CGG
Form 6-K
August 01, 2013
Table of Contents

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER

PURSUANT TO RULE 13a-16 OR 15d-16

OF THE SECURITIES EXCHANGE ACT OF 1934

CGG

(Exact name of registrant as specified in its charter)

CGG

(Translation of registrant s name into English)

Republic of France

Tour Maine Montparnasse

33, avenue du Maine

75015 Paris

France

(33) 1 64 47 45 00

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F x Form 40-F ¨

Table of Contents

TABLE OF CONTENTS

Table of Contents

FORWARD-LOOKING STATEMENTS

This document includes forward-looking statements . We have based these forward-looking statements on our current views and assumptions about future events.

These forward-looking statements involve certain risks and uncertainties. Factors that could cause actual results to differ materially from those contemplated by the forward-looking statements include, among others, the following factors:

- the impact of the current economic and credit environment, including on our customers and suppliers;
- the social, political and economic risks of our global operations;
- our ability to integrate successfully the businesses or assets we acquire;
- any write-downs of goodwill on our balance sheet;
- our ability to sell our seismic data library;
- exposure to foreign exchange rate risk;
- our ability to finance our operations on acceptable terms;
- the impact of fluctuations in fuel costs on our marine acquisition business;
- the timely development and acceptance of our new products and services;
- difficulties and costs in protecting intellectual property rights and exposure to infringement claims by others;
- ongoing operational risks and our ability to have adequate insurance against such risks;
- the level of capital expenditures by the oil and gas industry and changes in demand for seismic products and services;
- our clients ability to unilaterally terminate certain contracts in our backlog;
- the effects of competition;

- difficulties in adapting our fleet to changes in the seismic market;
- the seasonal nature of our revenues;
- the costs of compliance with governmental regulation, including environmental, health and safety laws;
- our substantial indebtedness and the restrictive covenants in our debt agreements;
- our ability to access the debt and equity markets during the periods covered by the forward-looking statements, which will depend on general market conditions and on our credit ratings for our debt obligations;
- exposure to interest rate risk; and
- our success at managing the foregoing risks.

We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this document might not occur.

Certain of these risks are described in our annual report on Form 20-F for the year ended December 31, 2012 that we filed with the SEC on April 25, 2013. Our annual report on Form 20-F is available on our website at www.cgg.com or on the website maintained by the SEC at www.sec.gov. You may request a copy of our annual report on Form 20-F, which includes our complete audited financial statements, at no charge, by calling our investor relations department at + 33 1 6447 3831, sending an electronic message to invrelparis@cgg.com or invrelhouston@cgg.com or writing to CGG Investor Relations Department, Tour Maine Montparnasse 33, avenue du Maine 75015 Paris, France.

Table of Contents

Item 1: FINANCIAL STATEMENTS

C G G

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF OPERATIONS

Amounts in millions of U.S.$, except per share data or unless indicated	Three months ended June 30, 2013		Three months ended June 30, 2012 (restated) [4]
Operating revenues		**1,031.7**	**831.0**
Other income from ordinary activities		0.5	0.9
Total income from ordinary activities		**1,032.2**	**831.9**
Cost of operations		(794.3)	(654.1)
Gross profit		**237.9**	**177.8**
Research and development expenses, net		(24.9)	(22.7)
Marketing and selling expenses		(34.5)	(24.6)
General and administrative expenses		(54.2)	(45.0)
Other revenues (expenses), net		(2.8)	(0.1)
Operating income		**121.5**	**85.4**
Expenses related to financial debt		(47.2)	(39.2)
Income provided by cash and cash equivalents		0.4	0.5
Cost of financial debt, net		**(46.8)**	**(38.7)**
Other financial income (loss)		0.1	4.7
Income (loss) of consolidated companies before income taxes		**74.8**	**51.4**
Deferred taxes on currency translation		1.7	(2.8)
Other income taxes		(36.3)	(24.4)
Total income taxes		**(34.6)**	**(27.2)**
Net income (loss) from consolidated companies		**40.2**	**24.2**
Share of income (loss) in companies accounted for under equity method		(4.5)	10.1
Net income (loss)		**35.7**	**34.3**
Attributable to:			
Owners of CGG	$	34.9	29.9
Owners of CGG [1]		26.6	22.8
Non-controlling interests	$	0.8	4.4
Weighted average number of shares outstanding		176,719,125	158,738,591
Dilutive potential shares from stock-options		507,561	578,040
Dilutive potential shares from performance share plan		611,140	678,850
Dilutive potential shares from convertible bonds		[2]	[2]
Dilutive weighted average number of shares outstanding adjusted when dilutive		177,837,826	159,995,481
Net income (loss) per share			
Basic	$	0.20	0.19 [3]
Basic [1]		0.15	0.14 [3]
Diluted	$	0.20	0.19 [3]
Diluted [1]		0.15	0.14 [3]

(1) Corresponding to the half-year amount in euros less the first quarter amount in euros.

(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 capital increase of CGG in 2012 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

See notes to Interim Consolidated Financial Statements

C G G

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF OPERATIONS

Amounts in millions of U.S.$, except per share data or unless indicated		Six months ended June 30, 2013	2012 (restated) [4]
Operating revenues		**1,902.4**	**1,617.6**
Other income from ordinary activities		1.1	2.1
Total income from ordinary activities		**1,903.5**	**1,619.7**
Cost of operations		(1,469.5)	(1,303.3)
Gross profit		**434.0**	**316.4**
Research and development expenses, net		(51.0)	(44.5)
Marketing and selling expenses		(62.9)	(46.6)
General and administrative expenses		(105.2)	(92.1)
Other revenues (expenses), net		58.4	6.0
Operating income		**273.3**	**139.2**
Expenses related to financial debt		(94.1)	(78.7)
Income provided by cash and cash equivalents		1.0	1.4
Cost of financial debt, net		**(93.1)**	**(77.3)**
Other financial income (loss)		(4.9)	1.4
Income (loss) of consolidated companies before income taxes		**175.3**	**63.3**
Deferred taxes on currency translation		(5.0)	
Other income taxes		(61.6)	(46.2)
Total income taxes		**(66.6)**	**(46.2)**
Net income (loss) from consolidated companies		**108.7**	**17.1**
Share of income (loss) in companies accounted for under equity method		6.1	13.7
Net income (loss)		**114.8**	**30.8**
Attributable to:			
Owners of CGG	$	111.6	21.2
Owners of CGG [1]		85.1	16.2
Non-controlling interests	$	3.2	9.6
Weighted average number of shares outstanding		176,750,616	158,703,135
Dilutive potential shares from stock-options		588,127	658,216
Dilutive potential shares from performance share plan		611,140	678,850
Dilutive potential shares from convertible bonds		[2]	[2]
Dilutive weighted average number of shares outstanding adjusted when dilutive		177,949,883	160,040,201
Net income (loss) per share			
Basic	$	0.63	0.13 [3]
Basic [1]		0.48	0.10 [3]
Diluted	$	0.63	0.13 [3]
Diluted [1]		0.48	0.10 [3]

(1) *Converted at the average exchange rate of U.S.$1.312 and U.S.$1.308 per for the periods ended June 30, 2013 and 2012, respectively.*

(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 capital increase of CGG in 2012 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*

See notes to Interim Consolidated Financial Statements

Table of Contents

C G G

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)

Amounts in millions of U.S.$	**June 30, 2013**	**2012 (restated) [(1)]**
Net income (loss) from statements of operations	**114.8**	**30.8**
Other comprehensive income to be reclassified in profit (loss) in subsequent period:		
Gain (loss) on cash flow hedges	(0.2)	3.1
Income taxes	0.1	(1.1)
Net gain (loss) on cash flow hedges	**(0.1)**	**2.0**
Gain (loss) on net investment hedge	38.2	
Income taxes	(13.8)	
Net gain (loss) on net investment hedge	**24.4**	
Exchange differences on translation of foreign operations	**(28.9)**	**(24.2)**
Net other comprehensive income to be reclassified in profit (loss) in subsequent period (1)	**(4.6)**	**(22.2)**
Other comprehensive income not to be classified in profit (loss) in subsequent period:		
Gain (loss) on actuarial changes on pension plan	1.4	
Income taxes	(0.5)	
Net gain (loss) on actuarial changes on pension plan	**0.9**	
Net other comprehensive income not to be reclassified in profit (loss) in subsequent period (2)	**0.9**	
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)	**(3.7)**	**(20.7)**
Total comprehensive income (loss) for the period	**111.1**	**10.1**
Attributable to:		
Owners of CGG	*107.0*	*0.7*
Non-controlling interests	*4.1*	*9.4*

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

C G G

UNAUDITED CONSOLIDATED BALANCE SHEET

Amounts in millions of U.S.$, unless indicated	June 30, 2013	December 31, 2012 (restated) [1]
ASSETS		
Cash and cash equivalents	358.8	1,520.2
Trade accounts and notes receivable, net	1,062.5	888.7
Inventories and work-in-progress, net	445.0	419.2
Income tax assets	131.5	111.7
Other current assets, net	178.7	139.6
Assets held for sale, net	10.6	393.9
Total current assets	**2,187.1**	**3,473.3**
Deferred tax assets	175.5	171.4
Investments and other financial assets, net	56.5	53.7
Investments in companies under equity method	332.8	124.5
Property, plant and equipment, net	1,688.2	1,159.5
Intangible assets, net	1,208.0	934.9
Goodwill, net	3,111.8	2,415.5
Total non-current assets	**6,572.8**	**4,859.5**
TOTAL ASSETS	**8,759.9**	**8,332.8**
LIABILITIES AND EQUITY		
Bank overdrafts	8.4	4.2
Current portion of financial debt	164.2	47.8
Trade accounts and notes payable	478.3	505.5
Accrued payroll costs	218.5	209.9
Income taxes liability payable	101.7	97.0
Advance billings to customers	40.8	36.0
Provisions - current portion	44.3	21.0
Other current liabilities	335.9	300.2
Total current liabilities	**1,392.1**	**1,221.6**
Deferred tax liabilities	137.5	106.0
Provisions - non-current portion	137.1	123.5
Financial debt	2,356.5	2,253.2
Other non-current liabilities	39.3	46.6
Total non-current liabilities	**2,670.4**	**2,529.3**
Common stock 301,836,238 shares authorized and 176,860,885 shares with a 0.40 nominal value issued and outstanding at June 30, 2013 and 176,392,225 at December 31, 2012	92.7	92.4
Additional paid-in capital	3,180.0	3,179.1
Retained earnings	1,274.5	1,190.6
Other reserves	(25.2)	(27.8)
Treasury shares	(20.6)	(20.6)
Net income (loss) for the period attributable to the owners of CGG	111.6	75.2
Cumulative income and expense recognized directly in equity	(7.7)	(7.6)
Cumulative translation adjustment	(3.5)	1.9
Equity attributable to owners of CGG	**4,601.8**	**4,483.2**
Non-controlling interests	95.6	98.7
Total equity	**4,697.4**	**4,581.9**
TOTAL LIABILITIES AND EQUITY	**8,759.9**	**8,332.8**

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

See notes to Interim Consolidated Financial Statements

Table of Contents

C G G

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended June 30,	
Amounts in millions of U.S.$	**2013**	**2012 (restated) (1)**
OPERATING		
Net income (loss)	114.8	30.8
Depreciation and amortization	227.7	170.0
Multi-client surveys depreciation and amortization	174.0	144.9
Depreciation and amortization capitalized to multi-client surveys	(47.1)	(22.4)
Variance on provisions	17.1	(11.6)
Stock based compensation expenses	9.1	9.1
Net gain (loss) on disposal of fixed assets	(97.5)	(7.9)
Equity income (loss) of investees	(6.1)	(13.7)
Dividends received from affiliates		22.1
Other non-cash items	3.7	0.8
Net cash including net cost of financial debt and income tax	**395.7**	**322.1**
Less net cost of financial debt	93.1	77.3
Less income tax expense	66.6	46.2
Net cash excluding net cost of financial debt and income tax	**555.4**	**445.6**
Income tax paid	(58.7)	(84.4)
Net cash before changes in working capital	**496.7**	**361.2**
- change in trade accounts and notes receivable	(31.9)	(39.7)
- change in inventories and work-in-progress	(7.4)	(27.9)
- change in other current assets	(1.6)	(4.8)
- change in trade accounts and notes payable	(146.8)	52.4
- change in other current liabilities	(44.0)	(51.4)
Impact of changes in exchange rate on financial items	2.1	6.3
Net cash provided by operating activities	**267.1**	**296.1**
INVESTING		
Capital expenditures (including variation of fixed assets suppliers, excluding multi-client surveys)	(158.0)	(213.2)
Investment in multi-client surveys, net cash	(234.5)	(157.4)
Proceeds from disposals of tangible and intangible assets	4.6	2.5
Total net proceeds from financial assets	33.7	11.8
Acquisition of investments, net of cash and cash equivalents acquired	(939.6)	(52.5)
Impact of changes in consolidation scope		
Variation in loans granted		0.6
Variation in subsidies for capital expenditures		(1.2)
Variation in other non-current financial assets	0.1	(0.7)
Net cash used in investing activities	**(1,293.7)**	**(410.1)**
FINANCING		
Repayment of long-term debts	(184.2)	(47.3)
Total issuance of long-term debts	111.8	39.2
Lease repayments	(9.3)	(17.1)
Change in short-term loans	3.5	(1.9)
Financial expenses paid	(65.8)	(61.7)
Net proceeds from capital increase		
- from shareholders	1.2	0.6
- from non-controlling interests of integrated companies		
Dividends paid and share capital reimbursements		
- to shareholders		
- to non-controlling interests of integrated companies	(7.5)	(5.6)

Acquisition/disposal from treasury shares		
Net cash provided by (used in) financing activities	**(150.3)**	**(93.8)**
Effects of exchange rates on cash	15.5	(4.8)
Net increase (decrease) in cash and cash equivalents	**(1,161.4)**	**(212.6)**
Cash and cash equivalents at beginning of year	**1,520.2**	**531.4**
Cash and cash equivalents at end of period	**358.8**	**318.8**

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

See notes to Interim Consolidated Financial Statements

Table of Contents

C G G

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in millions of U.S.$, except share data	Number of Shares issued	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 CGG	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	*110,141*		0.6						0.6		**0.6**
Dividends										(5.6)	**(5.6)**
Net income				21.2					21.2	9.6	**30.8**
Cost of share-based payment				9.1					9.1		**9.1**
Net gain (loss) on actuarial changes on pension plan (1)											
Net gain (loss) on cash flow hedges (2)							3.5		3.5		**3.5**
Exchange differences on foreign currency translation (3)							0.2	(24.2)	(24.0)	(0.2)	**(24.2)**
Other comprehensive income (1)+(2)+(3)							**3.7**	**(24.2)**	**(20.5)**	**(0.2)**	**(20.7)**
Issuance of convertible bonds, net of deferred taxes											
Exchange differences on foreign currency translation generated by the mother company					22.1				22.1		**22.1**
Changes in consolidation scope and other				(3.2)					(3.2)		**(3.2)**
Balance at June 30, 2012 (restated) [(a)]	***151,972,073***	**79.8**	**2,669.9**	**1,147.5**	**5.1**	**(20.6)**	**(7.8)**	**(50.0)**	**3,823.9**	**90.9**	**3,914.8**

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

Number of **Additional**

Amounts in millions of U.S.$, except share data	Shares issued	Share capital	paid-in capital	Retained earnings	Other reserves	Treasury shares	Income and expense Recognized directly in equity	Cumulative translation adjustment	Equity attributable to owners of CGG	Non-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	*468,660*	0.3	0.9						1.2		**1.2**
Dividends										(7,5)	**(7,5)**
Net income				111.6					111.6	3.2	**114.8**
Cost of share-based payment				9.1					9.1		**9.1**
Operations on treasury shares											
Net gain (loss) on actuarial changes on pension plan (1)				0.9					0.9		**0.9**
Net gain (loss) on cash flow hedges (2)							(0.1)		(0.1)		**(0.1)**
Net gain (loss) on investment hedge (3)								24.4	24.4		**24.4**
Exchange differences on foreign currency translation (4)								(29.8)	(29.8)	0.9	**(28.9)**
Other comprehensive income (1)+(2)+(3)+(4)				**0.9**			**(0.1)**	**(5.4)**	**(4.6)**	**0.9**	**(3.7)**
Issuance of convertible bonds, net of deferred taxes				(0.6)					(0.6)		**(0.6)**
Exchange differences on foreign currency translation generated by the mother company					2.6				2.6		**2.6**
Changes in consolidation scope and other				(0.7)					(0.7)	0.3	**(0.4)**
Balance at June 30, 2013	***176,860,885***	**92.7**	**3,180.0**	**1,386.1**	**(25.2)**	**(20.6)**	**(7.7)**	**(3.5)**	**4,601.8**	**95.6**	**4,697.4**

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

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CGG (the Company) and 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°1606/2002 dated July 19, 2002, the accompanying interim condensed consolidated financial statements have been prepared in accordance with IAS34 as issued by the International Accounting Standards Board (IASB) and adopted by the European Union.

These interim condensed consolidated financial statements have been authorized by the Board of Directors for issue on July 31, 2013.

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.

The interim condensed consolidated financial statements are presented in U.S. dollar and have been prepared on a historical cost basis, except for certain financial assets and liabilities that have been measured at fair value.

Critical accounting policies

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group s annual financial statements as of and for the year ended December 31, 2012 included in its report on Form 20-F for the year 2012 filed with the SEC on April 25, 2013.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group s annual financial statements for the year ended December 31, 2012, except for the adoption of the following new Standards and Interpretations:

Amendment to IAS19 Employee benefits

Amendment to IAS27 Separate Financial Statements

Amendment to IAS28 Investments in associates and joint-ventures

Amendment to IAS32 and IFRS7 Offsetting financial assets and financial liabilities

Amendment to IAS1 Presentation of items of other comprehensive income

IFRS10 Consolidated Financial Statements

IFRS11 Joint arrangements

IFRS12 Disclosures of Interests in other entities

IFRS13 Fair value measurement

2009-2011 annual improvements to IFRS

The adoption of these Standards and Interpretations had no significant impact on the Group s interim financial statements, except for the application of IAS 19 Revised.

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

IFRS9 Financial Instruments classification and valuation of financial assets

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

Amendment to IAS39 and IFRS9 Novation of Derivatives and Continuation of Hedge Accounting

IFRIC 21 Interpretation Levies

We are currently reviewing these standards and interpretations to measure their potential impact on our consolidated financial

Table of Contents

statements.

Change in accounting policies

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

- As the Group already recognizes actuarial gains and losses in other comprehensive income (OCI), this specific amendment had no impact on the consolidated financial statements.

- Unvested past services costs are no longer recognized as an expense on a straight-line basis over the average period until the benefits become vested, but are recognized immediately if the benefits have vested immediately following the introduction of, or changes to, a pension plan.

- Discounting effect is now calculated on the amount of the net defined benefit liability. Interests in the profit and loss are now calculated using the discount rate used to measure the defined benefit obligation.

The adjustments resulting from the immediate recognition of past services costs are as follows:

As of January 1, 2012:

- Increase in employee benefit liability: U.S.$17.1 million

- Net decrease in opening retained earnings: U.S.$(10.7) million

- Decrease in deferred tax liability: U.S.$(6.4) million

As of December 31, 2012:

- Increase in employee benefit liability: U.S.$15.9 million

- Net decrease in opening retained earnings: U.S.$(10.0) million

- Decrease in deferred tax liability: U.S.$(5.9) million

Impact on our consolidated statement of operations for the six months ended June 30, 2012:

- Net increase in profit before tax: U.S.$0.8 million

Net increase in tax expense: U.S.$(0.3) million

Use of judgment and estimates

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

Judgments and estimates	Key assumptions
Fair value of assets and liabilities acquired through purchase price allocation	Pattern used to determine the fair value of assets and liabilities
Recoverability of client receivables	Assessment of clients credit default risk
Valuation of investments	Financial assets fair value Equity method companies fair value
Amortization and impairment of multi-client surveys	Expected margin rate for each category of surveys Expected useful life of multi-client surveys
Depreciation and amortization of tangible and intangible assets	Assets useful lives
Recoverable value of goodwill and intangible assets	Expected geophysical market trends Discount rate (WACC)
Post-employment benefits	Discount rate Participation rate to post employment benefit plans Inflation rate
Provisions for risks, claims and litigations	Assessment of risks considering court rulings and attorney s positions
Revenue recognition	Contract completion rates Assessment of fair value of customer loyalty programs Assessment of fair value of contracts identifiable parts
Development costs	Assessment of future benefits of each project

- 11 -

Deferred tax assets Hypothesis supporting the achievement of future taxable benefits

Change in estimate

The useful life of our Sentinel solid streamers was reassessed from 7 to 6 years. Accordingly, starting January 1, 2013, we calculated depreciation expenses over the revised useful life for the remaining periods. This change has been applied prospectively and does not affect previous years. The effect of this change for the six months ended June 30, 2013 is as follows:

Increase in depreciation expenses in operating income of U.S.$6.6 million,

Decrease in the carrying amount of property, plant and equipment of U.S.$6.6 million

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/geological 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 on the balance sheet in the line item Advance billings to customers .

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

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 having been granted access to the data. We provide a warranty that the medium on which the data is transmitted (a magnetic cartridge) is free from technical defects, which the client may exercise during the thirty days from execution and access. If the warranty is exercised, the Company will provide the same data on a new magnetic cartridge. The cost of providing new magnetic cartridges is negligible.

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, if the corresponding revenue can be reliably estimated. We provide a warranty that the medium on which the data is transmitted (a magnetic cartridge) is free from technical defects, which the client may exercise during the thirty days from execution and access. If the warranty is exercised, the Company will provide the same data on a new magnetic cartridge. The cost of providing new magnetic cartridges is negligible.

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 we 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.

Table of Contents

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/geological sales or services

Revenues from our other geophysical/geological sales or 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.

Multi-client surveys

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

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.

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

Depending on the category of the survey, we generally use amortization rates from 50% to 83.3% corresponding to the ratio of total estimated costs over total estimated sales, unless specific indications lead to apply a different rate.

Starting from the data delivery date, a minimum straight-line depreciation scheme is applied over a five-year period for seismic surveys and a seven-year period for geological surveys, if total accumulated depreciation from the applicable amortization rate is below this minimum level. However, for our offshore Brazilian multi-client library, given the repeated delays of new licensing rounds, we made a change of estimate, effective April 1, 2012 with prospective effect, by applying a minimum straight-line depreciation over 7 years.

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 finding 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.

We amortize capitalized developments costs over five years.

Research & 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.

Table of Contents

NOTE 2 ACQUISITIONS AND DIVESTITURES

Acquisition of Fugro s Geoscience Division

On January 31, 2013, we completed the acquisition of Fugro s Geoscience Division, with the exception of the airborne activity and certain minor assets which will be contributed at a later date. We paid to Fugro an amount of 703 million (U.S.$953 million) after deduction of U.S.$281 million due by Fugro to increase its shareholding in the Seabed joint venture to 60%. In addition, Fugro extended to us a 125 million vendor loan with a 5 year maturity and bearing an interest rate of 5.5% per annum, which is to be increased to 225 million at the date of effective acquisition of the airborne business.

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

	Fair value (in millions of U.S.$)
Cash & cash equivalents	24
Current assets (liabilities), net	40
Vessels and fixed assets, net (1)	591
Other non-current assets, net	5
Intangible assets, net (1)	84
Customer relationships (weighted-average life of 14 years)	56
Multi-client geological data library (maximum life of 7 years) (2)	41
Financial debt	(5)
Non-current liabilities	(38)
Total identifiable net assets acquired	**798**
Preliminary goodwill	**716**
Purchase price consideration	**1,514**

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

Closing of the Seabed Joint-Venture with Fugro

The closing of the joint-venture Seabed Geosolutions BV between CGG and Fugro took place on February 16, 2013. The investment amounted to U.S.$217.0 million. We hold 40% of the share-capital of Seabed Geosolutions BV. This entity has been accounted for under 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 U.S.$)
Consideration received	
Credit Note (1)	281
Fair value of our shares in Seabed Geosolution BV	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 relates to the amount due by Fugro and offsets partially the gross cash paid for the acquisition of the Fugro s Geoscience Division (see above).

The gain arising from our contribution (U.S.$413.0 million, including U.S.$8.8 million cash) to this entity was recorded in the line item Other revenues (expenses) net in our statement of operations for an amount of U.S.$84.5 million.

Sale of the Company s shareholding interest in Spectrum ASA

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 U.S.$19.8 million gain recorded in the line item Other revenues (expenses) net in our consolidated statement of operations.

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 Managements Services SAS. Co-owned 50% by CGG and 50% by Louis Dreyfus Armateurs Group, the new joint-venture will provide maritime ship management services for CGG s high-capacity 3D seismic vessels. The company has been accounted for under equity method in our financial statements since this date.

Table of Contents

NOTE 3 COMMON STOCK AND STOCK OPTIONS PLANS

As of June 30, 2013, our share capital consisted of 176,860,885 shares, each with a par value of 0.40.

New stock option plans and performance units allocation plan

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

- 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). Such vesting is subject to performance conditions. 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). Such vesting is subject to performance conditions. The options have an eight-year duration.

- 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.

- 27,500 performance units to the Chief Executive Officer, 12,500 performance units to each of the Corporate Officers, 20,000 performance units to the other Corporate Committee members and 553,000 performance units to certain employees. These performance units will be allocated on the later of the two following dates: June 24, 2016 or the date of the Annual Shareholders Meeting convened to approve the financial statements for fiscal year 2015, provided that the Board of Directors decides that the performance conditions set forth in the plan regulation have been fulfilled.

The main assumptions related to these stock option plans issued on June 24, 2013 are as follows:

- Fair value: 5.14

- Volatility: 41.64%

- Risk-free rate: 1.11%

Information related to options outstanding at June 30, 2013 is summarized below:

Date of Board of Directors Resolution	Options granted	Options outstanding at June 30, 2013	Exercise price per share ( )*	Expiration date	Remaining duration
May 11, 2006	1,012,500	1,001,048	24.95	May 10, 2014	10.3 months
March 23, 2007	1,308,750	1,221,425	28.89	March 22, 2015	20.7 months

March 14, 2008	1,188,500	1,120,226	30.95	March 14, 2016	32.5 months
March 16, 2009	1,327,000	858,020	8.38	March 15, 2017	44.5 months
January 06, 2010	220,000	231,538	13.98	January 06, 2018	54.3 months
March 22, 2010	1,548,150	1,421,000	18.47	March 22, 2018	56.7 months
October 21, 2010	120,000	126,291	16.05	October 21, 2018	63.7 months
March 24, 2011	1,164,363	1,141,398	24.21	March 24, 2019	68.8 months
June 26, 2012	1,410,625	1,471,105	17.84	June 26, 2020	83.9 months
June 24, 2013	1,642,574	1,642,574	18.47	June 24, 2021	95.9 months
Total	**10,942,462**	**10,234,625**			

* *adjusted exercise price following the capital increase of CGG in 2012.*

Table of Contents

A summary of our stock option transactions and related information follows:

	June 30, 2013		June 30, 2012	
	Number of options	Weighted average exercise price in	Number of options	Weighted average exercise price in
Outstanding-beginning of year	8,711,012	21.67	7,062,320	23.16
Granted	1,642,574	18.47	1,410,625	18.77
Exercised	(92,580)	8.43	(42,566)	8.82
Forfeited	(26,381)	20.10	(3,867)	23.19
Outstanding-end of year	**10,234,625**	**21.28**	**8,426,512**	**22.74**
Exercisable-end of year	6,698,383	14.79	5,721,921	16.11

The average price of CGG shares was 18.95 and 20.55 for the six months period ended June 30, 2013 and 2012, respectively.

NOTE 4 FINANCIAL DEBT

Gross financial debt as of June 30, 2013 was U.S.$2,529.1 million compared to U.S.$2,305.2 million as of December 31, 2012.

In conjunction with the acquisition of the Geoscience Division, U.S.$ 117 million of the vendor loan granted by Fugro was classified as current portion of the financial debt.

NOTE 5 RECEIVABLES

During 2013, the Group entered into several factoring agreements with various banks. As of June 30, 2013, we had transferred U.S.$47.2 million compared to U.S.$68.2 million as of December 31, 2012 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 6 ANALYSIS BY SEGMENT AND GEOGRAPHIC AREA

We previously reported our results on the basis of two reportable segments: Geophysical Services and Geophysical Equipment. As a result of the acquisition of Fugro s Geoscience Division, we changed our organization, as well as the way management measures our performance. Since February 1, 2013, we have been organized in three Divisions:

- **Acquisition** segment, which comprises the following business lines:
  - Marine acquisition: seismic data acquisition offshore undertaken by us on behalf of a specific client;
  - Land and Airborne: other seismic data acquisition undertaken by us on behalf of a specific client;
- **Geology, Geophysics & Reservoir (GGR)** segment which comprises the following business lines:

Multi-clients, basin data and Data Management: seismic and geological data undertaken by us and licensed to a number of clients on a non-exclusive basis and data management services;

Imaging and Reservoir: processing and imaging of geophysical data and reservoir characterization.

Equipment segment, which we conduct through Sercel, comprises our manufacturing and sales activities for seismic equipment used for data acquisition, both on land and marine.

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.

We also changed our main performance indicator from operating income to earnings before interest and tax (EBIT). We define EBIT as operating income plus our share of income in companies accounted for under the equity method. EBIT is used by management as a performance indicator because it captures the contribution to our results of the significant businesses that we

Table of Contents

manage through our joint-ventures.

Prior period segment disclosure has been restated to reflect the new segments.

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) EBIT for our Acquisition segment is 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.

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 and EBIT by reportable segment, and operating revenues by geographic area (by location of customers).

Analysis by segment

In millions of U.S.$, except for assets and capital employed in billions of U.S.$	Three months ended June 30, 2013					2012 (restated)				
	Acquisition	**GGR**	**Equipment**	**Eliminations and Other**	**Consolidated Total**	**Acquisition**	**GGR**	**Equipment**	**Eliminations and Other**	**Consolidated Total**
Revenues from unaffiliated customers	476.7	366.9	188.1		1,031.7	399.9	199.5	231.6		831.0
Inter-segment revenues	128.7		66.2	(194.9)		66.6		53.6	(120.2)	
Operating revenues	**605.4**	**366.9**	**254.3**	**(194.9)**	**1,031.7**	**466.5**	**199.5**	**285.2**	**(120.2)**	**831.0**
Depreciation and amortization (excluding multi-client surveys)	(86.2)	(18.1)	(11.6)		(115.9)	(65.4)	(10.2)	(10.4)		(86.0)
Depreciation and amortization of multi-client surveys		(102.4)			(102.4)		(63.7)			(63.7)
Share of income in companies accounted for under equity method (1)	(4.0)	(0.5)			(4.5)	10.2	(0.1)			10.1
Earnings before interest and tax (2)	**28.0**	**95.9**	**71.0**	**(77.9)**	**117.0**	**5.3**	**29.9**	**91.7**	**(31.4)**	**95.5**
Capital expenditures (excluding multi-client surveys) (3)	65.0	12.3	12.8	(8.2)	81.9	82.3	8.2	6.5	(1.1)	95.9

Investments in multi-client surveys, net cash	107.3	107.3	81.9	81.9

Table of Contents

(1) Operational results of companies accounted for under equity method were U.S.$(6.8) million and U.S.$13.5 million for the three months ended June 30, 2013 and 2012, respectively.
(2) For the three months ended June 30, 2013, eliminations and other include general corporate expenses of U.S.$(15.7) million, U.S.$(51.4) million of intra-group margin and U.S.$(10.8) million of non recurring items related to the acquisition of Fugro s Geosciences Division: (i) restructuring costs of U.S.$(6.2) million related to the acquired vessels from Fugro; and (ii) acquisition costs of U.S.$(4.6) million.

For the three months ended June 30, 2012, general corporate expenses amounted to U.S.$(13.1) million.

(3) Capital expenditures include capitalized development costs of U.S.$13.7 million and U.S.$6.9 million for the three months ended June 30, 2013 and 2012, respectively.

In millions of U.S.$, except for assets and capital employed in billions of U.S.$	Six months ended June 30, 2013					2012 (restated)				
	Acquisition	GGR	Equipment	Eliminations and Other	Consolidated Total	Acquisition	GGR	Equipment	Eliminations and Other	Consolidated Total
Revenues from unaffiliated customers	898.0	626.5	377.9		1,902.4	711.7	418.8	487.1		1,617.6
Inter-segment revenues	301.4		127.1	(428.5)		137.6		145.9	(283.5)	
Operating revenues	**1,199.4**	**626.5**	**505.0**	**(428.5)**	**1,902.4**	**849.3**	**418.8**	**633.0**	**(283.5)**	**1,617.6**
Depreciation and amortization (excluding multi-client surveys)	(174.6)	(30.1)	(23.0)		(227.7)	(129.7)	(19.4)	(20.9)		(170.0)
Depreciation and amortization of multi-client surveys		(174.0)			(174.0)		(144.9)			(144.9)
Share of income in companies accounted for under equity method (1)	5.1	1.0			6.1	11.1	2.6			13.7
Earnings before interest and tax (2)	**75.2**	**176.6**	**140.1**	**(112.5)**	**279.4**	**(34.0)**	**67.2**	**207.2**	**(87.5)**	**152.9**
Capital expenditures (excluding multi-client surveys) (3)	122.0	23.5	19.5	(7.0)	158.0	197.0	15.5	11.7	(11.0)	213.2
Investments in multi-client surveys, net cash		234.5			234.5		157.4			157.4
Capital employed (4)	**3.3**	**2.8**	**0.8**		**6.9**	**3.1**	**1.7**	**0.7**		**5.5**
Total assets (4)	**3.8**	**3.0**	**1.0**	**0.6**	**8.4**	**3.5**	**1.9**	**0.9**	**0.5**	**6.8**

(1) Operational results of companies accounted for under equity method were U.S.$4.8 million and U.S.$20.7 million for the six months ended June 30, 2013 and 2012, respectively.
(2) GGR EBIT for the six months ended June 30, 2013 includes a gain of U.S.$19.8 million related to the sale of the Company s shareholding interest in Spectrum ASA.

For the six months ended June 30, 2013, eliminations and other include general corporate expenses of U.S.$(29.2) million, U.S.$(107.4) million of intra-group margin and U.S.$24.1 million of non recurring items related to the acquisition of Fugro s Geosciences Division: (i) a gain of U.S.$84.5 million related to contribution of shallow-water and OBC assets to our Seabed joint-venture with Fugro; (ii) restructuring costs of U.S.$(37.3) million related to the acquired vessels from Fugro; and (iii) acquisition costs of U.S.$(23.1) million.

For the six months ended June 30, 2012, general corporate expenses amounted to U.S.$ (27.1) million.

Table of Contents

(3) Capital expenditures include capitalized development costs of U.S.$24.5 million and U.S.$14.1 million for the six months ended June 30, 2013 and 2012, respectively.
(4) Based on a preliminary Fugro purchase price allocation.

Analysis by geographic area

The following table sets forth our consolidated operating revenues by location of customers, and the percentage of total consolidated operating revenues represented thereby:

In millions of U.S.$, except percentages	Three months ended June 30, 2013		2012	
North America	206.4	20%	130.3	16%
Central and South Americas	49.8	5%	139.7	17%
Europe, Africa and Middle East	522.3	50%	300.6	36%
Asia Pacific	253.2	25%	260.4	31%
Total	**1,031.7**	**100%**	**831.0**	**100%**

In millions of U.S.$, except percentages	Six months ended June 30, 2013		2012	
North America	423.5	22%	325.8	20%
Central and South Americas	127.9	7%	269.0	17%
Europe, Africa and Middle East	901.1	47%	560.5	35%
Asia Pacific	449.9	24%	462.3	28%
Total	**1,902.4**	**100%**	**1,617.6**	**100%**

NOTE 7 COMMITMENTS AND CONTINGENCIES

The tax audit of CGG Services SA covering fiscal years 2010 and 2011 was completed with no significant financial impact.

Table of Contents

NOTE 8 RELATED PARTY TRANSACTIONS

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

	Six months ended June 30,	
	2013	2012
	(in millions of U.S.$)	
Sales of geophysical equipment to Argas	0.8	3.6
Equipment rentals and services rendered to Argas	2.1	5.6
Charter revenues received from LDA for the *Alizé*	7.0	6.7
Equipment rentals and services rendered to PTSC CGGV Geophysical Survey Company	10.7	7.1
Equipment rentals and services rendered to PT Elnusa-CGGVeritas Seismic		5.0
Equipment rentals and services rendered to Yamoria Geophysical Ltd		3.0
Equipment rentals and services rendered to Seabed Geosolutions BV	3.3	
Income	**23.9**	**31.0**
Equipment purchase and rentals from Argas	2.3	2.4
Charter expenses for *Alizé* paid to LDA	9.8	9.6
Charter expenses from Eidesvik Seismic Vessels AS	7.2	7.3
Charter expenses from Oceanic Seismic Vessels AS	7.6	7.7
Ship management expenses from CGG Eidesvik Ship Management	28.3	35.0
Costs of services rendered by PT Elnusa-CGGVeritas Seismic	0.9	7.3
Purchases of electronic components from Tronic s	2.8	4.9
Costs of services rendered by PTSC CGGV Geophysical Survey Company	30.0	12.5
Cost of services rendered by Gardline CGG Pte Ltd.	2.7	3.2
Expenses	**91.6**	**89.9**
Trade receivables from Argas	2.9	5.5
Trade receivables from PT Elnusa-CGGVeritas Seismic	2.9	14.4
Trade receivables from Spectrum ASA (1)		8.1
Trade receivables from PTSC CGGV Geophysical Survey Company	5.0	6.6
Advances paid to CGG Eidesvik Ship Management, net of payables	1.8	11.8
Trade receivables from LDA	12.1	9.9
Trade receivables from Seabed Geosolutions BV	3.3	
Trade accounts and notes receivable	**28.0**	**56.3**
Loan to PTSC CGGV Geophysical Survey Company	31.2	26.4
Financial assets	**31.2**	**26.4**
Accounts payable to Argas	1.9	0.8
Accounts payable to LDA	4.4	8.1
Accounts payable to Gardline CGG Pte Ltd.	1.8	3.2
Accounts payable to Spectrum ASA (1)		3.9
Accounts payable to PTSC CGGV Geophysical Survey Company	12.2	12.5
Accounts payable to PT Elnusa-CGGVeritas Seismic		9.4
Trade accounts and notes payables	**20.3**	**37.9**
Finance lease debt to Eidesvik Seismic Vessel AS	11.3	12.1
Finance lease debt to Oceanic Seismic Vessels AS	9.4	9.9
Financial liabilities	**20.7**	**22.0**
Future leases commitments to Oceanic Seismic Vessels AS	172.3	188.6

Future leases commitments to Eidesvik Seismic Vessels AS	148.3	164.2
Future ship management costs to LDA - net	2.8	6.4
Future ship management costs to CGG Eidesvik Ship Management	202.1	239.6
Contractual Obligations	**525.5**	**598.8**

(1) *Spectrum ASA was accounted for under equity method until February 2013*

Table of Contents

Louis Dreyfus Armateurs (LDA) provides ship management services for a portion of our fleet. In addition, LDA is the owner, together with the Group, of Geomar which owns of the seismic vessel *Alizé* . Geomar provides vessel charter services to LDA.

Argas, Eidesvik Seismic Vessel AS, Oceanic Seismic Vessel AS, Gardline CGG Pte Ltd., CGG Eidesvik Ship Management, PTSC CGGV Geophysical Survey Company, PT Elnusa-CGGVeritas Seismic, Geofield Ship Management Services and Seabed Geosolutions BV are accounted for under the equity method. Tronic s is 16% owned by the Group.

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

NOTE 9 SUBSEQUENT EVENTS

Financing

On July 1, 2013, CGG entered into a 5-year U.S.$200 million vessel financing, split into two tranches of U.S.$100 million each, notably to reimburse the 2013 tranche of our vendor loan granted by Fugro in connection with the acquisition of the Geoscience Division. We entered into an interest rate swap to fix the effective rate at 4.4%.

On July 15, 2013, CGG entered into a new revolving credit facility of up to U.S.$165 million with a 5 years maturity.

On July 22, 2013, CGG sent an early redemption notice for an amount of U.S.$125 million of our Senior Notes due 2016.

On July 31, 2013, CGG entered into a new French revolving facility of up to U.S.$325 million with a 3 years maturity with two extension options of one year each.

Litigation

In July 2013, CGG do Brazil received a notice of reassessment covering the year 2009 for a total amount of U.S.$12 million. The tax authorities claim the withholding taxes and CIDE on charter payments. CGG do Brazil intends to appeal this reassessment. The Group does not expect this claim to have any material impact on the Group s financial statements.

Table of Contents

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Item 2: MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
Group organization

We previously reported our results on the basis of two reportable segments: Geophysical Services and Geophysical Equipment. As a result of the acquisition of Fugro s Geoscience Division, we changed our organization, as well as the way management measures our performance. Since February 1, 2013, we have been organized in three Divisions:

- **Acquisition** segment, which comprises the following business lines:
  - Marine acquisition: seismic data acquisition offshore undertaken by us on behalf of a specific client;
  - Land and Airborne: other seismic data acquisition undertaken by us on behalf of a specific client;
- **Geology, Geophysics & Reservoir (GGR)** segment which comprises the following business lines:
  - Multi-clients, basin data and Data Management: seismic and geological data undertaken by us and licensed to a number of clients on a non-exclusive basis and data management services;
  - Imaging and Reservoir: processing and imaging of geophysical data and reservoir characterization;
- **Equipment** segment, which we conduct through Sercel, comprises our manufacturing and sales activities for seismic equipment used for data acquisition, both on land and marine.

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.

We also changed our main performance indicator from operating income to earnings before interest and tax (EBIT). We define EBIT as operating income plus our share of income in companies accounted for under the equity method. EBIT is used by management as performance indicator because it captures the contribution to our results of the significant businesses that we manage through our joint-ventures.

Prior period segment disclosure has been restated to reflect the new segments.

Factors Affecting Results of Operations

Geophysical market environment

Overall demand for geophysical services and equipment is dependent on spending by oil and gas companies for exploration, development and production and field management activities. We believe the level of spending of such companies depends on their assessment of their ability to efficiently supply the oil and gas market in the future and the current balance of hydrocarbon supply and demand.

The geophysical market has historically been extremely cyclical. We believe many factors contribute to the volatility of this market, such as the geopolitical uncertainties that can harm the confidence and visibility that are essential to our clients long-term decision-making processes and the expected balance in the mid to long term between supply and demand for hydrocarbons. Exploration & Production companies have budgeted an overall high single-digit increase in exploration and production spending with a strong focus on international activity. This should continue to drive price increase in marine and overall volume growth in 2013.

See Item 4: Information on the Company Industry Conditions of our annual report on Form 20-F for the year ended December 31, 2012 for a discussion of developments in the geophysical industry.

Acquisitions and divestitures

Acquisition of Fugro s Geoscience Division

On January 31, 2013, we completed the acquisition of Fugro s Geoscience Division, with the exception of the airborne activity and certain minor assets which will be contributed at a later date. The purchase price amounted to U.S.$1,514 million leading to a preliminary goodwill of U.S.$716 million.

Table of Contents

Closing of the Seabed Joint-Venture with Fugro

The closing 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, which we account for under the equity method. A U.S.$85 million gain arising from our contribution to this entity was recognized.

Sale of the Company s shareholding interest in Spectrum ASA

On February 20, 2013, we sold all of the remaining shares we held in Spectrum ASA at NOK 47.50 per share. A U.S.$ 20 million gain was recognized.

New stock option plans and performance units allocation plan

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

- 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). Such vesting is subject to performance conditions. 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). Such vesting is subject to performance conditions. The options have an eight-year duration.

- 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.

- 27,500 performance units to the Chief Executive Officer, 12,500 performance units to each of the Corporate Officers, 20,000 performance units to the other Corporate Committee members and 553,000 performance units to certain employees. These performance units will be allocated on the later of the two following dates: June 24, 2016 or the date of the Annual Shareholders Meeting convened to approve the financial statements for fiscal year 2015, provided that the Board of Directors decides that the performance conditions set forth in the plan regulation have been fulfilled.

Main assumptions related to these stock option plans issued on June 24, 2013 are as follows:

- Fair value: 5.14

- Volatility: 41.64%

- Risk-free rate: 1.11%

Backlog

Our backlog as of July 1, 2013 was U.S.$1.3 billion. Contracts for services are occasionally modified by mutual consent and in certain instances are cancelable by the customer on short notice without penalty. Consequently, backlog as of any particular date may not be indicative of actual operating results for any succeeding period.

Unaudited pro forma information

The following unaudited pro forma condensed combined statement of operations for the six-month period ended June 30, 2012, is presented in millions of U.S. dollars and reflects the acquisition of most of Fugro s Geoscience Division (Geoscience Division) by CGG, as described in note 2 to our consolidated interim financial statements for the period ended June 30, 2013.

This unaudited pro forma condensed combined statement of operations is presented for illustrative purposes only and is not indicative of the results of operations of CGG that would have been achieved had the acquisition of the Geoscience Division been completed as of January 1, 2012, nor is the unaudited pro forma condensed combined statement of operations indicative of our future results of operations or financial position. In addition, management considers that the comparison between our results for the period ended June 30, 2013 and the pro forma results for the comparable period of 2012 is not relevant because Fugro was operating eight vessels mostly dedicated to its multi-client production and only six vessels were effectively acquired as of January 31, 2013.

The unaudited pro forma condensed combined statement of operations presented below does not include any cost savings or other synergies that may result from the acquisition nor any special items such as restructuring and integration costs that may be incurred as a result of the acquisition.

Table of Contents

The unaudited pro forma condensed combined statement of operations has been prepared based on:

Restated consolidated financial statements of CGG for the six-month period ended June 30, 2012;

Statement of income of the Geoscience Division for the six-month period ended June 30, 2012 (Geoscience Division s carve-out accounts prepared by Fugro, as described in note 5 to the unaudited pro forma condensed combined financial information included in the Form 6-K filed with the SEC on September 28, 2012).

The unaudited pro forma condensed combined statement of operations is based on preliminary estimates and assumptions, which we believe to be reasonable. In the unaudited pro forma condensed combined statement of operations, the purchase accounting has been reflected with respect to acquired assets and liabilities based upon preliminary estimates as disclosed in note 2 to our consolidated financial statements as of and for the period ended June 30, 2013.

Pro forma adjustments related to the unaudited pro forma condensed combined statement of operations for the six-month period ended June 30, 2012 are calculated assuming the transaction was completed on January 1, 2012. Significant transactions between CGG and the acquired Geoscience Division were eliminated as intercompany transactions.

(in millions of U.S. dollars)	Historical CGG 6 months ended June 30, 2012 (restated) (unaudited) IFRS	Historical Fugro Geoscience Division 6 months ended June 30, 2012 (unaudited) IFRS **(a)**	Pro forma adjustments 6 months ended June 30, 2012 (unaudited) IFRS **(b)**	**Total combined pro forma** **6 months ended June 30, 2012** **(unaudited)** **IFRS**
Operating revenues	**1,617.6**	**493.4**	**(42.7)**	**2,068.3**
Operating income	**139.2**	**37.1**	**0.4**	**176.7**
Cost of financial debt, net and other financial income (loss)	(75.9)	(1.7)	(15.8)	**(93.4)**
Income (loss) before tax	**63.3**	**35.4**	**(15.4)**	**83.3**
Income taxes	(46.2)	0.1	4.6	**(41.5)**
Share of income (loss) in companies accounted under equity method	13.7		(1.3)	**12.4**
Net income (loss)	**30.8**	**35.5**	**(12.1)**	**54.2**

(a) Historical statement of income of the Geoscience Division for the six-month period ended June 30, 2012 is presented in U.S. dollars and is derived from the income statement prepared in euros by Fugro and translated into U.S. dollars at CGG s average rate of U.S.$1.308 per

1.00.

(b) Pro forma adjustments on revenues: correspond mainly to the elimination of transactions between CGG and the Geoscience Division and the consequences of the set-up of the *Seabed* joint-venture (the carve-out of our *Shallow water* and *OBC* activities and recognition of our share of income in the Seabed joint venture accounted for under the equity method; the gain realized on the carve-out of our *Shallow water* and *OBC* activities is not reflected herein); pro forma adjustments on cost of financial debt: correspond to financial expenses related to the financing of the transaction (360 million of convertible bonds issued on November 20, 2012 and the vendor loan granted by Fugro).

Table of Contents

Three months ended June 30, 2013 compared to three months ended June 30, 2012

Operating revenues

The following table sets forth our operating revenues by division for each of the periods stated:

In millions of U.S.$	Three months ended June 30, 2013	2012
Marine acquisition	511	335
Land (and Airborne) acquisition	94	131
Acquisition	**605**	**466**
Multi-client, basin data and data management	215	86
Imaging and Reservoir	152	114
GGR	**367**	**200**
Equipment	**254**	**285**
Eliminations	(194)	(120)
Total consolidated	**1,032**	**831**

Our consolidated operating revenues for the three months ended June 30, 2013 increased 24% to U.S.$1,032 million from U.S.$831 million for the comparable period of 2012, mainly as a result of the acquisition of Fugro s Geoscience Division on January 31, 2013, with a particularly strong impact in Marine due to the integration of Fugro s fleet as of February 1, 2013, and a high level of multi-client sales.

Acquisition

Operating revenues for our Acquisition segment, including intra-group sales, increased 30% to U.S.$605 million for the three months ended June 30, 2013 from U.S.$466 million for the comparable period of 2012, mainly due to strong operational performance by our Marine acquisition business line, with traditionally low activity in our Land acquisition business in the second quarter.

Excluding intra-group sales, operating revenues increased 19% to U.S.$477 million for the three months ended June 30, 2013 from U.S.$400 million for the comparable period of 2012.

Marine acquisition

Operating revenues from our Marine acquisition business line for the three months ended June 30, 2013 increased 53% to U.S.$511 million from U.S.$335 million for the comparable period of 2012, mainly due to the integration of Fugro s fleet as of February 1, 2013. Marine production was high for the whole fleet, with a record availability rate of 93% for the three months ended June 30, 2013 compared to 91% for the three months ended June 30, 2012. The production rate also increased to 92% for the three months ended June 30, 2013 from 91% for the three months ended June 30, 2012. Almost half of the fleet was on Broadseis projects. The main part of the fleet was located in the North Sea (where six vessels were in operation), in the Gulf of Mexico (four vessels) and in Asia (six vessels). 21% of the fleet was dedicated to multi-client programs for the three months ended June 30, 2013 compared to 17% for the three months ended June 30, 2012.

Land (and Airborne) acquisition

Operating revenues from our other acquisition businesses, including intra-group sales, decreased 28% to U.S.$94 million for the three months ended June 30, 2013, compared to U.S.$131 million for the three months ended June 30, 2012. During this quarter, which is typically weaker, our land crews operated in difficult security and weather conditions. The acquisition of Airborne is expected to be completed in early September 2013.

Geology, Geophysics & Reservoir

Operating revenues from our GGR segment for the three months ended June 30, 2013 increased 84% to U.S.$367 million from U.S.$200 million for the comparable period of 2012 due to a good performance across all businesses in a strong market.

Multi-clients, basin data and Data Management

Multi-client and basin data revenues increased significantly to U.S.$215 million for the three months ended June 30, 2013 from U.S.$86 million for the three months ended June 30, 2012.

Prefunding revenues were U.S.$87 million for the three months ended June 30, 2013 compared to U.S.$45 million for the three months ended June 30, 2012, mainly focused in the Gulf of Mexico with the continuation of our IBALT program and onshore in Marcellus. The cash prefunding rate was 84% for the three months ended June 30, 2013 compared to 55% for the three months ended June 30, 2012. After sales were at a high level across all regions and particularly in Brazil, ahead of the October Santos pre-salt bid round.

Imaging & Reservoir

Operating revenues from our Imaging & Reservoir business line increased 35% to U.S.$152 million for the three months ended June 30, 2013 from U.S.$114 million for the comparable period of 2012. The market for imaging and reservoir characterization businesses remains buoyant, sustained by an increasing volume of data in complex geologies.

Equipment

Operating revenues for our Equipment segment, including intra-group sales, decreased 11% to U.S.$254 million for the three months ended June 30, 2013 from U.S.$285 million for the comparable period of 2012. Sales were strong in Eastern Europe, Asia and Russia. The commercial success of UNITE, Sercel s wireless cable system has been confirmed by strong sales in North America and South America. Marine equipment sales represented 48% of total revenue.

Internal sales represented 26% of total revenue for the three months ended June 30, 2013.

Excluding intra-group sales, operating revenues for our Equipment segment decreased 19% to U.S.$188 million for the three months ended June 30, 2013 from U.S.$232 million for the comparable period of 2012.

Operating Expenses

Cost of operations, including depreciation and amortization, increased 21% to U.S.$794 million for the three months ended June 30, 2013 from U.S.$654 million for the comparable period of 2012, mainly due to the integration of Fugro s Geoscience Division. The multi-client amortization expenses correspond to 51% of multi-client revenues for the three months ended June 30, 2013 compared to 74% for the comparable period of 2012. As a percentage of operating revenues, cost of operations decreased to 77% for the three months ended June 30, 2013 from 79% for the comparable period of 2012. Gross profit increased 34% to U.S.$238 million for the three months ended June 30, 2013 from U.S.$178 million for the comparable period of 2012, representing 23% and 21% of operating revenues, respectively.

Research and development expenditures increased 10% to U.S.$25 million for the three months ended June 30, 2013, from U.S.$23 million for the comparable period of 2012, representing 2% and 3% of operating revenues, respectively.

Marketing and selling expenses increased 40% to U.S.$35 million for the three months ended June 30, 2013 from U.S.$25 million for the comparable period of 2012.

General and administrative expenses increased 20% to U.S.$54 million for the three months ended June 30, 2013 from U.S.$45 million for the comparable period of 2012. As a percentage of operating revenues, general and administrative expenses represented 5% for both periods.

Equity in Income of Affiliates

Losses from investments accounted for under the equity method amounted to U.S.$5 million for the three months ended June 30, 2013 compared to an income of U.S.$10 million for the three months ended June 30, 2012, mainly due to the slow start of our Seabed joint venture with Fugro.

Earnings before interest and tax (EBIT)

EBIT, as disclosed in note 6 to our Consolidated Financial Statements, increased to U.S.$117 million for the three months ended June 30, 2013 from U.S.$96 million for the three months ended June 30, 2012 as a result of the factors described above.

EBIT from our Acquisition segment increased to U.S.$28 million for the three months ended June 30, 2013 from U.S.$5 million for the comparable period of 2012. EBIT margin was 5% for the three months ended June 30, 2013.

EBIT from our GGR segment increased to U.S.$96 million for the three months ended June 30, 2013 from U.S.$30 million for the comparable period of 2012. EBIT margin was 26% for the three months ended June 30, 2013.

EBIT from our Equipment segment decreased to U.S.$71 million for three months ended June 30, 2013 from U.S.$92 million for the comparable period of 2012. EBIT margin was 28% for the three months ended June 30, 2013.

Table of Contents

Financial Income and Expenses

Cost of net financial debt increased 21% to U.S.$47 million for the three months ended June 30, 2013 from U.S.$39 million for the comparable period of 2012 due to the convertible bonds (OCEANE) issued in November 2012 and the vendor loan borrowed from Fugro.

Income Taxes

Income taxes increased to U.S.$35 million for the three months ended June 30, 2013 from U.S.$27 million for the comparable period of 2012 mainly due to the increase of our income. Before deferred taxes on currency translation, the effective tax rate was 49% for the three months ended June 30, 2013 compared to 48% for the three months ended June 30, 2012, both rates being impacted by foreign deemed taxation.

Net Income

Net income was U.S.$36 million for the three months ended June 30, 2013 compared to a U.S.$34 million for the comparable period of 2012 as a result of the factors discussed above.

Six months ended June 30, 2013 compared to six months ended June 30, 2012

Operating revenues

The following table sets forth our operating revenues by division for each of the periods stated:

In millions of U.S.$	Six months ended June 30, 2013	Six months ended June 30, 2012
Marine acquisition	961	580
Land (and Airborne) acquisition	238	269
Acquisition	**1,199**	**849**
Multi-client, basin data and Data Management	338	200
Imaging and Reservoir	289	219
GGR	**627**	**419**
Equipment	**505**	**633**
Eliminations	(429)	(283)
Total consolidated	**1,902**	**1,618**

Our consolidated operating revenues for the six months ended June 30, 2013 increased 18% to U.S.$1,902 million from U.S.$1,618 million for the comparable period of 2012, mainly as a result of the acquisition of Fugro s Geoscience Division on January 31, 2013 and a high level of multi-client sales.

Acquisition

Operating revenues for our Acquisition segment, including intra-group sales, increased 41% to U.S.$1,199 million for the six months ended June 30, 2013 from U.S.$849 million for the comparable period of 2012, mainly due to the integration of Fugro s fleet as of February 1, 2013.

Excluding intra-group sales, operating revenues increased 26% to U.S.$898 million for the six months ended June 30, 2013 from U.S.$712 million for the comparable period of 2012.

Marine acquisition

Operating revenues from our Marine acquisition business line for the six months ended June 30, 2013 increased 66% to U.S.$961 million from U.S.$580 million for the comparable period of 2012, mainly due to the integration of Fugro s fleet as of February 1, 2013, which is composed of four C-Class seismic vessels and two other seismic vessels *Geo Barents* and *Geo Atlantic*, and good marine production.

Table of Contents

Land (and Airborne) acquisition

Operating revenues from our other acquisition businesses, including intra-group sales, decreased 11% to U.S.$238 million for the six months ended June 30, 2013, compared to U.S.$269 million for the six months ended June 30, 2012. The winter campaign in North America was not as strong as last year and we operated in difficult safety conditions, notably in North Africa.

Geology, Geophysics & Reservoir

Operating revenues from our GGR segment for the six months ended June 30, 2013 increased 50% to U.S.$627 million from U.S.$419 million for the comparable period of 2012 mainly due to strong performance in all businesses.

Multi-clients, basin data and Data Management

Multi-client and basin data revenues increased 69% to U.S.$338 million for the six months ended June 30, 2013 from U.S.$200 million for the six months ended June 30, 2012 mainly due to the increase of prefunding revenues and higher after-sales.

Prefunding revenues were U.S.$148 million for the six months ended June 30, 2013 compared to U.S.$88 million for the six months ended June 30, 2012, mainly focused in the Gulf of Mexico with the continuation of our IBALT program, offshore Angola, Australia and the North Sea. The cash prefunding rate was 64% for the six months ended June 30, 2013 compared to 56% for the six months ended June 30, 2012.

Imaging & Reservoir

Operating revenues from our Imaging & Reservoir business line increased 32% to U.S.$289 million for the six months ended June 30, 2013 from U.S.$219 million for the comparable period of 2012 in a buoyant market.

Equipment

Operating revenues for our Equipment segment, including intra-group sales, decreased 20% to U.S.$505 million for the six months ended June 30, 2013 from U.S.$633 million for the comparable period of 2012. Internal sales represented 25% of total revenue for the six months ended June 30, 2013.

Excluding intra-group sales, operating revenues for our Equipment segment decreased 22% to U.S.$378 million for the six months ended June 30, 2013 from U.S.$487 million for the comparable period of 2012.

This decrease was mainly due to lower land equipment sales in the six months ended June 30, 2013 compared to the six months ended June 30, 2012, when we had deliveries of equipment for high-channel-count surveys in the Middle East.

Operating Expenses

Cost of operations, including depreciation and amortization, increased 13% to U.S.$1,470 million for the six months ended June 30, 2013 from U.S.$1,303 million for the comparable period of 2012, mainly due to the integration of Fugro s Geoscience Division. The multi-client amortization expenses correspond to 56% of multi-client revenues for the six months ended June 30, 2013 compared to 72% for the comparable period of 2012. As a percentage of operating revenues, cost of operations decreased to 77% for the six months ended June 30, 2013 from 81% for the comparable period of 2012. Gross profit increased 37% to U.S.$434 million for the six months ended June 30, 2013 from U.S.$316 million for the comparable period of 2012, representing 23% and 20% of operating revenues, respectively.

Research and development expenditures increased 15% to U.S.$51 million for the six months ended June 30, 2013, from U.S.$45 million for the comparable period of 2012, representing 3% of operating revenues for both periods.

Marketing and selling expenses increased 35% to U.S.$63 million for the six months ended June 30, 2013 from U.S.$47 million for the comparable period of 2012.

General and administrative expenses increased 14% to U.S.$105 million for the six months ended June 30, 2013 from U.S.$92 million for the comparable period of 2012. As a percentage of operating revenues, general and administrative expenses represented 6% for both periods.

Other revenues amounted to U.S.$58 million for the six months ended June 30, 2013, mainly due to (i) U.S.$20 million gain on the sale of our remaining 10% stake in Spectrum ASA, (ii) U.S.$85 million gain related to the contribution of shallow-water and OBC assets to our Seabed joint-venture with Fugro, (iii) U.S.$17 million of Fugro Geoscience Division acquisition costs, and (iv) U.S.$23 million of provisions for restructuring costs related to acquired vessels. Other revenues of U.S.$6 million for the six months ended June 30, 2012 were mainly related to the contribution of the seismic vessel *Amadeus* to our Vietnamese joint-venture.

Table of Contents

Equity in Income of Affiliates

Income from investments accounted for under the equity method decreased to U.S.$6 million for the six months ended June 30, 2013 from U.S.$14 million for the comparable period of 2012, mainly due to the slow start of our Seabed joint-venture with Fugro.

Earnings before interest and tax (EBIT)

EBIT, as disclosed in note 6 to our Consolidated Financial Statements, amounted to U.S.$279 million for the six months ended June 30, 2013 compared to U.S.$153 million for the six months ended June 30, 2012 as a result of the factors described above.

EBIT from our Acquisition segment were U.S.$75 million for the six months ended June 30, 2013 compared to a U.S.$34 million loss for the six months ended June 30, 2012. EBIT margin was 6% for the six months ended June 30, 2013.

EBIT from our GGR segment were U.S.$177 million for the six months ended June 30, 2013 compared to U.S.$67 million for the six months ended June 30, 2012. EBIT margin was 28% for the six months ended June 30, 2013.

EBIT from our Equipment segment were U.S.$140 million for six months ended June 30, 2013 from U.S.$207 million for the comparable period of 2012. EBIT margin was 28% for the six months ended June 30, 2013.

Financial Income and Expenses

Cost of net financial debt increased 20% to U.S.$93 million for the six months ended June 30, 2013 from U.S.$77 million for the comparable period of 2012 due to the convertible bonds (OCEANE) issued in November 2012 and the vendor loan borrowed from Fugro.

Other financial expenses amounted to U.S.$5 million for the six months ended June 30, 2013 compared to a gain of U.S.$1 million for comparable period of 2012, mainly due to currency fluctuations.

Income Taxes

Income taxes increased to U.S.$67 million for the six months ended June 30, 2013 from U.S.$46 million for the comparable period of 2012 mainly due to the increase of our income. Before deferred taxes on currency translation, the effective tax rate was 35% for the six months ended June 30, 2013.

Net Income

Net income was U.S.$115 million for the six months ended June 30, 2013 compared to a U.S.$31 million for the comparable period of 2012 as a result of the factors discussed above.

Liquidity and Capital Resources

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.

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 amounts, 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 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 new U.S.$165 million U.S. revolving facility and our new U.S.$325 million French revolving facility will be adequate to meet our liquidity needs for the next twelve months.

Cash Flows

Operations

Net cash provided by operating activities was U.S.$267 million for the six months ended June 30, 2013 compared to U.S.$296 million for the comparable period of 2012. Before changes in working capital, net cash provided by operating activities for the six months ended June 30, 2013 was U.S.$497 million compared to U.S.$361 million for the comparable period for 2012. Changes in working capital had a negative impact on cash from operating activities of U.S.$230 million in the six months ended June 30, 2013 compared to a negative impact of U.S.$65 million for the comparable period for 2012, mainly due to strong after-sales at the end of the period and payments to suppliers.

Investing activities

Net cash used in investing activities was U.S.$1,294 million in the six months ended June 30, 2013 compared to U.S.$410 million for the six months ended June 30, 2012.

On January 31, 2013, based on a 703 million gross payment, we paid a total consideration of U.S.$938 million (including U.S.$9 million cash contributed to our Seabed joint-venture), net of U.S.$24 million of cash acquired, for Fugro s Geoscience Division, with the exception of the airborne activity and certain minor assets which will be contributed later.

On January 17, 2012, Sercel acquired the assets of Geophysical Research Company, LLC with a net investment of U.S.$53 million, after an initial payment of U.S.$50 million and an additional payment of U.S.$3 million in April 2012.

During the six months ended June 30, 2013, our capital expenditures of U.S.$158 million were mainly related to marine equipment with notably the purchase of RD sentinel streamers. During the six months ended June 30, 2012, our capital expenditures amounted to U.S.$213 million and were mainly related to the upgrade of the seismic vessel *Oceanic Champion* and the purchases of land equipment.

During the six months ended June 30, 2013, we invested U.S.$235 million in multi-client data, primarily offshore Angola and Gulf of Mexico, and onshore U.S., compared to U.S.$157 million for the six months ended June 30, 2012.

As of June 30, 2013, the net book value of our multi-client data library was U.S.$751 million compared to U.S$604 million as of December 31, 2012.

Financing activities

Net cash used in financing activities during the six months ended June 30, 2013 was U.S.$150 million compared to net cash used of U.S.$94 million for the six months ended June 30, 2012.

During the six months ended June 30, 2013, 85 million from our French revolving facility were drawn and fully repaid.

Net Financial debt

Net financial debt as of June 30, 2013 was U.S.$2,170 million compared to U.S.$785 million as of December 31, 2012. The ratio of net financial debt to equity was 47% as of June 30, 2013 compared to 17% as of December 31, 2012 (or 36% as of December 31, 2012 excluding the impact of the financing of the Fugro transaction).

Gross financial debt is defined as the amount of bank overdrafts, plus current portion of financial debt, plus financial debt, and net financial debt is defined as gross financial debt less cash and cash equivalents. Net financial debt is presented as additional information because we understand that certain investors believe that netting cash against debt provides a clearer picture of the financial liability exposure. However, other companies may present net financial debt differently than we do. Net financial debt is not a measure of financial performance under IFRS and should not be considered as an alternative to any other measures of performance derived in accordance with IFRS.

The following table presents a reconciliation of net debt to financing items of the balance sheet at June 30, 2013 and December 31, 2012:

In millions of U.S.$	**June 30, 2013 (unaudited)**	**December 31, 2012**
Bank overdrafts	8.4	4.2
Current portion of long-term debt	164.2	47.8
Financial debt	2,356.5	2,253.2

Gross financial debt	**2,529.1**	**2,305.2**
Less : cash and cash equivalents	(358.8)	(1,520.2)
Net financial debt	**2,170.3**	**785.0**

For a more detailed description of our financing activities, see Liquidity and Capital Resources in our annual report on Form 20-F for the year ended December 31, 2012.

Table of Contents

EBIT and EBITDAS

We define EBIT as operating income plus our share of income in companies accounted for under the equity method. EBIT is presented as additional information because our management uses it to capture the contribution to our results of the significant businesses that we manage through our joint ventures.

We define EBITDAS 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. EBITDAS is presented as additional information because we understand that it is a measure used by certain investors to determine our operating cash flow and historical ability to meet debt service and capital expenditure requirements.

However, other companies may present EBIT and EBITDAS and related measures differently than we do. EBIT and EBITDAS are not measures of financial performance under IFRS and should not be considered as an alternative to cash flow from operating activities or as a measure of liquidity or an alternative to net income as indicators of our operating performance or any other measures of performance derived in accordance with IFRS.

EBIT for the six months ended June 30, 2013 was U.S.$279 million compared to U.S.$153 million for the comparable period of 2012, representing 15% and 9% of operating revenues, respectively.

The following table presents a reconciliation of EBIT to operating income for the periods indicated:

Unaudited	Six months ended June 30,	
In millions of U.S.$	2013	2012
EBIT	**279.4**	**152.9**
Less share of income in companies accounted for under equity method	(6.1)	(13.7)
Operating income	**273.3**	**139.2**

EBITDAS for the six months ended June 30, 2013 was U.S.$637 million compared to U.S.$441 million for the comparable period of 2012, representing 33% and 27% of operating revenues, respectively.

The following table presents a reconciliation of EBITDAS to net cash provided by operating activities, from our cash-flow statement, for the periods indicated:

Unaudited	Six months ended June 30,	
In millions of U.S.$	2013	2012
EBITDAS	**637.0**	**440.8**
Other financial income (expense)	(4.9)	1.4
Variance on provisions	17.1	(11.6)
Net gain on disposal of fixed assets	(97.5)	(7.9)
Dividends received from affiliates		22.1
Other non-cash items	3.7	0.8
Income taxes paid	(58.7)	(84.4)
Change in trade accounts receivables	(31.9)	(39.7)
Change in inventories	(7.4)	(27.9)
Change in other current assets	(1.6)	(4.8)
Change in trade accounts payables	(146.8)	52.4
Change in other current liabilities	(44.0)	(51.4)
Impact of changes in exchange rate	2.1	6.3

Net cash provided by operating activities	**267.1**	**296.1**

Table of Contents

Contractual obligations

The following table sets forth our future cash obligations as of June 30, 2013:

Unaudited	**Payments Due by Period**				
In millions of U.S.$	**Less than 1 year**	**2-3 years**	**4-5 years**	**More than 5 years**	**Total**
Financial debt	257.7	750.0	446.7	1,080.6	2,535.0
Finance lease obligations (not discounted)	18.1	29.2	29.1	50.5	126.9
Operating leases	255.7	391.0	311.0	358.1	1,315.8
- Bareboat agreements	185.0	292.9	230.4	218.2	926.5
- Other operating lease agreement	70.7	98.1	80.6	139.9	389.3
Other long-term obligations (interests)	120.9	226.7	130.2	132.6	610.4
Total contractual cash obligations (a)	**652.4**	**1,396.9**	**917.0**	**1,621.8**	**4,588.1**

(a) Payments in foreign currencies are converted into U.S. dollars at June 30, 2013 exchange rates.

Reconciliation of EBITDAS to U.S. GAAP

Summary of differences between IFRS and U.S. GAAP with respect to EBITDAS

The principal differences between IFRS and U.S. GAAP as they relate to our EBITDAS relate to the treatment of pension plans and development costs.

Pension plan

Under IFRS, in accordance with IAS 19 Revised, actuarial gains or losses are recognized in the statement of recognized income and expense (SORIE) attributable to shareholders.

Under U.S. GAAP, we apply Statement 158 Employers Accounting for Defined Benefit Pension and Other Postretirement Plan, an amendment of FASB Statements No. 87, 88, 106, and 132(R) , effective for fiscal years ending after December 15, 2006.

Gains or losses are amortized over the remaining service period of employees expected to receive benefits under the plan, and therefore recognized in the income statement.

Development costs

Under IFRS, expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalized if:

- the project is clearly defined, and costs are separately identified and reliably measured,
- the product or process is technically and commercially feasible,
- the Group has sufficient resources to complete development, and

The intangible asset is likely to generate future economic benefits.

Under U.S. GAAP, all expenditures related to research and development are recognized as an expense in the income statement.

Unaudited In millions of U.S.$	Six months ended June 30, 2013	 2012
EBITDAS as reported	**637.0**	**440.8**
Actuarial gains (losses) on pension plan		
Cancellation of IFRS capitalization of development costs	(24.2)	(14.1)
EBITDAS according to U.S. GAAP	**612.8**	**426.7**

Table of Contents

Item 3: CONTROLS AND PROCEDURES

There has been no change in our internal control over financial reporting during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

THIS FORM 6-K REPORT IS HEREBY INCORPORATED BY REFERENCE INTO THE PROSPECTUS CONTAINED IN CGG S REGISTRATION STATEMENTS ON FORM S-8 (REGISTRATION STATEMENT NO. 333-166250, NO. 333-173638 AND NO. 333-188120) AND SHALL BE A PART THEREOF FROM THE DATE ON WHICH THIS REPORT IS FURNISHED, TO THE EXTENT NOT SUPERSEDED BY DOCUMENTS OR REPORTS SUBSEQUENTLY FILED OR FURNISHED.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, CGG has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

/s/ Stéphane-Paul Frydman

CGG
(Registrant)

/s/ Stéphane-Paul Frydman

Stéphane-Paul Frydman
Chief Financial Officer

Date: August 1, 2013