Meeting of May 29, 2015 for ratification. They include the following:

Messrs. Frydman and Rouiller will benefit from a special termination indemnity in the event of a forced departure relating to a change of control or a change of strategy. The amount of this indemnity is set at the difference between (i) a gross amount equal to 200% of their Reference Annual Compensation and (ii) any amounts to which they may claim entitlement in case of departure from the Group, particularly, the indemnities that could be paid in connection with their non-compete agreement referred to below. The global amount of such special termination indemnity shall not exceed 200% of the reference annual compensation.

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In accordance with Article L.225-42-1 of the French Commercial Code, payment of the special termination indemnity is subject to performance conditions to be assessed with regard to the Company's performance based on the fulfillment of at least two of the following three objectives:

The average of the ratio between the CGG ADS price over the PHLX Oil Service SectorSM (OSXSM) index over the 60 trading days preceding the date of departure shall equal at least two-thirds of the same average ratio assessed over the same period of 60 trading days four years before the beneficiary leaves the Group;

The average of the ratio of the CGG share price over the SBF 120 index over the 60 trading days preceding the date of departure shall equal at least two-thirds of the same average ratio assessed over the same period of 60 trading days four years before the beneficiary leaves the Group;

The average Group EBITDAS margin over the 4 years preceding the date of departure 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. Should only one of the objectives be fulfilled, then the Beneficiary would only be entitled to 50% of his special termination indemnity.

Finally, pursuant to said article L.225-42-1 of the Commercial Code in particular, the Board of Directors shall verify prior to the payment of the special severance payment (i) that the performance conditions described above are duly fulfilled and (ii) that the payment of such special termination indemnity complies with the corporate governance code applicable at the date of departure.

NOTE 27 RELATED PARTY TRANSACTIONS

The Group enters into contracts with related parties concluded at arm's length.

	December 31,								2012 (restated)
	2014			Total	2013			Total	
	Joint Ventures (a)	Associates (b)	Other Related Parties (c)		Joint Ventures (a)	Associates (b)	Other Related Parties (c)		
	(in millions of US\$)								
Sales of geophysical equipment		67.8		67.8		1.4		1.4	10.9
Equipment rentals and services rendered	18.8	18.0	3.5	40.3	27.8	21.6	15.3	64.7	45.5
Operating Revenue	18.8	85.8	3.5	108.1	27.8	23.0	15.3	66.1	56.4
Charter expenses	29.9			29.9	32.7		22.0	54.7	64.3
Ship management expenses	110.7			110.7	91.6			91.6	67.8
Costs of services rendered	24.5	3.2		27.7	44.3	4.4	5.0	53.7	56.9
Cost of operations	165.1	3.2		168.3	168.6	4.4	27.0	200.0	189.0
Trade accounts and notes receivable, including agency arrangements	3.9	42.7		46.6	6.9	26.9	10.6	44.4	29.1
Financial assets (see note 7)	26.7	45.1		71.8	25.0			25.0	28.3
Receivables	30.6	87.8		118.4	31.9	26.9	10.6	69.4	57.4
Trade accounts and notes payable, including agency arrangements	21.5	60.6		82.1	10.2	32.0		42.2	19.9
Financial liabilities									
Finance lease debt	18.5			18.5	19.9			19.9	21.3
Payables	40.0	60.6		100.6	30.1	32.0		62.1	41.2
Future leases commitments	269.9			269.9	303.6			303.6	336.0
Future ship management costs	162.4			162.4	253.9			253.9	227.5
Contractual Obligations	432.3			432.3	557.5			557.5	563.5

- (a) *Mainly correspond to investments in companies accounted for using the equity method in our Marine acquisition Segment (see note 8);*
- (b) *Mainly correspond to investments in companies accounted for using the equity method in our Land and Airborne acquisition Segment (see note 8);*
- (c) *Correspond to transactions with Louis Dreyfus Armateurs (LDA); LDA was the owner, together with the Group, of Geomar SAS which owns the seismic vessel CGG Alizé . In addition, LDA provided ship management services for a portion of our fleet and Geomar SAS provided vessel charter services to LDA.*

No credit facility or loan was granted to the Company by shareholders during the last three years.

NOTE 28 SUPPLEMENTARY CASH FLOW INFORMATION

Operating activities

In 2014, depreciation and amortization, together with multi-client surveys depreciation, include US\$415.0 million of marine goodwill impairment and US\$306.4 million of asset impairment as described in note 21. In 2013, it included US\$640 million of goodwill impairment and US\$126 million of impairment of other assets. In 2012, it included US\$30 million impairment loss related to the Veritas tradename.

In 2014, variance in provisions mainly relates to restructuring and onerous contracts linked to the transformation plan (see note 16).

In 2013, net gain on disposal of fixed assets included a US\$84.5 million gain arising from our contribution of shallow-water and OBC assets to the joint venture Seabed Geosolutions BV (see note 2).

In 2014, other non-cash items correspond notably to the elimination of call premiums for early repayment of high yield bonds and 2016 convertible bonds (see note 13).

The impact of changes in exchange rate on financial items corresponds to the elimination of the unrealized exchange gains (losses) resulting from the gross financial debt in US dollars located in those subsidiaries whose functional currency is euro.

Investing activities

In 2014, proceeds from disposal of financial assets mainly relate to the sale of Optoplan to Alcatel-Lucent Submarine Networks (ASN) (see note 2). In 2012 and 2013, it mainly related to the sale of our stake in Spectrum ASA.

In 2013, acquisition is mainly related to the Fugro Geoscience division. Overall, we paid a total net consideration of US\$933.0 million for the whole Fugro transaction. Acquisitions in 2012 included US\$52.5 million net investment in Geophysical Research Corporation, LLC (GRC).

In 2014, variation in loan granted relates to a loan to Seabed Geosolutions BV (see note 8).

Financing activities

In 2014, dividends paid and share capital reimbursements to non-controlling interests of integrated entities include the payment of the purchase option on the shares of Geomar SAS (see note 2).

In 2014 and 2012, non-cash investing and financing transactions that are excluded from the consolidated statements of cash flows are not material. In 2013, it mainly related to the creation of the joint venture Seabed Geosolutions BV (see note 2).

Cash and cash equivalents

	Year ended December 31,		
	2012		
	2014	2013	(restated)
	(in millions of US\$)		
Cash	285.0	439.9	952.5
Cash equivalents (mainly short-term deposits)	74.1	90.1	567.7
Total cash and cash equivalents	359.1	530.0	1,520.2

In 2014, Cash and Cash equivalents include trapped cash amounting to US\$99.2 million. Trapped cash means any cash and cash equivalent held by a subsidiary that operates in a country where exchange controls or other legal restrictions apply when the balances are not available for general use by the Group (cash in subsidiaries not available at Group level).

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NOTE 29 EARNINGS PER SHARE

	Year		
	2014	2013	2012 (restated) ⁽⁴⁾
	(in millions of US\$, excepted per share data)		
Net income attributable to shareholders ^(a)	(1,154.4)	(698.8)	75.2
Less financial expenses on convertible bond, net of tax	14.8	36.2	21.7
Adjusted net income attributable to shareholders for diluted earnings per shares ^(b)	(1,139.6)	(662.6)	96.9
Effect of dilution			
Ordinary shares outstanding at the beginning of the year ^(c)	176,890,866	176,392,225	158,665,347
Weighted average number of ordinary shares outstanding during the year ^(d)	94,427	342,764	3,412,261
Weighted average number of ordinary shares outstanding ^{((e)=(c)+(d))}	176,985,293	176,734,989	162,077,608
Dilutive potential shares from 2006 stock options		(1)	(1)
Dilutive potential shares from 2007 stock options	(1)	(1)	(1)
Dilutive potential shares from 2008 stock options	(1)	(1)	(1)
Dilutive potential shares from 2009 stock options	(1)	(2)	586,385
Dilutive potential shares from 2010 stock options	(1)	(2)	241,517
Dilutive potential shares from 2011 stock options	(1)	(1)	(1)
Dilutive potential shares from 2012 stock options	(1)		
Dilutive potential shares from 2013 stock options			
Dilutive potential shares from 2014 stock options			
Total dilutive potential shares from stock options			827,902
Dilutive potential shares from 2011 performance shares allocation			236,423
Dilutive potential shares from 2012 performance shares allocation		(2)	267,509
Dilutive potential shares from 2013 performance shares allocation	(2)	(2)	
Dilutive potential shares from 2014 performance shares allocation	(2)		
Total dilutive potential shares from performance shares allocation			503,932
Dilutive potential shares from Convertible bonds 2011	(2)	(2)	(3)
Dilutive potential shares from Convertible bonds 2012	(2)	(2)	(3)
Dilutive weighted average number of shares outstanding adjusted when dilutive ^(f)	176,985,293	176,734,989	163,409,442
Earnings per share			
Basic^{(a)/(e)}	(6.52)	(3.95)	0.46
Diluted^{(b)/(f)}	(6.52)	(3.95)	0.46

⁽¹⁾ Exercise price of these stock options was higher than the average market price of the underlying shares.

- (2) *As our net result was a loss, stock options, performance shares plans and convertible bonds had an anti-dilutive effect; as a consequence, potential shares linked to those instruments were not taken into account in the dilutive weighted average number of shares or in the calculation of diluted loss per share.*
- (3) *Convertible bonds had an accretive effect (increase of our earning per share); as a consequence, potential shares linked to those instruments were not taken into account in the dilutive weighted average number of shares or in the calculation of diluted income per share.*
- (4) *Restatement related to IAS19 revised see note 1 Change in Accounting Policies*

As a result of the 2012 CGG SA capital increase via an offering of preferential subscription rights to existing shareholders, the calculation of basic and diluted earnings per shares for 2012 has been adjusted retrospectively. Number of ordinary shares outstanding has been adjusted to reflect the proportionate change in the number of shares.

NOTE 30 SUBSEQUENT EVENTS

No significant subsequent event.

NOTE 31 LIST OF PRINCIPAL CONSOLIDATED SUBSIDIARIES AS OF DECEMBER 31, 2014

Subsidiaries are fully consolidated from the date of their acquisition, being the date on which the Group obtains the control.

Dormant subsidiaries of the Group have not been included in the list below.

Percentage of interest generally corresponds to percentage of control in the company.

Siren

Number^(a)	Companies Names	Country of incorporation	% of interest
	CGG Holding BV	Netherlands	100.0
	CGG Marine BV	Netherlands	100.0
	CGG Data Management (Netherlands) BV	Netherlands	100.0
	CGG Jason (Netherlands) BV	Netherlands	100.0
	De Regt Marine Cables BV	Netherlands	100.0
403 256 944	CGG Services SA	France	100.0
410 072 110	CGG Explo SARL	France	100.0
413 926 320	Geomar SAS	France	100.0
	CGG Electromagnetics (Italy) Srl	Italy	100.0
	CGG International SA	Switzerland	100.0
	CGG Data Services AG	Switzerland	100.0
	CGG Geoscience GmbH	Switzerland	100.0
	Wavefield Inseis AS	Norway	100.0
	CGG Marine Resources Norge AS	Norway	100.0
	CGG Geo Vessels AS	Norway	100.0
	CGG Marine (Norway) AS	Norway	100.0
	CGG Services (Norway) AS	Norway	100.0
	Exploration Vessel Resources AS	Norway	100.0
	Exploration Investment Resources II AS	Norway	100.0
	Exploration Vessel Resources II AS	Norway	100.0
	CGG Services (UK) Limited	United Kingdom	100.0
	CGG Data Management (UK) Limited	United Kingdom	100.0
	CGG Jason (UK) Limited	United Kingdom	100.0
	CGG NPA Satellite Mapping Limited	United Kingdom	100.0
	CGG Seismic Imaging (UK) Limited	United Kingdom	100.0
	Robertson (UK) Limited	United Kingdom	100.0
	Robertson Geospec International	United Kingdom	100.0
	Veritas Caspian LLP ⁽¹⁾	Kazakhstan	50.0
	CGG do Brasil Participações Ltda	Brazil	100.0
	Veritas do Brasil Ltda	Brazil	100.0
	LASA Prospeccoes SA	Brazil	100.0
	Geomag SA Prospeccoes Aerogeofisicas	Brazil	100.0
	CGGVeritas Services de Mexico SA de CV	Mexico	100.0
	CGG Geoscience de Mexico SA de CV	Mexico	100.0
	Exgeo CA	Venezuela	100.0
	CGG Holding (U.S.) Inc.	United States of America	100.0

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CGG Services (U.S.) Inc.	United States of America	100.0
CGG Land (U.S.) Inc.	United States of America	100.0
Viking Maritime Inc.	United States of America	100.0
CGG Canada Services Ltd	Canada	100.0
CGG Services (Canada) Inc.	Canada	100.0

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Siren

Number^(a)	Companies Names	Country of incorporation	% of interest
	Hampson-Russell Ltd	Canada	100.0
	CGG Services (Australia) Pty Ltd	Australia	100.0
	CGG Seismic Imaging (Australia) Pty Ltd	Australia	100.0
	CGG Marine (Australia) Pty Ltd	Australia	100.0
	CGG Jason (Australia) Pty Ltd	Australia	100.0
	CGG Ground Geophysics (Australia) Pty Ltd	Australia	100.0
	PT CGG Services Indonesia ⁽¹⁾	Indonesia	95.0
	CGG Services India Private Ltd	India	100.0
	CGG Technology Services (Beijing) Co. Ltd	China	100.0
	CGG Geoscience (Beijing) Ltd	China	100.0
	CGG Services (Singapore) Pte Ltd	Singapore	100.0
	CGG Vostok	Russia	100.0
	CGG (Nigeria) Ltd	Nigeria	100.0
	CGG Airborne Survey (Pty) Ltd	South Africa	100.0
866 800 154	Sercel Holding SA	France	100.0
378 040 497	Sercel SA	France	100.0
	Sercel England Ltd	United Kingdom	100.0
	Sercel-GRC	United States of America	100.0
	Sercel Inc.	United States of America	100.0
	Sercel Canada Ltd	Canada	100.0
	Sercel Australia Pty Ltd	Australia	100.0
	Hebei Sercel-Junfeng Geophysical ⁽¹⁾	China	51.0
	Sercel (Beijing) Technological Services Co. Ltd	China	100.0
	Sercel Singapore Pte Ltd	Singapore	100.0
	De Regt Germany GmbH	Germany	100.0

^(a) Siren number is an individual identification number for company registration purposes under French law.

⁽¹⁾ % of control for these subsidiaries amount to 100%.

Non-controlling interests

The Group does not fully consolidate any significant entity in which it holds less than a majority of voting rights.

No subsidiaries with non-controlling interests contribute significantly to the activities of the Group, the consolidated net income, cash flows, liabilities or assets as of December 31, 2014. Hebei Sercel-Junfeng Geophysical, a subsidiary of Sercel SA based in China, is the major one.

NOTE 32 CONDENSED CONSOLIDATING INFORMATION FOR CERTAIN SUBSIDIARIES

At December 31, 2014 the obligations to pay our outstanding Senior Notes are guaranteed by certain subsidiaries: CGG Canada Services Ltd, CGG Marine Resources Norge AS, CGG Holding (U.S.) Inc, Alitheia Resources Inc, CGG Land (U.S.) Inc., CGG Services (U.S.) Inc., Veritas Investments Inc., Viking Maritime Inc., CGG Marine BV, CGG Holding BV as the Services guarantors, and Sercel Inc., Sercel Australia Pty Ltd, Sercel Canada Ltd and Sercel GRC as the Equipment guarantors.

The following table presents condensed consolidated financial information in IFRS for the year ended December 31, 2014 for the Company, the Guarantor subsidiaries, the Non-Guarantor subsidiaries and the Eliminations to arrive at CGG on a consolidated basis.

	CGG	Services Guarantors	Equipment Guarantors	Non Guarantors	Consolidation Adjustments	Group Consolidated
	(in millions of US\$)					
Goodwill		1,797.7	90.2	153.8		2,041.7
Intangible assets (including multi-client surveys)	31.1	722.0	28.3	870.3	(277.9)	1,373.8
Property, plant and equipment	86.9	552.8	51.1	796.3	(248.9)	1,238.2
Investment in affiliates	3,878.3	2,172.4	7.1	438.0	(6,495.8)	
Other non-current assets	1,963.1	548.7	5.3	253.1	(2,392.5)	377.7
Current assets	376.4	790.2	304.0	2,902.4	(2,343.4)	2,029.6
Total assets	6,335.8	6,583.8	486.0	5,413.9	(11,758.5)	7,061.0
Financial debt (including bank overdrafts, current and non-current portion)	2,460.2	1,993.1		756.5	(2,430.9)	2,778.9
Other non-current liabilities (excluding financial debt)	22.8	117.1	23.4	267.7	(26.2)	404.8
Current liabilities (excluding current portion of debt)	1,106.6	761.4	95.4	1,646.6	(2,478.9)	1,131.1
Total liabilities (excluding equity)	3,589.6	2,871.6	118.8	2,670.8	(4,936.0)	4,314.8
Equity	2,746.2	3,712.2	367.2	2,743.1	(6,822.5)	2,746.2
Operating revenues	122.8	931.9	294.3	3,821.5	(2,075.1)	3,095.4
Depreciation and amortization	8.2	915.3	15.8	617.1	40.7	1,597.1
Operating income (loss)	(179.2)	(371.3)	57.8	(265.1)	60.3	(697.5)
Equity in income of affiliates	(359.5)	(60.2)		(0.1)	419.8	
Net income (loss) group share	(1,146.6)	(464.6)	40.5	(440.6)	864.7	(1,146.6)
Cash flow from operating activities	804.5	389.6	32.9	96.2	(459.0)	864.2
	(3.1)	(483.3)	(26.0)	(521.1)	140.0	(893.5)

Cash flow from investing activities						
Cash flow from financing activities	(900.6)	40.8	(1.5)	400.7	358.1	(102.5)
Effect of exchange rates on cash					(8.7)	(8.7)
Impact of changes in consolidation scope					(30.4)	(30.4)
Cash at opening	266.5	92.9	4.0	166.6		530.0
Cash at closing	167.3	40.0	9.4	142.4		359.1

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The following table presents condensed consolidated financial information in IFRS for the year ended December 31, 2013 for the Company, the Guarantor subsidiaries, the Non-Guarantor subsidiaries and the Eliminations to arrive at CGG on a consolidated basis.

	CGG	Services Guarantors	Equipment Guarantors (in millions of US\$)	Non Guarantors	Consolidation Adjustments	Group Consolidated
Goodwill		2,210.6	91.6	181.0		2,483.2
Intangible assets (including multi-client surveys)	26.3	652.6	30.8	759.8	(197.9)	1,271.6
Property, plant and equipment	112.2	740.6	39.4	944.4	(278.8)	1,557.8
Investment in affiliates	4,505.2	1,938.0	6.1	504.2	(6,953.5)	
Other non-current assets	2,440.2	582.1	7.6	482.7	(2,916.4)	596.2
Current assets	359.9	1,080.7	300.7	2,847.3	(2,234.6)	2,354.0
Total assets	7,443.8	7,204.6	476.2	5,719.4	(12,581.2)	8,262.8
Financial debt (including bank overdrafts, current and non-current portion)	2,504.0	2,381.1	0.2	734.8	(2,872.5)	2,747.6
Other non-current liabilities (excluding financial debt)	26.5	98.2	24.3	194.7	(10.6)	333.1
Current liabilities (excluding current portion of debt)	1,023.2	693.7	121.8	1,872.0	(2,418.7)	1,292.0
Total liabilities (excluding equity)	3,553.7	3,173.0	146.3	2,801.5	(5,301.8)	4,372.7
Equity	3,890.1	4,031.6	329.9	2,917.9	(7,279.4)	3,890.1
Operating revenues	110.8	914.3	440.2	4,539.5	(2,239.0)	3,765.8
Depreciation and amortization	7.2	1,133.6	12.5	533.0	(74.6)	1,611.7
Operating income (loss)	(108.1)	(509.7)	120.1	100.1	2.7	(394.9)
Equity in income of affiliates	(234.3)	152.9		0.2	81.2	
Net income (loss) group share	(691.2)	(559.8)	83.0	75.3	401.5	(691.2)
Cash flow from operating activities	798.9	194.3	7.8	467.7	(561.0)	907.7
Cash flow from investing activities	(1,295.4)	(1,452.9)	(10.5)	(417.7)	1,457.0	(1,719.5)
Cash flow from financing activities	(526.8)	1,283.9	(2.1)	(37.4)	(914.7)	(197.1)
Effect of exchange rates on cash					21.4	21.4
Impact of changes in consolidation scope					(2.7)	(2.7)
Cash at opening	1,289.8	67.6	8.8	154.0		1,520.2

Cash at closing	266.5	92.9	4.0	166.6	530.0
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The following table presents condensed consolidated financial information in IFRS for the year ended December 31, 2012 (restated) for the Company, the Guarantor subsidiaries, the Non-Guarantor subsidiaries and the Eliminations to arrive at CGG on a consolidated basis.

	CGG	Services Guarantors	Equipment Guarantors (in millions of US\$)	Non Guarantors	Consolidation Adjustments	Group Consolidated
Goodwill		2,176.6	94.0	144.9		2,415.5
Intangible assets (including multi-client surveys)	29.0	539.6	32.6	462.7	(129.0)	934.9
Property, plant and equipment	106.1	655.0	41.7	604.9	(248.2)	1,159.5
Investment in affiliates	5,174.8	1,552.6	5.9	230.0	(6,963.3)	
Other non-current assets	1,082.2	117.7	7.3	248.4	(1,106.0)	349.6
Current assets	1,396.4	1,220.2	256.5	3,443.6	(2,843.4)	3,473.3
Total assets	7,788.5	6,261.7	438.0	5,134.5	(11,289.9)	8,332.8
Financial debt (including bank overdrafts, current and non-current portion)	2,223.3	1,096.9	0.4	124.6	(1,140.0)	2,305.2
Other non-current liabilities (excluding financial debt)	31.7	85.2	29.9	175.2	(45.9)	276.1
Current liabilities (excluding current portion of debt)	951.6	472.7	153.2	2,435.1	(2,843.0)	1,169.6
Total liabilities (excluding equity)	3,206.6	1,654.8	183.5	2,734.9	(4,028.9)	3,750.9
Equity	4,581.9	4,606.9	254.5	2,399.6	(7,261.0)	4,581.9
Operating revenues	100.6	810.1	560.2	3,976.9	(2,037.3)	3,410.5
Depreciation and amortization	7.0	403.2	12.5	347.2	(61.0)	708.9
Operating income (loss)	(52.7)	120.8	125.6	209.3	(72.4)	330.6
Equity in income of affiliates	31.7	101.8		0.2	(133.7)	
Net income (loss) group share	92.4	236.3	87.1	150.8	(474.2)	92.4
Cash flow from operating activities	573.0	75.2	67.2	699.5	(494.0)	920.9
Cash flow from investing activities	27.1	(487.5)	(62.9)	(368.1)	146.8	(744.6)
Cash flow from financing activities	348.9	390.4	(3.8)	(270.2)	329.5	794.8
Effect of exchange rates on cash					17.7	17.7
Cash at opening	340.8	89.5	8.3	92.8		531.4

Cash at closing	1,289.8	67.6	8.8	154.0	1,520.2
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