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NOT FOR GENERAL CIRCULATION
IN THE UNITED STATES

€400,000,000 5.875% Senior Notes due 2020
Guaranteed on a senior basis by certain subsidiaries

We are offering €400,000,000 principal amount of our 5.875% Senior Notes due 2020 (the "notes"). The notes will mature on May 15, 2020. We will pay interest on the notes semi-annually in arrears each May 15 and November 15, commencing on November 15, 2014. We may redeem all or part of the notes at any time on or after May 15, 2017 at the redemption prices described in this offering circular. We may redeem up to 35% of the notes prior to May 15, 2017 using the proceeds of certain equity offerings. At any time prior to May 15, 2017, we may redeem all or part of the notes at a redemption price equal to 100% of the principal amount of the notes plus the applicable premium described in this offering circular. We may also redeem all, but not less than all, of the notes at a redemption price equal to 100% of the principal amount of the notes in the event of certain changes in tax laws. If we undergo a change of control, each holder may require us to repurchase all or a portion of the notes at 101% of the principal amount thereof, plus accrued and unpaid interest.

The notes will be our senior unsecured obligations and will be initially guaranteed on a senior unsecured basis by certain of our subsidiaries. The notes will rank equally in right of payment with all our other existing and future senior unsecured indebtedness, including our other senior notes, and senior in right of payment to all our existing and future subordinated indebtedness. The notes and the subsidiary guarantees will be effectively subordinated to all our secured obligations and all secured obligations of our subsidiaries that guarantee the notes, including any indebtedness under our U.S. revolving facility or French revolving facility, to the extent of the value of the collateral. The notes will also be effectively junior to all obligations of our subsidiaries that do not guarantee the notes.

The notes will be represented on issuance by one or more global notes, which we expect will be delivered through Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking, *société anonyme* ("Clearstream"), on or about April 23, 2014 (the "Issue Date").

Application has been made to admit the notes to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF market ("Euro MTF"). This offering circular constitutes a Prospectus for the purpose of Luxembourg law dated July 10, 2005 on Prospectuses for Securities, as amended.

Investing in the notes involves risks. See "Risk Factors" beginning on page 14.

The notes and the guarantees of the notes have not been registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or the laws of any other jurisdiction, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. In the United States, the offering is being made only to "qualified institutional buyers" (as defined in Rule 144A under the Securities Act) in compliance with Rule 144A under the Securities Act. You are hereby notified that the initial purchasers of the notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A thereunder. Outside the United States, the offering is being made in reliance on Regulation S under the Securities Act. See "Notice to Investors", "Notice to New Hampshire Residents" and "Transfer and Selling Restrictions" for additional information about eligible offerees and transfer restrictions.

Price for the notes: 100.000%
plus accrued interest, if any, from April 23, 2014

Global Coordinators and Joint Physical Bookrunners

BNP PARIBAS **Credit Suisse**

Joint Bookrunners

Crédit Agricole CIB **HSBC** **Natixis** **Société Générale Corporate & Investment Banking**

The date of this offering circular is April 23, 2014.

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You should rely only on the information contained in this document or to which we have referred you. We have not authorized anyone to provide you with information that is different. This document may only be used where it is legal to sell these securities and may only be used for the purposes for which it has been published. The information in this document may only be accurate on the date of this document.

In connection with the offering of the notes, BNP Paribas may over-allot or effect transactions for a limited period of time with a view to supporting the market price of the notes at a level higher than that which might otherwise prevail. However, BNP Paribas is not obliged to do this. Such stabilizing, if commenced, may be discontinued at any time, and must be brought to an end after a limited period.

NOTICE TO INVESTORS

CGG, having made all reasonable inquiries, confirms to the best of its knowledge, information and belief that the information contained in this offering circular with respect to CGG and its consolidated subsidiaries and affiliates taken as a whole and the notes offered hereby is true and accurate in all material respects and is not misleading, that the opinions and intentions expressed in this document are honestly held and that there are no other facts the omission of which would make this offering circular as a whole misleading in any material respect. Subject to the following paragraphs, CGG accepts responsibility for the information contained in this offering circular.

We are providing this offering circular only to prospective purchasers of the notes. You should read this offering circular before making a decision whether to purchase any notes. You must not use this offering circular for any other purpose or disclose any information in this offering circular to any other person.

This offering circular does not constitute an offer to sell or an invitation to subscribe for or purchase any of the notes in any jurisdiction in which such offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. No action has been, or will be, taken to permit a public offering in any jurisdiction where action would be required for that purpose. Accordingly, the notes may not be offered or sold, directly or indirectly, and this offering circular may not be distributed, in any jurisdiction except in accordance with the legal requirements applicable to such jurisdiction. You must comply with all laws that apply

to you in any place in which you buy, offer or sell any notes or possess this offering circular. You must also obtain any consents or approvals that you need in order to purchase, offer or sell any notes or possess or distribute this offering circular. We and the initial purchasers are not responsible for your compliance with any of the foregoing legal requirements.

We are relying on exemptions from registration under the Securities Act for offers and sales of securities that do not involve a public offering. By purchasing notes, you will be deemed to have made the acknowledgments, representations, warranties and agreements set forth under "Transfer and Selling Restrictions" in this offering circular.

We are not, the initial purchasers are not, and none of our or the initial purchasers' respective representatives are making an offer to sell the notes in any jurisdiction except where an offer or sale is permitted. You should understand that you will be required to bear the financial risks of your investment for an indefinite period of time. This offering circular is being furnished by us in connection with an offering exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the notes. This offering circular is based on information provided by us and by other sources that we believe are reliable. We cannot assure you that this information is accurate or complete. The initial purchasers named in this offering circular make no representation or warranty, express or implied, as to the accuracy or completeness of such information, and nothing contained in this offering circular is, or shall be relied upon as, a promise or representation by the initial purchasers with respect to the notes as to the past or the future.

The Bank of New York Mellon Trust Company, National Association, in each of its capacities including, but not limited to, Trustee, and the Bank of New York Mellon, London Branch, as Paying Agent, have not participated in the preparation of this offering circular and assumes no responsibility for its content.

The information contained in this offering circular speaks as of the date hereof. Neither the delivery of this offering circular at any time after the date of publication nor any subsequent commitment to purchase the notes shall, under any circumstances, create an implication that there has been no change in the information set forth in this offering circular or in our business since the date of this offering circular.

We are not, the initial purchasers are not, and none of our or the initial purchasers' respective representatives are making any representation to you regarding the legality of an investment in the notes by you under any legal, investment or similar laws or regulations. You should not consider any information in this offering circular to be legal, financial, business, tax or other advice. You should consult your own attorney, business advisor and tax advisor for legal, financial, business and tax and related aspects of an investment in the notes. You are responsible for making your own examination of us and our business and your own assessment of the merits and risks of investing in the notes.

You should contact the initial purchasers with any questions about this offering or if you require additional information to verify the information contained in this offering circular.

Neither the U.S. Securities and Exchange Commission (the "Commission" or the "SEC") nor any state securities commission has approved or disapproved of these securities or determined if this offering circular is truthful or complete. Any representation to the contrary is a criminal offence.

Interests in the notes will be available initially in book-entry form. We expect that the notes sold will be issued in the form of one or more global notes. The global notes sold in reliance on Regulation S under the Securities Act ("Regulation S") will be represented by one or more global notes in registered form (the "Regulation S Global Notes"). The global notes sold in reliance on Rule 144A under the Securities Act ("Rule 144A") will be represented by one or more global notes in registered form without interest coupons attached (the "Rule 144A Global Notes" and, together with the Regulation S Global Notes, the "Global Notes"). The Global Notes will be deposited, on the Issue Date, with, or on behalf of, a common depositary for the accounts of Euroclear and Clearstream and registered in the name of the nominee of the common depositary. Transfers of interests in the Global Notes will be effected through records maintained by Euroclear and Clearstream and their respective participants. The notes will not be issued in definitive registered form except under the circumstances described in "Book-Entry, Delivery and Form."

This offering circular sets out the procedures of Euroclear and Clearstream in order to facilitate the original issue and subsequent transfers of interests in the notes among participants of Euroclear and Clearstream. However, neither Euroclear nor Clearstream is under any obligation to perform or continue to perform such

procedures and such procedures may be modified or discontinued by any of them at any time. We will not, nor will any of our agents, have responsibility for the performance of the respective obligations of Euroclear, Clearstream or their respective participants under the rules and procedures governing their operations, nor will we or our agents have any responsibility or liability for any aspect of the records relating to, or payments made on account of, book-entry interests held through the facilities of any clearing system or for maintaining, supervising or reviewing any records relating to these book-entry interests. Investors wishing to use these clearing systems are advised to confirm the continued applicability of their rules, regulations and procedures.

We reserve the right to withdraw this offering of the notes at any time. We and the initial purchasers also reserve the right to reject any offer to purchase the notes in whole or in part for any reason or no reason and to allot to any prospective purchaser less than the full amount of the notes sought by it. The initial purchasers and certain of their respective related entities may acquire, for their own accounts, a portion of the notes.

This offering circular has not received the visa of the French *Autorité des Marchés Financiers* ("AMF") and accordingly may not be used in connection with any offer or sale of the notes to the public in France.

We have not published a prospectus in relation to the notes pursuant to Directive 2003/71/EC (together with any applicable implementing measures in any Member State of the European Economic Area ("EEA"), the "Prospectus Directive") and are offering the notes only in those Member States that have implemented the Prospectus Directive in reliance on exemptions from the obligation to publish a prospectus provided in Article 3(2) of the Prospectus Directive. Neither we nor the initial purchasers have authorized, nor do they authorize, the making of any offer of notes through any financial intermediary, other than offers made by the initial purchasers which constitute the final placement of notes contemplated in this offering circular.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

AVAILABLE INFORMATION

Each purchaser of the notes from the initial purchasers will be furnished with a copy of this offering circular and any related amendments or supplements. While any of the notes remain outstanding, we will make available, upon request, to any holder and any prospective purchaser thereof the information required by Rule 144A(d)(4) under the Securities Act during any period in which we are not subject to the information reporting requirements of the Exchange Act or exempt pursuant to Rule 12g3-2(b) under the Exchange Act. You may request this information by writing or telephoning us at the following address: CGG, Tour Maine-Montparnasse, 33 avenue de Maine, BP 191, 75755 Paris CEDEX 15, France, Attention: Investor Relations Officer, Telephone: (33) 1 64 47 45 00.

We are subject to the reporting requirements of the Securities Exchange Act of 1934 (the "Exchange Act") applicable to foreign private issuers. In accordance with the Exchange Act, we electronically file reports, including annual reports on Form 20-F and interim reports on Form 6-K, and other information with the Commission. We have undertaken to the holders of the notes that we will submit certain quarterly financial information to the Commission.

You can inspect and copy these reports, and other information, without charge, at the Public Reference Room of the Commission located at 100 F Street, NE, Washington, D.C. 20549. You may obtain information on

the operation of the Public Reference Room by calling the Commission at 1-800-SEC-0330. The Commission also maintains an Internet site at http://www.sec.gov that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the Commission.

In addition, you can inspect materials filed by CGG at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005, on which American Depositary Shares representing shares of our common stock are listed. As a foreign private issuer, we are not subject to the proxy rules under Section 14 or the short-swing insider profit disclosure rules under Section 16 of the Exchange Act.

Copies of our annual reports for 2011, 2012 and 2013, the current constitutive documents of CGG, the indenture governing the notes and copies of the most recently published report and consolidated and non-consolidated financial statements of CGG will, for so long as the notes are listed on the Luxembourg Stock Exchange, be available free of charge during usual business hours on any weekday (except Saturdays, Sundays and public holidays) at the specified offices of the listing agent in Luxembourg. We publish a quarterly consolidated statement of operations, statement of cash flow and balance sheet, each of which will be delivered to, and copies of which may be obtained free of charge from, the specified offices of the listing agent in Luxembourg. We do not publish interim non-consolidated statements. All published interim statements are unaudited.

PRESENTATION OF INFORMATION

In this offering circular, references to “United States” or “U.S.” are to the United States of America, references to “US dollars”, “dollars” or “US$” are to United States dollars, references to “France” are to the Republic of France, references to “NOK” are to Norwegian kroner and references to “euro” or “€” are to the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Union.

As used in this offering circular “CGG”, “the Group”, “we”, “us” and “our” refer to CGG SA and its subsidiaries, except as otherwise indicated.

References to the “Acquisition” or the “Geoscience Acquisition” are to our acquisition of most of the Geoscience Division of Fugro N.V. (“Fugro”), including Fugro-Geoteam, Fugro Seismic Imaging, Fugro Geophysical and Geological Services and De Regt Marine Cables, as well as all related entities and assets, but excluding Fugro’s multi-client library and OBN activity. References to the “Seabed JV” are to the joint venture between us and Fugro specializing in shallow water and ocean bottom systems.

References to “senior notes” are to our 9½% Senior Notes due 2016, 7¾% Senior Notes due 2017 and 6½% Senior Notes due 2021 and the notes offered hereby. References to the “U.S. revolving facility” are to the US$165 million revolving credit facility under our senior secured credit agreement dated July 31, 2013, as amended. References to the “French revolving facility” are to the US$325 million revolving credit facility under our senior secured French-law revolving credit agreement dated July 31, 2013, as amended. References to the “term loan and revolving facilities” are to the US$200 million term loan and revolving facilities agreement dated July 1, 2013.

In addition:

- “Geoscience Division” refers to Fugro-Geoteam, Fugro Seismic Imaging, Fugro Geophysical and Geological Services and De Regt Marine Cables, as well as all related entities and assets, but excluding Fugro’s multi-client library and OBN activity;
- “OBC” refers to Ocean bottom cable;
- “OBN” refers to Ocean bottom nodes;
- “Seabed JV” refers to the joint venture between us and Fugro specializing in shallow water and ocean bottom systems; and
- “SPA” refers to the Sale and Purchase Agreement between us and Fugro dated September 24, 2012.

Unless otherwise indicated, statements in this offering circular relating to market share, ranking and data are derived from management estimates based, in part, on independent industry publications, reports by market research firms or other published independent sources. Any discrepancies in any table between totals and the sums of the amounts listed in such table are due to rounding.

The information set out in relation to sections of this offering circular describing clearing and settlement arrangements, including the sections entitled "Book-Entry, Delivery and Form", is subject to any change or reinterpretation of the rules, regulations and procedures of Euroclear or Clearstream currently in effect. While we accept responsibility for accurately summarizing the information concerning Euroclear and Clearstream, we accept no further responsibility in respect of such information. In addition, this offering circular contains summaries believed to be accurate with respect to certain documents, but reference is made to the actual documents for complete information. All such summaries are qualified in their entirety by such reference. Copies of documents referred to herein will be made available to prospective investors upon request to us.

PRESENTATION OF FINANCIAL INFORMATION

Effective January 1, 2012, we changed the presentation currency of our consolidated financial statements from the euro to the US dollar to better reflect the profile of our revenues, costs and cash flows, which are primarily generated in US dollars, and hence, to better present the financial performance of the Group. As a change in presentation currency is a change of accounting policy, all comparative financial information has been restated into US dollars in this offering circular.

Effective January 1, 2013, we applied IAS 19 revised — Employees benefits. As a result, and as the application of this new standard is a change of accounting policy, all comparative financial information contained herein, starting from 2009, has been restated to present comparative amounts for each period presented as if the new accounting policy had always been applied.

In February 2013, our audit committee recommended streamlining the audit and to retain Ernst & Young et Autres as sole certifying registered accountant, while recommending to the Board of Directors to have Ernst & Young et Autres and Mazars re-appointed by the 2013 shareholders' general meeting as joint statutory auditors for domestic reporting purposes of the Group as a public company in France. This recommendation was endorsed and implemented by the Board of Directors on February 27, 2013.

FORWARD-LOOKING STATEMENTS

This offering circular includes "forward-looking statements" within the meaning of the federal securities laws, which involve risks and uncertainties, including, without limitation, certain statements made in the sections entitled "Our Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations". You can identify forward-looking statements because they contain words such as "believes", "expects", "may", "should", "seeks", "approximately", "intends", "plans", "estimates", or "anticipates" or similar expressions that relate to our strategy, plans or intentions. These forward-looking statements are subject to risks and uncertainties that may change at any time, and, therefore, our actual results may differ materially from those that we expected. We have based these forward-looking statements on our current views and assumptions about future events. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and, of course, it is impossible for us to anticipate all factors that could affect our actual results. All forward-looking statements are based upon information available to us on the date of this offering circular.

Important factors that could cause actual results to differ materially from our expectations ("cautionary statements") are disclosed under "Risk Factors" and elsewhere in this offering circular, including, without limitation, in conjunction with the forward-looking statements included in this offering circular. All forward-looking information in this offering circular and subsequent written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by the cautionary statements. Some of the factors that we believe could affect our actual results include:

- 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;
- the risks associated with activities operated through joint-ventures in which we hold a minority interest;
- 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 weight of intra-group production on our results of operations;
- 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;
- our ability to attract and retain qualified employees;
- 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 delay or terminate certain contracts in our backlog;
- the effects of competition;
- difficulties in adapting our fleet to changes in the seismic market;
- high level of fixed costs that are incurred regardless of business activity;
- 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. We caution you that the foregoing list of important factors may not contain all of the material factors that are important to you. In addition, in light of these risks, uncertainties and assumptions, the forward-looking events discussed in this offering circular might not occur. When considering forward-looking statements, you should keep in mind the risk factors and other cautionary statements included in this offering circular, including those described in the "Risk Factors" section of this offering circular.

OFFERING CIRCULAR SUMMARY

This offering circular summary highlights selected information from this offering circular to help you understand our business and the terms of the notes. You should carefully read all of this offering circular, including the consolidated financial statements and related notes, to understand fully our business and the terms of the notes, as well as some of the other considerations that may be important to you in making your investment decision. You should pay special attention to the "Risk Factors" section of this offering circular to determine whether an investment in the notes is appropriate for you.

CGG

We are a global participant in the geoscience industry, as a manufacturer of geophysical equipment, as a provider of marine, land and airborne data acquisition services, and as a provider of a wide range of other geoscience services, including data imaging, seismic data characterization, geoscience and petroleum engineering consulting services, and collecting, developing and licensing geological data. Our clients are principally in the oil and gas exploration and production industry.

We have more than 100 years of combined operating experience (through CGG, Veritas and Fugro Geoscience) and a recognized track record of technological leadership in the science of geophysics and geology. We believe we are well placed to capitalize on the growing importance of seismic and geoscience technologies to enhance the exploration and production performance of our broad base of clients, which includes independent, international and national oil companies.

CGG SA is the parent company of the CGG Group. We are a *société anonyme* incorporated under the laws of the Republic of France, registered at the Paris Commercial Registry under number 969 202 241 and operating under the French Commercial Code. Our registered office is at Tour Maine Montparnasse, 33, avenue du Maine, 75015 Paris, France. Our telephone number is (33) 1 64 47 45 00.

Our Business

The following is an overview of the business activities of our Equipment, Acquisition and Geology, Geophysics and Reservoir (GGR) business segments.

The following table sets forth our consolidated operating revenues by activity in millions of dollars and the total percentage of consolidated operating revenues represented thereby, for the periods indicated:

	Year ended December 31,		
	2013	2012 (restated)	2011 (restated)
	(In millions of US dollars)		
Marine Acquisition	1,786	1,310	1,073
Land and Airborne Acquisition	440	568	445
Acquisition Division Production	**2,226**	**1,878**	**1,518**
Multi-client, Basin data and Data Management	585	472	497
Imaging and Reservoir	711	478	442
Geology, Geophysics & Reservoir Division Revenues	**1,296**	**950**	**939**
Equipment Division Production	**1,045**	**1,204**	**1,142**
Eliminated production and others	(801)	(621)	(418)
Total Consolidated	**3,766**	**3,411**	**3,181**

The following table sets forth our consolidated operating revenues by region in millions of dollars and the total percentage of consolidated operating revenues represented thereby, for the periods indicated:

	Year ended December 31,					
	2013		2012 (restated)		2011 (restated)	
	MUS$	%	MUS$	%	MUS$	%
North America	872	23%	730	21%	705	22%
Central and South Americas	310	8%	500	15%	641	20%
Europe Africa and Middle East	1,666	45%	1,246	37%	1,134	36%
Asia Pacific	918	24%	935	27%	701	22%
Total Consolidated	**3,766**	**100%**	**3,411**	**100%**	**3,181**	**100%**

The Group's clients can be broadly categorized as national oil companies, international oil companies (the "Majors") and independent companies. In 2013, our top two clients represented respectively 5.1% and 3.9% of consolidated revenues, respectively.

Acquisition Division

Our Acquisition Division encompasses our geophysical acquisition services offering, including land, marine, airborne and seabed, being operated either directly or through joint ventures. Our worldwide crews operate in all environments. In land and marine environments, they use the latest geophysical equipment manufactured by Sercel.

Marine Acquisition Business Line

With a fleet of 21 seismic vessels at the end of 2013, we provide a complete range of marine seismic 2D and 3D services, focusing mainly on the Gulf of Mexico, the North Sea, West Africa and Brazil, as well as the Asia Pacific region. We also deliver marine seismic contract data acquisition in "frontier" areas and are a pioneer in the Arctic basin, offshore Eastern Africa and in the Black Sea. CGG provides both marine seismic contract data acquisition and multi-client surveys. Since the acquisition of Fugro's geoscience activities, we also provide inhouse acquisition and data processing of marine magnetic, gravity and bathymetry in conjunction with seismic surveys or on a stand-alone basis.

Land and Airborne Acquisition Business Lines

Land acquisition is principally focused on the acquisition and onsite processing of seismic data acquired on land areas. We are one of the main land seismic acquisition contractors operating worldwide, especially in North America and the Middle East, and particularly in areas requiring specific technologies, Health, Safety and Environment ("HSE") excellence and operational expertise. Our operation in Artic areas, transition zones and high-resolution crews market in North Africa and the Middle East are good examples of our positioning. We now intend to focus on technological differentiation.

Airborne acquisition is principally focused on the acquisition, processing and interpretation of airborne geophysical data on land or offshore, all over the world. We are the largest airborne acquisition contractor, operating worldwide and offering a diverse portfolio of airborne geophysical technologies, with particular emphasis and expertise in electromagnetics and gravity. Our activities are conducted out of operational centers located in Canada, Brazil, South Africa and Australia, and are based on a foundation of HSE excellence.

Land and airborne surveys are performed through exclusive contract activity or non-exclusive multi-client activity. In 2013, we operated an average of 22 active land crews performing 3D and 2D seismic surveys (19 crews dedicated to exclusive contract surveys and three dedicated to non-exclusive surveys), and a fleet of 29 airplanes since the integration of airborne activities on September 2, 2013. The description of 2013 airborne activities below reflects only the period of September to December.

Geology, Geophysics & Reservoir Division

With its worldwide footprint, our GGR Division encompasses several activities ranging from developing and licensing multi-client seismic surveys, to processing seismic data, selling seismic data processing and

reservoir characterization software (under the geovation, Hampson-Russell and Jason brands), providing geoscience and petroleum engineering consulting services, collecting, developing and licensing geological data (through Robertson) and providing data management services and software to our clients. With an extended scope of competencies, our GGR Division plays a key role in identifying and developing integrated services that we can offer to our clients as a full geoscience company.

On January 31, 2013, we acquired the Geoscience Division of Fugro, adding the Robertson, Jason and Data Management Services Business Lines to the GGR Division.

Equipment

We conduct our equipment development and production operations through Sercel and its subsidiaries. Sercel is the market leader in the development and production of seismic equipment in the land and marine seismic markets. Sercel makes most of its sales to purchasers other than CGG. As of December 31, 2013, Sercel operated seven seismic equipment manufacturing facilities, located in Nantes and Saint Gaudens in France, Houston and Tulsa in the United States of America, Alfreton in England, Krimpen aan de Lek in The Netherlands and Singapore. In China, Sercel operates through Hebei Sercel-JunFeng Geophysical Prospecting Equipment Co. Ltd. ("Sercel-Junfeng"), based in Hebei, in which Sercel has a 51% equity stake. In addition, four sites in Toulouse, Les Ulis, Toulon and Brest (France) are dedicated to borehole tools (for the first two sites), marine sources and submarine acoustic instrumentation, respectively.

Industry Conditions

Both oil and gas market operators and major consumer countries are becoming increasingly aware of the growing imbalance between hydrocarbon supply and demand. This was reflected in a very significant and continuous increase in energy prices, coupled with a widely held conviction that there would be a need to produce oil and gas in a sustained manner over the long term in order to meet global demand. Rates at which oil reserves are being replenished have fallen short of being able to replace, year on year, the quantities of subsurface hydrocarbons extracted and consumed or to compensate for the natural depletion of reserves in the ground. The need to discover new reserves and to seek to recover the quantities of oil and gas in place as carefully as possible led, except in 2009, to several years of high levels of investment in Exploration & Production and, by extension, to favorable long-term prospects for the geophysics market.

Since 2010, Exploration & Production investments have grown annually on a double-digit basis, despite the manifestation over the period of certain major risks to which these activities are exposed, in particular:

- the technological risk associated with the Deepwater Horizon platform accident in the Gulf of Mexico;
- the geopolitical risk associated with the "Arab spring" uprising in North Africa in 2011, and the subsequent political changes in Libya and Egypt;
- risks related the rapid growth of unconventional shale hydrocarbons production in North America since 2011, which significantly modifies the worldwide equation of supply and demand given the current weight of the North American consumption;
- general economic risks associated with slower growth in 2013 of certain key consumer countries as Brazil and China.

2013 has been a contrasted year with growth in both the oil services segment and, consequently, the seismic sector, which then significantly slowed down during the year mostly because major oil companies decided not to pursue certain exploration-production projects and more generally to cut investments in Exploration & Production to improve their cash generation on a short-term basis. This trend must be assessed more generally in an environment where exploration-production projects have become more costly because of their complexity, while the oil and gas prices have remained relatively stable and the oil and gas companies are under continuous pressure to keep a sustained level of dividends for their shareholders.

Longer term, we believe that the outlook for a fully integrated geoscience company is fundamentally positive for a number of reasons:

- First, oil and gas companies (including both international and national oil companies) and the large oil and gas consuming nations have perceived a growing and potentially lasting imbalance between

reserves and future demand for hydrocarbons. A rapid rise in world consumption requirements, particularly in China and India, has resulted in a growth in demand for hydrocarbons that is higher than anticipated, despite the recent economic downturn. In response to this growth, we expect oil and gas companies to continue to increase their Exploration & Production investments in order to improve existing reservoirs and regularly replace reserves.

- Client demand is changing as clients use geophysical data in new ways. The geological and geophysical challenges they face require new Geoscience solutions. From the very early exploration phase to the optimization of existing reservoirs, and throughout the entire development and production cycle, the demand for improved understanding of complex subsurface structure is increasing. This requires higher technology content, higher resolution, better illumination, and overall better imaging. In such a market environment, the CGG Group, with its assets, expertise, people and track record, is now firmly established on the three solid technological pillars represented by its Equipment, Acquisition and GGR (Geology, Geophysics & Reservoir) divisions.
- Each year, three to four million barrels of new oil have to be found in deeper and more complex geology in order to offset the declining rates of the existing reserves. Gas production from shale rocks, where seismic studies are used to enhance the yield, has developed remarkably well in North America, and may expand to other continents. We expect these fundamental trends to continue to drive increased demand for high-end seismic equipment and services in the medium-term. We believe that we are in a strong position to benefit from these long term trends.

Our views regarding the state of the market in 2013 and the outlook for future periods are “forward-looking statements,” based upon information available to us on the date of this offering circular and are subject to risks and uncertainties that may change at any time.

Our Strategy

We intend to continue to provide leading geological, geophysical and reservoir capabilities to our broad base of customers primarily from the global oil and gas industry. Our goal is to capitalize on growth opportunities resulting from the application of new technologies in every sector of the oil and gas business — from exploration to production and reservoir management — and from the worldwide presence of our three complementary business segments (Equipment, Acquisition, and Geology, Geophysics & Reservoir (GGR).

To achieve this objective, we have adopted the following strategies:

Rebalance our profile towards more profitable and less capital intensive businesses

We believe that our Acquisition businesses, which are cyclical, highly capital-intensive and have generated lower profitability in recent years, need to be downsized significantly. We plan to position the Acquisition businesses more on the high-end of the market, where technological differentiation is a critical factor, in order to increase profitability. This should also allow us to increase the relative weight of the Equipment and GGR segments’ contributions to Group results, which we believe will increase our overall profitability, reduce the volatility of our earnings and improve our cash generation.

Our plan for the Marine Acquisition business is to reduce the capacity of our directly-operated fleet by 25%, which should lead to a significant reduction in fixed costs and capital expenditure, while maintaining the critical size needed to support our world-leading position, address global regional markets and consolidate our leadership in the high-end broadband and global solution marine markets.

In the Land Acquisition business, our plan is to expand the scope of our partnership with TAQA throughout the Middle East by regrouping the existing joint ventures under the sole umbrella of ARGAS, owned 51% by TAQA and 49% by CGG. In the rest of the world, we intend to focus and concentrate our presence on high-end niche markets, adopting a technology provider business model to the extent possible.

Improve our operational efficiency, profitability and cash generation

In line with what has been achieved over the last three years as a result of the Performance Plan that we launched at the end of 2010, we intend to continue our tight cost control, maintain a low level of general and

administrative expenses and, more generally, reduce our fixed cost base. We expect notably to reduce our break-even point in line with the right-sizing of our Acquisition businesses and particularly our marine assets.

We will also continue to maintain a strong focus on operational performance and on cash generation through tight monitoring of working capital and capital expenditures.

Focus on growth areas

We intend to focus on developing our technological capabilities in emerging markets for geoscience-related services, including reservoir appraisal and production monitoring. We also believe that we have unique experience and expertise in very dense and productive seismic acquisition projects, such as high channel count land crews in the Middle East and full azimuth high resolution offshore surveys in the Gulf of Mexico. Furthermore, we believe our geographic footprint will allow us to respond to the growing demand for all kinds of seismic imaging and reservoir solutions.

We also intend to maintain our position in the onshore and offshore seismic multi-client markets by developing our multi-client data library. We believe that a strong position in this market segment enhances our global competitive position and may provide opportunities for continuing future sales. In developing our multi-client data library, we carefully select survey opportunities in order to maximize our return on investment. We also intend to apply the latest advances in depth imaging and wide azimuth technologies to a selected part of our existing library.

Given the growing importance of geophysics in reservoir characterization, and the strong reputation of Jason and Robertson, two activities formerly belonging to Fugro that we acquired on January 31, 2013, we intend to further develop the synergies between our leading network of 42 data processing centers and reservoir services. We pursue continuous innovation to allow for increased integration of data processing into reservoir studies, which will provide enhanced reservoir knowledge and allow for improved exploitation. This approach places us in a better position to meet the requirements of our clients with an extensive range of integrated solutions.

With the increasing use of wide-azimuth and high resolution surveys and the growing demand for advanced imaging capabilities, we also intend to increase our processing capability in developing disciplines, such as reservoir description and monitoring, including wide-azimuth, multi-component and 4D studies. We also plan to continue promoting and developing our dedicated subsurface imaging centers within our clients' offices and developing our regional centers.

We plan as well to develop reservoir interpretative solutions, notably through the creation of two new business lines, GeoSoftware and GeoConsulting, within our GGR Division. GeoSoftware is the worldwide leader in advanced seismic reservoir characterization technology. It brings together CGG's commercial software, including Jason and Hampson-Russell, and the associated sales, marketing and product services, such as training, product support and product mentoring. GeoConsulting is a full-spectrum geological and geophysical consulting services organization. In addition to our seismic reservoir characterization services supporting our Jason and Hampson-Russell technologies, GeoConsulting offers the our unique line of Robertson geoscience consulting services and multi-client products, including a full range of geological, petroleum engineering and economic disciplines. It also contains NPA Satellite Mapping and the global training services relating to GeoConsulting.

In 2014, we intend to extend cross-divisional strengths within our organization and to leverage our relationships with external partners such as Baker Hugues International in key and growing business sectors such as shale in North America and the Middle East.

We also intend to set up additional targeted partnerships through joint ventures in order to address specific market segments or to gain privileged access to high-potential local geographical markets. We established a joint venture with Gardline in the marine market segment in May 2010 and a joint venture with Petrovietnam Technical Services Corporation (PTSC) for the Vietnamese offshore market in March 2012 (announced in December 2010). In early 2013, we created Seabed Geosolutions BV (a joint venture owned 60% by Fugro and 40% by CGG), a world-leader in the shallow water and ocean bottom systems market.

Develop technological synergies for products and capitalize on new generation equipment

We believe Sercel is the leading manufacturer of land, marine and subsea geophysical equipment. We plan to continue developing synergies among the technologies available to Sercel and to capitalize fully on our

position as a market leader. Through our research and development, we seek to improve existing products and maintain an active new product development program in all segments of the geophysical equipment market (land, marine and ocean-bottom).

Develop and utilize innovative technology

The significant technological developments in seismic services over the last decade have produced a marked change in the sector. The development of 4D and wide-azimuth techniques (providing time lapse views and enhanced illumination of the reservoir as well as improved image resolution) now allows operators to better locate and monitor reservoir performance. This possibility broadens the use of seismic techniques from pure exploration (early cycle) into a tool for reservoir development, management and production (late cycle). Importantly, these techniques require more vessel time than traditional data acquisition. For example, three to six times more vessel time is required to shoot wide-azimuth data than is required for traditional 3D.

Conventional marine streamer acquisition lacks sufficient signal-to-noise ratios in the 2-7 Hz bandwidth due to streamer depth, streamer tow noise, source array configuration, source depth and source bubble. BroadSeis, a variable-depth streamer broadband solution, improves considerably the quality of data acquired by streamers by widening the range of recorded frequencies. BroadSeis relies on the combination of three differentiation factors developed by us: (i) the Sercel solid streamer, the quietest in the market; (ii) an original acquisition set-up based on a specific positioning of streamers at variable depth in water; and (iii) innovative processing algorithms that are adapted to this specific acquisition configuration. Patent applications have been filed for the different components to ensure we maintain exclusive rights over this technique. BroadSeis was launched in 2010. Since its introduction, more than 100 acquisitions have been carried out, most of them in association with customers, which we believe indicates a real interest for this new technology. The commercialization phase of BroadSeis enabled us to quickly expand the use of this process, a key differentiation factor for our marine acquisition activities starting in 2012. BroadSource, the broadband marine seismic source, launched in November 2012, should reinforce the benefits of BroadSeis to deliver the ultimate in high-resolution, broad-bandwidth, ghost-free seismic data, achieving a bandwidth of 2-200Hz.

We believe that growth in demand for geophysical services will continue to be driven in part by the development of new technologies. The industry is increasingly demanding clearer seismic imaging and better visibility, particularly underneath salt layers. We expect multi-azimuth, wide azimuth, multi-component (3C/4C) surveys and time-lapse (4D) surveys to become increasingly important for new production-related applications, particularly in the marine sector, and expect specialized recording equipment for difficult terrain to become more important in land seismic data acquisition, particularly in transition zones, shallow water and arctic areas. We believe that to remain competitive, geophysical services companies will need to combine advanced data acquisition technology with consistently improving processing capacity in order to further reduce delivery times for seismic services.

Our strategy is to continue our high level of investment in research and development to reinforce our technological leadership. We also intend to take advantage of our full range of integrated geoscience services to enhance our position as a market leader in:

- land seismic data acquisition systems and know-how;
- innovative marine acquisition systems and services;
- seismic imaging and reservoir services; and
- manufacturing of land, marine and subsea data acquisition equipment.

Emphasize client service

We believe it is important to operate in close proximity to our clients to develop a better understanding of their individual needs and to add measurable value to their business processes. We respond to these needs by creating new products or product enhancements that improve the quality of data and reduce the data delivery time to clients. We believe that our regional multi-client and dedicated data processing centers in our clients' offices provide us with an advantage in identifying contract opportunities, optimizing service to clients and developing products responsive to new market demands, such as seismic techniques applied to reservoir management. We believe that we are well positioned to benefit from the industry trend towards increased

outsourcing. This trend is leading oil and gas companies to place greater emphasis on relationships and service quality (including health, safety and protection of the environment) in their selection of third party service providers, including geophysical services providers.

Provide integrated services

We are committed to providing clients with a full array of seismic data services, from acquisition and processing to data interpretation and management. We believe that integration of compatible technology and equipment increases the accuracy of data acquisition and processing, enhances the quality of our client service and thereby improves productivity in oil and gas exploration and production. Our clients increasingly seek integrated solutions to better evaluate known reserves and improve the ratio of recoverable hydrocarbons from producing fields. We are continuing to develop our ability to provide geosciences solutions through a combination of various exploration and production services, including technical data management, reservoir characterization and interpretation of well information.

Develop well-positioned data libraries

We will continue to develop large multi-client libraries in key basins throughout the world where the industry focuses its exploration budgets. We intend to take advantage of our recent vintage, well-positioned seismic data libraries and will capitalize on our strong experience in wide-azimuth technology. For instance in the Gulf of Mexico, the industry's growing interest in wide-azimuth technology to explore complex geological environments has translated into high pre-funding levels for our Walker Ridge, Green Canyon, Garden Banks and Three Corners surveys. In 2012, we launched our first StagSeis multi-client survey, our new marine acquisition solution that provides full wide-azimuth coverage and unrivalled long offsets, designed to illuminate complex subsalt geologies. We extended this program in 2013 and will complete the acquisition of the third and final StagSeis survey in 2014. Similarly, we will continue to further expand the footprint of our multi-client library with the introduction of our new BroadSeis acquisition technology as we did in 2012 in Brazil and in the North Sea.

Onshore, our land library offers additional potential in North America, particularly in the shale gas plays where we completed a significant onshore program in the Marcellus basin in 2013. We plan to use this existing multi-client onshore footprint to build dedicated commercial offers aimed at improving the productivity of shale market players, including through our cooperation agreement with Baker Hugues International.

Develop reservoir applications

While seismic data was historically used primarily by oil and gas companies for exploration purposes, it has become a recognized tool for field development and reservoir management. We are progressively extending our core business towards compiling and analyzing seismic data of existing reservoirs in response to this trend. Through high-resolution images and our expertise in 4D seismic and permanent monitoring, we aim to assist hydrocarbon producers in better characterizing and predicting the static properties and dynamic behavior of their reservoirs.

Following our acquisition of Fugro's Geoscience Division, we are now organized in three segments, including the Geology, Geophysics and Reservoir segment, which is fully dedicated to the development of reservoir software, services and applications. Through GeoSoftware, we intend to further improve our products and services, provide our customers with a better understanding of their reservoirs and deliver unsurpassed expertise to optimize our customers' decision-making. Through GeoConsulting, we intend to further enhance our geological and geophysical multi-client products and reports and expand our high-end consulting services across the Exploration & Production value chain.

Recent Developments

Board meeting of March 26, 2014

Our Board of Directors met on March 26, 2014 at the request of its Chairman, Robert Brunck, and took the following decisions:

As Mr. Brunck will soon reach the age limit set by our articles of association for the Chairman, the Board unanimously decided to appoint Rémi Dorval, currently a Director of our company, to succeed him as Chairman. This decision will take effect at the end of the next Annual Shareholders' Meeting which is due to be held on June 4, 2014, subject to the renewal of Mr. Dorval's term of office by the shareholders' meeting.

The Board renewed for a period of three years Jean-Georges Malcor's term of office as CEO, which expires on June 4, 2014 so that he can implement our performance and strategic repositioning plan.

The Board, on the recommendation of the Appointment-Remuneration Committee, decided that each CGG director must own 5,000 shares or ADSs of the company, i.e. the equivalent of a director's annual fees. The Board's internal regulations will be changed accordingly. Directors have a period of two years to purchase these shares. Our CEO, Mr. Malcor, has already invested an amount corresponding to his estimated 2013 net variable remuneration in the purchase of 12,000 shares in the company.

First quarter 2014 updates

In the first quarter of 2014, our vessel availability rate was 94%, compared to 88% in the first quarter of 2013 and 83% in the fourth quarter of 2013. In the first quarter of 2014, our vessel production rate was 93%, compared to a 93% production rate in the first quarter of 2013 and 90% in the fourth quarter of 2013.

During the first quarter of 2014, our 3D vessels were allocated 51% to multi-client programs (compared to 36% in the first quarter of 2013), including 15% of the 3D fleet being assigned as shooting vessels for our wide-azimuth multi-clients programs.

The CGG Symphony definitely stopped operations on February 10, 2014.

As we have previously communicated, we expect acquisition market conditions to remain low in the first quarter of 2014. We expect our net debt to increase at March 31, 2014 compared to December 31, 2013.

The offering of notes described herein is intended to refinance existing indebtedness, aiming at lengthening the maturity profile of our debt and reducing its cost. In line with our usual policy, we will continue in the future to proactively manage our debt maturity profile and our cost of debt.

SUMMARY OF THE OFFERING

The Issuer	CGG SA
Securities Offered	€400,000,000 aggregate principal amount of 5.875% Senior Notes due 2020
Issue Price	100.000%, plus accrued interest if any.
Issue Date	April 23, 2014.
Maturity	May 15, 2020.
Interest	5.875% per annum, payable semi-annually in arrears on May 15 and November 15, commencing on November 15, 2014. Interest on the notes will accrue from, and including, the Issue Date.
Guarantees	Initially, the notes will be guaranteed on a senior unsecured basis by CGG Holding B.V., CGG Marine B.V., CGG Marine Resources Norge AS, CGG Holding (U.S.) Inc., CGG Services (U.S.) Inc., Veritas Investments Inc., CGG Land (U.S.) Inc., Viking Maritime Inc., Veritas Geophysical (Mexico) LLC and Alitheia Resources Inc. (the "Services Guarantors"), and Sercel, Inc. and Sercel-GRC Corp. (the "Equipment Guarantors", and together with the Services Guarantors, the "Initial Guarantors"). Our other subsidiaries will not initially guarantee the notes and, in certain circumstances, we may elect to have certain guarantors released from their guarantees of the notes. The Services Guarantors (excluding their subsidiaries that have not guaranteed the notes) generated, before consolidation entries, US$907.5 million of revenues, US$(508.3) million of operating income (loss) and US$(560.6) million of net income (loss) and held US$7,195.0 million of total assets before consolidation entries as at December 31, 2013. The Equipment Guarantors (excluding their subsidiaries that have not guaranteed the notes) generated, before consolidation entries, US$438.6 million of revenues, US$118.8 million of operating income and US$81.2 million of net income and held US$451.4 million of total assets before consolidation entries as at December 31, 2013. The Initial Guarantors represented 36% of our consolidated revenues in the year ended December 31, 2013 and 93% of our consolidated assets as at December 31, 2013.
Ranking	The notes will be our senior unsecured obligations, ranking equally in right of payment with all our other existing and future senior unsecured indebtedness, including our other senior notes, and senior in right of payment to all our existing and future subordinated indebtedness. The notes and the subsidiary guarantees will be effectively subordinated to all our secured obligations and all secured obligations of the subsidiaries that guarantee the notes, including any indebtedness under our U.S. revolving facility and our French revolving facility, to the extent of the value of the collateral. In addition, the notes will be effectively subordinated to all current and future indebtedness and other obligations, including trade payables, of our subsidiaries that do not guarantee the notes. As at December 31, 2013, on a pro forma basis after giving effect to the offering of the

notes and the use of proceeds thereof, assuming we repurchase all of our outstanding €360 million in principal amount of 1 3/4% OCEANE convertible bonds due 2016, we would have had US$484.1 million of outstanding indebtedness, including accrued interest, effectively senior to the notes, of which US$477.4 million would have been secured. The indenture governing the notes will permit us and our subsidiaries to incur additional indebtedness (including additional secured indebtedness), subject to certain conditions. See "Description of Certain Indebtedness".

Optional Redemption .... We may redeem all or a part of the notes at any time on or after May 15, 2017 at the redemption prices described in this offering circular. We may redeem up to 35% of the aggregate principal amount of the notes prior to May 15, 2017 using the proceeds of certain equity offerings. At any time prior to May 15, 2017, we may redeem all or part of the notes at a redemption price equal to 100% of the principal amount of the notes plus the applicable premium described in this offering circular.

Change of Control .... If we undergo a change of control, each holder may require us to repurchase all or a portion of the notes held by such holder at 101% of the principal amount thereof, plus accrued and unpaid interest.

Redemption for Changes in Tax Law .... Under certain conditions, we will be required to pay additional amounts to the holders of the notes to compensate them for any amounts deducted from payments to them in respect of the notes on account of certain taxes and other governmental charges. If we become obliged to pay such additional amounts in respect of the notes as a result of a change in law, the notes will be subject to redemption, in whole but not in part, at our option at a price equal to 100% of the principal amount of the notes.

Certain Covenants and Events of Default .... The indenture governing the notes will contain certain covenants and events of default that, among other things, limit our ability and that of certain of our subsidiaries to:

- incur or guarantee additional indebtedness or issue preferred shares;
- pay dividends or make other distributions;
- purchase equity interests or redeem subordinated indebtedness prior to its maturity;
- create or incur certain liens;
- create or incur restrictions on the ability to pay dividends or make other payments to us;
- enter into transactions with affiliates;
- issue or sell capital stock of our subsidiaries;
- engage in sale-and-leaseback transactions; and
- sell assets or merge or consolidate with another company.

All of these limitations are subject to a number of important qualifications and exceptions. In addition, the starting dates for the calculation of the availability under the various "baskets" relating to restricted payments are the same as those under the indentures

governing our existing senior notes, namely either January 1, 2005 or April 28, 2005 (depending on the particular basket) and the amounts available for restricted payments under these baskets are significant.

If at any time the notes receive ratings of BBB- or higher from Standard & Poor's Ratings Services ("Standard & Poor's") and Baa3 or higher from Moody's Investors Service, Inc. ("Moody's"), and no default or event of default has occurred and is continuing, certain restrictions, covenants and events of default will cease to be applicable to the notes for so long as the notes maintain such ratings.

Transfer Restrictions . . . . We have not registered the notes or the guarantees of the notes under the Securities Act or any state securities laws. You may not offer or sell the notes except under an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. See "Transfer and Selling Restrictions".

Taxation . . . . For a discussion of the material tax consequences of an investment in the notes, see the section entitled "Taxation".

Use of Proceeds . . . . We intend to use the net proceeds of the offering in connection with an offer to repurchase up to €360 million principal amount of our 1¾% OCEANE convertible bonds due 2016, with any remaining net proceeds used for repayment of other indebtedness. See "Use of Proceeds".

Listing . . . . Application has been made to admit the notes to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF.

Governing Law . . . . The indenture, the notes, and all other transaction documents relating to the notes will be governed by, and construed in accordance with, the laws of the State of New York.

Trustee . . . . The Bank of New York Mellon.

Paying Agent and Transfer Agent . . . The Bank of New York Mellon, London Branch.

Luxembourg Listing Agent, Luxembourg Paying Agent, Luxembourg Transfer Agent and Registrar . . . . The Bank of New York Mellon (Luxembourg) S.A.

For further information regarding the notes, see "Description of the Notes".

Risk Factors

Investment in the notes offered hereby involves certain risks. You should carefully consider the information under "Risk Factors" and all other information included in this offering circular before investing in the notes.

SUMMARY FINANCIAL INFORMATION

The following summary historical consolidated financial information as at and for the three years ended December 31, 2013 is derived from our consolidated audited financial statements included elsewhere in this offering circular. Our consolidated financial statements as at and for the year ended December 31, 2013 that are included elsewhere in this offering circular have been audited by Ernst & Young and as at and for the years ended December 31, 2012 and 2011 have been audited by Ernst & Young and Mazars.

Our consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. Effective January 1, 2012, we changed the presentation currency of our consolidated financial statements from the euro to the US dollar to better reflect the profile of our revenues, costs and cash flows, which are primarily generated in US dollars, and hence, to better present the financial performance of the Group. As a change in presentation currency is a change of accounting policy, all comparative financial information has been restated into US dollars in this offering circular. Effective January 1, 2013, we 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.

The summary financial data included below should be read in conjunction with, and are qualified in their entirety by reference to, our consolidated financial statements included elsewhere in this offering circular and "Use of Proceeds", "Capitalization", "Selected Financial Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations".

	As at and for the year ended December 31,		
	2013	**2012 (restated)**	**2011 (restated)**
	(In millions of US$ except per share data and ratios)		
Statement of operations data:			
Operating revenues	3,765.8	3,410.5	3,180.9
Other income from ordinary activities	2.1	3.6	3.3
Cost of operations	(2,977.2)	(2,685.4)	(2,649.4)
Gross profit	**790.7**	**728.7**	**534.8**
Research and development expenses, net	(105.9)	(92.8)	(77.0)
Marketing and selling expenses	(118.6)	(96.0)	(83.1)
General and administrative expenses	(215.9)	(182.6)	(201.8)
Other revenues (expenses)	(105.2)	(26.7)	34.3
Impairment of goodwill	(640.0)	—	—
Operating income	**(394.9)**	**330.6**	**207.2**
Cost of financial debt, net	(191.7)	(156.7)	(174.5)
Other financial income (loss)	(22.3)	(19.7)	0.8
Income taxes	(82.9)	(99.2)	(63.1)
Equity in income of affiliates	0.6	37.4	16.4
Net income (loss)	**(691.2)**	**92.4**	**(13.2)**
Attributable to:			
Non-controlling interests	7.6	17.2	13.9
Owners of CGG SA	(698.8)	75.2	(27.1)
Net income (loss) per share			
Basic[(1)]	(3.95)	0.46	(0.17)
Diluted[(2)]	(3.95)	0.46	(0.17)
Balance sheet data:			
Cash and cash equivalents	530.0	1,520.2	531.4
Working capital[(3)]	532.0	783.5	488.7
Property, plant & equipment, net	1,557.8	1,159.5	1,183.2
Multi-client surveys	818.0	604.2	527.3
Goodwill	2,483.2	2,415.5	2,688.2
Total assets	8,262.8	8,332.8	7,191.5
Gross financial debt[(4)]	2,747.6	2,305.2	1,942.1
Equity attributable to owners of CGG SA	3,799.9	4,483.2	3,794.6

	As at and for the year ended December 31,		
	2013	2012 (restated)	2011 (restated)
	(In millions of US$ except per share data and ratios)		
Other financial historical data and other ratios:			
EBIT[5]	(394.3)	368.0	223.6
EBITDAS[6]	1,139.7	1,006.2	826.1
Capital expenditures (property, plant & equipment)[7]	347.2	368.8	365.6
Capital expenditures for multi-client surveys, net cash	479.4	363.8	203.2
Net financial debt[8]	2,217.7	785.0	1,410.6
Gross financial debt[4]/EBITDAS[6]	2.4x	2.3x	2.4x
Net financial debt[8]/EBITDAS[6]	1.9x	0.8x	1.7x
EBITDAS[6]/Cost of financial debt, net	5.9x	6.4x	4.7x

Notes:

(1) Basic per share amounts have been calculated on the basis of 176,734,989, 162,077,608 and 158,571,323 weighted average outstanding shares in 2013, 2012 and 2011 respectively.

(2) Diluted per share amounts have been calculated on the basis of 176,734,989, 163,409,442 and 158,571,323 weighted average outstanding shares in 2013, 2012 and 2011 respectively.

(3) "Working capital" is defined as net trade accounts and notes receivable, net inventories and work-in-progress, tax assets, other current assets and assets held for sale less trade accounts and notes payable, accrued payroll costs, income tax payable, advance billings to customers, deferred income, current provisions and other current liabilities.

(4) "Gross financial debt" is defined as financial debt, including current maturities and bank overdrafts.

(5) "EBIT" (earnings before interest and tax) is defined 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 manage through our joint-ventures. However, other companies may present EBIT and related measures differently than we do. EBIT is not a measure 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. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — EBIT and EBITDAS" for a reconciliation of EBIT to operating income.

(6) "EBITDAS" is defined as earnings before interest, tax, depreciation, amortization net of amortization costs capitalized to multi-client surveys and share-based compensation cost. Share-based compensation includes both stock options and shares issued under our share allocation plans. EBITDAS is presented as additional information because we understand that it is one 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 EBITDAS and similar measures differently than we do. EBITDAS is not a measure 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. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — EBIT and EBITDAS" for a reconciliation of EBITDAS to net cash provided by operating activities.

(7) "Capital expenditures" is defined as purchases of property, plant and equipment, development costs capitalized plus variation of suppliers of fixed assets and excludes finance leases.

(8) "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. See Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Financial Debt" for a reconciliation of net financial debt to certain financing items on our balance sheet.

RISK FACTORS

An investment in the notes involves risks. Before investing in the notes, you should carefully consider the following risk factors and all information contained in this offering circular. Additional risks and uncertainties of which we are not aware or that we believe are immaterial may also adversely affect our business, financial condition, liquidity, results of operations or prospects. If any of these events occur, our business, financial condition, liquidity, results of operations or prospects could be materially and adversely affected. If that happens, we may not be able to pay interest or principal on the notes when due and you could lose all or part of your investment.

Risks related to our business

Current economic uncertainty and the volatility of oil and natural gas prices could have a significant adverse effect on us.

Global market and economic conditions are uncertain and volatile. In the past, economic contractions and uncertainty have weakened demand and lowered prices for oil and natural gas, resulting in a reduction in the levels of exploration for hydrocarbons and demand for our products and services. It is difficult to predict how long the current economic conditions will persist, whether they will deteriorate further, and which of our products and services will be adversely affected. We may have impairment losses as events or changes in circumstances occur that reduce the fair value of an asset below its book value. These conditions could have a material adverse effect on our business, results of operations, financial condition and cash flows.

Uncertainty about the general economic situation has had and is likely to continue to have a significant adverse impact on the commercial performance and financial condition of many companies, which may affect some of our customers and suppliers. The current economic climate may lead customers to cancel or delay orders or leave suppliers unable to provide goods and services as agreed. Our government clients may face budget deficits that prohibit them from funding proposed and existing projects or that cause them to exercise their right to terminate our contracts with little or no prior notice. If our suppliers, vendors, subcontractors or other counterparties are unable to perform their obligations to us or our customers, we may be required to provide additional services or make alternate arrangements on less favorable terms with other parties to ensure adequate performance and delivery of service to our customers. These circumstances could also lead to disputes and litigation with our partners or customers, which could have a material adverse impact on our reputation, business, financial condition and results of operations.

Turmoil in the credit markets, such as has been experienced in prior periods, could also adversely affect us and our customers. Limited access to external funding has in the past caused some companies to reduce their capital spending to levels supported by their internal cash flow. Some companies have found their access to liquidity constrained or subject to more onerous terms. In this context, our customers may not be able to borrow money on reasonable terms or at all, which could have a negative impact on their demand for our products, and impair their ability to pay us for our products and services on a timely basis, or at all.

In addition, the potential impact on the liquidity of major financial institutions may limit our ability to fund our business strategy through borrowings under either existing or new debt facilities in the public or private markets and on terms we believe to be reasonable. Persistent volatility in the financial markets could have a material adverse effect on our ability to refinance all or a portion of our indebtedness and to otherwise fund our operational requirements. We cannot be certain that additional funds will be available if needed to make future investments in certain projects, take advantage of acquisitions or other opportunities or respond to competitive pressures. If additional funds are not available, or are not available on terms satisfactory to us, there could be a material adverse impact on our business and financial performance.

Furthermore, our cash balances are maintained in accounts held at major banks and financial institutions located primarily in Europe, North America and China. Deposits are in amounts that exceed available insurance. Although none of the financial institutions in which we hold our cash and investments has gone into bankruptcy, been forced into receivership, or has been seized by its governments, there is a risk that this may occur in the future. If this were to occur, we would be at risk of not being able to access our cash which may result in a temporary liquidity crisis that could impede our ability to fund operations.

We are subject to risks related to our international operations.

With operations worldwide, including in emerging markets, our business and results of operations are subject to various risks inherent in international operations. These risks include:

- instability of foreign economies and governments, which can cause investment in capital projects by our potential clients to be withdrawn or delayed, reducing or eliminating the viability of some markets for our services;
- risks of war, terrorism, riots and uprisings, which can make it unsafe to continue operations, adversely affect budgets and schedules and expose us to losses;
- risk of piracy, which may result in delays carrying out customer contracts in affected areas or their termination;
- seizure, expropriation, nationalization or detention of assets, or renegotiation or nullification of existing contracts;
- foreign exchange restrictions, import/export quotas, sanctions and other laws and policies affecting taxation, trade and investment; and
- availability of suitable personnel and equipment, which can be affected by government policy, or changes in policy, that limit the importation of qualified crew members or specialized equipment in areas where local resources are insufficient.

We are exposed to these risks in all of our international operations to some degree, particularly in emerging markets where the political and legal environment is less stable. We are subject to the risk of adverse developments with respect to certain international operations and any insurance coverage we have may not be adequate to compensate us for any losses arising from such risks.

Revenue generating activities in certain foreign countries may require prior United States government approval in the form of an export license and may otherwise be subject to tariffs and import/export restrictions. These laws can change over time and may result in limitations on our ability to compete globally. In addition, non-US persons employed by our separately incorporated non-US entities may conduct business in some foreign jurisdictions that are subject to US trade embargoes and sanctions by the US Office of Foreign Assets Control, including countries that have been designated by the US government as state sponsors of terrorism. We have typically generated revenue in some of these countries through the performance of marine surveys, the provision of data processing and reservoir consulting services, the sale of software licenses and software maintenance and the sale of Sercel equipment. We have current and ongoing relationships with customers in these countries. We have procedures in place to conduct these operations in compliance with applicable US laws. However, failure to comply with US laws on equipment and services exports could result in material fines and penalties, damage our reputation, and negatively affect the market price of our securities. We provided information in 2011 and 2012 to the US Department of Commerce's Bureau of Industry and Security (BIS) concerning shipments to our vessels operating in or near Cuba that may not have complied fully with our internal policies and possibly violated applicable export controls and sanctions laws. See "Business — Legal Proceedings — Requests for information made by the US Department of Commerce's Bureau of Industry and Security". In addition, our presence in these countries could reduce demand for our securities among certain investors.

Certain of our clients and certain tax, social security or customs authorities may request that we or certain of our subsidiaries or affiliates post performance bonds or guarantees issued by financial institutions, including in the form of stand-by letters of credit, in order to guarantee our legal or contractual obligations. We cannot assure you that we will be able to provide these bonds or guarantees in the amounts or durations required or for the benefit of the necessary parties. Our failure to comply with these requests could reduce our capacity to conduct business or perform our contracts. In addition, if we do provide these bonds or guarantees, our clients or the relevant authorities may call them under circumstances that we believe to be improper, and we may not be able to challenge such actions effectively in local courts.

We and certain of our subsidiaries and affiliated entities also conduct business in countries where there is government corruption. We are committed to doing business in accordance with all applicable laws and our codes of ethics, but there is a risk that we, our subsidiaries or affiliates or their respective officers, directors, employees or agents may act in violation of our codes and applicable laws, including the Foreign Corrupt Practices Act of 1977. Any such violations could result in substantial civil and criminal penalties and might materially adversely affect our business and results of operations or financial condition.

We are subject to certain risks related to acquisitions.

In the past we have grown by acquisitions, some of which, such as the merger with Veritas in 2007, the acquisition of Wavefield in 2008 or the acquisition of Fugro Geoscience Division in 2013, were quite significant. Such transactions, whether completed, pending or likely to be completed in the future, present various financial and management-related risks that can be material, such as integration of the acquired businesses in a cost-effective manner; implementation of a combined business strategy; diversion of management's attention; outstanding or unforeseen legal, regulatory, contractual, labor or other issues arising from the acquisitions; additional capital expenditure requirements; retention of customers; combination of different company and management cultures; operations in new geographic markets; the need for more extensive management coordination; and retention, hiring and training of key personnel. Should any of these risks associated with acquisitions materialize, they could have a material adverse effect on our business, financial condition and results of operations.

We have transferred our Seabed business to a joint venture company that is controlled by a third party.

In connection with the Geoscience Acquisition, we have transferred our shallow water, ocean bottom cable and ocean bottom node activities to a company in which Fugro holds a 60% majority interest and we hold a minority interest. As a result, we no longer have full control over the management and operations of these activities. While we have certain customary rights with respect to certain key decisions relating to the joint venture's activities, this is not the same as the right to determine the strategy and policies of this business. In addition, our shares in the joint venture company are subject to restrictions on transfer, as well as to Fugro's right to require us to sell our shares in certain circumstances.

We may need to write down goodwill from our balance sheet.

We have been involved in a number of business combinations in the past, leading to the recognition of large amounts of goodwill on our balance sheet. Goodwill on our balance sheet totaled US$2,483 million as of December 31, 2013. Goodwill is allocated to cash generating units ("CGUs") as described in note 11 to our consolidated financial statements for the year ended December 31, 2013. The recoverable amount of a CGU is estimated at each balance sheet date and is generally determined on the basis of a group-wide estimate of future cash flows expected from the CGU in question. The estimate takes into account, in particular, the removal from service of certain assets used in our business (such as decommissioning or coldstacking vessels), or change in purpose of a given asset (such as the use of a seismic vessel as a source-vessel), or any significant underperformance in cash generation relative to previously-expected results, which may arise, for example, from the underperformance of certain assets, a deterioration in industry conditions or a decline in the economic environment. At each balance sheet date, if we expect that a CGU's recoverable amount will fall below the amount of capital employed recorded on the balance sheet, we may write down some value on given assets and/or the goodwill in part or in whole. Such a write-down would not in itself have an impact on cash flow, but could have a substantial negative impact on our operating income and net income, and as a result, on our shareholders' equity and net debt/equity ratio.

We invest significant amounts of money in acquiring and processing seismic data for multi-client surveys and for our data library without knowing precisely how much of the data we will be able to sell or when and at what price we will be able to sell the data.

We invest significant amounts of money in acquiring and processing seismic data that we own. By making such investments, we are exposed to the following risks:

- We may not fully recover the costs of acquiring and processing the data through future sales. The amounts of these data sales are uncertain and depend on a variety of factors, many of which are beyond our control. In addition, the timing of these sales is unpredictable, and sales can vary greatly from period to period. Each of our individual surveys has a limited book life based on its location, so a particular survey may be subject to significant amortization even though sales of licenses associated with that survey are weak or non-existent, thus reducing our net income.
- Technological or regulatory changes or other developments could also materially adversely affect the value of the data. For example, regulatory changes such as limitations on drilling could affect the ability of our customers to develop exploration programs, either generally or in a specific location where we have acquired seismic data, and technological changes could make existing data obsolete.

- The value of our multi-client data could be significantly adversely affected if any adverse change occurs in the general prospects for oil and gas exploration, development and production activities in the areas where we acquire multi-client data or more generally.
- Any reduction in the economic value of such data will require us to write down its recorded value, which could have a material adverse effect on our results of operations.

Our results of operations may be significantly affected by currency fluctuations.

We derive a substantial portion of our revenues from international sales, subjecting us to risks relating to fluctuations in currency exchange rates. Our revenues and expenses are mainly denominated in US dollars and euros, and to a significantly lesser extent, in Canadian dollars, Brazilian reais, Australian dollars, Norwegian kroner and British pounds. Historically, a significant portion of our revenues that were invoiced in euros related to contracts that were effectively priced in US dollars, as the US dollar often serves as the reference currency when bidding for contracts to provide geophysical services. Our expenses are not linked to the US dollar in the same way, leaving us exposed to currency fluctuations.

Fluctuations in the exchange rate of other currencies, particularly the euro, against the US dollar, have had in the past and will have in the future a significant effect upon our results of operations, which are now reported in US dollars. Since most of the competitive bids for data acquisition contracts that we participate in are denominated in US dollars, the depreciation of the US dollar against the euro harms our competitive position against companies whose costs and expenses are denominated to a greater extent in US dollars. While we attempt to reduce the risks associated with such exchange rate fluctuations through our hedging policy, we cannot assure you that we will maintain our profitability level or that fluctuations in the values of the currencies in which we operate will not materially adversely affect our future results of operations. As of December 31, 2013, we estimate our annual fixed expenses in euros to be approximately €500 million and as a result, an unfavorable variation of US$0.10 in the average yearly exchange rate between the US dollar and the euro would reduce our operating income and our shareholders' equity by approximately US$50 million. See "Exchange rate risks as of December 31, 2013" below.

Our working capital needs are difficult to forecast and may vary significantly, which could result in additional financing requirements that we may not be able to meet on satisfactory terms, or at all.

It is difficult for us to predict with certainty our working capital needs. This difficulty is due primarily to working capital requirements related to the marine seismic acquisition business, multi-client projects and the development and introduction of new lines of geophysical equipment products. For example, under specific circumstances, we may have to extend the length of payment terms we grant to customers or may increase our inventories substantially. We may therefore be subject to significant and rapid increases in our working capital needs that we may have difficulty financing on satisfactory terms, or at all, due notably to limitations in our debt agreements or market conditions.

Our results of operations may be affected by fluctuations in fuel costs.

Our marine acquisition business, with a fleet of 21 seismic vessels as of December 31, 2013, incurs significant fuel costs, which were approximately US$255 million in 2013. Fuel costs can vary depending on the supply location, local regulations and the price of crude oil at a given time. Only a portion of this variation can be contractually charged to or negotiated with the client. We therefore estimate that an increase by 20% of the average annual price of crude oil could increase our fuel costs and have a negative effect of approximately US$25 million on our operating income.

Our results of operations may be affected by the weight of intra-group production.

We dedicate a significant part of our production capacity to intra-group sales. For example, the Acquisition division may acquire Sercel equipment, the Marine, Land, and Airborne Acquisition business lines may acquire multi-client data, and the Subsurface Imaging business line may process multi-client surveys. The relative size of our intra-group sales and our external sales has a significant impact both on our revenues and our operating results. With respect to intra-group sales, we capitalize only the direct production costs, and we treat the corresponding general and administrative costs as expenses in our income statement, which decreases operating profit for the period when the sales occur.

Technological changes and new products and services are frequently introduced in the market, and our technology could be rendered obsolete by these introductions, or we may not be able to develop and produce new and enhanced products on a cost-effective and timely basis.

Technology changes rapidly in the seismic industry, and new and enhanced products are frequently introduced in the market in which we operate, particularly in the equipment manufacturing and data processing and geosciences sectors. Our success depends to a significant extent upon our ability to develop and produce new and enhanced products and services on a cost-effective and timely basis in accordance with industry demands. While we commit substantial resources to research and development, we may encounter resource constraints or technical or other difficulties that could delay the introduction of new and enhanced products and services in the future. In addition, the continuing development of new products risks making our older products obsolete. New and enhanced products and services, if introduced, may not gain market acceptance and may be materially adversely affected by technological changes or introductions of other new products or services by one of our competitors.

We depend on proprietary technology and are exposed to risks associated with the misappropriation or infringement of that technology.

Our ability to maintain or increase prices for our products (such as Sercel equipment and GGR Division software) and services depends in part on our ability to differentiate the value delivered by our products and services from those delivered by our competitors. Our proprietary technology plays an important role in this differentiation. We rely on a combination of patents, trademarks and trade secret laws to establish and protect our proprietary technology. Patents last up to 20 years, depending on the date of filing and the protection accorded by each country. In addition, we enter into confidentiality and license agreements with our employees, customers and potential customers which limit access to and distribution of our technology. However, actions that we take to protect our proprietary rights may not be adequate to deter the misappropriation or independent third-party development of our technology. In addition, we may have lawsuits filed against us claiming that certain of our products, services, and technologies infringe the intellectual property rights of others. Although we do not have any current litigation involving our intellectual property rights or the intellectual rights of others which may have an impact on us, such litigation may take place in the future. In addition, the laws of certain foreign countries do not protect proprietary rights to the same extent as, in particular, the laws of France or the United States, which may limit our ability to pursue third parties that misappropriate our proprietary technology.

Our failure to attract and retain qualified employees may adversely affect our future business and operations.

Our future results of operations will depend in part upon our ability to retain certain of our highly skilled employees and to attract new ones. A number of our employees are highly skilled scientists and technicians. We compete with other seismic products and services companies and, to a lesser extent, companies in the oil industry for skilled geophysical and seismic personnel, particularly in times when demand for seismic services is relatively high. A limited number of such skilled personnel is available, and demand from other companies may limit our ability to fill our human resources needs. If we are unable to hire and retain a sufficient number of qualified employees, this could impair our ability to compete in the geophysical services industry and to develop and protect our know-how. Our success also depends to a significant extent upon the abilities and efforts of members of our senior management, the loss of whom could materially adversely affect our business and results of operations.

We have had losses in the past and there is no assurance of our profitability for the future.

We have experienced losses in the past. In 2009, 2010, 2011 and 2013, we recorded a net loss attributable to shareholders of US$361.1 million, US$59.4 million, US$13.2 million and US$691.2 million, respectively. However, in 2008 and 2012, our net profit attributable to shareholders amounted to US$502.7 million and US$92.4 million, respectively. There is therefore no assurance as to our profitability for the future.

Risks related to our industry

The volume of our business depends on the level of capital expenditures by the oil and gas industry, and reductions in such expenditures may have a material adverse effect on our business.

Demand for our products and services has historically been dependent upon the level of capital expenditures by oil and gas companies for exploration, production and development activities. These expenditures are

significantly influenced by oil and gas prices and by expectations regarding future hydrocarbon prices, which may fluctuate based on relatively minor changes in the supply of and demand for oil and gas, expectations regarding such changes and other factors beyond our control. Lower or volatile hydrocarbon prices tend to limit the demand for seismic services and products.

Factors affecting prices and, consequently, demand for our products and services, include:

- demand for hydrocarbons;
- worldwide political, military and economic conditions, including political developments in the Middle East and North Africa, economic growth levels, the availability of financing and the ability of OPEC to set and maintain production levels and prices for oil;
- laws or regulations restricting the use of fossil fuels or taxing such fuels and governmental policies regarding atmospheric emissions and use of alternative energy;
- levels of oil and gas production;
- the rate of depletion of existing oil and gas reserves and delays in the development of new reserves;
- the pressure imposed by equity markets on oil and gas companies to maintain a dividend distribution policy which could lead them to significantly reduce their capital expenditure plans in the short term;
- oil and gas inventory levels;
- the price and availability of alternative fuels;
- policies of governments regarding the exploration for and production and development of oil and gas reserves in their territories; and
- general weather conditions, with warmer temperatures decreasing demand for products such as heating oil and extreme weather events potentially disrupting oil and gas exploration or production operations over a wide area.

Increases in oil and natural gas prices may not increase demand for our products and services or otherwise have a positive effect on our financial condition or results of operations. Forecasted trends in oil and gas exploration and development activities may not materialize and demand for our products and services may not reflect the level of activity in the industry. In particular, with respect to the marine acquisition market, prices remain very dependent upon the balance between supply and demand. They can thus fluctuate only slightly or even decline, even as demand increases if, at the same time, the available production capacity in the market increases to a greater degree (which was the case during 2010 and 2011).

Our backlog includes contracts that can be unilaterally delayed or terminated at the client's option.

In accordance with industry practice, contracts for the provision of seismic services typically can be delayed or terminated at the sole discretion of the client without payment of significant cancellation costs to the service provider. As a result, even if contracts are recorded in backlog, there can be no assurance that such contracts will be wholly executed by us and generate actual revenue, or even that the total costs already borne by us in connection with the contract would be covered in full pursuant to any cancellation clause. Furthermore, there can be no assurance that contracts in backlog will be performed in line with their original timetable and any possible delay could result in operating losses as most of our costs are fixed.

We are subject to intense competition in the markets where we carry out our operations, which could limit our ability to maintain or increase our market share or maintain our prices at profitable levels.

Most of our contracts are obtained through a competitive bidding process, which is standard for our industry. Competitive factors in recent years have included price, crew availability, technological expertise and reputation for quality, safety and dependability. While no single company competes with us in all of our segments, we are subject to intense competition in each of our segments. We compete with large, international companies as well as smaller, local companies. In addition, we compete with major service providers and government-sponsored enterprises and affiliates. Some of our competitors operate more crews than we do and have greater financial and other resources than we do. These and other competitors may be better positioned to withstand and adjust more quickly to volatile market conditions, such as fluctuations in oil and gas prices and production levels, as well as changes in government regulations. In addition, if geophysical service competitors increase their capacity (or do not reduce capacity if demand decreases), the excess supply in the seismic services market could apply downward pressure on prices. The negative effects of the competitive environment in which we operate could have a material adverse effect on our results of operations.

We have taken significant measures to adapt our fleet to changes in the seismic market, and we may take adjustment measures depending on the seismic market in the future, that could impose exceptional charges.

Our fleet of marine seismic acquisition vessels has evolved in the past in reaction to changes in the seismic market and our marine strategy. For example, our 2009 capacity plan reduced the size of the fleet to adjust to reduced seismic market demand, and our 2010 performance plan re-aligned our fleet components to focus on the high-end segment of the market. When we acquired Fugro's fleet, we retained only the C-class vessels; the *Geo Atlantic* was decommissioned in 2013, and we intend to use the *Geo Barents* vessel as a source vessel until its charter ends in 2014. In February 2014, we announced our intention to reduce the fleet from 18 to 13 3D high-end vessels by the end of 2016, and we have already stopped operating the *Symphony*. Past fleet reductions have generated, and we expect that current and any future reductions will generate, non-recurring charges and could hinder our operational scope in marine acquisition activity.

We have high levels of fixed costs that are incurred regardless of our level of business activity.

We have high fixed costs and seismic data acquisition activities that require substantial capital expenditures. As a result, downtime or decreased productivity due to reduced demand, weather interruptions, equipment failures, permit delays or other circumstances that affect our ability to generate revenue could result in significant operating losses.

The revenues we derive from land and marine seismic data acquisition vary significantly during the year.

Our land and marine seismic data acquisition revenues are partially seasonal in nature. In the marine market notably, certain basins can be very active and absorb higher capacity during a limited period of the year (such as the North Sea between April and September), triggering significant volatility in demand and price in their geographical markets throughout the year. The marine data acquisition business is, by its nature, exposed to unproductive interim periods due to vessel maintenance and repairs or transit time from one operational zone to another during which revenue is not recognized. Other factors that cause variations from quarter to quarter include the effects of weather conditions in a given operating area, the internal budgeting process of some important clients for their exploration expenses, and the time needed to mobilize production means or obtain the administrative authorizations necessary to commence data acquisition contracts.

Our business and that of our customers are subject to governmental regulation, which may adversely affect our operations or demand for our products in the future.

Our operations are subject to a variety of international, federal, regional, national, foreign and local laws and regulations, including flight clearances (for airborne activities), environmental, health and safety and labor laws. We invest financial and managerial resources to comply with these laws and related permit requirements. Our failure to do so could result in fines, enforcement actions, claims for personal injury or property damages, or obligations to investigate and/or remediate contamination. Failure to obtain the required permits on a timely basis may also prevent us from operating in some cases, resulting in increased crew downtime and operating losses. Moreover, if applicable laws and regulations, including environmental, health and safety requirements, or the interpretation or enforcement thereof, become more stringent in the future, we could incur capital or operating costs beyond those currently anticipated. The adoption of laws and regulations that directly or indirectly curtail exploration by oil and gas companies could also adversely affect our operations by reducing the demand for our geophysical products and services.

In the United States, new regulations governing oil and gas exploration were put in place following the Deepwater Horizon platform disaster in the Gulf of Mexico. These new regulations may have a significant financial impact on oil and gas companies that wish to carry out exploration projects in deep-water Gulf of Mexico. Our client mix could be altered with the disappearance of small and medium sized players, which could decrease our sales of multi-client data.

We are exposed to environmental risks

We are subject to various laws and regulations in the countries where we operate, particularly with respect to the environment. These laws and regulations may require Group companies to obtain licenses or permits in connection with a new or existing contract. Frequent changes in environmental laws and regulations make it difficult to predict their cost or impact on our future operations. We are not implicated in any legal proceedings relating to environmental matters and are not aware of any claim or any potential liability in this area that could have a significant effect on our business or financial position.

Furthermore, we may be affected by new laws or regulations intended to limit or reduce emissions of gases, such as carbon dioxide and methane, which may be contributing to climate change, and these laws or regulations may affect our operations or, more generally, the production and demand for fossil fuels such as oil and gas. The European Union has already established greenhouse gas regulations, and many other countries, including the United States, may do so in the future. This could impose additional direct or indirect costs on us as our suppliers incur additional costs that get passed on to us or reduce our customers' demand for our products or services.

Risks related to our indebtedness

Our substantial debt could adversely affect our financial health and prevent us from fulfilling our obligations.

We have a significant amount of debt. As of December 31, 2013, our net financial debt (which we define as gross financial debt less cash and cash equivalents) amounted to US$2,218 million. Total capital employed as of December 31, 2013 was US$6,108 million (€4,429 million). We cannot assure you that we will be able to generate sufficient cash to service our debt or sufficient earnings to cover fixed charges in future years.

Our substantial debt could have important consequences. In particular, it could:

- increase our vulnerability to general adverse economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund capital expenditures and other general corporate purposes;
- limit our ability to plan for, or react to, changes in our businesses and the industries in which we operate;
- place us at a competitive disadvantage compared to competitors that have less debt; and
- limit our ability to borrow additional funds.

Our debt agreements contain restrictive covenants that may limit our ability to respond to changes in market conditions or pursue business opportunities.

The agreements governing our borrowings and our US and French senior revolving facilities contain restrictive covenants that limit our ability and the ability of certain of our subsidiaries to, among other things:

- incur or guarantee additional indebtedness or issue preferred shares;
- pay dividends or make other distributions;
- purchase equity interests or reimburse subordinated debt prior to its maturity;
- create or incur certain liens;
- enter into transactions with affiliates;
- issue or sell capital stock of subsidiaries;
- engage in sale-and-leaseback transactions; and
- sell assets or merge or consolidate with another company.

The covenants included in the indentures governing the notes and the agreements governing our U.S. senior facilities and our French revolving facility are subject to significant exceptions. For example, the starting dates for the calculation of the availability under the various "baskets" relating to restricted payments in the indenture governing the notes offered hereby are the same as those under the indentures governing our existing senior notes, namely either January 1, 2005 or April 28, 2005 (depending on the particular basket) and the amounts available for restricted payments under these baskets are significant.

Complying with the restrictions contained in some of these agreements requires us to meet certain ratios and tests, relating notably, to consolidated interest coverage and net indebtedness. The requirement that we comply with these provisions may adversely affect our ability to react to changes in market conditions, take advantage of business opportunities we believe to be desirable, obtain future financing, fund capital expenditures, or withstand a continuing or future downturn in our business.

Detailed information relating to our debt and the restrictions set forth in our borrowing agreements is contained in note 13 to our 2013 consolidated financial statements.

Our new French revolving facility entered into on July 31, 2013 and our new US revolving facility entered into on July 15, 2013 and amended on July 31, 2013 require that we meet the following ratios, which are tested at the end of each quarter for the rolling 12-month testing period:

- a maximum ratio of consolidated total net debt to consolidated EBITDA of not more than 3.00: to 1:00;
- a maximum ratio of consolidated EBITDA to total interest costs of at least 4:00 to 1:00.

Our US$200 million term loan and revolving facilities entered into on July 1, 2013 require that we meet the following ratios and tests:

- a minimum of cash plus cash equivalents of not less than US$75 million at all times;
- a maximum ratio of total net financial debt to EBITDA of not more than 3.00:1.00; and
- a minimum ratio of EBITDA to total interest costs of at least 3.00:1.00.

If we are unable to comply with the restrictions and covenants in the indentures governing our Senior Notes, the agreements governing our US and French senior revolving facilities and other current and future debt agreements, there could be a default under the terms of these indentures and agreements, which could result in an acceleration of repayment.

If we are unable to comply with the restrictions and covenants in the indentures governing our Senior Notes or in other current or future debt agreements, including those governing our US and French senior revolving facilities, there could be a default under the terms of these indentures and agreements. Our ability to comply with these restrictions and covenants, including meeting financial ratios and tests, may be affected by events beyond our control. As a result, we cannot assure you that we will be able to comply with these restrictions and covenants or meet such financial ratios and tests. In certain events of default under these agreements, lenders could terminate their commitments to lend or accelerate the loans or bonds and declare all amounts outstanding due and payable. Borrowings under other debt instruments that contain cross-acceleration or cross-default provisions may also be accelerated and become due and payable. If any of these events occur, our assets might not be sufficient to repay in full all of our outstanding indebtedness and we may be unable to find alternative financing. Even if we could obtain alternative financing, it might not be on terms that are favorable or acceptable to us.

We and our subsidiaries may incur substantially more debt.

We and our subsidiaries may incur substantial additional debt (including secured debt) in the future. The terms of the indentures governing our Senior Notes and the agreements governing our US and French revolving facilities and our other existing senior indebtedness limit, but do not prohibit, us and our subsidiaries from doing so.

On July 1, 2013, we entered into a 5-year US$200 million term loan and revolving facilities secured by three vessels (*Geo Coral*, *Geo Caribbean*, *Oceanic Challenger*), split into two tranches of US$100 million each, the proceeds of which were used in part to reimburse a portion of the vendor loan granted by Fugro. As of December 31, 2013, US$95 million of the revolving facility tranche was drawn and US$95 million were outstanding under the term loan tranche.

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

On July 31, 2013, we entered into a new French revolving credit facility of up to US$325 million with a 3-year maturity with two extension options of one year each. €110 million (US$152 million) was drawn as of December 31, 2013. As of December 31, 2013, we had long-term confirmed and undrawn credit lines (including revolving facilities) amounting to US$343 million.

If new debt is added to our current debt levels, the related risks for us could intensify.

To service our indebtedness and make capital expenditures, we require a significant amount of cash, and our ability to generate cash will depend on many factors beyond our control.

Our ability to make payments on and to refinance our indebtedness, and to fund planned capital expenditures, depends in part on our ability to generate cash in the future. This ability is, to a certain extent, subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control.

We cannot assure you that we will generate sufficient cash flow from operations to realize operating improvements on schedule or that future cash from operations and borrowings will be available to us in an amount sufficient to enable us to service and repay our indebtedness or to fund our other liquidity needs. If we are unable to satisfy our debt obligations, we may have to undertake alternative financing plans, such as refinancing or restructuring our indebtedness, selling assets, reducing or delaying capital investments or seeking to raise additional capital. We cannot assure you that any refinancing or debt restructuring would be possible, that any assets could be sold or that, if sold, the timing of the sales and the amount of proceeds realized from those sales would be favorable to us or that additional financing could be obtained on acceptable terms. Any disruptions in the capital and credit markets could adversely affect our ability to meet our liquidity needs or to refinance our indebtedness, including our ability to draw on our existing credit facilities or enter into new credit facilities. Banks that are party to our existing credit facilities may not be able to meet their funding commitments to us if they experience shortages of capital and liquidity or if they experience excessive volumes of borrowing requests from us and other borrowers within a short period of time. Furthermore, changes in the monetary policies of the US Federal Reserve and the European Central Bank may increase our financing costs and consequently adversely impact our ability to refinance our indebtedness.

Market and other risks

We are exposed to liquidity risks

Persistent volatility in the financial markets could have a material adverse effect on our ability to refinance all or a portion of our indebtedness and to otherwise fund our operational requirements. We cannot be certain that additional funds will be available if needed to make future investments in certain projects, take advantage of acquisitions or other opportunities or respond to competitive pressures. If additional funds are not available, or are not available on terms satisfactory to us, there could be a material adverse impact on our business and financial performance.

As of December 31, 2013, we had US$2,218 million (€1,608 million) of net debt with US$2,748 million (€1,992 million) financial debt (of which US$24 million (€18 million) was bank overdrafts and accrued interest) and US$530 million (€384 million) of cash and cash equivalents.

As of December 31, 2013, our financial debt consisted primarily of the following (principal amounts differ from financial debt amounts on our balance sheet due to various adjustments including for the equity component of convertible bonds, issuance discounts and capitalized expenses):

— US$225 million outstanding principal amount of our 9½% Senior Notes due 2016, US$400 million outstanding principal amount of our 7¾% Senior Notes due 2017 and US$650 million outstanding principal amount of our 9½% Senior Notes due 2021;

— €360 million outstanding principal amount of our 1.75% OCEANE convertible bonds (bonds convertible into or exchangeable for new or existing shares) due 2016;

— €360 million outstanding principal amount of our 1.25% OCEANE convertible bonds (bonds convertible into or exchangeable for new or existing shares) due 2019;

— Our up to US$325 million French revolving facility, of which €110 million was drawn as of December 31, 2013;

— Our up to US$165 million US revolving facility, which was undrawn as of December 31, 2013;

— Our US$200 million term loan and revolving facilities secured by three vessels (*Geo Coral*, *Geo Caribbean*, *Oceanic Challenger*), of which US$95 million was drawn under the revolving facility and US$95 million was outstanding under the term loan as of December 31, 2013;

— €112.5 million under the vendor loan granted by Fugro; and

— a total of up to US$39 million (out of which US$30 million was drawn) under various credit lines held by several of our subsidiaries.

The breakdown of our financial liabilities is presented in the table below:

	12/31/2013	N+1		N+2 to N+4		N+5 and >		Total	
		Nominal	Interests	Nominal	Interests	Nominal	Interests	Nominal	Interests
	(In millions of US dollars)								
Senior Notes & convertible bonds	2,122	—	110	1,065	268	1,057	157	2,122	535
Bank borrowings	368	204	8	135	13	30	1	368	22
Financial leases	121	9	6	30	16	82	14	121	35
Banks overdrafts	5	5	—	—	—	—	—	5	—
Other financial debts	174	19	9	116	26	39	2	174	37
Derivative instruments	—	—	—	—	—	—	—	—	—
Cash	(530)	—	—	—	—	—	—	—	—
Total net financial liabilities	**2,260**	**236**	**133**	**1,346**	**323**	**1,208**	**174**	**2,790**	**629**

The Senior Notes, the term loan and revolving facilities secured by three vessels and the French and US senior revolving facilities contain certain restrictive covenants, including covenants that require compliance with certain financial ratios. For the term loan and revolving facilities secured by vessels and the French and US senior revolving facilities, these financial ratios and tests were as follows as of December 31, 2013:

	US senior revolving facility	French senior revolving facility	Term loan and revolving facilities secured by vessel assets	
Ratio	Requirement	Requirement	Requirement	12.31.2013
Total net debt to EBITDA	≤3.00	≤3.00	≤3.00	1.96x
EBITDA to total interest costs	≥4.00	≥4.00	≥3.00	6.14x
Minimum liquidity	N/A	N/A	Cash plus Cash Equivalents > US$75 million	US$530 million

As of December 31, 2013, our available financial resources amounted to US$781 million (including cash, cash equivalents, marketable securities and undrawn syndicated credit lines).

We are exposed to interest rate risk

We may be required to obtain a portion of our borrowings from financial institutions at variable interest rates indexed to draw periods ranging from one to 12 months. As a result, our interest expenses on this debt vary in line with movements in short-term interest rates. However, a significant portion of our debt consists of fixed-rate bonds, as well as a number of fixed-rate finance leases and fixed-rate medium-term bank credit facilities with variable maturities (see note 14 “Financial Instruments” to our consolidated financial statements, included elsewhere in this document). This debt is not exposed to interest rate fluctuations.

The following table shows our variable interest rate exposure by maturity as of December 31, 2013.

	Financial assets(*)		Financial liabilities(*)		Net position before hedging		Off-balance sheet position		Net position after hedging	
	(a)		(b)		(c)=(a)-(b)		(d)		(e)=(c)+(d)	
12.31.2013	Fix rate	Variable rate	Fix rate	Variable rate	Fix rate	Variable rate	Fix rate	Variable rate	Fix rate	Variable rate
	In million US dollars									
Overnight to 1 year	124	336	68	154	56	183	—	—	56	183
1 to 2 years	—	—	833	14	(833)	(14)	—	—	(833)	(14)
3 to 5 years	—	—	970	—	(970)	—	—	—	(970)	—
More than 5 years	—	—	683	—	(683)	—	—	—	(683)	—
Total	**124**	**336**	**2,555**	**168**	**(2,431)**	**169**	**—**	**—**	**(2,431)**	**169**

(*) Excluding bank overdrafts and accrued interest

As of December 31, 2013, our variable-rate assets (net of liabilities) maturing in less than one year totaled US$183 million.

The following table shows our variable interest rate exposure over our financial assets and liabilities as of December 31, 2013:

	12.31.2013	
	Impact on result before tax	Impact on shareholders' equity before tax
	In million US dollars	
Impact of an interest rate variation of +0.8%	1.3	1.3
Impact of an interest rate variation of -0.8%	(1.3)	(1.3)

The sensitivity analysis is based on a net exposure of US$169 million.

Our variable interest rate indebtedness carried an average interest rate of 2.2% in 2013, and our investments and other financial assets earned interest at an average rate of 0.8%.

Exchange rate risks as of December 31, 2013

The following table shows our exchange rate exposure as of December 31, 2013:

	12.31.2013						
	Assets	Liabilities	Currency commitments	Net position before hedging	Off-balance sheet positions	Other hedging instruments	Net position after hedging
	(a)	(b)	(c)	(d) = (a) – (b) ± (c)	(e)	(f)	(g) = (d) + (e)-(f)
				(Converted in millions of US$)			
US$[1]	1,989.0	1,055.9	0.0	933.1	3.1	920.5	15.7

(1) US$-denominated assets and liabilities in the entities whose functional currency is the euro.

	12.31.2013					
	Assets	Liabilities	Currency commitments	Net position before hedging	Off-balance sheet positions	Net position after hedging
	(a)	(b)	(c)	(d) = (a) – (b) ± (c)	(e)	(f) = (d) + (e)
				(In millions of EUR)		
EUR[2]	110.4	113.7	0.0	-3.3	0.0	-3.3

(2) Euro-denominated assets and liabilities in the entities whose functional currency is the US$.

Our net foreign-exchange exposure is principally linked to the euro. We seek to reduce our foreign-exchange position by selling the future receivables surplus over euro costs of our Equipment division as soon as they enter the backlog and taking out dollar-denominated loans supported by long-term assets. Although we attempt to reduce the risks associated with exchange rate fluctuations, we cannot assure you that fluctuations in the values of the currencies in which we operate will not materially adversely affect our future results of operations. Our annual fixed expenses in euros are equal to approximately €500 million and as a consequence, an unfavorable variation of US$0.10 in the average yearly exchange rate between the US dollar and the euro would reduce our operating income and our shareholders' equity by approximately US$50 million.

We have also a substantial net foreign-exchange exposure related to the Norwegian krone. As of December 31, 2013,

- our NOK-denominated assets and liabilities, in the entities whose functional currency is the US dollar, had a passive net position after hedging equivalent to US$10 million, and
- our US$-denominated assets and liabilities, in the entities whose functional currency is the NOK, had an active net position after hedging equivalent to US$12 million.

We monitor our balance sheet exposure through either forward sales or capital operations.

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

With respect to exchange rate risk related to investments in operating subsidiaries, we consider such risk to be low, since the functional currency of the majority of operating entities is the US dollar.

Sensitivity Analysis Table

	Impact on result before taxes		Impact on shareholders' equity before taxes	
	Increase of 10 cents	Decrease of 10 cents	Increase of 10 cents	Decrease of 10 cents
In US$ million	50	(50)	50	(50)
Total	**50**	**(50)**	**50**	**(50)**

We are exposed to risk related to equities and financial instruments

We are exposed to risk of fluctuations in the value of equities and other financial instruments we may hold.

Any transactions involving our own shares are decided by management in accordance with applicable regulations.

As of December 31, 2013, we owned 800,000 of our own shares with a balance sheet value of US$20.6 million. As those shares are valued at historical cost, changes in the stock's market price do not have any impact in the consolidated statements of the Group.

Our investment policy does not authorize short term investment in the equities of other companies.

The fair value of the own shares as of December 31, 2013 is as follows:

12.31.2013	At fair value	Available for sales	Held to maturity	Derivatives	Total
Shares	US$ 13.9 million	—	—	—	US$ 13.9 million
Total	**US$13.9 million**	**—**	**—**	**—**	**US$13.9 million**

Risks relating to the financial market environment

The current situation in the credit and capital markets is likely to have a significant adverse impact on industrial and commercial performance and the solvency of many companies in general, which may affect some of our customers and suppliers. As a result, the current economic climate may have an adverse impact on our business if customers cancel orders or delay or default on payment, or if suppliers fail to provide goods and services as agreed.

Risks related to insurance

The nature of our business subjects us to significant ongoing operating risks for which we may not have adequate insurance or for which we may not be able to procure adequate insurance on reasonable terms, if at all.

The nature of our business involves ongoing and significant operating risks for which we are not always insured, and in respect of which we may not be able to obtain adequate insurance at economically reasonable rates, if at all.

— Our seismic data acquisition activities, particularly in deepwater marine areas, are often conducted under harsh weather and other hazardous operating conditions, including the detonation of dynamite. These operations are subject to the risk of downtime or reduced productivity, as well as to the risks of loss to property and injury to personnel resulting from fires, accidental explosions, mechanical failures, spills, collisions, stranding, ice floes, high seas and natural disasters. In addition to losses caused by human errors and accidents, we may also be subject to losses resulting from, among other things, war, terrorist activities, piracy, political instability, business interruption, strikes and weather events.

— Our extensive range of seismic products and services expose us to litigation and legal proceedings including those related to product liability, personal injury and contract liability.

— We produce and sell highly complex products and we cannot assure you that our extensive product development, manufacturing controls and testing will be adequate and sufficient to detect all defects, errors, failures, and quality issues that could affect our customers and result in claims against us, order cancellations or delays in market acceptance.

We have put in place insurance coverage against operating hazards, including product liability claims and personal injury claims, damage, destruction or business interruption of data processing centers, manufacturing centers and other facilities, in amounts we consider appropriate in accordance with industry practice. Our risk coverage policy reflects our objective of covering major claims that could affect our facilities and equipment, as well as third-party liability claims that we may be exposed to as a result of our activities. We review the adequacy of insurance coverage for risks we face periodically. Whenever possible, we obtain agreements from customers that limit our liability.

However, we cannot assure you that our insurance coverage will be sufficient to fully indemnify us against liabilities arising from pending and future claims or that our insurance coverage will be adequate in all circumstances or against all hazards, or that we will be able to maintain adequate insurance coverage in the future at commercially reasonable rates or on acceptable terms.

Risks related to outsourcing

Disruptions to our supply chain and other outsourcing risks may adversely affect our ability to deliver our products and services to our customers.

Our supply chain is a complex network of internal and external organizations responsible for the supply, manufacture and logistics supporting our products and services around the world. We are vulnerable to disruptions in this supply chain from changes in government regulations, tax and currency changes, strikes, boycotts and other disruptive events as well as from unavailability of critical resources. These disruptions may have an adverse impact on our ability to deliver products and services to our customers.

Within our Group, Sercel makes particular use of subcontracting. Our French manufacturing sites outsource part of their production to local third-party companies selected according to certain criteria, including quality and financial soundness. Outsourced operations are distributed among several entities, each having a small proportion of aggregate outsourced activity in order to limit risk related to the failure of any one of our subcontractors. For our services business, our policy is not to rely on outsourcing for any of our activities, except in special cases where there is a lack of available capacity.

If our suppliers, vendors, subcontractors or other counterparties are unable to perform their obligations to us or our customers, we may be required to provide additional services or make alternate arrangements on less favorable terms with other parties to ensure adequate performance and delivery of service to our customers. These circumstances could also lead to disputes and litigation with our partners or customers, which could have a material adverse impact on our reputation, business, financial condition and results of operations.

Risks related to the notes

Your right to receive payments on the notes is effectively junior to certain of our existing indebtedness and possibly all of our future borrowings.

The notes effectively rank behind all of our secured indebtedness, to the extent of the value of assets which secure such indebtedness, including borrowings under our U.S. revolving facility and French revolving facility. In the event of any foreclosure, dissolution, winding-up, liquidation, reorganization, administration or other bankruptcy or insolvency proceeding of an entity that has secured obligations, holders of secured indebtedness will have prior claims to our assets or the relevant guarantor's assets that constitute their collateral.

Only certain of our subsidiaries will initially guarantee the notes. Our other subsidiaries have no obligation to pay amounts due on the notes and will not initially guarantee the notes. As a result, the notes are structurally subordinated to existing and future third party indebtedness and other liabilities, including trade payables, of those non-guarantor subsidiaries. The Initial Guarantors (excluding their subsidiaries that have not guaranteed the notes) generated, before consolidation entries, US$1,346.1 million of revenue, US$(389.5) million of operating income (loss) and US$(479.4) million of net income (loss) in the year ended December 31, 2013 and held US$7,646.4 million of total assets (before consolidation entries) as at December 31, 2013. The Initial Guarantors represented 36% of our consolidated revenues in the year ended December 31, 2013 and 93% of our consolidated assets as at December 31, 2013.

In the event of a bankruptcy, liquidation or reorganization or similar proceeding relating to us, our subsidiaries or our respective properties, holders of the notes will participate with our trade creditors and all other holders of our senior unsecured indebtedness in the assets remaining. In any of these cases, we may not have sufficient funds to pay all of our creditors, and holders of the notes may receive less, ratably, than the holders of secured debt.

As of December 31, 2013, on a pro forma basis after giving effect to the offering of the notes and the use of proceeds thereof, assuming we repurchase all of our outstanding €360 million in principal amount of 1¾% OCEANE convertible bonds due 2016, we would have had US$484.1 million of outstanding indebtedness, including accrued interest, effectively senior to the notes, of which US$477.4 million would have been secured.

We will rely in part on our subsidiaries for funds necessary to meet our financial obligations, including the notes.

We conduct a significant proportion of our activities through our subsidiaries. We will depend in part on those subsidiaries for dividends and other payments to generate the funds necessary to meet our financial obligations, including the payment of principal and interest on the notes. We cannot assure you that the earnings from, or other available assets of, these operating subsidiaries, together with our own operations, will be sufficient to enable us to pay principal or interest on the notes when due.

Although the occurrence of specific change of control events affecting us will permit you to require us to repurchase your notes, we may not be able to repurchase your notes.

Upon the occurrence of specific change of control events affecting us, you will have the right to require us to repurchase your notes at 101% of their principal amount, plus accrued and unpaid interest. Our ability to repurchase your notes upon such a change of control event would be limited by our access to funds at the time of the repurchase and the terms of our debt agreements, which agreements could restrict or prohibit such a repurchase. Upon a change of control event, we may be required immediately to repay the outstanding principal, any accrued interest on and any other amounts owed by us under our U.S. revolving facility and our French revolving facility. The source of funds for these repayments would be our available cash or cash generated from other sources. However, we cannot assure you that we will have sufficient funds available upon a change of control to make these repayments and any required repurchases of tendered notes.

Courts, under certain circumstances, may void the guarantees of the notes provided by certain of our subsidiaries.

Our creditors or the creditors of one or more guarantors of the notes or a liquidator, administrator or other controller appointed to a guarantor could challenge the guarantees as fraudulent transfers, conveyances, preferences, insolvent transactions or uncommercial transactions or on other grounds (including because of the absence of a corporate benefit to the guarantor or due to financial assistance principles) under applicable U.S. federal or state law, applicable Dutch law, applicable Norwegian law or the applicable law governing the country of incorporation of any future guarantors. While the relevant laws vary from one jurisdiction to another, the entering into the guarantees by certain of our subsidiaries could be found to be a fraudulent transfer, conveyance, preference, insolvent transaction or uncommercial transaction or otherwise void or unenforceable if a court were to determine that, for example, one or more of the following apply to the provision of the guarantee:

- a guarantor delivered its guarantee with the intent to defeat, hinder, delay, defraud or otherwise interfere with its existing or future creditors;
- the guarantor did not receive fair consideration or benefit for the delivery of the guarantee and the guarantor was insolvent at the time it delivered the guarantee;
- the guarantor delivered its guarantee in contravention of laws relating to the provision of financial assistance;
- the guarantor was insolvent at the time of execution of the guarantee or was rendered insolvent by reason of its execution of the guarantee or the observance of its obligations under the guarantee;
- a reasonable person in the guarantor's circumstances would not have entered into the transaction having regard to the benefits (if any) to the guarantor, the detriment to the guarantor and the respective benefits to other parties;
- the guarantor was engaged, or was about to engage, in a business or transaction for which its remaining assets constituted unreasonably small capital to carry on its business;
- the guarantor intended to incur, or believed it would incur, debts beyond its ability to pay the debts as they matured;
- the guarantor was a defendant in an action for money damage or had a judgment for money damages docketed against it (if, in either case, after final judgment, the judgment is unsatisfied); or
- the availability of certain equitable remedies that are in the discretion of the courts.

To the extent a court voids a guarantee as a fraudulent transfer, preference, insolvent transaction or uncommercial transaction or conveyance or holds it unenforceable for any other reason, holders of notes would cease to have any direct claim against the guarantor that delivered the guarantee. If a court were to take this action, the guarantor's assets would, in certain jurisdictions, be applied first to satisfy the guarantor's liabilities, including trade payables and preferred stock claims, if any, before any portion of its assets could be distributed to us to be applied to the payment of the notes. We cannot assure you that a guarantor's remaining assets would be sufficient to satisfy the claims of the holders of notes relating to any voided portions of the guarantees. In other jurisdictions (such as Australia), if a guarantee is so voided or held unenforceable, you will cease to have any claim against the guarantor.

Because we are organized under the laws of France, you may be unable to recover in civil proceedings for U.S. securities laws violations.

Judgments of U.S. courts, including those predicated on the civil liability provisions of the federal securities laws of the United States, may not be enforceable in French courts. As a result, holders of notes who obtain a judgment against us in the United States may not be able to require us to pay the amount of the judgment. It may not be possible for holders to effect service of process within the United States upon our directors and officers or to enforce against these persons, or us, judgments of United States courts predicated upon civil liability provisions of the federal securities laws of the United States. See "Service of Process and Enforcement of Liabilities".

A trading market for the notes may not develop.

There has not been an established trading market for the notes. Although the initial purchasers have informed us that they intend to make a market in the notes, they have no obligation to do so and may discontinue making a market at any time without notice.

The liquidity of any market for the notes will depend upon the number of holders of the notes, our performance, the market for similar securities, the interest of securities dealers in making a market in the notes and other factors, including general declines or disruptions in the markets for debt securities. Although we have applied to admit the notes to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF, a liquid trading market may not develop or continue to exist for the notes.

In addition, the notes may trade at prices that are lower than their initial purchase price.

The transfer of notes is restricted.

The notes offered hereby have not been registered under the Securities Act or the securities laws of any State of the United States and, unless so registered, may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. See "Transfer and Selling Restrictions."

EU Proposed Financial Transactions Tax

The European Commission has published a proposal for a Directive for a common financial transactions tax ("FTT") in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "participating Member States").

The proposed FTT has very broad scope and could, if introduced in its current form, apply to certain transactions relating to the notes (including secondary market transactions) in certain circumstances. The FTT would impose a charge at generally not less than 0.1% of the sale price on such transactions or the market price of the relevant securities, whichever is higher.

Under current proposals the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain transactions relating to the notes where at least one party is established in a participating Member State and a financial institution established in (or treated as established in) a participating Member State is a party to the transaction, for its own account, for the account of another person, or if the financial institution is acting in the name of a party to the transaction. A party may be deemed to be "established" in a participating Member State in a broad range of circumstances, including if its seat is there, if it is acting via a branch in that Member State (as regards branch transactions), or where the financial instrument which is the subject of the transaction is issued in a participating Member State.

In addition to these cases, a financial institution may also be treated as established in a participating Member State if it is authorized there (as regards authorized transactions), or if it is entering into the financial transaction with another person who is established in that Member State.

The FTT proposal remains however subject to negotiation between the participating Member States and is the subject of legal challenge. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. Prospective holders of the notes are advised to seek their own professional advice in relation to the FTT.

French insolvency laws may not be as favorable to you as the insolvency laws of the United States or other countries.

We conduct a part of our business activity in France and, to the extent that the center of our main interests is deemed to be in France, we could be subject to French insolvency proceedings affecting creditors, including court-assisted pre-insolvency proceedings (*mandat ad hoc* proceedings or conciliation proceedings (*procédure de conciliation*)), court-administered insolvency proceedings (safeguard proceedings (*procédure de sauvegarde*), accelerated financial safeguard proceedings (*procédure de sauvegarde financière accélérée*) ("SFA proceedings") and judicial reorganization or liquidation proceedings (*redressement ou liquidation judiciaire*)). In general, French insolvency legislation favors the continuation of a business and protection of employment over the payment of creditors and could limit your ability to enforce your rights under the notes.

For an overview of certain insolvency laws and enforceability issues under French law, see "Certain Insolvency Law Considerations in France".

French insolvency is about to change as a result of Ordinance No. 2014-326 of March 12, 2014 relating to the reform of the prevention of corporate difficulties and of insolvency proceedings, which is expected to come into force on July 1, 2014. This reform will affect the current regime described in "Certain Insolvency Law Considerations in France", and these modifications are presented at the end of that section.

USE OF PROCEEDS

We expect the net proceeds to be received by us from the offering, net of commissions and discounts, to be approximately €394 million. We intend to use the net proceeds from this offering, together with cash on hand, (i) in connection with an offer to repurchase up to €360 million principal amount of our 1¾% OCEANE convertible bonds due 2016 and (ii) to redeem our outstanding 9½% senior notes due 2016 and/or to repay amounts due under the vendor loan granted by Fugro in connection with the Geoscience Acquisition. Interest is payable on outstanding principal under the Fugro vendor loan agreement at the rate of 5.50% per annum with the final repayment set to occur on January 31, 2018.

CAPITALIZATION

The following table shows, on a consolidated basis, our cash and cash equivalents, total financial debt and total capitalization as at December 31, 2013:

- on an historical basis; and
- as adjusted to reflect the issuance of the notes offered hereby and the application of the estimated net proceeds from this offering in the manner described under "Use of Proceeds", assuming that we repurchase all of our outstanding €360 million in principal amount of 1¾% OCEANE convertible bonds due 2016.

The historical information has been derived from our unaudited interim consolidated financial statements included elsewhere in this offering circular. The information set out below should be read in conjunction with "Use of Proceeds", "Selected Financial Information", "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Description of Certain Indebtedness" and the consolidated financial statements and the accompanying notes included elsewhere in this offering circular. The adjusted unaudited capitalization information has been prepared for illustrative purposes only and, because of its nature, may not give an accurate picture of our actual capitalization as at December 31, 2013. Other than as described below, there has been no material change in our total capitalization since December 31, 2013.

The exchange rate used to translate euro amounts to US dollars (US$1.3791 per €1.00) in the following table is the rate we used to prepare our financial statements as at December 31, 2013.

	Actual December 31, 2013	Adjustments	As adjusted December 31, 2013
	(in millions of US dollars)		
Cash and cash equivalents[(1)]	**530.0**	**31.6**	**561.6**
Bank overdrafts	4.5		4.5
Capital lease agreements	121.2		121.2
OCEANE convertible bonds due 2016	440.0	(440.0)	—
OCEANE convertible bonds due 2019	407.0	—	407.0
Convertible bonds	**847.0**	**(440.0)**	**407.0**
Senior notes due 2016	225.0		225.0
Senior notes due 2017	400.0		400.0
Senior notes due 2021	650.0		650.0
Senior notes due 2020 offered hereby	—	552.0	552.0
Senior notes	**1,275.0**	**552.0**	**1,827.0**
Revolving credit facilities	152.0		152.0
Fugro vendor loan	155.1		155.1
Other financial debt[(2)]	255.4		255.4
IFRS adjustments[(3)]	(62.5)	(4.7)	(67.2)
Total financial debt (including bank overdrafts) (I)	**2,747.6**	**107.3**	**2,854.9**
Shareholders' equity (II)	3,799.9	(66.5)	3,733.4
Minority interests (III)	90.2		90.2
Total capitalization (I+II+III)	**6,637.7**		**6,678.5**

(1) As adjusted, cash and cash equivalents reflect the remainder of the net proceeds of the notes offered hereby after the repurchase of our outstanding €360 million in principal amount of 1¾% OCEANE convertible bonds due 2016 (assuming all are repurchased), including premium on the repurchase of such convertible bonds, and after the payment of the initial purchasers' commissions and discounts and other fees and expenses related to the issue but before the application of excess proceeds to redeem our outstanding 9½% senior notes due 2016 and/or to repay amounts due under the Fugro vendor loan.

(2) Other financial debt corresponds to accrued interest, term and revolving credit facilities of CGG Geo Vessels AS, bilateral facilities of Geomar and Sercel subsidiaries and debt associated with the *Geowave Voyager* vessel.

(3) IFRS adjustments related to deferred expenditures on borrowings and bond premium under the existing credit facilities and senior notes and original issue discount.

SELECTED FINANCIAL INFORMATION

The following selected financial information as at and for the three years ended December 31, 2013 is derived from our consolidated audited financial statements. Our consolidated financial statements as of and for the year ended December 31, 2013 that are included elsewhere in this offering circular have been audited by Ernst & Young and as of and for the years ended December 31, 2012 and 2011 have been audited by Ernst & Young and Mazars.

Our consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Effective January 1, 2012, we changed the presentation currency of our consolidated financial statements from the euro to the US dollar to better reflect the profile of our revenues, costs and cash flows, which are primarily generated in US dollars, and hence, to better present the financial performance of the Group. As a change in presentation currency is a change of accounting policy, all comparative financial information has been restated into US dollars in this offering circular. Effective January 1, 2013, we 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.

The selected financial data included below are not necessarily indicative of our future results of operations and should be read in conjunction with, and are qualified in their entirety by reference to, our consolidated financial statements included elsewhere in this offering circular and "Use of Proceeds", "Capitalization" and "Management's Discussion and Analysis of Financial Condition and Results of Operations".

	As at and for the year ended December 31,		
	2013	2012 (restated)	2011 (restated)
	(In millions of US$ except per share data and ratios)		
Statement of operations data:			
Operating revenues	3,765.8	3,410.5	3,180.9
Other income from ordinary activities	2.1	3.6	3.3
Cost of operations	(2,977.2)	(2,685.4)	(2,649.4)
Gross profit	**790.7**	**728.7**	**534.8**
Research and development expenses, net	(105.9)	(92.8)	(77.0)
Marketing and selling expenses	(118.6)	(96.0)	(83.1)
General and administrative expenses	(215.9)	(182.6)	(201.8)
Other revenues (expenses)	(105.2)	(26.7)	34.3
Impairment of goodwill	(640.0)	—	—
Operating income	**(394.9)**	**330.6**	**207.2**
Cost of financial debt, net	(191.7)	(156.7)	(174.5)
Other financial income (loss)	(22.3)	(19.7)	0.8
Income taxes	(82.9)	(99.2)	(63.1)
Equity in income of affiliates	0.6	37.4	16.4
Net income (loss)	**(691.2)**	**92.4**	**(13.2)**
Attributable to:			
Non-controlling interests	7.6	17.2	13.9
Owners of CGG SA	(698.8)	75.2	(27.1)
Net income (loss) per share			
Basic[(1)]	(3.95)	0.46	(0.17)
Diluted[(2)]	(3.95)	0.46	(0.17)
Balance sheet data:			
Cash and cash equivalents	530.0	1,520.2	531.4
Working capital[(3)]	532.0	783.5	488.7
Property, plant & equipment, net	1,557.8	1,159.5	1,183.2
Multi-client surveys	818.0	604.2	527.3
Goodwill	2,483.2	2,415.5	2,688.2
Total assets	8,262.8	8,332.8	7,191.5
Gross financial debt[(4)]	2,747.6	2,305.2	1,942.1
Equity attributable to owners of CGG SA	3,799.9	4,483.2	3,794.6

	As at and for the year ended December 31,		
	2013	2012 (restated)	2011 (restated)
	(In millions of US$ except per share data and ratios)		
Other financial historical data and other ratios:			
EBIT[5]	(394.3)	368.0	223.6
EBITDAS[6]	1,139.7	1,006.2	826.1
Capital expenditures (property, plant & equipment)[7]	347.2	368.8	365.6
Capital expenditures for multi-client surveys, net cash	479.4	363.8	203.2
Net financial debt[8]	2,217.7	785.0	1,410.6
Gross financial debt[4]/EBITDAS[6]	2.4x	2.3x	2.4x
Net financial debt[8]/EBITDAS[6]	1.9x	0.8x	1.7x
EBITDAS[6]/Cost of financial debt, net	5.9x	6.4x	4.7x

Notes:

(1) Basic per share amounts have been calculated on the basis of 176,734,989, 162,077,608 and 158,571,323 weighted average outstanding shares in 2013, 2012 and 2011 respectively.

(2) Diluted per share amounts have been calculated on the basis of 176,734,989, 163,409,442 and 158,571,323 weighted average outstanding shares in 2013, 2012 and 2011 respectively.

(3) "Working capital" is defined as net trade accounts and notes receivable, net inventories and work-in-progress, tax assets, other current assets and assets held for sale less trade accounts and notes payable, accrued payroll costs, income tax payable, advance billings to customers, deferred income, current provisions and other current liabilities.

(4) "Gross financial debt" is defined as financial debt, including current maturities and bank overdrafts.

(5) "EBIT" (earnings before interest and tax) is defined 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 manage through our joint-ventures. However, other companies may present EBIT and related measures differently than we do. EBIT is not a measure 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. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — EBIT and EBITDAS" for a reconciliation of EBIT to operating income.

(6) "EBITDAS" is defined as earnings before interest, tax, depreciation, amortization net of amortization costs capitalized to multi-client surveys and share-based compensation cost. Share-based compensation includes both stock options and shares issued under our share allocation plans. EBITDAS is presented as additional information because we understand that it is one 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 EBITDAS and similar measures differently than we do. EBITDAS is not a measure 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. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — EBIT and EBITDAS" for a reconciliation of EBITDAS to net cash provided by operating activities.

(7) "Capital expenditures" is defined as purchases of property, plant and equipment, development costs capitalized plus variation of suppliers of fixed assets and excludes finance leases.

(8) "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. See Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources — Financial Debt" for a reconciliation of net financial debt to certain financing items on our balance sheet.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with our consolidated financial statements and the notes thereto included elsewhere in this offering circular, which have been prepared in accordance with IFRS (International Financial Reporting Standards) as issued by the IASB (International Accounting Standards Board) and adopted by the European Union, and "Summary Financial Information" and "Selected Financial Information". This discussion includes forward-looking statements which, although based on assumptions we consider reasonable, are subject to risks and uncertainties which could cause actual events or conditions to differ materially from those expressed or implied herein. See "Forward-looking Statements" and "Risk Factors" for a discussion of the risks, uncertainties and assumptions associated with these statements.

Introduction

Until February 1, 2013, we organized ourselves and presented our financial results on the basis of two segments: Geophysical Services and Geophysical Equipment. As a result of the acquisition of Fugro's Geoscience Division in January 31, 2013, we changed our organization, as well as the way management measures our performance. Since February 1, 2013, we have been organized in three divisions, which we also used as segments for our financial reporting. These segments are:

Acquisition, which comprises the following business lines**:**

- Marine: offshore seismic data acquisition that we undertake either on behalf of a specific client, or for our Multi-Client Business Line (internal activity);
- Land and Airborne: other seismic data acquisition that we undertake either on behalf of a specific client, or for our Multi-Client Business Line (internal activity).

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

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

Financial information by segment is reported in accordance with our internal reporting system to our chief operating decision maker, which uses it to manage and measure our performance.

In 2013, in addition to our reorganization into three segments, 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 from companies accounted for under the equity method. Management uses EBIT as a performance indicator because we believe 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.

Operating results

The following operating and financial review and prospects should be read in conjunction with our consolidated annual financial statements and the notes thereto included elsewhere in this offering circular, which have been prepared in accordance with IFRS (International Financial Reporting Standards) as issued by the IASB (International Accounting Standards Board) and as adopted by the European Union on December 31, 2013.

Factors affecting our results of operations

Our operating results are generally affected by a variety of factors, including changes in foreign exchange rates, particularly the value of the euro against the dollar, changes in oil prices, which are also generally denominated in dollars, and changes in our scope of consolidation. See also "Trend Information" herein.

Foreign exchange fluctuations

As a company that derives a substantial amount of its revenues from international sales, which are often denominated or linked to the US dollar but with costs that are to a certain extent denominated in euros, our results of operations are affected by fluctuations in currency exchange rates. Variations between the US dollar and euro or other currencies may adversely affect our business by negatively impacting our results of operations and earnings.

The US dollar/euro exchange rates as of December 31, 2011, 2012 and 2013 were US$1.2939, US$1.3194, and US$1.3791 respectively, per euro, and the average exchange rates for the years 2011, 2012 and 2013 were US$1.4025, US$1.2900 and US$1.3254 respectively, per euro.

See "Trend information — Currency fluctuations" below.

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 increase in exploration and production spending, with a strong focus on international activity in 2014, although at a slower pace than in previous years. We believe these decisions are the result of funding constraints imposed by payments of dividends and share buy-backs on one hand, and capital expenditures driven by inflation and non-conventional exploration on the other hand. We expect this increase in exploration and production spending to sustain marine prices and overall volume in 2014.

See "Business — Industry Conditions" for a discussion of developments in the geophysical Industry.

Acquisitions and divestitures

Acquisitions and divestitures have had a significant impact on our year-on-year revenues. Recent acquisitions and disposals have included:

— During 2013

- *Closing of the Acquisition of Fugro Geoscience Division*

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

- Fugro-Geoteam (specializing in marine streamer seismic data acquisition);
- Fugro Seismic Imaging (specializing in seismic data processing services);
- Fugro Geophysical and Geological Services (specializing in geographical exploration services);
- De Regt Marine Cables (specializing in high-end cables and umbilicals),
- as well as all related entities and assets, but excluding Fugro's multi-client library and ocean bottom nodes ("OBN") activity (the acquired activities are referred to herein as the "Geoscience Division").

The parties have also agreed to establish certain strategic partnerships, in particular, to:

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

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

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

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

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

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

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

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

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

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

(2) The fair value of the Robertson's geological data library was determined by using a relief from royalty approach.

The goodwill recognized includes intangible assets that do not qualify for separate recognition such as assembled workforce and synergies expected between the business lines of our GGR segment that resulted from the acquisition (see note 19).

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

- *Creation of the Seabed Geosolutions BV joint venture*

On February 16, 2013, we and Fugro launched the joint venture Seabed Geosolutions BV (the "Seabed JV"), in which we hold a 40% stake and Fugro holds the other 60%. We have accounted for the Seabed JV using the equity method since then.

The following table summarizes the consideration we received for the contribution of our shallow water and OBC businesses to the Seabed JV and the carrying value of the assets contributed:

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

(1) This relates to the amount due by Fugro and was deducted from the cash amount we paid for the acquisition of the Fugro Geoscience Division (see above).

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

The net gain of US$85 million, realized from our contribution to this entity was recorded in the line item "Other revenues (expenses) net" in our statement of operations.

As of December 31, 2012, in accordance with the terms of the SPA and especially the establishment of the Seabed JV, we reclassified the contributed assets for US$76.4 million in "assets held for sale" in our balance sheet. We also reclassified the goodwill corresponding to contributed businesses for US$300 million.

- *Sale of 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 US$19.8 million gain recorded in the line item "Other revenues (expenses) net" in our statement of operations.

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

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

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

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

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

- *Framework agreement with Industrialization & Energy Services Company (TAQA)*

On December 31, 2013, we and TAQA signed a Framework Agreement that strengthens and extends our historical and long-term partnership in the Middle East.

CGG and TAQA are currently shareholders of two joint ventures in the Middle East: the first, Argas, is a Saudi company established in 1966, covering geophysical activities in the Kingdom of Saudi Arabia, of which TAQA owns 51% and CGG owns 49%; the second, Ardiseis FZCO, is a company established in 2006 in Dubai,

covering land and shallow water data acquisition activities in the rest of the Middle East, of which CGG owns 51% and TAQA 49%. Through the Framework Agreement, Argas will become the sole shareholder of Ardiseis FZCO, with Argas and Ardiseis FZCO pooling all their resources to create a more efficient and powerful combined Argas Group. The new Argas group will have a stronger capital base, cover a larger business scope, and will be 51% owned by TAQA and 49% owned by CGG.

In relation with this agreement, net assets of Ardiseis FZCO have been reclassified in Assets held for sales for an amount of US$22 million.

— During 2012

- *Acquisition of Geophysical Research Corporation*

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

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

- *PTSC CGGV Geophysical Survey Company Limited joint venture*

On March 27, 2012, we contributed the seismic vessel *Amadeus*, a high capacity 3D seismic vessel, to our newly established joint venture PTSC CGGV Geophysical Survey Company Limited while PTSC contributed the *Binh Minh II*, a 2D seismic vessel. The joint venture is 51% owned by PTSC and 49% owned by CGG. We account for this entity using the equity method.

- *Sale of interest in Spectrum ASA*

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

— During 2011

- *Asset exchange with Norfield AS*

On January 13, 2011, the exchange of assets between certain subsidiaries of CGG and the Norwegian group Norfield was completed. As a result of this transaction, we acquired Voyager AS (renamed Exploration Vessel Resources II AS), the owner of the seismic vessel *Geowave Voyager*; and sold the seismic vessel *Venturer* to Norfield AS. CGG is no longer a shareholder of Norfield AS.

CGG owns 100% of Exploration Vessel Resources II AS. This company has been consolidated in our financial statements since January 13, 2011.

We recorded a gain of US$10.9 million in the line item "Other revenues (expenses)" in our statement of operations from the disposal of our assets in relation to this transaction.

On the date we acquired it, Exploration Vessel Resources II AS entered into a US$45 million credit facility secured by a pledge over the *Geowave Voyager*.

- *Acquisition of Petrodata Consulting LLC*

On March 17, 2011, we purchased for US$2.5 million Petrodata Consulting LLC, a Moscow-based company offering static and dynamic reservoir modeling, reserve estimation and risking, and field development services to the international oil and gas industry. CGG owns 100% of the company. Petrodata Consulting LLC is fully consolidated in our financial statements.

- *PT Elnusa-CGGVeritas Seismic joint venture*

On April 7, 2011, we signed an agreement with PT Elnusa Tbk (Elnusa) to create a marine joint venture company in Indonesia, PT Elnusa-CGGVeritas Seismic. The company's intention was to deliver 2D and 3D marine seismic acquisition services to oil and gas company clients operating mainly in Indonesia and to operate the first Indonesian-owned and flagged seismic vessel, the *Pacific Finder*.

PT Elnusa-CGGVeritas Seismic, under joint control, is 51% owned by Elnusa and 49% owned by CGG. This company has been accounted under the equity method in our financial statements since July 5, 2011.

- *PTSC CGGV Geophysical Survey Company Limited joint venture*

On April 19, 2011, we entered into an agreement with PetroVietnam Technical Services Corporation (PTSC) to create a marine joint venture company, PTSC CGGV Geophysical Survey Company Limited. The company delivers 2D and 3D marine seismic acquisition services to oil and gas company clients mainly operating in Vietnamese waters and the region.

- *CGG Eidesvik Ship Management AS joint venture (formerly named CGGVeritas Eidesvik Ship Management AS)*

On June 27, 2011, we signed a joint venture agreement with Eidesvik Offshore to create a joint venture to manage ten high-capacity 3D vessels in the CGG fleet, including the two new X-BOW vessels, *Oceanic Vega* and *Oceanic Sirius*.

The joint venture, CGG Eidesvik Ship Management AS, is 51% owned by Eidesvik and 49% owned by CGG. This company has been accounted under the equity method in our financial statements since June 27, 2011.

- *Spectrum ASA investment*

On July 28, 2011, we signed a strategic agreement with Spectrum ASA, a Norwegian multi-client company, for the contribution of our 2D multi-client marine library for consideration comprising cash and a 25% equity stake in Spectrum ASA, which together amounted to a value of US$40 million. The transaction was finalized on September 15, 2011. We recognized a gain of US$18.8 million presented in the line item "other revenues (expenses)" in our statement of operations.

On October 3, 2011, in conjunction with this transaction, Spectrum ASA issued convertible bonds for an aggregate amount of US$13.6 million (NOK77 million). The conditions of this issue are described in the prospectus issued by Spectrum ASA on September 14, 2011. In this issuance, CGG was allocated 27,682,970 convertible bonds representing US$4.9 million (NOK27.7 million). On December 30, 2011, we converted these bonds and received 1,977,355 shares of Spectrum ASA.

As a result, we held 10,840,181 shares of Spectrum ASA representing 29% of its share-capital. The investment had a net book value of US$26.7 million as of December 31, 2011. We have accounted for this entity using the equity method since September 15, 2011.

- *Sale of Cybernetix*

During 2011, we sold all of our shareholding in Cybernetix. The gain of US$4.2 million from this disposal was recorded in the line item "Other revenues (expenses)" in our statement of operations.

- *Seismic vessels*

On October 3, 2011, we took delivery of the seismic vessel *Oceanic Sirius*. We have accounted for Oceanic Seismic Vessels AS, the owner of the vessel, using the equity method since the delivery date.

Backlog

Backlog estimates are based on a number of assumptions and estimates, including assumptions as to exchange rates between the euro and the US dollar and estimates of the percentage of completion contracts. Contracts for services are occasionally modified by mutual consent and in certain instances are cancelable by the customer on short notice without penalty. The historical relationships we have with many of our clients (most of which are large, well established companies) tends to reduce our exposure to the risk of early termination. Nevertheless, backlog as of any particular date may not be indicative of actual operating results for any succeeding period.

Backlog for our Acquisition and GGR segments represents the revenues we expect to receive from commitments for contract services we have with our customers and, in connection with the acquisition of multi-client data, represents the amount of pre-sale commitments for such data. Backlog for our Equipment segment represents the total value of orders we have received but not yet fulfilled.

Our backlog for our Acquisition, GGR and Equipment segments was US$1.35 billion as of January 1, 2014.

Critical Accounting Policies and Estimates

Our significant accounting policies, which we have applied consistently, are fully described in note 1 to our consolidated financial statements included elsewhere in this document. However, certain of our accounting policies are particularly important to the portrayal of our financial position and results of operations, and these are described below.

In applying our accounting policies, management makes estimates, assumptions and judgment about uncertain matters that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Actual results could differ materially from those estimates under different assumptions or conditions.

Our significant estimates relate mainly to the expected cash flows used to measure the recoverability of certain intangible assets such as deferred tax assets, our multi-client data library and goodwill and to determine the amortization rate of our multi-client surveys. To calculate the recoverable amount of our goodwill, we use estimates that are based on our outlook for the seismic industry, as well as the expected cash flows in our three-year plan and what we consider to be normative cash flows for the years thereafter. See note 11 to our consolidated financial statements included elsewhere in this document for the key assumptions used in our determination of asset recoverability and the sensitivity in changes in assumptions. Changed assumptions, in particular the discount rate and the normative cash flow, could significantly affect our impairment result.

Operating revenues

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

Multi-client surveys

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

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

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

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.

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

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

Exclusive surveys

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

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

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

Equipment sales

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

Software and hardware sales

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

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

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

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

Other geophysical sales/services

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

Customer loyalty programs

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

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

Multi-client surveys

Multi-client surveys consist of seismic surveys to be licensed to customers on a non-exclusive basis. All costs directly incurred in acquiring, processing and otherwise completing seismic surveys are capitalized into the multi-client surveys (including transit costs when applicable). The value of our multi-client library is stated on our 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 50.0% to 83.3% corresponding to the ratio of total estimated costs over total estimated sales, unless specific indications lead to apply a different rate.

For all categories of surveys and starting from data delivery, a minimum straight-line depreciation scheme is applied over a five-year period, if total accumulated depreciation from the applicable amortization rate is below this minimum level. However, for the surveys of our offshore Brazilian multi-client library directly impacted by repeated delays of new licensing rounds, we adjusted our estimate, as of 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 and development expenses in our income statement represent the net cost of development costs that are not capitalized, of research costs, offset by government grants acquired for research and development.

Impairment

The carrying values of our assets (excluding inventories, deferred tax assets, assets arising from employee benefits and financial assets) are reviewed at each balance sheet date or if any indication exists that an asset may be impaired, in accordance with IAS 36 "Impairment of assets". Factors we consider important that could trigger an impairment review include the following:

- significant underperformance relative to expected operating results based upon historical and/or projected data,
- significant changes in the manner of our use of the acquired assets or the strategy for our overall business, and
- significant negative industry or economic trends.

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

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

We determine the value in use by estimating future cash flows expected from the assets or from the cash generating units, discounted to their present value using a discount rate that reflects the expected return on invested capital given the characteristics and risks attached to the asset. When the recoverable value retained is a fair value less cost of disposal, the fair value is determined by reference to an active market.

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

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

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

Impairment losses recognized on goodwill cannot be reversed.

Year ended December 31, 2013 compared to year ended December 31, 2012

Operating revenues

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

	Year ended December 31,	
	2013	2012 (restated)
	(In millions of US dollars)	
Marine acquisition	1,786	1,310
Land and Airborne acquisition	440	568
Acquisition Division Production	**2,226**	**1,878**
Multi-client data	585	472
Subsurface Imaging and Reservoir	711	478
GGR Division Revenues	**1,296**	**950**
Equipment Division Production	**1,045**	**1,204**
Eliminated production and others	(801)	(621)
Total consolidated	**3,766**	**3,411**

Our consolidated operating revenues in 2013 increased 10% to US$3,766 million from US$3,411 million in 2012, mainly as a result of the acquisition of Fugro Geoscience Division on January 31, 2013 and despite the contribution of our seabed activities to our new joint venture.

Acquisition

Total production of our Acquisition segment (including internal and external sales), increased 19% to US$2,226 million in 2013 compared to US$1,878 million in 2012, mainly due to the integration of Fugro's fleet, which is composed of four C-Class seismic vessels and two other seismic vessels *Geo Barents* and *Geo Atlantic* from February 1, 2013. External revenues increased 9% to US$1,636 million in 2013, from US$1,507 million in 2012.

Marine acquisition

Total production of our Marine Acquisition Business Line (including internal and external sales) increased 36% to US$1,786 million in 2013 compared to US$1,310 million in 2012, mainly due to the integration of Fugro's fleet and good marine production, but was partially offset by weaker pricing during the second half of 2013.

Land and Airborne acquisition

Total production of our other acquisition businesses (including internal and external sales) decreased 23% to US$440 million in 2013 compared to US$568 million in 2012. Our seabed activities were contributed in 2013 to the Seabed JV we launched with Fugro, while airborne activities were only included in our results of operations for four months in 2013, but were negatively impacted by weak demand in the mining market. With respect to land acquisition, the winter campaign in North America was significantly weaker in 2013 than in 2012 and the land acquisition business in North Africa was progressively recovering in still challenging safety conditions.

Geology, Geophysics & Reservoir

Operating revenues from our GGR segment in 2013 increased 36% to US$1,296 million from US$950 million in 2012 as a result of the acquisition of Fugro's geology, geophysics and reservoir activities and to a strong performance in both GGR business lines.

Multi-client data

Multi-client revenues increased 24% to US$585 million in 2013 from US$472 million in 2012 mainly due to the increase in prefunding revenues and higher after-sales.

Prefunding revenues increased 23% to US$325 million in compared to US$264 million in 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 69% in 2013 compared to 72% in 2012. After-sales increased 25% to US$260 million in 2013 from US$208 million for 2012, notably following several large transfer fees.

Subsurface Imaging & Reservoir

Operating revenues from our other GGR business lines increased 49% to US$711 million in 2013 from US$478 million in 2012 with the addition of activities from Fugro and a strong demand for high-end imaging. Reservoir and geology activities continued to perform well, driven by complex geologies.

Equipment

Total production of our Equipment segment (including internal and external sales) decreased 13% to US$1,045 million in 2013, with land representing 57% of sales, from US$1,204 million in 2012, mainly due to lower demand for marine equipment and the absence of Land mega-crew sales in 2013. Internal sales represented 20% of total revenue in 2013, compared to 21% in 2012.

External revenues for our Equipment segment decreased 13% to US$834 million in 2013, from US$954 million in 2012.

Operating expenses

Cost of operations, including depreciation and amortization, increased 11% to US$2,977 million in 2013, from US$2,685 million in 2012, mainly due to the integration of Fugro Geoscience Division. The multi-client amortization expenses correspond to 65% of multi-client revenues in 2013, compared to 72% in 2012. As a percentage of operating revenues, cost of operations remains at 79% for both 2013 and 2012. Gross profit increased 9% to US$791 million in 2013, from US$729 million in 2012, representing 21% of operating revenues for both periods.

Research and development expenditures increased 14% to US$106 million in 2013, from US$93 million in 2012, representing 3% of operating revenues for both periods.

Marketing and selling expenses increased 24% to US$119 million in 2013 from US$96 million in 2012, as a consequence of the integration of Fugro Geoscience Division.

General and administrative expenses increased 18% to US$216 million in 2013, from US$183 million in 2012 mainly due to integration costs and non-recurring items related to the Fugro transaction. As a percentage of operating revenues, general and administrative expenses represented 5.7% in 2013, and 5.4% in 2012.

Other revenues and expenses amounted to a net expense of US$745 million in 2013, mainly due to (i) the Marine business for US$(721) million, out of which US$(139) million related to assets impairment and provisions for onerous contracts and US$(582) million related to goodwill depreciation as a consequence of the 25% fleet downsizing plan and change of market outlook; (ii) the Land business for US$(79) million of goodwill and assets impairment as a consequence of more overall difficult Land market conditions; (iii) a US$20 million gain on the sale of our remaining 10% stake in Spectrum ASA; (iv) a US$85 million gain related to the contribution of our shallow water and OBC assets to the Seabed JV; and (v) other non-recurring expenses for US$21 million which mainly correspond to acquisition costs related to the Fugro Geoscience transaction. Other net expenses of US$27 million in 2012 were mainly related to a US$30 million impairment loss on the Veritas trade name due to the rebranding of our Group as "CGG" and also Fugro's acquisition costs.

Equity in income of affiliates

Income from investments accounted for under the equity method was US$1 million in 2013 compared to US$37 million in 2012. The decrease was mainly due to the slow start of our Seabed JV and a lower contribution from Argas.

Earnings before interest and tax ("EBIT")

EBIT, as disclosed in note 19 to our consolidated financial statements, amounted to US$(394) million in 2013 compared to US$368 million in 2012 as a result of the factors described above. EBIT before non-recurring items linked to Fugro and to Acquisition impairment and write-off amounted to US$423 million, an increase of 5% compared to US$404 million in 2012.

EBIT from our Acquisition segment was US$(744) million in 2013, compared to US$21 million in 2012. Excluding non-recurring items linked to Fugro and to Acquisition impairment and write-off, EBIT from our Acquisition segment was US$56 million in 2013, compared to US$21 million in 2012.

EBIT from our GGR segment was US$317 million in 2013 compared to US$183 million in 2012. EBIT margin was 24% in 2013.

EBIT from our Equipment segment was US$293 million in 2013 from US$380 in 2012. EBIT margin was 28% in 2013.

Financial income and expenses

Cost of net financial debt increased 22% to US$192 million in 2013 from US$157 million in 2012 due to the convertible bonds ("OCEANE") issued in November 2012, the accelerated amortization of issuance costs related to the early partial repayment of our US$350 million 9½% Senior Notes due 2016 and our borrowings under the vendor loan from Fugro.

Other financial expenses amounted to US$22 million in 2013 compared to US$20 million in 2012, mainly due to a US$6 million call premium paid for the early partial repayment of our US$350 million 9½% Senior Notes due 2016.

Income taxes

Income taxes decreased to US$83 million in 2013 from US$99 million in 2012. Before deferred taxes on currency translation and before US$(800.0) million of non-recurring items described above and related to the Marine and Land businesses, the effective tax rate was 48% in 2013 compared to 64% in 2012, with both rates being affected by foreign deemed taxation.

Net income

Net income was a loss of US$691 million in 2013 compared to a gain of US$92 million in 2012 as a result of the factors discussed above. Earnings per share were a loss of US$3.95 in 2013 compared to a gain of US$0.46 in 2012.

Net income attributable to the shareholders of CGG SA was a loss of US$699 million (€527 million) in 2013 compared to a gain of US$75 million (€58 million) in 2012 and a loss of US$27 million (€19 million) in 2011.

Corporate financial statements of CGG SA

Operating revenues of CGG SA in 2013 were €84 million compared to €78 million in 2012. The level of services provided by the Company to its subsidiaries of the Acquisition and GGR segments slightly increased in 2013.

Operating loss in 2013 amounted to €77 million compared to €57 million in 2012.

Financial income in 2013 amounted to €170 million compared to €154 million in 2012. The increase is the mixed consequence of the main following effect: dividends received for €187 million in 2013 compared to €153 million in 2012, financial income on loans to affiliates of €104 million in 2013 compared to €61 million in 2012, and change in provision on investments in affiliates of €17 million loss in 2013 compared to €51 million profit in 2012.

Extraordinary loss in 2013 amounted to €776 million mainly due to the full depreciation of CGG Services SA shares for €780 million following the write-offs related to certain vessels and as a consequence of the 25% fleet downsizing plan. Extraordinary income in 2012 amounted to €13 million, mainly due to the partial disposal of our investment in Spectrum ASA.

Net loss in 2013, after a tax credit of €20 million due to the French tax group effect, was €664 million compared to a net income of €150 million in 2012 (embedding a tax credit of €39 million).

The shareholders' equity as of December 31, 2013 amounted to €2.4 billion compared to €3.1 billion as of December 31, 2012.

No dividends have been distributed in the last three fiscal years.

Year ended December 31, 2012 compared to year ended December 31, 2011

Operating revenues

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

	Year ended December 31,	
	2012 (restated)	2011 (restated)
	(In millions of US dollars)	
Marine acquisition	1,310	1,073
Land and Airborne acquisition	568	445
Acquisition Division Production	**1,878**	**1,518**
Multi-client	472	497
Subsurface Imaging and Reservoir	478	442
GGR Division Revenues	**950**	**939**
Equipment Division Production	**1,204**	**1,142**
Eliminated Production and others	(621)	(418)
Total consolidated	**3,411**	**3,181**

Our consolidated operating revenues in 2012 increased 7% to US$3,411 million from US$3,181 million in 2011, attributable to growth in all our segments but particularly the Acquisition segment.

Acquisition

Total production of our Acquisition segment increased 24% to US$1,878 million in 2012 from US$1,518 million in 2011 mainly due to better fleet operational performance.

Marine acquisition

Total production of our Marine contract business line in 2012 increased 22% to US$1,310 million from US$1,073 million in 2011 due to better operational performance and marine price increase in the second half of the year, partly offset by the fact that more vessels were allocated to multi-client surveys. Our vessel availability and production rates were both 90% in 2012 compared to 86% in 2011, and our 3D vessels were allocated 77% to contract in 2012 compared to 91% in 2011.

Land and Airborne acquisition

Total production of our Land contract activities increased 28% to US$568 million in 2012 from US$445 million in 2011 mainly due to a strong increase in activity in North America during the summer.

Geology, Geophysics & Reservoir (GGR)

Operating revenues from our GGR segment in 2012 increased 1% to US$950 million from US$939 million in 2011 mainly due to a sustained activity in Subsurface Imaging and Reservoir.

Multi-client data

Multi-client revenues decreased 5% to US$472 million in 2012 from US$497 million in 2011.

Prefunding revenues were US$264 million in 2012 compared to US$162 million in 2011, up 63% mainly due to a reduced allocation of our 3D fleet to contract activity in 2012, but also due to our activity in the US with the *Marcellus* shale plays program. The cash prefunding rate was 72% in 2012 compared to 80% in 2011.

Subsurface Imaging & Reservoir

Operating revenues from our Subsurface Imaging & Reservoir business line increased 8% to US$478 million for the year ended December 31, 2012 from US$442 million in 2011, driven by sustained demand in high-end imaging and by high levels of activity in our large data processing centers.

Equipment

Total production of our Equipment segment, including intra-group sales, increased 5% to US$1,204 million in 2012 from US$1,142 million in 2011, driven by the high level of land equipment sales.

External revenues for our Equipment segment increased 7% to US$954 million in 2012 from US$891 million in 2011.

Operating expenses

Cost of operations, including depreciation and amortization, increased 1% to US$2,685 million in 2012 from US$2,649 million in 2011. As a percentage of operating revenues, cost of operations decreased to 79% in 2012 from 83% in 2011. Gross profit increased 36% to US$729 million in 2012 from US$535 million in 2011, representing 21% and 17% of operating revenues, respectively.

Research and development expenditures increased 21% to US$93 million in 2012 compared to US$77 million in 2011, representing 3% and 2% of operating revenues, respectively.

Marketing and selling expenses increased 16% to US$96 million in 2012 from US$83 million in 2011.

General and administrative expenses decreased 10% to US$183 million in 2012 from US$202 million in 2011. As a percentage of operating revenues, general and administrative costs represented 5% in 2012 compared to 6% in 2011.

Other expenses, amounting to US$27 million in 2012, were mainly related to a US$30 million impairment loss on the Veritas trade name due to the rebranding of our Group from “CGGVeritas” to “CGG” and also Fugro’s acquisition costs. Other revenues in 2011 amounted to US$34 million, mainly due to a US$11 million gain on disposal of assets in relation to the Norfield transaction completed on January 13, 2011 and a US$19 million gain on the sale of our 2D marine data library in relation to the Spectrum transaction completed on September 15, 2011.

Share of income (loss) in Companies under equity method

Income from investments accounted for under the equity method was US$37 million in 2012 compared to US$16 million in 2011. This increase was mainly attributable to our share in the income of Argas, our joint venture in Saudi Arabia.

Earnings before interest and tax ("EBIT")

EBIT, as disclosed in note 19 to our consolidated financial statements, amounted to US$368 million in 2012 compared to US$224 million in 2011 as a result of the factors described above.

EBIT from our Acquisition segment amounted to US$21 million in 2012, compared to a loss of US$179 million in 2011. EBIT margin was 1% in 2012.

EBIT from our GGR segment amounted to US$183 million in 2012 compared to US$229 million in 2011. EBIT margin was 19% in 2012.

EBIT from our Equipment segment amounted to US$380 million in 2012 from US$354 million in 2011. EBIT margin was 32% in 2012.

Financial Income and Expenses

Cost of net financial debt decreased 10% to US$157 million in 2012 from US$175 million in 2011, mainly due to an accelerated amortization for US$22 million in issuing fees recognized in 2011 related to the redemption of US$530 million principal amount of our 7$^{1}/_{2}$% Senior Notes due 2015 and repayment of the US$508 million outstanding under our Term Loan B facility.

Other financial expenses were US$20 million in 2012 compared to an income of US$1 million in 2011, principally due to a US$12 million arrangement fee related to a €700 million bridge loan that was available to finance part of the acquisition the Fugro Geoscience Division (though it was not ultimately drawn) and unfavorable currency fluctuations.

Income taxes

Income taxes increased to US$99 million in 2012 from US$63 million in 2011, mainly due to the increase of our profit before tax. The effective tax rate was 64% in 2012 compared to 187% in 2011, with both rates being affected by foreign deemed taxation.

Net income (loss)

Net income was US$92 million in 2012 compared to a net loss of US$13 million in 2011, 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 US$165 million US revolving facility and our new US$325 million French revolving facility will be adequate to meet our liquidity needs for the next twelve months.

Cash flows

Operating activities

Net cash provided by operating activities was US$908 million in 2013 compared to US$921 million in 2012, and US$790 million in 2011. Before changes in working capital, net cash provided by operating activities in 2013 was US$964 million compared to US$860 million in 2012 and US$673 million in 2011. Changes in working capital had a negative impact on cash from operating activities of US$56 million in 2013 compared to a positive impact of US$61 million in 2012, and a positive impact of US$117 million in 2011.

Investing activities

Net cash used in investing activities was US$1,720 million in 2013 compared to US$745 million in 2012 and US$539 million in 2011.

On January 31, 2013, based on a €703 million gross payment, we paid a total consideration of US$938 million (including US$9 million of cash contributed to our Seabed JV), net of US$24 million of cash acquired, for Fugro Geoscience Division, with the exception of the airborne activity and certain minor assets. The Airborne activity was acquired on September 2, 2013 and was financed by the vendor loan granted by Fugro. Final adjustments, notably for actual levels of working capital, indebtedness and cash position led to a subsequent cash refund of US$5 million from Fugro to CGG. We paid a total net consideration of US$933 million for the entire Fugro transaction.

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

In 2013, our capital expenditures of US$347 million (including capitalized development costs) were mainly related to marine equipment with notably the purchase of RD sentinel streamers. In 2012, our capital expenditures amounted to US$369 million (including capitalized development costs) and were mainly related to the upgrade of the seismic vessel *Oceanic Champion* and the purchases of land equipment. In 2011, we upgraded our seismic vessels *Oceanic Phoenix* and *Oceanic Endeavour* and equipped the *Pacific Finder* and the *Oceanic Sirius* with Sentinel streamers, delivered in June and October 2011, respectively.

In 2013, we invested US$479 million in multi-client data, primarily offshore Brazil and Gulf of Mexico, in the North Sea and onshore US. In 2012, we invested US$364 million, principally offshore Brazil and Angola, and onshore US. In 2011, we invested US$203 million.

As of December 31, 2013, the net book value of our multi-client seismic and geologic data library was US$818 million compared to US$604 million as of December 31, 2012, and US$527 million as of December 31, 2011.

Financing activities

Our net cash used in financing activities in 2013 was US$197 million compared to net cash generated of US$795 million in 2012, and a use of US$162 million in 2011.

In 2013, a maximum of €110 million from our French revolving facility was drawn, which was also the amount outstanding at the end of the year.

On July 1, 2013, we entered into a 5-year US$200 million vessel financing, split into two tranches of US$100 million each, the proceeds of which were used to reimburse on August 21, 2013, the 2013 tranche (in an amount of €112.5 million) of the vendor loan granted by Fugro in connection with the acquisition of the Geoscience Division.

On August 21, 2013, we also redeemed US$125 million aggregate principal amount of our US$350 million 9½% Senior Notes due 2016.

In October 2012, we concluded a share capital increase through the distribution of preferential subscription rights to existing shareholders to partially fund the acquisition of Fugro Geoscience Division. The final gross proceeds amounted to €413,609,320, corresponding to the issuance of 24,329,960 new shares.

In November, 2012, we issued bonds convertible into and/or exchangeable for new or existing shares of our company to be redeemed on January 1, 2019 for a total nominal amount of €360 million. We used the net proceeds of the issuance to partially fund the acquisition of Fugro Geoscience Division.

On January 27, 2011, we issued 12,949,640 bonds convertible into and/or exchangeable for new or existing shares of our company to be redeemed on January 1, 2016.

On March 1, 2011, we redeemed US$460 million aggregate principal amount of our US$530 million 7½% Senior Notes due 2015 at a price of 103.75% plus accrued interest, and on June 30, 2011, we redeemed the remaining US$70 million aggregate principal amount of such notes at a price of 102.5% plus accrued interest. The first redemption was financed through the issuance of convertible bonds described above and the second redemption was financed through the issuance of Senior Notes described immediately below.

On May 31, 2011, we issued US$650 million principal amount of 6 ½% Senior Notes due June 1, 2021. The Senior Notes were issued at a price of 96.45% of their principal amount, resulting in a yield of 7%. We used the net proceeds of the issuance to redeem the remainder of our US$530 million 7 ½% Senior Notes due May 2015 and to repay in full the US$508 million outstanding under our Term Loan B facility.

Financing arrangements

The following is a description of the terms of our material financing arrangements.

US$165 million revolving credit agreement (US revolving facility)

On July 15, 2013, we entered into a new US revolving credit facility of up to US$165 million with a 5-year maturity. The borrower is CGG Holding (U.S.) Inc. with Credit Suisse acting as administrative agent and collateral agent. This facility was undrawn as of December 31, 2013.

Proceeds of loans under the US revolving facility may be used for the general corporate purposes of the borrower and other subsidiaries of CGG. Revolving loans may be made at any time prior to the final maturity of the US revolving facility.

The obligations of CGG Holding (U.S.) Inc. as borrower under the US revolving facility are guaranteed by us and certain of our subsidiaries. We have pledged first-priority security in the shares of CGG Holding (U.S.) Inc. and certain of our other first-tier subsidiaries. In addition, certain guarantors have provided first-priority security interests in certain of their respective tangible and intangible assets, including (without limitation) certain marine equipment, deposit accounts and intellectual property.

In addition, the US revolving credit facility agreement contains affirmative and negative covenants that affect our ability, among other things, to borrow money, incur liens, dispose of assets and acquisitions and pay dividends or redeem shares. Events of default under the US revolving credit facility include, among other things, payment and covenant breaches, insolvency of us or our subsidiaries, the occurrence of certain events constituting a "change of control" and certain defaults in respect of other material financial indebtedness.

The US revolving credit facility agreement was amended on July 31, 2013 in order to insert a clause related to anti-corruption law and the EBITDA to total interest costs financial covenant described below.

Pursuant to this agreement, including above amendment, we are required to adhere to certain financial covenants defined as follows:

- a maximum ratio of total net financial debt to EBITDA of 3.00:1 for each rolling 12-month period tested at the end of each quarter between September 30, 2013 and June 30, 2018;
- and a minimum ratio of EBITDA to total interest costs of 4.00:1 for each rolling 12-month period tested at the end of each quarter September 30, 2013 and June 30, 2018.

Borrowings under US revolving facility bear interest, at the option of the borrower, at the rate of adjusted LIBOR plus 2.50% or the Alternate Base Rate plus 1.50%. The Alternate Base Rate is the higher of Credit Suisse's Prime Rate, the Federal Funds Effective Rate plus one half of 1.00% and the adjusted LIBOR rate for a one-month interest period plus 1.00%.

US$325 million revolving credit agreement (French revolving facility)

On July 31, 2013, we entered into a new French revolving credit facility of up to US$325 million with a 3-year maturity with two extension options of one year each. The borrower is CGG SA with Natixis as Agent. The proceeds of the French revolving facility may be drawn in dollars or in euros, and may be used for the general corporate purposes of the borrower. €110 million was drawn and outstanding as of December 31, 2013.

Pursuant to this agreement, we are required to adhere to certain financial covenants defined as follows:

- a maximum ratio of total net financial debt to EBITDA of 3.00:1 for each rolling 12-month period tested at the end of each quarter between September 30, 2013 and June 30, 2016;
- and a minimum ratio of EBITDA to total interest costs of 4.00:1 for each rolling 12-month period tested at the end of each quarter between September 30, 2013 and June 30, 2016.

Each cash advance under the French revolving facility must be repaid in full at the end of the relevant interest period of one month to twelve months and is available for redrawing during the availability period. All drawings under the French revolving facility must be repaid on the final maturity date.

Our obligations under the French revolving facility are guaranteed by the same guarantors that guarantee the US revolving credit facility (including CGG Holding (U.S.) Inc.), and are secured by the same security interests granted to secure the obligations under the US revolving credit facility.

The rate of interest on each loan for each interest period is the percentage rate per annum which is the aggregate of the applicable margin and the higher of zero and in relation to any loan in US dollars, LIBOR or in relation to any loan made in euros, EURIBOR.

The applicable margin ranges from 0.70% to 2.80% for loans made in euros and 1.10% to 3.20% for loans made in US dollars, depending on the corporate rating of CGG by Standard & Poor's and the corporate family rating of CGG by Moody's.

Other Debt Securities

OCEANE convertible bonds

On January 27, 2011, we issued 12,949,640 bonds convertible into and/or exchangeable for new or existing shares of our company (the "2016 OCEANE convertible bonds") maturing on January 1, 2016. The 2016 OCEANE convertible bonds' nominal value was set at €27.80 per bond, representing an issue premium of 25% of the CGG reference share price on the regulated market of NYSE Euronext in Paris. The 2016 OCEANE convertible bonds bear interest at a rate of 1.75% payable semi-annually in arrears on January 1 and July 1 of each year. The bonds entitle the holders to receive new and/or existing CGG's shares at the ratio of one share per one bond, subject to adjustments. Under certain conditions, the bonds may be redeemed prior to maturity at our option. We used the net proceeds of the issuance to redeem US$460 million principal amount of our US$530 million 7½% Senior Notes due 2015.

On November 20, 2012, we issued 11,200,995 OCEANE convertible bonds maturing on January 1, 2019 for a total nominal amount of €360 million. The 2019 OCEANE convertible bonds' nominal value was set at €32.14 per bond, representing an issue premium of 40% of the CGG reference share price on the regulated market of NYSE Euronext in Paris. The 2019 OCEANE convertible bonds bear interest at a rate of 1.25% payable semi-annually in arrears on January 1 and July 1 of each year. Under certain conditions, the bonds may be redeemed prior to maturity at our option. We used the net proceeds of the issuance to finance part of the purchase price of the Geoscience Acquisition.

High yield bonds — 7¾% Senior Notes due 2017

On February 9, 2007, we issued US$400 million in aggregate principal amount of 7¾% Senior Notes due 2017. These notes are guaranteed on a senior basis by the same guarantors that guarantee our senior facilities (including CGG Holding (U.S.) Inc.). We used the net proceeds from the notes to repay part of the US$700 million outstanding under the bridge loan facility used to finance the Veritas acquisition.

High yield bonds — 9½% Senior Notes, due 2016

On June 9, 2009, we issued US$350 million principal amount of 9½% Senior Notes due 2016. The Senior Notes were issued at a price of 97.0% of their principal amount, resulting in a yield of 10⅛%. The Senior Notes will mature on May 15, 2016.

We used the proceeds from the notes to replace cash used to repay US$100 million of our former "Term Loan B" facility on May 21, 2009, and to fund the three quarterly US$27.5 million amortization payments due during the remainder of 2009 under our former "Term Loan B" facility. The remaining amount enabled Norway subsidiaries — CGG Marine Resources Norge AS and CGG Services (Norway) AS (ex Exploration Resources) — to reimburse financial debts on seismic vessels amounting to US$50 million, and to fund ongoing operations. On January 5, 2010, these notes were exchanged for identical notes registered with the SEC.

On August 21, 2013, we redeemed US$125 million aggregate principal amount of our US$350 million 9½% Senior Notes due 2016 at a price of 104.75% plus accrued interest. Accelerated amortization of deferred expenditures and penalties for early repayment were recorded for US$4.3 million and US$5.9 million, respectively.

High yield bonds — 6½% Senior Notes due 2021

On May 31, 2011 we issued US$650 million in aggregate principal amount of 6½% Senior Notes due 2021. These notes are guaranteed on a senior basis by the same guarantors that guarantee our senior facilities (including CGG Holding (U.S.) Inc.). We used the proceeds from the notes to repay the US$508 million remaining outstanding under the Term Loan B facility of our US senior facilities and to redeem the US$70 million principal amount remaining outstanding under our 7½% Senior Notes due 2015. On December 8, 2011, these notes were exchanged for identical notes registered with the SEC.

Other credit facilities

Geomar secured term loan facility

On April 30, 2007, Geomar entered into a US$25 million credit facility to refinance the purchase price of the seismic vessel *CGG Alizé*. The facility is secured by a pledge over the vessel. At December 31, 2013, the amount outstanding under this facility was US$1.8 million. This facility matures on June 5, 2014.

Fugro vendor loan agreement

Fugro granted to us a €125 million vendor loan with a 5-year maturity and bearing an interest rate of 5.50% per annum, which was extended to €225 million on the effective date of the acquisition of the airborne business. As of December 31, 2013, we had repaid €112.5 million of the vendor loan, and €112.5 million remained outstanding.

Interest is payable on outstanding principal under the vendor loan agreement at the rate of 5.50% per annum. Scheduled repayment of the first and second vendor loan installments will occur according to an amortization schedule beginning on December 31, 2013 with the final repayment set to occur on January 31, 2018.

The vendor loan agreement contains customary events of default as well as mandatory prepayment obligations, in certain circumstances, with the proceeds of certain disposals, insurance claims and debt financings. The occurrence of an event of default would allow Fugro to exercise warrants to acquire additional shares of the Seabed Geosolutions BV joint venture, thereby diluting our shareholding in it, with a corresponding decrease in the principal amount due under the vendor loan agreement. We have agreed that our obligations under the vendor loan agreement are to be guaranteed by certain of our subsidiaries that are also guarantors of our Senior Notes.

Voyager AS (renamed Exploration Vessel Resources II AS) secured term loan facility

On January 13, 2011, Exploration Vessel Resources II AS entered into a US$45 million credit facility secured by a pledge over the seismic vessel *Geowave Voyager* and subject to substantially the same covenants as our US revolving credit facility. This facility matures on August 31, 2016.

On December 18, 2013, we amended this facility, in order to align covenant levels with our US$200 million term loan and revolving facilities described immediately below. The outstanding value at December 31, 2013, was US$22.2 million.

US$200 million term loan and revolving facilities

On July 1, 2013, CGG Geo Vessels AS entered into a 5-year US$200 million financing secured by vessel assets (*Geo Coral, Geo Caribbean, Oceanic Challenger*) split into two tranches of US$100 million each, the proceeds of which were used in part to reimburse a portion of the vendor loan granted by Fugro, and in part to redeem US$125 million aggregate principal amount of our US$350 million 9½% Senior Notes due 2016. We entered into an interest rate swap to fix the annual effective rate at 4.4%.

Pursuant to this agreement, we are required to adhere to certain financial covenants defined as follows:

- a minimum of Cash plus Cash Equivalents of not less than US$75 million, at all times;
- a maximum ratio of total net financial debt to EBITDA of 3.00:1.00; and
- and a minimum ratio of EBITDA to total interest costs of 3.00:1.00.

As of December 31, 2013, US$95 million of the revolving facility tranche was drawn and US$95 million was outstanding under the term loan tranche.

US$25 million streamers financing

On December 19, 2013, we signed a loan agreement — to be reimbursed over five years after the deadline for drawing — for a maximum amount of US$25 million with multiple drawings. This loan may be used to finance the acquisition of marine equipment to be delivered in up to twelve monthly installments over a period of one year. This line was undrawn as of December 31, 2013.

Financial Debt

Gross financial debt was US$2,747.6 million as of December 31, 2013, US$2,305.2 million as of December 31, 2012, and US$1,942.1 million as of December 31, 2011. Net financial debt was US$2,217.6 million as of December 31, 2013, US$785.0 million as of December 31, 2012, US$1,410.7 million as of December 31, 2011. The ratio of net debt to equity for the years ended December 31, 2013, 2012 and 2011 was 47%, 17% (36% before the impact of the Fugro transaction) and 37%, respectively.

"Gross financial debt" is the amount of bank overdrafts, plus current portion of financial debt, plus financial debt, and "net financial debt" is gross financial debt less cash and cash equivalents. Net financial debt is presented as additional information because we understand that certain investors believes 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 financial debt to financing items of the balance sheet at December 31, 2013, 2012 and 2011:

	Year ended December 31,		
	2013	2012	2011
	(In millions of US dollars)		
Bank overdrafts	4.5	4.2	6.0
Current portion of financial debt	247.0	47.8	64.5
Financial debt	2,496.1	2,253.2	1,871.6
Gross financial debt	**2,747.6**	**2,305.2**	**1,942.1**
Less cash and cash equivalents	(530.0)	(1,520.2)	(531.4)
Net financial debt	**2,217.6**	**785.0**	**1,410.7**

EBIT and EBITDAS

EBIT for the years ended December 31, 2013, 2012 and 2011 was US$(394) million, US$368 million and US$224 million, respectively.

EBITDAS for the years ended December 31, 2013, 2012 and 2011 was US$1,140 million, US$1,006 million and US$826 million, respectively.

EBIT is defined as operating income plus our share of income in companies accounted for 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.

EBITDAS is defined as earnings before interest, tax, depreciation, amortization net of amortization expense capitalized to multi-client, and share-based compensation cost. Share-based compensation includes both stock options and shares issued under our share allocation plans. EBITDAS is presented as additional information because we understand that it is one 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 differently than we do. EBIT and EBITDAS are not a measure 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.

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

	Year ended December 31,		
	2013	2012 (restated)	2011 (restated)
	Unaudited In millions of US$		
EBIT	**(394.3)**	**368.0**	**223.6**
Less share of income in companies accounted for under equity method	0.6	37.4	16.4
Operating income	**(394.9)**	**330.6**	**207.2**

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

	Year ended December 31,		
	2013	2012 (restated)	2011 (restated)
	((In millions of US dollars))		
EBITDAS	**1,139.7**	**1,006.2**	**826.1**
Other financial income (loss)	(22.3)	(19.7)	0.8
Variance on Provisions	39.6	(20.1)	(22.6)
Net gain on disposal of fixed assets	(90.3)	(9.4)	(23.6)
Dividends received from affiliates	10.0	48.2	6.9
Other non-cash items	4.5	(0.5)	(22.2)
Income taxes paid	(117.3)	(145.1)	(92.3)
Change in trade accounts receivables	46.5	(49.3)	60.3
Change in inventories and work-in-progress	(46.8)	(46.7)	(14.4)
Change in other current assets	25.5	7.1	40.2
Change in trade accounts payables	(76.9)	113.8	(13.4)
Change on other current liabilities	0.5	37.8	54.3
Impact of changes in exchange rate	(5.0)	(1.4)	(10.2)
Net cash provided by operating activities	**907.7**	**920.9**	**789.9**

Free cash flow

We define "free cash flow" as cash flow from operations minus (i) "total net capital expenditures" and "investments in multi-client surveys" set out in our consolidated statement of cash flows under "Investing", and (ii) "financial expenses paid" set out in our consolidated statement of cash flows under "Financing".

Free cash flow amounted to outflows of US$56 million in 2013, inflows of US$63 million in 2012 and inflows of US$94 million in 2011.

Contractual obligations

The following table sets forth our contractual obligations as of December 31, 2013:

	Payments due by period				
	Less than 1 year	2-3 years	4-5 years	After 5 years	Total
	((In millions of US dollars))				
Long-term debt obligations:					
— Repayments: fixed rates	60.7	879.1	547.6	1,146.5	2,633.8
— Repayments: variables rates[a]	161.5	14.6	—	—	176.2
— Bonds and facilities interests	126.8	225.6	117.7	108.7	578.8
Total Long-term debt obligations	**349.0**	**1,119.3**	**665.3**	**1,255.2**	**3,388.8**
Finance leases:					
— Finance lease Obligations: fixed rates	15.2	30.2	30.0	44.9	120.3
— Finance lease Obligations: variables rates[a]	—	—	—	—	—
Total Finance lease obligations	**15.2**	**30.2**	**30.0**	**44.9**	**120.3**
Operating leases[b]					
— Bareboat agreements	227.9	250.4	177.0	152.1	807.4
— Other operating lease agreements	84.7	112.4	78.5	128.1	403.7
Total Operating lease obligations	**312.6**	**362.8**	**255.5**	**280.2**	**1,211.1**
Total Contractual Obligations[c]	**676.8**	**1,512.3**	**950.8**	**1,580.3**	**4,720.2**

(a) Payments are based on the variable rates applicable as of December 31, 2013.
(b) Includes the five-year marine charter agreement signed on June 28, 2011 with Bourbon for six new support vessels of which three were delivered in 2013.
(c) Payments in foreign currencies are converted in US$ at December 31, 2013 exchange rates.

Off-balance sheet arrangements

We have not entered into any other off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

Trend information

Currency fluctuations

We face foreign exchange risks because a large percentage of our revenues and cash receipts are denominated in US dollars, while a significant portion of our operating expenses and income taxes accrue in euro and other currencies. Movements between the US dollar and euro or other currencies may adversely affect our operating results. More than 75% of our revenue was denominated in US dollars in 2013 and 2012. To a limited extent, the other Western European currencies are principally Euro, British pounds and Norwegian kroner.

Fluctuations in the exchange rate of the US dollar against such other currencies, particularly the euro, have had in the past and will have in the future a significant effect upon our results of operations, which are reported now in US dollars. Since we participate in competitive bids for data acquisition contracts that are denominated in US dollars, the depreciation of the US dollar against the euro harms our competitive position against companies whose costs and expenses are denominated to a greater extent in US dollars. While we attempt to reduce the risks associated with such exchange rate fluctuations through our hedging policy, we cannot assure you that we will maintain our profitability level or that fluctuations in the values of the currencies in which we operate will not materially adversely affect our future results of operations. As of December 31, 2013, we estimated our annual fixed expenses in euros to be approximately €500 million and as a result, an unfavorable variation of US$0.1 in the average yearly exchange rate between the US dollar and the euro would reduce our operating income and our shareholders' equity by approximately US$50 million.

As of December 31, 2013, we and our subsidiaries whose functional currency is the euro had dollar denominated assets and liabilities of €1,989.0 million and €1,055.9 million, respectively. Our net exchange rate exposure was €933.1 million before hedging and €15.7 million after taking into account hedging arrangements of €923.7 million. As a result of our compliance with IAS 12 — Income Taxes, our results of operation are also exposed to the effect of exchange rate variations on our deferred taxes when the functional currency for an entity that owns an asset is not the same as the currency used for tax purposes. This is the case for several Norwegian subsidiaries that own offshore assets (vessels and equipment) for which the functional currency is the US dollar, whereas the taxable currency is the Norwegian kroner.

We attempt to match foreign currency revenues and expenses in order to balance our net position of receivables and payables denominated in foreign currencies. For example, charter costs for our vessels, as well as our most important computer hardware leases, are denominated in US dollars. Nevertheless, during the past five years such dollar-denominated expenses have not equaled dollar-denominated revenues principally due to personnel costs payable in euros.

In addition, to be protected against the reduction in value of future foreign currency cash flows, we follow a policy of selling US dollars forward at average contract maturity dates that we attempt to match with future net US dollar cash flows (revenues less costs in US dollars) expected from firm contract commitments, generally over the ensuing three to six months. At December 31, 2013, 2012, and 2011, we had US$5 million, US$35 million and US$158 million respectively, of notional amounts outstanding under euro/US dollar forward exchange contracts.

We do not enter into forward foreign currency exchange contracts for trading purposes.

Interest rates

Drawings under our credit facilities incur interest at variable rates that are reset at each interest period (generally between one and 12 months). As a result, our interest expenses vary in line with movements in short

term interest rates. However, as of December 31, 2013, 94% of our debt consisted of fixed-rate bonds, and our fixed rate vendor loan from Fugro, along with some fixed-rate finance leases and fixed-rate medium-term bank credit facilities with variable maturities. This debt is not exposed to interest rate fluctuations.

As of December 31, 2013, our net variable-rate assets due in less than one year totaled US$183 million. Our variable interest rate indebtedness carried an average interest rate of 2.2% in 2013 and our investments and other financial assets earned interest at an average rate of 0.8%. As a result, a 0.8% increase in interest rates would increase our income before tax and shareholders' equity by US$1.3 million, whereas a 0.8% decrease in interest rates would decrease our income before tax and shareholders' equity by US$1.3 million.

Inflation

Inflation has not had a material effect on our results of operations during the periods presented. We operate in, and receive payments in the currencies of, certain countries with historically high levels of inflation, such as Mexico, Brazil and Venezuela. We attempt to limit such risk by, for example, indexing payments in the local currency against, principally, the US dollar exchange rate at a certain date to account for inflation during the contract term.

Income taxes

We conduct the majority of our activities outside of France and pay taxes on income earned or deemed profits in each foreign country pursuant to local tax rules and regulations.

We have significant tax losses carried forward that are available to offset future taxation on income earned in certain OECD countries. We recognize deferred tax assets when a history of recent taxable profit exists and when the recovery is considered as probable.

Seasonality

Our land and marine seismic acquisition activities are usually seasonal in nature as a consequence of weather conditions in the Northern Hemisphere and of the timing chosen by our principal clients to commit their annual exploration budget to specific projects. We have historically experienced higher levels of activity in our equipment manufacturing and multi-client operations in the fourth quarter as our clients seek to fully deploy annual budgeted capital.

OUR BUSINESS

Introduction

We are a global participant in the geoscience industry, as a manufacturer of geophysical equipment, as a provider of marine, land and airborne data acquisition services, and as a provider of a wide range of other geoscience services, including data imaging, seismic data characterization, geoscience and petroleum engineering consulting services, and collecting, developing and licensing geological data. Our clients are principally in the oil and gas exploration and production industry.

We have more than 100 years of combined operating experience (through CGG, Veritas and Fugro Geoscience) and a recognized track record of technological leadership in the science of geophysics and geology. We believe we are well placed to capitalize on the growing importance of seismic and geoscience technologies to enhance the exploration and production performance of our broad base of clients, which includes independent, international and national oil companies.

CGG SA is the parent company of the CGG Group. We are a *société anonyme* incorporated under the laws of the Republic of France and operating under the French Commercial Code. Our registered office is at Tour Maine Montparnasse, 33, avenue du Maine, 75015 Paris, France. Our telephone number is (33) 1 64 47 45 00.

Organization

Until February 1, 2013, CGG was organized with two business segments: Geophysical Equipment and Geophysical Services.

Our Geophysical Equipment segment was specialized in the development and production of seismic land and marine acquisition systems and in borehole equipment.

Our Geophysical Services segment was composed of the land and marine contract divisions, the multi-client land and marine seismic data acquisition division and the processing, imaging and reservoir division.

Starting February 1, 2013 and following the Geoscience Acquisition described below, we changed our organization in order to align the management structure of the Group with its new size and strategy of development. We now have three business segments (Equipment, Acquisition and Geology, Geophysics and Reservoir (GGR) including ten business lines, but also six transverse functions and five transverse departments. We believe that these three new divisions allow us to better cover the spectrum from exploration to production, giving us more opportunities to create value for our shareholders, customers and partners.

The Geoscience Acquisition

Pursuant to the terms of a Sale and Purchase Agreement (the "SPA") between the Company and Fugro dated September 24, 2012, we agreed to acquire most of the Geoscience Division of Fugro (the "Acquisition"). In particular, we agreed to acquire:

- Fugro-Geoteam (specializing in marine streamer seismic data acquisition);
- Fugro Seismic Imaging (specializing in seismic data processing services);
- Fugro Geophysical and Geological Services (specializing in geographical exploration services);
- De Regt Marine Cables (specializing in high-end cables and umbilicals);
- as well as all related entities and assets, but excluding Fugro's multi-client library and ocean bottom nodes ("OBN") activity (the acquired activities are referred to herein as the "Geoscience Division").

Pursuant to the terms of the SPA as amended on January 27, 2013, we also agreed to establish certain strategic partnerships with Fugro, in particular, to:

- establish a joint venture with Fugro, Seabed Geosolutions BV, to which Fugro would contribute its OBN activity and we would contribute our shallow water, ocean bottom cable ("OBC") and OBN activities (the "Seabed JV"); and
- enter into certain commercial agreements with Fugro, including (i) a non-exclusive selling and marketing agreement with respect to Fugro's multi-client library, (ii) a technological and commercial agreement providing reciprocal preferred supplier status and (iii) a transitional services agreement (together, the "Commercial Agreements").

The total price for the Acquisition was set at €1.2 billion subject to further customary price adjustments (based in particular on the amount of the working capital of the Geoscience Division). The transaction was subject to customary conditions precedent, in particular mandatory anti-trust clearances.

Closing of the Commercial Agreements and the Acquisition took place on January 31, 2013, with the exception of the airborne activity, which was contributed on September 2, 2013. The Seabed JV was substantially closed on February 16, 2013.

Taking into account the estimate of the acquired working capital as of the closing date and the amount subsequently paid by Fugro to reach a 60% shareholding in the Seabed JV, the net cost of the transaction amounted to €975 million.

It was financed with (i) the net proceeds of the €414 million capital increase by way of rights issue that we conducted in October 2012, (ii) the net proceeds of the €360 million convertible bonds that we issued in November 2012, and (iii) a vendor loan from Fugro which was agreed upon to achieve a rapid closing. This vendor loan amounted to €125 million at the closing date, and was extended to €225 million upon the effective acquisition of the airborne activity. On August 21, 2013, we repaid €112.5 million under the vendor loan. €112.5 million remained outstanding as of December 31, 2013.

Our Strategy

We intend to continue to provide leading geological, geophysical and reservoir capabilities to our broad base of customers primarily from the global oil and gas industry. Our goal is to capitalize on growth opportunities resulting from the application of new technologies in every sector of the oil and gas business — from exploration to production and reservoir management — and from the worldwide presence of our three complementary business segments (Equipment, Acquisition, and Geology, Geophysics & Reservoir (GGR).

To achieve this objective, we have adopted the following strategies:

Rebalance our profile towards more profitable and less capital intensive businesses

We believe that our Acquisition businesses, which are cyclical, highly capital-intensive and have generated lower profitability in recent years, need to be downsized significantly. We plan to position the Acquisition businesses more on the high-end of the market, where technological differentiation is a critical factor, in order to increase profitability. This should also allow us to increase the relative weight of the Equipment and GGR segments' contributions to Group results, which we believe will increase our overall profitability, reduce the volatility of our earnings and improve our cash generation.

Our plan for the Marine Acquisition business is to reduce the capacity of our directly-operated fleet by 25%, which should lead to a significant reduction in fixed costs and capital expenditure, while maintaining the critical size needed to support our world-leading position, address global regional markets and consolidate our leadership in the high-end broadband and global solution marine markets.

In the Land Acquisition business, our plan is to expand the scope of our partnership with TAQA throughout the Middle East by regrouping the existing joint ventures under the sole umbrella of ARGAS, owned 51% by TAQA and 49% by CGG. In the rest of the world, we intend to focus and concentrate our presence on high-end niche markets, adopting a technology provider business model to the extent possible.

Improve our operational efficiency, profitability and cash generation

In line with what has been achieved over the last three years as a result of the Performance Plan that we launched at the end of 2010, we intend to continue our tight cost control, maintain a low level of general and administrative expenses and, more generally, reduce our fixed cost base. We expect notably to reduce our break-even point in line with the right-sizing of our Acquisition businesses and particularly our marine assets.

We will also continue to maintain a strong focus on operational performance and on cash generation through tight monitoring of working capital and capital expenditures.

Focus on growth areas

We intend to focus on developing our technological capabilities in emerging markets for geoscience-related services, including reservoir appraisal and production monitoring. We also believe that we have unique experience and expertise in very dense and productive seismic acquisition projects, such as high channel count

land crews in the Middle East and full azimuth high resolution offshore surveys in the Gulf of Mexico. Furthermore, we believe our geographic footprint will allow us to respond to the growing demand for all kinds of seismic imaging and reservoir solutions.

We also intend to maintain our position in the onshore and offshore seismic multi-client markets by developing our multi-client data library. We believe that a strong position in this market segment enhances our global competitive position and may provide opportunities for continuing future sales. In developing our multi-client data library, we carefully select survey opportunities in order to maximize our return on investment. We also intend to apply the latest advances in depth imaging and wide azimuth technologies to a selected part of our existing library.

Given the growing importance of geophysics in reservoir characterization, and the strong reputation of Jason and Robertson, two activities formerly belonging to Fugro that we acquired on January 31, 2013, we intend to further develop the synergies between our leading network of 42 data processing centers and reservoir services. We pursue continuous innovation to allow for increased integration of data processing into reservoir studies, which will provide enhanced reservoir knowledge and allow for improved exploitation. This approach places us in a better position to meet the requirements of our clients with an extensive range of integrated solutions.

With the increasing use of wide-azimuth and high resolution surveys and the growing demand for advanced imaging capabilities, we also intend to increase our processing capability in developing disciplines, such as reservoir description and monitoring, including wide-azimuth, multi-component and 4D studies. We also plan to continue promoting and developing our dedicated subsurface imaging centers within our clients' offices and developing our regional centers.

We plan as well to develop reservoir interpretative solutions, notably through the creation of two new business lines, GeoSoftware and GeoConsulting, within our GGR Division. GeoSoftware is the worldwide leader in advanced seismic reservoir characterization technology. It brings together CGG's commercial software, including Jason and Hampson-Russell, and the associated sales, marketing and product services, such as training, product support and product mentoring. GeoConsulting is a full-spectrum geological and geophysical consulting services organization. In addition to our seismic reservoir characterization services supporting our Jason and Hampson-Russell technologies, GeoConsulting offers the our unique line of Robertson geoscience consulting services and multi-client products, including a full range of geological, petroleum engineering and economic disciplines. It also contains NPA Satellite Mapping and the global training services relating to GeoConsulting.

In 2014, we expect to extend cross-divisional strengths within our organization and to leverage our relationships with external partners such as Baker Hugues International in key and growing business sectors such as shale in North America and the Middle East.

We also intend to set up additional targeted partnerships through joint ventures in order to address specific market segments or to gain privileged access to high-potential local geographical markets. We established a joint venture with Gardline in the marine market segment in May 2010 and a joint venture with Petrovietnam Technical Services Corporation (PTSC) for the Vietnamese offshore market in March 2012 (announced in December 2010). In early 2013, we created Seabed Geosolutions BV (a joint venture owned 60% by Fugro and 40% by CGG), a world-leader in the shallow water and ocean bottom systems market.

Develop technological synergies for products and capitalize on new generation equipment

We believe Sercel is the leading manufacturer of land, marine and subsea geophysical equipment. We plan to continue developing synergies among the technologies available to Sercel and to capitalize fully on our position as a market leader. Through our research and development, we seek to improve existing products and maintain an active new product development program in all segments of the geophysical equipment market (land, marine and ocean-bottom).

Develop and utilize innovative technology

The significant technological developments in seismic services over the last decade have produced a marked change in the sector. The development of 4D and wide-azimuth techniques (providing time lapse views and enhanced illumination of the reservoir as well as improved image resolution) now allows operators to better locate and monitor reservoir performance. This possibility broadens the use of seismic techniques from pure exploration (early cycle) into a tool for reservoir development, management and production (late cycle). Importantly, these techniques require more vessel time than traditional data acquisition. For example, three to six times more vessel time is required to shoot wide-azimuth data than is required for traditional 3D.

Conventional marine streamer acquisition lacks sufficient signal-to-noise ratios in the 2-7 Hz bandwidth due to streamer depth, streamer tow noise, source array configuration, source depth and source bubble. BroadSeis, a variable-depth streamer broadband solution, improves considerably the quality of data acquired by streamers by widening the range of recorded frequencies. BroadSeis relies on the combination of three differentiation factors developed by us: (i) the Sercel solid streamer, the quietest in the market; (ii) an original acquisition set-up based on a specific positioning of streamers at variable depth in water; and (iii) innovative processing algorithms that are adapted to this specific acquisition configuration. Patent applications have been filed for the different components to ensure we maintain exclusive rights over this technique. BroadSeis was launched in 2010. Since its introduction, more than 100 acquisitions have been carried out, most of them in association with customers, which we believe indicates a real interest for this new technology. The commercialization phase of BroadSeis enabled us to quickly expand the use of this process, a key differentiation factor for our marine acquisition activities starting in 2012. BroadSource, the broadband marine seismic source, launched in November 2012, should reinforce the benefits of BroadSeis to deliver the ultimate in high-resolution, broad-bandwidth, ghost-free seismic data, achieving a bandwidth of 2-200Hz.

We believe that growth in demand for geophysical services will continue to be driven in part by the development of new technologies. The industry is increasingly demanding clearer seismic imaging and better visibility, particularly underneath salt layers. We expect multi-azimuth, wide azimuth, multi-component (3C/4C) surveys and time-lapse (4D) surveys to become increasingly important for new production-related applications, particularly in the marine sector, and expect specialized recording equipment for difficult terrain to become more important in land seismic data acquisition, particularly in transition zones, shallow water and arctic areas. We believe that to remain competitive, geophysical services companies will need to combine advanced data acquisition technology with consistently improving processing capacity in order to further reduce delivery times for seismic services.

Our strategy is to continue our high level of investment in research and development to reinforce our technological leadership. We also intend to take advantage of our full range of integrated geoscience services to enhance our position as a market leader in:

- land seismic data acquisition systems and know-how;
- innovative marine acquisition systems and services;
- seismic imaging and reservoir services; and
- manufacturing of land, marine and subsea data acquisition equipment.

Emphasize client service

We believe it is important to operate in close proximity to our clients to develop a better understanding of their individual needs and to add measurable value to their business processes. We respond to these needs by creating new products or product enhancements that improve the quality of data and reduce the data delivery time to clients. We believe that our regional multi-client and dedicated data processing centers in our clients' offices provide us with an advantage in identifying contract opportunities, optimizing service to clients and developing products responsive to new market demands, such as seismic techniques applied to reservoir management. We believe that we are well positioned to benefit from the industry trend towards increased outsourcing. This trend is leading oil and gas companies to place greater emphasis on relationships and service quality (including health, safety and protection of the environment) in their selection of third party service providers, including geophysical services providers.

Provide integrated services

We are committed to providing clients with a full array of seismic data services, from acquisition and processing to data interpretation and management. We believe that integration of compatible technology and equipment increases the accuracy of data acquisition and processing, enhances the quality of our client service and thereby improves productivity in oil and gas exploration and production. Our clients increasingly seek integrated solutions to better evaluate known reserves and improve the ratio of recoverable hydrocarbons from producing fields. We are continuing to develop our ability to provide geosciences solutions through a combination of various exploration and production services, including technical data management, reservoir characterization and interpretation of well information.

Develop well-positioned data libraries

We will continue to develop large multi-client libraries in key basins throughout the world where the industry focuses its exploration budgets. We intend to take advantage of our recent vintage, well-positioned seismic data libraries and will capitalize on our strong experience in wide-azimuth technology. For instance in the Gulf of Mexico, the industry's growing interest in wide-azimuth technology to explore complex geological environments has translated into high pre-funding levels for our Walker Ridge, Green Canyon, Garden Banks and Three Corners surveys. In 2012, we launched our first StagSeis multi-client survey, our new marine acquisition solution that provides full wide-azimuth coverage and unrivalled long offsets, designed to illuminate complex subsalt geologies. We extended this program in 2013 and will complete the acquisition of the third and final StagSeis survey in 2014. Similarly, we will continue to further expand the footprint of our multi-client library with the introduction of our new BroadSeis acquisition technology as we did in 2012 in Brazil and in the North Sea.

Onshore, our land library offers additional potential in North America, particularly in the shale gas plays where we completed a significant onshore program in the Marcellus basin in 2013. We plan to use this existing multi-client onshore footprint to build dedicated commercial offers aimed at improving the productivity of shale market players, including through our cooperation agreement with Baker Hugues International.

Develop reservoir applications

While seismic data was historically used primarily by oil and gas companies for exploration purposes, it has become a recognized tool for field development and reservoir management. We are progressively extending our core business towards compiling and analyzing seismic data of existing reservoirs in response to this trend. Through high-resolution images and our expertise in 4D seismic and permanent monitoring, we aim to assist hydrocarbon producers in better characterizing and predicting the static properties and dynamic behavior of their reservoirs.

Following our acquisition of Fugro's Geoscience Division, we are now organized in three segments, including the Geology, Geophysics and Reservoir segment, which is fully dedicated to the development of reservoir software, services and applications. Through GeoSoftware, we intend to further improve our products and services, provide our customers with a better understanding of their reservoirs and deliver unsurpassed expertise to optimize our customers' decision-making. Through GeoConsulting, we intend to further enhance our geological and geophysical multi-client products and reports and expand our high-end consulting services across the Exploration & Production value chain.

Industry conditions

Both oil and gas market operators and major consumer countries are becoming increasingly aware of the growing imbalance between hydrocarbon supply and demand. This was reflected in a very significant and continuous increase in energy prices, coupled with a widely held conviction that there would be a need to produce oil and gas in a sustained manner over the long term in order to meet global demand. Rates at which oil reserves are being replenished have fallen short of being able to replace, year on year, the quantities of sub-surface hydrocarbons extracted and consumed or to compensate for the natural depletion of reserves in the ground. The need to discover new reserves and to seek to recover the quantities of oil and gas in place as carefully as possible led, except in 2009, to several years of high levels of investment in Exploration & Production and, by extension, to favorable long-term prospects for the geophysics market.

Since 2010, Exploration & Production investments have grown annually on a double-digit basis, despite the manifestation over the period of certain major risks to which these activities are exposed, in particular:

- the technological risk associated with the Deepwater Horizon platform accident in the Gulf of Mexico;
- the geopolitical risk associated with the "Arab spring" uprising in North Africa in 2011, and the subsequent political changes in Libya and Egypt;
- risks related the rapid growth of unconventional shale hydrocarbons production in North America since 2011, which significantly modifies the worldwide equation of supply and demand given the current weight of the North American consumption;
- general economic risks associated with slower growth in 2013 of certain key consumer countries as Brazil and China.

2013 has been a contrasted year with growth in both the oil services segment and, consequently, the seismic sector, which then significantly slowed down during the year mostly because major oil companies decided not to pursue certain exploration-production projects and more generally to cut investments in Exploration & Production to improve their cash generation on a short-term basis. This trend must be assessed more generally in an environment where exploration-production projects have become more costly because of their complexity, while the oil and gas prices have remained relatively stable and the oil and gas companies are under continuous pressure to keep a sustained level of dividends for their shareholders.

Longer term, we believe that the outlook for a fully integrated geoscience company is fundamentally positive for a number of reasons:

- First, oil and gas companies (including both international and national oil companies) and the large oil and gas consuming nations have perceived a growing and potentially lasting imbalance between reserves and future demand for hydrocarbons. A rapid rise in world consumption requirements, particularly in China and India, has resulted in a growth in demand for hydrocarbons that is higher than anticipated, despite the recent economic downturn. In response to this growth, we expect oil and gas companies to continue to increase their Exploration & Production investments in order to improve existing reservoirs and regularly replace reserves.
- Client demand is changing as clients use geophysical data in new ways. The geological and geophysical challenges they face require new Geoscience solutions. From the very early exploration phase to the optimization of existing reservoirs, and throughout the entire development and production cycle, the demand for improved understanding of complex subsurface structure is increasing. This requires higher technology content, higher resolution, better illumination, and overall better imaging. In such a market environment, the CGG Group, with its assets, expertise, people and track record, is now firmly established on the three solid technological pillars represented by its Equipment, Acquisition and GGR (Geology, Geophysics & Reservoir) divisions. We benefit from the unique scope of our Geoscience activities, the unrivalled expertise of our imaging teams, our modern worldwide fleet of recently built, high-capacity vessels, the cutting-edge leadership of Sercel on the Equipment market, and our strong commercial positions in key multi-client areas. We believe we are therefore ideally positioned to capitalize on our unique integrated portfolio and to meet our customers' needs for innovative products and services and for global solutions, as achieved recently with BroadSeis and StagSeis and now with Sercel's 508XT land acquisition system.
- Each year, three to four million barrels of new oil have to be found in deeper and more complex geology in order to offset the declining rates of the existing reserves. Gas production from shale rocks, where seismic studies are used to enhance the yield, has developed remarkably well in North America, and may expand to other continents. We expect these fundamental trends to continue to drive increased demand for high-end seismic equipment and services in the medium-term. We believe that we are in a strong position to benefit from these long term trends.

History and development of the Company

CGG was established on July 23, 1931 under the name 'Compagnie Générale de Géophysique', to develop and market geophysical techniques for appraising underground geological resources. Since that time, CGG gradually specialized in seismic techniques adapted to oil and gas exploration and production, while continuing to develop a broad range of other geophysical and geological activities. In 2007, CGG acquired Veritas DGC Inc. and was renamed "Compagnie Générale de Géophysique — Veritas". In 2013, CGG acquired Fugro's Geoscience Division and changed its name to "CGG". CGG is a société anonyme incorporated under the laws of the Republic of France and operating under the French Code de commerce, with a duration until 2030.

Over the course of the last three years, we have completed various acquisitions and disposals which are described under "Management's Discussion and Analysis of Financial Condition and Results of Operations — Factors Affecting our Results of Operations — Acquisitions and Disposals" included elsewhere in this offering circular. Our historical and ongoing capital expenditures and sales of tangible assets are described under "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources" included elsewhere in the offering circular.

Business overview

The following is an overview of the business activities of our Equipment, Acquisition and Geology, Geophysics and Reservoir (GGR) business segments. Our views regarding the state of the market in 2013 and the outlook for 2014 are "forward-looking statements," based upon information available to us on the date of this offering circular and are subject to risks and uncertainties that may change at any time.

Operating revenues data

Revenues by activity

The following table sets forth our consolidated operating revenues by activity in millions of dollars and the total percentage of consolidated operating revenues represented thereby, for the periods indicated:

	Year ended December 31,		
	2013	2012 (restated)	2011 (restated)
		(MUS$)	
Marine Acquisition	1,786	1,310	1,073
Land and Airborne Acquisition	440	568	445
Acquisition Division Production	**2,226**	**1,878**	**1,518**
Multi-client, Basin data and Data Management	585	472	497
Imaging and Reservoir	711	478	442
Geology, Geophysics & Reservoir Division Revenues	**1,296**	**950**	**939**
Equipment Division Production	**1,045**	**1,204**	**1,142**
Eliminated production and others	(801)	(621)	(418)
Total Consolidated	**3,766**	**3,411**	**3,181**

Revenues by region (by location of customer)

The following table sets forth our consolidated operating revenues by region in millions of dollars and the total percentage of consolidated operating revenues represented thereby, for the periods indicated:

	Year ended December 31,					
	2013		2012 (restated)		2011 (restated)	
	MUS$	%	MUS$	%	MUS$	%
North America	872	23%	730	21%	705	22%
Central and South Americas	310	8%	500	15%	641	20%
Europe Africa and Middle East	1,666	45%	1,246	37%	1,134	36%
Asia Pacific	918	24%	935	27%	701	22%
Total Consolidated	**3,766**	**100%**	**3,411**	**100%**	**3,181**	**100%**

The Group's clients can be broadly categorized as national oil companies, international oil companies (the "Majors") and independent companies. In 2013, our top two clients represented respectively 5.1% and 3.9% of consolidated revenues, respectively.

Figures relating to the geophysical market and to the competitive positioning of the Group's Equipment, Acquisition and GGR segments or the activities of these segments provided in this section have been derived from internal Group data.

Acquisition Division

Our Acquisition Division encompasses our geophysical acquisition services offering, including land, marine, airborne and seabed, being operated either directly or through joint ventures. Our worldwide crews operate in all environments. In land and marine environments, they use the latest geophysical equipment manufactured by Sercel.

Total production of the Acquisition Division (including internal and external revenues) amounted to US$2,226 million in 2013, up 19% compared to 2012 (our 2012 revenues did not include the Airborne business, acquired on September 2, 2013, or the vessels acquired from Fugro). The external revenues of the Acquisition Division amounted to US$1,636 million, representing 43% of our consolidated revenue in 2013.

Marine Acquisition Business Line

Overview

With a fleet of 21 seismic vessels at the end of 2013, we provide a complete range of marine seismic 2D and 3D services, focusing mainly on the Gulf of Mexico, the North Sea, West Africa and Brazil, as well as the Asia Pacific region. We also deliver marine seismic contract data acquisition in "frontier" areas and are a pioneer in the Arctic basin, offshore Eastern Africa and in the Black Sea. CGG provides both marine seismic contract data acquisition and multi-client surveys. Since the acquisition of Fugro's geoscience activities, we also provide in-house acquisition and data processing of marine magnetic, gravity and bathymetry in conjunction with seismic surveys or on a stand-alone basis.

Activity description

Marine seismic surveys are conducted through the deployment of submersible cables (streamers) and acoustic sources (airguns) from marine vessels. These streamers are up to 12 kilometers long and carry hydrophone groups normally spaced 12.5 meters apart along the length of the streamer. The recording capacity of a vessel is dependent upon the number of streamers it tows and the number of acoustic sources it carries, as well as the configuration of its data recording system. By increasing the number of streamers and acoustic sources used, a vessel can perform surveys more rapidly and efficiently and acquire better resolution data.

In Marine acquisition, as in Land and Airborne acquisition, we operate under two commercial business models:

- The first business model consists of working on an exclusive contractual basis with the client. The contract generally stipulates that we shall be paid according to a fixed rate, such as a daily fee or a fee per square kilometer acquired. The contract may protect us against operational elements beyond our control, such as bad weather or interference with other activities carried out in the oil field. The client owns the acquired data and pays us on the agreed basis. Our operating income from this activity is the difference between the cost to us and the final price of the survey.
- The second business model consists of a multi-client model, with multiple clients prefunding the acquisition. In this case, the surveying and recording activities are performed by the Acquisition Division as an internal service for the Multi-Client & New Ventures Business Line, which among other things develops and sells a library of geophysical surveys. We remain the owner of the data thus acquired. This activity was fully integrated into our GGR Division in 2013. See "— Geology, Geophysics & Reservoir ("GGR") Division".

Group's fleet of seismic vessels

On December 31, 2013, our fleet consisted of 21 vessels, including 15 3D high capacity vessels (12 or more streamers), 4 mid-capacity 3D vessels (8-12 streamers) and 2 3D/2D vessels of lower capacity.

Each of the *Oceanic Sirius, Oceanic Vega, Geo Coral, Geo Caspian, Oceanic Endeavour, CGG Alizé, Geo Caribbean, Oceanic Phoenix, Oceanic Champion, Viking Vision, Geo Celtic* and *Oceanic Challenger* can notably already deploy more than 12 streamers simultaneously.

The fleet was increased on January 31, 2013 with the acquisition of *Geo Caspian, Geo Caribbean, Geo Celtic, Geo Coral, Geo Atlantic* and *Geo Barents* from Fugro Geoteam, with the expectation that we will keep the first four C-Class vessels, which would contribute to the rejuvenation of our fleet, whereas the two remaining vessels would be returned to their owner at the end of their current charter period. As a result, the *GeoAtlantic* was returned to her owner Rieber Shipping on October 30, 2013.

The *Geo Caribbean* exemplified our technological ability when it acquired the widest spread in the industry towing 8 x 160 m x 12 km in the Gulf of Mexico.

All 3D high capacity vessels are equipped with Sentinel solid streamers, which provide several advantages over liquid streamers, such as acquiring surveys in tougher sea conditions, improving the frequency content and signal-to-noise ratio of the recorded data and minimizing environmental impacts. All of our high capacity vessels can deploy BroadSeis, our broadband marine solution, which combines industry-leading equipment, unique variable depth streamer acquisition techniques and proprietary deghosting and imaging technology. At the end of 2013, half of our fleet was also capable of deploying BroadSource, which, combined with BroadSeis provides the ultimate in broad-bandwidth, ghost-free seismic data, achieving a bandwidth of 2 – 200 Hz.

In order to rapidly refocus on an optimal 3D fleet in the current market, we decided to reduce the number of external source vessels and to use certain of our 2D and 3D vessels as source vessels for Wide Azimuth surveys. As a result:

— The *Bergen Surveyor*, formerly used as a source vessel, was returned to her owner on October 17, 2013;

— The *Geo Barents* and the *Pacific Finder* have been used as source vessels since October 2013;

— The *Vantage*, the *Geowave Voyager* and the *Viking* have also been used as source vessels since December 2013.

In 2013, Bourbon Offshore delivered the first three purpose built support vessels from its six support vessels fleet (support vessels provide seismic vessels with the requisite ancillary services including refueling, crew change, food and equipment delivery, storage, assistance, and support during in-sea maintenance operations). These three vessels (*Bourbon Petrel*, *Bourbon Fulmar* and *Bourbon Gannet*) have been deployed across our fleet to replace less performing support vessels.

Maritime management of the operated fleet

In the framework of our Marine performance plan and our objective of reducing the number of ship managers, we signed a joint venture agreement on April 16, 2013 with Louis Dreyfus Armateurs (LDA), the French ship-owner, creating a single company to manage four of our 3D high capacity vessels, including the *CGG Alizé*, *Oceanic Challenger*, *Oceanic Phoenix* and *Symphony*. This joint venture, named GeofieLD Ship Management Services SAS, is based in Suresnes (France) and is owned at 50% by LDA and 50% by us. This joint venture is now operating, and manages the shipmanagement agreements for the four ships. The incorporation of this joint venture was accompanied by the establishment of a team of specialists fully dedicated to fleet maritime management in order to improve our fleet's performance. This joint venture follows a similar agreement entered into with Eidesvik in 2011.

Ownership status of the operated fleet

We own seven vessels *(Oceanic Challenger, Geowave Voyager*, *Symphony, Geo Coral, Geo Caribbean, Geo Celtic, Princess)*, co-own three ships (*CGG Alizé*, *Oceanic Sirius* and *Oceanic Vega*) and operate the rest of our fleet under charter agreements. In November 2013, we entered into an agreement with Louis Dreyfus Armateurs (LDA) to execute the purchase option on the shares held by LDA in Geomar, which owns *CGG Alizé* vessel. This purchase option will be effective on April 1, 2014.

The following table provides certain information concerning the seismic vessels operated by us as of December 31, 2013.

Vessel name	Year built	Year upgraded	Year joined fleet	Time charter / Bareboat expiry	Extension options(1)	2D/3D	Maximum no. of streamers(2)	Vessel length (m)
CGG Alizé	1999	n.a.	1999	March 2014	n.a.	3D	16	101
Oceanic Challenger	2000	2005	2005	Owned	n.a.	3D	12	91
Princess	1986	2001	2005	Owned	n.a.	2D	3	76
Symphony	1988	1999	2001	Owned	n.a.	3D	12	121
Viking I	1998	2006	2007	December 2015	2 × 3 years + 1 × 17 months	3D	10	93
Viking II(3)	1999	n.a.	2007	May 2015	n.a.	3D	8	93
Viking Vanquish(3)	1999	2007	2007	November 2020	n.a.	3D	12	93
Vantage(3)	2002	n.a.	2007	June 2016	n.a.	3D	10	93
Viking Vision	1993	2007	2007	July 2017	2 × 5 years	3D	14	105
Oceanic Champion	1994	2012	2009	June 2020	n.a.	3D	14	107
Oceanic Phoenix	2000	2011	2009	March 2019	10 × 1 year	3D	14	101
Geowave Voyager	2005	2009	2009	Owned	n.a.	3D	12	83
Oceanic Endeavour	2007	2011	2009	April 2018	2 × 5 years	3D	16	92
Oceanic Vega	2010	n.a.	2010	July 2022	4 × 5 years	3D	20	106
Pacific Finder(3)	2011	n.a.	2011	March 2019	1 × 8 years	3D	4	68
Oceanic Sirius	2011	n.a.	2011	October 2023	4 × 5 years	3D	20	106
Geo Caspian(3)	2010	n.a.	2013	February 2017	4 x 2 years	3D	16	108
Geo Coral	2010	n.a.	2013	Owned	n.a.	3D	16	108
Geo Celtic	2007	n.a.	2013	Owned	n.a.	3D	12	101
Geo Caribbean	2008	n.a.	2013	Owned	n.a.	3D	14	101
Geo Barents	2007	n.a.	2013	July 2014	n.a.	3D	8	77

(1) Number of years.
(2) Tow points.
(3) Includes a purchase option.

The *CGG Alizé*, *Pacific Finder*, *Geo Barents* and *Geo Caspian* are the only vessels under time charter. The other vessels are either fully owned or under bareboat charter. Among those under bareboat charter, the *Oceanic Sirius* and the *Oceanic Vega* are co-owned within Oceanic Seismic Vessels AS and Eidesvik Seismic Vessels AS, respectively.

Competition and market

Five companies — CGG, PGS, WesternGeco, Polarcus and Dolphin — comprised more than 80% of the 3D marine market at the end of 2013.

The arrival of new builds into the market continued at a slower rate than in previous years. As a result, the balance between supply and demand, in terms of capacity, was maintained as some retirements offset the vessels entering the market, keeping the total number of vessels equipped with more than 8 streamers at 62 at the end of 2013. Positive long-term market fundamentals remain as demand for technology continues to increase. This is highlighted by sustained activity in traditional basins and new emerging basins ("frontier areas") including the Arctic, as well as, increased demand for Broadband, Wide-Azimuth ("WAZ"), and 4D surveys. This led to high level of activity during the first half of 2013. Uncertainties about future hydrocarbon prices and about short term budgetary constraints led clients to reduce their needs in terms of marine acquisition in the second half of 2013 and/or to delay some significant projects. This resulted in a lower use of capacity during the fourth quarter of 2013. However, the average price in 2013 remained at the same level as in 2012.

Total marine seismic production (both contract and multi-client surveys) amounted to US$1,786 million in 2013, representing 80% of the Acquisition Division production. It increased 37% compared to 2012 (mostly due to the acquisition of Fugro Geoteam AS in 2013).

72% of our 3D fleet's utilization was dedicated to exclusive marine acquisition contracts. 28% was dedicated to acquiring multi-client surveys, mainly in historical core areas (Gulf of Mexico, Brazil, the North Sea and Angola) and in a new key position over the West Shelf of Australia.

Marine Acquisition strategy

In 2013, we increased our market share in marine seismic acquisition through the acquisition of Fugro's Geoteam vessels, with the aim of rejuvenating our fleet. We believe that our ability to seamlessly deploy BroadSeis technology in the newly acquired vessels, together with the success of BroadSource (broadband marine source) offer, has reinforced our leadership position on the Broadband segment of the market. As an illustration, we achieved the milestone of 120,000 square kilometers of BroadSeis acquisition in 2013.

Going forward we expect to reduce the size of our fleet as necessary in order to remain a worldwide player and to preferentially operate in the high-technology market segment. We believe that this reduction in the size of the operated fleet will enable us to reduce our operational fixed costs and industrial investments and, as a result, reduce the volatility of the financial performance of Marine acquisition from one quarter to the next within a given year.

In parallel, in 2014, we intend to focus on:

- Pursuing the equipment standardization for the entire fleet with BroadSource technology;
- Further reducing the number of maritime maintenance contractors;
- The delivery by Bourbon of the last support vessels from their fleet, to assist our seismic operations;
- Keeping maritime and seismic downtime at low levels; and
- Increasing the vessel efficiency through various cost efficiency initiatives.

Land and Airborne Acquisition Business Lines

Overview

Land acquisition is principally focused on the acquisition and onsite processing of seismic data acquired on land areas. We are one of the main land seismic acquisition contractors operating worldwide, especially in North

America and the Middle East, and particularly in areas requiring specific technologies, Health, Safety and Environment ("HSE") excellence and operational expertise. Our operation in Artic areas, transition zones and high-resolution crews market in North Africa and the Middle East are good examples of our positioning. We now intend to focus on technological differentiation.

Airborne acquisition is principally focused on the acquisition, processing and interpretation of airborne geophysical data on land or offshore, all over the world. We are the largest airborne acquisition contractor, operating worldwide and offering a diverse portfolio of airborne geophysical technologies, with particular emphasis and expertise in electromagnetics and gravity. Our activities are conducted out of operational centers located in Canada, Brazil, South Africa and Australia, and are based on a foundation of HSE excellence.

Land and airborne surveys are performed through exclusive contract activity or non-exclusive multi-client activity.

In 2013, we operated an average of 22 active land crews performing 3D and 2D seismic surveys (19 crews dedicated to exclusive contract surveys and three dedicated to non-exclusive surveys), and a fleet of 29 airplanes since the integration of airborne activities on September 2, 2013. The description of 2013 airborne activities below reflects only the period of September to December.

Activity description

Land operations employ both surveying and recording crews. Surveying crews lay out the lines to be recorded and mark the sites for shot-hole placement or recording equipment location (except for "stackless" operations where the source locations are indicated through integrated GPS capabilities rather than on location by field personnel). Recording crews produce acoustic impulses and record the seismic signals via geophones or hydrophones. The acoustic sources used are mainly vibrators onshore, and air guns or explosives in transition areas. On a land survey where explosives are used as the acoustic source, the recording crew is supported by several drill crews. Drill crews operate ahead of the recording crew and bore shallow holes for explosive charges which, when detonated by the recording crew, produce the necessary acoustic impulse.

Land seismic crews are equipped with advanced equipment and software used for each step of the acquisition process, including Sercel 428XL seismic data recorders, Sercel Nomad 65 and Nomad 90 vibrators, Sercel VE464 vibrator electronic control system used to synchronize and verify the emission of acoustical waves by vibrators, DSU3 Sercel digital 3 components sensors, and Sercel Unite onshore wireless acquisition systems. We also deploy patented high-end vibroseis technologies such as HPVA and V1 which seek to increase significantly the productivity of a crew, or EmphaSeis which seeks to enhance the resolution of the data through broadening the frequency content of the signal emitted. By combining specific acquisition geometries and processing technologies as well as on-site processing software for acquired data, we have a unique capability to offer fully integrated solutions, improving both data quality and turn-around time, thus accelerating the exploration cycle.

Technology and experience enable our Land Business Line to offer high quality, fully integrated land seismic services. We have pioneered the real-time positioning of geophones and seismic sources, quality control of positioning during land surveys, simultaneous shooting technologies and on-site processing, which together increase the accuracy and efficiency of such surveys.

The difficulty of access to survey sites is a major factor in determining the number of personnel required to carry out a survey. A full crew for a land or transition zone survey is highly variable and may range from a total of less than one hundred to a few thousand members (principally composed of local employees in the latter case), and the monthly cost of a survey can range from several hundred thousand to several million dollars per month, depending on the size of the team and the type and difficulty of the survey.

We work closely with clients to plan surveys in accordance with their technical specifications while optimizing the resources required. The contracts concluded to perform such surveys are awarded based on competitive bids or directly negotiated agreements with the clients.

In Saudi Arabia, our land seismic acquisition activities were conducted up to December 31, 2013 through Arabian Geophysical & Surveying Co. ("Argas"), a joint venture owned 49% by us and 51% by TAQA, our local partner. Operations in the Middle East (outside Saudi Arabia) are conducted through Ardiseis FZCO, a joint venture owned 51% by us and 49% by TAQA. On December 31, 2013, we agreed with TAQA to combine at a future date all Middle East land activities under a single joint venture, which will be 51% owned by TAQA.

Since February 2013, seabed acquisitions, previously part of the Land acquisition business line, are now operated through Seabed Geosolutions BV, a joint venture owned 60% by Fugro and 40% by us.

Airborne activity encompasses the collection, processing and interpretation of data related to the earth's surface and the soils and rocks beneath, and provides advice based on the results to clients in the mineral, oil and gas, governmental, engineering and environmental management sectors. We also offer advanced geophysical data processing, interpretation and consulting services in order to provide fully integrated services for our natural resource sector clients.

These services are offered on a global basis. Local knowledge, regulatory understanding, and proximity to the data collection sites are important factors in efficient aircraft operations, so the business line has operational units with complete aviation management facilities and expertise in Canada, Brazil, South Africa, and Australia, supporting data collection activities in their regions. Professional project management standards, ISO 9001:2000 certified quality management system standards and OHSAS 18001 safety management system standards form the operational basis for Airborne services.

We acquire electromagnetic, magnetic, radiometric and gravity data using fixed-wing airplanes and helicopter platforms. We own and operate a fleet of 29 airplanes that have been modified with integrated geophysical measurement systems incorporating elements of internal design and manufacture. Helicopter projects are supported using subcontracted or chartered helicopters, as the geophysical instrument systems designed for use on helicopters can be installed without significant modifications to the aircraft. The Airborne Business Line employs approximately 380 staff world-wide, many of whom are highly experienced geophysicists, geologists, electronics engineers or technicians, field survey operators and aviation professionals.

The geophysical measurement system technology is an important differentiator for some of the airborne geophysical techniques. We maintain a significant commitment to a number of major research and development projects, with particular focus and emphasis on electromagnetic and gravity technologies, through which we continue to develop and improve measurement systems to provide competitive advantage.

In order to ensure our clients are able to extract maximum value from the geophysical measurements, Airborne Business Line provides advanced data processing and interpretation services routinely as part of the contracted activities.

In Land and Airborne acquisition, we operate under two business models:

— The first business model consists of working on an exclusive contractual basis with the client. The contract usually stipulates that we will receive a fixed remuneration per acquired kilometer or square kilometer, on client specifications. The client owns the acquired data and pays us on the agreed basis. Our operating income is the difference between the cost to us and the final price of the survey.

— The second business model consists of operating under a multi-client model, with multiple clients prefunding the acquisition.

— In this case, the surveying and recording activities are performed by the Acquisition Division as an internal service for the Multi-Client & New Ventures Business Line, which among other things develops and sells a library of geophysical surveys. We remain the owner of the data thus acquired. This activity was fully integrated into our GGR Division in 2013. See "— Geology, Geophysics & Reservoir ("GGR") Division".

Competition and market

The land acquisition market is fragmented and extremely competitive with the presence of both international and local players. In addition to CGG, the other significant service providers in the land seismic market are WesternGeco, Global Geophysical Services, BGP, and Geokinetics, and for the shallow water and ocean bottom surveys segments, Seabed Geosolutions BV, our joint venture with Fugro. We have chosen a selective position in the high end of the market, and, when the conditions are appropriate, in partnerships with local players.

In this market, we believe that technology, quality of the crews, services provided and prices are the main differentiators, while the relationship with local suppliers and the expertise of personnel in complex areas are additional advantages.

Our offerings are based on a technology and geographical focus with high-end activities often operated through local partnerships. We have developed a unique expertise in North America's arctic regions (Canada and Alaska) and in the Middle-Eastern and North African deserts.

Those regions hold a strong potential for growth, driven by shale gas, shale oil and heavy oil market trends in North America and the demand for high-end seismic and high-channel count crews in the Middle East and North Africa.

The airborne acquisition market is fragmented and extremely competitive with the presence of a handful of international players, as well as many smaller and regionally focused competitors. In general, primarily due to technical specialization, most competitors have their primary focus and activity in either the mining, oil & gas, or government sectors, but not in all. CGG is the only market player with a strong position in all major market sectors and geographic regions. The diversified market sector and geographic region presence lessens the impact of the historically significant fluctuations in airborne market activity by sector and region.

In the mining and oil & gas sectors, technology, service capability and prices are the main differentiators. For governmental sector work, price and capacity are the main differentiators on projects which are typically large in size and require commoditized technologies.

In 2013, Land activities were affected by several key factors:

- After a strong winter season in the beginning of 2013, the North American market experienced a slowdown that impacted our activity levels;
- Very bad weather conditions in Oman (including flooding, storms, etc);
- In North Africa, despite resilient activity levels, operations were severely impacted by the consequences of the In Ameinas (Algeria) terrorist attack and social unrest in the region; and
- In the Middle East, most of the targeted high-channel count crews were delayed while the unstable political situation in Egypt disrupted our local activity.

Activities for Airborne in the mining sector were limited in 2013, due to low levels of overall expenditure on exploration by both smaller mining companies, who are struggling with an inability to raise capital, and major mining companies, who have been reducing or deferring capital investments and limiting their exploration activities. The oil and gas sector provided a moderate level of airborne activity on a regional basis, with frontier exploration plays in Africa and the Australasia region providing the most significant opportunities. Governmental sector activities for airborne were significant in South America, with low levels elsewhere.

Total Land and Airborne production (both contract and multi-client surveys) accounted for US$440 million in 2013, representing 20% of Acquisition operating revenues.

Land and Airborne Acquisition strategy

We believe our Land Acquisition services occupy a good position in the high-end market and in active regions through strong local partnerships. Our strategy in Land Acquisition remains focused on differentiation and operational excellence rather than market share, avoiding as much as possible commoditized markets. We intend to further reinforce this focus on differentiation and partnerships in 2014.

Our strategy for the Land Acquisition Business Line is therefore to:

- focus its direct presence in certain geographic market niches and core markets, where we have a competitive advantage;
- serve the increasing demand for high-resolution land seismic acquisition and high-end technology specifically visible in the Middle East, through expanded use of UltraSeis broadband solutions;
- reinforce and accelerate the partnership approach, especially in high-end markets, where technology and expertise, combined with the footprint of strong local partners, is seen as a winning strategy, such as in the Middle East with TAQA;
- accelerate, after being awarded the first commercial project in Canada in 2013, the development of our permanent active monitoring solutions (SeisMovie, our patented buried source / receiver technology) allowing oil companies to efficiently and continuously monitor steam injection to optimize production of heavy oil plays; and
- continue to introduce new technologies that allow efficient high resolution acquisition and that leverage the full geoscience portfolio of the Company.

In Airborne Acquisition, we are geographically and technologically well placed, and benefit from our strong presence in the mining, oil and gas and government sectors, positioned to take advantage of any regional opportunities that may arise. Mining sector activity levels are expected to remain relatively low and projects will be subject to price pressure when technological capabilities do not provide differentiation. We believe that our diverse portfolio of electromagnetic measurement systems on fixed-wing and helicopter platforms will allow for differentiation opportunities in some exploration plays.

Airborne activities in the oil and gas sector are expected to be primarily focused on areas of frontier exploration. Our ability to offer both low and high resolution gravity measurement system technologies will allow us to present a range of options on projects, allowing clients to determine the most cost effective technique appropriate for the geological model in their exploration play.

Our Airborne Business Line strategy is focused on differentiation and exploiting advantages of geographic and technological diversity. Areas of focus in 2014 will be to:

- grow oil and gas sector revenue by leveraging the market presence of other business lines, offering a full spectrum of gravity technologies and providing interpretation services to ensure the geological utility of the results;
- exploit differentiation opportunities offered by fixed-wing and helicopter electromagnetic measurement systems in the mining sector; and
- commence a program of aircraft fleet rationalization, with the goal of reducing aircraft types in order to maximize efficiency and maintain consistent global standards.

Geology, Geophysics & Reservoir ("GGR") Division

Overview

With its worldwide footprint, our GGR Division encompasses several activities ranging from developing and licensing multi-client seismic surveys, to processing seismic data, selling seismic data processing and reservoir characterization software (under the *geovation,* Hampson-Russell and Jason brands), providing geoscience and petroleum engineering consulting services, collecting, developing and licensing geological data (through Robertson) and providing data management services and software to our clients. With an extended scope of competencies, our GGR Division plays a key role in identifying and developing integrated services that we can offer to our clients as a full geoscience company.

On January 31, 2013, we acquired the Geoscience Division of Fugro, adding the Robertson, Jason and Data Management Services Business Lines to the GGR Division.

Robertson is a leading geologic consulting company, and perhaps most well known throughout the petroleum and mineral exploration fields for its subscription library of databases and reports. Robertson's offering includes Plate Wizard, its plate tectonics modeling package, its widely used Tellus petroleum play and basin report database and CHEMSCAN and RoqSCAN, which provide mineralogical analyses through electron microscopy. Robertson operates globally in virtually every significant petroleum basin.

Jason is a geophysical software company well known for its advanced software suite that includes solutions for petrophysics, interpretation and analysis, model building, seismic inversion and geostatistical inversion. Clients using the Jason tools in an integrated fashion can perform "seismic to simulation" studies using accurate and predictive reservoir models. Jason also provides reservoir consultancy and software support through its globally distributed employee base.

Data Management Services ("DMS") is a global business providing a continuum of products and services helping its clients maximize the value of their data. DMS offers individual and integrated services in all areas of data asset management and data transformation to clients in or associated with the petroleum business, such as agencies maintaining government petroleum data repositories.

During 2013, the GGR Division integrated these businesses into its offering, bringing them under CGG's systems of control and promoting them under the CGG brand. During the fourth quarter of 2013, the GGR Division began to reorganize in order to maximize efficiency and realize synergies offered by the new businesses, culminating in a new internal structure fully functioning on January 1, 2014. One facet of the reorganization is the combination, within the GeoConsulting and GeoSoftware Business Lines, of the Jason, Robertson and Hampson-Russell consulting operations and software licensing, enabling the GGR Division to bring employees with a wider range of skills to its clients.

After the reorganization, the GGR Division is composed of two Business Lines, the multi-client and new ventures business ("MCNV") and the subsurface imaging and reservoir business ("SIR").

General description of activities

Multi-client and New Ventures ("MCNV")

The MCNV Business Line utilizes the resources of our other business lines as well those of sub-contractors to acquire and process seismic data for itself and licenses that data to its clients.

The licenses are for lengthy terms, the maximum allowable under local law, typically ranging from 5 to 25 years. The licenses are non-transferable, and the data may not be shared with partners who do not own a license. Partnerships of various forms are a common arrangement in difficult and expensive exploration plays. The business model works well in venues where there is one or more of the following: significant levels of competition between oil companies exploring for assets; frequent lease turnover due to government lease rounds or lease trading activity between oil companies; frequent partnering between oil companies; and relatively high costs for seismic data.

The costs of the multi-client surveys are capitalized in our balance sheet. The surveys are then amortized as per our accounting policies in compliance with the industry practices and IFRS rules. Each survey is evaluated separately following the accounting principles described in the note 1 to our consolidated financial statements included in this report.

MCNV operates in marine and land environments on a worldwide basis. Our significant investments were made in the Gulf of Mexico, offshore Brazil, the North Sea and onshore North America. Maps and details of all surveys in our data library are available on our website. At the end of 2013, the library of 3D seismic surveys consisted of approximately 540,000 square kilometers of marine surveys, mainly in the Gulf of Mexico and Brazil, and 66,000 square kilometers of land data, all in North America with a recent focus on shale plays within the United States.

Subsurface Imaging and Reservoir ("SIR")

SIR transforms marine and land seismic data acquired in the field into high quality images of the subsurface that can then be used by our clients in their efforts to find and produce oil and gas. These images provide a means to understand the structure of the subsurface as well as deduce various qualities of the rocks and fluids in those structures. SIR processes seismic data acquired by our land and marine seismic acquisition crews as well as seismic data acquired by non-affiliated third parties. In addition, SIR reprocesses previously processed data using new techniques to improve the quality of seismic images.

Process capabilities include 2D cross-sections and 3D volumes of data acquired; through repeated acquisition and processing of seismic data in the same location we are also able to deliver a time-lapse (4D) view of changes in the reservoir due to production. Along with conventional processing and reprocessing, SIR is involved in reservoir-applied geophysics, that is integrated reservoir studies from rock property description to full reservoir simulation.

SIR conducts its seismic imaging operations out of five large international centers located in Houston (USA), Massy (France), Crawley (England), Singapore and Calgary (Canada) and from 25 regional and local centers open to all clients. In addition to this open network, SIR operates 12 centers each dedicated to serving a specific client. This geographic spread of centers allows for a great amount of personal collaboration with our clients as we jointly seek to produce the best subsurface images.

Demand for our imaging services, especially our high end services, has grown consistently for many years. Our technology and expertise allow oil companies to explore complex structures such as the subsalt Gulf of Mexico. The industry-wide push toward high resolution acquisition, continuing exploration in regions where the targets are difficult to image, and SIR's continuing advancement of imaging technology should foster that growth trend.

In addition to subsurface imaging, SIR offers geophysical consulting services and software services. Using seismic data in conjunction with other information such as well logs, we are able to determine various rock and fluid properties and generally characterize oil and gas reservoirs for our clients. SIR teams of scientists are made available to perform geophysical and geological interpretations, assisting clients in creating subsurface models used in reservoir exploitation and optimization. SIR also sells seismic data processing software, under the

geovation brand and sells software for reservoir characterization, interpretation, and modeling under the Hampson-Russell and Jason brands, allowing clients to produce these reservoir studies. Research and development within these commercialized technologies is continuously ongoing.

In addition to geophysical data, SIR, under the Robertson brand, develops and maintains large libraries of various types of geological data covering most geographic areas of interest to petroleum and mining companies. SIR licenses this data to clients, who generally use it in the early stages of their exploration efforts, often as a pre-cursor to seismic exploration. SIR geologists and other geo-professionals also engage in many types of proprietary studies for clients.

Finally, SIR is engaged in the business of providing data storage and retrieval solutions to oil companies and government agencies involved in the storage of oil related data. The explosion in volume of data of all types in recent years makes this activity an interesting area for future growth.

Competition and market

In the multi-client data arena, GGR's main competition comes from Schlumberger, PGS and TGS. Competition in the multi-client business is focused on location and availability of surveys, technology used in acquisition and processing, and to a lesser degree price.

A particularly noteworthy survey acquired in 2013 is the large IBALT survey designed to image difficult subsalt targets in the Garden Banks area of the Gulf of Mexico. With IBALT, MCNV has utilized StagSeis, where full azimuth, long offset, broadband acquisition and high end processing have been combined to create a survey with unparalleled sub-salt image quality. Due to client interest, a contiguous survey will be added to the original IBALT beginning in the first quarter of 2014. When complete, both surveys will cover approximately 20,000 square kilometers and numerous blocks to be auctioned in 2015, 2016 and 2017.

In 2013, MCNV completed the three-year acquisition of its Marcellus survey in Pennsylvania, which we believe to be the largest contiguous land survey ever acquired in the continental United States, covering 2,520 square kilometers. Sercel's UNITE system proved indispensable in acquiring data in the rugged terrain.

MCNV acquired two new BroadSeis / BroadSource surveys, totaling over 7,000 square kilometers, adding to its strategic set of Cornerstone surveys in the United Kingdom sector of the North Sea. Although there are a plethora of companies offering seismic data processing, generally only in a limited market, the main competitors to GGR on a global basis are Schlumberger and PGS.

The subsurface imaging and reservoir sector is led by CGG and WesternGeco. This market is characterized by greater client loyalty than the acquisition sector, as evidenced by the presence of subsurface centers on client premises. Processing capacity has multiplied in recent years as a result of improvements in computing technology. This increase in computing power has allowed improved processing quality and deadlines, as well as the use of more complex and accurate algorithms.

Competition in the high end of seismic imaging, where the GGR Division focuses its business, is almost exclusively based on technology and service level, where we feel we have differentiation. With our focus on reducing processing time as well as using more complex and accurate algorithms, we continue to increase our computing capacities through the use of innovative advances in technology.

GGR occupies a strong position in the relatively narrow market of seismic reservoir characterization software (Hampson-Russell and Jason). The overall seismic and geological interpretation software market is dominated by Schlumberger and Halliburton. Likewise, GGR has no major, global, competitor for its geological database business. In addition, GGR's reservoir consulting business competes head to head with many local players.

In the GeoSoftware business, we compete against Schlumberger and Landmarks who benefit from historical presence. In the GeoConsulting business, we mainly compete against Schlumberger.

GGR revenues in 2013 amounted to US$1,295 billion in 2013, an increase of 36% compared to 2012. GGR revenues represented 34% of the consolidated revenues in 2013. MCNV generated US$585 million of this revenue (a 24% increase compared to 2012) and SIR generated US$710 million (a 49% increase compared to 2012).

MCNV made a gross investment in seismic data library of US$562 million in 2013, with a cash prefunding rate of 69% (58% gross prefunding rate). After sales revenue, revenue from completed surveys, was US$260 million in 2013. The net book value of the sole multi-client library reached US$783 million at the end of the year.

GGR strategy

Our strategy for the GGR Division in 2014 is to:

- Continue to invest significantly in multi-client surveys in the Gulf of Mexico and Brazil where our clients are deeply engaged in exploration and production operations in difficult deep water environments;
- Continue to invest in research and development and people to maintain our lead in high end imaging and advance our software offering; and
- Develop the recently acquired additions to our reservoir and geological operations.

Equipment Division

Overview

We conduct our equipment development and production operations through Sercel and its subsidiaries. Sercel is the market leader in the development and production of seismic equipment in the land and marine seismic markets. Sercel makes most of its sales to purchasers other than CGG. As of December 31, 2013, Sercel operated seven seismic equipment manufacturing facilities, located in Nantes and Saint Gaudens in France, Houston and Tulsa in the United States of America, Alfreton in England, Krimpen aan de Lek in The Netherlands and Singapore. In China, Sercel operates through Hebei Sercel-JunFeng Geophysical Prospecting Equipment Co. Ltd. (“Sercel-Junfeng”), based in Hebei, in which Sercel has a 51% equity stake. In addition, four sites in Toulouse, Les Ulis, Toulon and Brest (France) are dedicated to borehole tools (for the first two sites), marine sources and submarine acoustic instrumentation, respectively.

General description of activities

Sercel sells its equipment and offers customer support services including training on a worldwide basis. It relates to a complete range of geophysical equipment for seismic data acquisition, including seismic recording equipment, software and seismic sources either for land (vibrators) or marine (air guns). Sercel also supplies its clients with integrated solutions.

With respect to land acquisition equipment, the 428XL was launched on November 2005 as a successor to the 408UL system. This 400 product series represents the market standard. The 428XL continues the characteristics that made the 408 a success, such as an evolutive architecture and the option of mixing different communication media (cable, radio, micro-wave, laser and fiber-optic) to form a true network allowing the user to define data routing and hence avoid obstacles in the field. In addition, the 428XL offers enhanced possibilities in multi-component and in high density, methods which are increasingly required to obtain a high resolution image.

In the fall of 2013, Sercel launched its new 508XT system, which introduces a new paradigm in land seismic acquisition by offering high count channels crews the ability to record up to one million channels in real time, resulting in a new level of image resolution.

The 508XT is the first member of Sercel’s new generation of state-of-the-art land seismic acquisition systems designed to drive crew productivity, operating flexibility and data quality to a new level.

Both the 428 and 508XT systems can be used with the digital sensor unit (DSU) featuring one or three component digital sensors based on MicroElectroMechanicalSystems (MEMS). Sercel also introduced, along with its new acquisition system, QuietSeis, a new, high-performance digital sensor based on next-generation MEMS, allowing seismic signals to be recorded with three times less instrument noise than before.

The 508XT architecture combines the best of both cabled and wireless technologies with the Unite Technology. Sercel launched a new and more compact version of the Unite in 2012 to meet the increasing popularity of wireless systems.

Sercel is also a market leader for vibroseismic vehicles used as seismic source in land and for vibrator electronic systems VE 464. Sercel’s latest vibrator family, called Nomad, offers high reliability and unique ergonomic features. Nomad is available with either normal tires or a tracked drive system. The track drive system allows Nomad vibrators to operate in terrain not accessible to vehicles with tires. In sand dunes or arctic

conditions, this can improve crew productivity. The Nomad was designed to optimize reliability and maintenance in order to allow an intensive use on the field. Sercel also offers the Nomad 90 which is capable of exerting a peak force of 90,000 pounds and is believed to represent the heaviest vibrator on the market.

In addition to recording systems, Sercel develops and produces a complete range of geophysical equipment for seismic data acquisition and other ancillary geophysical products such as geophones, cables and connectors. The acquisition of a 51% stake in Sercel-JunFeng, based in China, in 2004, reinforced our manufacturing capabilities for geophone, cables and connectors, as well as our presence on the Chinese seismic market. In the fall of 2012, Sercel introduced the SG5 geophone featuring a low natural frequency.

In the down-hole domain, Sercel is offering its latest generation VSP tool, MaxiWave. Sercel built on its diversification into the well environment and more specifically the artificial lift in acquiring Geophysical Research Corporation in January 2012.

With respect to marine equipment, the Seal system capitalizes on the 428 architecture and electronics as well as on the latest streamer manufacturing methods. The Seal is currently the sole system with integrated electronics. In 2005, Sercel launched the Sentinel solid streamer that is the outcome of the technological synergies realized in acquisitions performed in recent years. The Sentinel cables have become a market standard and are used to equip a majority of new seismic vessels. The Sentinel RD is another generation of the Sentinel solid streamer which offers a reduced diameter and lower weight. In June 2013, Sercel introduced the Sentinel MS which is a Sentinel with multi-sensors together with two additional acceleration components, providing directive measurement for both cross line and vertical wave front. This streamer technology delivers multi-sensors data sets for enhanced broadband imaging.

The marine range of products has been further improved recently with the launch of SeaProNav, a navigation software allowing the real-time positioning of streamers, after the launch of the Nautilus in 2009, a totally integrated system for positioning seismic streamers.

The SeaRay is an ocean bottom cable offered under several configurations for depth of 100 to 500 meters. This cable is based on the 428 family acquisition systems technology and allows multi-components recording owing to its DSU 3 components.

In 2010, Sercel, through Optoplan, delivered to a client a first permanent seabed recording system with fiber optic cable.

Throughout its recent history, Sercel significantly expanded its product range and increased its market share in the seismic equipment industry, by combining its strong organic growth with a dynamic strategy of external growth, focused on the acquisition of complementary businesses or gaps in technology. Sercel acquired in October 2003 Sodera SA, a leading provider of air gun sources used mainly in marine seismic data acquisition and in 2004 with the acquisitions of a division of Thales Underwater Systems Pty Ltd. that developed and manufactured surface marine seismic acquisition systems, particularly solid streamers, and seabed marine seismic acquisition systems, Orca Instrumentation specialized in sub marine acoustics and of Createch in the borehole tools domain. In September 2006, Sercel acquired Vibration Technology Ltd, a Scottish company specialized in wireless systems. In May, 2008, Sercel acquired Metrolog, specialized in down-hole gauges, and in December 2008, Sercel acquired Quest Geo Solutions, a UK company focusing on navigation software. Early in 2009, Sercel acquired Optoplan, the Norwegian subsidiary of Wavefield specialized in permanent seabed recording systems using fiber optic technology. In January 2012, Sercel acquired the assets of Geophysical Research Corporation, a company specialized in downhole sensors and gauges for the oil and gas industry. Following the Geoscience Acquisition, De Regt, a manufacturer of marine cables, also entered Sercel's perimeter. In November 2013, Sercel acquired the assets of Schindler SynTec GmbH & Co. KG, part of the Schlinder group, which is specialized in the development of ropes based on synthetic fiber impregnated with resin for cables.

As a result of these acquisitions, Sercel is a market leader in the development and production of both marine and land geophysical equipment. It is a global provider for the seismic acquisition industry with a balanced industrial position in terms of both product range and geographical presence on the shores of the Atlantic and in Asia Pacific.

Competition and market

We estimate that the worldwide demand for geophysical equipment decreased by 3% in 2013. This decrease was mainly due to a weakness of demand for land seismic equipment due to delays in high-channel count

supercrews operating in the Middle East. Marine demand decreased slightly with a lower number of new build vessels partly offset by the increase of the replacement market. We estimate Sercel's market share to be around 55%.

The principal competitor for the manufacture of marine seismic equipment is Ion Geophysical Inc. For land products, the main competitors are Inova (a joint venture between BGP and Ion Geophysical Inc) and Geospace Technologies Corporation. The market for seismic survey equipment is highly competitive and is characterized by continual and rapid technological change. We believe that technology is the principal basis for competition in this market, as oil and gas companies have increasingly demanded new equipment for activities such as reservoir management and data acquisition in difficult terrain. Oil and gas companies have also become more demanding with regard to the quality of data acquired. Other competitive factors include price and customers' support services.

The total production of the Equipment Division (Sercel), including internal and external revenues, amounted to US$1,045 million, a 13% decrease compared to 2012.

Sercel external revenue amounted to US$834 million, a decrease of 13% compared to 2012, and representing 22% of our consolidated revenue in 2013.

Equipment strategy

Sercel plans to use continuous and intensive research and development efforts, combined with dedicated business acquisitions, to expand Sercel's range of seismic acquisition equipment with advanced technology. Seismic equipment market estimates are deeply impacted by the weight of the high channel count crews (from US$50 million to US$150 million for a given crew depending upon the relevant client configuration).

Seasonality

Our land activity tends to increase in North America in the first quarter of the year due to the Alaskan and Canadian winter season (frozen grounds) but significantly decreases thereafter.

Our marine seismic acquisition activities are seasonal in nature. We generally experience decreased revenues in the first and fourth quarter of each year due to the effects of weather conditions in the Northern Hemisphere and to the fact that our principal clients are generally not prepared to fully commit their annual exploration budget to specific projects during that period.

We have historically experienced higher levels of activity in our equipment manufacturing operations in the fourth quarter as our clients seek to fully deploy annual budgeted capital. The same happens in our multi-client activity with oil and gas companies that seek to fully deploy their exploration budget in the last quarter of the year.

Intellectual property

We continually seek the most effective and appropriate protection for our products, processes and software and, as a general rule, will file for patent, copyright or other statutory protection whenever possible. Our patents, trademarks, service marks, copyrights, licenses and technical information collectively represent a material asset to our business. However, no single patent, trademark, copyright, license or piece of technical information is of material importance to our business when taken as a whole. These patents last up to 20 years, depending upon the date filed and the duration of protection granted by each country.

Competition

Most contracts are obtained through a competitive bidding process, which is standard for the industry in which we operate. Important factors in awarding contracts include service quality, technological capacity, performance, reputation, experience of personnel, customer relations and long-standing relationships, as well as price. While no single company competes with us in all of our segments, we are subject to intense competition with respect to each of our segments. We compete with large, international companies as well as smaller, local companies. In addition, we compete with major service providers and government-sponsored enterprises and affiliates. Some of our competitors operate more data acquisition crews than we do and have substantially greater financial and other resources. See "- Business Overview" for a discussion of the competitive factors in each of our business segments.

Organizational structure

CGG SA is the parent company of the CGG Group. Its principal subsidiaries are as follows:

Subsidiary	Jurisdiction of Organization	Head office	% of interest
Sercel SA	France	Carquefou, France	100.0
CGG Services SA	France	Massy, France	100.0
CGG Holding B.V.	Netherlands	Amsterdam, the Netherlands	100.0
CGG Marine Resources Norge AS	Norway	Oslo, Norway	100.0
CGG Marine B.V.	Netherlands	Amsterdam, the Netherlands	100.0
Sercel, Inc.	United States	Oklahoma, USA	100.0
CGG Holding (U.S.) Inc.	United States	Delaware, USA	100.0
CGG Services (U.S.) Inc.	United States	Delaware, USA	100.0
CGG Land (U.S.) Inc.	United States	Delaware, USA	100.0
CGGVeritas Services de Mexico SA de CV	Mexico	Mexico City, Mexico	100.0
CGG do Brasil Participaçoes Ltda.	Brazil	Rio de Janeiro, Brazil	100.0
CGG Services (UK) Ltd	UK	Crawley, UK	100.0
CGG Services (Singapore) Pte. Ltd	Singapore	Singapore	100.0
Ardiseis FZCO	Dubai	Dubai, UAE	51.0

Property, plant & equipment

The following table sets forth certain information relating to the principal properties of CGG Group as of December 31, 2013:

Location	Type of facilities	Size (sq.m.)	Owned/ Leased	Lease expiration date
France, Paris	Headquarters of CGG SA	1,655	Leased	2016
Geophysical Services (Acquisition and GGR Divisions)				
Angola, Luanda	Offices of CGG Explo Branch and Data processing center	300	Leased	2015
Australia, Perth	Registered office of CGG Services (Australia) Pty Ltd and Data processing center	1,580	Leased	2014
Australia, Perth	Offices	1,562	Owned	N/A
Australia, Jandokot Airport,Perth	Warehouse	6,276	Leased	2014
Brazil, Rio de Janeiro	Registered office of CGG Do Brazil Participacoes LTDA and Data processing center	1,522	Leased	2016
Brazil, Rio de Janeiro	Warehouse	470	Leased	2015
Canada, Calgary	Registered office of Hampson Russell Ltd Partnership and Data processing center	9,268	Leased	2015
Canada, Calgary	Land Operation offices (Canada)	21,800	Leased	2014
Canada, Calgary	Warehouse	5,070	Leased	2015
Canada, Ottawa	Offices and warehouse	2,555	Owned	N/A
Canada, Toronto	Offices and warehouse	3,448	Leased	2018
China, Beijing	Office of CGG Services Technology (Beijing) Co, Ltd and Research and development center	533	Leased	2014
China, Beijing	Offices	677	Leased	2015
England, Redhill	Administrative offices and Operations computer hub	1,884	Leased	2029
England, Crawley	Crompton Way Offices of CGG Services (UK) Ltd. and Data processing center	9,290	Leased	2028
England, Swanley	Offices	1,381	Leased	2014

Location	Type of facilities	Size (sq.m.)	Owned/ Leased	Lease expiration date
England, Wallingford	Offices and warehouse of Robertson	1,323	Leased	2022
France, Massy	Registered office of CGG Services SA and Data processing center	17,850	Leased	2020
France, Massy	CGG University	1,488	Leased	2020
France, Arpajon	Offices and warehouse	8,000	Leased	2015
India, Mumbai	Registered office of CGG Services India Pvt Ltd and Data processing center	1,675	Leased	2018
Indonesia, Jakarta	Registered office of PT Veritas Mega Pratama and Data processing center	967	Leased	2016
Malaysia, Kuala Lumpur, Kuching	Registered office of CGG Services (Malaysia) Sdn Bhd and Data processing center	1,328	Leased	2014
Mexico, Villahermosa	Data processing center and offices	1,700	Leased	2015
Mexico, Mexico City	Registered office of CGGVeritas Services de Mexico SA de CV	570	Leased	2014
Netherlands, Amsterdam	Offices	487	Leased	2017
Netherlands, La Hague	Offices	3,160	Leased	2022
Nigeria, Lagos	Registered office of CGG (Nigeria) Ltd and offices of Veritas Geophysical (Nigeria) Ltd	800	Leased	2015
North Wales, Anglesey	Data management Solutions	4,362	Owned	N/A
North Wales, Llanfairfechan	Data management Solutions	1,768	Leased	2014
North Wales, Lhanrhos	Offices and laboratories	78,785	Leased	2016
North Wales, Conwy	Offices/storage facility	2,829	Owned	N/A
Norway, Oslo, Høvik	Offices of CGG Marine Resources Norge AS, CGG Services Norge (branch) and Data processing center	2,250	Leased	2014
Norway, Skoyen, Oslo	Offices and Data Processing Center	9,320	Leased	2020
Norway, Bergen	Offices of CGG Services (Norway) AS, Wavefield Inseis AS, Exploration Vessel Resources and Exploration Investment Resources II AS	7,648	Leased	2019
Russia, Moscow	Registered office of CGG Vostok and Data processing center	760	Leased	2015
Russia, Moscow	Offices	951	Leased	2015
Scotland, Aberdeenshire	Birchmoss offices	3,065	Leased	2016
Scotland, Aberdeenshire	Inverrurie offices	2,348	Leased	2014
Singapore	Registered office of CGG Services (Singapore) Pte. Ltd. and Data Processing Center	8,183	Leased	2019
Singapore	Logistic Marine Warehouse	6,550	Leased	2022
South Africa	Warehouse and offices	1,928	Leased	2015
Switzerland, Geneva	Registered office of CGG International	606	Leased	2017
Thailand, Bangkok,	Offices of CGG Services SA (branch)	567	Leased	2016
USA, Houston, Texas	Principal executive offices of CGG Services (U.S.) Inc. and data processing center	29,805	Leased	2020
USA, Okanella Street, Houston	Offices	2,415	Leased	2015
USA, Hillcroft, Houston	Offices	74,712	Leased	2014
USA, Schulenburg	Warehouse	28,230	Owned	N/A
Venezuela, Caracas	Head office of EXGEO CA	315	Leased	2015
Vietnam, Vung Tau City	Offices	300	Leased	2015
Equipment				
Canada, Calgary	Offices and warehousing premises of Sercel	3,995	Owned	N/A
China, Xu Shui	Manufacturing and research and development facilities	59,247	Owned	N/A

Location	Type of facilities	Size (sq.m.)	Owned/ Leased	Lease expiration date
France, Carquefou	Sercel manufacturing and research and development facilities recording equipment (land and marine)	25,005	Owned	N/A
France, Saint Gaudens	Sercel manufacturing and research and development facilities	23,051	Owned	N/A
USA, Houston, Texas, (ParkRow, Fallstone A)	Offices and manufacturing premises of Sercel	33,932	Owned	N/A
USA, Houston, Texas	Offices and manufacturing premises of Sercel	14,256	Owned	N/A

We also lease other offices worldwide to support our operations. We believe that our existing facilities are adequate to meet our current requirements.

Information concerning our seismic vessels is set out under "Business Overview — Acquisition Division — Marine Acquisition Business Line" above.

Environmental matters and safety

Our operations are subject to a variety of laws and regulations relating to environmental protection and human health and safety. We invest financial and managerial resources to comply with such laws and regulations. Such expenditures historically have not been material to us, and we believe that we are in compliance in all material respects with applicable environmental laws and regulations. Such laws and regulations change frequently, however, which can prevent us from predicting the impact of new laws and regulations on our future operations. We are not involved in any legal proceedings concerning environmental matters and are not aware of any claims or potential liability concerning environmental matters that could have a material adverse impact on our business or consolidated financial condition.

CGG has a structured approach to Health, Safety, Security and Environment (HSE), built on our HSE management system. The HSE management system is consistent with the Oil & Gas Producers (OGP) Guidelines for the Development and Application of Health, Safety and Environment management systems which has become a de facto industry standard. The HSE management system is implemented across our activities; it has a wide scope including the health, safety and security of our permanent employees, our seasonal employees and our sub-contractors working on our projects, as well as the environmental impact of all of our projects and facilities.

A dedicated HSE organization comprising 140 professionals supports the operating divisions in all aspects of the management system, from risk identification and control through training and communication to emergency response in the event of an incident. This professional staff, which is widely distributed across our business, monitors the local regulatory environment in HSE and assists our line management in putting the necessary compliance measures in place.

Legal proceedings

From time to time we are involved in legal proceedings arising in the normal course of our business. We do not expect that any of these proceedings, either individually or in the aggregate, will result in a material adverse effect on our consolidated financial condition or results of operations.

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

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

We do not expect this matter to have any material impact on our results of operation, financial position, or cash flows.

ONGC arbitration

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

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Directors and Senior Management

Board of Directors

Under French law, the Board of Directors determines our business strategy and monitors its implementation. The Board of Directors deals with any issues relating to our affairs, pursuant to the powers granted to it by the Ordinary Shareholders' Meeting. In particular, the Board of Directors prepares and presents our year-end accounts to our Ordinary General Shareholders' Meeting. Our Board of Directors consists of between six and fifteen members elected by our shareholders. Under French law, a director may be an individual or a legal entity for which an individual is appointed as permanent representative.

Our *statuts* (memorandum and articles of association) provide that each director is elected for a four-year term by the Ordinary General Shareholders' Meeting. There is no obligation for directors to be French nationals. According to French corporate law, a physical person may simultaneously hold the office of director in no more than five *sociétés anonymes* whose registered offices are located on French territory, subject to certain exceptions. Pursuant to the Board's internal regulations each director is required to own at least 500 of our shares.

Directors are required to comply with applicable law and our *statuts*. Under French law, directors are responsible for actions taken by them that, *inter alia,* are contrary to the Company's interests. They may be held liable for such actions both individually and jointly with the other directors.

The following table sets forth the names of our current Directors, their positions, the dates of their initial appointment as Directors and the respective expiry dates of their current term. As Mr. Brunck will soon reach the age limit set by our articles of association for the Chairman, the Board on March 26, 2014 unanimously decided to appoint Rémi Dorval, currently a Director, to succeed him as Chairman. This decision will take effect at the end of the next Annual Shareholders' Meeting which is due to be held on June 4, 2014, subject to the renewal of Mr. Dorval's term of office by the shareholders' meeting. The Board renewed for a period of three years Jean-Georges Malcor's term of office as CEO, which expires on June 4, 2014 so that he can implement our performance and strategic repositioning plan.

Name	Position	Initially appointed	Term expires(8)	Number of shares/ ADS held as of December 31, 2013
Robert Brunck(1)(2)	Chairman	1998	2016	192,772 shares
Jean-Georges Malcor	Chief Executive Officer & Director	2011	2015	37,360 shares
Olivier Appert(1)(3)	Director	2003	2016	2,677 shares
Loren Carroll(4) *(independent director)*(6)	Director	2007	2017	500 ADS
Rémi Dorval(2)(3)(4)(7) *(independent director)*(6)	Director	2005	2014	580 shares
Agnès Lemarchand(3)(4)(5) *(independent director)*(6)	Director	2012	2017	595 shares
Gilberte Lombard(4) *(independent director)*(6)	Director	2011	2015	583 shares
Hilde Myrberg(2)(3) *(independent director)*(6)	Director	2011	2015	500 shares
Robert Semmens(1)(3)	Director	1999	2015	2,992 shares & 965 ADS
Kathleen Sendall(2)(5)(7) *(independent director)*(6)	Director	2010	2014	500 ADS
Daniel Valot(1)(4)(5)	Director	2001	2016	2,243 shares
Terence Young(2)(5) *(independent director)*(6)	Director	2007	2017	500 ADS

(1) *Member of Strategic Committee.*

(2) *Member of Technology Committee.*

(3) *Member of Appointment-Remuneration Committee.*

(4) *Member of Audit Committee.*

(5) *Member of Health, Safety, Environment & Sustainable Development Committee.*

(6) *Independent director within the meaning of the governance Code of the Association Française des Entreprises Privées — Mouvement des Entreprises de France. See "Item 6: Directors, Senior Management and Employees — Board Practices".*

(7) *Renewal of this term of office will be proposed to the Annual General Meeting to be held on June 4, 2014.*

(8) *All current Directors have been appointed pursuant to article L.225-17 of French Commercial Code.*

Mr. Robert Brunck, 64, has been the Chairman of our Board of Directors since May 1999 and served as Chief Executive Officer until June 30, 2010. From September 1998 to May 1999, Mr. Brunck served as Vice Chairman and President and from February 1995 to September 1998, as President and Chief Operating Officer. Mr. Brunck also served as Vice President of Administration and Development from 1991 to 1995 and Chief Financial Officer from 1989 to 1991. He is Chairman of the *Association pour la Recherche et le Développement des Méthodes et Processus Industriels,* Director of the *Centre Européen d'Education Permanente*, Director of the *Ecole Nationale Supérieure de Géologie*, Director of the *Bureau of Geological and Mining Research*, Director of the *Groupement des Entreprises Parapétrolières et Paragazières — Association Française des Techniciens du Pétrole (GEP — AFTP)*, and Director and a member of the Appointment and Remuneration Committee of Nexans.

Mr. Jean-Georges Malcor, 57, has been Chief Executive Officer of CGG SA since June 30, 2010 and a Director of CGG SA since May 4, 2011. From January 1, 2010 to June 30, 2010, he served as President of CGG. Mr. Malcor began his career at the Thales group as an acoustic engineer (1983-1987) in the Underwater Activities division, where he was in charge of hydrophone and geophone design and towed streamer programs. He then moved to Sydney-based Thomson Sintra Pacific Australia, becoming Managing Director of the company in 1990. Mr. Malcor became Director of Marketing & Communications (1991), then Director, Foreign Operations of Thomson Sintra Activités Sous-Marines (1993). In 1996, he was appointed Managing Director of Thomson Marconi Sonar Australia which was, in addition to its military activities, the lead developing company for the solid geophysical streamer. In 1999, he became the first Managing Director of the newly formed joint venture Australian Defense Industry. During this time he operated the Sydney based Wooloomooloo Shipyard (the largest dry dock in the southern hemisphere). In 2002, he became Senior Vice President, International Operations at Thales International. From 2004 to 2009, he was Senior Vice President in charge of the Naval Division, supervising all naval activities in Thales, including ship design, building and maintenance. In January 2009, he became Senior Vice President in charge of the Aerospace Division. In June 2009, he moved to the position of Senior Vice President, Continental Europe, Turkey, Russia, Asia, Africa, Middle East, and Latin America. He also serves as Chairman of the Board of Directors of Sercel Holding SA, a member of the Board of Directors of Ardiseis FZCO, of the Arabian Geophysical and Surveying Company (ARGAS) and of Seabed Geosolutions B.V. He is also a Director, member of the Audit Committee and member of the Supervisory Board of STMicroelectronics, a member of the Supervisory Board of Fives SA, General Manager of SCI l'Australe, Chairman of the Board of Directors of *Universcience Partenaires*, and a Director of Oceanides association.

Mr. Olivier Appert, 64, has been Chairman and Chief Executive Officer of IFP Energies Nouvelles (previously named the French Petroleum Institute (Institut Français du Pétrole, or IFP)) since April 2003. Mr. Appert was President for long-term co-operation and energy policy analysis within the International Energy Agency until October 1999. He is also a Director, a member of the Strategic Committee and a member of the Ethics & Governance Committee of Technip, and a Director, a Member of the Audit Committee, a Member of the Strategic Committee and a Member of the Nuclear Commitments Monitoring Committee of EDF.

Mr. Loren Carroll, 70, joined our Board of Directors on January 12, 2007. Until that date, Mr. Carroll had been a Director of Veritas since 2003. Mr. Carroll is currently a financial and strategic business consultant. Until his retirement in April 2006, Mr. Carroll was President and Chief Executive Officer of M-I Swaco LLC. and was also Executive Vice President of Smith International, Inc. Mr. Carroll joined Smith International in December 1984 as Vice President and Chief Financial Officer. In January 1988, he was appointed Executive Vice President and Chief Financial Officer of Smith International and served in that capacity until March 1989. Mr. Carroll then rejoined Smith International in 1992 as Executive Vice President and Chief Financial Officer. Smith International held a 60% interest in M-I Swaco L.L.C. Until 2010, he was a Director of Smith International and a member of the Supervisory Board of CGG Holding BV. Mr. Carroll currently serves as a Director, a member of the Audit Committee, a member of the Compensation Committee and Chairman of the Nominating and Corporate Governance Committee of Forest Oil Corporation and Lead Director, member of the Compensation Committee and a Chairman of the Nominating and Corporate Governance Committee of KBR Inc.

Mr. Rémi Dorval, 62, is Chairman of *La Fabrique de la Cité*. Until 2010, he was Chief Executive Officer and Director of Soletanche-Bachy Entreprise, Senior Executive Vice President of Soletanche Freyssinet, Director, Chairman and Chief Executive Officer of Solétanche Bachy France, Chairman of Forsol, Chairman of SB 2007, a Director of SHPIC, Bachy Soletanche Holdings, SBUSA, Soldata Iberia and Nicholson. He was also a member of the Supervisory Board of CGG Holding BV. As of December 31, 2013, he was Executive Vice President of VINCI, a company listed on Euronext Paris.

Ms. Agnès Lemarchand, 59, joined our Board of Directors on September 21, 2012. She graduated from ENSCP (French engineering school), obtained a Master degree from MIT (chemical engineering) and an MBA from INSEAD. She started her career as a development engineer and production manager within Rhone-Poulenc Santé. In 1986, she was appointed Chief Executive Officer of Industrie Biologique Française, a company of the Rhone Poulenc Group in the US. In 1992, she joined the group Ciments Français as Chief Executive Officer of Prodical. In 1997, she joined the Lafarge Group. From 1999 to 2004, she was Chief Executive Officer of Lafarge Lime, the lime business worldwide for Lafarge. In 2005, she led an MBO on the UK lime business and founded Steetley Dolomite Ltd of which she still is Executive Chairman. She currently serves as member of the Supervisory Board, member of the Appointment-Remuneration Committee, member of the Strategy and Investments Committee of Areva, as well as Director and member of the Financial Statements Committee of Saint Gobain, member of the Supervisory Board (two companies listed on Euronext Paris). She is also member of the Supervisory Board, representative of the *Banque Publique d'Investissement (ex-Fonds Stratégique d'Investissement)*, member of the Audit Committee, member of the Appointment and Remuneration Committee of SICLAE and Member of the French *Conseil Economique, Social et Environnemental*.

Ms. Gilberte Lombard, 69, joined our Board of Directors on May 4, 2011. She held various financial positions within HSBC France (formerly Credit Commercial de France) from 1990 until her retirement in February 2011. She began her career as a financial analyst and then joined the M&A department of Credit Commercial de France. After Credit Commercial de France was privatized in 1987, she became the investor relations officer in charge of relationships with financial analysts and institutional investors. She also coordinated the information policy for both major bank shareholders and individual bank shareholders from 1987 to 2000. In 2000, she was appointed as head of financial transactions in charge of structuring and implementing sales, acquisitions and mergers for HSBC France (which by now had taken over Credit Commercial de France) and managing its industrial and financial portfolio. She was appointed as Secretary of the Board of Directors in 1990. She was also appointed a member of the board and the Audit Committee of several companies within the HSBC group in France. Ms. Lombard continues to serve as a member of the Supervisory Board, Chairman of the Audit Committee and member of the Remuneration Committee of Zodiac Aerospace, and Director, Chairman of the Remuneration Committee and member of the Audit Committee of Robertet SA, two Euronext Paris-listed companies. Ms. Lombard holds a Masters degree in Economic Sciences and is a graduate of the INSEAD Advanced Management Program.

Ms. Hilde Myrberg, 56, joined our Board of Directors on May 4, 2011. Until her retirement in 2012, she held the positions of Senior Vice President of Corporate Governance and Compliance at Orkla ASA, as well as Secretary of the Board, a Norwegian company listed on the Oslo Stock Exchange and operating in branded consumer goods, aluminum solutions, materials, renewable energy and financial investments, where she also served as Secretary of the Board until her retirement in 2012. From 2006 to 2011, she was Executive Vice President at Orkla ASA as the head of corporate functions, including HR, communication, legal and internal audit. Previously, she served as head of the markets sector, including activities ranging from platform to market oil & gas and the power and renewable energy business, at Hydro Oil & Energy until 2006. From 2005 to 2007, she was a Board member of Kongsberg Automotive ASA. From 2006 to 2011, she served as Board member of Borregaard AS, Sapa AB and Orkla Brands AS (Orkla subsidiaries). She had also served as a Director of Renewable Energy Corporation ASA from 2009 to 2012 and as a member of the Supervisory of Jotun AS. She has been a Director and Vice-Chairman of the Board of Petoro AS since 2006. She also serves as a Director of Norges Bank AS and Nordic Mining ASA (listed on the Oslo Stock Exchange) and is a member of the Nomination Committee of Det Norske Oljeselskap ASA and NBT AS. Ms. Myrberg holds a law degree from the University of Oslo and an MBA from INSEAD.

Mr. Robert Semmens, 56, is an independent consultant, a private investor and adjunct professor of finance at the Leonard N. Stern School of Business (New York University). He was co-founder and General Partner of The Beacon Group LLC from 1993 to 2001. Until 2010, Mr. Semmens was a member of the Supervisory Board of Sercel Holding SA He currently serves as a Director of MicroPharma Ltd., a Director of Bronco Holdings LLC and a Director of DeBusk Holdings LLC.

Ms. Kathleen Sendall, 60, joined our Board of Directors on May 5, 2010. She is a mechanical engineering graduate of Queen's University (Ontario), holds an Honorary Doctorate from the University of Calgary and is a graduate of the Western Executive Program. She began her career as a junior process engineer for Petro-Canada in 1978, and then was a project engineer for compressor station design and construction at Nova, an Alberta corporation for two years. Mrs. Sendall held various positions within Petro-Canada between 1984 and 1996. From 1996 to 2000, she was Vice President Engineering & Technology, and was Vice President, Western Canada Development & Operations until 2002. Mrs. Sendall was appointed Senior Vice President, North

American Natural Gas of Petro-Canada from 2002 to 2009. She was also a Governor on the Board of Governors of the University of Calgary until 2010 and Governor and Chair of the Board of the Canadian Association of Petroleum Producers. Mrs. Sendall is a member of the Association of Professional Engineers and Geoscientists of Alberta (APEGA). She is a member of the Board of Directors and Vice-Chairman of Alberta Innovates - Energy & Environment Solutions, and she also serves as a Director of ENMAX and of the Ernest C. Manning Awards Foundation. She is a member of the Advisory Board of Hatch (Canada). Ms Sendall was invested as a member of the Order of Canada in 2011 and was awarded the Queen's Jubilee Medal in 2012.

Mr. Daniel Valot, 69, was Chairman and Chief Executive Officer of Technip from September 1999 until April 2007. Mr. Valot was President of Total Exploration and Production, and was a member of the Total Group Executive Committee from 1995 to 1999. Until 2010, he was a member of the Supervisory Board of CGG Holding B.V. Mr. Valot is a Director, Chairman of the Audit Committee, a member of the Strategy Committee, the Compensation & Nomination Committee and the Risk Committee of SCOR, Director of Dietswell, and a Director, Chairman of the Audit Committee, and a member of the Nomination and Remuneration Committee of Albioma.

Mr. Terence Young, 67, joined our Board of Directors on January 12, 2007. Until that date, Mr. Young had been a Director of Veritas since 2005. Mr. Young is currently a professor and head of the Department of Geophysics at the Colorado School of Mines and has served as such since 2000. From 1983 until 2000, Mr. Young was employed by Mobil Research and Development Corporation in a variety of roles, the last of which was as a visiting scholar at the Institute for Statistics and Its Applications, Carnegie Mellon University. From 1982 to 1983, he served as a research geophysicist with Compagnie Générale de Géophysique, from 1979 to 1982, he served as assistant professor, Colorado School of Mines, and from 1969 to 1974 was a pilot and flight instructor in the United States Navy.

The business address of the members of the Board of Directors is Tour Maine-Montparnasse, 33 avenue de Maine, BP 191, 75755 Paris CEDEX 15, France.

Executive Officers

Under French law and our current *statuts,* the Chief Executive Officer has full executive authority to manage our affairs. The Board of Directors has the power to appoint and remove the Chief Executive Officer at any time. Under French law and our current *statuts,* the Chief Executive Officer has full power to act on our behalf and to represent us in dealings with third parties, subject only to (i) the corporate purpose of the Company, (ii) those powers expressly reserved by law to the Board of Directors or our shareholders and (iii) limitations that the Board of Directors may resolve, such limitations not being binding on third parties. The Chief Executive Officer determines and is responsible for the implementation of the goals, strategies and budgets for our different businesses, which are reviewed and monitored by the Board of Directors. In accordance with French corporate law, our current *statuts* provide for either the election by the Board of Directors of one person to assume the position of Chairman and Chief Executive Officer or the division of such functions between two different persons. In its session of June 30, 2010, the Board of Directors decided to separate the roles of Chairman and Chief Executive Officer. Since that date, Mr. Brunck has held the position of Chairman and Mr. Malcor has held the position of Chief Executive Officer, with both positions to be held until the General Meeting convened to approve the financial statements for the financial year ended December 31, 2013. Our current *statuts* provide also that the Board of Directors may appoint up to five corporate officers (*Directeurs Généraux Délégués*) upon proposal of the Chief Executive Officer, whether or not this person is also the Chairman of the Board. Stéphane-Paul Frydman and Pascal Rouiller were appointed to this position by our Board of Directors on February 29, 2012.

The following table sets forth the names of members of our Corporate Committee and their current positions with us.

Name	Current position
Jean-Georges Malcor	Chief Executive Officer Senior Executive Vice President, Acquisition Division
Stéphane-Paul Frydman	Corporate Officer Senior Executive Vice President, Finance
Pascal Rouiller	Corporate Officer Senior Executive Vice President, Equipment Division
Benoît Ribadeau-Dumas	Senior Executive Vice President, Acquisition Division
Sophie Zurquiyah	Senior Executive Vice President, Geology, Geophysics & Reservoir

Mr. Stéphane-Paul Frydman, 50, was appointed Corporate Officer on February 29, 2012. He is also Group Chief Financial Officer since January 2007. Before that time, he had been Group Controller, Treasurer and Deputy Chief Financial Officer since September 2005, Deputy Chief Financial Officer of the CGG group since January 2004 and Vice President in charge of corporate financial affairs reporting to the Chief Financial Officer since December 2002. Prior to joining CGG, Mr. Frydman was, from April 2000 to November 2002, an Investor Officer of Butler Capital Partners, a private equity firm and from June 1997 to March 2000, Industrial Advisor to the French Minister of the Economy and Finances. Mr. Frydman is currently a Director of Sercel SA, Sercel Holding SA, CGG Services SA, CGG Holding (U.S.) Inc., CGG Eidesvik Ship Management AS and Chairman of the Board of Directors of CGG International SA.

Mr. Pascal Rouiller, 60, was appointed Corporate Officer on February 29, 2012. He is also Senior Executive Vice President, Equipment Division since 2010 and Chairman and Chief Executive Officer of Sercel since September 2005 after having served as Chief Operating Officer of the Sercel group since December 1999. Mr. Rouiller was Vice President of our Product segment from October 1995 to December 1999 and Vice President for the Asia-Pacific region from May 1992 to September 1995. Mr. Rouiller is Chief Executive Officer of Sercel Holding, Chairman of the Board of Directors of Sercel (Beijing) Technological Services Co. Ltd. and of Sercel Australia Pty. Ltd., Chairman of the Board of Sercel Canada Ltd., Vice President of Sercel-GRC, Chairman of the Board of Directors of Hebei Sercel Junfeng Geophysical Prospecting Equipment Co. Ltd. and of Sercel Singapore Private Ltd., and Director and Chief Executive Officer of Sercel, Inc.

Mr. Benoît Ribadeau-Dumas, 41, has been Senior Executive Vice President, Acquisition Division since January 1, 2014. He began his career as a civil servant in French Public Administration. He held a variety of roles including two years as a member of the French Prime Minister's private staff, in charge of administrative reforms and decentralization. In 2004, he joined the aerospace and defense group Thales as Corporate Development Director, in charge of group strategy, mergers and acquisitions and relationships with shareholders. He was then appointed as Head of two operational business lines, first as Managing Director of the Air Traffic Management Systems in 2007, and since 2009, as Chief Executive Officer of Thales Underwater Systems. In September 2010, Mr. Ribadeau-Dumas joined CGG as Executive Vice President, Marine Division. He serves as Chairman and Chief Executive Officer of CGG Services SA, Director of CGG Services (Norway) AS, CGG Marine (Norway) AS, CGG Eidesvik Ship Management AS and CGG Marine Resources Norge AS, as Managing Director of CGG Marine BV and as member of the Management Committee of GeoFieLD Ship Management Services SAS.

Ms. Sophie Zurquiyah, 48, has been Senior Executive Vice President, Geology, Geophysics & Reservoir (GGR) since February 4, 2013. She joined CGG after 21 years in the oilfield services industry, working for Schlumberger in P&L and in positions covering R&D and Operations, in France, the United States and Brazil. Her most recent roles include Chief Information Officer (CIO), President of Data and Consulting Services that provided Processing, Interpretation and Consulting services for most of Schlumberger's business lines, and Vice President of Sustaining Engineering that included all support and improvements to commercial products, services and technologies worldwide. She serves as Senior Executive Vice President of CGG Services (U.S.) Inc.

The business address of the members of our Corporate Committee is Tour Maine-Montparnasse, 33 avenue de Maine, BP 191, 75755 Paris CEDEX 15, France.

Compensation

Pursuant to article L.225-37 of the Commercial Code, the compensation of the Chief Executive Officer and the two corporate officers (*Directeurs Généraux Délégués*) is defined by the Board of Directors upon proposal from the Appointment-Remuneration Committee. The aggregate compensation of the Chief Executive Officer and the two corporate officers (*Directeurs Généraux Délégués*) consists of a fixed element, a bonus and benefits in kind (company car). The bonus for a given fiscal year is determined and paid during the first semester of the following fiscal year.

Since January 1, 2012, the Chairman of the Board of Directors no longer receives variable compensation, Director's fees, stock options or performance shares. His compensation is composed of a fixed element and benefits in kind (company car).

The Chairman of the Board of Directors, the Chief Executive Officer and the two corporate officers (*Directeurs Généraux Délégués*) will be hereinafter referred to as the "Executive Officers".

Annual fixed and variable compensation

Chairman of the Board

The gross fixed and variable compensation earned by and paid by the Company and its subsidiaries to Mr. Robert Brunck, Chairman of the Board of Directors, for fiscal years 2012 and 2013 is set forth in the table below:

Robert Brunck Chairman of the Board of Directors	2012		2013	
	Amounts earned	Amounts paid	Amounts earned	Amounts paid
Fixed compensation	€275,000.00	€275,000.00	€275,000.00	€275,000.00
Annual variable compensation	N/A(*)	€103,125.00[1]	N/A(*)	N/A(*)
Multi-annual variable compensation	N/A	N/A	N/A	N/A
Exceptional compensation	N/A	N/A	N/A	N/A
Retirement Indemnity	N/A	N/A	N/A	N/A
Director's fees	N/A(*)	€ 49,997.56[2]	N/A(*)	N/A(*)
Benefits in kind	€ 10,412.00	€ 10,412.00	€ 10,440.00	€ 10,440.00
Total	**€285,412.00**	**€438,534.56**	**€285,440.00**	**€285,440.00**

(1) *Paid in March 2012 for 2011 fiscal year.*

(2) *Paid in January 2012 for 2011 fiscal year.*

(*) *As from January 1, 2012, Mr. Brunck does not receive any variable compensation or Director's fee.*

Chief Executive Officer

The variable part of the Chief Executive Officer's compensation is based on the achievement of individual objectives (accounting for a third of the variable compensation) and financial objectives (accounting for two-thirds of the variable compensation). His target amount was set as 100% of his fixed compensation.

For fiscal year 2013, the individual objectives of Mr. Jean-Georges Malcor related to Group governance, integration of Fugro's Geoscience Division, relations with our major customers, shareholders and financial market our promotion and development in the industry, operational performance and human resources.

The financial objectives were related to net earnings per share (25% weighting), Group free cash flow (15% weighting), Group external revenues (20% weighting), Group EBIT (20% weighting) and EBITDA minus tangible and intangible investments made in the course of the fiscal year (20% weighting). His target amount was set as 100% of his fixed compensation.

In 2013, Mr. Jean-Georges Malcor's objectives were achieved at 41% of the target amount of his variable compensation.

The gross fixed and variable compensations paid by the Company and its subsidiaries to Mr. Jean-Georges Malcor in fiscal years 2012 and 2013 are set forth below:

Jean-Georges Malcor Chief Executive Officer	2012		2013	
	Amounts earned	Amounts paid	Amounts earned	Amounts paid
Fixed compensation	€600,000.00	€ 600,000.00	€630,000.00	€ 630,000.00
Annual variable compensation	€385,795.00	€ 608,502.00[1]	€257,040.00	€ 385,795.00[2]
Multi-annual variable compensation[3]	N/A	N/A	N/A	N/A
Exceptional compensation	N/A	N/A	N/A	N/A
Director's fees	N/A	N/A	N/A	N/A
Benefits in kind	€ 12,050.00	€ 9,360.00	€ 11,880.00	€ 11,880.00
Total	**€997,845.00**	**€1,217,862.00**	**€898,920.00**	**€1,027,675.00**

(1) *Paid in March 2012 for fiscal year 2011.*

(2) *Paid in March 2013 for fiscal year 2012.*

(3) *Additional details on the multi-annual variable compensation implemented on June 24, 2014 are provided below. No compensation was earned or paid pursuant to this mechanism in 2013.*

Corporate Officers (*Directeurs Généraux Délégués*)

Stéphane-Paul Frydman

The variable part of Mr. Stéphane-Paul Frydman's compensation is based on the achievement of individual objectives (accounting for a third of the variable compensation) and financial objectives (accounting for two-thirds of the variable compensation). His target amount was set as 75% of his fixed compensation.

For fiscal year 2013, the individual objectives of Mr. Stéphane-Paul Frydman related to Group governance, internal control, management of our Financial resources, relations with investors and the financial market as a whole, strategy and management of our capital employed and human resources.

The financial objectives were related to net earnings per share (25% weighting), Group free cash flow (15% weighting), EBITDA minus tangible and intangible investments made in the course of the fiscal year (20% weighting), Group external revenues (20% weighting) and Group EBIT (20% weighting).

In 2013, Mr. Stéphane-Paul Frydman's objectives were achieved at 46% of the target amount of his variable compensation.

The gross fixed and variable compensations paid by the Company and its subsidiaries to Mr. Stéphane-Paul Frydman, appointed Corporate Officer on February 29, 2012, in fiscal years 2012 and 2013 are set forth below:

	2012		2013	
Stéphane-Paul Frydman Corporate Officer	**Amounts earned**	**Amounts paid**	**Amounts earned**	**Amounts paid**
Fixed compensation	€320,000.00	€320,000.00	€336,000.00	€336,000.00
Fixed compensation as Executive Officer	€ 80,000.00	€ 66,660.00	€ 80,000.00	€ 80,000.00
Profit sharing[(1)]	€ 4,022.00	N/A	N/A[(2)]	€ 4,022.00[(3)]
Annual variable compensation	€174,538.00	€194,952.00[(1)]	€142,896.00	€174,538.00[(4)]
Multi-annual variable compensation[(5)]	N/A	N/A	N/A	N/A
Exceptional compensation	N/A	N/A	N/A	N/A
Director's fees	N/A	N/A	N/A	N/A
Benefits in kind	€ 4,800.00	€ 4,800.00	€ 4,800.00	€ 4,800.00
Total	**€579,338.00**	**€586,412.00**	**€563,696.00**	**€599,360.00**

(1) *Paid pursuant to the profit sharing agreement dated June 20, 2012. corporate officers benefit from this profit sharing agreement by virtue of their employment agreement.*

(2) *The amount of profit sharing is known in June of the following year.*

(3) *Paid in July 2013 for fiscal year 2012.*

(4) *Paid in March 2012 for fiscal year 2011.*

(5) *Paid in March 2013 for fiscal year 2012.*

(3) *Additional details on the multi-annual variable compensation implemented on June 24, 2014 are provided below. No compensation was earned or paid pursuant to this mechanism in 2013.*

Pascal Rouiller

The variable part of Mr. Pascal Rouiller's compensation is based on the achievement of individual objectives (accounting for a third of the variable compensation) and financial objectives (accounting for two-thirds of the variable compensation). His target amount was set as 75% of his fixed compensation.

For fiscal year 2013, the individual objectives of Mr. Pascal Rouiller related to HSE, our group performance plan, technology, strategic development of the Equipment Division and human resources.

The financial objectives were related to net earnings per share (25% weighting), Group free cash flow (15% weighting), Group EBITDA minus tangible and intangible investments made during the fiscal year (10% weighting), Equipment EBITDA minus tangible and intangible investments made during the fiscal year (10% weighting), Equipment Division production (20% weighting), Group EBIT (10% weighting) and Equipment Division EBIT (10% weighting).

In 2013, Mr. Pascal Rouiller's objectives were achieved at 56% of the target amount of his variable compensation.

The gross fixed and variable compensations paid by the Company and its subsidiaries to Mr. Pascal Rouiller, appointed Corporate Officer on February 29, 2012, in fiscal years 2012 and 2013 are set forth below:

Pascal Rouiller Corporate Officer	**2012** Amounts earned	**2012** Amounts paid	**2013** Amounts earned	**2013** Amounts paid
Fixed compensation	€320,000.00[1]	€320,000.00[1]	€336,000.00[1]	€336,000.00[1]
Fixed compensation as Executive Officer	€ 80,000.00	€ 66,660.00	€ 80,000.00	€ 80,000.00
Profit sharing[2]	€ 3,845.00	N/A	N/A[3]	€ 3,845.00[4]
Annual variable compensation	€175,084.00	€ 251,013[5]	€162,448.00	€175,084.00[6]
Multi-annual variable compensation[7]	N/A	N/A	N/A	N/A
Exceptional compensation	N/A	N/A	N/A	N/A
Director's fees	N/A	N/A	N/A	N/A
Benefits in kind	€ 5,280.00	€ 5,280.00	€ 5,280.00	€ 5,280.00
Total	**€592,364.00**	**€654,953.00**	**€583,728.00**	**€600,209.00**

(1) *Including €12,000 paid pursuant to his position as Executive Officer in Sercel SA.*

(2) *Paid pursuant to the profit sharing agreement dated June 20, 2012. corporate officers benefit from this profit sharing agreement by virtue of their employment agreement.*

(3) *The amount of profit sharing is known in June of the following year.*

(4) *Paid in July 2013 for fiscal year 2012.*

(5) *Paid in March 2012 for fiscal year 2011.*

(6) *Paid in March 2013 for fiscal year 2012.*

(7) *Additional details on the multi-annual variable compensation implemented on June 24, 2014 are provided below. No compensation was earned or paid pursuant to this mechanism in 2013.*

Multi-annual bonus plan in the form of performance units

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

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

— Establish a closer link between the remuneration of the main senior executives and the share price performance and the economic performance of the Group taken as a whole on a mid-term basis (3 years).

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

The performance units vest upon the expiry of a 3-year period from the allocation date subject to a presence condition in the Group at the time of vesting and achievement of certain performance conditions. These performance conditions are based on the achievement of Group objectives related to the return on capital employed and balance sheet structure along with achievement of Divisions' financial objectives aligned with the Group strategic orientations over a 3-year period.

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

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

The performance units allocated to the Chief Executive Officer and the Corporate Officers by the Board of Directors on June 24, 2013, are set forth below:

Name of the Executive Officer	Date of Board Meeting	Maximum number of Performance Units	Valuation of performance units pursuant to the method used for consolidated financial statements (€)	Acquisition date
Jean-Georges MALCOR *Chief Executive Officer*	06.24.2013	27,500	462,000	06.24.2016
Stéphane-Paul FRYDMAN *Corporate Officer*	06.24.2013	12,500	210,000	06.24.2016
Pascal ROUILLER *Corporate Officer*	06.24.2013	12,500	210,000	06.24.2016

Corporate Committee

The compensation of members of Corporate Committee, as of December 31, 2013, consists of a fixed element and a bonus**.**

The variable part of this compensation is based on the achievement of Group's financial objectives such as the operating income, free cash flow and external revenues of the Group, as well as on the achievement of commercial and financial objectives within the Division headed by the related member of the Corporate Committee. This variable part is also based on the achievement of qualitative individual objectives.

Considering the importance of this variable part, the amount of the Corporate Committee members' compensation may significantly vary from one year to another. The variable part is set and paid the following year, in March.

The aggregate compensation of our Corporate Committee, including the Executive Officers paid in fiscal year 2013 was €3,842,586 including the benefits in kind but excluding Directors' fees, if any.

Contractual indemnity in case of termination

Chief Executive Officer

The Board of Directors of May 10, 2012, having renewed the term of office of Mr. Jean-Georges Malcor for a two-year period, i.e. until the General Meeting convened to approve the financial statements for the financial year ended December 31, 2013, also renewed for the duration of this office, the terms and conditions of the advantages granted to Mr. Jean-Georges Malcor in case of termination of its term of office as they had been approved by the Board of Directors of February 24, 2011 and ratified by the General Meeting of May 4, 2011. These benefits were ratified by the General Meeting of May 3, 2013.

These advantages are the following:

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

(i) a gross amount of 200% of the gross fixed compensation paid by the Company to Mr. Jean-Georges Malcor during the twelve-month period preceding his departure date, to which is added the annual average of the variable compensation paid by the Company to Mr. Jean-Georges Malcor over the thirty-six-month period preceding his departure date, (hereinafter "the Reference Annual Compensation"), and

(ii) any sum to which Mr. Jean-Georges Malcor may be entitled as a result of such termination, including any sums to be paid further to the application of his non-competition commitment.

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

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

- The average, calculated over the 60 trading days preceding the departure date, of the ratio of the CGG ADS price over the PHLX Oil Service Sector^{SM} (OSX^{SM}) index shall equal at least two-thirds of the same average ratio over the same 60-day period four years before the date on which Mr. Malcor leaves the Group;
- The average, calculated over the 60 trading days preceding the departure date, of the ratio of the CGG share price over the SBF 120 index shall equal at least two-thirds of the same average ratio over the same 60-day period four years before the date on which Mr. Malcor leaves the Group;
- The average margin rate of the Group EBITDAS over the four years preceding the date on which Mr. Malcor leaves the Group shall be at least 25%.

Payment of the full amount of the special termination indemnity is subject to the fulfillment of two conditions out of three. In case only one condition is fulfilled, then Mr. Jean-Georges Malcor will be entitled to receive only 50% of the said special termination indemnity.

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

Corporate Officers (Directeurs Généraux Délégués)

The benefits granted to Messrs. Frydman and Rouiller in case of their departure from the Group were approved by the Board of Directors on February 29, 2012 and ratified by the General Meeting on May 10, 2012. They include the following:

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

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

- The average of the ratio between the CGG ADS price over the PHLX Oil Service Sector^{SM} (OSX^{SM}) index over the 60 trading days preceding the date of departure shall equal at least two-thirds of the same average ratio assessed over the same period of 60 trading days four years before the beneficiary leaves the Group;
- The average of the ratio of the CGG share price over the SBF 120 index over the 60 trading days preceding the date of departure shall equal at least two-thirds of the same average ratio assessed over the same period of 60 trading days four years before the beneficiary leaves the Group;
- The average Group EBITDAS margin over the 4 years preceding the date of departure shall be at least 25%.

Payment of the full amount of the special termination indemnity is subject to the fulfillment of two conditions out of three. Should only one of the objectives be fulfilled, then the Beneficiary would only be entitled to 50% of his special termination indemnity.

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

Non-compete agreement

Chief Executive Officer

On June 30, 2010, the Board of Directors approved, in accordance with procedures applicable to related party agreements and provided for by section L.225-38 et seq. of the French Commercial Code, the signature of a non-compete agreement between the Company and Mr. Jean-Georges Malcor. This agreement was ratified by the General Meeting held on May 4, 2011.

This non-compete agreement applies to any geophysical data acquisition, processing or interpretation services or the provision of equipment or products designed for the acquisition, processing or interpretation of geophysical data. Mr. Jean-Georges Malcor has agreed that he will not contribute to projects or activities in the same field as those in which he was involved at CGG for period of eighteen months starting on the date on which he leaves the Group.

In consideration for this undertaking, Mr. Jean-Georges Malcor will be entitled to receive compensation corresponding to 100% of his annual reference compensation as defined in the protection letters related to payment of the contractual indemnity in case of termination of his office.

Corporate Officers (Directeurs Généraux Délégués)

On February 29, 2012, the Board of Directors approved, in accordance with procedures applicable to related party agreements and provided for by section L.225-38 et seq. of the French Commercial Code, the signature of a non-compete agreement between the Company and Messrs. Frydman and Rouiller.

This non-compete agreement applies to any geophysical data acquisition, processing or interpretation services or the provision of equipment or products designed for the acquisition, processing or interpretation of geophysical data. Messrs. Frydman and Rouiller have agreed that they will not contribute to projects or activities in the same field as those in which they were involved within the Group.

In consideration of this non-compete agreement, for a period of 18 months starting on the day on which they leave the Group, Messrs. Frydman and Rouiller would receive compensation corresponding to 100% of their annual reference remuneration as defined in their protection letter. This agreement was ratified by the General Meeting on May 10, 2012.

General benefits plan

Chief Executive Officer

On June 30, 2010, the Board of Directors approved, in accordance with procedures applicable to related party agreements and provided for by section L.225-38 et seq. of the French Commercial Code, the extension to Mr. Robert Brunck and Mr. Jean-Georges Malcor of the benefit of the Group's general benefits plan applicable to all employees. This agreement was ratified by the General Meeting held on May 4, 2011.

Corporate Officers (*Directeurs Généraux Délégués*)

On February 29, 2012, the Board of Directors, in accordance with procedures applicable to related party agreements and provided for by section L.225-38 et seq. of the French Commercial Code, the application of the collective benefit plan applicable to all employees of the Group to Messrs. Frydman and Rouiller. This agreement was ratified by the General Meeting on May 10, 2012.

Individual benefits plan

On June 30, 2010, the Board of Directors approved, in accordance with procedures applicable to related party agreements and provided for by section L.225-38 et seq. of the French Commercial Code, the execution of a supplementary individual benefits plan benefiting to Mr. Jean-Georges Malcor. In this respect, the Board of Directors authorized the Company to pay an initial amount of €43,000. This agreement was ratified by the General Meeting held on May 4, 2011. This plan took effect in September 2011, for a period ending on December 31, 2014.

In addition, on November 30, 2011, and pursuant to the procedure applicable to related-parties agreement set forth by section L.225-38 and seq. of the French Commercial, the Board of Directors authorized the final execution of this agreement as per the final conditions proposed by the insurer and authorized as well the Company to pay an additional amount of €40,000 for the whole duration of the agreement. This agreement was ratified by the General Meeting on May 10, 2012. This new agreement was concluded on December 20, 2011. It replaces the agreement that took effect in September 2011 and which had been authorized on June 30, 2010.

Individual insurance covering loss of employment

Pursuant to the procedure applicable to related-parties agreement set forth by section L.225-38 and seq. of the French Commercial Code, the Board of Directors authorized, on June 30, 2010, the Company to subscribe with GSC Gan, as from July 1, 2010, an individual insurance policy covering loss of employment, in favor of Mr. Jean-Georges Malcor. The annual subscription fee payable by the Company amounts to €10,137 for 2013. This insurance provides for the payment of a maximum of 13% of his 2013 target compensation (corresponding to €162,941), for a duration of 12 months. This agreement was ratified by the General Meeting held on May 4, 2011.

Supplemental Retirement Plan

A supplemental retirement plan for the members of the Executive Committee of the Group (as composed prior to February 1, 2013) and the Management Board of Sercel Holding (as composed prior to April 19, 2012) (whom we refer to here as the "Beneficiaries") was implemented on January 1, 2005. The Chief Executive Officer and the corporate officers benefit from this plan. It is an additive defined benefit plan with a cap. Accruals are acquired per year of services, with a ceiling of twenty years.

Further, to participate in the plan, the Beneficiaries shall comply with the main following cumulative conditions:

- have liquidated their social security pension and all possible other rights to pensions,
- have at least 5 years of service as member of the Executive Committee of the Group (as composed prior to February 1, 2013) or of the Management Board of Sercel Holding (as composed prior to April 19, 2012) and until they were 55 years of age, and
- end their professional career when leaving the Company.

The conditions relating to the age and length of service are assessed taking into account the service continuity within the new governance bodies of the Group.

As of December 31, 2013, the Company's commitment under the supplemental retirement plan corresponds for Mr. Jean-Georges Malcor, Chief Executive Officer, Mr. Stéphane-Paul Frydman and Mr. Pascal Rouiller, Corporate Officers, to an annual pension equal to 16%, 27% and 21% of their annual 2013 target compensation, respectively.

The aggregate present benefit value of this supplemental plan as of December 31, 2013 was €14,963,043 of which €1,013,186 has been recorded as an expense for fiscal year 2013. Of such present benefit value, the portions relating to (i) Mr. Jean-Georges Malcor, Chief Executive Officer, are €1,162,351 and €334,336 respectively, (ii) Mr. Stéphane-Paul Frydman, Corporate Officer, are €901,881 and €87,466 respectively and (iii) Mr. Pascal Rouiller, Corporate Officer are €2,536,739 and €104,606 respectively.

Directors' compensation

Directors as a group received aggregate compensation of €730,000 in January 2014 for services provided in their capacity as Directors during fiscal year 2013. This amount is divided into a fixed and variable component on the basis of two-thirds of the basic amount for function and one-third for presence as described hereafter. The basic amount is set at €580,000 plus a lump sum, amounting to €150,000 allocated as described hereafter. No amounts were set aside or accrued by us or our subsidiaries to provide pension, retirement or similar benefits to Directors. Directors' service contracts do not provide for benefits upon termination.

Allocation of the basic amount:

The fixed component is calculated on the basis of one share for each Director and an additional share as a committee member. The remuneration of any Director appointed in the course of the year is calculated on a pro-rata temporis basis.

The variable component linked to the participation in committees and Board meetings is calculated on the basis of one share for each meeting of the Board, its committees or the Joint Committees attended, with a 1.5 share for Board or Committee Chairs (this rule will apply as well to a Chairman attending a joint committee meeting of all committees). A Director who participates in a Board committee's meeting as a guest does not receive any fee.

Allocation of the lump sum:

In addition, a lump sum is allocated as follows:

— €20,000 for each Director residing outside France, i.e. a global amount of €120,000;

— €10,000 for the Chairman of the Audit Committee;

— €5,000 for each other Audit Committee's member, i.e. a global amount of €20,000.

The following table sets forth the amounts CGG paid to its Directors, for the year ended December 31, 2013:

Name	Amount paid to CGG's directors for fiscal year 2013	Amount paid to CGG's directors for fiscal year 2012
Olivier Appert	€51,288.34	€51,013.79
Loren Carroll	€67,515.15	€64,085.30
Rémi Dorval	€82,539.85	€65,854.44
Jean Dunand	€25,146.45	€55,375.25
Agnès Lemarchand	€67,826.40	€12,847.76
Gilberte Lombard	€54,411.11	€46,071.60
Hilde Myrberg	€74,141.97	€70,447.68
Denis Ranque[(1)]	N/A	€38,424.62
Robert F. Semmens	€74,141.97	€72,337.99
Kathleen Sendall	€75,212.08	€73,662.19
Daniel Valot	€90,768.63	€49,289.36
David Work[(2)]	N/A	€58,923.12
Terence Young	€67,007.90	€65,054.89

(1) *Resigned from his duties as Director of the Company on October 27, 2012.*

(2) *Resigned from his duties as Director of the Company on September 1, 2012.*

Pursuant to applicable law, Directors, except the Chief Executive Officer, are not entitled to be allocated stock options and/or performance shares of the Company. As from fiscal year 2012, Mr. Robert Brunck, Chairman of the Board of Directors, is not entitled to any stock options or performance shares.

As of December 31, 2013, our Directors and Executive Officers held an aggregate of 306,681 shares and 2,465 ADS of CGG. As of December 31, 2013, none of our Directors and Executive Officers held, on an individual basis, shares and options representing 1% or more of our outstanding capital.

On March 26, 2014, the Board of Directors decided to revise the allocation method of the Directors' fees to take into account the new provision of the AFEP-MEDEF code, which specifies that the variable part of the Directors' fees must predominate. The Board therefore decided that, starting 2014, this variable part, based on the actual attendance to the meetings, would represent two third of the Directors' fees and would be based on presence.

On March 26, 2014, the Board, on the recommendation of the Appointment-Remuneration Committee, decided that each CGG director must own 5,000 shares or ADSs of the company, i.e. the equivalent of a director's annual fees. The Board's internal regulations will be changed accordingly. Directors have a period of two years to purchase these shares. Our CEO, Mr. Malcor, has already invested an amount corresponding to his estimated 2013 net variable remuneration in the purchase of 12,000 shares in the company.

Board practices

The Company complies with the AFEP-MEDEF Code of corporate governance for listed companies (the "AFEP-MEDEF Code"). This Code is available on the website of the MEDEF (www.medef.fr).

In its meeting held on February 26, 2014, the Board resolved that seven out of the twelve directors who were sitting on the Board at that time qualified as independent (i.e. half of the Board members which is compliant with the recommendation of the AFEP-MEDEF Code). The AFEP-MEDEF Code recommends that independent directors should account for half the members of the Board of Directors in widely-held corporations without controlling shareholders. Those directors are Mrs. Agnès Lemarchand, Gilberte Lombard, Hilde Myrberg and Kathleen Sendall and Messrs. Loren Carroll, Rémi Dorval, and Terence Young.

The Board of Directors carries out any controls and checks it deems appropriate.

In 2013, the Board of Directors of the Company met eight times. The average attendance rate of directors at these meetings was 90%.

During these meetings, the Board, among others, approved the Company's annual financial statements and the 2012 consolidated annual financial statements and reviewed the interim quarterly and half-year results for fiscal year 2013 and the 2013 forecasts and the 2014 pre-budget.

The Board also convened the General Meeting of shareholders held on May 2013 and approved the reports and resolutions to be submitted to shareholders' approval.

The Board approved the modification of the composition of some committees, appointed the Chairman of the Audit Committee and its Financial Expert, reviewed the qualification of directors as independent, reviewed the HSE-Sustainable Development Committee charter, and acknowledged the presentation relating to the Company's policy relating to the comparative general conditions of employment and training of women and men in the Group (Article L.2323-47 of the French Labor Code) and the plan for gender equality at work.

The Board approved the 2013 variable compensation components of the Senior Executive Officers.

The Board also decided to implement (i) a stock options plan for certain employees of the Group and a specific plan for the three Senior Executive Officers and the members of the corporate committee, subject to performance conditions in conformity with the AFEP-MEDEF Code, and (ii) a performance unit plan for certain employees of the Group and the Senior Executive Officers. The Board also determined that (i) the performance conditions set out in the performance share allocation plan dated March 24, 2011 were partially met and finally allocated such shares and (ii) determined that the performance conditions applicable respectively to the third and second batches of the stock option plans dated March 22, 2010 and March 24, 2011 applicable to the Senior Executive Officers were met.

With respect to financial and strategic transactions, the Board also authorized (i) the signature of the loan agreement and warrant agreement in the context of the acquisition of Fugro's Geoscience Division, (ii) the amendment to the vendor loan agreement with Fugro, (iii) refinancing of the French and US revolving credit agreements, (iv) the implementation of a financing agreement with Nordea, (v) the partial redemption of the 9 ½% Senior Notes due 2016.

Appointment-Remuneration Committee:

Responsibilities:

The responsibilities of this Committee in terms of propositions and/or recommendations to be made to the Board of Directors relate to:

1. the compensation to be paid to the Senior Executive Officers ("*mandataires sociaux*") to be appointed from time to time, including the procedures for setting the variable part thereof and the grant of possible benefits in kind;
2. all provisions relative to the retirement of the Senior Executive Officers considered as "*mandataires sociaux*";
3. for the "*mandataires sociaux*", the deferred elements of the compensation packages (pension, severance payment) to be submitted to the shareholders' annual meeting;
4. the evaluation of financial consequences on the Company's financial statements of all compensation elements for *mandataires sociaux*;
5. the contracts between the Company and a "*mandataire social*";

6. the possible candidacies for filling director's positions, positions as Senior Executive Officer considered as "*mandataire social*" or positions as a member of a Board Committee.
7. the periodical review of the independence of Board members;
8. the Directors' fees level and their allocation rules;
9. the realization of capital increases reserved for the employees; and
10. the installation of cash and/or share compensation plans.

In addition to the assignments here above described, this Committee is also in charge of:

1. examining compensation of the Corporate Committee members ("C-Com") and its evolution;
2. carrying out performance evaluation of the Board and its committees;
3. carrying out performance evaluation of the Chairman of the Board and the Chief Executive Officer;
4. reviewing the succession planning process of C-Com Committee members;
5. ensuring compliance of compensation and benefits policies with all applicable regulations;
6. reviewing the compensation data and other related information to be publicly disclosed by the Company in its annual reports and any other reports to be issued pursuant to applicable laws and regulations; and
7. approving the policy and process of verifying and reimbursing expenses of the directors and the Senior Executive Officers ("*mandataires sociaux*").

The Committee may also consider any question submitted to it by the Chairman in connection with one of the matters mentioned above.

The work of the Committee is recorded in its minutes. The committee reports to the Board on its proceedings after each meeting.

Composition:

As of the date of this report, the members of the Committee are as follows:

Rémi Dorval (Chairman)(*)
Olivier Appert
Robert Semmens
Agnès Lemarchand (*)
Hilde Myrberg (*)

(*) independent director

In compliance with the AFEP-MEDEF Code, this Committee is composed of a majority of independent directors.

Activity:

In 2013, this Committee met seven times. The average meeting attendance rate was 94%.

During these meetings, the Committee examined, inter alia, (i) the remuneration of the Chairman of the Board, of the Chief Executive Officer and of the Corporate Officers ("*Directeurs Généraux Délégués*") and their 2013 objectives, (ii) the compensation of the other members of the C-Com, (iii) the amount of the Directors' fees and their allocation rules, (iv) the implementation of the new LTI program, (v) the report on the qualification of Directors as independent prior to its submission to the Board of Directors, (vi) the paragraphs in the annual reports' (including the management report, *Document de Référence* and our annual report on Form 20-F) regarding the compensation of the *mandataires sociaux*, (vii) the 2013 bonus plans, (viii) the succession planning of E-Com and M-Com members, (ix) the implementation of the evaluation process for the Board, the Chairman and the Chief Executive Officer, (x) the composition of Board committees.

Strategic Planning Committee:

Responsibilities:

The responsibilities of the Strategic Planning Committee relate to the following:

- business plans and budgets,

- strategic options for the Company,
- organic development, and
- projects related to financial transactions.

This Committee customarily meets before each Board meeting and more often if necessary.

Composition:

As of the date of this report, the members of the Committee are as follows:

Robert Brunck (Chairman)
Olivier Appert
Robert Semmens
Daniel Valot

Activity:

During 2013, the Strategic Planning Committee met nine times. The average attendance rate of Committee members was 86%.

During these meetings, the Committee was consulted regarding, inter alia, (i) the 2013 budget, (ii) the 2013-2014 business plans, (iii) marine pricing evolution and Fugro's fleet integration, (iv) the Group shareholding structure, (v) the economic environment of the seismic industry, (vi) the prospects for the multi-client market and the positioning of the Group on such market, (vii) the 2014 pre-budget, and (viii) the main messages delivered to the financial market during the Capital Market Day of December 16, 2013.

HSE/Sustainable Development Committee

Responsibilities:

The Committee's assignments are the following:

- Support General Management in developing a strategic approach to Health, Safety, Security and Environment (HSE) & Sustainable Development (SD). Determine the main axes for the improvement of HSE performance on an ongoing basis. Encourage, assist and counsel General Management in maintaining and improving HSE & SD performance.
- Monitor the performance of CGG's HSE & SD systems and programs, and at the Committee's discretion, recommend any changes to the Board.
- Review CGG HSE & SD performance at each regularly scheduled meeting. Benchmark CGG performance against its peers in the industry.
- Review the Group's high rated HSE & SD operational risks and the controls put in place to manage these risks. Review high impact incidents and near misses such as fatalities and HPIs.
- Review the Group's SD programs (principally environmental, social and ethical matters) and provide support and direction concerning the mid-term and long-term direction of CGG efforts in this area.
- Monitor the Group's compliance with applicable laws related to HSE & SD.
- Review the Group's crisis management preparedness. Monitor any major crisis and support the Board and General Management team as necessary in the event of such a crisis.
- Recommend to the Board and to General Management desirable policies and actions from its review and monitoring activity.

The Committee reports to the Board on its proceedings after each meeting, on all matters within its duties and responsibilities.

Composition:

As of the date of this report, the members of the Committee are as follows:

Kathleen Sendall(*), (Chairman)
Agnès Lemarchand(*)
Daniel Valot
Terence Young(*)

(*) independent director

Activity:

In 2013, the Committee met twice. The attendance rate of Committee members was 90%.

During these meetings, the committee reviewed the following items: (i) the implementation of the conclusions of the external audit that was launched to assess the quality of the Group's governance in terms of management of industrial risks in order to propose ways of improvement with a continuous progress approach, (ii) the high potential incidents that occurred in the Land and Marine acquisition divisions as well the Group HSE indicators, (iii) the review of specific risks (road transportation, security), (iv) the HSE good practices implemented within the Group and the actions implemented in terms of sustainable development, (iv) the HSE integration of Fugro's Geoscience Division.

Audit Committee:

Responsibilities:

Pursuant to its charter, the Audit Committee is responsible for assisting the Board of Directors and, as such for preparing its assignments.

In the scope of the duties of the Audit Committee as defined by law, the Audit Committee shall, inter alia:

a. Monitor the financial reporting process;

b. Monitor the effectiveness of the Company's internal control and risk management systems;

c. Monitor the statutory audit of the annual and consolidated accounts;

d. Review and monitor the independence of the statutory auditors.

In this scope, the Committee is specifically in charge of:

- Assignments relating to accounts and financial information:
  - Reviewing and discussing with General Management and the statutory auditors the following items:
    - the consistency and appropriateness of the accounting methods adopted for establishment of the corporate and consolidated financial statements,
    - the consolidation perimeter,
    - the draft annual and consolidated accounts, semi-annual and quarterly consolidated financial statements along with their notes, and especially off-balance sheet arrangements,
    - the quality, comprehensiveness, accuracy and sincerity of the Group's financial statements,
  - Hearing the statutory auditors report on their review, including any comments and suggestions falling within the scope of their audit,
  - Examining the draft press releases related to the Group financial results and proposing any modifications deemed necessary,
  - Reviewing the "*Document de Référence*" and the annual report on Form 20-F,
  - Raising any financial and accounting question that appears important to it.

- Assignments relating to risk management and internal control:
  - Reviewing with General Management (i) the Company's policy on risk management, (ii) the analysis made by the Company of its major risks (risk mapping) and (iii) the programs put in place to monitor them,
  - Reviewing with General Management (i) the role and responsibilities with respect to internal control; (ii) the principles and rules of internal control defined by the Company on its general internal control environment (governance, ethics, delegation of authority, information systems., etc.) and on the key processes (treasury, purchase, closing of the accounts, fixed assets, etc.), (iii) the internal control quality as perceived by the Company and (iv) significant deficiencies, if any, identified by the Company or reported by the external auditors (article L.823-16 of the French Commercial Code) as well as the corrective actions put into place,

- Reviewing (i) the Report of the Chairman on Board of Directors' Composition, Preparation and Organization of the Board of Directors' Work, and Internal Control and Risk Management and (ii) the conclusions of the external auditors on this report.

- Assignments relating to internal audit:
  - Reviewing with General Management:
    - the organization and operation of the internal audit,
    - the activities and in particular the missions proposed in the scope of the internal audit plan approved by management and presented to the Committee,
    - results of internal audit reviews.

- Assignments relating to external audit:
  - Reviewing with the statutory auditors their annual audit plan,
  - Hearing, if necessary, the statutory auditors without General Management being present,
  - Monitoring the procedure for selection of the auditors and issuing a recommendation to the Board of Directors on the statutory auditors whose appointment is to be submitted to the Shareholders' Meeting,
  - Monitoring the independence of the statutory auditors on annual basis,
  - Discussing, possibly individually the audit work with the statutory auditors and General Management and reviewing regularly with management the auditors' fees. Within the framework of a procedure that it determines annually, the Committee has sole authority to authorize performance by the auditors and/or by the members of their network of services not directly relating to their auditing mission,

- Other assignments:
  - Reviewing with management and (when appropriate) the external auditors the transactions binding directly or indirectly the Company and its Executive Officers,
  - Anonymously handling feedback concerning possible internal control problems, including accounting or other problems of a financial nature.

Finally, the General Management of the Company must report to the Committee any suspected fraud of a significant amount so that the Committee may proceed with any verification that it deems appropriate.

The following persons attend the Committee meetings: the Chairman of the Board of Directors, the Chief Executive Officer, the Corporate Officers, the relevant members of the E-Com, the Senior Vice President Group Chief Accounting Officer, the auditors, the Senior Vice President Internal Audit who presents an updated on significant missions at least twice a year.

The Audit Committee usually meets before each session of the Board of Directors.

Minutes of each meeting are taken. Furthermore, the Chairman of the Committee reports on its work at every Board of Directors' meeting. This report is recorded in the minutes of the Board of Directors' meeting.

Composition:

As of the date of the present report, the members of the Committee are as follows:

Gilberte Lombard (Chairman)(*)
Loren Carroll(*)
Rémi Dorval(*)
Agnès Lemarchand(*)
Daniel Valot

(*) independent director

Gilberte Lombard was appointed as Financial Expert by the Board of Directors in 2013 pursuant to Section 407 of Sarbanes Oxley Act.

Both Ms. Gilberte Lombard and Mr. Loren Carroll qualify as independent members of the Committee with specific competences in financial and accounting matters pursuant to article L.823-19 of the French Commercial Code.

Ms. Gilberte Lombard developed an extensive financial and accounting expertise through the various financial responsibilities she has held within the HSBC Group (previously *Crédit Commercial de France*), where she spent her career. After the privatization of Credit Commercial de France (1987), she was the Investor relations officer, in charge of the relation with financial analysts and institutional investors, and coordinated the information policy vis a vis the shareholders of the bank: major shareholders as well as individual shareholders. After Credit Commercial de France had been taken over by HSBC (2000), she was appointed as head of the financial transactions (*Directeur des Opérations Financières*) in charge of structuring and implementing sales, acquisitions, mergers for HSBC and managing HSBC industrial and financial portfolio. As part of her assignments, she was appointed as member of the Board and the Audit Committee of several companies of the HSBC group in France.

Mr. Loren Carroll, through the positions he held over 15 years within Arthur Andersen, developed an extensive accounting and auditing practice, especially for public companies. He then became Chief Financial Officer of Smith International, a supplier of products and services to the oil and gas, petrochemical, and other industrial markets. Within Smith International, he was in charge of investor relations, supervision of financial activities of Public Corporation (NYSE) and merger, acquisitions and strategic development.

Both Ms. Gilberte Lombard and Mr. Loren Carroll are therefore very familiar with the financial and accounting specificities of our industrial sector and those linked to our international activities.

In compliance with the provisions of the AFEP-MEDEF Code, two thirds of the Committee is composed of independent directors. The committee has relied upon the report issued by the French *Autorité des marchés financiers* on audit committees.

Activity:

In 2013, the Committee met nine times with an average attendance rate of committee members of 93%.

During these meetings, the Committee reviewed draft versions of the annual consolidated financial statements for 2012, and the consolidated financial statements for the first quarter, the first semester and the third quarter of 2013. It also reviewed the 2013 forecasts. The Committee also provided to the Board its recommendations concerning these financial statements. The Committee reviewed the Chairman's report on Board of Directors' Composition, Preparation and Organization of the Board of Directors' Work and on Internal Control and Risk Management, the annual report on Form 20-F and the *Document de Référence*.

The Committee also met with the external auditors without General Management present. During this meeting, the auditors and the Committee had an overview of the audit work performed for the closing of the 2012 financial statements.

The Committee also approved and implemented the annual review plan of the main risks of the Group and of certain specific risks that it determined. In this scope, in particular, the committee reviewed the insurance policy of the Group, the financial information systems and the information security, the Group policy with respect to ethics and the role and missions of the Ethics committee.

The Audit Committee has monitored the selection and renewal process of the statutory and statutory alternate auditors for fiscal years 2013 to 2018 and finally issued a recommendation to the Board to submit to the Shareholders' Meeting the renewal of the current auditors' term for a period of six fiscal years. This resolution was approved by the Shareholders' Meeting held on May 3, 2013. The committee also examined the work to be performed by the statutory auditors in the scope of their audit on the 2013 financial statements and approved their fee estimates for this work. In compliance with the Committee's procedures for its prior approval of non-audit services provided by the members of our auditors' network, the Committee reviewed such services performed in 2013 and approved them as necessary.

The Committee reviewed the activities of the internal audit team, which acts according to a plan established by the E-Com and presented to the Committee. This plan is established in light of perceived operational and financial risks with the goal of systematically reviewing the major entities of each business division on a three-year basis. The Audit Committee also approved the internal audit charter.

The Committee was also kept regularly informed on the assessment of internal control procedures pursuant to Section 404 of the Sarbanes-Oxley Act and of the results thereof. The external auditors and the internal audit presented their respective conclusions.

The Committee also followed the evolution of the Group's legal perimeter and, in particular the rationalization program for the Group's legal structures.

In addition, the Committee was regularly kept informed of the Group's situation with respect to cash, debt, mid-term refinancing, cash flow forecasts and the Group's hedging policy.

Finally, the Committee reviewed the accounting issues related to the Fugro Geoscience Division and the preliminary evaluation performed on ex-Fugro entities with respect to internal control and risks evaluation, as well as the new organization of the Group in terms of cash generating units, in the perspective of goodwill allocation and in order to prepare impairment tests.

Technology Committee:

Responsibilities:

The Committee is responsible for assisting the Board in reviewing:

- the technology offer from competitors and other oil service companies,
- the Group's development strategy in reservoir imaging including seismic and opportunities in other oilfield services and products,
- the main development programs in services and equipment,
- research and development budgets,
- the protection of intellectual property.

The Technology Committee usually meets twice a year.

Composition:

As of the date of this report, the members of the Committee are as follows:

Robert Brunck (Chairman)
Rémi Dorval[(*)]
Hilde Myrberg[(*)]
Kathleen Sendall[(*)]
Terence Young[(*)]

[(*)] independent director

Activity:

In 2013, the Committee met twice with an attendance rate of 100%.

During these meetings, the Committee reviewed the strategic actions plans in technology and intellectual property, the latest technological developments of the Group divisions, and certain specific technological projects.

Employees

As of December 31, 2013, we had 9,688 permanent employees worldwide as well as several thousand auxiliary field personnel on temporary contracts. Of the total number of permanent employees, 2,496 belong to the Equipment Division, 2,940 to the Acquisition Division, 3,469 to the Geology, Geophysics and Reservoir

("GGR") Division and 783 to the Group Functions, which includes shared services and corporate. 40 were employed by the holding company CGG SA. We have never experienced a material work stoppage and consider our relations with our employees to be constructive. A significant part of our permanent employees are technicians and persons holding engineering degrees; we have developed significant in-house training programs to sustain this high level of technical skills.

Our workforce of permanent employees increased from 7,560 at December 31, 2012 to 9,688 at December 31, 2013. 2,305 employees came from the acquisition of Fugro Geoscience Division. There was no collective departure plan implemented in 2013 within the Group.

In 2013 we sustained our recruiting efforts to respond to turnover (940 leavers) and facilitate the growth of the Company, with the goal of not only replacing leavers but also reinforcing our competences in strategic areas and expanding our activities. The 2013 turnover rate is 11.5%, slightly increasing from 10% (2012) and 11.2% (2011), showing increasing pressure due to a very competitive environment. We hired, integrated or transferred to a permanent employment status a total of 3,411 employees worldwide compared to 1,238 in 2012 (including Fugro Geoscience Division integration). The competences required for our activities continue to evolve, requiring an even more elaborate hiring process. This is particularly true for our GGR Division, which maintains a strong focus on candidates with Ph-Ds.

The Company continues to implement targeted recruitment programs, including geophysicists for our GGR centers, specialists for our research & development departments in all Divisions, maritime specialists for our Marine Business Line and high-potential managers for all Divisions. To cope with this demand, we continue to reinforce our partnership and collaboration with universities, schools and professional associations. We also maintain efforts through our own CGG University to develop trainings adapted to our needs: managerial, expert, individual "soft" skills, HSE and technical trainings.

In accordance with French law each of our French subsidiaries (representing a total of 1,945 employees) has an Employee Representation Committee (Work Council — *Comité d'Entreprise*) consisting of representatives elected by our employees. The Work Council reports regularly to employees, represents employees in relations with management, is consulted on significant matters relating to working conditions and is regularly informed of economic developments. Elections held in November 2012 within the scope of the UES CGG SA and CGG Services SA have led to the composition of a new *Comité d'Entreprise* as of December 2012. Elections in the Sercel Group of Companies in France have been conducted in 2013 and all the Employee Representation Committees have been renewed.

Similarly elected employee representatives are in place for our field and expatriate staff employed by CGG International, set up under the specifications of the Swiss *Code des Obligations*. Marine Commission election took place in December 2012 and led to the formation of a new commission in 2013. Election for the Land commission in September 2013 confirmed existing representatives for another 3 years.

In Singapore, 37 people were represented under the collective agreement as of December 31, 2012. This represents 23% of our Singaporean workforce. These employees are represented by the Singapore Industrial and Services Employees Union (SISEU), an affiliated union of the National Trade Union Congress.

Offshore crews on Norwegian contacts (260 people, 122 living outside Scandinavia) are under a collective agreement. Salaries and other conditions are negotiated with their shop steward and a representative is nominated to represent the union. For office employees there are 3 different agreements in place organizing a total of 75 employees out of approximately 291. Salaries are decided on an individual basis. For all of Norway (employees on Norwegian contract), excluding Sercel, 47% of the personnel are covered under collective agreements.

Share ownership

In accordance with French law, we are authorized annually by our shareholders at the extraordinary General Meeting to issue ordinary shares for sale to our employees and employees of our affiliates who elect to participate in our Group Employee Savings Plan (*Plan d'Épargne Entreprise Groupe*) instituted in 1997 (the "Group Plan"). Our shareholders, at the extraordinary General Meeting held on May 3, 2013, renewed our authorization to issue up to 6,250,000 ordinary shares in sales to employees and affiliates who participate in the Group Plan. We may offer ordinary shares pursuant to the Group Plan at a price neither higher than the average

market price for the 20 business days preceding the date on which the Board of Directors sets the commencement date for the offering, nor lower than 80% of such average market price. As of December 31, 2013, Group employees held 78,000 shares corresponding to 0.04% of the share capital and 0.08% of the voting rights.

Stock options

Pursuant to resolutions adopted by our Board of Directors on May 11, 2006, March 23, 2007, March 14, 2008, March 16, 2009, January 6, 2010, March 22, 2010, October 21, 2010, March 24, 2011, June 26, 2012 and June 24, 2013, our Board of Directors has granted options to certain of our employees and Executive Officers to subscribe for an aggregate of 10,942,462 ordinary shares taking into account the various adjustment made to the number of stock options issued pursuant to French law. Options with respect to 10,151,820 ordinary shares remained outstanding as of December 31, 2013.

The following table sets forth certain information relating to these stock options plans as of December 31, 2013:

Date of Board of Directors' resolution	Options granted[1]	Number of beneficiaries	Options exercised (ordinary shares) at December 31, 2013	Options outstanding at December 31, 2013	Exercise price per ordinary share[1]	Expiration date
May 11, 2006[4][2]	1,012,500	171	2,500	1,001,048	€24.95	May 11, 2014
March 23, 2007[5][3]	1,308,750	145	2,000	1,220,109	€28.89	March 23, 2015
March 14, 2008[6][3]	1,188,500	130	0	1,117,594	€30.95	March 14, 2016
March 16, 2009[7][3]	1,327,000	149	452,950	828,039	€8.38	March 16, 2017
January 6, 2010[8][3]	220,000	1	0	231,538	€13.98	January 6, 2018
March 22, 2010[9][3]	1,548,150	339	38,382	1,415,977	€18.47	March 22, 2018
October 21, 2010[10][3]	120,000	3	0	126,291	€16.05	October 21, 2018
March 24, 2011[11][3]	1,164,363	366	0	1,130,380	€24.21	March 24, 2019
June 26, 2012[12][3]	1,410,625	413	0	1,458,208	€17.84	June 26, 2020
June 24, 2013[13][3]	1,642,574	672	0	1,622,636	€18.47	June 24, 2021
Total	**10,942,462**		**495,832**	**10,151,820**		

(1) *Pursuant to French law and the terms of the stock option plans, the numbers of options initially granted and the exercise price were adjusted following (i) our share capital increase in December 2005, (ii) our five-for-one stock split in June 2008 and (iii) our share capital increase in October 2012. The figures shown are after adjustment.*

(2) *The stock option plans provide for the cancellation of the non-vested options if the holder is no longer our employee, Director or Executive Officer.*

(3) *The stock option plans provide for the cancellation of the options whether vested or not if the holder is no longer our employee, Director or Executive Officer.*

(4) *Options under the 2006 plan vest by one-fourth each year from May 2006 and can be exercised at any time. However the resulting shares cannot be sold by French tax residents before May 12, 2010.*

(5) *Options under the 2007 plan vest by one-third each year from March 2007 and can be exercised at any time. However the resulting shares cannot be sold by French tax residents before March 24, 2011.*

(6) *Options under the 2008 plan vest by one-third each year from March 2008 and can be exercised at any time. However the resulting shares cannot be sold by French tax residents before March 17, 2012.*

(7) *Options under the 2009 plans vest by one-third each year from March 2009 and can be exercised at any time. However the resulting shares cannot be sold by French tax residents before March 17, 2013. The 2009 plans consist of a plan granting 200,000 options to the Chairman and Chief Executive Officer and 125,000 options to the Chief Operating Officer (subject to certain performance conditions and a plan granting 1,002,000 options to certain other officers and employees.*

(8) *110,000 options vest immediately, 55,000 will vest as of January 7, 2011 and 55,000 as of January 7, 2012. However during the first four years, the resulting shares cannot be sold by French tax residents before January 7, 2013 for the first batch and, January 7, 2014 for the second and third batches.*

(9) *Options under the March 2010 plans vest by one-third each year from March 2010 and can be exercised at any time. However the resulting shares cannot be sold by French tax residents before March 23, 2014. The March 2010 plans consist of a plan granting 200,000 options to the Chief Executive Officer (subject to certain performance conditions) and a plan granting 1,348,150 options to certain other officers and employees.*

(10) *Options under the October 2010 plan vest by one-third each year from October 2010 and can be exercised at any time. However the resulting shares cannot be sold by French tax residents before October 22, 2014. The October 2010 plan consists of a plan granting 120,000 options to three members of the Executive Committee.*

(11) *Options under the March 2011 plans vest by one-third each year from March 2011 and can be exercised at any time. However the resulting shares cannot be sold by French tax residents before March 25, 2015. The March 2011 plans consist of a plan granting 66,667 options to the Chairman and 133,333 options to the Chief Executive Officer (subject to certain performance conditions) and a plan granting 964,363 options to certain other officers and employees.*

(12) *Options under the June 2012 plans vest in three batches (50% in June 2014, 25% in June 2015 and 25% in June 2016) and can be exercised at any time. However the resulting shares cannot be sold by French tax residents before June 26, 2016. The June 2012 plans consist of a plan granting 200,000 options to the Chief Executive Officer, 100,000 options to each Corporate Officer (subject to certain performance conditions) and a plan granting 1,010,625 options to certain other officers and employees.*

[(13)] *Options under the June 2013 plans vest in three batches (50% in June 2015, 25% in June 2016 and 25% in June 2017) and can be exercised at any time. However the resulting shares cannot be sold by French tax residents before June 24, 2017. The June 2013 plans consist of a plan granting 200,000 options to the Chief Executive Officer, 100,000 options to each Corporate Officer (subject to certain performance conditions) and a plan granting 1,242,574 options to certain other officers and employees.*

The stock options allocated to Mr. Malcor, Chief Executive Officer, Mr. Frydman and Mr. Rouiller, Corporate Officers (the "Executive Officers") under the plans implemented by the Company over the last two years are set forth below:

Name of the Executive Officer	Date of the Plan	Nature of stock options	Valuation of options pursuant to the method used for consolidated financial statements (€)	Number of options allocated during fiscal year[(1)]	Subscription price[(1)(2)]	Exercise period
Jean-Georges Malcor . . Chief Executive Officer	06.26.2012	Options to subscribe for shares	804,000	210,484[(3)] *0.14%[(*)]*	€17.84	From 06.27.2014 to 06.26.2020 inclusive
Stéphane-Paul Frydman Corporate Officer	06.26.2012	Options to subscribe for shares	402,000	105,243[(3)] *0.07%[(*)]*	€17.84	From 06.27.2014 to 06.26.2020 inclusive
Pascal Rouiller . . . . Corporate Officer	06.26.2012	Options to subscribe for shares	402,000	105,243[(3)] *0.07%[(*)]*	€17.84	From 06.27.2014 to 06.26.2020 inclusive
Jean-Georges Malcor . . Chief Executive Officer	06.24.2013	Options to subscribe for shares	810,000	200,000[(3)] *0.11%[(*)]*	€18.47	From 06.25.2015 to 06.24.2021 inclusive
Stéphane-Paul Frydman Corporate Officer	06.24.2013	Options to subscribe for shares	405,000	100,000[(3)] *0.05%[(*)]*	€18.47	From 06.25.2015 to 06.24.2021 inclusive
Pascal Rouiller . . . . Corporate Officer	06.24.2013	Options to subscribe for shares	405,000	100,000[(3)] *0.05%[(*)]*	€18.47	From 06.25.2015 to 06.24.2021 inclusive

[(1)] *Number of options and subscription prices adjusted further to the capital increase of October 23, 2012.*
[(2)] *The subscription price corresponds to the average of the opening share prices of the share on the last twenty trading days prior to the meeting of the Board of Directors granting the options.*
[(3)] *Subject to the performance conditions described below.*
[(*)] *Part of the allocation of stock options on the share capital as of the date of the allocation.*

Stock options are allocated without any possible discount.

The conditions of the plans applicable to the Executive Officers are those of the general plans, plus those described below.

The valuation of the options pursuant to the method used to prepare the consolidated financial statements does not necessarily correspond to the actual value that the beneficiary could derive from the exercise of the options. The exercise of the options is subject to the fulfillment of certain performance conditions and supposes a subscription price lower than the stock market price. Moreover, the gain before tax that a stock option beneficiary may derive from the option exercise depends upon the share market price on the exercise date. This gain could be nil if, during the duration of the plan, the exercise price remains above the share market price.

Performance conditions:

Stock option plan dated June 26, 2012

The Board of Directors decided, in accordance with the provisions of the AFEP-MEDEF Code that the rights to the options would be acquired in three batches during the first four years of the plan dated June 26, 2012 (50% of the options allocated in June 2014, 25% of the options allocated in June 2015 and 25% of the options allocated in June 2016) and that the acquisition of options would be subject to the following performance conditions:

1. The average, over the 60 trading days preceding the date of allocation, of the ratio of the CGG ADS price over the PHLX Oil Service Sector[SM] (OSX[SM]) index shall equal at least two-thirds of the same average ratio over the same period of sixty trading days three years before the vesting date;

2. The average, over the 60 trading days preceding the date of allocation, of the ratio of the CGG share price over SBF 120 index shall equal at least two-thirds of the same average ratio over the same period of sixty trading days three years before the vesting date;

3. Over the vesting period, the market price of the CGG share shall have increased at least by 8% on an annual basis;

4. The Group results in average over a period of three years preceding the vesting date shall reach at least 90% of the average EBITDAS annual targets as determined by the Board of Directors.

Stock option plan dated June 24, 2013

The Board of Directors decided, in accordance with the provisions of the AFEP-MEDEF Code that the rights to the options would be acquired in three batches during the first four years of the plan dated June 24, 2013 (50% of the options allocated in June 2015, 25% of the options allocated in June 2016 and 25% of the options allocated in June 2017) and that the acquisition of options would be subject to the following performance conditions:

1. The average, over the 60 trading days preceding the date of allocation, of the ratio of the CGG ADS price over the PHLX Oil Service Sector^{SM} (OSX^{SM}) index shall equal at least two-thirds of the same average ratio over the same period of sixty trading days three years before the vesting date;
2. The average, over the 60 trading days preceding the date of allocation, of the ratio of the CGG share price over SBF 120 index shall equal at least two-thirds of the same average ratio over the same period of sixty trading days three years before the vesting date;
3. Over the vesting period, the market price of the CGG share shall have increased at least by 8% on an annual basis;
4. The Group results in average over a period of three years preceding the vesting date shall reach at least 90% of the average EBITDAS annual targets as determined by the Board of Directors.

Obligation to keep stock options under the registered form:

Pursuant to the provisions of article L.225-185 of the French Commercial Code, the Board of Directors decided that the number of shares resulting from the exercise of stock options that the Executive Officers benefiting from these plans will have to keep under the registered form until the end of their term shall account for 20% of the amount of the gain on the purchase price realized when exercising the options granted by the Board of Directors on June 26, 2012 and June 24, 2013.

Prohibition of the use of hedging instruments:

Upon the Committee's proposal and pursuant to the provisions of Code and the recommendations of the AMF, the Board of Directors reminded the Executive Officers that they should not use hedging instruments both on options and on shares resulting from the exercise of options until the end of the retention period of the shares under registered form as set by the Board pursuant to the provisions of article L.225.185 of the French Commercial Code.

Exercise period:

The Board noted that the exercise of stock options by the Executive Officers is subject to compliance with the rules prohibiting trading over the shares of the Company set by the Group and which apply to all permanent insiders of the Group.

Performance shares

a) Performance shares plans approved by shareholders and implemented by the Board of Directors

At the Extraordinary General Shareholders' Meeting held on April 29, 2008, a performance share plan was approved by shareholders whereby performance shares representing up to 1% of our share capital outstanding on the date of allocation may be granted in one or several allocations by the Board of Directors to certain of our employees and Executive Officers during the 38-month period following the plan's approval. Pursuant to such shareholders' resolution, the Board allocated (i) 509,925 performance shares to 332 beneficiaries on March 22, 2010 and (ii) 488,586 performance shares to 365 beneficiaries on March 24, 2011.

At the Extraordinary General Shareholders' Meeting held on May 4, 2011, a performance share plan was approved by shareholders whereby performance shares representing up to 1% of our share capital outstanding on the date of allocation may be granted in one or several allocations by the Board of Directors to certain of our employees and Executive Officers during the 38-month period following the plan's approval. Pursuant to such shareholders' resolution, the Board allocated 516,550 performance shares to 413 beneficiaries on June 26, 2012.

b) Performance shares allocated to the Executive Officers in 2012 and 2013

Performance shares allocated to Executive Officers under the plan dated June 26, 2012 are set forth below:

Name of the Executive Officer (*"mandataire social"*)	Date of the Board of Directors' meeting	Number of shares allocated[(1)]	Valuation of shares (€)	Final allocation Date	Date of availability	Performance conditions
Jean-Georges Malcor *Chief Executive Officer*	06.26.2012	28,892	498,575	06.26.2014	06.26.2016	EBI EBITDAS
Stéphane-Paul Frydman *Corporate Officer*	06.26.2012	11,819	203,963	06.26.2014	06.26.2016	EBI EBITDAS
Pascal Rouiller *Corporate Officer*	06.26.2012	11,819	203,963	06.26.2014	06.26.2016	EBI EBITDAS

(1) *Adjusted following the capital increase of October 23, 2012.*

There was no performance shares plan adopted by the Company or by any of its subsidiary in 2013.

Plan dated June 26, 2012:

Pursuant to article L.225-197-1 of the French Commercial Code, the Board of Directors decided that the number of performance shares thus allocated to the Executive Officers benefiting from the plan dated June 26, 2012 will be set at 10% of such allocation, which the Executive Officers will have to keep under the registered form until the end of their term.

In accordance with the AFEP-MEDEF Code, the Board of Directors held a meeting on June 26, 2012 where it decided to set the number of additional shares that the Executive Officers are required to purchase at the end of the performance share allocation period under the 2012 plan at one (1) share for twenty (20) allocated shares.

c) Performance shares finally allocated to Executive Officers during 2012 and 2013

Plan dated March 24, 2011:

The Board of Directors held a meeting on February 27, 2013 where it noted that, for the plan of March 24, 2011, the condition for the achievement of the EBITDA for the Services sector had been met up to 85%, the condition for the achievement of the EBITDA for the Equipment sector had been met up to 108%, and the condition for the achievement of the EBITDA for the Group had been met up to 92%. As a result, Messrs. Brunck, Malcor, Frydman and Rouiller were respectively allocated 12,423, 24,847, 7,634 and 8,166 shares under this plan.

In accordance with the AFEP-MEDEF Code, the Board of Directors held a meeting on March 24, 2011, where it decided to set the number of additional shares that the Executive Officers are required to purchase at the end of the performance shares allocation period under the 2011 plan at one (1) share for twenty (20) allocated shares.

Plan dated March 22, 2010:

The Board of Directors held a meeting on February 29, 2012 where it noted that, for the plan of March 22, 2010, the condition for the achievement of the EBI was fulfilled up to 153% for the Equipment segment and p to 75% at the Group level. None of the performance conditions were fulfilled for the Services segment. As a result, Messrs. Brunck and Malcor were respectively allocated 8,694 and 7,113 shares under this plan and Messrs. Frydman and Rouiller 2,766 each.

In accordance with the AFEP-MEDEF Code, the Board of Directors also decided held on March 22, 2010 to set the number of additional shares that the Executive Officers are required to purchase at the end of the performance shares allocation period under the 2010 plan at one (1) share for twenty (20) allocated shares.

d) Performance shares that have become freely transferable upon expiry of the retention period, for the Executive Officers during 2012 and 2013:

2012

Name of the Executive Officer ("*mandataire social*")	Date of the plan	Number of shares that have become freely transferable upon expiry of the retention period during 2012	Performance conditions
Pascal Rouiller *Corporate Officer*	03.14.2008	2,428	N/A*

* *As of the date of this plan, Mr. Pascal Rouiller was not yet Executive Officer of the Company. None of the other current Executive Officers were allocated shares under this plan.*

2013

Name of the Executive Officer ("*mandataire social*")	Date of the plan	Number of shares that have become freely transferable upon expiry of the retention period during 2013	Performance conditions
Pascal Rouiller *Corporate Officer*	03.16.2009	3,750	N/A*

* *As of the date of this plan, Mr. Pascal Rouiller was not yet Executive Officer of the Company. None of the other current Executive Officers were allocated shares under this plan.*

Transactions carried out by executives or their close relatives on the Company's shares

Pursuant to article L.621-18-2 of the French *Code monétaire et financier* and article 223-26 of the General Regulation of the French Market Authority, summary of the transactions carried out pursuant to the above mentioned article L.621-18-2 are set out below.

Executive Officers, Directors and members of the corporate committees are forbidden to carry out any transaction on the Company shares, whatever its nature, including the exercise of stock options, (i) during the thirty calendar days preceding the publication of quarterly, semi-annual or annual results (the transactions on the Company shares can be carried out the day after the date of publication of the results), (ii) in case they hold any information which could have a slight influence on the share value in case of public disclosure.

Name	Type of transaction	Date	Unit price	Amount of the transaction
Pascal ROUILLER	Stock option exercise	March 25, 2013	€8.38	€352,764.48
Corporate Officer & SEVP, Equipment Division	Transfer of shares	March 25, 2013	€17.73	€746,362.08
Olivier APPERT *Director*	Share purchase	June 5, 2013	€18.50	€4,995
Jean-Georges MALCOR	Share purchase	June 20, 2013	€18	€19,800
Chief Executive Officer & Director	Share purchase	December 23, 2013	€12.105	€24,210
Robert SEMMENS *Director*	ADS purchase	December 24, 2013	$16.33	$10,042.95

PRINCIPAL SHAREHOLDERS

Major shareholders

The table below sets forth certain information with respect to entities known to us or ascertained from public filings to beneficially own a significant percentage of our voting securities as at March 31, 2014 and December 31, 2013, 2012 and 2011.

	March 31, 2014		2013		December 31, 2012		2011	
	% of shares	% of voting rights	% of shares	% of voting rights	% of shares	% of voting rights	% of shares	% of voting rights
Identity of Person or Group								
Banque Publique d'Investissement (formerly named Fonds Stratégique d'Investissement)	7.04	11.53	7.04	11.53	7.06	11.21	6.50	6.22
IFP Energies Nouvelles (formerly named Institut Français du Pétrole)	3.59	6.55	3.59	6.55	3.60	6.60	4.18	8.00
Subtotal Banque Publique d'Investissement and IFP Energies Nouvelles	*10.63*	*18.08*	*10.63*	*18.08*	*10.66*	*17.81*	*10.68*	*14.22*
Manning & Napier[1]	10.24	9.35	5.48	5.00	4.30	3.94	4.99	4.77
FCPE "CGG Actionnariat"[*]	0.04	0.08	0.04	0.08	0.04	0.08	0.05	0.10
Treasury stock	0.45	0.00	0.45	0.00	0.45	0.00	0.53	0.00
Public	78.64	72.49	83.40	76.82	80.27	74.24	78.82	76.19
Total	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

(*) Shares held by CGG Group employees.

(1) Calculated on the basis of the number of shares owned by Manning & Napier as indicated in the notice of threshold crossing dated March 18, 2014.

Our *statuts* provide that each ordinary share that is fully paid and has been held in registered form by the same shareholder for a period of at least two consecutive years will entitle such shareholder to two votes at meetings of shareholders. As of March 31, 2014, IFP Energies Nouvelles and Banque Publique d'Investissement (formerly Fonds Stratégique d'Investissement) had held respectively 12,461,577 and 6,346,610 fully paid ordinary shares in the registered form for two consecutive years, giving IFP Energies Nouvelles and Banque Publique d'Investissement respectively 11.53% and 6.55% of the voting power of the outstanding ordinary shares at such date. Other than in this respect, our ordinary shares carry identical voting rights. Our *statuts* provide that fully paid ordinary shares may be held in either registered form or bearer form at the option of the shareholder. Substantially all ordinary shares held by shareholders other than IFP Energies Nouvelles are presently held in bearer form.

On March 9, 2012, Banque Publique d'Investissement (formerly named Fonds Stratégique d'Investissement) and IFP Energies Nouvelles announced that they had entered into a shareholders' agreement relating to their shareholding in order to implement a common approach on the matters relating to the Company.

On September 26, 2012, the Company launched a share capital increase through the distribution of preferential subscription rights to existing shareholders to fund the acquisition of the businesses of Fugro Geoscience Division (excluding multi-clients library and OBN businesses). The final gross proceeds amounted to €413,609,320, corresponding to the issuance of 24,329,960 new shares. The net proceeds of the issuance were used to pay a portion of the acquisition price for the Geoscience Division (the "Acquisition").

On November 20, 2012, we issued 11,200,995 bonds convertible into and/or exchangeable for new or existing shares of the Company to be redeemed on January 1, 2019 for a total nominal amount of €360 million. The net proceeds of the issuance were used to finance part of the purchase price of the Fugro's Geoscience Division Acquisition. The convertible bonds will entitle the holders to receive new and/or existing CGG shares at the ratio of one share per one bond, subject to adjustments. Under certain conditions, the bonds may be redeemed prior to maturity at our option.

Changes in share capital during 2013

Transaction	Nominal value	Number of shares created	Amount of the share premium	Amount of the capital variation	Resulting total share capital
Exercise of stock options as of December 30, 2013	€0.40	6,593	€ 52,612.14	€2,637.20	€70.756.346
Exercise of stock options as of September 30, 2013	€0.40	23,388	€186,636.24	€9,355.20	€70,753,709
Exercise of stock options as of June 30, 2013	€0.40	31,047	€247,755.06	€12,418.50	€70,744,354
Performance shares allocation as of May 3, 2013	€0.40	376,080	N/A	€150,432.00	€70,731,935
Exercise of stock options as of March 31, 2013	€0.40	61,533	€495,281.23	€24,613.20	€70,581,503

As of December 31, 2013, the only dilutive instruments issued were stock options, performance shares and bonds convertible into new or existing shares. As of this date, there were 10,151,820 outstanding stock options and 535,018 performance shares. In addition, we had outstanding (but not yet converted) 13,610,072 convertible bonds (2016 OCEANEs), 11,200,995 convertible bonds (2019 OCEANEs) which are convertible into new or existing shares. These instruments represented a dilution of 5.74% for the stock options, 0.30% for the performance shares, and 14.03% in aggregate for the convertible bonds.

Employees shareholding

Pursuant to article L.225-102 of the French Commercial Code, we inform you that on December 31, 2013, the number of shares held by the employees of the Group, through the Group Employee Savings Plan instituted in 1997, amounted to 78,000 shares corresponding to 0.04% of the share capital and 0.08% of the voting rights of CGG.

Related party transactions

We sell products and services to related parties, pursuant to arm's length contracts. We also receive products and services from related parties in exchange.

	2013	2012 (restated)	2011 (restated)
	((In millions of US dollars))		
Sales of Geophysical Equipment to Argas	1.4	10.9	4.2
Equipment rentals and services rendered to Argas	9.7	10.4	15.2
Charter revenues received from LDA for the *CGG Alizé*	15.3	12.2	13.8
Services rendered to Gardline CGG Pte Ltd.	—	3.3	—
Equipment rentals and services rendered to PTSC CGGV Geophysical Survey Company	27.8	13.6	—
Equipment rentals and services rendered to PT Elnusa-CGGVeritas Seismic	—	6.0	17.3
Equipment rentals and services rendered to Seabed Geosolutions BV	11.9	—	—
Income	**66.1**	**56.4**	**50.5**
Equipment purchase and rentals from Argas	4.4	6.2	8.7
Charter expenses and ship management paid to LDA	22.0	34.3	28.1
Charter expenses from Eidesvik Seismic Vessels AS	14.6	14.6	17.3
Charter expenses from Oceanic Seismic Vessels AS	18.1	15.4	4.5
Ship management expenses from CGG Eidesvik Ship Management AS	80.3	67.8	9.0
Ship management expenses from GeofieLD Ship Management Services SAS	11.3	—	—
Costs of services rendered by PT Elnusa-CGGVeritas Seismic	—	10.8	13.5
Purchases of Geophysical Equipment from Tronic's	5.0	10.9	8.8
Cost of services rendered by PTSC CGGV Geophysical Survey Company	42.6	23.4	—
Cost of services rendered by Gardline CGG Pte Ltd	1.7	5.6	1.4
Expenses	**200.0**	**189.0**	**91.3**
Trade receivables from Argas	8.0	6.9	4.0
Trade receivables from PT Elnusa-CGGVeritas Seismic.	5.1	6.1	14.7
Trade receivables from PTSC CGGV Geophysical Survey Company	1.8	4.2	—
Trade receivables from LDA	10.6	11.9	7.1
Trade receivables from Seabed Geosolutions BV	8.5	—	—

	2013	2012 (restated)	2011 (restated)
	((In millions of US dollars))		
Trade accounts and notes receivable	**34.0**	**29.1**	**25.8**
Agency arrangements with Seabed Geosolutions BV	5.0	—	—
Agency arrangements with Argas	5.4	—	—
Other current assets	**10.4**	**—**	**—**
Loan to PTSC CGGV Geophysical Survey Company	25.0	28.3	—
Financial assets	**25.0**	**28.3**	**—**
Accounts payable to Argas	8.6	5.4	3.0
Accounts payable to LDA	—	2.7	3.9
Accounts payable to Spectrum ASA	—	0.9	3.4
Accounts payable to PTSC CGGV Geophysical Survey Company	10.2	10.9	—
Accounts payable to PT Elnusa-CGGVeritas Seismic	—	—	12.9
Accounts payable to Seabed Geosolutions BV	2.6	—	—
Trade accounts and notes payables	**21.4**	**19.9**	**23.2**
Agency arrangements with Seabed Geosolutions BV	15.4	—	—
Agency arrangements with Argas	5.4	—	—
Other current liabilities	**20.8**	**—**	**—**
Finance lease debt to Eidesvik Seismic Vessels AS	10.9	11.7	12.4
Finance lease debt to Oceanic Seismic Vessels AS	9.0	9.6	10.2
Financial liabilities	**19.9**	**21.3**	**22.6**
Future leases commitments to Oceanic Seismic Vessels AS	163.7	180.1	149.3
Future leases commitments to Eidesvik Seismic Vessels AS	139.9	155.9	172.5
Future ship management costs to LDA — net	—	4.6	8.2
Future ship management costs to CGG Eidesvik Ship Management AS	241.9	222.9	258.2
Future ship management costs to GeofieLD Ship Management SAS	12.2	—	—
Contractual Obligations	**557.5**	**563.5**	**588.2**

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

Argas, Eidesvik Seismic Vessels AS, Oceanic Seismic Vessels AS, Gardline CGG Pte Ltd., CGG Eidesvik Ship Management AS, PTSC CGGV Geophysical Survey Company, Spectrum ASA, PT Elnusa-CGGVeritas Seismic, GeofieLD Ship Management Services SAS and Seabed Geosolutions BV are companies 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.

DESCRIPTION OF CERTAIN INDEBTEDNESS

The following is a description of the terms of our material financing arrangements.

U.S. Revolving Facility

On July 15, 2013, we entered into a new US revolving credit facility of up to US$165 million with a 5-year maturity. The borrower is CGG Holding (U.S.) Inc. with Credit Suisse acting as administrative agent and collateral agent. This facility was undrawn as of December 31, 2013.

Proceeds of loans under the US revolving facility may be used for the general corporate purposes of the borrower and other subsidiaries of CGG. Revolving loans may be made at any time prior to the final maturity of the US revolving facility.

The obligations of CGG Holding (U.S.) Inc. as borrower under the US revolving facility are guaranteed by us and certain of our subsidiaries. We have pledged first-priority security in the shares of CGG Holding (U.S.) Inc. and certain of our other first-tier subsidiaries. In addition, certain guarantors have provided first-priority security interests in certain of their respective tangible and intangible assets, including (without limitation) certain marine equipment, deposit accounts and intellectual property.

In addition, the US revolving credit facility agreement contains affirmative and negative covenants that affect our ability, among other things, to borrow money, incur liens, dispose of assets and acquisitions and pay dividends or redeem shares. Events of default under the US revolving credit facility include, among other things, payment and covenant breaches, insolvency of us or our subsidiaries, the occurrence of certain events constituting a "change of control" and certain defaults in respect of other material financial indebtedness.

The US revolving credit facility agreement was amended on July 31, 2013 in order to insert a clause related to anti-corruption law and the EBITDA to total interest costs financial covenant described below.

Pursuant to this agreement, including above amendment, we are required to adhere to certain financial covenants defined as follows:

- a maximum ratio of total net financial debt to EBITDA of 3.00:1 for each rolling 12-month period tested at the end of each quarter between September 30, 2013 and June 30, 2018;
- and a minimum ratio of EBITDA to total interest costs of 4.00:1 for each rolling 12-month period tested at the end of each quarter September 30, 2013 and June 30, 2018.

Borrowings under US revolving facility bear interest, at the option of the borrower, at the rate of adjusted LIBOR plus 2.50% or the Alternate Base Rate plus 1.50%. The Alternate Base Rate is the higher of Credit Suisse's Prime Rate, the Federal Funds Effective Rate plus one half of 1.00% and the adjusted LIBOR rate for a one-month interest period plus 1.00%.

French Revolving Facility

On July 31, 2013, we entered into a new French revolving credit facility of up to US$325 million with a 3-year maturity with two extension options of one year each. The borrower is CGG SA with Natixis as Agent. The proceeds of the French revolving facility may be drawn in dollars or in euros, and may be used for the general corporate purposes of the borrower. €110 million was drawn and outstanding as of December 31, 2013.

Pursuant to this agreement, we are required to adhere to certain financial covenants defined as follows:

- a maximum ratio of total net financial debt to EBITDA of 3.00:1 for each rolling 12-month period tested at the end of each quarter between September 30, 2013 and June 30, 2016;
- and a minimum ratio of EBITDA to total interest costs of 4.00:1 for each rolling 12-month period tested at the end of each quarter between September 30, 2013 and June 30, 2016.

Each cash advance under the French revolving facility must be repaid in full at the end of the relevant interest period of one month to twelve months and is available for redrawing during the availability period. All drawings under the French revolving facility must be repaid on the final maturity date.

Our obligations under the French revolving facility are guaranteed by the same guarantors that guarantee the US revolving credit facility (including CGG Holding (U.S.) Inc.), and are secured by the same security interests granted to secure the obligations under the US revolving credit facility.

The rate of interest on each loan for each interest period is the percentage rate per annum which is the aggregate of the applicable margin and the higher of zero and in relation to any loan in US dollars, LIBOR or in relation to any loan made in euros, EURIBOR.

The applicable margin ranges from 0.70% to 2.80% for loans made in euros and 1.10% to 3.20% for loans made in US dollars, depending on the corporate rating of CGG by Standard & Poor's and the corporate family rating of CGG by Moody's.

Debt Securities

OCEANE convertible bonds

On January 27, 2011, we issued 12,949,640 bonds convertible into and/or exchangeable for new or existing shares of our company (the "2016 OCEANE convertible bonds") maturing on January 1, 2016. The 2016 OCEANE convertible bonds' nominal value was set at €27.80 per bond, representing an issue premium of 25% of the CGG reference share price on the regulated market of NYSE Euronext in Paris. The 2016 OCEANE convertible bonds bear interest at a rate of 1.75% payable semi-annually in arrears on January 1 and July 1 of each year. The bonds entitle the holders to receive new and/or existing CGG's shares at the ratio of one share per one bond, subject to adjustments. Under certain conditions, the bonds may be redeemed prior to maturity at our option. We used the net proceeds of the issuance to redeem US$460 million principal amount of our US$530 million $7^{1}/_{2}$% Senior Notes due 2015.

On November 20, 2012, we issued 11,200,995 OCEANE convertible bonds maturing on January 1, 2019 for a total nominal amount of €360 million. The 2019 OCEANE convertible bonds' nominal value was set at €32.14 per bond, representing an issue premium of 40% of the CGG reference share price on the regulated market of NYSE Euronext in Paris. The 2019 OCEANE convertible bonds bear interest at a rate of 1.25% payable semi-annually in arrears on January 1 and July 1 of each year. Under certain conditions, the bonds may be redeemed prior to maturity at our option. We used the net proceeds of the issuance to finance part of the purchase price of the Geoscience Acquisition.

High yield bonds — $7^{3}/_{4}$% Senior Notes due 2017

On February 9, 2007, we issued US$400 million in aggregate principal amount of $7^{3}/_{4}$% Senior Notes due 2017. These notes are guaranteed on a senior basis by the same guarantors that guarantee our senior facilities (including CGG Holding (U.S.) Inc.). We used the net proceeds from the notes to repay part of the US$700 million outstanding under the bridge loan facility used to finance the Veritas acquisition.

High yield bonds — $9^{1}/_{2}$% Senior Notes, due 2016

On June 9, 2009, we issued US$350 million principal amount of $9^{1}/_{2}$% Senior Notes due 2016. The Senior Notes were issued at a price of 97.0% of their principal amount, resulting in a yield of $10^{1}/_{8}$%. The Senior Notes will mature on May 15, 2016.

We used the proceeds from the notes to replace cash used to repay US$100 million of our former "Term Loan B" facility on May 21, 2009, and to fund the three quarterly US$27.5 million amortization payments due during the remainder of 2009 under our former "Term Loan B" facility. The remaining amount enabled Norway subsidiaries — CGG Marine Resources Norge AS and CGG Services (Norway) AS (ex Exploration Resources) — to reimburse financial debts on seismic vessels amounting to US$50 million, and to fund ongoing operations. On January 5, 2010, these notes were exchanged for identical notes registered with the SEC.

On August 21, 2013, we redeemed US$125 million aggregate principal amount of our US$350 million $9^{1}/_{2}$% Senior Notes due 2016 at a price of 104.75% plus accrued interest. Accelerated amortization of deferred expenditures and penalties for early repayment were recorded for US$4.3 million and US$5.9 million, respectively.

High yield bonds — 6 $^1/_2$% Senior Notes due 2021

On May 31, 2011 we issued US$650 million in aggregate principal amount of 6$^1/_2$% Senior Notes due 2021. These notes are guaranteed on a senior basis by the same guarantors that guarantee our senior facilities (including CGG Holding (U.S.) Inc.). We used the proceeds from the notes to repay the US$508 million remaining outstanding under the Term Loan B facility of our US senior facilities and to redeem the US$70 million principal amount remaining outstanding under our 7$^1/_2$% Senior Notes due 2015. On December 8, 2011, these notes were exchanged for identical notes registered with the SEC.

Other Credit Facilities

Geomar secured term loan facility

On April 30, 2007, Geomar entered into a US$25 million credit facility to refinance the purchase price of the seismic vessel *CGG Alizé*. The facility is secured by a pledge over the vessel. At December 31, 2013, the amount outstanding under this facility was US$1.8 million. This facility matures on June 5, 2014.

Fugro vendor loan agreement

Fugro granted to us a €125 million vendor loan with a 5-year maturity and bearing an interest rate of 5.50% per annum, which was extended to €225 million on the effective date of the acquisition of the airborne business. As of December 31, 2013, we had repaid €112.5 million of the vendor loan, and €112.5 million remained outstanding.

Interest is payable on outstanding principal under the vendor loan agreement at the rate of 5.50% per annum. Scheduled repayment of the first and second vendor loan installments will occur according to an amortization schedule beginning on December 31, 2013 with the final repayment set to occur on January 31, 2018.

The vendor loan agreement contains customary events of default as well as mandatory prepayment obligations, in certain circumstances, with the proceeds of certain disposals, insurance claims and debt financings. The occurrence of an event of default would allow Fugro to exercise warrants to acquire additional shares of the Seabed Geosolutions BV joint venture, thereby diluting our shareholding in it, with a corresponding decrease in the principal amount due under the vendor loan agreement. We have agreed that our obligations under the vendor loan agreement are to be guaranteed by certain of our subsidiaries that are also guarantors of our Senior Notes.

Voyager AS (renamed Exploration Vessel Resources II AS) secured term loan facility

On January 13, 2011, Exploration Vessel Resources II AS entered into a US$45 million credit facility secured by a pledge over the seismic vessel *Geowave Voyager* and subject to substantially the same covenants as our US revolving credit facility. This facility matures on August 31, 2016.

On December 18, 2013, we amended this facility, in order to align covenant levels with our US$200 million term loan and revolving facilities described immediately below. The outstanding value at December 31, 2013, was US$22.2 million.

US$200 million term loan and revolving facilities

On July 1, 2013, CGG Geo Vessels AS entered into a 5-year US$200 million financing secured by vessel assets (*Geo Coral, Geo Caribbean, Oceanic Challenger*) split into two tranches of US$100 million each, the proceeds of which were used in part to reimburse a portion of the vendor loan granted by Fugro, and in part to redeem US$125 million aggregate principal amount of our US$350 million 9½% Senior Notes due 2016. We entered into an interest rate swap to fix the annual effective rate at 4.4%.

Pursuant to this agreement, we are required to adhere to certain financial covenants defined as follows:

- a minimum of Cash plus Cash Equivalents of not less than US$75 million, at all times;
- a maximum ratio of total net financial debt to EBITDA of 3.00:1.00; and
- and a minimum ratio of EBITDA to total interest costs of 3.00:1.00.

As of December 31, 2013, US$95 million of the revolving facility tranche was drawn and US$95 million was outstanding under the term loan tranche.

US$25 million streamers financing

On December 19, 2013, we signed a loan agreement — to be reimbursed over five years after the deadline for drawing — for a maximum amount of US$25 million with multiple drawings. This loan may be used to finance the acquisition of marine equipment to be delivered in up to twelve monthly installments over a period of one year. This line was undrawn as of December 31, 2013.

DESCRIPTION OF THE NOTES

General

You can find the definitions of certain terms used in this description of the notes under the caption "— Certain Definitions". In this description, the word "Company" refers only to CGG S.A., and not to any of its subsidiaries.

The Notes will be issued pursuant to the Indenture dated as of the Issue Date among the Company, the Initial Guarantors and The Bank of New York Mellon, as trustee (the "Trustee"), in a private transaction that is not subject to the registration requirements of the Securities Act. The terms of the Notes will include those stated in the Indenture. The Indenture will not incorporate or include any of the provisions of the U.S. Trust Indenture Act of 1939, as amended.

The following description is a summary of the material provisions of the Indenture. It does not restate that agreement in its entirety. We urge you to read the Indenture because it, and not this description, will define your rights as holders of the Notes.

The registered holder of a Note will be treated as the owner of it for all purposes, and all references to "holders" in this "Description of the Notes" are to registered holders unless otherwise indicated.

Copies of the Indenture are available for inspection during normal business hours at the office of the Company referred to under the caption "— Additional Information", at the corporate trust office of the Trustee at 101 Barclay Street, Floor 7E, Global Corporate Trust, New York, New York, 10286 and at the specified office of each Paying Agent, including, for so long as the Notes are listed on the Luxembourg Stock Exchange, at the specified office of the Paying Agent in Luxembourg. Holders of the Notes are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Indenture.

Brief Description of the Notes

The Notes will, upon issuance:

- be general senior, unsecured obligations of the Company;
- rank equally in right of payment to all existing and future senior, unsecured indebtedness of the Company, except for any liabilities preferred by law;
- rank senior in right of payment to all existing and future subordinated indebtedness of the Company;
- be guaranteed on a senior, unsecured basis by certain Subsidiaries of the Company as described below; and
- be effectively subordinated to all existing and future indebtedness of Subsidiaries of the Company that are not Guarantors.

Holders of existing and future secured indebtedness of the Company and its Subsidiaries, including loans under the existing Credit Facilities, will have claims with respect to the assets constituting collateral for such secured indebtedness that are superior to the claims of the holders of the Notes. Accordingly, the Notes and the Subsidiary Guarantees will be effectively subordinated to claims of secured creditors of the Company and the Guarantors to the extent of the value of such collateral.

Only certain Subsidiaries of the Company will guarantee the Notes. In the event of a bankruptcy, liquidation or reorganization of any Subsidiary of the Company that is not a Guarantor, that Subsidiary will pay the holders of its debt and its trade creditors before it will be able to distribute any of its assets to the Company.

As at December 31, 2013, on a pro forma basis after giving effect to the offering of the notes and the use of proceeds thereof, assuming we repurchase all of our outstanding €360 million in principal amount of $1^3/_4$% OCEANE convertible bonds due 2016, we would have had \$484.1 million of outstanding indebtedness including accrued interest effectively senior to the Notes, of which \$477.4 million would have been secured and the Initial Guarantors (as defined under the caption "— Subsidiary Guarantees — Guarantors") (excluding their Subsidiaries that are not Guarantors) would have had \$0.2 million of outstanding indebtedness including accrued interest effectively senior to the guarantees under the Notes, all of which would have been secured. Indebtedness of the Initial Guarantors is included in the total Indebtedness of the Company and its Subsidiaries.

In addition, as at December 31, 2013, the Company and its Subsidiaries had availability under their Credit Facilities of $343 million, which if drawn would have been secured. Each of the Initial Guarantors is an obligor under the U.S. revolving facility and the French revolving facility. The Indenture will permit the Company and its Subsidiaries (including the Guarantors) to incur additional Indebtedness, including certain additional secured Indebtedness.

As of the date of the Indenture, all of the Company's Subsidiaries will be Restricted Subsidiaries. Under certain circumstances, the Company will be able to designate current or future Subsidiaries as Unrestricted Subsidiaries. Unrestricted Subsidiaries will not be subject to the restrictive covenants set forth in the Indenture and will not guarantee the Notes.

Notes will be issued in this offering in an aggregate principal amount of €400,000,000 (the "*Offered Notes*"). The Indenture also provides the Company the flexibility of issuing additional Notes in the future in an unlimited amount; however, any issuance of such additional Notes would be subject to the covenant described under the caption "— Certain Covenants — Incurrence of Indebtedness and Issuance of Disqualified Stock". The Offered Notes and any such additional Notes are collectively referred to as the "*Notes*" in this "Description of the Notes".

Whenever the covenants or default provisions or definitions in the Indenture refer to an amount in U.S. dollars or euros, that amount will be deemed to refer to the U.S. Dollar Equivalent or the Euro Equivalent, respectively, of the amount of any obligation denominated in any other currency or currencies, including composite currencies.

Any other determination of the U.S. Dollar Equivalent or the Euro Equivalent for any purpose under the Indenture will be determined as of a date of determination as described in the definitions of "U.S. Dollar Equivalent" and "Euro Equivalent" under "— Certain Definitions" and, in any case, no subsequent change in the U.S. Dollar Equivalent or the Euro Equivalent after the applicable date of determination will cause such determination to be modified.

Principal, Maturity and Interest

The Offered Notes will be limited in aggregate principal amount to €400,000,000 and will mature on May 15, 2020 at par. Interest on the Notes will accrue at the rate of 5.875% per annum and will be payable semi-annually in arrears on May 15 and November 15 of each year, commencing on November 15, 2014, in the case of the Offered Notes, to holders of record on the immediately preceding May 1 and November 1. Interest on the Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from the Issue Date. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months. The Notes will be issued in denominations of €100,000 and integral multiples of €1,000 in excess thereof.

Paying Agents and Registrar for the Notes

The Company will maintain one or more paying agents (each, a "*Paying Agent*") for the Notes in (i) London and (ii) for so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF and the rules of the Luxembourg Stock Exchange so require, Luxembourg. The Company will undertake to maintain a Paying Agent in a member state of the European Union that will not be obliged to withhold or deduct tax pursuant to the European Union Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of 26 and 27 November 2000 on the taxation of savings income, or any law implementing, or complying with or introduced in order to conform to, such directive. The initial Paying Agents will be The Bank of New York Mellon, London Branch in London and The Bank of New York Mellon (Luxembourg) S.A. in Luxembourg.

The Company will also maintain one or more registrars (each, a "*Registrar*") with offices in Luxembourg, for so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF and the rules of the Luxembourg Stock Exchange so require. The Company will also maintain a transfer agent in each of London and Luxembourg. The initial Registrar will be The Bank of New York Mellon (Luxembourg) S.A. in Luxembourg. The Registrar and the transfer agent in Luxembourg and the transfer agent in London will maintain a register reflecting ownership of Definitive Registered Notes (as defined herein) outstanding from time to time and will make payments on and facilitate transfer of Definitive Registered Notes on behalf of the Company.

The Indenture provides that any money deposited with the Trustee or any Paying Agent in trust for the payment of the principal of, premium, if any, and interest on any Note and remaining unclaimed for two years

after such principal, premium, if any, and interest have become due and payable will be paid to the Company, and will be discharged from such trust; and the holder of such Note will thereafter, as an unsecured general creditor, look only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such money will thereupon cease.

The Company may at any time designate one or more additional Paying Agents, Registrars or transfer agents or rescind the designation of any Paying Agent, Registrar or transfer agent or approve a change in the office through which any Paying Agent, Registrar or transfer agent acts, except that the Company will be required to maintain a paying agent as specified in the first paragraph of this section. The Company will give notice to each holder of Notes, in the manner described under the caption "— Notices", of any change in Paying Agents, Registrars or transfer agents.

Transfer and Exchange

Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the Securities Act will initially be represented by one or more global Notes in registered form without interest coupons attached (the "*144A Global Note*"), and Notes sold to non-U.S. persons outside the United States pursuant to Regulation S under the Securities Act will initially be represented by one or more global Notes in registered form without interest coupons attached (the "*Reg S Global Note*"). The Reg S Global Note and the 144A Global Note are collectively referred to as the "Global Notes."

During the 40-day distribution compliance period, book-entry interests in the Reg S Global Notes may be transferred only to non-U.S. persons under Regulation S under the Securities Act.

Ownership of interests in the Global Notes (the "*Book-Entry Interests*") will be limited to persons that have accounts with Euroclear or Clearstream or Persons that may hold interests through such participants. Ownership of interests in the Book-Entry Interests and transfers thereof will be subject to the restrictions on transfer and certification requirements summarized below and described more fully under "Transfer Restrictions". In addition, transfers of Book-Entry Interests between participants in Euroclear or Clearstream will be effected by Euroclear or Clearstream pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear or Clearstream and their respective participants.

Book-Entry Interests in the 144A Global Note, or the "*Restricted Book-Entry Interests*", may be transferred to a person who takes delivery in the form of Book-Entry Interests in the Reg S Global Note, as applicable, or the "*Reg S Book-Entry Interests*", only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S under the Securities Act.

Book-Entry Interests in the Reg S Global Note may be exchanged for Restricted Book-Entry Interests or a Definitive Registered Note only after expiration of the 40-day compliance period.

Any Book-Entry Interest that is transferred as described in the immediately preceding paragraphs will, upon transfer, cease to be a Book-Entry Interest in the Global Note from which it was transferred and will become a Book-Entry Interest in the Global Note to which it was transferred. Accordingly, from and after such transfer, it will become subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in the Global Note to which it was transferred.

If definitive registered notes ("*Definitive Registered Notes*") are issued, they will be issued only in minimum denominations of €100,000 principal amount and integral multiples of €1,000 in excess thereof, upon receipt by the applicable Registrar of instructions relating thereto and any certificates and other documentation required by the Indenture. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, as applicable, from the participant which owns the relevant Book-Entry Interests. Definitive Registered Notes issued in exchange for a Book-Entry Interest will, except as set forth in the Indenture or as otherwise determined by the Issuer in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarized below and described more fully under "Transfer Restrictions".

Subject to the restrictions on transfer referred to above, Notes issued as Definitive Registered Notes may be transferred or exchanged, in whole or in part, in minimum denominations of €100,000 in principal amount and integral multiples of €1,000 in excess thereof, to persons who take delivery thereof in the form of Definitive Registered Notes. In connection with any such transfer or exchange, the Indenture will require the transferring or

exchanging holder to, among other things, furnish appropriate endorsements and transfer documents, furnish information regarding the account of the transferee at Euroclear or Clearstream, where appropriate, furnish certain certificates and opinions, and pay any Taxes in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the holder, other than any Taxes payable in connection with such transfer or exchange.

Subsidiary Guarantees

General

The obligations of each Guarantor under its Subsidiary Guarantee will be general senior, unsecured obligations of such Guarantor, ranking *pari passu* in right of payment with all other senior indebtedness of such Guarantor and senior in right of payment to any subordinated indebtedness of such Guarantor. The Subsidiary Guarantees will be joint and several obligations of the Guarantors. Holders of existing and future secured indebtedness of the Guarantors, including loans under the existing Credit Facilities (including the senior facilities and the French revolving facility) will have claims with respect to the assets constituting collateral for such secured indebtedness that are superior to the claims of the holders of the Notes.

The Indenture provides that the obligations of each Guarantor under its Subsidiary Guarantee will be limited to the maximum amount as will, after giving effect to such maximum amount and all other contingent and fixed liabilities of such Guarantor that are relevant under bankruptcy, fraudulent conveyance and fraudulent transfer and similar laws, and after giving effect to any collections from, rights to receive contribution from or payments made by or on behalf of any other Guarantor in respect of the obligations of such other Guarantor under its Subsidiary Guarantee, result in the obligations of such Guarantor under its Subsidiary Guarantee not constituting a fraudulent transfer or conveyance. In addition, the obligations of each Guarantor under its Subsidiary Guarantee shall be limited to the extent required by applicable law.

Guarantors

Only certain Subsidiaries of the Company will guarantee the Notes. On the issue date, the Notes will be fully and unconditionally guaranteed by CGG Holding B.V., CGG Marine B.V., CGG Marine Resources Norge A/S, CGG Holding (U.S.) Inc., CGG Services (U.S.) Inc., Veritas Investments Inc., CGG Land (U.S.) Inc., Viking Maritime Inc., Veritas Geophysical (Mexico) LLC and Alitheia Resources Inc. (collectively, the *"Services Guarantors"*), and Sercel, Inc. and Sercel-GRC Corp. (collectively, the *"Equipment Guarantors"*, and together with the Services Guarantors, the *"Initial Guarantors"*). For more information about the Initial Guarantors, see Note 31 and Note 32 to the Company's consolidated annual financial statements, included elsewhere in this offering circular. Note 32 presents condensed consolidating information for certain of our subsidiaries that guarantee our existing senior notes. The notes offered hereby are guaranteed by the same subsidiaries with the exception of three subsidiaries that do not have material assets or revenues (Sercel Canada Ltd., Sercel Australia Pty Ltd. and CGG Canada Services Ltd.). As at and for the year ended December 31,2013, those three subsidiaries had aggregate assets of $34.4 million (including $17.7 million of goodwill) and aggregate operating revenues of $8.4 million (all before consolidation adjustments). The Company's other Subsidiaries will not initially guarantee the Notes and, in certain circumstances described below under the caption "— Release", the Company may elect to have the Equipment Guarantors released from their Subsidiary Guarantees. In the event of a bankruptcy, liquidation or reorganization of any Subsidiary of the Company that is not a Guarantor, that Subsidiary will pay the holders of its debt and its trade creditors before it will be able to distribute any of its assets to the Company.

The Services Guarantors generated (excluding their subsidiaries that have not guaranteed the notes), before consolidation entries, $907.5 million of revenues, $(508.3) million of operating income (loss) and $(560.6) million of net income (loss) in the year ended December 31, 2013 and held $7,195.0 million of total assets before consolidation entries as at December 31, 2013.

The Equipment Guarantors generated (excluding their subsidiaries that have not guaranteed the notes), before consolidation entries, $438.6 million of revenues, $118.8 million of operating income and $81.2 million of net income in the year ended December 31, 2013 and held $451.4 million of total assets before consolidation entries as at December 31, 2013. The revenues, operating income, net income and assets of the Equipment Guarantors are included in those of the Initial Guarantors. In the circumstances described under the caption "Certain Covenants — Guarantees of Certain Indebtedness by Restricted Subsidiaries" the Indenture will require certain of the Company's other Subsidiaries to become Guarantors. For more information about the Initial Guarantors, see "General Information".

The Initial Guarantors represented 36% of our consolidated revenues in the year ended December 31, 2013 and 93% of our consolidated assets as at December 31, 2013.

In addition, a Restricted Subsidiary may become a Guarantor, at its option, by executing a supplemental indenture providing for a Subsidiary Guarantee in accordance with the provisions of the Indenture.

Release

The Indenture provides that, in the event of (a) a transfer, conveyance, sale or other disposition of any Capital Stock of Sercel S.A. or the Equipment Guarantors or (b) the issue by Sercel S.A. or the Equipment Guarantor of any Equity Interests, in either case to any Person other than the Company or a Restricted Subsidiary of the Company, the Company may elect to have the Equipment Guarantor released and relieved of any obligations under their Subsidiary Guarantees, *provided* that the Net Proceeds of such issuance, transfer, conveyance, sale or other disposition are applied in accordance with the covenant described below under the caption "— Put Option of Holders — Asset Sales" and the Equipment Guarantors have no other guarantees of Indebtedness of the Company or any other Guarantors (other than Permitted Guarantees) then outstanding. If a Restricted Subsidiary has become a Guarantor at its option, it may thereafter be released and relieved of its obligations under its Subsidiary Guarantee at its option, *provided* that such Guarantor has no guarantee of Indebtedness of the Company or any Guarantor (other than Permitted Guarantees) then outstanding. The Indenture further provides that, for purposes of the covenant described under the caption "— Certain Covenants — Incurrence of Indebtedness and Issuance of Disqualified Stock", the release of any Subsidiary Guarantee pursuant to provisions described in this paragraph shall be deemed to be an incurrence by the Restricted Subsidiary whose Subsidiary Guarantee is being released of all Indebtedness then held by such Restricted Subsidiary.

The Indenture provides that, in the event of a transfer, conveyance, sale or other disposition (including by way of merger or consolidation) of all or substantially all of the assets or all of the Capital Stock of any Guarantor, then such Guarantor will be released and relieved of any obligations under its Subsidiary Guarantee and the Indenture, *provided* that the Net Proceeds of such transfer, conveyance, sale or other disposition are applied in accordance with the covenant described below under the caption "— Put Option of Holders — Asset Sales". A Guarantor will likewise be released and relieved of its obligations under its Subsidiary Guarantee upon the release of any guarantee of Indebtedness of the Company that required such Guarantor to guarantee the Notes pursuant to the covenant described below under the caption "— Certain Covenants — Guarantees of Certain Indebtedness by Restricted Subsidiaries" except a discharge or release by or as a result of direct payment under such guarantee, *provided* that the Guarantor has no other guarantee of Indebtedness of the Company or any Guarantor (other than Permitted Guarantees) then outstanding. The Indenture also provides that, if the Board of Directors designates a Guarantor to be an Unrestricted Subsidiary, then such Guarantor will be released and relieved of any obligations under its Subsidiary Guarantee and the Indenture, *provided* that such designation is conducted in accordance with the applicable provisions of the Indenture.

Merger or Consolidation

The Indenture provides that, for so long as a Restricted Subsidiary provides a Subsidiary Guarantee pursuant to the terms of the Indenture, such Guarantor may not consolidate with or merge with or into (whether or not such Guarantor is the surviving Person) another Person (other than the Company or another Guarantor), unless:

(a) the Person formed by or surviving any such consolidation or merger (if other than such Guarantor) shall execute a Subsidiary Guarantee and deliver an opinion of counsel in accordance with the terms of the Indenture;

(b) immediately after giving effect to such transaction, no Default or Event of Default exists;

(c) such Guarantor, or any Person formed by or surviving any such consolidation or merger, would have a Consolidated Net Worth (immediately after giving effect to such transaction) equal to or greater than the Consolidated Net Worth of such Guarantor immediately preceding the transaction; and

(d) the Company would be permitted by virtue of the Company's *pro forma* Consolidated Interest Coverage Ratio, immediately after giving effect to such transaction, to incur at least €1.00 of additional Indebtedness pursuant to the Consolidated Interest Coverage Ratio test set forth in the covenant described under the caption "— Certain Covenants — Incurrence of Indebtedness and Issuance of Disqualified Stock".

Optional Redemption

Optional Redemption prior to May 15, 2017 upon Qualified Equity Offering

At any time prior to May 15, 2017, the Company may redeem on any one or more occasions Notes representing up to 35% of the sum of the aggregate principal amount of the Offered Notes plus any other Notes originally issued under the Indenture after the Issue Date at a redemption price of 105.875% of the principal amount thereof plus accrued and unpaid interest thereon to the redemption date, with the net cash proceeds of one or more Qualified Equity Offerings, *provided* that (a) Notes representing at least 65% of the sum of the aggregate principal amount of the Offered Notes plus any other Notes originally issued under the Indenture after the Issue Date remain outstanding immediately after the occurrence of each such redemption and (b) such redemption occurs within 90 days of the date of the closing of each such Qualified Equity Offering.

Optional Redemption of Notes prior to May 15, 2017

At any time prior to May 15, the Company may redeem the Notes at its option, in whole or in part, at a redemption price equal to 100% of the principal amount thereof plus the Applicable Premium as of, and accrued and unpaid interest to, the date of redemption.

Optional Redemption of Notes on or after May 15, 2017

The Notes will also be redeemable at the Company's option on or after May 15, 2017, in whole or in part, at the redemption prices (expressed as percentages of principal amount) set forth below, plus accrued and unpaid interest thereon to the applicable redemption date, if redeemed during the 12-month period beginning of the years indicated below:

Year	Note Redemption Price
2017	102.938%
2018	101.469%
2019 and thereafter	100.000%

Selection and Notice

If less than all of the Notes are to be redeemed at any time, the Trustee will select Notes for redemption as follows:

(a) if the Notes are listed, in compliance with the requirements of the principal securities exchange on which the Notes are listed; or

(b) if the Notes are not so listed, on a pro rata basis, in accordance with the procedures of the applicable depository, if any.

No Notes of €100,000 or less shall be redeemed in part.

Notices of redemption shall be mailed by first class mail at least 30 but not more than 60 days before the redemption date to each holder of Notes to be redeemed at its registered address. For Notes which are represented by global certificates held on behalf of Euroclear or Clearstream, notice may be given by delivery of the relevant notices to Euroclear or Clearstream for communication to entitled account holders in substitution for the aforesaid mailing. For so long as the Notes are listed on the Luxembourg Stock Exchange and for so long as the rules of such exchange require, notices of redemption will be published once by the Trustee, not less than five business days prior to the redemption date, in a newspaper having general circulation in Luxembourg, which is expected to be *Luxemburger Wort* or if such newspaper ceases to be published or timely publication in it will not be practicable, in such other newspaper as the Trustee deems necessary to give fair and reasonable notice to the holders of Notes. Notices may also be published on the internet site of the Luxembourg Stock Exchange at www.bourse.lu.

Except as set forth under "Redemption for Taxation Reasons", any notice of redemption may, in the Company's discretion, be subject to the satisfaction of one or more conditions precedent.

If any Note is to be redeemed in part only, the notice of redemption that relates to that Note shall state the portion of the principal amount thereof to be redeemed. A new Note in principal amount equal to the unredeemed

portion of the original Note will be issued in the name of the holder thereof upon surrender of the original Note. Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest will cease to accrue on Notes or portions of them called for redemption.

Redemption for Taxation Reasons

The Indenture provides that the Company may at any time unconditionally redeem, in whole but not in part, the outstanding Notes at a redemption price of 100% of the principal amount thereof plus accrued and unpaid interest thereon to the date of redemption if it or any Guarantor has become or would become obligated to pay any Additional Amounts (as defined under the caption "— Additional Amounts") in respect of the Notes as a result of:

(a) (1) any change in or amendment to the laws or treaties (or regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction (as defined under the caption "— Additional Amounts") or (2) any change in or amendment to any official position regarding the application or interpretation of such laws, treaties, regulations or rulings, which change or amendment is announced and becomes effective on or after the date of the Indenture (or, if the applicable Relevant Taxing Jurisdiction became a Relevant Taxing Jurisdiction on a date after the date of the Indenture, such later date); and

(b) such obligation cannot be avoided by the Company or any such Guarantor taking reasonable measures available to it.

Notwithstanding the preceding, no notice of redemption will be given earlier than 60 days prior to the earliest date on which the Company could be obligated to pay such Additional Amounts if a payment in respect of the Notes was then due. Prior to giving notice of any such redemption, the Company will deliver to the Trustee (y) an Officers' Certificate stating that the obligation to pay Additional Amounts cannot be avoided by the Company or any such Guarantor taking reasonable measures available to it and (z) a written opinion of an independent legal counsel to the Company to the effect that the circumstances referred to above exist.

Additional Amounts

The Indenture provides that payments made by or on behalf of the Company or any Guarantor under or with respect to the Notes or the Subsidiary Guarantees will be made free and clear of and without withholding or deduction for or on account of any present or future tax, duty, levy, impost, assessment or other governmental charge (including without limitation, penalties, interest and any other liability with respect thereto) ("*Taxes*") imposed or levied by or on behalf of any jurisdiction in which the Company or any Guarantor (including any successor entities) is then organized or resident for tax purposes or any political subdivision thereof or therein or any jurisdiction by or through which payment is made (each, a *"Relevant Taxing Jurisdiction"*), unless the Company or any Guarantor (or any Paying Agent) is required to withhold or deduct Taxes under the laws of the Relevant Taxing Jurisdiction or by the interpretation or administration thereof by the relevant taxing authority. If the Company or any Guarantor (or any Paying Agent) is so required to withhold or deduct any amount for or on account of Taxes from any payment made under or with respect to the Notes or the Subsidiary Guarantees, the Company or any such Guarantor (and each Paying Agent) will pay to each holder of the Notes that are outstanding on the date of the required payment, such additional amounts *("Additional Amounts")* as may be necessary so that the net amount received by such holder (including the Additional Amounts) after such withholding or deduction will not be less than the amount such holder would have received if such Taxes had not been withheld or deducted, *provided* that no Additional Amounts will be payable with respect to any Note:

(a) surrendered by the holder thereof for payment of principal more than 30 days after the later of (1) the date on which such payment first became due and (2) if the full amount payable has not been received by or on behalf of the relevant holder on or prior to such due date, the date on which, the full amount having been so received, notice to that effect shall have been given to the holders by the Trustee, except to the extent that the holder would have been entitled to such Additional Amounts on surrendering such Note for payment on any day during the applicable 30-day period;

(b) if any tax, assessment or other governmental charge is imposed or withheld by reason of the failure to comply by the holder or, if different, the beneficial owner *(ayant-droit)* of the Note with a request addressed to such holder or beneficial owner to provide information, documents or other evidence concerning the nationality, residence, identity or connection with the Relevant Taxing Jurisdiction of such holder or beneficial owner which is required or imposed by a statute, treaty, regulation or administrative practice of the Relevant Taxing Jurisdiction as a precondition to exemption from all or part of such tax, assessment or governmental charge;

(c) held by or on behalf of a holder who is liable for Taxes in respect of such Note by reason of having some connection with the Relevant Taxing Jurisdiction other than the mere purchase, holding or disposition of any Note, or the receipt of payments made by or on behalf of the Company or any Guarantor in respect thereof or any Subsidiary Guarantee, including, without limitation, such holder being or having been a citizen or resident thereof or being or having been present or engaged in a trade or business therein or having had a permanent establishment therein;

(d) on account of any estate, inheritance, gift, sale, transfer, personal property or other similar tax, assessment or other governmental charge;

(e) except in the case of the winding up of the Company or any Guarantor, any Note surrendered for payment in the Republic of France;

(f) any withholding or deduction imposed on a payment to an individual which is required to be made pursuant to any law implementing or complying with, or introduced in order to conform to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of November 26-27, 2000 on the taxation of savings income or any agreement between the European Community and any jurisdiction providing for equivalent measures;

(g) as a result of any combination of (a), (b), (c), (d), (e) or (f) or with respect to any payment made by or on behalf of the Company or any Guarantor in respect of any Note or Subsidiary Guarantee to any holder who is a fiduciary or partnership or other than the sole beneficial owner of such payment to the extent that a beneficiary or settlor or beneficial owner would not have been entitled to any Additional Amounts had such beneficiary or settlor or beneficial owner been the holder; or

(h) if any withholding or deduction imposed or levied on a payment to a Luxembourg resident individual is required to be made pursuant to the Luxembourg law of 23 December 2005.

The Company or any Guarantor will also make such withholding or deduction and remit the full amount deducted or withheld to the relevant authority in accordance with applicable law. The Company will furnish, within 60 days after the date the payment of any Taxes is due pursuant to applicable law, to the Trustee, copies of tax receipts (to the extent received from the relevant tax authorities in the usual course or as generally provided) evidencing that such payment has been made by the Company or any Guarantor. The Trustee will make such evidence available to the holders upon request.

At least 30 days prior to each date on which any payment under or with respect to the Notes or the Subsidiary Guarantees is due and payable, if the Company or any Guarantor becomes obligated to pay Additional Amounts with respect to such payment (unless such obligation to pay Additional Amounts arises after the 30th day prior to the date on which payment under or with respect to the Notes or the Subsidiary Guarantees is due and payable, in which case it will be promptly thereafter and in any case before the relevant payment date), the Company will deliver to each Paying Agent an Officers' Certificate stating the fact that such Additional Amounts will be payable, and the amount so payable and will set forth such other information as necessary to enable such Paying Agent to pay such Additional Amounts to the holders of the Notes on the payment date. Whenever in the Indenture or this offering circular there is mentioned, in any context, (a) the payment of principal (and premium, if any), (b) purchase prices in connection with a purchase of the Notes, (c) interest or (d) any other amount payable on or with respect to any of the Notes or the Subsidiary Guarantees, such mention is deemed to include mention of the payment of Additional Amounts provided for in this section to the extent, that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Company or a Guarantor, as the case may be, will pay any present or future stamp, court or documentary taxes or any other excise or property taxes, charges or similar levies that arise in the United States, the Republic of France or in any jurisdiction in which a Paying Agent is located from the initial issue or registration of the Notes or on the enforcement of any payments with respect to the Notes or any Subsidiary Guarantee.

The obligations of the Company or any Guarantor described in this "— Additional Amounts" section will survive any termination, defeasance or satisfaction and discharge of the Indenture, any transfer by a holder or beneficial owner of its notes, and will apply, *mutatis mutandis*, to any jurisdiction in which any successor Person to the Issuer or any Guarantor is incorporated, engaged in business for tax purposes or resident for tax purposes or any jurisdiction from or through which such Person makes any payment on the Notes and any department or any political subdivision thereof or therein.

Mandatory Redemption

Except as set forth below under the caption "— Put Option of Holders", the Company will not be required to make mandatory redemption or sinking fund payments with respect to the Notes.

Put Option of Holders

Change of Control

The Indenture provides that, upon the occurrence of a Change of Control, each holder will have the right to require the Company to purchase all or any portion (equal to €100,000 or an integral multiple of €1,000 in excess thereof) of the holder's Notes, pursuant to the offer described below (the "*Change of Control Offer*"), at a purchase price in cash equal to 101% of the aggregate principal amount thereof, plus accrued and unpaid interest thereon to the date of purchase (the "*Change of Control Payment*").

Within 30 days following a Change of Control, the Company will give notice to each holder of Notes, in the manner described under the caption "— Notices", and the Trustee describing the transaction that constitutes the Change of Control and offering to purchase the Notes on the date specified in such notice, which date shall be no earlier than 30 days and no later than 60 days from the date such notice is given (the "*Change of Control Payment Date*"), pursuant to the procedures required by the Indenture and described in such notice. The Company will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations to the extent such laws and regulations are applicable in connection with the purchase of the Notes as a result of a Change of Control. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control provisions of the Indenture, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control provisions of the Indenture by virtue of such conflict.

On or before the Change of Control Payment Date, the Company will, to the extent lawful:

(a) accept for payment all Notes or portions thereof properly tendered pursuant to the Change of Control Offer;

(b) deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all Notes or portions thereof so tendered; and

(c) deliver or cause to be delivered to the Trustee the Notes so accepted together with an Officers' Certificate stating the aggregate principal amount of the Notes or portions thereof being purchased by the Company.

The Paying Agent will promptly deliver to each holder of the Notes so tendered the Change of Control Payment for such Notes, and the Trustee will promptly authenticate and mail (or cause to be transferred by book entry) to each holder a new Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any; *provided, however,* that each such new Note will be in a principal amount of €100,000 or an integral multiple of €1,000 in excess thereof. The Company will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the holders of the Notes to require that the Company purchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction. In addition, the Company could enter into certain transactions, including acquisitions, refinancings or other recapitalizations, that could affect the Company's capital structure or the value of the Notes, but that would not constitute a Change of Control. The occurrence of a Change of Control may result in a default under the agreement governing other senior indebtedness of the Company, including the US revolving facility and the French revolving facility, giving the lenders thereunder the right to require the Company to repay all outstanding obligations thereunder, possibly limiting the Company's ability to purchase the Notes upon a Change of Control. The Company's ability to purchase the Notes following a Change of Control may also be limited by the Company's then existing financial resources. Should a Change of Control occur at a time when the Company lacks sufficient funds to make the Change of Control Payments or is prohibited from purchasing the Notes under instruments governing other senior indebtedness (and the Company is unable to obtain the consent of the holders of such senior indebtedness or to prepay such senior indebtedness), an Event of Default would occur under the Indenture. See "— Events of Default and Remedies". See "Risk Factors — Risks Related to the Notes — Although the occurrence of specific change of control events affecting us will permit you to require us to repurchase your notes, we may not be able to repurchase your notes".

The provisions described above that require the Company to make a Change of Control Offer following a Change of Control will be applicable regardless of whether any other provisions of the Indenture are applicable. The Company will not be required to make a Change of Control Offer following a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the

requirements set forth in the Indenture applicable to a Change of Control Offer made by the Company and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

The provisions of the Indenture relating to the Company's obligation to make a Change of Control Offer may be waived or modified, prior to the occurrence of a Change of Control, with the written consent of the holders of a majority in aggregate principal amount of the then outstanding Notes.

A "*Change of Control*" will be deemed to have occurred upon the occurrence of any of the following:

(a) the sale, lease, transfer, conveyance or other disposition (other than by merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Company and its Subsidiaries, taken as a whole;

(b) the adoption, by holders of Capital Stock of the Company, of a voluntary plan relating to the liquidation or dissolution of the Company;

(c) the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any "person" (as such term is used in Section 13(d) (3) of the Exchange Act) becomes the "beneficial owner" (as such term is defined in Rule 13d-3 and Rule 13d-5 under the Exchange Act), directly or indirectly through one or more intermediaries, of more than 50% of the voting power of the outstanding Voting Stock of the Company; or

(d) the first day on which more than a majority of the members of the Board of Directors are not Continuing Directors;

provided, however, that a transaction in which the Company becomes a Subsidiary of another Person (other than a Person that is an individual) shall not constitute a Change of Control if (1) the shareholders of the Company immediately prior to such transaction "beneficially own" (as such term is defined in Rule 13d-3 and Rule 13d-5 under the Exchange Act), directly or indirectly through one or more intermediaries, at least a majority of the voting power of the outstanding Voting Stock of such other Person immediately following the consummation of such transaction and (2) immediately following the consummation of such transaction, no "person" (as such term is defined above), other than such other Person (but including the holders of the Equity Interests of such other Person), "beneficially owns" (as such term is defined above), directly or indirectly through one or more intermediaries, more than 50% of the voting power of the outstanding Voting Stock of the Company.

"*Continuing Directors*" means, as of any date of determination, any member of the Board of Directors who (a) was a member of the Board of Directors on the Issue Date or (b) was nominated for election to the Board of Directors with the approval of, or whose election to the Board of Directors was ratified by, at least a majority of the members of the Board of Directors who were members of the Board of Directors on the Issue Date or who were so elected to the Board of Directors thereafter.

The definition of Change of Control includes an event by which the Company sells, leases, transfers, conveys or otherwise disposes of all or substantially all of the properties or assets of the Company and its Subsidiaries, taken as a whole. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a holder of Notes to require the Company to repurchase such Notes as a result of a sale, lease, transfer, conveyance or other disposition of less than all of the properties or assets of the Company and its Subsidiaries, taken as a whole, may be uncertain. In addition, holders of the Notes should note that case law suggests that, in the event that incumbent directors are replaced as a result of a contested election, issuers may nevertheless avoid triggering a change of control under clauses similar to clause (d) of the definition of "Change of Control" if the outgoing directors were to approve the new directors for the purposes of that clause.

Asset Sales

The Indenture provides that the Company will not, and will not permit any of its Restricted Subsidiaries to, consummate an Asset Sale unless:

(a) the Company or such Restricted Subsidiary, as the case may be, receives consideration at the time of such Asset Sale at least equal to the fair market value (as determined in accordance with the definition of such term set out below under the caption "— Certain Definitions", the results of which determination shall be set forth in an Officers' Certificate delivered to the Trustee) of the assets or Equity Interests issued or sold or otherwise disposed of; and

(b) at least 75% of the consideration therefor received by the Company or such Restricted Subsidiary is in the form of cash or Cash Equivalents;

provided, however, that the amount of (1) any liabilities (as shown on the Company's or such Restricted Subsidiary's most recent balance sheet) of the Company or such Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes or the Subsidiary Guarantee) that are assumed by the transferee of any such assets pursuant to a customary novation agreement that releases the Company or such Restricted Subsidiary from further liability, (2) any securities, notes or other obligations received by the Company or such Restricted Subsidiary from such transferee that are converted within 180 days by the Company or such Restricted Subsidiary into cash (to the extent of the cash received in that conversion) and (3) any Designated Non-Cash Consideration received by the Company or any Restricted Subsidiary in such Asset Sale having an aggregate fair market value (determined in accordance with the definition of such term set out below under the caption "—Certain Definitions", the results of which determination shall be set forth in an Officer's Certificate delivered to the Trustee) taken together with all other Designated Non-Cash Consideration received pursuant to this covenant that is at that time outstanding, not to exceed the greater of €100,000,000 and 2% of the Company's Consolidated Total Assets (with the fair market value of each item of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value) shall be deemed to be cash for purposes of this provision.

Within 365 days after the receipt of any Net Proceeds from an Asset Sale, the Company or any such Restricted Subsidiary may apply such Net Proceeds to (a) permanently repay the principal of any Indebtedness of the Company ranking in right of payment at least *pari passu* with the Notes or any Indebtedness of such Restricted Subsidiary (*provided* that if such Restricted Subsidiary is a Guarantor, then such Indebtedness shall rank in right of payment at least *pari passu* with its Subsidiary Guarantee), (b) make capital expenditures in respect of Strategic Assets or (c) acquire (including by way of a purchase of assets or a majority of the Voting Stock of a Person, by merger, by consolidation or otherwise) Strategic Assets, *provided* that if the Company or such Restricted Subsidiary enters into a binding agreement to acquire such Strategic Assets within such 365-day period, but the consummation of the transactions under such agreement has not occurred within such 365-day period and such agreement has not been terminated, then such 365-day period will be extended by 90 days to permit such consummation. If such consummation does not occur, or such agreement is terminated within such 90-day extension period, then the Company may apply, or cause such Restricted Subsidiary to apply, within 90 days after the end of such initial 90-day extension period or the effective date of such termination, whichever is earlier, such Net Proceeds as provided in clauses (a) through (c) of this paragraph. Pending the final application of any such Net Proceeds, the Company or any such Restricted Subsidiary may temporarily reduce outstanding revolving credit borrowings or otherwise invest such Net Proceeds in any manner that is not prohibited by the Indenture. Any Net Proceeds from Asset Sales that are not applied or invested as provided in clauses (a) through (c) of this paragraph will be deemed to constitute "Excess Proceeds."

When the aggregate amount of Excess Proceeds exceeds €20,000,000, the Company will be required to make an offer to all holders of the Notes (an "*Asset Sale Offer*") to purchase the maximum principal amount of the Notes that may be purchased out of the Excess Proceeds at an offer price in cash in an amount equal to 100% of the principal amount thereof, plus accrued and unpaid interest thereon to the date of purchase, in accordance with the procedures set forth in the Indenture; *provided, however,* that, if the Company is required to apply such Excess Proceeds to purchase, or to offer to purchase, any Pari Passu Indebtedness, the Company shall only be required to offer to purchase the maximum principal amount of the Notes that may be purchased out of the amount of such Excess Proceeds multiplied by a fraction, the numerator of which is the aggregate principal amount of the Notes outstanding and the denominator of which is the aggregate principal amount of the Notes outstanding plus the aggregate principal amount of Pari Passu Indebtedness outstanding. To the extent that the aggregate principal amount of the Notes tendered pursuant to an Asset Sale Offer is less than the amount that the Company is required to purchase, the Company may use any remaining Excess Proceeds for general corporate purposes in any manner not prohibited by the Indenture. If the aggregate principal amount of the Notes surrendered by holders thereof exceeds the amount that the Company is required to purchase, the Trustee shall select the Notes to be purchased on a pro rata basis. Upon completion of such offer to purchase, the amount of Excess Proceeds shall be reset at zero.

The Company will not, and will not permit any Restricted Subsidiary to, enter into or suffer to exist any agreement (other than any agreement governing the Company's or any Restricted Subsidiary's Credit Facilities) that would place any restriction of any kind (other than pursuant to law or regulation) on the ability of the Company to make an Asset Sale Offer. The agreements governing the Company's existing Credit Facilities contain and the agreements governing the Company's future Credit Facilities may contain prohibitions of certain

events, including events that would constitute a Change of Control or an Asset Sale. In addition, the exercise by the holders of Notes of their right to require the Company to repurchase the Notes upon a Change of Control or an Asset Sale could cause a default under these other agreements, even if the Change of Control or Asset Sale itself does not, due to the financial effect of such repurchases on the Company. Finally, the Company's ability to pay cash to the holders of Notes upon a repurchase may be limited by the Company's then existing financial resources. See "Risk Factors — Risks Related to the Notes".

The Company will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations to the extent such laws and regulations are applicable in connection with the purchase of the Notes as a result of an Asset Sale Offer. To the extent that the provisions of any securities laws or regulations conflict with the Asset Sale provisions of the Indenture, the Company will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Asset Sale provisions of the Indenture by virtue of such conflict.

Certain Covenants

Restricted Payments

The Indenture provides that the Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly:

(a) purchase, redeem or otherwise acquire or retire for value (including, without limitation, in connection with any merger or consolidation involving the Company) any Equity Interests of the Company or any of its Restricted Subsidiaries (other than any such Equity Interests owned by the Company or any of its Restricted Subsidiaries);

(b) make any payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value, any Indebtedness that is subordinated in right of payment to the Notes or the Subsidiary Guarantees, as the case may be, except a payment of interest or principal at Stated Maturity; or

(c) make any Restricted Investment,

(all such payments and other actions set forth in clauses (a) through (c) above being collectively referred to as "*Restricted Payments*"), unless, at the time of and after giving effect to such Restricted Payment:

(1) no Default or Event of Default shall have occurred and be continuing or would occur as a consequence thereof;

(2) the Company would, at the time of such Restricted Payment and after giving pro forma effect thereto as if such Restricted Payment had been made at the beginning of the applicable four-quarter period, have been permitted to incur at least €1.00 of additional Indebtedness pursuant to the Consolidated Interest Coverage Ratio test set forth in the first paragraph of the covenant described under the caption "— Incurrence of Indebtedness and Issuance of Disqualified Stock"; and

(3) such Restricted Payment, together with (x) the aggregate amount of all other Restricted Payments made by the Company and its Restricted Subsidiaries after the Reference Date (excluding Restricted Payments permitted by clauses (b) through (e) and, to the extent deducted in computing Consolidated Net Income, (f) and (g) of the next succeeding paragraph), and (y) the aggregate amount of all dividends and other payments or distributions paid subsequent to the Reference Date on account of the Company's or any of its Restricted Subsidiaries' Equity Interests (including, without limitation, any such payment in connection with any merger or consolidation involving the Company) or to the direct or indirect holders of the Company's Equity Interests in their capacity as such (other than (i) dividends or distributions payable in Equity Interests (other than Disqualified Stock) of the Company, (ii) dividends or distributions payable to the Company or any of its Restricted Subsidiaries or (iii) if the Restricted Subsidiary making such dividend is not a Wholly Owned Restricted Subsidiary, dividends to its shareholders on a pro rata basis), is less than the sum (without duplication) of the following:

(A) 50% of the cumulative Consolidated Net Income of the Company for the period (taken as one accounting period) from January 1, 2005 to the end of the Company's most recently ended fiscal quarter for which internal financial statements are available at the time of such Restricted Payment (or, if such Consolidated Net Income for such period is a deficit, less 100% of such deficit); plus

(B) 100% of the aggregate of (1) the net cash proceeds and (2) the fair market value of Strategic Assets transferred or conveyed to the Company (as valued at the time of transfer or conveyance to the

Company, and as determined in the manner contemplated by the definition of the term "*fair market value*"), in each case received by the Company since the Reference Date as a contribution to its common equity capital or from the issue or sale of Equity Interests of the Company (other than Disqualified Stock) or from the issuance or sale of Disqualified Stock or debt securities of the Company that have been converted into, or exchanged or redeemed for, such Equity Interests (other than any such Equity Interests, Disqualified Stock or convertible debt securities sold to a Restricted Subsidiary of the Company and other than Disqualified Stock or convertible debt securities that have been converted into, or exchanged or redeemed for, Disqualified Stock); plus

(C) to the extent that any Restricted Investment that was made after the Reference Date is sold for cash or otherwise liquidated or repaid for cash, the cash return of capital with respect to such Restricted Investment (less the cost of disposition, if any); plus

(D) if any Unrestricted Subsidiary is redesignated as a Restricted Subsidiary, the lesser of (1) an amount equal to the fair market value of the Investments previously made by the Company and its Restricted Subsidiaries in such Subsidiary as of the date of redesignation and (2) the amount of such Investments.

The preceding provisions will not prohibit any of the following:

(a) the payment of any dividend within 60 days after the date of declaration thereof if at said date of declaration such payment would have complied with the provisions of the Indenture;

(b) the redemption, repurchase, retirement, defeasance or other acquisition of any subordinated Indebtedness of the Company or any Guarantor or any Equity Interests of the Company or any of its Restricted Subsidiaries in exchange for, or out of the net cash proceeds of the substantially concurrent sale (other than to a Restricted Subsidiary of the Company) of, other Equity Interests of the Company (other than any Disqualified Stock), *provided* that the amount of any such net cash proceeds that are utilized for any such redemption, purchase, retirement, defeasance or other acquisition shall be excluded from clause (3)(B) of the preceding paragraph;

(c) the defeasance, redemption, purchase, retirement or other acquisition of subordinated Indebtedness of the Company or any Guarantor with the net cash proceeds from an incurrence of, or in exchange for, Permitted Refinancing Indebtedness;

(d) the payment of any dividend or distribution by a Restricted Subsidiary of the Company to the Company or any of its Restricted Subsidiaries;

(e) repurchases of Equity Interests deemed to occur upon exercise of stock options, if such Equity Interests represent a portion of the exercise price of such stock options;

(f) so long as no Default has occurred and is continuing, the repurchase or other acquisition for value of any Equity Interests of the Company or any Restricted Subsidiary of the Company for allocation (as a free allocation or otherwise) to directors, officers and employees of the Company and its Restricted Subsidiaries not in excess of €2,500,000 in any 12-month period;

(g) so long as no Default has occurred and is continuing, the repurchase, redemption or other acquisition or retirement for value of any Equity Interests of the Company or any Restricted Subsidiary of the Company held by any member of the Company's (or any of its Restricted Subsidiaries') management pursuant to any management equity subscription agreement or stock option agreement in effect as of the Issue Date; *provided* that the aggregate price paid for all such repurchased, redeemed, acquired or retired Equity Interests shall not exceed €1,000,000 in any 12-month period;

(h) loans or advances in the ordinary course of business to Affiliates or Persons with which the Company or a Subsidiary may have contractual arrangements in any jurisdiction reasonably necessary to be made in connection with conducting the business of the Company or a Subsidiary in such jurisdiction in a form that is customary to address foreign investment regulation or practice in such jurisdiction, in an aggregate amount not to exceed €2,000,000 outstanding at any one time;

(i) so long as no Default has occurred and is continuing, advances constituting Investments or loans to directors, officers and employees of the Company and its Restricted Subsidiaries in the ordinary course of business for bona fide business purposes not in excess of €1,000,000 at any one time outstanding; and

(j) other Restricted Payments not to exceed €15,000,000 in the aggregate.

The amount of all Restricted Payments (other than cash) shall be the fair market value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Company or such Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The fair market value of any non-cash Restricted Payment shall be determined in the manner contemplated by the definition of the term "fair market value", and the results of such determination shall be evidenced by an Officers' Certificate delivered to the Trustee.

Incurrence of Indebtedness and Issuance of Disqualified Stock

The Indenture provides that the Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to (collectively, "*incur*" or an "*incurrence*") any Indebtedness (including, without limitation, any Acquired Indebtedness) and that the Company will not issue any Disqualified Stock and will not permit any of its Restricted Subsidiaries to issue any shares of preferred stock or any Disqualified Stock; *provided, however,* that the Company or any Guarantor may incur Indebtedness or issue Disqualified Stock, and any Restricted Subsidiary may incur Acquired Indebtedness, in each case if the Consolidated Interest Coverage Ratio for the Company's most recently ended four full fiscal quarters for which internal financial statements are available immediately preceding the date on which such additional Indebtedness is incurred or such Disqualified Stock is issued would have been at least 3.0 to 1.0, determined on a *pro forma* basis (including a *pro forma* application of the net proceeds therefrom), as if the additional Indebtedness or Disqualified Stock had been issued or incurred, as the case may be, at the beginning of such four-quarter period.

The preceding paragraph will not apply to the incurrence by the Company or any of its Restricted Subsidiaries of any of the following Indebtedness:

(a) Indebtedness under Credit Facilities in an aggregate principal amount at any one time outstanding not to exceed the greater of (x) €500,000,000, plus any fees, premiums, expenses (including costs of collection), indemnities and similar amounts payable in connection with such Indebtedness, and less any amounts derived from Asset Sales and applied to the permanent reduction of Indebtedness under Credit Facilities in accordance with the covenant described under the caption "— Put Option of Holders — Asset Sales" and (y) 10% of the Company's Consolidated Total Assets;

(b) Existing Indebtedness;

(c) Hedging Obligations;

(d) Indebtedness represented by the Offered Notes or the Subsidiary Guarantees;

(e) intercompany Indebtedness between or among the Company and any of its Restricted Subsidiaries, *provided* that (1) if the Company or any Guarantor is the obligor on such Indebtedness, then the Indebtedness must be unsecured and expressly subordinated in right of payment to the Company's obligations with respect to the Notes or such Guarantor's obligations under its Subsidiary Guarantee, as the case may be, and (2) any subsequent issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than the Company or a Restricted Subsidiary of the Company, or any sale or other transfer of any such Indebtedness to a Person that is neither the Company nor a Restricted Subsidiary of the Company, shall be deemed, in each case, to constitute an incurrence of such Indebtedness by the Company or such Restricted Subsidiary, as the case may be, as of the date of such issuance, sale or other transfer that is not permitted by this clause (e);

(f) Indebtedness in respect of bid, performance or surety bonds issued for the account of the Company or any of its Restricted Subsidiaries in the ordinary course of business, including guarantees or obligations of the Company or any of its Restricted Subsidiaries with respect to letters of credit supporting such bid, performance or surety obligations (in each case other than for an obligation for money borrowed);

(g) Indebtedness represented by Capital Lease Obligations, mortgage financings or purchase money obligations (or any guarantee thereof or indemnity with respect thereto), in each case, incurred for the purpose of financing all or any part of the purchase price or cost of construction or improvement of property, plant or equipment used in the business of the Company or any of its Restricted Subsidiaries, in an aggregate principal amount, including all Permitted Refinancing Indebtedness incurred to refund, refinance or replace any Indebtedness incurred pursuant to this clause (g), not to exceed €50,000,000 at any time outstanding;

(h) the guarantee by the Company of Indebtedness of any of its Restricted Subsidiaries or by any Restricted Subsidiary of Indebtedness of the Company or another Restricted Subsidiary, in each case, that was permitted to be incurred by another provision of this covenant; *provided* that if the Indebtedness being guaranteed is subordinated in right of payment to the Notes or a Subsidiary Guarantee, then the guarantee shall be subordinated to the same extent as the Indebtedness guaranteed;

(i) intercompany Indebtedness between or among the Company and any of its Restricted Subsidiaries incurred in the ordinary course of business in connection with cash pooling or other cash management arrangements;

(j) Permitted Refinancing Indebtedness incurred in exchange for, or the net proceeds of which are used to extend, refinance, renew, replace, defease or refund Indebtedness incurred pursuant to the first paragraph and clauses (b), (d) and (j) of the second paragraph of this covenant;

(k) Indebtedness of Restricted Subsidiaries of the Company (other than Guarantors) in an aggregate principal amount not to exceed 5% of the Company's Consolidated Total Assets minus the sum of all Indebtedness of Restricted Subsidiaries of the Company (other than Guarantors) then outstanding; and

(l) any additional Indebtedness of the Company or any Guarantor in an aggregate principal amount not in excess of €50,000,000 at any one time outstanding and any guarantee thereof.

The Indenture also provides that the Company will not, and will not permit any Guarantor to, directly or indirectly, incur any Indebtedness which by its terms (or by the terms of any agreement governing such Indebtedness) is subordinated to any other Indebtedness of the Company or of such Guarantor, as the case may be, unless such Indebtedness is also by its terms (or by the terms of any agreement governing such Indebtedness) made expressly subordinate to the Notes or the Subsidiary Guarantees of such Guarantor, as the case may be, to the same extent and in the same manner as such Indebtedness is subordinated pursuant to subordination provisions that are most favorable to the holders of any other Indebtedness of the Company or of such Guarantor, as the case may be; *provided, however,* that no Indebtedness shall be deemed to be contractually subordinated in right of payment to any other Indebtedness solely by virtue of being unsecured.

For purposes of determining compliance with this "Incurrence of Indebtedness and Issuance of Disqualified Stock" covenant, if an item of proposed Indebtedness meets the criteria of more than one of the categories of Indebtedness described in clauses (a) through (l) of the second paragraph, or is entitled to be incurred pursuant to the first paragraph, of this covenant, the Company will be permitted to classify such item of Indebtedness on the date of its incurrence, or later reclassify all or a portion of such item of Indebtedness, in any manner that complies with this covenant.

The reclassification as Indebtedness of operating leases due to a change in accounting principles will not be deemed to be an incurrence of Indebtedness for the purposes of this covenant.

Liens

The Indenture provides that the Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, assume or suffer to exist any Lien on any property or asset now owned or hereafter acquired, or any income or profits therefrom, except Permitted Liens, to secure (a) any Indebtedness of the Company or such Restricted Subsidiary (if it is not also a Guarantor), unless prior to, or contemporaneously therewith, the Notes are equally and ratably secured, or (b) any Indebtedness of any Guarantor, unless prior to, or contemporaneously therewith, the Subsidiary Guarantee of such Guarantor is equally and ratably secured; *provided, however,* that if such Indebtedness is expressly subordinated to the Notes or any Subsidiary Guarantee, the Lien securing such Indebtedness will be subordinated and junior to the Lien securing the Notes or the Subsidiary Guarantee, as the case may be, with the same relative priority as such Indebtedness has with respect to the Notes or the Subsidiary Guarantee. The incurrence of secured Indebtedness by the Company and its Restricted Subsidiaries is subject to further limitations on the incurrence of Indebtedness as described under the caption "— Incurrence of Indebtedness and Issuance of Disqualified Stock".

Sale-and-Leaseback Transactions

The Indenture provides that the Company will not, and will not permit any of its Restricted Subsidiaries to, enter into any sale-and-leaseback transaction; *provided, however,* that the Company or any Restricted Subsidiary, as applicable, may enter into a sale-and-leaseback transaction if:

(a) the Company or such Restricted Subsidiary could have (1) incurred Indebtedness in an amount equal to the Attributable Indebtedness relating to such sale-and-leaseback transaction pursuant to the

Consolidated Interest Coverage Ratio test set forth in the first paragraph of the covenant described above under the caption "— Incurrence of Indebtedness and Issuance of Disqualified Stock" and (2) incurred a Lien to secure such Indebtedness pursuant to the covenant described above under the caption "— Liens";

(b) the gross cash proceeds of such sale-and-leaseback transaction are at least equal to the fair market value (as determined in accordance with the definition of such term, the results of which determination shall be set forth in an Officers' Certificate delivered to the Trustee) of the property that is the subject of such sale-and-leaseback transaction; and

(c) the transfer of assets in such sale-and-leaseback transaction is permitted by, and the Company applies the proceeds of such transaction in compliance with, the covenant described above under the caption "— Put Option of Holders — Asset Sales", if applicable.

Issuances and Sales of Capital Stock of Restricted Subsidiaries

The Indenture provides that the Company (a) will not, and will not permit any Restricted Subsidiary of the Company to, transfer, convey, sell or otherwise dispose of any Capital Stock of any Restricted Subsidiary of the Company to any Person other than the Company or a Restricted Subsidiary of the Company, and (b) will not permit any Restricted Subsidiary of the Company to issue any of its Equity Interests to any Person other than to the Company or a Restricted Subsidiary of the Company (except, in the case of both clauses (a) and (b) above, as required in the manner described in clause (b) under the definition of "Wholly Owned Restricted Subsidiary", *provided* that the business and management of the Restricted Subsidiary is, by contract or otherwise, controlled by the Company), unless:

(a) the Net Proceeds from such issuance, transfer, conveyance, sale or other disposition are applied in accordance with the covenant described above under the caption "— Put Option of Holders — Asset Sales" and

(b) immediately after giving effect to such transfer, conveyance, sale or other disposition, such Restricted Subsidiary either continues to be a Restricted Subsidiary or, if such Restricted Subsidiary would no longer constitute a Restricted Subsidiary, any remaining Investment in such Restricted Subsidiary would have been permitted to be made under the covenant described above under the caption "— Restricted Payments" if made on the date of such transfer, conveyance, sale or other disposition.

For purposes of this covenant, the creation or perfection of a Lien on any Capital Stock of a Restricted Subsidiary of the Company to secure any Indebtedness of the Company or any of its Restricted Subsidiaries will not be deemed to be a disposition of such Capital Stock, *provided* that any sale by the secured party of such Capital Stock following foreclosure of its Lien will be subject to this covenant.

Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

The Indenture provides that the Company will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to do any of the following:

(a) (1) pay dividends or make any other distributions to the Company or any of its Restricted Subsidiaries on its Capital Stock or (2) pay any Indebtedness owed to the Company or any of its Restricted Subsidiaries;

(b) make loans or advances to the Company or any of its Restricted Subsidiaries; or

(c) transfer any of its properties or assets to the Company or any of its Restricted Subsidiaries,

except for such encumbrances or restrictions existing under or by reason of:

(1) agreements governing Credit Facilities or Existing Indebtedness, and any amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings thereof, *provided* that such agreements and amendments, modifications, restatements, renewals, increases, supplements, refundings, replacements or refinancings are not materially less favorable to the holders of the Notes, taken as a whole, with respect to such dividend and other payment restrictions, than those contained, in the case of Credit Facilities, in agreements governing Credit Facilities or, in the case of Existing Indebtedness, in agreements governing such Existing Indebtedness, in either case as in effect on the date of the Indenture;

(2) the Indenture, the Notes and the Subsidiary Guarantees;

(3) any agreement for the sale or other disposition of Equity Interests in a Restricted Subsidiary that restricts distributions by that Restricted Subsidiary pending the sale or other disposition;

(4) any instrument governing Indebtedness or Capital Stock of a Person acquired by the Company or any of its Restricted Subsidiaries as in effect at the time of such acquisition (except to the extent such Indebtedness was incurred in connection with or in contemplation of such acquisition), which encumbrance or restriction is not applicable to any Person or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired*, provided* that, in the case of Indebtedness, such Indebtedness was permitted by the terms of the Indenture to be incurred;

(5) by reason of customary provisions restricting the subletting or assignment of any lease or the transfer of copyrighted or patented materials;

(6) purchase money obligations for property acquired in the ordinary course of business that impose restrictions of the nature described in clause (c) above on the property so acquired;

(7) customary provisions in agreements for the sale of property or assets;

(8) customary provisions in agreements that restrict the assignment of such agreements or rights thereunder;

(9) provisions with respect to the disposition or distribution of assets or property in any joint venture agreement, assets sale agreement, stock sale agreement or other similar agreement, in each case entered into in the ordinary course of business, but in each case only to the extent such encumbrance or restriction relates to the transfer of the property, or encumbers or restricts the assets, subject to such agreement;

(10) restrictions on cash or other deposits or net worth imposed by customers under contracts entered into in the ordinary course of business;

(11) Permitted Refinancing Indebtedness, *provided* that the encumbrances and restrictions contained in the agreements governing such Permitted Refinancing Indebtedness are not materially less favorable to the holders of the Notes, taken as a whole, than those contained in the agreements governing the Indebtedness being refinanced;

(12) any Liens not prohibited by the covenant described above under the caption "— Liens" that limit the right of the debtor to dispose of the assets subject to such Liens; or

(13) applicable law.

Transactions with Affiliates

The Indenture provides that the Company will not, and will not permit any of its Restricted Subsidiaries to, make any payment to, or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate (each of the foregoing, an "*Affiliate Transaction*"), unless:

(a) such Affiliate Transaction is in writing and on terms that, when taken as a whole, are no less favorable to the Company or the relevant Restricted Subsidiary than those that would have been obtained in a comparable transaction by the Company or such Restricted Subsidiary with an unrelated Person or, if there is no such comparable transaction, on terms that are fair and reasonable to the Company or such Restricted Subsidiary; and

(b) the Company delivers to the Trustee (1) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of €2,000,000, an Officers' Certificate certifying that such Affiliate Transaction complies with clause (a) above and (2) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of €5,000,000, a resolution of the Board of Directors set forth in an Officers' Certificate certifying that such Affiliate Transaction complies with clause (a) above and that such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors and (3) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of €15,000,000, an opinion as to the fairness to the Company or the relevant Subsidiary of such Affiliate Transaction from a financial point of view issued by an accounting, appraisal or investment banking firm that is, in the judgment of the Board of Directors, qualified to render such opinion and is independent with respect to the Company;

provided, however, that the following shall be deemed not to be Affiliate Transactions:

(A) any employment agreement or other employee compensation plan or arrangement (including stock option plans) entered into by the Company or any of its Restricted Subsidiaries in the ordinary course of business of the Company or such Restricted Subsidiary;

(B) transactions between or among the Company and its Restricted Subsidiaries (including any Person that becomes a Restricted Subsidiary as a result of any such transaction);

(C) loans or advances to officers, directors and employees of the Company or any of its Restricted Subsidiaries made in the ordinary course of business and consistent with past practices of the Company and its Restricted Subsidiaries in an aggregate amount not to exceed €10,000,000 outstanding at any one time;

(D) indemnities of officers, directors and employees of the Company or any of its Restricted Subsidiaries permitted by provisions of the organizational documents of the Company or such Restricted Subsidiary or applicable law;

(E) the payment of reasonable and customary regular fees to directors of the Company or any of its Restricted Subsidiaries who are not employees of the Company or any Subsidiary;

(F) any agreement or arrangement in effect as of the Issue Date or any amendment thereto or replacement thereof or any transaction contemplated thereby (including pursuant to any amendment or replacement agreement) so long as any such amendment or replacement agreement, taken as a whole, is no more disadvantageous to the holders of the Notes in any material respect than the original agreement as in effect on the Issue Date;

(G) Restricted Payments and Permitted Investments that are permitted by the provisions of the Indenture described above under the caption "— Restricted Payments" or the declaration or payment of any dividend or the making of any other payment or distribution described in sub-clause (y) of clause (3) of the first paragraph of the covenant described under the caption "— Restricted Payments" which does not constitute an Event of Default pursuant to clause (e) under the caption "— Events of Default and Remedies"; and

(H) transactions with a Person (other than an Unrestricted Subsidiary of the Company) that is an Affiliate of the Company solely because the Company owns, directly or through a Restricted Subsidiary, an Equity Interest in, or controls, such Person.

Guarantees of Certain Indebtedness by Restricted Subsidiaries

The Indenture provides that the Company will not permit any Restricted Subsidiary, directly or indirectly, to guarantee any Indebtedness of the Company or any Guarantor (the "*Other Company Indebtedness*") other than Permitted Guarantees unless such Restricted Subsidiary (if it is not already a Guarantor) contemporaneously executes and delivers a Subsidiary Guarantee and a supplemental indenture to the Indenture in accordance with its terms, which Subsidiary Guarantee will be senior to such Restricted Subsidiary's guarantee of such Other Company Indebtedness if such Other Company Indebtedness so guaranteed is subordinated Indebtedness.

Conduct of Business

The Company will not, and will not permit any of its Restricted Subsidiaries to, engage in the conduct of any business other than the business being conducted on the Issue Date and such other businesses as are reasonably necessary or desirable to facilitate the conduct and operation of, or ancillary or reasonably related to, such businesses, except to the extent as would not be material to the Company and its Restricted Subsidiaries, taken as a whole.

Anti-Layering

The Indenture provides that the Company will not and will not permit any Guarantor to incur, directly or indirectly, any Indebtedness that is subordinated in right of payment to any Indebtedness of the Company or the Guarantor, as the case may be, unless the Indebtedness so incurred is either *pari passu* with, or subordinated in right of payment to, the Notes or the relevant Subsidiary Guarantee, as the case may be.

Unsecured Indebtedness will not be deemed to be subordinated in right of payment to secured Indebtedness solely because it is unsecured, and Indebtedness that is not guaranteed by a particular Person is not deemed to be subordinated in right of payment to Indebtedness that is so guaranteed solely because it is not so guaranteed.

Reports

Whether or not the Company is required to do so by the rules and regulations of the Commission, so long as any Notes are outstanding, the Company will file with the Commission (unless the Commission will not accept such a filing):

(i) within the time periods specified in the Commission's rules and regulations, all annual financial and other information with respect to the Company and its Subsidiaries that would be required to be contained in a filing with the Commission on Form 20-F, including a "Management's Discussion and Analysis of Financial Condition and Results of Operations" and a report thereon by the Company's certified independent accountants; and

(ii) within 60 days after the end of each of the first and third quarters of each fiscal year (and within 75 days after the end of the second quarter of each fiscal year), reports on Form 6-K, or any successor form, attaching (a) unaudited consolidated financial statements for the Company for the period then ended (and the comparable period in the prior year), in each case prepared in accordance with GAAP (as in effect on the date of such report or financial information) and (b) the information relating to the Company described in Item 5 of Form 20-F (i.e., Operating and Financial Review and Prospects).

Within 15 days of filing, or attempting to file, such information with the Commission, the Company shall furnish such information to the holders of the Notes.

For so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of such stock exchange so require, the above information will also be made available in Luxembourg, free of charge, through the offices of the Paying Agent in Luxembourg.

In addition, the Company will furnish to the holders of the Notes and to prospective investors, upon the requests of such holders, any information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act so long as the Notes are not freely transferable under the Securities Act.

Future Designation of Restricted and Unrestricted Subsidiaries

The preceding covenants (including calculation of financial ratios and the determination of limitations on the incurrence of Indebtedness) may be affected by the designation by the Company of any existing or future Subsidiary of the Company as an Unrestricted Subsidiary, or by the redesignation by the Company of an Unrestricted Subsidiary as a Restricted Subsidiary.

The Board of Directors may designate any Restricted Subsidiary to be an Unrestricted Subsidiary if such designation would not cause a Default. For purposes of making such designation, all outstanding Investments by the Company and its Restricted Subsidiaries in the Subsidiary so designated will be deemed to be Restricted Payments at the time of such designation, in an amount equal to the fair market value of such Investments at the time of such designation. Such designation will only be permitted if such Restricted Payments would be permitted by the terms of the Indenture at such time and if such Restricted Subsidiary otherwise meets the definition of "Unrestricted Subsidiary". The Company may not designate any Restricted Subsidiary to be an Unrestricted Subsidiary at any time during which the Company maintains Investment Grade Status.

The Board of Directors may also redesignate any Unrestricted Subsidiary to be a Restricted Subsidiary if such redesignation complies with the requirements of the Indenture described in the definition of "Unrestricted Subsidiary." If the aggregate amount of all Restricted Payments calculated for purposes of the first paragraph of the covenant described under the caption "— Restricted Payments" above includes an Investment in an Unrestricted Subsidiary that subsequently becomes a Restricted Subsidiary pursuant to the terms of this paragraph, then the aggregate amount of such Restricted Payments will be reduced by the lesser of (a) an amount equal to the fair market value of the Investments previously made by the Company and its Restricted Subsidiaries in such Unrestricted Subsidiary at the time it becomes a Restricted Subsidiary and (b) the amount of such Investments.

Any designation or redesignation pursuant to this covenant by the Board of Directors will be evidenced by the filing with the Trustee of a Board Resolution giving effect to such action and evidencing the valuation of any Investment relating thereto (as determined in good faith by the Board of Directors) and an Officers' Certificate certifying that such action and valuation complied with the preceding requirements.

Effectiveness of Covenants and Events of Default

The covenants described under clauses (c) and (d) under "— Subsidiary Guarantees — Merger or Consolidation", "— Certain Covenants — Restricted Payments", "— Certain Covenants — Incurrence of Indebtedness and Issuance of Disqualified Stock", "— Certain Covenants — Dividend and Other Payment Restrictions Affecting Subsidiaries", "— Certain Covenants — Transactions with Affiliates", "— Certain Covenants — Conduct of Business", "— Put Option of Holders — Asset Sales", clauses (a)(1), (b) and (c) under "— Certain Covenants — Sale-and-Leaseback Transactions", and "— Certain Covenants — Issuances and Sales of Capital Stock of Restricted Subsidiaries" and the Events of Default described under clauses (e) and (f)(4) under "— Events of Default and Remedies" (collectively, the "*Suspended Provisions*") will no longer be in effect upon the Company attaining Investment Grade Status. If at any time the Company's credit rating is downgraded from Investment Grade Status, then the Suspended Provisions will thereafter be reinstated as if such covenants had never been suspended and be applicable pursuant to the terms of the Indenture (including in connection with performing any calculation or assessment to determine compliance with the terms of the Indenture), unless and until the Company subsequently attains Investment Grade Status (in which event the Suspended Provisions shall again no longer be in effect for such time that the Company maintains Investment Grade Status); *provided, however,* that no Default, Event of Default or breach of any kind shall be deemed to exist under the Indenture with respect to the Suspended Provisions based on, and none of the Company or any of its Subsidiaries shall bear any liability for, any actions taken or events occurring after the Company attains Investment Grade Status and before any reinstatement of such Suspended Provisions as provided above, or any actions taken at any time pursuant to any contractual obligation arising prior to such reinstatement, regardless of whether such actions or events would have been permitted if the applicable Suspended Provisions remained in effect during such period. There can be no assurance that the Notes will ever achieve Investment Grade Status or that any such rating, if achieved, will be maintained.

Events of Default and Remedies

The Indenture provides that each of the following constitutes an Event of Default:

(a) default for 30 days in the payment when due of interest on the Notes;

(b) default in payment when due of the principal of or premium, if any, on the Notes;

(c) failure by the Company to comply with the provisions described under the caption "— Put Option of Holders";

(d) failure by the Company for 30 days after it receives written notice from the Trustee or at least 25% in principal amount of the then outstanding Notes to comply with any of its other agreements in the Indenture or the Notes;

(e) the declaration or payment of any dividend or the making of any other payment or distribution described in subclause (y) of clause (3) under the caption "— Certain Covenants — Restricted Payments", which declaration, payment or distribution would not be permitted by the provisions described under the caption "— Certain Covenants — Restricted Payments" if it were treated as a Restricted Payment;

(f) the Company consolidates or merges (*fusion*) with or into (whether or not the Company is the surviving corporation), or sells, assigns, transfers, leases, conveys, demerges (*scission*) or otherwise disposes of all or substantially all of its properties or assets in one or more related transactions, to another Person unless:

(1) the Company is the surviving corporation or the Person formed by or surviving any such consolidation or merger (if other than the Company) or to which such sale, assignment, transfer, lease, conveyance, demerger or other disposition shall have been made is a corporation organized or existing under the laws of the United States (or any state thereof or the District of Columbia), the Republic of France or any other member state of the European Union (as constituted on the Issue Date);

(2) the Person formed by or surviving any such consolidation or merger (if other than the Company) or the Person to which such sale, assignment, transfer, lease, conveyance, demerger or other disposition shall have been made assumes all the obligations of the Company under the Notes and the Indenture pursuant to a supplemental indenture in a form reasonably satisfactory to the Trustee;

(3) immediately after such transaction no Default or Event of Default exists;

(4) except in the case of a merger of the Company with or into a Restricted Subsidiary of the Company, the Company or the Person formed by or surviving any such consolidation or merger (if other than the Company), or to which such sale, assignment, transfer, lease, conveyance, demerger or other disposition shall have been made:

(A) will have a Consolidated Net Worth immediately after the transaction equal to or greater than the Consolidated Net Worth of the Company immediately preceding the transaction; and

(B) will, at the time of such transaction and after giving *pro forma* effect thereto as if such transaction had occurred at the beginning of the applicable four-quarter period, be permitted to incur at least €1.00 of additional Indebtedness pursuant to the Consolidated Interest Coverage Ratio test set forth in the first paragraph of the covenant described above under the caption "— Certain Covenants — Incurrence of Indebtedness and Issuance of Disqualified Stock"; and

(5) the Company shall deliver, or cause to be delivered, to the Trustee, in form and substance reasonably satisfactory to the Trustee, an Officers' Certificate and an opinion of counsel stating that such consolidation, merger or disposition and any supplemental indenture in respect thereto comply with this provision and that all conditions precedent in the Indenture relating to such transaction or transactions have been complied with;

(g) a default occurs under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Company or any of its Restricted Subsidiaries (or the payment of which is guaranteed by the Company or any of its Restricted Subsidiaries), whether such Indebtedness or guarantee exists on the date of the Indenture or is created after the date of the Indenture, which default (1) is caused by a failure to pay principal of or premium or interest on such Indebtedness prior to the expiration of any grace period provided in such Indebtedness, including any extension thereof (a "*Payment Default*"), or (2) results in the acceleration of such Indebtedness prior to its express maturity and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates in excess of €50,000,000 and *provided, further*, that if any such default is cured or waived or any such acceleration rescinded, or such Indebtedness is repaid, within a period of 10 days from the continuation of such default beyond the applicable grace period or the occurrence of such acceleration, as the case may be, such Event of Default and any consequential acceleration of the Notes shall be automatically rescinded, so long as such rescission does not conflict with any judgment or decree;

(h) failure by the Company or any of its Restricted Subsidiaries to pay final judgments (not covered by insurance) aggregating in excess of €50,000,000, which judgments are not paid, discharged or stayed for a period of 60 days;

(i) failure by any Guarantor to perform any covenant set forth in its Subsidiary Guarantee, or the repudiation by any Guarantor of its obligations under its Subsidiary Guarantee or the unenforceability of any Subsidiary Guarantee for any reason other than as provided in the Indenture; and

(j) certain events of bankruptcy or insolvency with respect to the Company or any Significant Subsidiary.

If any Event of Default occurs and is continuing, the Trustee may, by notice to the Company, or the Holders of at least 25% in principal amount of the then outstanding Notes may, by notice to the Company and the Trustee, and the Trustee shall, upon the request of such Holders, declare all the Notes to be due and payable immediately. Upon any such declaration, the Notes shall become due and payable immediately. Notwithstanding the foregoing, in the case of an Event of Default arising from certain events of bankruptcy or insolvency with respect to the Company or any Significant Subsidiary, all outstanding Notes will become due and payable immediately without further action or notice. The holders of a majority in principal amount of the then outstanding Notes by written notice to the Trustee may on behalf of all of the holders rescind an acceleration and its consequences if the rescission would not conflict with any judgment or decree and if all existing Events of Default (except non-payment of principal, interest or premium that have become due solely because of such acceleration) have been cured or waived. Holders of the Notes may not enforce the Indenture or the Notes except as provided in the Indenture. Subject to certain limitations, holders of a majority in principal amount of the then outstanding Notes may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from holders of the Notes notice of any continuing Default or Event of Default (except a Default or Event of Default relating to the payment of principal or interest) if it determines that withholding notice is in their interest.

In the case of any Event of Default occurring by reason of any willful action (or inaction) taken (or not taken) by or on behalf of the Company with the intention of avoiding payment of the premium that the Company would have had to pay if the Company then had elected to redeem the Notes pursuant to the optional redemption provisions of the Indenture, an equivalent premium shall also become and be immediately due and payable to the extent permitted by law upon the acceleration of the Notes.

The holders of a majority in principal amount of the Notes then outstanding by notice to the Trustee may on behalf of the holders of all of the Notes waive any existing Default or Event of Default and its consequences under the Indenture except a continuing Default or Event of Default in the payment of the principal of or interest on the Notes.

The Company will be required to deliver to the Trustee annually a statement regarding compliance with the Indenture, and the Company will be required, upon becoming aware of any Default or Event of Default, to deliver to the Trustee a statement specifying such Default or Event of Default.

No Personal Liability of Directors, Officers, Employees and Stockholders

No director, officer, employee, incorporator, member, partner or stockholder or other owner of Capital Stock of the Company or any Guarantor, as such, shall have any liability for any obligations of the Company or any Guarantor under the Notes, the Subsidiary Guarantees or the Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each holder of the Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. Such waiver may not be effective to waive liabilities under the federal securities laws, and it is the view of the Commission that such a waiver is against public policy.

Legal Defeasance and Covenant Defeasance

The Company may, at its option and at any time, elect to have all of the obligations of itself and the Guarantors discharged with respect to the outstanding Notes and the Subsidiary Guarantees, respectively ("*Legal Defeasance*"), except for:

(a) the rights of holders of outstanding Notes to receive payments in respect of the principal of and premium, if any, and interest on such Notes when such payments are due from the trust referred to below;

(b) the Company's obligations with respect to the Notes concerning issuing temporary Notes, registration of transfer or exchange of the Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust;

(c) the rights, powers, trusts, duties and immunities of the Trustee, and the Company's and any Guarantor's obligations in connection with them; and

(d) the Legal Defeasance provisions of the Indenture.

In addition, the Company may, at its option and at any time, elect to have the obligations of the Company and any Guarantor released with respect to certain covenants that are described in the Indenture ("*Covenant Defeasance*"), and thereafter any omission to comply with such obligations shall not constitute a Default or Event of Default with respect to the Notes. If Covenant Defeasance occurs, certain other events (not including non-payment, bankruptcy, receivership, rehabilitation and insolvency events) described under the caption "— Events of Default and Remedies" will no longer constitute an Event of Default with respect to the Notes.

In order to exercise either Legal Defeasance or Covenant Defeasance:

(1) the Company must irrevocably deposit with the Trustee, in trust, for the benefit of the holders of the Notes, cash in euros or non-callable European Government Obligations, or a combination thereof, in such amounts as will be sufficient, in the opinion of an internationally recognized firm of independent public accountants, to pay the principal of and premium and interest on the outstanding Notes on the Stated Maturity or on the applicable redemption date, as the case may be, and the Company must specify whether the Notes are being defeased to maturity or to a particular redemption date;

(2) in the case of Legal Defeasance, the Company shall have delivered to the Trustee an opinion of counsel reasonably acceptable to the Trustee confirming that (A) the Company has received from, or there has been published by, the Internal Revenue Service and the French tax authority a ruling or (B) since the date of the Indenture, there has been a change in the applicable income tax law, in either case to the effect that, and

based thereon such opinion of counsel shall confirm that, the holders of the outstanding Notes will not recognize income, gain or loss for U.S. federal or French income tax purposes, respectively, as a result of such Legal Defeasance and will be subject to U.S. federal or French income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(3) in the case of Covenant Defeasance, the Company shall have delivered to the Trustee an opinion of counsel reasonably acceptable to the Trustee confirming that the holders of the outstanding Notes will not recognize income, gain or loss for U.S. federal or French income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal or French income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(4) no Default or Event of Default shall have occurred and be continuing either (A) on the date of such deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit) or (B) insofar as Events of Default from bankruptcy or insolvency events are concerned, at any time in the period ending on the 550th day after the date of deposit;

(5) such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under any material agreement or instrument (other than the Indenture) to which the Company or any of its Restricted Subsidiaries is a party or by which the Company or any of its Restricted Subsidiaries is bound;

(6) the Company must have delivered to the Trustee an opinion of counsel to the effect that, after the 550th day following the deposit, the trust funds will not be subject to the effect of any applicable bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally;

(7) the Company must deliver to the Trustee an Officers' Certificate stating that the deposit was not made by the Company with the intent of preferring the holders of the Notes over the other creditors of the Company or with the intent of defeating, hindering, delaying or defrauding creditors of the Company or others; and

(8) the Company must deliver to the Trustee an Officers' Certificate and an opinion of counsel, each stating that all conditions precedent provided for relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

Amendment and Waiver

Except as provided below, the Indenture or the Notes may be amended or supplemented with the consent of the holders of at least a majority in principal amount of the Notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, the Notes), and any existing default or compliance with any provision of the Indenture or the Notes may be waived with the consent of the holders of a majority in principal amount of the then outstanding Notes (including, without limitation, consents obtained in connection with a tender offer or exchange offer for the Notes).

Without the consent of each holder affected, an amendment, supplement or waiver may not (with respect to any Notes held by a non-consenting holder):

(a) reduce the principal amount of the Notes whose holders must consent to an amendment, supplement or waiver;

(b) reduce the principal of or change the fixed maturity of any Note or alter the provisions with respect to the redemption or purchase of the Notes by the Company;

(c) reduce the rate of or change the time for payment of interest on any Note;

(d) waive a Default or Event of Default in the payment of principal of or premium or interest on the Notes (except a rescission of acceleration of the Notes by the holders of at least a majority in principal amount of the Notes and a waiver of the payment default that resulted from such acceleration);

(e) make any Note payable in money other than that stated in the Notes;

(f) make any change in the provisions of the Indenture relating to waivers of past defaults or the rights of holders of the Notes to receive payments of principal of or premium or interest on the Notes;

(g) waive a redemption or repurchase payment with respect to any Note;

(h) make any change in the ranking of the Notes relative to other Indebtedness of the Company or the Subsidiary Guarantees relative to other Indebtedness of the Guarantors, in either case in a manner adverse to the holders;

(i) release any Guarantor from any of its obligations under its Subsidiary Guarantee or the Indenture, except in accordance with the terms of the Indenture;

(j) make any change in the provisions described under the caption "— Additional Amounts" in a manner adverse to the holders; or

(k) make any change in the preceding amendment, supplement and waiver provisions.

Notwithstanding the foregoing, without the consent of any holder of the Notes, the Company, the Guarantors and the Trustee may amend or supplement the Indenture or the Notes to cure any ambiguity, defect or inconsistency, to provide for uncertificated Notes in addition to or in place of certificated Notes, to provide for the assumption of the Company's obligations to holders of the Notes in the case of a merger or consolidation or sale of all or substantially all of the Company's properties or assets, to make any change that would provide any additional rights or benefits to the holders of the Notes or that does not materially adversely affect the legal rights under the Indenture of any such holder, to secure the Notes pursuant to the requirements of the covenant described above under the caption "— Certain Covenants — Liens" or to add any Guarantor or to release any Guarantor from its Subsidiary Guarantee, in each case as provided in the Indenture.

Neither the Company nor any of its Subsidiaries shall, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any holder of any Notes for or as an inducement to any consent, waiver, amendment or supplement of any terms or provisions of the Indenture or the Notes, unless such consideration is offered to be paid or agreed to be paid to all holders of the Notes which so consent, waive or agree to amend or supplement in the time frame set forth in solicitation documents relating to such consent, waiver or agreement.

Satisfaction and Discharge

The Indenture will be discharged and will cease to be of further effect as to all Notes issued thereunder, when:

(1) either:

(a) all Notes that have been authenticated (except lost, stolen or destroyed Notes that have been replaced or paid and Notes for whose payment money has theretofore been deposited in trust and thereafter repaid to the Company) have been delivered to the Trustee for cancellation; or

(b) all Notes that have not been delivered to the Trustee for cancellation have become due and payable by reason of the giving of a notice of redemption or otherwise or will become due and payable within one year and the Company or any Guarantor has irrevocably deposited or caused to be irrevocably deposited with the Trustee as trust funds in trust solely for the benefit of the holders of the Notes, cash in euros or non-callable European Government Obligations, or a combination thereof, in such amounts as will be sufficient without consideration of any reinvestment of interest, to pay and discharge the entire indebtedness on the Notes not previously delivered to the Trustee for cancellation, including principal, premium, if any, and accrued interest to the date of maturity or redemption;

(2) no Default or Event of Default shall have occurred and be continuing on the date of such deposit or shall occur as a result of such deposit and such deposit will not result in a breach or violation of, or constitute a default under, any other instrument to which the Company or any Guarantor is a party or by which the Company or any Guarantor is bound;

(3) the Company and each Guarantor has paid or caused to be paid all other sums payable by it under the Indenture; and

(4) the Company has delivered an Officers' Certificate and an opinion of counsel to the Trustee stating that all conditions precedent to satisfaction and discharge have been satisfied.

The Trustee

The Bank of New York Mellon serves as trustee under the Indenture.

The Indenture contains certain limitations on the rights of the Trustee, should it become a creditor of the Company or any Guarantor, to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions; *however,* if it acquires any conflicting interest and a Default occurs it must eliminate such conflict within 90 days or resign.

The holders of a majority in principal amount of the then outstanding Notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee, subject to certain exceptions. The Indenture provides that in case an Event of Default shall occur (that is not cured), the Trustee will be required, in the exercise of its power, to use the degree of care of a prudent man in the conduct of his own affairs. Subject to such provisions, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any holder of Notes, unless such holder has offered to the Trustee security and indemnity satisfactory to it against any loss, liability or expense.

Governing Law

The Indenture, the Notes and the Subsidiary Guarantees will be governed by the laws of the State of New York.

Consent to Jurisdiction

The Indenture provides that any suit, action or proceeding with respect to the Indenture, the Notes or the Subsidiary Guarantees may be brought in any New York state or federal court located in the Borough of Manhattan in the City of New York ("*New York Court*") and that the Company and the Guarantors will submit to the non-exclusive jurisdiction of such courts.

Indemnification for Foreign Currency Judgments

The Indenture also provides that obligations of the Company to any holder of the Notes or the Trustee shall, notwithstanding any judgment in a currency (the "*Judgment Currency*") other than euros (the "*Agreement Currency*"), be discharged only to the extent that on the day following receipt by such holder of the Notes or the Trustee, as the case may be, of any amount in the Judgment Currency, such holder of the Notes or the Trustee may in accordance with normal banking procedures purchase the Agreement Currency with the Judgment Currency. If the amount of the Agreement Currency so purchased is less than the amount originally to be paid to such holder of the Notes or the Trustee, as the case may be, in the Agreement Currency, the Company agrees, as a separate obligation and notwithstanding such judgment, to pay to such holder of Notes or the Trustee, as the case may be, the difference, and if the amount of the Agreement Currency so purchased exceeds the amount originally to be paid to such holder of the Notes or the Trustee, as the case may be, such holder of the Notes or the Trustee, as the case may be, agrees to pay to or for the account of the Company such excess, *provided* that such holder of the Notes or the Trustee, as the case may be, shall not have any obligation to pay any such excess as long as a default by the Company or any Guarantor in its obligations under the Notes, the Indenture or the Subsidiary Guarantees has occurred and is continuing, in which case such excess may be applied by such holder of the Notes or the Trustee, as the case may be, to such obligations.

Additional Information

Anyone who receives this offering circular may obtain a copy of the Indenture without charge by contacting CGG S.A., Tour Maine Montparnasse, 33 avenue de Maine, BP 191, 75755 Paris CEDEX 15, France, Attention: Investor Relations Officer, Telephone (33) 1 64 47 45 00.

Purchase

The Company, the Trustee and their respective Affiliates may at any time and from time to time purchase any Note or a beneficial interest in any Note in the open market or otherwise at any price.

Notices

Any notice to Noteholders will be mailed by first class mail or delivered by overnight air courier guaranteeing next day delivery, in each case to their respective registered addresses shown on the register kept by the Registrar. For Notes which are represented by global certificates held on behalf of Euroclear or Clearstream, notice may be given by delivery of the relevant notices to Euroclear and Clearstream for communication to entitled account holders in substitution of the aforesaid mailing. In addition, for so long as the Notes are listed on the Luxembourg Stock Exchange and its rules so require, any such notice (including notices of redemption) will be published in a newspaper having general circulation in Luxembourg, which is expected to be the *Luxemburger Wort,* or if such newspaper ceases to be published or timely publication in it will not be practicable, in such other newspaper as the Trustee deems necessary to give fair and reasonable notice to the Noteholders. Notices may also be published on the internet site of the Luxembourg Stock Exchange at www.bourse.lu. Also for so long as the Notes are listed on the Luxembourg Stock Exchange, the Company will provide to the exchange a copy of all notices to Noteholders.

Prescription

Claims against the Issuer for the payment of principal, or premium, if any, on the Notes will be prescribed ten years after the applicable due date for payment thereof. Claims against the Issuer for the payment of interest on the Notes will be prescribed five years after the applicable due date for payment of interest.

Listing

Application has been made to list the Notes on the Luxembourg Stock Exchange and trade the Notes on the Euro MTF.

Certain Definitions

Set forth below are certain defined terms used in the Indenture. Reference is made to the Indenture for a full disclosure of all such terms, as well as any other capitalized terms used herein for which no definition is provided.

"*Acquired Indebtedness*" means, with respect to a specified Person, (a) Indebtedness of any other Person existing at the time such other Person is merged with or into or becomes a Subsidiary of such specified Person or (b) Indebtedness relating to properties or assets acquired by such specified Person. Acquired Indebtedness shall be deemed to be incurred on the date the acquired Person becomes a Restricted Subsidiary or the date of the related acquisition of properties or assets from such Person.

"*Affiliate*" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of the Indenture, "control", as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of Voting Stock, by agreement or otherwise; *provided, however*, that beneficial ownership of 10% or more of the Voting Stock of a Person shall be deemed to be control. For purposes of the Indenture, the terms "*controlling*", "*controlled by*" and "*under common control with*" have correlative meanings.

"*Applicable Premium*" means, with respect to any Note on any redemption date, the greater of:

(a) 1.0% of the principal amount of the Note; and

(b) the excess of (1) the present value at such redemption date of (A) the redemption price of the Note at May 15, 2017 (such redemption price being set forth in the table appearing above under the caption "— Optional Redemption") plus (B) all required interest payments due on the Note during the period from such redemption date through May 15, 2017 (excluding accrued but unpaid interest), computed using a discount rate equal to the Bund Rate as of such redemption date plus 50 basis points over (2) the principal amount of the Note, if greater.

"*Asset Sale*" means:

(a) the sale, lease, conveyance or other disposition (a "*disposition*") of any properties or assets (including, without limitation, by way of a sale-and-leaseback), excluding dispositions in the ordinary course of business (*provided* that the disposition of all or substantially all of the properties or assets of the Company and its Subsidiaries taken as a whole will be subject to the provisions of the Indenture described above under the caption "— Put Option of Holders — Change of Control" and the provisions described above in clause (f) under the caption "— Events of Default and Remedies" and not to the provisions of the Asset Sales covenant); and

(b) the issue or sale by the Company or any of its Restricted Subsidiaries of Equity Interests of any of the Company's Subsidiaries;

whether, in the case of clause (a) or (b), in a single transaction or a series of related transactions, *provided* that such transaction or series of related transactions (1) involves properties or assets having a fair market value in excess of €10,000,000 or (2) results in the payment of net proceeds in excess of €10,000,000. Notwithstanding the preceding provisions of this definition, the following transactions will be deemed not to be Asset Sales:

(A) a disposition of obsolete or excess equipment or other properties or assets;

(B) a disposition of properties or assets (including Equity Interests) by the Company to a Restricted Subsidiary or by a Restricted Subsidiary to the Company or to a Restricted Subsidiary;

(C) a disposition of cash or Cash Equivalents;

(D) a disposition of properties or assets (including Equity Interests) that constitutes a Restricted Payment that is permitted by the provisions of the Indenture described above under the caption "— Certain Covenants — Restricted Payments";

(E) any trade or exchange by the Company or any Restricted Subsidiary of equipment or other properties or assets for equipment or other properties or assets owned or held by another Person, *provided* that the fair market value of the properties or assets traded or exchanged by the Company or such Restricted Subsidiary (together with any cash or Cash Equivalents) is reasonably equivalent to the fair market value of the properties or assets (together with any cash or Cash Equivalents) to be received by the Company or such Restricted Subsidiary;

(F) the creation or perfection of a Lien on any properties or assets (or any income or profits therefrom) of the Company or any of its Restricted Subsidiaries that is not prohibited by the covenant described under the caption "— Certain Covenants — Liens";

(G) a sale-and-leaseback of the Company's office facilities in Massy, France replacing the sale-and-leaseback transaction relating to such facilities that is outstanding on the Issue Date;

(H) the surrender or waiver of contract rights or the settlement, release or surrender of contractual, non-contractual or other claims of any kind;

(I) the sale or discount, in each case without recourse, of accounts receivable arising in the ordinary course of business, but only in connection with the compromise of collection thereof;

(J) the factoring of accounts receivable arising in the ordinary course of business pursuant to arrangements customary in the region; and

(K) the grant in the ordinary course of business of any non-exclusive license of patents, trademarks, registrations therefor and other similar intellectual property.

The fair market value of any non-cash proceeds of a disposition of properties or assets and of any properties or assets referred to in the foregoing clause (E) of this definition shall be determined in the manner contemplated in the definition of the term "fair market value", the results of which determination shall be set forth in an Officers Certificate delivered to the Trustee.

"*Attributable Indebtedness*" in respect of a sale-and-leaseback transaction means, at the time of determination, the present value (discounted at the rate of interest implicit in such transaction, determined in accordance with GAAP) of the obligation of the lessee for net rental payments during the remaining term of the lease included in such sale-and-leaseback transaction (including any period for which such lease has been extended or may, at the option of the lessor, be extended). As used in the preceding sentence, the "net rental payments" under any lease for any such period shall mean the sum of rental and other payments required to be paid with respect to such period by the lessee thereunder, excluding any amounts required to be paid by such lessee on account of maintenance and repairs, insurance, taxes, assessments, water rates or similar charges. In the case of any lease that is terminable by the lessee upon payment of penalty, such net rental payment shall also include the amount of such penalty, but no rent shall be considered as required to be paid under such lease subsequent to the first date upon which it may be so terminated.

"*Bund Rate*" means, with respect to any relevant date, the rate per annum equal to the equivalent yield to maturity as of such date of the Comparable German Bund Issue, assuming a price for the Comparable German Bund Issue (expressed as a percentage of its principal amount) equal to the Comparable German Bund Price for such relevant date, where:

(1) "Comparable German Bund Issue" means the German Bundesanleihe security selected by any Reference German Bund Dealer as having a fixed maturity most nearly equal to the period from such redemption date to May 15, 2017, and that would be utilized at the time of selection and in accordance with customary financial practice, in pricing new issues of euro-denominated corporate debt securities in a principal amount approximately equal to the then outstanding principal amount of the Notes and of a maturity most nearly equal to May 15, 2017; provided, however, that, if the period from such redemption date to May 15, 2017, is less than one year, a fixed maturity of one year shall be used;

(2) "Comparable German Bund Price" means, with respect to any relevant date, the average of all Reference German Bund Dealer Quotations for such date (which, in any event, must include at least two

such quotations), after excluding the highest and lowest such Reference German Bund Dealer Quotations, or if the Company obtains fewer than four such Reference German Bund Dealer Quotations, the average of all such quotations;

(3) "Reference German Bund Dealer" means any dealer of German Bundesanleihe securities appointed by the Company in good faith; and

(4) "Reference German Bund Dealer Quotations" means, with respect to each Reference German Bund Dealer and any relevant date, the average as determined by the Company of the bid and offered prices for the Comparable German Bund Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Company by such Reference German Bund Dealer at 3:30 p.m. Frankfurt, Germany, time on the third business day in Frankfurt preceding the relevant date.

"*Board of Directors*" means the Board of Directors (*Conseil d'Administration)* of the Company, or any authorized committee of the Board of Directors.

"*Capital Lease Obligation*" means, at the time any determination thereof is to be made, the amount of the liability in respect of a capital lease that would at such time be required to be capitalized on a balance sheet in accordance with GAAP (as in effect on the Issue Date for purposes of determining whether a lease is a capital lease).

"*Capital Stock*" means:

(a) in the case of a corporation, corporate stock;

(b) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock, including preferred stock;

(c) in the case of a partnership or limited liability company, partnership or membership interests (whether general or limited); and

(d) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person.

"*Cash Equivalents*" means:

(a) securities issued or directly and fully guaranteed or insured by the government of the United States of America, the Republic of France or any other country whose sovereign debt has a rating of at least A3 from Moody's Investors Service, Inc. and at least A- from Standard & Poor's Ratings Services or any agency or instrumentality of any such government (*provided* that the full faith and credit of such government is pledged in support thereof), in each case having maturities of not more than 12 months from the date of acquisition;

(b) certificates of deposit, Eurodollar time deposits and French negotiable debt instruments *(titres de créances négociables)* with maturities of 12 months or less from the date of acquisition, bankers' acceptances with maturities not exceeding six months and overnight bank deposits (collectively, "*Bank Deposits*"), in each case with or issued by any commercial bank organized under the laws of any country that is a member of the Organization for Economic Co-operation and Development having capital and surplus in excess of €500,000,000 and whose long-term debt securities are rated at least A3 by Moody's Investors Service, Inc. and at least A- by Standard & Poor's Ratings Services;

(c) repurchase obligations with a term of not more than seven days for underlying securities of the types described in clauses (a) and (b) above entered into with any financial institution meeting the qualifications specified in clause (b) above;

(d) commercial paper and French negotiable debt instruments (*titres de créances négociables*) having a rating of at least P-1 from Moody's Investors Service, Inc. or at least A-1 from Standard & Poor's Ratings Services and in each case maturing within 12 months after the date of acquisition;

(e) deposits available for withdrawal on demand with any commercial bank not meeting the qualifications specified in clause (b) above, *provided* that all such deposits are made in the ordinary course of business, do not remain on deposit for more than 30 consecutive days and do not exceed €25,000,000 in the aggregate at any one time, with no more than €5,000,000 being deposited in commercial banks within a single country;

(f) money market mutual funds substantially all of the assets of which are of the type described in any of the foregoing clauses (a) through (d), including any mutual fund for which the Trustee or an Affiliate of the Trustee serves as investment manager, administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that the Trustee or an Affiliate of the Trustee receives fees from such funds for services it or its Affiliate renders to such fund in respect of such investment; and

(g) in the case of Restricted Subsidiaries organized under the laws of China, Bank Deposits from the date of acquisition issued by a commercial bank organized under the laws of China (i) which has also issued Bank Deposits in which such Restricted Subsidiary is invested as of the Issue Date in the ordinary course of business and consistent with past practice; or (ii) which has capital, surplus and undivided profits aggregating in excess of €500,000,000 (or the foreign currency equivalent thereof as of the date of such investment) and whose long-term debt securities are rated at least A3 by Moody's Investors Service, Inc. and at least A- by Standard & Poors Ratings Services.

"*Common Stock*" means the common or ordinary shares of the Company.

"*Consolidated Cash Flow*" means, with respect to any Person for any period, the Consolidated Net Income of such Person for such period plus, to the extent deducted or excluded in calculating Consolidated Net Income for such period:

(a) provision for taxes based on income or profits of such Person and its Restricted Subsidiaries;

(b) Consolidated Interest Expense of such Person and its Restricted Subsidiaries;

(c) depreciation and amortization (including amortization or impairment, if any, of goodwill and of other intangibles but excluding amortization of prepaid cash expenses that were paid in a prior period) of such Person and its Restricted Subsidiaries;

(d) other non-cash expenses (excluding any such non-cash expense to the extent that it represents an accrual of or reserve for cash expenses in any future period or amortization of a prepaid cash expense that was paid in a prior period) of such Person and its Restricted Subsidiaries less any non-cash items increasing Consolidated Net Income of such Person and its Restricted Subsidiaries (other than items that will result in cash receipt);

(e) any expenses, fees, charges or other costs related to any equity offering (other than an offering of Disqualified Stock) permitted by the indenture (whether or not successful); and

(f) without duplication, an amount equal to any extraordinary loss plus any net loss realized by such Person or any of its Restricted Subsidiaries in connection with an Asset Sale, in each case, on a consolidated basis and determined in accordance with GAAP.

"*Consolidated Interest Coverage Ratio*" means, with respect to any Person for any period, the ratio of the Consolidated Cash Flow of such Person for such period to the Consolidated Interest Expense of such Person for such period; *provided, however,* that the Consolidated Interest Coverage Ratio shall be calculated giving *pro forma* effect to each of the following transactions as if each such transaction had occurred at the beginning of the applicable four quarter reference period:

(a) any incurrence, assumption, guarantee, repayment, purchase or redemption by such Person or any of its Restricted Subsidiaries of any Indebtedness (other than revolving credit borrowings) subsequent to the commencement of the period for which the Consolidated Interest Coverage Ratio is being calculated but prior to the date on which the event for which the calculation of the Consolidated Interest Coverage Ratio is made (the "*Calculation Date*");

(b) any acquisition that has been made by such Person or any of its Restricted Subsidiaries, or approved and expected to be consummated within 30 days of the Calculation Date, including, in each case, through a merger or consolidation, and including any related financing transactions, during the reference period or subsequent to such reference period and on or prior to the Calculation Date; and

(c) any other transaction that may be given *pro forma* effect in accordance with Article 11 of Regulation S-X under the Securities Act as in effect from time to time;

provided further, however, that (1) the Consolidated Cash Flow attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses disposed of prior to the Calculation Date, shall be excluded and (2) the Consolidated Interest Expense attributable to discontinued operations, as determined in accordance with GAAP, and operations or businesses disposed of prior to the Calculation Date,

shall be excluded, but only to the extent that the obligations giving rise to such Consolidated Interest Expense will not be obligations of the referent Person or any of its Restricted Subsidiaries following the Calculation Date.

"*Consolidated Interest Expense*" means, with respect to any Person for any period, the sum, without duplication, of the following:

(a) the consolidated interest expense of such Person and its Restricted Subsidiaries for such period, whether paid or accrued (including, without limitation, amortization of original issue discount, non-cash interest payments, the interest component of any deferred payment obligations, the interest component of all payments associated with Capital Lease Obligations, commissions, discounts and other fees and charges incurred in respect of letter of credit or bankers' acceptance financings, and net of all payments made or received (if any) pursuant to Hedging Obligations in respect of interest rates but excluding amortization of debt issuance costs and non-cash charges other than non-cash interest expenses related to convertible bonds); and

(b) the consolidated interest expense of such Person and its Restricted Subsidiaries that was capitalized during such period.

"*Consolidated Net Income*" means, with respect to any Person for any period, the aggregate of the Net Income of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in accordance with GAAP, *provided* that:

(a) the Net Income (but not loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting shall be included only to the extent of the amount of dividends or distributions paid in cash to the referent Person or a Restricted Subsidiary thereof;

(b) the Net Income of any Restricted Subsidiary shall be excluded to the extent that the declaration or payment of dividends or similar distributions by that Restricted Subsidiary of that Net Income is not at the date of determination permitted without any prior governmental approval (that has not been obtained) or, directly or indirectly, by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Restricted Subsidiary or its stockholders; and

(c) the cumulative effect of a change in accounting principles shall be excluded.

"*Consolidated Net Worth*" means, with respect to any Person as of any date, the consolidated stockholders' equity of such Person and its Restricted Subsidiaries as of such date less the amount of consolidated stockholders' equity attributable to Disqualified Stock or treasury stock of such Person and its Restricted Subsidiaries as of such date, in each case determined in accordance with GAAP.

"*Consolidated Tangible Net Worth*" means, at any date, the Consolidated Net Worth of the Company and its Restricted Subsidiaries as shown on their most recent consolidated balance sheet less, without duplication, all goodwill, trade names, trademarks, patents, unamortized debt discount and expense and other like intangibles, as determined in accordance with GAAP.

"*Consolidated Total Assets*" means, with respect to any Person as of any date, the consolidated total assets of such Person and its Restricted Subsidiaries as of such date, as determined in accordance with GAAP.

"*Credit Facilities*" means, with respect to any Person, one or more debt facilities or commercial paper facilities with banks or other institutional lenders (including with special purpose vehicles established by such banks or lenders to provide such facilities) providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such lenders or to special purpose entities formed to borrow from such lenders against such receivables) or trade letters of credit, in each case, as amended, restated, modified, renewed, refunded, replaced or refinanced in whole or in part from time to time.

"*Default*" means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

"*Designated Non-Cash Consideration*" means the fair market value of non-cash consideration received by the Company or one of its Restricted Subsidiaries in connection with an Asset Sale that is so designated as Designated Non-Cash Consideration pursuant to an Officer's Certificate, setting forth the basis of such valuation, less the amount of cash or Cash Equivalents received in connection with a subsequent payment, redemption,

retirement, sale or other disposition of such Designated Non-Cash Consideration. A particular item of Designated Non-Cash Consideration will no longer be considered to be outstanding when and to the extent it has been paid, redeemed or otherwise retired or sold or otherwise disposed of in compliance with the Asset Sales covenant.

"*Disqualified Stock*" means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable), or upon the happening of any event, matures (excluding any maturity as a result of an optional redemption by the issuer thereof) or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder thereof, in whole or in part, on or prior to the date that is 91 days after the date on which the Notes mature or are redeemed or retired in full; *provided, however,* that any Capital Stock that would constitute Disqualified Stock solely because the holders thereof (or of any security into which it is convertible or for which it is exchangeable) have the right to require the issuer to repurchase such Capital Stock (or such security into which it is convertible or for which it is exchangeable) upon the occurrence of any of the events constituting an Asset Sale or a Change of Control shall not constitute Disqualified Stock if such Capital Stock (and all such securities into which it is convertible or for which it is exchangeable) provides that the issuer thereof may not repurchase or redeem any such Capital Stock (or any such security into which it is convertible or for which it is exchangeable) pursuant to such provisions prior to compliance by the Company with the provisions of the Indenture described under the caption "— Put Option of Holders — Change of Control" or "— Put Option of Holders — Asset Sales", as the case may be.

"*Equity Interests*" means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

"*euro*" or "€" means the lawful single currency of participating member states of the European Economic and Monetary Union as contemplated by the Treaty Establishing the European Union.

"*Euro Equivalent*" means, with respect to any monetary amount in a currency other than euros, at or as of any time for the determination thereof, the amount of euros obtained by converting such foreign currency involved in such computation into euros at the spot rate for the purchase of euros with the applicable foreign currency as quoted by Reuters (or, if Reuters ceases to provide such spot quotations, by any other reputable service that is providing such spot quotations, as selected by the Company) at approximately 11:00 a.m. (New York City time) on the date not more than two business days prior to such determination.

"*European Government Obligations*" means any security that is a direct obligation of, or obligations guaranteed by, a country that is a member of the European Monetary Union on the date of the Indenture (other than Greece, Portugal or Cyprus), and the payment for which such country pledges its full faith and credit.

"*Exchange Act*" means the U.S. Securities Exchange Act of 1934, as amended.

"*Existing Indebtedness*" means Indebtedness of the Company and its Restricted Subsidiaries (other than Indebtedness under the Credit Facilities) in existence on the date of the Indenture, until such amounts are repaid, but shall not include any Indebtedness that is repaid with the proceeds of the Offered Notes.

The term "*fair market value*" means, with respect to any asset or Investment, the fair market value of such asset or Investment at the time of the event requiring such determination, as determined in good faith by the Company, or, with respect to any asset or Investment in excess of €50,000,000 (other than cash or Cash Equivalents), as determined by a reputable investment banking, accounting or appraisal firm that is, in the judgment of the Board of Directors, qualified to perform the task for which such firm has been engaged and independent with respect to the Company.

"*GAAP*" means International Financial Reporting Standards, accounting principles adopted by the International Accounting Standards Board and its predecessor and, except as otherwise specified, as in effect from time to time.

"*guarantee*" means a guarantee other than by endorsement of negotiable instruments for collection in the ordinary course of business, direct or indirect, in any manner including, without limitation, by way of pledge of assets or through letters of credit or reimbursement agreements in respect thereof, of all or any part of any Indebtedness.

"*Guarantor*" means each of:

(1) the Initial Guarantors; and

(2) any other Subsidiary of the Company (including any Restricted Subsidiary that becomes a Guarantor at its option) that executes a supplemental indenture providing for a Subsidiary Guarantee in accordance with the provisions of Indenture,

and their respective successors and assigns, in each case, until the Subsidiary Guarantee of such Person has been released in accordance with the provisions of the Indenture.

"*Hedging Obligations*" means, with respect to any Person, the obligations of such Person under:

(a) interest rate swap agreements, interest rate cap agreements and interest rate collar agreements;

(b) other agreements or arrangements designed to protect such Person against fluctuations in interest rates; and

(c) any foreign currency futures contract, option or similar agreement or arrangement designed to protect such Person against fluctuations in currency exchange rates or commodity prices,

in each case to the extent such obligations are incurred in the ordinary course of business of such Person and not for speculative purposes.

"*Indebtedness*" means, with respect to any Person, any indebtedness of such Person, without duplication, whether or not contingent, in respect of borrowed money including, without limitation, any guarantee thereof, or evidenced by bonds, notes, debentures or similar instruments or letters of credit (or reimbursement agreements in respect thereof) or bankers' acceptances or representing Capital Lease Obligations or the balance deferred and unpaid of the purchase price of any property, except any such balance that constitutes an accrued expense or trade account payable, or representing any Hedging Obligations, if and to the extent any of the foregoing indebtedness (other than letters of credit, guarantees and Hedging Obligations) would appear as a liability upon a balance sheet of such Person prepared in accordance with GAAP. The amount of any Indebtedness outstanding as of any date shall be (a) the accreted value thereof, in the case of any Indebtedness that does not require current payments of interest, and (b) the principal amount thereof, in the case of any other Indebtedness (with letters of credit being deemed to have a principal amount equal to the maximum potential liability of the Company and its Restricted Subsidiaries thereunder).

"*Investment Grade Status*" shall occur when the Notes receive a rating of "BBB-" or higher from Standard & Poor's (or its equivalent under any successor rating categories of Standard & Poor's) and a rating of "Baa3" or higher from Moody's (or its equivalent under any successor rating categories of Moody's) or, if either such entity ceases to rate the Notes for reasons outside the normal control of the Company, the equivalent investment grade credit rating from any other "nationally recognized statistical rating organization", as that term is used in Rule 15c3-1(c)(2)(vi)(F) under the Exchange Act, selected by the Company as a replacement agency.

"*Investments*" means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the forms of direct or indirect loans (including guarantees by the referent Person of, and Liens on any assets of the referent Person securing, Indebtedness or other obligations of other Persons), advances or capital contributions (excluding commission, travel and similar advances to directors, officers and employees made in the ordinary course of business), purchases or other acquisitions for consideration of Indebtedness, Equity Interests or other securities, together with all items that are or would be classified as investments on a balance sheet prepared in accordance with GAAP; *provided, however*, that the following shall not constitute Investments: (1) extensions of trade credit or other advances to customers on commercially reasonable terms in accordance with normal trade practices or otherwise in the ordinary course of business, (2) Hedging Obligations and (3) endorsements of negotiable instruments and documents in the ordinary course of business. If the Company or any Restricted Subsidiary of the Company sells or otherwise disposes of any Equity Interests of any direct or indirect Restricted Subsidiary of the Company such that, after giving effect to any such sale or disposition, such Person is no longer a Restricted Subsidiary of the Company, the Company shall be deemed to have made an Investment on the date of any such sale or disposition equal to the fair market value of the Equity Interests of such Restricted Subsidiary not sold or disposed of in an amount determined as provided in the final paragraph of the covenant described above under the caption "— Certain Covenants — Restricted Payments".

"*Issue Date*" means April 23, 2014.

"*Lien*" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under

applicable law (including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes of any jurisdiction), other than a precautionary financing statement respecting a lease not intended as a security agreement) or any assignment of (or agreement to assign) any right to income or profits from any assets by way of security.

"*Merger*" includes a fusion, an amalgamation, a compulsory share exchange, a conversion of a corporation into another business entity and any other transaction having effects substantially similar to a merger under the General Corporation Law of the State of Delaware.

"*Net Income*" means, with respect to any Person, the net income (or loss) of such Person, determined in accordance with GAAP and before any reduction in respect of preferred stock dividends, excluding, however:

(a) any gain (but not loss), together with any related provision for taxes on such gain (but not loss), realized in connection with (1) any Asset Sale (including, without limitation, dispositions pursuant to sale-and-leaseback transactions) or (2) the disposition of any securities by such Person or any of its Restricted Subsidiaries or the extinguishment of any Indebtedness of such Person or any of its Restricted Subsidiaries; and

(b) any extraordinary or non-recurring gain (but not loss), together with any related provision for taxes on such extraordinary or non-recurring gain (but not loss).

"*Net Proceeds*" means the aggregate cash proceeds received by the Company or any of its Restricted Subsidiaries in respect of any Asset Sale (including, without limitation, any cash received upon the sale or other disposition of any non-cash consideration received in any Asset Sale), net of (without duplication) the following:

(a) the direct costs relating to such Asset Sale (including, without limitation, legal, accounting and investment banking fees, sales commissions, recording fees, title transfer fees, title insurance premiums, appraiser fees, other out-of-pocket expenses and costs incurred in connection with preparing such asset for sale) and any relocation expenses incurred as a result thereof;

(b) taxes paid or estimated to be payable as a result thereof (after taking into account any available tax credits or deductions and any tax sharing arrangements that will result in a reduction in consolidated tax liability);

(c) amounts required to be applied to the repayment of Indebtedness (other than under a revolving credit facility) secured by a Lien on the asset or assets that were the subject of such Asset Sale; and

(d) any reserve (including any reserve against any liabilities associated with such Asset Sale and retained by the Company or the relevant Restricted Subsidiary) established in accordance with GAAP or any amount placed in escrow, in either case for adjustment in respect of the sale price of such asset or assets, until such time as such reserve is reversed or such escrow arrangement is terminated, in which case Net Proceeds shall include only the amount of the reserve so reversed or the amount returned to the Company or its Restricted Subsidiaries from such escrow arrangement, as the case may be.

"*Non-Recourse Debt*" means Indebtedness:

(a) as to which neither the Company nor any of its Restricted Subsidiaries (1) provides credit support of any kind (including any undertaking, agreement or instrument that would constitute Indebtedness) or is otherwise directly or indirectly liable (as a guarantor or otherwise) or (2) constitutes the lender;

(b) no default with respect to which (including any rights the holders thereof may have to take enforcement action against an Unrestricted Subsidiary) would permit (upon notice, lapse of time or both) the holders of Indebtedness of the Company or any of its Restricted Subsidiaries (other than the Notes) to declare a default on such Indebtedness or cause the payment thereof to be accelerated or payable prior to its stated maturity; and

(c) as to which the lenders have been notified in writing that they will not have any recourse to the stock or assets of the Company or any of its Restricted Subsidiaries.

"*Offering*" means the offering of the Offered Notes by the Company pursuant to this offering circular.

"*Pari Passu Indebtedness*" means, with respect to any Net Proceeds from Asset Sales, Indebtedness of the Company and its Restricted Subsidiaries the terms of which require the Company or such Restricted Subsidiary to apply such Net Proceeds to offer to purchase such Indebtedness.

"*Permitted Guarantees*" means any guarantee:

(1) guaranteeing or securing the Notes or any Guarantee;

(2) in favor of the Company or a Guarantor;

(3) guaranteeing Indebtedness incurred pursuant to clause (a) of the second paragraph of the covenant described under the caption "— Certain Covenants — Incurrence of Indebtedness and Issuance of Preferred Stock"; or

(4) in existence on the date of the Indenture to the extent guaranteeing Existing Indebtedness and Permitted Refinancing Indebtedness in respect thereof incurred in compliance with clause (j) of the second paragraph of the covenant described under the caption "— Certain Covenants — Incurrence of Indebtedness and Issuance of Disqualified Stock".

"*Permitted Investments*" means:

(a) any Investment in the Company (including, without limitation, any acquisition of the Notes) or in a Restricted Subsidiary of the Company, other than any Investment described in clause (a) of the definition of "Restricted Payments";

(b) any Investment in cash or Cash Equivalents;

(c) any Investment by the Company or any Restricted Subsidiary of the Company in a Person if as a result of such Investment (1) such Person becomes a Restricted Subsidiary of the Company or (2) such Person is merged or consolidated with or into, or transfers or conveys all or substantially all of its properties or assets to, or is liquidated into, the Company or a Restricted Subsidiary of the Company;

(d) any Investment made as a result of the receipt of non-cash consideration from (1) an Asset Sale that was made pursuant to and in compliance with the covenant described above under the caption "— Put Option of Holders — Asset Sales" or (2) a disposition of assets that does not constitute an Asset Sale;

(e) Investments in stock, obligations or securities received in settlement of any claim or debts owing to the Company or any Restricted Subsidiary as a result of bankruptcy or insolvency proceedings or received in satisfaction of any judgment or in settlement of any claim in circumstances where the Company does not expect it would receive cash payment in a timely manner, or upon the foreclosure, perfection or enforcement of any Lien in favor of the Company or any Restricted Subsidiary, in each case as to any claim or debts owing to the Company or any Restricted Subsidiary that arose in the ordinary course of business of the Company or any such Restricted Subsidiary, *provided* that any stocks, obligations or securities received in settlement of any claim or debts that arose in the ordinary course of business (and received other than as a result of bankruptcy or insolvency proceedings or received in satisfaction of any judgment or in settlement of any claim in circumstances where the Company does not expect it would receive cash payment in a timely manner, or upon foreclosure, perfection or enforcement of any Lien) that are, within 180 days of receipt, converted into cash or Cash Equivalents shall be treated as having been cash or Cash Equivalents at the time received;

(f) Investments in Argas Ltd. consisting of guarantees of its obligations incurred in the ordinary course of its business, *provided* that such Investments, when taken together with all other Investments made pursuant to this clause (f) that are at the time outstanding, do not exceed €50,000,000;

(g) Investments in Argas Ltd. (other than those described in clause (f) above) and any other Affiliate organized in a foreign jurisdiction that is required by the applicable laws and regulations of such foreign jurisdiction or its governmental agencies, authorities or state-owned businesses to be majority owned by the government of such foreign jurisdiction or individual or corporate citizens of such foreign jurisdiction or another foreign jurisdiction in order for such Affiliate to transact business in such foreign jurisdiction, *provided* that such Investments, when taken together with all other Investments made pursuant to this clause (g) that are at the time outstanding, do not exceed 20% of Consolidated Tangible Net Worth;

(h) Investments in any Person in exchange for, or out of the net cash proceeds of, an issue or sale by the Company of Equity Interests (other than Disqualified Stock); and

(i) other Investments in any Person having an aggregate fair market value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this clause (i) that are at the time outstanding, do not exceed €25,000,000.

"*Permitted Liens*" means:

(a) Liens securing Indebtedness incurred pursuant to clause (a) of the second paragraph of the covenant described under the caption "— Certain Covenants — Incurrence of Indebtedness and Issuance of Disqualified Stock", and Liens securing any other Indebtedness under Credit Facilities incurred pursuant to the first paragraph of such covenant;

(b) Liens in favor of the Company and its Restricted Subsidiaries;

(c) Liens on any property or asset of a Person existing at the time such Person is merged into or consolidated with the Company or any Restricted Subsidiary of the Company, *provided* that such Liens were in existence prior to such merger or consolidation, were not created in contemplation of it and do not extend to any property or asset of the Company or any of its Restricted Subsidiaries other than those of the Person merged into or consolidated with the Company or any of its Restricted Subsidiaries;

(d) Liens on any property or asset existing at the time of acquisition thereof by the Company or any Restricted Subsidiary of the Company, *provided* that such Liens were in existence prior to such acquisition, were not created in contemplation of it and do not extend to any other property or asset of the Company or any of its Restricted Subsidiaries;

(e) Liens securing the performance of statutory obligations, surety or appeal bonds, bid or performance bonds, insurance obligations or other obligations of a like nature incurred in the ordinary course of business;

(f) Liens securing Hedging Obligations;

(g) Liens existing on the date of the Indenture;

(h) Liens securing Indebtedness (including Capital Lease Obligations) permitted by clause (g) of the second paragraph of the covenant described under the caption "— Certain Covenants — Incurrence of Indebtedness and Issuance of Disqualified Stock", *provided* that such Liens extend only to the property, plant or equipment financed by such Indebtedness;

(i) any interest or title of a lessor under an operating lease;

(j) Liens arising by reason of deposits necessary to obtain standby letters of credit in the ordinary course of business;

(k) Liens on real or personal property or assets of the Company or a Restricted Subsidiary thereof to secure Indebtedness incurred for the purpose of (1) financing all or any part of the purchase price of such property or assets incurred prior to, at the time of, or within 90 days after, the acquisition of such property or assets or (2) financing all or any part of the cost of construction or improvement of any such property or assets, *provided* that the amount of any such financing shall not exceed the amount expended in the acquisition of, or the construction of, such property or assets and such Liens shall not extend to any other property or assets of the Company or a Restricted Subsidiary (other than any associated accounts, contracts and insurance proceeds);

(l) judgment Liens not giving rise to an Event of Default so long as any appropriate legal proceeding which may have been duly initiated for the review of such judgment shall not have been finally terminated or the period within which such proceeding may be initiated shall not have expired;

(m) Liens securing Indebtedness of the Company or any Restricted Subsidiary of the Company that does not exceed €10,000,000 at any one time outstanding;

(n) Liens securing Acquired Indebtedness incurred pursuant to the first paragraph of the covenant described under the caption "— Certain Covenants — Incurrence of Indebtedness and Issuance of Disqualified Stock", *provided* that such Liens (1) secured such Acquired Indebtedness at the time of and prior to the incurrence of such Acquired Indebtedness by the Company or a Restricted Subsidiary of the Company and were not granted in connection with, or in anticipation of, such incurrence, and (2) do not extend to any property or asset of the Company or any of its Restricted Subsidiaries other than the property or asset that secured the Acquired Indebtedness prior to the time that it became Acquired Indebtedness of the Company or a Restricted Subsidiary of the Company;

(o) Liens securing Permitted Refinancing Indebtedness with respect to any Indebtedness secured by Liens referred to in clauses (c), (d), (g), (h), (k) and (n) above and in this clause (o); and

(p) Liens for taxes, assessments or governmental charges or claims that are not yet delinquent or that are being contested in good faith by appropriate proceedings promptly instituted and diligently concluded provided that any reserve or other appropriate provision as is required in conformity with GAAP has been made therefor.

"*Permitted Refinancing Indebtedness*" means any Indebtedness of the Company or any of its Restricted Subsidiaries issued in exchange for, or the net proceeds of which are used to extend, refinance, renew, replace, defease or refund other Indebtedness of the Company or any of its Restricted Subsidiaries; *provided, however,* that:

(a) the principal amount (or accreted value, if applicable) of such Permitted Refinancing Indebtedness does not exceed the principal amount of (or accreted value, if applicable), plus premium, if any, and accrued interest on, the Indebtedness so extended, refinanced, renewed, replaced, defeased or refunded (plus the amount of expenses incurred in connection therewith);

(b) such Permitted Refinancing Indebtedness has a final maturity date no earlier than the final maturity date of, and has a Weighted Average Life to Maturity equal to or greater than the Weighted Average Life to Maturity of, the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded;

(c) if the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded is subordinated in right of payment to the Notes, such Permitted Refinancing Indebtedness is subordinated in right of payment to the Notes on terms at least as favorable, taken as a whole, to the holders of the Notes as those contained in the documentation governing the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded; and

(d) if the Company is the obligor on the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded, then such Permitted Refinancing Indebtedness is solely Indebtedness of the Company,

provided, however, that a Restricted Subsidiary that is also a Guarantor may guarantee Permitted Refinancing Indebtedness incurred by the Company, whether or not such Restricted Subsidiary was an obligor or guarantor of the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded; *provided further, however*, that if such Permitted Refinancing Indebtedness is subordinated to the Notes, such guarantee shall be subordinated to such Restricted Subsidiary's Subsidiary Guarantee to at least the same extent.

"*Person*" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company or government or other entity.

"*Qualified Equity Offering*" means:

(a) any issuance and sale of Equity Interests (other than Disqualified Stock) of the Company pursuant to an underwritten offering registered under the Securities Act; or

(b) any other issuance and sale of Equity Interests (other than Disqualified Stock) of the Company so long as, at the time of consummation of such sale, the Company has a class of common equity securities (including American depository shares) registered pursuant to Section 12(b) or Section 12(g) under the Exchange Act.

"*Reference Date*" means April 28, 2005.

"*Restricted Investment*" means an Investment other than a Permitted Investment.

"*Restricted Subsidiary*" of a Person means any Subsidiary of such Person that is not an Unrestricted Subsidiary.

"*Securities Act*" means the U.S. Securities Act of 1933, as amended.

"*Sercel, Inc.*" means Sercel, Inc., an Oklahoma corporation with its head office in Houston, Texas, and a Restricted Subsidiary of the Company and a Guarantor as of the Issue Date.

"*Sercel S.A.*" means:

(a) Sercel S.A., a French limited liability corporation with its head office in Carquefou, France, and a Restricted Subsidiary of the Company as of the Issue Date; and/or

(b) any holding company (including Sercel Holding S.A.) that holds all of the outstanding Capital Stock of either or both of Sercel S.A. and Sercel, Inc. (other than directors' qualifying shares and Capital Stock held by other statutorily required minority shareholders) and that does not hold any Capital Stock in any other Subsidiary of the Company.

"*Significant Subsidiary*" means any Restricted Subsidiary of the Company that would be a "significant subsidiary" as defined in Article 1, Rule 1-02 of Regulation S-X, promulgated pursuant to the Securities Act, as such Regulation is in effect on the date of the Indenture.

"*Stated Maturity*" means, with respect to any mandatory sinking fund or other installment of interest or principal on any series of Indebtedness, the date on which such payment of interest or principal was scheduled to be paid in the original documentation governing such Indebtedness, and shall not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

"*Strategic Assets*" means assets or rights (other than assets that would be classified as current assets in accordance with GAAP) of the kind used or usable by the Company or its Restricted Subsidiaries in the business of providing services or software products to the oil and gas industry or manufacturing equipment for use by the oil and gas industry (or any business that is reasonably complementary or related thereto as determined in good faith by the Board of Directors).

"*Subsidiary*" means, with respect to any Person:

(a) any corporation, association or other business entity of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person (or a combination thereof);

(b) any partnership (1) the sole general partner or the managing general partner of which is such Person or a Subsidiary of such Person or (2) the only general partners of which are such Person or of one or more Subsidiaries of such Person (or any combination thereof); and

(c) any other Person whose results for financial reporting purposes are consolidated with those of such Person in accordance with GAAP.

"*Subsidiary Guarantee*" means the guarantee by each Guarantor of the Company's obligations under the Indenture and the Notes (including any Additional Notes), executed pursuant to the provisions of the Indenture.

"*Unrestricted Subsidiary*" means any Subsidiary of the Company that is designated by the Board of Directors as an Unrestricted Subsidiary pursuant to a Board Resolution and any Subsidiary of an Unrestricted Subsidiary. The Board of Directors may designate a Subsidiary as an Unrestricted Subsidiary only to the extent that such Subsidiary at the time of such designation:

(a) has no Indebtedness other than Non-Recourse Debt;

(b) is not party to any agreement, contract, arrangement or understanding with the Company or any Restricted Subsidiary of the Company unless such agreement, contract, arrangement or understanding does not violate the terms of the Indenture described under the caption "— Certain Covenants — Transactions with Affiliates"; and

(c) is a Person with respect to which neither the Company nor any of its Restricted Subsidiaries has any direct or indirect obligation (1) to subscribe for additional Equity Interests or (2) to maintain or preserve such Person's financial condition or to cause such Person to achieve any specified levels of operating results.

Any such designation by the Board of Directors shall be evidenced to the Trustee by filing with the Trustee the Board Resolution giving effect to such designation and an Officers' Certificate certifying that such designation complied with the foregoing conditions and was permitted by the covenant described under the caption "— Certain Covenants — Restricted Payments". If, at any time, any Unrestricted Subsidiary would fail

to meet the foregoing requirements as an Unrestricted Subsidiary, it shall thereafter cease to be an Unrestricted Subsidiary for purposes of the Indenture and any Indebtedness of such Subsidiary shall be deemed to be incurred by a Restricted Subsidiary of the Company as of such date (and, if such Indebtedness is not permitted to be incurred as of such date under the covenant described under the caption "— Certain Covenants — Incurrence of Indebtedness and Issuance of Disqualified Stock", the Company shall be in default of such covenant). The Board of Directors may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary, *provided* that such designation shall be deemed to be an incurrence of Indebtedness by a Restricted Subsidiary of the Company of any outstanding Indebtedness of such Unrestricted Subsidiary and such designation shall only be permitted if:

(1) such Indebtedness is permitted under the covenant described under the caption "— Certain Covenants — Incurrence of Indebtedness and Issuance of Disqualified Stock", calculated on a *pro forma* basis as if such designation had occurred at the beginning of the four-quarter reference period; and

(2) no Default or Event of Default would be in existence following such designation.

"*U.S. Dollar Equivalent*" means, with respect to any monetary amount in a currency other than U.S. dollars, at or as of any time for the determination thereof, the amount of U.S. dollars obtained by converting such foreign currency involved in such computation into U.S. dollars at the spot rate for the purchase of U.S. dollars with the applicable foreign currency as quoted by Reuters (or, if Reuters ceases to provide such spot quotations, by any other reputable service as is providing such spot quotations, as selected by the Company) at approximately 11:00 a.m. (New York City time) on the date not more than two business days prior to such determination.

"*Voting Stock*" of any Person as of any date means the Capital Stock of such Person that is at the time entitled to vote in the election of the board of directors, managers or trustees of such Person.

"*Weighted Average Life to Maturity*" means, when applied to any Indebtedness at any date, the number of years obtained by dividing (a) the sum of the products obtained by multiplying (1) the amount of each then remaining installment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect thereof, by (2) the number of years (calculated to the nearest one twelfth) that will elapse between such date and the making of such payment, by (b) the then outstanding principal amount of such Indebtedness.

"*Wholly Owned Restricted Subsidiary*" of any Person means a Restricted Subsidiary of such Person to the extent that all of the outstanding Capital Stock or other ownership interests of which (other than directors' qualifying shares and Capital Stock held by other statutorily required minority shareholders) shall at the time be owned directly or indirectly by such Person.

BOOK-ENTRY, DELIVERY AND FORM

General

The notes sold to qualified institutional buyers ("QIBs") in reliance on Rule 144A under the Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the "Rule 144A Global Notes"). The notes sold to non-U.S. persons outside the United States in reliance on Regulation S under the Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the "Regulation S Global Notes" and, together with the Rule 144A Global Note, the "Global Notes"). The Global Notes will be deposited, on the Issue Date, with a common depositary and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.

Ownership of interests in the Rule 144A Global Notes ("Rule 144A Book-Entry Interests") and ownership of interests in the Regulation S Global Notes (the "Regulation S Book-Entry Interests" and, together with the Rule 144A Book-Entry Interests, the "Book-Entry Interests") will be limited to persons that have accounts with Euroclear and/or Clearstream, or persons who hold interests through such participants. Euroclear and Clearstream will hold interests in the Global Notes on behalf of their participants through customers' securities accounts in their respective names on the books of their respective depositaries. Except under the limited circumstances described below, Book-Entry Interests will not be issued in definitive certificated form.

Book-Entry Interests will be shown on, and transfers thereof will be done only through, records maintained in book-entry form by Euroclear and Clearstream and their participants. The Issuer will issue the notes in global form in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof maintained in book-entry form. Notes in denominations of less than €100,000 will not be available. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of such securities in definitive certificated form. The foregoing limitations may impair the ability to own, transfer or pledge Book-Entry Interests. In addition, while the notes are in global form, holders of Book-Entry Interests will not be considered the owners or "holders" of notes for any purpose.

So long as the notes are held in global form, Euroclear and/or Clearstream (or their respective nominee) will be considered the sole holders of the Global Notes for all purposes under the indenture governing the notes. In addition, participants must rely on the procedures of Euroclear and Clearstream, and indirect participants must rely on the procedures of Euroclear, Clearstream and the participants through which they own Book-Entry Interests, to transfer their interests or to exercise any rights of holders of notes under the indenture.

Neither we nor the Trustee will have any responsibility, or be liable, for any aspect of the records relating to the Book-Entry Interests.

If the due date for payment of the principal in respect of any Note is not a business day at the place in which it is presented for payment, the holder thereof will not be entitled to payment of the amount due until the next succeeding business day at such place and will not be entitled to any further interest or other payment in respect of any such delay.

Redemption of the Global Notes

In the event that any Global Note (or any portion thereof) is redeemed, Euroclear and/or Clearstream or their respective nominees will distribute the amount received by it in respect of the Global Note so redeemed to the holders of the Book-Entry Interests in such Global Note from the amount received by it in respect of the redemption of such Global Note. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by Euroclear and Clearstream in connection with the redemption of such Global Note (or any portion thereof). We understand that, under the existing practices of Euroclear and Clearstream, if fewer than all of the notes of a series are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate unless otherwise required by law or applicable stock exchange or depositary requirements and provided that no Book-Entry Interest of less than €100,000 principal amount, may be redeemed in part.

Payments on Global Notes

We will make payments of any amounts owing in respect of the Global Notes (including principal, premium, if any, and interest) to the paying agent (the "Paying Agent"). The Paying Agent will, in turn, make such payments to the common depositary or its nominee for Euroclear and Clearstream, which will distribute

such payments to participants in accordance with their customary procedures. We will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under "Description of the Notes — Additional Amounts". If any such deduction or withholding is required to be made, then, to the extent described under "Description of the Notes — Additional Amounts", we will pay additional amounts as may be necessary in order for the net amounts received by any holder of the Global Notes or owner of Book-Entry Interests after such deduction or withholding will equal the net amounts that such holder or owner would have otherwise received in respect of such Global Note or Book-Entry Interest, as the case may be, absent such withholding or deduction. We expect that standing customer instructions and customary practices will govern payments by participants to owners of Book-Entry Interests held through such participants.

Under the terms of the indenture, the Issuer, the Paying Agent, registrars and the Trustee will treat the registered holders of the Global Notes (i.e., Euroclear or Clearstream (or their respective nominee)) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Issuer, the Trustee or any of their respective agents has or will have any responsibility or liability for any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest or for maintaining, supervising or reviewing the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest, or Euroclear, Clearstream or any participant or indirect participant, or the records of the common depositary.

Payments by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants.

Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised us that they will take any action permitted to be taken by a holder of notes (including the presentation of notes for exchange as described below) only at the direction of one or more participants to whose account the Book-Entry Interests are credited and only in respect of such portion of the aggregate principal amount of notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes.

Currency of Payment for the Global Notes

The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Global Notes, will be paid to holders of interest in such Notes (the "Holders") through Euroclear and/or Clearstream in euros.

Payments will be subject in all cases to any fiscal or other laws and regulations (including any regulations of the applicable clearing system) applicable thereto. Neither we nor the trustee nor the initial purchasers nor any of our or their respective agents will be liable to any holder of a Global Note or any other person for any commissions, costs, losses or expenses in relation to or resulting from any currency conversion or rounding effected in connection with any such payment. Holders may be subject to foreign exchange risks that may have economic and tax consequences to them.

Transfers

Transfers between participants in Euroclear and Clearstream will be effected in accordance with Euroclear and Clearstream rules and will be settled in immediately available funds. If a holder of notes requires physical delivery of Definitive Registered Notes for any reason, including to sell notes to persons in jurisdictions that require physical delivery of securities or to pledge such notes, such holder of notes must transfer its interests in the Global Notes in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the procedures set forth in the indenture.

The Rule 144A Global Notes will have a legend to the effect set forth under "Transfer and Selling Restrictions." Book-Entry Interests in the Global Notes will be subject to the restrictions on transfers and certification requirements discussed under "Transfer and Selling Restrictions."

Rule 144A Book-Entry Interests may be transferred to a person who takes delivery in the form of a Regulation S Book-Entry Interest denominated in the same currency only upon delivery by the transferor of a written certification (in the form provided in the indenture) to the effect that such transfer is being made in accordance with Regulation S or Rule 144A under the Securities Act or any other exemption (if available under the Securities Act).

Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of Rule 144A Book-Entry Interests or a Definitive Registered Note denominated in the same currency only after the expiration of the 40-day compliance period and only upon delivery by the transferor of a written certification (in the form provided in the indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a QIB within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under "Transfer and Selling Restrictions" and in accordance with any applicable securities laws of any other jurisdiction.

In connection with transfers involving an exchange of a Regulation S Book-Entry Interest for a Rule 144A Book-Entry Interest, appropriate adjustments will be made to reflect a decrease in the principal amount of the Regulation S Global Note and a corresponding increase in the principal amount of the Rule 144A Global Note.

Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in any other Global Note of the same denomination will, upon transfer, cease to be a Book-Entry Interest in the first mentioned Global Note and become a Book-Entry Interest in such other Global Note, and accordingly will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it remains such a Book-Entry Interest.

Definitive Registered Notes

Under the terms of the Indenture, owners of the Book-Entry Interests will receive the Definitive Registered Notes only:

(1) if Euroclear or Clearstream notifies us that it is unwilling or unable to continue to act as depository and a successor depository is not appointed by us within 90 days;

(2) if Euroclear or Clearstream so requests following an Event of Default under the Indenture; or

(3) at any time if we, in our sole discretion, so determine.

In such an event, the registrar will issue Definitive Registered Notes, registered in the name or names and issued in any approved denominations, requested by or on behalf of Euroclear and/or Clearstream, as applicable (in accordance with their respective customary procedures and based upon directions received from participants reflecting the beneficial ownership of Book-Entry Interests), and such Definitive Registered Notes will bear the restrictive legend set forth in ''Transfer Restrictions,'' unless that legend is not required by the Indenture or applicable law.

If Definitive Registered Notes are issued, they will be issued only in minimum denominations of €100,000 principal amount and integral multiples of €1,000 in excess thereof, upon receipt by the applicable registrar of instructions relating thereto and any certificates, opinions and other documentation required by the Indenture. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, as applicable, from the participant which owns the relevant Book-Entry Interests.

If any Definitive Registered Note at any time is mutilated, destroyed, stolen or lost, such Definitive Registered Note may be replaced at the cost of the applicant at the office of the Trustee or the office of the Registrar in Luxembourg. The applicant for a new Definitive Registered Note must, in the case of any mutilated Definitive Registered Note, surrender such Definitive Registered Note to the Trustee or the Registrar in Luxembourg, as applicable, and, in the case of any lost, destroyed or stolen Definitive Registered Note, furnish evidence satisfactory to the Trustee or the Registrar in Luxembourg, as applicable, of such loss, destruction or theft, together with such indemnity as the Trustee or the Registrar in Luxembourg, as applicable, and the Company may require.

A holder of the Definitive Registered Notes may transfer or exchange Definitive Registered Notes in accordance with the Indenture. The Registrar and the Trustee may require a holder, among other things, to

furnish appropriate endorsements and transfer documents and the Company may require a holder to pay any transfer tax or similar governmental charge required by law. The Company and the Registrar are not required to transfer or exchange any Definitive Registered Note selected for redemption. Also, the Company and the Registrar are not required to transfer or exchange any Definitive Registered Note for a period of 15 days before a selection of Notes to be redeemed.

Payment of principal, any repurchase price, premium and interest on Definitive Registered Notes will be payable at the office of the Issuer's Paying Agent in London.

To the extent permitted by law, the Issuer, the Trustee, the Paying Agent, the transfer agents and the registrars shall be entitled to treat the registered holder of any Global Note as the absolute owner thereof and no person will be liable for treating the registered holder as such. Ownership of the Global Notes will be evidenced through registration from time to time at the registered office of the registrar, and such registration is a means of evidencing title to the notes.

The Issuer will not impose any fees or other charges in respect of the notes; however, owners of the Book-Entry Interests may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear and Clearstream.

Information Concerning Euroclear and Clearstream

All Book-Entry Interests will be subject to the operations and procedures of Euroclear and Clearstream, as applicable. We provide the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. Neither we nor the initial purchasers are responsible for those operations or procedures.

The Issuer understands as follows with respect to Euroclear and Clearstream.

Euroclear and Clearstream hold securities for participating organizations. They also facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear and Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Because Euroclear and Clearstream can only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in the Euroclear or Clearstream systems, or otherwise take actions in respect of such interest, may be limited by the lack of a definitive certificate for that interest. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such persons may be limited. In addition, owners of beneficial interests through the Euroclear or Clearstream systems will receive distributions attributable to the 144A Global Notes only through Euroclear or Clearstream participants.

Global Clearance and Settlement Under the Book-Entry System

The notes represented by the Global Notes are expected to be admitted to the Official List of the Luxembourg Stock Exchange and admitted to trading on the Luxembourg Stock Exchange's Euro MTF market. Transfers of interests in the Global Notes between participants in Euroclear and Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Although Euroclear and Clearstream currently follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants in Euroclear or Clearstream, as the case may be, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of us, the Trustee or the Paying Agents will have any responsibility

for the performance by Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations, which rules and operating procedures may change from time to time.

Initial Settlement

Initial settlement for the notes will be made in euros or US dollars, as applicable. Book-Entry Interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional bonds in registered form. Book-Entry Interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

Secondary Market Trading

The Book-Entry Interests will trade through participants of Euroclear or Clearstream and will settle in same-day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

TAXATION

Introduction

The statements herein regarding taxation are based on the laws in force as of the date of this offering circular and are subject to any changes in law occurring after such date, which changes could be made on a retrospective basis. The following summaries do not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of notes and do not purport to deal with the tax consequences applicable to all categories of investor, some of which (such as dealers in securities or commodities) may be subject to special rules. Prospective purchasers of notes are advised to consult their own tax advisers concerning tax consequences of their ownership of notes.

United States Federal Income Tax Considerations

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, HOLDERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES IN THIS OFFERING CIRCULAR IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY HOLDERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON HOLDERS UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS INCLUDED HEREIN BY THE ISSUER IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) BY THE ISSUER OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) HOLDERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

* * * * *

The following is a summary of certain U.S. federal income tax consequences of the acquisition, ownership and disposition of notes by a U.S. Holder (as defined below). This summary deals only with initial purchasers of notes at the issue price that are U.S. Holders and that will hold the notes as capital assets. The discussion does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of notes by particular investors, and does not address state, local, non-U.S. or other tax laws. This summary also does not discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the U.S. federal income tax laws (such as financial institutions, insurance companies, investors liable for the alternative minimum tax or the net investment income tax, individual retirement accounts and other tax-deferred accounts, tax-exempt organizations, dealers in securities or currencies, investors that will hold the notes as part of straddles, hedging transactions or conversion transactions for U.S. federal income tax purposes or investors whose functional currency is not the US dollar.

As used herein, the term "U.S. Holder" means a beneficial owner of notes that is, for U.S. federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation created or organized under the laws of the United States or any State thereof, (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or the trust has validly elected to be treated as a domestic trust for U.S. federal income tax purposes.

The U.S. federal income tax treatment of a partner in an entity treated as a partnership for U.S. federal income tax purposes that holds notes will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are entities treated as partnerships for U.S. federal income tax purposes should consult their tax advisers concerning the U.S. federal income tax consequences to their partners of the acquisition, ownership and disposition of notes by the partnership.

This summary is based on the tax laws of the United States, including the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, all as of the date hereof and all subject to change at any time, possibly with retroactive effect.

THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. ALL PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF ACQUIRING, OWNING, AND DISPOSING OF THE NOTES, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL, NON-U.S. AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

Payments of interest

General. Interest on a note will be taxable to a U.S. Holder as ordinary income at the time it is received or accrued, depending on the holder's method of accounting for tax purposes. Interest paid by the Issuer on the notes constitute income from sources outside the United States. Prospective purchasers should consult their tax advisers concerning the applicability of the foreign tax credit and source of income rules to income attributable to the notes.

*Foreign Currency Denominated Interes*t. The amount of income recognized by a cash basis U.S. Holder will be the US dollar value of the interest payment, based on the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into US dollars.

An accrual basis U.S. Holder may determine the amount of income recognized with respect to an interest payment denominated in euro in accordance with either of two methods. Under the first method, the amount of income accrued will be based on the average exchange rate in effect during the interest accrual period (or, in the case of an accrual period that spans two taxable years of a U.S. Holder, the part of the period within each taxable year).

Under the second method, the U.S. Holder may elect to determine the amount of income accrued on the basis of the exchange rate in effect on the last day of the accrual period (or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within each taxable year). Additionally, if a payment of interest is actually received within five business days of the last day of the accrual period, an electing accrual basis U.S. Holder may instead translate the accrued interest into US dollars at the exchange rate in effect on the day of actual receipt. Any such election will apply to all debt instruments held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and will be irrevocable without the consent of the Internal Revenue Service (the "IRS").

Upon receipt of the interest payment (including a payment attributable to accrued but unpaid interest upon the sale or retirement of a Note) denominated in euro, the accrual basis U.S. Holder may recognize U.S. source exchange gain or loss (taxable as U.S.-source ordinary income or loss) equal to the difference between the amount received (translated into US dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into US dollars.

Sale and retirement of the notes

A U.S. Holder will generally recognize gain or loss on the sale or retirement of a note equal to the difference between the amount realized on the sale or retirement and the U.S. Holder's tax basis in the note. A U.S. Holder's tax basis in a note will generally be its US dollar cost (as defined below) reduced by the amount of any principal paid on the note. The US dollar cost of a note purchased with euro generally will be the US dollar value of the purchase price on the date of purchase, or the settlement date for the purchase, in the case of notes traded on an established securities market, within the meaning of the applicable Treasury Regulations, that are purchased by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects). The amount realised does not include the amount attributable to accrued but unpaid interest, which will be taxable as interest income to the extent not previously included in income. The amount realised on a sale or retirement for an amount in euro will be the US dollar value of this amount on the date of sale or retirement, or the settlement date for the sale, in the case of notes traded on an established securities market, within the meaning of the applicable Treasury Regulations, sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects).

A U.S. Holder will recognize U.S. source exchange rate gain or loss (taxable as ordinary income or loss) on the sale or retirement of note equal to the difference, if any, between the US dollar values of the U.S. Holder's purchase price for the note (i) on the date of sale or retirement and (ii) the date on which the U.S. Holder acquired the note. Any such exchange rate gain or loss (including any exchange gain or loss with respect to the receipt of accrued but unpaid interest) will be realised only to the extent of total gain or loss realised on the sale or retirement. Except to the extent of changes in exchange rates, gain or loss recognized by a U.S. Holder on the sale or retirement of a note will be capital gain or loss and will be long-term capital gain or loss if the note was held by the U.S. Holder for more than one year.

Gain or loss realised by a U.S. Holder on the sale or retirement of a note generally will be U.S. source. Prospective purchasers should consult their tax advisers as to the foreign tax credit implications of the sale or retirement of notes.

Disposition of Foreign Currency

Euro received as interest on a note or on the sale or retirement of a note will have a tax basis equal to its US dollar value at the time the euro are received. Euro that are purchased generally will have a tax basis equal to the US dollar value of the euro on the date of purchase. Any gain or loss recognized on a sale or other disposition of euro (including its use to purchase notes or upon exchange for US dollars) will be U.S. source ordinary income or loss.

Backup withholding and information reporting

Payments of principal, and interest on, and the proceeds of sale or other disposition of notes, by a U.S. paying agent or other U.S. intermediary will be reported to the IRS and to the U.S. Holder as may be required under applicable regulations. Backup withholding may apply to these payments if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to report all interest and dividends required to be shown on its U.S. federal income tax returns. Certain U.S. Holders are not subject to backup withholding. U.S. Holders should consult their tax advisers as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.

Foreign financial asset reporting

U.S. taxpayers that own certain foreign financial assets, including debt of foreign entities, with an aggregate value in excess of $50,000 at the end of the taxable year or $75,000 at any time during the taxable year (or, for certain individuals living outside the United States and married individuals filing joint returns, certain higher thresholds) may be required to file an information report with respect to such assets with their tax returns. The notes are expected to constitute foreign financial assets subject to these requirements unless the notes are held in an account at a financial institution (in which case the account may be reportable if maintained by a foreign financial institution). U.S. Holders should consult their tax advisers regarding the application of the rules relating to foreign financial asset reporting.

France

The following is a summary limited to certain tax considerations in France relating to the notes and is included herein solely for information purposes. It specifically contains information on taxes withheld at source on the income from the notes that may apply to investors who are not French residents for French tax purposes, who do not hold their notes in connection with a business or profession conducted in France, or a permanent establishment or fixed base situated in France, and who do not concurrently hold shares of the Company or any Guarantor nor are related to them within the meaning of Article 39 12. of *Code général des impôts*. It assumes that interest and other securities income paid by the Company or any Guarantor with respect to the notes will qualify as interest payments pursuant to French tax law. Furthermore, it does not deal with any tax other than the withholding, income and transfer tax as described below and is based on French tax law and practices in force as of the date hereof, all of which are subject to change, possibly with retroactive effect, or to different interpretations. Each prospective holder or beneficial owner of notes should consult its tax advisor as to the tax consequences of any investment in or ownership and disposition of the notes, including the relevance to his particular situation as discussed below, and must in any event also comply with the tax legislation in force in his State of residence, as modified, as the case may be, by the international tax agreement signed by France and that State.

Payments of interest and other securities income made by a debtor with respect to certain debt securities (including debt in the form of notes) are not subject to the withholding tax set out under Article 125 A III of the *Code général des impôts* unless such payments are made outside France in a non-cooperative State or territory within the meaning of Article 238-0 A of the *Code général des impôts* (a "Non-Cooperative State"), in which case a 75% withholding tax is applicable subject to exceptions, certain of which being set forth below, and to more favorable provisions of any applicable double tax treaty. The 75% withholding tax is applicable irrespective of the tax residence of the noteholder. The list of Non-Cooperative States is published by a ministerial executive order, which is updated on a yearly basis.

Furthermore, according to Article 238 A of the *Code général des impôts*, interest and other securities income are not deductible from the Issuer's taxable income if they are paid or accrued to persons domiciled or established in a Non-Cooperative State or paid to an account opened in a financial institution located in a Non-Cooperative State. Under certain conditions, any such non-deductible interest or other securities income may be

re-characterized as constructive dividends pursuant to Articles 109 et seq. of the *Code général des impôts*, in which case it may be subject to the withholding tax provided under Article 119-bis 2 of the same *Code*, at a rate of 30% or 75%, subject to more favorable provisions of any applicable double tax treaty.

Notwithstanding the foregoing, neither the 75% withholding tax provided by Article 125 A III of the *Code général des impôts*, the non-deductibility of the interest and other securities income nor the withholding tax set out under Article 119-bis 2 of the same *Code* that may be levied as a result of such non-deductibility, to the extent the relevant interest or income relates to genuine transactions and is not in an abnormal or exaggerated amount, will apply in respect of a particular issue of notes provided that the Issuer can prove that the main purpose and effect of such issue of notes is not that of allowing the payments of interest or income to be made in a Non-Cooperative State (the "Exception").

In addition, under the *Bulletin officiel des Finances Publiques-Impôts* (BOI — ANNX — 000364 — 20120912 and BOI — INT-DG-20-50-20140211, n° 550 and 990), an issue of notes benefits from the Exception without the Issuer having to provide any evidence supporting the main purpose and effect of such issue of notes, if such notes are:

(i) offered by means of a public offer within the meaning of Article L. 411-1 of the *Code monétaire et financier* or pursuant to an equivalent offer in a State other than a Non-Cooperative State. For this purpose, an "equivalent offer" means any offer requiring the registration or submission of an offer document by or with a foreign market authority; or

(ii) admitted to trading on a regulated market or on a French or foreign multilateral securities trading system provided that such market or system is not located in a Non-Cooperative State, and the operation of such market is carried out by a market operator or an investment services provider, or by such other similar foreign entity, provided further that such market operator, investment services provider or entity is not located in a Non-Cooperative State; or

(iii) admitted, at the time of their issue, to the operations of a central depositary or of a securities clearing and delivery and payments systems operator within the meaning of Article L.561-2 of the *Code monétaire et financier*, or of one or more similar foreign depositaries or operators, provided that such depositaries or operators are not located in a Non-Cooperative State.

As the notes issued by the Issuer under this offering memorandum qualify as debt securities under French commercial law, they will fall under the Exception to the extent at the time of their issue, (i) the notes are admitted to delivery in book-entry form through Euroclear and Clearstream and (ii) these operators are not located in a Non-Cooperative State, payments of interest or other securities income made by or on behalf of the Issuer or any Guarantor with respect to the notes will not be subject to the withholding tax set out under Article 125 A III of the *Code général des impôts*. In addition and to the extent the relevant interest or other securities income relate to genuine transactions and is not in an abnormal or exaggerated amount, they will be subject neither to the non-deductibility set out under Article 238 A of the *Code général des impôts* nor to the withholding tax set out under Article 119-bis 2 of the same *Code* solely on account of their being paid or accrued to a person domiciled or established in a Non-Cooperative State or paid to an account opened in a financial institution located in a Non-Cooperative State.

Taxation on Sale, Disposal or Redemption of Notes

A holder of notes who is not a resident of France for French tax purposes will not be subject to any income or withholding taxes in France in respect of the gains realized on the sale, disposal or redemption of notes.

No transfer taxes or similar duties are payable in France in connection with the redemption of the notes, as well as in connection with the transfer of the notes, except in case of filing on a voluntary basis.

European Savings Tax Directive

On June 3, 2003, the European Council of Economic and Finance Ministers has adopted a directive 2003/48/EC regarding the taxation of savings income (the "Directive"). Pursuant to the Directive and subject to a number of conditions being met, Member States are required, since July 1, 2005, to provide to the tax authorities of another Member State, *inter alia*, details of payments of interest within the meaning of the Directive (interest, premiums or other debt income) made by a paying agent located within its jurisdiction to, or for the benefit of, a beneficial owner (within the meaning of the Directive) established in that other Member State (the "Disclosure of Information Method").

For these purposes, the term "paying agent" is defined broadly and includes in particular any economic operator who is responsible for making interest payments, within the meaning of the Directive, for the immediate benefit of a beneficial owner (within the meaning of the Directive).

However, throughout a transitional period, certain Member States (the Grand-Duchy of Luxembourg and Austria), instead of using the Disclosure of Information Method used by other Member States, withhold an amount on interest payments unless the relevant beneficial owner (within the meaning of the Directive) of such payments elects for the Disclosure of Information Method or provides the paying agent with a certificate issued by the tax authorities of the Member State of which he is a resident. The rate of such withholding tax equals 35% until the end of the transitional period. Such transitional period will end at the end of the first full fiscal year following the later of (i) the date of entry into force of an agreement between the European Community, following a unanimous decision of the European Council, and the last of several jurisdictions (Switzerland, Liechtenstein, San Marino, Monaco and Andorra), providing for the exchange of information upon request as defined in the OECD Model Agreement on Exchange Information on Tax Matters released on April 18, 2002 (the "OECD Model Agreement") with respect to interest payments within the meaning of the Directive, in addition to the simultaneous application by those same countries of a withholding tax on such payments at the rate defined by the Directive and (ii) the date on which the European Council unanimously agrees that the United States of America is committed to exchange of information upon request as defined in the OECD Model Agreement with respect to interest payments within the meaning of the Directive. The Luxembourg government has announced that Luxembourg will elect out of the withholding system in favor of automatic exchange of information with effect from January 1, 2015.

A number of non-EU countries and dependent or associated territories have agreed to adopt similar measures (withholding tax or exchange of information) with effect since July 1, 2005.

The Directive was implemented into French law under Article 242 *ter* of the *Code general des impôts*, which imposes on paying agents based in France an obligation to report to the French tax authorities certain information with respect to payments of interest and other similar income made to beneficial owners domiciled in another Member State, including, among other things, the identity and address of the beneficial owner and a detailed list of the different categories of interest paid to such beneficial owners.

Each note holder shall be responsible for supplying to the paying agent in a timely manner, any information he may request in order to comply with the identification and reporting obligations imposed on him by the Directive or any law implementing or complying with, or introduced in order to conform to the Directive.

On 24 March 2014, the Council of the European Union adopted a directive amending the Directive, which when implemented, will amend and broaden the scope of the requirements described above. In particular, the amending directive aims at extending the scope of the Directive to new types of savings income and products that generate interest or equivalent income. In addition, tax authorities will be required in certain circumstances to take steps to identify the beneficial owner of interest payments (through a look through approach). The EU Member States will have until 1 January 2016 to adopt the national legislation necessary to comply with this amending directive.

PLAN OF DISTRIBUTION

Under the terms and subject to the conditions contained in a purchase agreement dated April 16, 2014, the Issuer has agreed to sell to the initial purchasers the following respective principal amounts of notes.

Initial Purchaser	Principal Amount of Notes (euros)
BNP Paribas	80,000,000
Credit Suisse Securities (Europe) Limited	80,000,000
Crédit Agricole Corporate and Investment Bank	60,000,000
HSBC Bank plc	60,000,000
Natixis	60,000,000
Société Générale	60,000,000
Total	400,000,000

The obligations of the initial purchasers under the purchase agreement, including their agreement to purchase the notes from the Issuer, are several and not joint. The purchase agreement provides that the initial purchasers are obligated to purchase all of the notes if any of them are purchased. The purchase agreement also provides that, if an initial purchasers defaults, the purchase commitments of non-defaulting initial purchasers may be increased or, in some cases, the offering may be terminated.

The initial purchasers propose to offer the notes initially at the offering price set forth on the cover page of this offering circular and may also offer the notes to selling group members at the offering price less a selling concession. After the initial offering, the offering price may be changed. The initial purchasers may make offers and sales in the United States through their respective U.S. broker-dealer affiliates.

Neither the notes nor the guarantees of the notes have been registered under the Securities Act and the notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except to qualified institutional buyers in reliance on Rule 144A under the Securities Act and to persons in offshore transactions in reliance on Regulation S under the Securities Act. Each of the initial purchasers has agreed that, except as permitted by the purchase agreement, it will not offer, sell or deliver the notes (i) as part of its distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the closing date, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each broker/dealer to which it sells notes in reliance on Regulation S during such 40-day period, a confirmation or other notice detailing the restrictions on offers and sales of the notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act. Resales of the notes are restricted as described under "Transfer and Selling Restrictions".

In addition, until 40 days after the commencement of the offering, an offer or sale of notes within the United States by a broker/dealer (whether or not it is participating in the offering), may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than pursuant to Rule 144A under the Securities Act.

Persons who purchase notes from the initial purchasers may be required to pay stamp duty, taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the offering price set forth on the cover page of this offering circular.

We have agreed that after the date of the initial offering of the notes by the initial purchasers and until the day which is 90 days after the closing date, the Issuer will not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, or file with the Commission a registration statement under the Securities Act relating to, any debt securities issued or guaranteed by the Issuer and having a maturity of more than one year from the date of issue, or any options or derivatives in respect of such debt securities, or publicly disclose the intention to make any such offer, sale, pledge, disposition or filing, without the prior written consent of BNP Paribas and Credit Suisse Securities (Europe) Limited; provided that this provision shall not prohibit filing with the Commission a registration statement in accordance with the terms of the registration rights agreement, borrowings under the credit facilities existing on the date hereof, secured financings of accounts receivables and inventory.

We have agreed to indemnify the initial purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the initial purchasers may be required to make in respect of those liabilities.

We have agreed to pay the initial purchasers certain customary fees for their services in connection with this offering and to reimburse them for certain out-of-pocket expenses.

The notes are new issues of securities for which there currently is no market. We have applied to admit the notes to listing on the Official List of the Luxembourg Stock Exchange and to trading on the Euro MTF, but there can be no assurance that the notes will be approved for listing or that such listing will be maintained. The initial purchasers have advised us that they intend to make a market in the notes as permitted by applicable law. The initial purchasers are not obliged, however, to make a market in the notes, and any market-making activity may be discontinued at any time at their sole discretion without notice. In addition, any such market-making activity will be subject to the limits imposed by the Securities Act and the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Accordingly we cannot assure you that any market for the notes will be developed or that it will be liquid if it does develop, or that you will be able to sell any notes at a particular time or at a price which will be favorable to you.

BNP Paribas (or persons acting on their behalf) may engage in over-allotment, stabilizing transactions, covering transactions and penalty bids in accordance with Regulation M under the Exchange Act.

Over-allotment involves sales in excess of the offering size, which creates a short position for the initial purchasers.

- Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.
- Covering transactions involve purchases of the notes in the open market after the distribution has been completed in order to cover short positions.
- Penalty bids permit the initial purchasers to reclaim a selling concession from a broker/dealer when the notes originally sold by such broker/dealer are purchased in a stabilizing or covering transaction to cover short positions.

These stabilizing transactions, covering transactions and penalty bids may cause the price of the notes to be higher than it would otherwise be in the absence of these transactions. These transactions, if commenced, may be discontinued at any time.

We and each of the initial purchasers have each represented and agreed that (i) we have not offered or sold and will not offer or sell, directly or indirectly, any notes to the public in France, and (ii) offers and sales of notes in France will be made only to qualified investors in accordance with Articles 411-2 and D.411-1 of the French *Code Monétaire et Financier*, as amended. In addition, we and each of the initial purchasers have each represented and agreed that it has not distributed or caused to be distributed and will not distribute or cause to be distributed in France the offering circular or any other offering material relating to the notes other than to investors to whom offers and sales of notes in France may be made as described above.

Each initial purchaser has represented and agreed that:

(i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "FSMA")) received by it in connection with the issue or sale of any notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or any guarantor; and

(ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the notes in, from or otherwise involving the United Kingdom.

From time to time, the initial purchasers and their affiliates have provided, and may in the future provide, investment banking and commercial banking services to us and our affiliates for which they have received or may receive customary fees and commissions. Credit Suisse or its affiliates act as lender, administrative agent and collateral agent under our U.S. revolving facility, and as collateral agent under the French revolving facility. Each of BNP Paribas, Crédit Agricole Corporate and Investment Bank, HSBC Bank plc or its affiliates, Natixis and Sociéte Générale or its affiliates acts as a lender, and Natixis acts as agent, documentation agent and coordinator, under our French revolving credit facility. See "Description of Certain Indebtedness". BNP Paribas, Credit Suisse and Sociéte Générale or their respective affiliates acted as bookrunners in connection with the Company's November 2012 issuance of the 2019 OCEANEs.

TRANSFER AND SELLING RESTRICTIONS

Notice to U.S. investors

Neither the notes nor the guarantees of the notes have been registered under the Securities Act and the notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) except to (a) qualified institutional buyers in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A and (b) persons who are not U.S. persons in offshore transactions in reliance on Regulation S.

Each purchaser of notes will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Rule 144A or Regulation S under the Securities Act are used herein as defined therein):

(1) The purchaser (A) (i) is a qualified institutional buyer, (ii) is aware that the sale to it is being made in reliance on Rule 144A and (iii) is acquiring such notes for its own account or for the account of a qualified institutional buyer or (B) is not a U.S. person and is purchasing such notes in an offshore transaction pursuant to Regulation S.

(2) The purchaser understands that the notes are being offered in a transaction not involving any public offering in the United States within the meaning of the Securities Act, that such notes have not been and, except as described in this offering circular, will not be registered under the Securities Act and that (A) if in the future it decides to offer, resell, pledge or otherwise transfer any of the notes, such notes may be offered, resold, pledged or otherwise transferred only (i) to the Issuer, (ii) in the United States to a person whom the seller reasonably believes is a qualified institutional buyer in a transaction meeting the requirements of Rule 144A, (iii) outside the United States in a transaction complying with the provisions of Rule 904 under the Securities Act, (iv) pursuant to an exemption from registration under the Securities Act provided by Rule 144 (if available), (v) pursuant to another available exemption from registration under the Securities Act, or (vi) pursuant to an effective registration statement under the Securities Act, in each of cases (i) through (vi) in accordance with any applicable securities laws of any State of the United States, and that (B) the purchaser will, and each subsequent holder is required to, notify any subsequent purchaser of the notes from it of the resale restrictions referred to in (A) above. Investors should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time.

(3) The foregoing transfer restrictions will remain applicable to the earlier of payment in full of the notes outstanding, registration of the notes under the Securities Act and the date or dates on which the notes are fully transferable without registration of the notes under the Securities Act.

(4) The purchaser has been afforded an opportunity to ask questions to the Issuer, and to request from us and to review, and has received and reviewed, all additional information considered by it to be necessary to verify the accuracy of the information in this offering circular and has not relied on the initial purchasers or any person affiliated with the initial purchasers in connection with its investigation of the accuracy of the information contained in this offering circular or any additional information or in connection with its investment decision. The purchaser acknowledges that neither the initial purchasers nor any person representing the initial purchasers has made any representation to it with respect to either us or the offering of the notes. The initial purchasers reserve the right to reject any offer to purchase, in whole or in part, for any reason.

(5) The purchaser understands that the notes offered otherwise than in reliance on Regulation S (the "Restricted Notes") will, until the expiration of the applicable holding period with respect to the notes set forth in Rule 144(d) of the Securities Act, unless otherwise agreed by the Issuer and the holder thereof, bear a legend substantially to the following effect (the "Restricted Notes Legend"):

THIS NOTE (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE "SECURITIES ACT"), AND THIS NOTE MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THIS NOTE IS HEREBY NOTIFIED THAT THE SELLER OF THIS NOTE MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

THE HOLDER OF THIS NOTE AGREES FOR THE BENEFIT OF THE ISSUER THAT, PRIOR TO THE DATE WHICH IS SIX MONTHS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE COMPANY OR ANY AFFILIATE OF THE COMPANY WAS

THE OWNER OF THIS NOTE (OR ANY PREDECESSOR OF THIS NOTE) (A) THIS NOTE MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED, ONLY (I) TO THE COMPANY, (II) IN THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (III) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 904 UNDER THE SECURITIES ACT TO A PERSON WHO IS NOT A U.S. PERSON, (IV) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), (V) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT, OR (VI) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH OF CASES (I) THROUGH (VI) IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES, AND (B) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS NOTE FROM IT OF THE RESALE RESTRICTIONS REFERRED TO IN (A) ABOVE.

The purchaser understands that the notes offered in reliance on Regulation S will, unless otherwise agreed by the Issuer and the holder thereof, bear a legend substantially to the following effect (the "Regulation S Legend"):

THIS NOTE (OR ITS PREDECESSOR) WAS ORIGINALLY ISSUED IN A TRANSACTION ORIGINALLY EXEMPT FROM REGISTRATION UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE TRANSFERRED IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY U.S. PERSON EXCEPT PURSUANT TO AN AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ALL APPLICABLE STATE SECURITIES LAWS. TERMS USED ABOVE HAVE THE MEANINGS GIVEN TO THEM IN REGULATION S UNDER THE SECURITIES ACT.

Restricted Notes may be exchanged for notes not bearing the Restricted Notes Legend but bearing the Regulation S Legend upon certification by the transferor in the form set forth in the indenture governing the notes that the transfer of any such Restricted Note has been made in accordance with Rule 904 under the Securities Act. You acknowledge that the Issuer, the Trustee, the Registrar and the Transfer Agent reserve the right prior to any offer, sale or other transfer of the notes pursuant to clause (III) above prior to the end of the 40-day distribution compliance period within the meaning of Regulation S or pursuant to clause (IV) or (V) above prior to the end of the applicable holding period with respect to the notes set forth in Rule 144(d) of the Securities Act to require the delivery of an opinion of counsel, certifications and/or other information satisfactory to us, the trustee, the registrar and the transfer agent. .

Each purchaser of the notes will be deemed to have represented and agreed as follows:

(1) Either: (A) the purchaser is not a Plan (which term includes (i) employee benefit plans that are subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), (ii) plans, individual retirement accounts and other arrangements that are subject to Section 4975 of the Internal Revenue Code of 1986, as amended (the "Code"), or to provisions under applicable Federal, state, local, non-U.S. or other laws or regulations that are similar to such provisions of ERISA or the Code ("Similar Laws") and (iii) entities the underlying assets of which are considered to include "plan assets" of such plans, accounts and arrangements) and it is not purchasing the notes on behalf of, or with the "plan assets" of, any Plan; or (B) the purchaser's purchase, holding and subsequent disposition of the notes either (i) are not a prohibited transaction under ERISA or the Code and are otherwise permissible under all applicable Similar Laws or (ii) are entitled to exemptive relief from the prohibited transaction provisions of ERISA and the Code in accordance with one or more available statutory, class or individual prohibited transaction exemptions and are otherwise permissible under all applicable Similar Laws; and

(2) The purchaser will not transfer the notes to any person or entity, unless such person or entity could itself truthfully make the foregoing representations and covenants.

Notice to Non-U.S. Investors

Notice to EEA Investors

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), each initial purchaser has represented and agreed that with effect

from and including the date on which the Prospectus Directive (as defined below) is implemented in that Relevant Member State (the "Relevant Implementation Date") it has not made and will not make an offer of notes which are the subject of the offering contemplated by this offering memorandum to the public in that Relevant Member State other than offers:

(a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive (as defined below), 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant initial purchaser nominated by the Issuer for any such offer; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of notes shall require the Issuer or any initial purchaser to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of notes to the public" in relation to any notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe the notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State, and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

Notice to certain European Investors

France

This offering circular has not been prepared in the context of a public offering of financial securities in France within the meaning of Article L. 411-1 of the French *Code monétaire et financier* and Title I of Book II of the *Règlement Général* of the *Autorité des Marchés Financiers* (the "AMF") and, therefore, has not been approved by, registered or filed with the AMF and does not require a prospectus to be submitted for approval to the AMF. Consequently, each of the initial purchasers has represented and agreed that it has not offered or sold and will not offer or sell, directly or indirectly, any notes to the public in France and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, this offering circular or any other offering material relating to the notes and such offers, sales and distributions have been and will be made in France only to (a) persons providing investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*) and/or (b) to qualified investors (*investisseurs qualifiés*) acting on their own account, as defined in, and in accordance with, Articles L.411-2, D.411-1, D. 734-1, D. 744-1, D. 754-1 and D. 764-1 of the French *Code monétaire et financier*. No re-transfer, directly or indirectly, of the notes in France, other than in compliance with applicable laws and regulations and in particular those relating to a public offering (which are, in particular, embodied in articles L. 411-1, L. 411-2, L. 412-1 and L. 621-8 and seq. of the French *Code monétaire et financier*) shall be made.

Italy

The offering of the notes has not been registered with the *Commissione Nazionale per le Società e la Borsa* ("CONSOB") pursuant to Italian securities legislation and, accordingly, each initial purchaser has represented and agreed that it has not offered, sold or distributed, and will not offer, sell or distribute any notes or any copy of this offering circular or any other offer document in the Republic of Italy ("Italy") except:

(a) to qualified investors (*investitori qualificati*), pursuant to Article 100 of Legislative Decree no. 58 of 24 February 1998 (the "Consolidated Financial Services Act" and Article 34-ter, paragraph 1, letter (b) of CONSOB regulation No. 11971 of 14 May 1999 (the "CONSOB Regulation"), all as amended; or

(b) in any other circumstances where an express exemption from compliance with the restrictions on offers to the public applies, as provided under Article 100 of the Consolidated Financial Services Act and Article 34-ter of the CONSOB Regulation;

Moreover, and subject to the foregoing, any offer, sale or delivery of the notes or distribution of copies of this offering circular or any other document relating to the notes in Italy under (a) or (b) above must be:

(i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Consolidated Financial Services Act, Legislative Decree No. 385 of 1 September 1993 (the "Banking Act"), CONSOB Regulation No. 16190 of 29 October 2007, all as amended;

(ii) in compliance with Article 129 of the Banking Act and the implementing guidelines, pursuant to which the Bank of Italy may request information on the offering or issue of securities in Italy; and

(iii) in compliance with any securities, tax, exchange control and any other applicable laws and regulations, including any limitation or requirement which may be imposed from time to time, *inter alia*, by CONSOB or the Bank of Italy.

Any investor purchasing the notes in the offering is solely responsible for ensuring that any offer or resale of the notes it purchased in the offering occurs in compliance with applicable laws and regulations.

This offering circular and the information contained herein are intended only for the use of its recipient and are not to be distributed to any third-party resident or located in Italy for any reason. No person resident or located in Italy other than the original recipients of this document may rely on it or its contents.

The Netherlands

The notes are not and may not be offered in the Netherlands other than to persons or entities who or which are qualified investors as defined in Section 1:1 Dutch Financial Supervision Act (*Wet op het financieel toezicht*) (which incorporates the term "qualified investors" as used in the Prospectus Directive).

Norway

This offering circular has not been approved or registered with any authority in Norway. Accordingly, the notes have not been offered or sold, and will not be offered or sold, to any persons in Norway in any way that would constitute an offer to the public other than to persons who invest in securities as part of their professional activity and who are registered with the Oslo Stock Exchange in this capacity, or otherwise only in circumstances where an exemption from the duty to publish a prospectus under the Norwegian Securities Trading Act of 2007 shall be applicable.

Spain

The offering circular has not been registered with the Spanish Securities Market National Commission (*Comision Nacional del Mercado de Valores*). The notes may not be listed, offered or sold in Spain except in accordance with the requirements of the Spanish Security Market Act (*Ley 24/1988, de 28 de julio, del Mercado de Valores), as amended, and as supplemented by Royal Decree 1310/2005 (Real Decreto Ley 24/1988, de 28 de Julio, del Mercado de Valores, en materia de admission a negociación de valores en mercados secundarios oficilaes, de ofertas públicas or subscripción y del folleto exigible a tales efectos*), (the "Royal Decree 1310/2005"), and any other applicable provisions. The notes may not be listed, sold, offered or distributed to persons in Spain except in compliance with the above-mentioned provisions and, particularly, pursuant to Sections 26 to 38 to 41 of Royal Decree 1320/2005, as amended.

Switzerland

The notes may be offered in Switzerland on the basis of a private placement, not as a public offering. The notes will neither be listed on the SWX Swiss Exchange nor are they subject to Swiss law. This offering circular does not constitute a prospectus within the meaning of Art. 1156 of the Swiss Federal Code of Obligations or Arts. 32 *et seq.* of the Listing Rules of the SWX Swiss Exchange, and does not comply with the Directive for notes of Foreign Borrowers of the Swiss Bankers Association. We will not apply for a listing of the notes on any Swiss stock exchange or other Swiss regulated market and this offering circular may not comply with the information required under the relevant listing rules. The notes have not and will not be registered with the Swiss Federal Banking Commission or any other Swiss authority for any purpose, whatsoever.

United Kingdom

Each initial purchaser has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 ("FSMA")) received by it in connection with the issue or sale of the notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the notes in, from or otherwise involving the United Kingdom.

Notice to Canadian Investors

The distribution of the notes in Canada is being made only on a private placement basis, exempt from the requirement that we prepare and file a prospectus with the securities regulatory authorities in each province where trades of the notes are effected. Accordingly, all offers, sales and resales of the notes in Canada must be made in accordance with applicable securities laws which will vary depending on the relevant jurisdiction, and which may require such offers, sales and resales to be made in accordance with available statutory exemptions or pursuant to a discretionary exemption granted by the applicable Canadian securities regulatory authority. Investors are advised to seek legal advice prior to any offer, sale or resale of the notes.

Notice to Hong Kong Investors

This offering circular has not been offered and will not be offered other than to persons whose ordinary business is to buy or sell shares or debentures, whether as principal or agent, or in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap.32) of Hong Kong; and the initial purchasers have not issued and will not issue any 149 advertisement, invitation or document relating to the notes, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made thereunder.

Notice to Singapore Investors

This offering circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of notes may not be circulated or distributed, nor may notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 304 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA") or (ii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Notice to Investors in Other Jurisdictions

The distribution of this offering circular and the offer and sale or resale of the notes may be restricted by law in certain jurisdictions. Persons into whose possession this offering circular (or any part hereof) comes are required by us and the initial purchasers to inform themselves about, and to observe, any such restrictions.

CERTAIN INSOLVENCY LAW CONSIDERATIONS IN FRANCE

We conduct a part of our business activity in France and, to the extent that the center of our main interests is deemed to be in France, we would be subject to French insolvency proceedings affecting creditors, including court assisted pre insolvency proceedings (*mandat ad hoc* or conciliation proceedings) and court administered insolvency proceedings being either safeguard (*sauvegarde*), accelerated financial safeguard (*sauvegarde financière accélérée*), reorganization or liquidation proceedings (*redressement* or *liquidation judiciaire*). In general, French insolvency legislation favors the continuation of a business and protection of employment over the payment of creditors and could limit your ability to enforce your rights under the notes.

The following is a general discussion of insolvency proceedings governed by French law for informational purposes only and does not address all the French legal considerations that may be relevant to holders of the notes.

Under European Council Regulation (EC) No.1346/2000 of May 29, 2000 on insolvency proceedings, if a debtor is located in the EU (other than Denmark), French courts shall have jurisdiction over the main insolvency proceedings if the center of the debtor's main interests is deemed to be in France. In case of a company or legal person, the place of the registered office shall be presumed to be the center of its main interests in the absence of proof to the contrary. In determining whether the center of main interests of a company is in France, French courts will take into account a broad range of factual elements.

Grace periods

In addition to pre-insolvency and insolvency laws discussed below, you could, like any other creditors, be subject to Articles 1244-1 *et seq*. of the French Civil Code (*Code civil*).

Pursuant to the provisions of these articles, French courts may, in any civil proceeding involving a debtor, whether initiated by the debtor or a creditor, taking into account the debtor's financial position and the creditor's financial needs, defer or otherwise reschedule over a maximum period of two years the payment dates of payment obligations and decide that any amounts, the payment date of which is thus deferred or rescheduled, will bear interest at a rate that is lower than the contractual rate (but not lower than the legal rate as published annually by decree) or that payments made shall first be allocated to repayment of principal. A court order made under Articles 1244-1 *et seq*. of the French Civil Code will suspend any pending enforcement measures, and any contractual interest or penalty for late payment will not accrue or be due during the same grace period ordered by the relevant judge. A creditor cannot contract out of such grace periods.

When the debtor benefits from the opening of conciliation proceedings, these provisions shall be read in combination with Article L. 611-7 of the French Commercial Code.

Insolvency (cessation des paiements) test under French law

Under French law, a company is deemed to be insolvent (*en état de cessation des paiements*) when it is not able to pay its debts which are due with its available assets taking into account credit lines, existing debt rescheduling agreements and moratoria.

Court-assisted pre-insolvency proceedings

A company that has its center of main interests in France facing difficulties may request the opening of court assisted pre-insolvency proceedings (*mandat ad hoc* or conciliation), the aim of which is to reach an agreement with the debtor's main creditors and stakeholders. *Mandat ad hoc* and conciliation are proceedings carried out under a court-appointed officer (*mandataire ad hoc* or *conciliateur*) itself under the supervision of the president of the relevant court (usually, the Commercial Court). These proceedings are amicable and confidential (subject to the details below as regards approved conciliation proceedings) and do not involve any automatic stay.

Mandat ad hoc proceedings

French law does not provide for any specific rule in respect of *mandat ad hoc* proceedings, except that these proceedings (i) are confidential by law and (ii) may only be initiated by a debtor company itself, in its sole direction. In practice, *mandat ad hoc* proceedings are used by debtors that are facing difficulties of an economic,

legal or financial nature but are not insolvent (*en état de cessation des paiements*) within the meaning of French law. The duties of the *mandataire ad hoc* (court appointed officer) whose name can be suggested by the debtor, are determined by the Court. This *mandataire ad hoc* is usually appointed in order to facilitate the negotiations with the debtor's main creditors or stakeholders but he cannot coerce the creditors to accept any proposal and the dissenting creditors will not be bound by the arrangement, if any. Creditors are not barred from taking legal action against the company to recover their claims, but, in practice, they generally abstain from doing so. They are confidential and are not limited in time. The agreement reached by the parties (if any) with the help of the court appointed officer (*mandataire ad hoc*) is reported by the latter to the President of the Court but is not approved by the court. The restructuring agreement between the company and its main creditors will be negotiated on a purely consensual and voluntary basis — those creditors not willing to take part cannot be bound by the arrangement. In any event, the debtor retains the right to petition the relevant judge for a grace period as set forth in Article 1244-1 *et seq*. of the French Civil Code.

Conciliation proceedings

Conciliation proceedings are available to a debtor that faces actual or foreseeable difficulties of a legal, economic or financial nature but which is not insolvent or has not been insolvent for more than 45 days. The debtor petitions the President of the Commercial Court for the appointment of a conciliator in charge of assisting the debtor in negotiating an agreement with all or part of its creditors and/or trade partners. Conciliation proceedings are confidential (subject to the below) and may last up to five months. During the proceedings, creditors may continue to individually claim payment of their claims but the debtor retains the right to petition for debt rescheduling for a maximum of two years pursuant to Articles 1244-1 *et seq*. of the Civil Code. Upon its execution, the agreement reached by the parties becomes binding upon them and creditors party thereto may not take action against the company in respect of claims governed by the agreement. In addition, without such formalities being an obligation on the parties, the agreement can be either:

- upon all parties' request, acknowledged (*constaté*) by the President of the court, which makes it immediately enforceable without further recourse (*titre exécutoire*). The acknowledgement of the conciliation agreement keeps the conciliation proceedings confidential; or
- upon the debtor's request, approved (*homologué*) by the Commercial Court, subject to the satisfaction of certain conditions (i.e., (i) the debtor is not insolvent or the conciliation agreement puts an end to the debtor's insolvency; (ii) the terms of the conciliation agreement are of such as to ensure that the company will survive as a going concern; and (iii) the agreement does not infringe upon the rights of the non-signatory creditors), which shall have the following specific consequences:
  - creditors who provide new money, goods or services designed to ensure the continuation of the business of the distressed company (other than shareholders providing new equity) will enjoy a priority of payment over all pre-proceeding and post-proceeding petitioned claims (other than certain post-proceeding employment claims and procedural costs), in the event of subsequent safeguard proceedings, judicial reorganization proceedings or judicial liquidation proceedings ("New Money Lien"); and
  - in the event of subsequent judicial reorganization proceedings or judicial liquidation proceedings, the date of insolvency and therefore the starting date of the suspect period (as defined below) cannot be fixed by the court as of a date earlier than the date of the approval of the sanction of the conciliation agreement by the Court (see the definition of the date of the *cessation des paiements* above).

The judgment will make the conciliation proceedings public only in respect of the existence of the conciliation proceedings but not in respect of the content of the agreement (except for the guarantees and security interests as well as the amount of "New Money Lien" detailed above, as provided for in the agreement).

Joint debtors, personal guarantors, or any third party that granted a security interest can benefit from the provisions of the approved or acknowledged agreement. Provided the agreement (whether acknowledged, approved or not) is duly executed, any individual proceedings by creditors with respect to the claims included in the agreement are suspended.

In case of breach of the agreement, any party to the agreement can petition the Court for its termination. The commencement of subsequent insolvency proceedings will automatically put an end to the conciliation agreement, in which case the creditors will recover their claims and security interests, with the exception of those amounts already paid to them. In any event, the debtor retains the right to petition for debt rescheduling pursuant to articles 1244-1 *et seq*. of the French civil code.

Conciliation proceedings, in the context of which a draft plan has been negotiated and is supported by a large majority of creditors without reaching unanimity, will be a mandatory preliminary step of the accelerated financial safeguard proceedings as described below.

Court-administered proceedings — Safeguard, Reorganization and Liquidation Proceedings

Court administered proceedings may be initiated:

- in the event of safeguard proceedings, upon petition by the debtor only; and
- in the event of judicial reorganization or liquidation, upon petition by the debtor, any creditor or the public prosecutor.

The debtor may, in its sole discretion, file for safeguard proceedings at any time it is facing difficulties that it cannot overcome, as long as it is not insolvent. It is required to petition for the opening of judicial reorganization proceedings (if recovery is possible) or judicial liquidation proceedings (if recovery is manifestly not possible) within 45 days of its becoming insolvent (unless it filed for conciliation proceedings in the meantime). If it fails to do so, its directors and officers are exposed to incurring civil liability.

The period from the date of the court decision commencing the proceedings (whether a safeguard or a judicial reorganization) to the date on which the court takes a decision on the outcome of the proceedings is called the observation period and may last up to 18 months. During the observation period, a court appointed administrator, whose name can be suggested by the debtor in safeguard proceedings, investigates the business of the company. Creditors do not have effective control of the procedure, which remains in the hands of the company and the administrator and is overseen by the Court. In safeguard proceedings, the administrator's mission is limited to either supervising or assisting the debtor's management and assisting it in preparing a safeguard plan for the company. In judicial reorganization proceedings, the administrator's mission is usually to assist the management (although he can be appointed to replace management, in full or in part) and to make proposals for the reorganization of the company, which proposals may include a business continuation plan (equivalent to a safeguard plan) and/or the sale of all or part of the company's business to a third party.

During the safeguard proceedings, payment by the debtor of any debts incurred prior to the opening of the proceedings is prohibited, subject to very limited exceptions. For example, the insolvency judge can authorize payments for prior debts in order to discharge a lien on property needed for the continued operation of the business or recover goods or rights transferred as collateral in a fiduciary estate (*patrimoine fiduciaire*). In addition, creditors are required to declare to the *mandataire judiciaire* (explained below) the debts that arose prior to the opening of the procedure (as well as the post-opening non-privileged debts (as defined below)) and are prohibited from engaging any individual lawsuits against the debtor for any payment default in relation to such debts (see "— Status of Creditors during Safeguard Proceedings, Accelerated Financial Safeguard Proceedings, Judicial Reorganization Proceedings or Judicial Liquidation Proceedings") and the accrual of interest on loans with a term of less than one year, or payments deferred for less than one year, is stopped. Debts arising after the commencement of the safeguard proceedings and which relate to expenses necessary for the business's ordinary activities or are for the requirements of the proceedings, or are in consideration for a service rendered to the debtor during this period must be paid as and when they fall due and, if such is not the case, they will be given priority over debts incurred prior to the commencement of the safeguard proceedings (with certain limited exception such as the "New Money Lien" granted in the context of conciliation proceedings).

Contractual provisions providing for the indivisibility or the termination of an ongoing contract as the sole result of the opening of safeguard (as well as reorganization or liquidation proceedings) shall be deemed null and void. A recent decision of the French Supreme Court taking a broad interpretation of this rule held that any contractual provision which would amend an ongoing contract by reducing the debtor's rights or increasing its obligations as the sole result of its reorganization proceedings is prohibited.

At the end of the observation period, if it considers that the company can survive as a going concern, the Court will adopt a safeguard or reorganization plan which will entail a restructuring and/or rescheduling of debts and may entail the divestiture of some or all of the debtor's assets and businesses. At any time during safeguard proceedings, the Court may convert such proceedings into reorganization proceedings (i) if the debtor becomes insolvent, or (ii) at the debtors' request, if the approval of a safeguard plan is manifestly impossible and if the company would become insolvent should safeguard proceedings end.

At any time during safeguard or reorganization proceedings, the Court may also convert such proceedings into liquidation proceedings if the debtor is insolvent and its recovery is manifestly impossible. However, further

to recent decision from the French Constitutional Court dated December 7, 2012 and March 7, 2014, the constitutionality of the conversion of safeguard proceedings into judicial reorganization or liquidation proceedings, when it is decided upon the Court's own initiative, may be challenged.

Where the debtor is cash flow insolvent with manifestly no recovery possible, a judicial liquidation proceeding can be opened in the context of which there is no observation period. However, in case a sale of the business is considered, the court can authorize a temporary continuation of the business for a maximum period of three months (renewable once at the Public Prosecutor's request), whose effects are similar to those of an observation period.

The court will appoint a liquidator which is generally the former creditors' representative (*mandataire judiciaire*). No maximum time period is provided by law to limit the duration of the judicial liquidation process conducted by the liquidator, vested with the power to represent the company and perform such liquidation operations (mainly liquidate the assets and settle the liabilities to the extent the proceeds from the liquidated assets are sufficient, in accordance with the creditors' priority order for payment). Concerning the liquidation of the assets, there are two possible outcomes of such liquidation scenario:

- an asset sale plan, which is governed by the same principles as above. In practice, where an asset sale plan is considered, the court will usually appoint a judicial administrator to manage the company and organize such sale of the business), or
- a sale of the assets one by one, in which case the liquidator may decide to launch auction sales or sell on an amicable basis each asset for which spontaneous purchase offers have been received, the formal authorization of the bankruptcy judge being necessary to conclude the sale agreement with the bidder, or
- request, under the surveillance of the bankruptcy judge, from all potential interested purchasers to bid on each asset, as the case may be by way of a private competitive process whereby the bidders submit their offers only at the hearing without disclosing the proposed price before such hearing (*procédure des plis cachetés*).

Creditors' Committees and Adoption of the Safeguard or Reorganization Plan

During the observation period, in the case of large companies (with more than 150 employees or turnover greater than €20 million) or where authorized by the supervising judge for smaller companies, two creditors' committees must be established one for credit institutions or assimilated institutions and entities (with the exception of major suppliers and bondholders) having granted credit or advances in favor of the debtor) and the other for suppliers having a claim that represents more than 3% of the total amount of the claims of all the debtor's suppliers; the smaller suppliers, if invited by the administrator, may elect to be members of such committee.

As a general matter, only the legal owner of the bank debt claim will be invited onto the credit institutions committee. Accordingly, a person holding only an economic interest therein will not itself be a member of the credit institutions committee. If there are any outstanding debt securities in the form of obligations (such as bonds or the notes), a general meeting gathering all holders of such debt securities will be established irrespective of whether or not there are different issuances and of the governing law of those obligations (the "bondholders' general meeting"). The notes would constitute *obligations* for the purposes of a safeguard, or accelerated financial safeguard or reorganization proceedings and the noteholders would therefore vote within the bondholders' general assembly.

These two committees and the bondholders' general assembly will be consulted on the safeguard or reorganization plan drafted by the debtor's management, together with the judicial administrator during the observation period.

The plan submitted to the committees and the bondholders:

- must take into account subordination agreements entered into by the creditors before the opening of the proceedings;
- may treat creditors differently if it is justified by their differences in situation; and
- may include a rescheduling or cancellation of debts, debt-for-equity swaps (debt-for-equity swaps requiring the relevant shareholder consent) and sale of all (in judicial reorganization proceedings only) or part of the business.

In the first instance, the plan must be approved by each of the two creditors' committees. Each committee must announce whether its members approve or reject such plan within 20 to 30 days of its proposal to the debtor (such time can be reduced or extended by the supervising judge, at the request of the debtor or the judicial administrator, but it cannot be less than 15 days). Such approval requires the affirmative vote of creditors holding at least two-thirds of the amounts of the claims held by the members of such committee that express a vote.

Following the approval of the plan by the two creditors' committees, the plan will be submitted for approval to the bondholders' general meeting. The approval of the plan at such meeting requires the affirmative vote of bondholders representing at least two-thirds of the amount of the claims held by bondholders expressing a vote in the bondholders' general assembly.

Holders of the notes could, as members of the general assembly of holders of the notes, veto such plan if they reach a blocking minority (i.e. their claims represent more than one third of the claims of those creditors casting a vote in the meeting). Creditors for whom the plan does not provide any modification of their repayment schedule or provides for a payment of their claims in cash in full as soon as the plan is adopted or as soon as their claims are admitted do not take part in the vote. For those creditors outside such committees or where no such committees have been convened, the *mandataire judiciaire* may elect not to consult them.

Following approval by the creditors' committees and the bondholders' general meeting and determination of a rescheduling of the claim of creditors that are not members of the committees or bondholders as discussed above, the plan has to be approved (*arrêté*) by the Court. In considering such approval, the court has to verify that the interests of all creditors are sufficiently protected. Once approved by the relevant court, the safeguard, accelerated financial safeguard or reorganization plan accepted by the committees and the bondholders' general meeting will be binding on all the members of the committees and all bondholders (including those who did not vote or voted against the adoption of the plan), as well as those creditors outside such committees/general assembly (it being noted that they can only have imposed upon them debt rescheduling by the Court as detailed below).

In the event that the debtor's proposed plan is not approved by both committees and the general meeting of bondholders (or has not rendered its decision) within the first six months of the observation period, the Court can still adopt a safeguard plan in the time remaining until the end of the observation period, in which case a consultation of the creditors on an individual or collective basis will take place (see "Ordinary consultation" below).

In the event that the debtor's proposed plan is not approved by both committees and the general meeting of bondholders, for those individual creditors who have not reached a negotiated agreement, the Court can only impose uniform debt deferrals over a maximum period of 10 years, except for claims with maturity dates of more than 10 years, in which case the maturity date shall remain the same. The Court cannot impose on them debt write-offs or debt-to-equity swaps. The same rule applies with respect to creditors who are not members of the committees, or where no such committees or general meeting of bondholders are convened.

The first payment must be made within a year of the judgment adopting the plan (as from the third year included, the minimum annual installment is 5% of the total admitted liabilities), it being noted, however, that if the contractual provisions relating to a debt claim provide that the principal amount of such debt claim is repayable *in fine* and its maturity date falls within the implementation period of the plan, the repayment of such principal amount only starts on the first annual installment date (as set out in the plan) following the original contractual maturity date of that debt claim and such payment follows specific rules.

"Ordinary" consultation

For debtors whose accounts are not certified by a statutory auditor or prepared by a chartered accountant, and who do not have more than 150 employees or a turnover greater than €20 million, or in the event that the debtor's proposed plan is not approved, by both committees and the general meeting of bondholders (or has not rendered its decision) within the first six month of the observation period, the court appointed administrator notifies the proposals for the settlement of debts to the court-appointed creditors' representative, who, individually or collectively, obtains the agreement of each creditor who stated a claim, regarding the debt remissions and payment times proposed.

The French Commercial Code does not state whether the proposals for settlement can vary according to the creditor and whether the principle of equal treatment of creditors is applicable at the consultation stage.

According to legal commentaries and established practice, in the absence of a specific legislative prohibition, varying treatment of creditors is possible, provided that it is justified by the specific position of the creditors and approved by the court-appointed creditors' representative. In practice, it is also possible to make alternative proposals at the consultation stage (which generally breaks down into a short-term option, with debt remissions and rapid payment of the balance, and a long-term option with 100% repayment of the debts over ten years. The courts tend to impose a long-term solution).

Creditors whose payment terms are not affected by the plan or who are paid in cash in full as soon as the plan is approved are not consulted.

In the event of a consultation in writing, if a creditor does not respond within 30 days as from receipt of the letter from the creditors' representative, such creditor is deemed to have accepted the proposal. The creditors' representative keeps a list of the responses from creditors, which is notified to the debtor, the administrator and the monitors.

Within the framework of an ordinary consultation, if the creditors refuse the proposals that were submitted to them, the court that approves the plan can only obligate them to accept deferral of the payment of their receivables over a maximum period of ten years except for claims with maturity dates of more than 10 years, in which case the maturity date shall remain the same. The Court cannot impose on them debt write-offs or debt-to-equity swaps.

Court administered proceedings — Accelerated Financial Safeguard

A debtor in conciliation proceedings may request commencement of accelerated financial safeguard proceedings ("Accelerated Financial Safeguard"). The Accelerated Financial Safeguard proceedings are very similar to safeguard proceedings (see above) but have been designed to "fast-track" purely financial difficulties of large companies having (i) either more than 150 employees or a turnover greater than €20 million or (ii) whose total balance sheet exceeds (a) 25 million euros or (b) 10 million euros if they control another company (x) which has more than 150 employees or (y) whose turnover for the previous financial year is greater than 20 million euros or (z) whose total balance sheet exceeds 25 million euros.

The proceedings apply only to debt owed to creditors that are part of the credit institutions committee and bondholders, the payment of which is suspended to be determined by the plan adopted through the Accelerated Financial Safeguard proceedings, other debts continuing to be paid in the ordinary course of business (e.g., trade debt or debt to the tax or social security administrations) in accordance with their contractual or legal terms.

To be eligible to the Accelerated Financial Safeguard, the debtor must fulfill three conditions:

- as is the case for regular safeguard proceedings, the debtor must (i) not be insolvent and (ii) face difficulties which it is not able to overcome;
- the debtor must be subject to ongoing conciliation proceedings when it applies for the opening of the Accelerated Financial Safeguard;
- the debtor must have prepared a draft safeguard plan ensuring the continuation of his business as a going concern supported by enough of its financial creditors (i.e., credit institutions and bondholders) to render likely its adoption by a two-thirds majority in each of the credit institutions' committee and the bondholders general meeting within a maximum of two months of the opening of the proceedings.

The list of claims of credit institutions and bondholders party to the conciliation proceedings shall be drawn up by the debtor and certified by its statutory auditor and shall be deemed to constitute the filing of such claims (see below) unless the creditors otherwise elect to make such a filing (see below).

Where accelerated financial safeguard proceedings are commenced, the credit institutions' committee and the bondholders' general assembly are convened and are required to vote on the proposed safeguard plan within a minimum period of eight days of delivery of the proposed plan (as compared to a minimum period of 15 days for regular safeguard proceedings).

As with traditional safeguard proceedings, the plan adopted in the context of an Accelerated Financial Safeguard may notably provide for rescheduling, debt cancellation and conversion of debt into equity capital in the debtor company (debt-for-equity swaps requiring the relevant shareholder consent).

The total duration of the Accelerated Financial Safeguard (i.e., the period between the judgment opening the Accelerated Financial Safeguard and the judgment adopting the plan) is one month, unless the court decides to extend it by one additional month. If a plan is not adopted by the creditors and approved by the court within such deadlines, the court is obliged to terminate the proceedings.

Status of Creditors during Safeguard, Accelerated Financial Safeguard, Judicial Reorganization or Judicial Liquidation Proceedings

Contractual provisions pursuant to which the opening of the proceedings constitutes an event of default are not enforceable against the debtor (a recent decision of the French Supreme Court taking a broad interpretation of this rule held that any contractual provision which would amend an ongoing contract by reducing the debtor's rights or increasing its obligations as the sole result of its reorganization proceedings is prohibited), while the court appointed officer (judicial administrator in the event of a judicial reorganization and judicial liquidator in the case of a judicial liquidation) can unilaterally decide to terminate ongoing contracts (*contrats en cours*) which it believes the debtor will not be able to continue to perform. The court appointed officer can, on the contrary, require that other parties to a contract continue to perform their obligations even though the debtor may have been in default, but on the condition that it fully performs its post-petition contractual obligations.

In addition, during the observation period:

- accrual of interest is suspended (except in respect of loans providing for a term of at least one year, or contracts providing for a payment which is differed by at least one year);
- the debtor is prohibited from paying debts incurred prior to the date of the court decision commencing the proceedings, subject to specified exceptions which essentially cover the set-off of related (*connexes*) debts and payments authorized by the supervising judge to recover assets for which recovery is justified by the continued operation of the business; and
- creditors may not pursue any individual legal action against the debtor (or, in safeguard proceedings against a guarantor of the debtor provided such guarantor is an individual) with respect to any claim arising prior to the court decision commencing the proceedings if the objective of such legal action is:
  - to obtain an order for payment of a sum of money by the debtor to the creditor (however, the creditor may require that a court determine the amount due);
  - to terminate a contract for non-payment of amounts owed by the creditor; or
  - to enforce the creditor's rights against any assets of the debtor, except where such asset (whether tangible or intangible, moveable or immoveable) is located in another Member State within the European Union, in which case the rights in rem of creditors thereon would not be affected by the insolvency procedure, in accordance with the terms of article 5 of EC Regulations 1346/2000.

In Accelerated Financial Safeguard, the above rules only apply to the creditors which are subject to the Accelerated Financial Safeguard (i.e., credit institutions and bondholders).

As a general rule, creditors domiciled in France whose claims arose prior to the commencement of proceedings must file a claim with the *mandataire judicia*ire within two months of the publication of the court decision in the *Bulletin Officiel des annonces civiles et commerciales* (by exception, the deadline starts upon receipt of an individual notification for those creditors whose claim arose from a published security interest or who benefit from a published security interest); this period is extended to four months for creditors domiciled outside France. Creditors who have not submitted their claims during the relevant period are, except with respect to very limited exceptions, barred from receiving distributions made in connection with the proceedings. Employees are not subject to limitations and are preferential creditors under French law.

In the Accelerated Financial Safeguard proceedings, the debts held by financial creditors that took part in the conciliation negotiation are listed by the debtor and certified by its statutory auditor (or, in its absence, its accountant). Although such creditors can file proofs of claim pursuant to the regular process, they may also avail themselves of this simplified alternative and merely adjust the amounts of their claims as set forth on the list of prepared by the debtor (within a 2 to 4 months time limit). Those financial creditors who did not take part of the conciliation proceedings (but who would be party to the financial institutions' committee or the bondholders' general assembly) would have file their proofs of claim within the afore-mentioned legal time limit.

If the court adopts a safeguard plan or reorganization plan, claims of creditors included in the plan will be paid according to the terms of the plan. The court can also set a time period during which the assets that it deems to be essential to the continued business of the debtor may not be sold without its consent.

If the court adopts a plan for the sale of the business (*plan de cession*), the proceeds of the sale will be allocated for the repayment of the creditors according to the ranking of the claims under French law. If the court decides to order the judicial liquidation of the debtor, the court will appoint a liquidator in charge of selling the assets of the company and settling the relevant debts in accordance with their ranking. However, in practice, where the sale of the business is considered, it will usually appoint a judicial administrator to advise the company and organize the sale of the business.

French insolvency law assigns priority to the payment of certain preferred creditors, including employees, post-petition legal costs (especially fees of the officials appointed by the insolvency court), creditors who, as part of a approved conciliation agreement, have provided new money or goods or services, certain secured creditors in judicial liquidation proceedings only, post-petition creditors, the French State (taxes and social charges) and other pre-petition secured creditors and pre-petition unsecured creditors.

The "Suspect Period" in Judicial Reorganization and Liquidation Proceedings

The court determines the date on which insolvency is deemed to have occurred. It can be any date within the 18 months preceding the date of the opening of the proceedings. This marks the beginning of the "suspect period" (*période suspecte*). However, the starting date of the "suspect period" cannot be fixed by the court as of a date earlier than the date of the approval of the conciliation agreement. Certain transactions entered into by the debtor during the suspect period are automatically void or voidable by the court.

Automatically void transactions include transactions or payments entered into during the suspect period that may constitute voluntary preferences for the benefit of some creditors to the detriment of other creditors. These include transfers of assets for no consideration, contracts under which the reciprocal obligations of the debtor significantly exceed those of the other party, payments of debts not due at the time of payment, payments made in a manner which is not commonly used in the ordinary course of business and security granted for debts (including a security granted to secure a guarantee obligation) previously incurred and provisional measures, unless the right of attachment or seizure predates the date of cessation of payments, the transfer of any assets or rights to a trust arrangement (*fiducie*) (unless such transfer is made as a security for debt incurred at the same time), and any amendment to a trust arrangement that dedicates assets or rights as a guaranty of pre-existing debts.

Transactions voidable by the court include payments made on accrued debts, transactions for consideration and notices of attachments made to third parties (*avis à tiers détenteur*), seizures (*saisie attribution*) and oppositions made during the suspect period, if the court determines that the creditor knew of the cessation of payments of the debtor. Transactions relating to the transfer of assets for no consideration are also voidable when entered into during the six-month period prior to the beginning of the suspect period. There is no suspect period prior to the opening of the safeguard or accelerated financial safeguard proceedings, since the condition required to commence such proceedings is that the company is not insolvent (*en état de cessation des paiements*) within the meaning of French law.

Lender Liability

Pursuant to article L. 650-1 of the French Commercial Code, where safeguard, judicial reorganization or judicial liquidation proceedings have been commenced, creditors may only be held liable for the losses suffered as a result of facilities granted to the debtor on the following grounds (and may only be held liable on those grounds): (i) fraud; (ii) wrongful interference with the management of the debtor; or (iii) if the security or guarantees taken to support the facilities are disproportionate to such facilities. In addition, any security or guarantees taken to support facilities in respect of which a creditor is found liable on any of these grounds can be cancelled or reduced by the court. Case law has recently confirmed that this liability also requires that the granting of the facility be deemed to be wrongful.

If a creditor has repeatedly interfered in the company's management, it can be deemed a "manager" of such company ("*dirigeant de fait*"). In this case, article L 651-2 of the French Commercial Code provides that, if liquidation proceedings (*liquidation judiciaire*) have been commenced against the debtor, the creditor may be liable for the debts of the company, along with the other managers (whether *de jure* or *de facto*), as the case may be, if it is established that their mismanagement has contributed to the company's shortfall of assets. If such conditions are met, French courts will decide whether the managers should bear all or part of the shortfall amount.

Main modifications of French bankruptcy regime

French insolvency is about to change as a result of Ordinance No. 2014-326 of March 12, 2014 relating to the reform of the prevention of corporate difficulties and of insolvency proceedings (the "Ordinance No. 2014-326"), which is expected to come into force on July 1, 2014. This reform will affect the current regime explained above in relation to mandat ad hoc proceedings, conciliation proceedings, safeguard proceedings, accelerated safeguard proceedings, judicial reorganization and liquidation proceedings.

Ordinance No. 2014-326 provides in particular for the following modifications:

Court-assisted pre-insolvency proceedings (mandat ad hoc and conciliation proceedings)

- extension of the benefit of the new money lien to creditors who agree to provide cash to a debtor in the course of conciliation proceedings which ends in an approved conciliation agreement. Under current law, creditors are only entitled to enjoy the New Money Lien over claims advanced in execution of an approved conciliation agreement;
- in the context of subsequent safeguard, judicial reorganization or judicial liquidation proceedings, the payment date of claims secured by the New Money Lien may not be rescheduled without their holders consent;
- possibility for the conciliator, upon request of the debtor and after creditors' notice to prepare the disposal of all or part of the business of the debtor within the context of conciliation proceedings with a view to implementing such sale, if required, in subsequent insolvency proceedings in the form of a "plan for the disposal of the business" (*plan de cession*). To ensure transparency, the public prosecutor must be consulted on any offer formalized in the context of conciliation proceedings;
- possibility for the conciliator acting as "*mandataire à l'exécution de l'accord*" to monitor the performance of the conciliation agreement, when the said conciliation agreement is approved by the Court;
- modification of certain details concerning the application of the grace period under article 1244-1et seq. of the French Civil Code. At the request of the debtor and at any time for so long as the conciliation agreement is in effect, the court may postpone the payments of creditors that have not signed the conciliation agreement up to a maximum of 24 months. However such provisions do not apply to creditors that are mentioned by Article L 611-7 paragraph 3 of the French Commercial Code (ie. law & social security authorities and institutions managing the unemployment insurance system);
- contractual provisions modifying the conditions of continuation of a contract, diminishing the rights or increasing the obligations of the debtor solely upon the opening of *mandat ad hoc* or conciliation proceedings are deemed null and void;
- contractual provisions that would, as the sole result of the opening of *mandat ad hoc* or conciliation proceedings, make the debtor bear the cost of the fees of the creditor's legal counsel relating to such proceedings (for the portion that would exceed an amount to be set by a decision of the Minister of Justice that has yet to be taken) shall be deemed null and void.

Court-controlled insolvency proceedings

- immediate payment of the unpaid amount of the share capital as soon as the insolvency proceedings are opened. The creditors' representation may demand that a shareholder pays its portion of the unpaid share capital;
- following the decisions from the French Constitutional Court dated December 7, 2012 and March 7, 2014 aforementioned, removal of the possibility, for a court, to decide, in its own initiative, the commencement of any insolvency proceedings or the conversion of such proceedings;
- at the request of the court-appointed administrator, extension of the deadline to vote on the plan by creditors and bondholders for a period of time which cannot exceed the observation period;
- each creditor member of a creditors committee and each note holder must, if applicable, inform the judicial administrator of the existence of any agreement relating to the exercise of its vote or to the full or total payment of its claim as well as of any subordination agreement. The judicial administrator shall then submit to the creditor/note holder a proposal for the computation of its voting rights in the creditors committee/bondholders general assembly. In the event of a disagreement, the creditor/note holder or the judicial administrator may request that the matter be decided by the president of the commercial court in summary proceedings;

Modifications pertaining only to safeguard proceedings, accelerated safeguard proceedings and AFS proceedings

- creation of a new type of accelerated safeguard proceedings ("*procédure de sauvegarde accélérée*") to include also non-financial creditors, it being specified that the competent court must approve any restructuring plan within three months of the date on which the accelerated safeguard proceedings have been opened (whereas, in the Accelerated Financial Proceedings, the court must settle a safeguard plan within one month, unless the court decides to extend it by one additional month);
- loosening of the criteria required for the opening of Accelerated Financial Proceedings and the Accelerated Safeguard Proceedings. Such proceedings may be opened as long as the debtor has not been insolvent for more than 45 days prior to the request for the commencement of conciliation proceedings. The required criteria (number of employees, turnover, total assets) which shall apply (unless the debtor produces consolidated financial statements *(comptes consolidés))* will be set by decree: possibility for the Public Prosecutor to request the termination of the Accelerated Financial Proceedings and the Accelerated Safeguard Proceedings if the debtor has been insolvent for more than 45 days prior to the request for the commencement of conciliation proceedings;
- possibility for creditors who are members of the credit institutions' committee or the suppliers' committee to submit to the creditor's committee an alternative plan under safeguard proceedings, it being specified that these alternative plans are subject to the same two-thirds majority vote in each committee and by a two-thirds majority vote of the bondholders' general assembly (although noteholders are not permitted to present their own alternative plan) for their approval;
- if no plan is adopted by the committees, at the request of the debtor, the judicial administrator, the *mandataire judiciaire* or the public prosecutor, the court may convert the safeguard proceedings into judicial reorganization proceedings if it appears that the adoption of a safeguard plan is impossible and if the end of the safeguard proceedings would certainly quickly lead to the company being insolvent (*en état de cessation des paiements*).

Modifications pertaining only to reorganization or judicial liquidation proceedings

- In reorganization proceedings, in case the shareholders' equity has not been restored, the administrator may appoint a trustee (*mandataire en justice*) to vote in place of the shareholders refusing to approve bylaws' modification if the draft restructuring plan provides for an equity's modification to the benefit of a third party undertaking to approve such plan;
- simplification of judicial liquidation proceedings (*liquidation judiciaire*), it being specified that the court may terminate the proceedings when the interest of the continuation of the liquidation process is disproportionate compared to the difficulty to sell the assets. The court may also appoint a *mandataire* in charge of continuing ongoing lawsuits and allocate the amounts received from these lawsuits between the remaining creditors.

Void and voidable transactions

- creation of a new type of automatically "void transaction" including declaration of nonseizability (*déclaration d'insaisissabilité*) that occurred during the suspect period.

LEGAL MATTERS

Certain legal matters in connection with the validity of the notes will be passed on for us by Linklaters LLP, Paris, France, who are acting as our special United States counsel and our French legal advisors. The initial purchasers have been represented by Cravath, Swaine & Moore LLP, London, United Kingdom, United States counsel to the Initial Purchasers, and by Bredin Prat, French counsel to the Initial Purchasers.

INDEPENDENT REGISTERED ACCOUNTING FIRMS

Our consolidated financial statements as at and for the year ended December 31, 2013 included in this offering circular have been audited by Ernst & Young and our consolidated financial statements as at and for the years ended December 31, 2012 and 2011 included in this offering memorandum have been audited by Ernst & Young and Mazars, in each case, independent registered public accounting firms, as stated in their respective reports appearing herein.

SERVICE OF PROCESS AND ENFORCEMENT OF LIABILITIES

We are a company organized under the laws of France with our registered office and principal place of business in France. A majority of our directors and officers named herein are not residents of the United States, and all or a substantial portion of their assets are located outside the United States. Substantially all of our assets are located outside the United States. We have agreed, in accordance with the terms of the indenture governing the notes, to accept service of process in any suit, action or proceeding with respect to the indenture or the notes brought in any federal or state court located in New York City by an agent designated for such purpose, and to submit to the jurisdiction of such courts in connection with such suits, actions or proceedings. However, it may not be possible for you to effect service of process within the United States upon our officers or to enforce against these persons, or us, judgments of United States courts predicated upon civil liability provisions of the federal securities laws of the United States.

We have been advised by our French counsel, Linklaters LLP, Paris, France, that if an original action is brought in France, predicated solely upon the United States federal securities laws, French courts may not have the requisite jurisdiction to grant the remedies sought. Actions for enforcement in France of a U.S. judgment rendered against any of the French persons referred to in the second sentence of the preceding paragraph would require (i) that the U.S. judgment is enforceable in the jurisdiction which issued it, (ii) that the U.S. judgment was rendered by court having jurisdiction over the matter because the dispute is substantially connected with the United States and that French courts do not have exclusive jurisdiction over the matter, (iii) that the judgment is not contrary to the principles of French international public policy (iv) that neither the choice of applicable law nor the choice of jurisdiction is fraudulent and (v) that the U.S. judgment does not conflict with a French judgment or a foreign judgment enforceable in France relating to the same or similar subject matter as the U.S. judgment. In addition, actions in the United States under United States federal securities laws could be affected under certain circumstances by the French Law of July 16, 1980, which may preclude or restrict the obtaining of evidence in France or from French persons in connection with such actions.

GENERAL INFORMATION

Share Capital

As at December 31, 2013, we had authorized share capital of €301,784,014 and issued share capital of €70,756,346, divided into 176,890,866 ordinary shares of €0.40 nominal value each, all of which were fully paid.

Corporate Authorizations

The issue of the notes was authorized pursuant to a resolution of the Board of Directors of CGG adopted on April 7, 2014. The guarantee of the notes was authorized by the Board of Directors of each Initial Guarantor.

Listing of the Notes

Application has been made to admit the notes to listing on the Luxembourg Stock Exchange and to trading on the Euro MTF.

Clearing of the Notes

The notes sold pursuant to Regulation S and have been accepted for clearance through the facilities of Euroclear and Clearstream under common code 106117560 and ISIN XS1061175607. The notes sold pursuant to Rule 144A have been accepted for clearance through the facilities of Euroclear and Clearstream under common code 106117586 and ISIN XS1061175862.

No Material Adverse Change

Except as disclosed in this offering circular, there has been no significant change in our financial or trading position since December 31, 2013 and no material adverse change in our financial position or prospects since December 31, 2013.

Litigation

Except as disclosed in this offering circular, neither we nor any of our subsidiaries are involved in any litigation, arbitration or administrative proceedings relating to amounts which, individually or in the aggregate, are material in the context of the issue of the notes and, to the best of our knowledge, there are no such litigation, arbitration or administrative proceedings pending or threatened.

Significant Subsidiaries

For the year ended December 31, 2013, three subsidiaries, CGG Services SA, CGG Services (U.S.) Inc., and Sercel S.A., each represented more than 10% of our consolidated revenues. CGG Services SA, a wholly owned subsidiary CGG SA, had operating revenues of US$1,110.0 million in the year ended December 31, 2013 and had total assets of US$683.6 million at December 31, 2013. CGG Services SA is primarily engaged the provision of geophysical services. Its registered office is at 27 avenue Carnot, 91300 Massy, France. It had issued share capital of €12,274,588 as at December 31, 2013, divided into 306,864,724 shares, all of which were fully paid. CGG Services SA paid no dividends in 2013. Sercel S.A., a wholly owned subsidiary of Sercel Holding S.A., had operating revenues of US$467.5 million in the year ended December 31, 2013 and had total assets of US$586.3 million at December 31, 2013. Sercel S.A. is primarily engaged the production and distribution of marine seismic equipment and other products. Its registered office is at 16 rue du Bel Air, 44470 Carquefou, France. It had issued share capital of €2,000,000 as at December 31, 2013, divided into 5,000,000 shares, all of which were fully paid. In 2013, Sercel S.A. paid dividends in the amount of €70,000,000.

At December 31, 2013, one subsidiary, CGG Holding (U.S.) Inc., represented more than 10% of our consolidated assets.

Information about CGG Services (U.S.) Inc. and CGG Holding (U.S.) Inc. is provided below.

Initial Guarantors

Note 32 to our consolidated audited financial statements included elsewhere in this offering circular presents condensed consolidating information for certain of our subsidiaries that guarantee our existing senior notes. The notes offered hereby are guaranteed by the same subsidiaries with the exception of three subsidiaries that do not have material assets or revenues (Sercel Canada Ltd., Sercel Australia Pty Ltd. and CGG Canada Services Ltd.).

As at and for the year ended December 31,2013, those three subsidiaries had aggregate assets of US$34.4 million (including US$17.7 million of goodwill) and aggregate operating revenues of US$8.4 million (all before consolidation adjustments).

Each of the Initial Guarantors is, directly or indirectly, a wholly owned subsidiary of the Issuer.

CGG Holding B.V., a wholly owned subsidiary of CGG SA, is primarily engaged as a holding company of certain subsidiaries. CGG Holding B.V. had no operating revenues in the year ended December 31, 2013 and had total assets of US$811.1 million at December 31, 2013. CGG Holding B.V.'s registered office is at Schiphol Boulevard 299, 1118 BH Luchthaven Schiphol, the Netherlands, and its corporate seat (*statutaire zetel*) at Amsterdam, the Netherlands.

CGG Marine B.V., a wholly owned subsidiary of CGG Holding B.V., is primarily engaged as a holding company of certain subsidiaries in our Services segment. CGG Marine B.V. had no operating revenues in the year ended December 31, 2013 and had total assets of US$534.3 million at December 31, 2013. CGG Marine B.V.'s registered office is at Schiphol Boulevard 299, 1118 BH Luchthaven Schiphol, the Netherlands and its corporate seat (*statutaire zetel*) at Amsterdam, the Netherlands.

CGG Marine Resources Norge AS, a wholly owned subsidiary of CGG SA, is primarily engaged as an asset company. CGG Marine Resources Norge AS had no operating revenues in the year ended December 31, 2013 and had total assets of US$14.6 million at December 31, 2013. CGG Marine Resources Norge AS's registered office is at OH BANGS VEI 70, 1363 Høvik, Norway.

CGG Holding (U.S.) Inc., a wholly owned subsidiary of CGG Holding B.V., is engaged as a holding company. CGG Holding (U.S.) Inc. had no operating revenues in the year ended December 31, 2013 and had total assets of US$1561.9 million at December 31, 2013. CGG Holding (U.S.) Inc.'s registered office is at 1209 Orange Street, Wilmington, Delaware, 19801, United States of America. CGG Holding (U.S.) Inc. had issued share capital of US$417,299 as at December 31, 2013, divided into 100 shares, all of which were fully paid. CGG Holding (U.S.) Inc. paid no dividends in 2013.

CGG Services (U.S.) Inc., a wholly owned subsidiary of CGG Holding (U.S.) Inc., is primarily engaged in acquiring marine seismic data in U.S. waters for third parties on a contract basis, acquiring, processing and licensing marine multi-client library data, and processing seismic data for third parties. CGG Services (U.S.) Inc. had operating revenues of US$401.1 million in the year ended December 31, 2013 and had total assets of US$638.6 million at December 31, 2013. CGG Services (U.S.) Inc.'s registered office is at 1209 Orange Street, Wilmington, Delaware, 19801, United States of America. CGG Services (U.S.) Inc. had issued share capital of US$417,299 as at December 31, 2013, divided into 100 shares, all of which were fully paid. CGG Services (U.S.) Inc. paid no dividends in 2013.

Veritas Investments Inc., a wholly owned subsidiary of CGG Holding (U.S.) Inc., is primarily engaged as a holding company. Veritas Investments Inc. had no operating revenues in the year ended December 31, 2013 and had total assets of US$0 million at December 31, 2013. Veritas Investments Inc.'s registered office is at 1209 Orange Street, Wilmington, Delaware, 19801, United States of America.

CGG Land (U.S.) Inc., a wholly owned subsidiary of CGG Services (U.S.) Inc., is primarily engaged in acquiring seismic data on land in the U.S. for third parties on a contract basis and acquiring and licensing U.S. land multi-client library data. CGG Land (U.S.) Inc. had operating revenues of US$185.8 million in the year ended December 31, 2013 and had total assets of US$178.9 million at December 31, 2013. CGG Land (U.S.) Inc.'s registered office is at 3422 Old Capitol Trail, Suite 700,, Wilmington, Delaware, 19808, United States of America.

Viking Maritime Inc., a wholly owned subsidiary of CGG Services (U.S.) Inc., was primarily engaged in chartering, as charterer, and operating seismic and support vessels. Viking Maritime Inc. had no operating revenues in the year ended December 31, 2013 and had total assets of US$0.4 million at December 31, 2013. Viking Maritime Inc.'s registered office is at 1209 Orange Street, Wilmington, Delaware, 19801, United States of America.

Veritas Geophysical (Mexico) LLC, a wholly owned subsidiary of CGG Services (U.S.) Inc., was primarily engaged as a holding company that owns, together with Veritas Investments Inc., certain of our Mexican subsidiaries. Veritas Geophysical (Mexico) LLC had no operating revenues in the year ended December 31, 2013

and had total assets of US$6.9 million at December 31, 2013. Veritas Geophysical (Mexico) LLC's registered office is at 1209 Orange Street, Wilmington, Delaware, 19801, United States of America.

Alitheia Resources Inc., a wholly owned subsidiary of CGG Services (U.S.) Inc., was primarily engaged in acquiring, exploring and marketing oil and gas properties in the Gulf of Mexico. Alitheia Resources Inc. had no operating revenues in the year ended December 31, 2013 and had total assets of US$0 million at December 31, 2013. Alitheia Resources Inc.'s registered office is at 1209 Orange Street, Wilmington, Delaware, 19801, United States of America.

Sercel, Inc., 81% owned by CGG Holding (U.S.) Inc. and 19% owned by Sercel Holding S.A., is primarily engaged in the production and distribution of marine seismic equipment, geophones and other products. Sercel, Inc. had operating revenues of US$228.6 million in the year ended December 31, 2013 and had total assets of US$211.7 million at December 31, 2013. Sercel, Inc.'s registered office is at 17200 Park Row, Houston, Texas 77084, United States of America.

Sercel-GRC Corp., a wholly owned subsidiary of Sercel, Inc., is primarily engaged in the production and distribution of downhole equipment and gauges. Sercel-GRC Corp. had operating revenues of US$31.3 million in the year ended December 31, 2013 and had total assets of US$64.3 million at December 31, 2013. Sercel-GRC Corp.'s registered office is at 6540 E. Apache St, Tulsa, OK 74115, United States of America.

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

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of CGG:

We have audited the accompanying consolidated balance sheet of CGG and subsidiaries (the "Company") as of December 31, 2013 and the related consolidated statements of operations, comprehensive income (loss), changes in equity and cash flows for the year ended December 31, 2013. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria) and our report dated April 10, 2014 expressed an unqualified opinion thereon.

Paris-La Défense, France
April 10, 2014.

ERNST & YOUNG et Autres

Pierre Jouanne Laurent Vitse

Report of Independent Registered Public Accounting Firms

To the Board of Directors and Shareholders of CGG:

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

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

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

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

Courbevoie and Paris-La Défense, France
April 25, 2013.

MAZARS — ERNST & YOUNG et Autres

Jean-Marc Deslandes — Pierre Jouanne — Laurent Vitse

CGG

CONSOLIDATED BALANCE SHEETS

	Notes	December 31, 2013	2012 (restated)[1]	2011 (restated)[1]
		(Amounts in millions of US dollars)		
ASSETS				
Cash and cash equivalents	28	530.0	1,520.2	531.4
Trade accounts and notes receivable, net	3	987.4	888.7	876.0
Inventories and work-in-progress, net	4	505.2	419.2	361.5
Income tax assets		118.1	111.7	119.4
Other current assets, net	5	175.6	139.6	157.0
Assets held for sale, net	5	37.7	393.9	64.5
Total current assets		**2,354.0**	**3,473.3**	**2,109.8**
Deferred tax assets	24	222.6	171.4	188.8
Investments and other financial assets, net	7	47.8	53.7	24.7
Investments in companies under equity method	8	325.8	124.5	131.7
Property, plant and equipment, net	9	1,557.8	1,159.5	1,183.2
Intangible assets, net	10	1,271.6	934.9	865.1
Goodwill, net	11	2,483.2	2,415.5	2,688.2
Total non-current assets		**5,908.8**	**4,859.5**	**5,081.7**
TOTAL ASSETS		**8,262.8**	**8,332.8**	**7,191.5**
LIABILITIES AND EQUITY				
Bank overdrafts	13	4.5	4.2	6.0
Current portion of financial debt	13	247.0	47.8	64.5
Trade accounts and notes payables		557.6	505.5	386.4
Accrued payroll costs		251.1	209.9	185.7
Income taxes payable		73.9	97.0	159.7
Advance billings to customers		52.4	36.0	51.0
Provisions — current portion	16	73.1	21.0	34.6
Other current liabilities	12	283.9	300.2	272.3
Total current liabilities		**1,543.5**	**1,221.6**	**1,160.2**
Deferred tax liabilities	24	148.9	106.0	104.4
Provisions — non-current portion	16	142.5	123.5	123.8
Financial debt	13	2,496.1	2,253.2	1,871.6
Other non-current liabilities	17	41.7	46.6	49.8
Total non-current liabilities		**2,829.2**	**2,529.3**	**2,149.6**
Common stock: 301,784,014 shares authorized and 176,890,866 shares with a €0.40 nominal value issued and outstanding at December 31, 2013	15	92.7	92.4	79.8
Additional paid-in capital		3,180.4	3,179.1	2,669.3
Retained earnings		1,273.9	1,190.6	1,147.5
Other Reserves		(46.1)	(27.8)	(17.0)
Treasury shares		(20.6)	(20.6)	(20.6)
Net income (loss) for the period attributable to owners of CGG SA		(698.8)	75.2	(27.1)
Cumulative income and expense recognized directly in equity		(7.6)	(7.6)	(11.5)
Cumulative translation adjustment		26.0	1.9	(25.8)
Equity attributable to owners of CGG SA		**3,799.9**	**4,483.2**	**3,794.6**
Non-controlling interest		90.2	98.7	87.1
Total equity		**3,890.1**	**4,581.9**	**3,881.7**
TOTAL LIABILITIES AND EQUITY		**8,262.8**	**8,332.8**	**7,191.5**

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

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

CGG

CONSOLIDATED STATEMENTS OF OPERATIONS

	Notes	December 31, 2013	2012 (restated)[4]	2011 (restated)[4]
		(In millions of US dollars, except per share data)		
Operating revenues	19	3,765.8	3,410.5	3,180.9
Other income from ordinary activities	19	2.1	3.6	3.3
Total income from ordinary activities		**3,767.9**	**3,414.1**	**3,184.2**
Cost of operations		(2,977.2)	(2,685.4)	(2,649.4)
Gross profit		**790.7**	**728.7**	**534.8**
Research and development expenses — net	20	(105.9)	(92.8)	(77.0)
Marketing and selling expenses		(118.6)	(96.0)	(83.1)
General and administrative expenses		(215.9)	(182.6)	(201.8)
Other revenues (expenses) — net	21	(745.2)	(26.7)	34.3
Operating income	**19**	**(394.9)**	**330.6**	**207.2**
Expenses related to financial debt		(193.3)	(159.0)	(177.2)
Income provided by cash and cash equivalents		1.6	2.3	2.7
Cost of financial debt, net	**22**	**(191.7)**	**(156.7)**	**(174.5)**
Other financial income (loss)	23	(22.3)	(19.7)	0.8
Income (loss) of consolidated companies before income taxes		**(608.9)**	**154.2**	**33.5**
Deferred taxes on currency translation		9.7	—	(4.6)
Other income taxes		(92.6)	(99.2)	(58.5)
Total income taxes	**24**	**(82.9)**	**(99.2)**	**(63.1)**
Net income (loss) from consolidated companies		**(691.8)**	**55.0**	**(29.6)**
Share of income (loss) in companies accounted for under equity method		0.6	37.4	16.4
Net income (loss)		**(691.2)**	**92.4**	**(13.2)**
Attributable to:				
Owners of CGG SA	$	(698.8)	75.2	(27.1)
Owners of CGG SA[5]	€	(527.2)	58.3	(19.3)
Non-controlling interests	$	7.6	17.2	13.9
Weighted average number of shares outstanding[3]	29	176,734,989	162,077,608	158,571,323
Dilutive potential shares from stock options	29	[1]	827,902	[1]
Dilutive potential shares from performance share plan	29	[1]	503,932	[1]
Dilutive potential shares from convertible bonds	29	[1]	[2]	[1]
Dilutive weighted average number of shares outstanding adjusted when dilutive		176,734,989	163,409,442	158,571,323
Net income (loss) per share[3]				
— Basic	$	(3.95)	0.46	(0.17)
— Basic[5]	€	(2.98)	0.36	(0.12)
— Diluted	$	(3.95)	0.46	(0.17)
— Diluted[5]	€	(2.98)	0.36	(0.12)

(1) As our net result was a loss, stock options and performance shares plans had an anti-dilutive effect; as a consequence, potential shares linked to those instruments were not taken into account in the dilutive weighted average number of shares or in the calculation of diluted loss per share.

(2) Convertible bonds had an accretive effect; as a consequence, potential shares linked to those instruments were not taken into account in the dilutive weighted average number of shares or in the calculation of diluted income per share.

(3) As a result of the 2012 CGG SA capital increase via an offering of preferential subscription rights to existing shareholders, the calculation of basic and diluted earnings per shares for 2012 and 2011 has been adjusted retrospectively. Number of ordinary shares outstanding has been adjusted to reflect the proportionate change in the number of shares.

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

(5) Converted at the average exchange rate of US$1.3254, US$1.29 and US$1.4025 per € for 2013, 2012 and 2011 respectively.

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

CGG

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Twelve months ended December 31,		
	2013	2012 (restated)[a]	2011 (restated)[a]
	(Amounts in millions of US dollars)		
Net income (loss) from statements of operations	**(691.2)**	**92.4**	**(13.2)**
Other comprehensive income to be reclassified in profit (loss) in subsequent period:			
Gain (loss) on cash flow hedges	—	3.7	(4.4)
Income taxes	—	(1.3)	1.6
Net gain (loss) on cash flow hedges	**—**	**2.4**	**(2.8)**
Exchange differences on translation of foreign operations	**25.2**	**27.7**	**(30.6)**
Net other comprehensive income to be reclassified in profit (loss) in subsequent period(1)	**25.2**	**30.1**	**(33.4)**
Other comprehensive income not to be classified in profit (loss) in subsequent period:			
Gain (loss) on actuarial changes on pension plan	(3.8)	(18.0)	(1.7)
Income taxes	1.3	6.2	0.6
Net gain (loss) on actuarial changes on pension plan	**(2.5)**	**(11.8)**	**(1.1)**
Net other comprehensive income not to be reclassified in profit (loss) in subsequent period(2)	**(2.5)**	**(11.8)**	**(1.1)**
Other comprehensive income (loss) for the period, net of taxes, in companies accounted for under the equity method(3)	**—**	**1.5**	**(4.6)**
Total other comprehensive income (loss) for the period, net of taxes(1) + (2) + (3)	**22.7**	**19.8**	**(39.1)**
Total comprehensive income (loss) for the period	**(668.5)**	**112.2**	**(52.3)**
Attributable to:			
Owners of CGG	*(677.6)*	*95.0*	*(68.4)*
Non-controlling interests	*9.1*	*17.2*	*16.1*

[a] Restatement related to IAS19 revised — see note 1 — Change in Accounting Policies

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

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

CGG

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Number of Shares issued	Share capital	Additional paid-in capital	Retained earnings	Other reserves	Treasury shares	Income and expense recognized directly in equity	Cumulative Translation Adjustment	Equity attributable to owners of CGG SA	Non-controlling interests	Total equity
				(amounts in millions of US dollars, except share data)							
Balance at January 1, 2011 (restated)[a]	**151,506,109**	**79.6**	**2,666.3**	**1,039.0**	**(21.4)**	**(20.6)**	**(4.7)**	7.6	**3,745.8**	**77.1**	**3,822.9**
Capital increase	355,823	0.2	3.0						3.2		**3.2**
Dividends									—	(4.0)	**(4.0)**
Net income				(27.1)					(27.1)	13.9	**(13.2)**
Cost of share-based payment				15.7					15.7		**15.7**
Net gain (loss) on actuarial changes on pension plan[1]				(1.1)					(1.1)		**(1.1)**
Net gain (loss) on cash flow hedges[2]							(7.4)		(7.4)		**(7.4)**
Exchange differences on foreign currency translation[3]							0.6	(33.4)	(32.8)	2.2	**(30.6)**
Other comprehensive income[(1)+(2)+(3)]				(1.1)			(6.8)	(33.4)	(41.3)	2.2	**(39.1)**
Issuance of convertible bonds, net of deferred taxes				81.9					81.9		**81.9**
Changes in consolidation scope and other				12.0	4.4			—	16.4	(2.1)	**14.3**
Balance at December 31, 2011 (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**

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

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

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

	Number of Shares issued	Share capital	Additional paid-in capital	Retained earnings	Other reserves	Treasury shares	Income and expense recognized directly in equity	Cumulative Translation Adjustment	Equity attributable to owners of CGG SA	Non-controlling interests	Total equity
				(amounts in millions of US dollars, except share data)							
Balance at January 1, 2013 (restated)[a]	**176,392,225**	**92.4**	**3,179.1**	**1,265.8**	**(27.8)**	**(20.6)**	**(7.6)**	**1.9**	**4,483.2**	**98.7**	**4,581.9**
Capital increase	498,641	0.3	1.3	(0.2)					1.4		**1.4**
Dividends									0.0	(7.5)	**(7.5)**
Net income				(698.8)					(698.8)	7.6	**(691.2)**
Cost of share-based payment				11.9					11.9		**11.9**
Net gain (loss) on actuarial changes on pension plan[1]				(2.5)					(2.5)		**(2.5)**
Net gain (loss) on cash flow hedges[2]											
Exchange differences on foreign currency translation[3]							(0.4)	24,1	23.7	1.5	**25.2**
Other comprehensive income[(1)+(2)+(3)]				(2.5)			(0.4)	24.1	21.2	1.5	**22.7**
Changes in consolidation scope and other				(1.1)	(18.3)		0.4		(19.0)	(10.1)	**(29.1)**
Balance at December 31, 2013	176,890,866	**92.7**	**3,180.4**	**575.1**	**(46.1)**	**(20.6)**	**(7.6)**	**26.0**	**3,799.9**	**90.2**	**3,890.1**

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

CGG

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	2013	2012 (restated)[1]	2011 (restated)[1]
		Year		
		((In millions of US dollars))		
OPERATING				
Net income (loss)		(691.2)	92.4	(13.2)
Depreciation and amortization	28	1,213.0	368.0	343.7
Multi-client surveys depreciation and amortization	10, 28	398.7	340.9	285.3
Depreciation and amortization capitalized in multi-client surveys	10	(92.9)	(54.2)	(25.8)
Variance on provisions		39.6	(20.1)	(22.6)
Stock based compensation expenses		15.8	20.9	15.7
Net gain (loss) on disposal of fixed assets	28	(90.3)	(9.4)	(23.6)
Equity income (loss) of investees		(0.6)	(37.4)	(16.4)
Dividends received from affiliates		10.0	48.2	6.9
Other non-cash items		4.5	(0.5)	(22.2)
Net cash including net cost of financial debt and income tax		**806.6**	**748.8**	**527.8**
Less net cost of financial debt		191.7	156.7	174.5
Less income tax expense		82.9	99.2	63.1
Net cash excluding net cost of financial debt and income tax		**1,081.2**	**1,004.7**	**765.4**
Income tax paid		(117.3)	(145.1)	(92.3)
Net cash before changes in working capital		**963.9**	**859.6**	**673.1**
— change in trade accounts and notes receivables		46.5	(49.3)	60.3
— change in inventories and work-in-progress		(46.8)	(46.7)	(14.4)
— change in other current assets		25.5	7.1	40.2
— change in trade accounts and notes payable		(76.9)	113.8	(13.4)
— change in other current liabilities		0.5	37.8	54.3
Impact of changes in exchange rate on financial items	28	(5.0)	(1.4)	(10.2)
Net cash provided by operating activities		**907.7**	**920.9**	**789.9**
INVESTING				
Total capital expenditures (including variation of fixed assets suppliers, excluding multi-client surveys)	9	(347.2)	(368.8)	(365.6)
Investments in multi-client surveys, net cash	10	(479.4)	(363.8)	(203.2)
Proceeds from disposals of tangible & intangible assets		6.1	6.2	21.3
Total net proceeds from financial assets	28	33.7	35.4	13.0
Acquisition of investments, net of cash & cash equivalents acquired	28	(937.9)	(52.5)	(10.7)
Variation in loans granted		3.9	1.7	4.6
Variation in subsidies for capital expenditures		(1.5)	(1.2)	—
Variation in other non-current financial assets		2.8	(1.6)	2.1
Net cash used in investing activities		**(1,719.5)**	**(744.6)**	**(538.5)**
FINANCING				
Repayment of long-term debt		(481.3)	(94.8)	(1,186.9)
Total issuance of long-term debt		444.4	537.4	1,190.7
Lease repayments		(16.8)	(30.1)	(38.0)
Change in short-term loans		(0.4)	(1.7)	—
Financial expenses paid	28	(136.9)	(125.2)	(126.9)
Net proceeds from capital increase:				
— from shareholders		1.4	514.8	3.2
— 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)	(4.0)
Net cash provided by (used in) financing activities		**(197.1)**	**794.8**	**(161.9)**
Effect of exchange rates on cash		21.4	17.7	(6.9)
Impact of changes in consolidation scope		(2.7)	—	—
Net increase (decrease) in cash and cash equivalents		**(990.2)**	**988.8**	**82.6**
Cash and cash equivalents at beginning of year	28	1,520.2	531.4	448.8
Cash and cash equivalents at end of period	**28**	**530.0**	**1,520.2**	**531.4**

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CGG, SA ("the Company") and its subsidiaries (together, the "Group") is a fully integrated Geoscience company providing leading geological, geophysical and reservoir capabilities to its broad base of customers primarily from the global oil and gas industry. 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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and its interpretations as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union at December 31, 2013.

The consolidated financial statements were authorized for issue by the Board of Directors on February 26, 2014 and are subject to the approval of our General Meeting expected to be held on June 4, 2014.

Critical accounting policies

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

Those accounting policies are consistent with those used to prepare our consolidated financial statements as at December 31, 2012, except for the first adoption of the following Standards and Interpretations:

- Amendment to IAS1 — Presentation of financial statements
- Amendment to IAS19 — Employee benefits
- IFRS10 — Consolidated Financial Statements
- IFRS11 — Joint arrangements
- IFRS12 — Disclosures of Interests in other entities
- Amendment to IAS27 — Separate Financial Statements
- Amendment to IAS28 — Investments in associates and joint ventures
- IFRS13 — Fair value measurement
- Annual improvements (2009-2011)

The adoption of these Standards and Interpretations had no significant impact on the Group's financial statements, except for the application of IAS 19 Revised. The adoption of IFRS10 and IFRS11 had no impact on the consolidation method applied to CGG SA subsidiaries.

The Group decided not to early adopt those Standards, Amendments and Interpretations that the European Union adopted but that were not effective as of December 31, 2013, namely:

- Amendments to IAS 36 — Recoverable Amount Disclosures for Non-Financial Assets
- Amendments to IAS39 and IFRS9 — Novation of Derivatives and Continuation of Hedge Accounting
- Amendment to IFRS7 and IAS32 — Offsetting financial assets and financial liabilities

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
- IFRIC 21 — Interpretation — Levies
- Amendments to IAS 19 — Employee benefits
- Annual improvements (2010-2012)
- Annual improvements (2011-2013)

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

In the financial statements presented, the application of Standards and Interpretations adopted by the European Union does not differ from the application of Standards and Interpretations as published by the IASB.

Application of IAS19 revised — Employee benefits

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:

— 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 concept of expected return no longer exists. Changes in actual return are shown in "Other comprehensive income" and not subsequently recycled to profit or loss.

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

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

	December 2012	December 2011	December 2010
	(in millions of US dollars)		
Increase in employee benefit liability	**15.9**	**17.1**	**19.2**
Decrease in deferred tax liability	**(5.9)**	**(6.4)**	**(7.0)**
Net increase in the profit before tax of the year	1.5	1.7	1.6
Net increase in tax expense of the year	(0.5)	(0.6)	(0.6)
Impact on net income	**1.0**	**1.1**	**1.0**
Impact on retained earnings and cumulative translation adjustment	(11.0)	(11.8)	(13.2)
Total impact on equity	**(10.0)**	**(10.7)**	**(12.2)**
Attributable to:			
Owners of CGG SA	(10.0)	(10.7)	(12.2)
Non-controlling interests	—	—	—

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

Estimates

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

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

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

Changes in estimates

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 twelve months ended December 31, 2013 is as follows:

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

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

Reporting currency

Effective January 1, 2012, we changed the presentation currency of our consolidated financial statements from the euro to the US dollar to better reflect the profile of our revenues, costs and cash flows, which are primarily generated in US dollars, and hence, to better present the financial performance of the Group. As a change in presentation currency is a change of accounting policy, all comparative financial information has been restated into US dollars.

The currency translation adjustment was set to nil as of January 1, 2004 on transition to IFRS and has been re-presented on the basis that the Group has reported in US dollars since that date.

The functional currency of the parent company remains the euro. The currency translation adjustment resulting from the parent company is presented in other reserves.

The main restatements related to the change in the presentation currency from euro to US dollar for the year ended December 31, 2011 and December 31, 2010 were as follows (in millions):

	Historical consolidated financial statements as of Dec.31, 2011 in euros	Historical consolidated financial statements of Dec.31, 2011 converted into US dollars(1)	Restatements(2)	Restatements IAS 19R	Restated consolidated financial statements as of Dec.31, 2011 to US dollars
Common stock, additional paid-in capital, retained earnings and other	2,883.1	3,730.5	+102.4	(12.5)	3,820.4
Cumulative translation adjustment	55.8	72.2	(99.8)	1.8	(25.8)
Equity attributable to owners of CGG	**2,938.9**	**3,802.7**	**+2.6**	**(10.7)**	**3,794.6**

(1) Converted at the closing exchange rate of 1.2939 US$ per euro

(2) Differences between historical currency exchange rates and the closing rate of 1.2939 US$ per 1 euro, including US$(17.0) million translation adjustments from the parent company presented in other reserves.

	Historical consolidated financial statements as of Dec.31, 2010 in euros	Historical consolidated financial statements of Dec.31, 2010 converted into US dollars(1)	Restatements(2)	Restatements IAS 19R	Restated consolidated financial statements as of Dec.31, 2010 to US dollars
Common stock, additional paid-in capital, retained earnings and other	2,837.2	3,791.1	(39.3)	(13.6)	3,738.2
Cumulative translation adjustment	(25.1)	(33.6)	39.8	1.4	7.6
Equity attributable to owners of CGG	**2,812.1**	**3,757.5**	**+0.5**	**(12.2)**	**3,745.8**

(1) Converted at the closing exchange rate of 1.3362 US$ per euro

(2) Differences between historical currency exchange rates and the closing rate of 1.3362 US$ per 1 euro, including US$(21.4) million translation adjustments from the parent company presented in other reserves.

1 — Basis of consolidation

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

Subsidiaries are fully consolidated from the date of acquisition, being the date on which we obtain control, and continue to be consolidated until the date when such control ceases. Control is achieved when we are exposed or have rights to variable returns from our involvement with the investee and have the ability to affect those returns through our power over the investee. When we have less than a majority of the voting or similar rights of an investee, we consider all relevant facts and circumstances in assessing whether we have power over the investee, including contractual arrangements with the other holders or potential voting rights.

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

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

- derecognize the assets (including goodwill) and liabilities of the subsidiary,
- derecognize the carrying amount of any non-controlling interest,
- derecognize the cumulative translation differences, recorded in equity,
- recognize the fair value of the consideration received,

- recognize the fair value of any investment retained,
- recognize any surplus or deficit in profit or loss, and
- reclassify the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

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

2 — Foreign currency

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

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

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

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

3 — Business combinations

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

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

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

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

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

4 — Operating revenues

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

- *Multi-client surveys*

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

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

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

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.

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

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

- *Exclusive surveys*

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

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

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

- *Equipment sales*

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

- *Software and hardware sales*

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

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

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

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

- *Other geophysical sales/services*

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

- *Customer loyalty programs*

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

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

5 — Cost of net financial debt

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

Borrowing costs are capitalized for all eligible assets.

6 — Income taxes and deferred taxes

Income taxes includes all tax based on taxable profit.

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

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

Deferred tax assets and deferred tax liabilities are not discounted.

7 — Intangible and tangible assets

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

- *Property, plant and equipment*

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

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

Depreciation expense is determined using the straight-line method.

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

- *Lease agreements*

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

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

- *Goodwill*

Goodwill is determined according to IFRS 3 Revised — Business Combinations. Goodwill is not amortized but subject to an impairment test at least once a year at the balance sheet date.

- *Multi-client surveys*

Multi-client surveys consist of seismic surveys to be licensed to customers on a non-exclusive basis. All costs directly incurred in acquiring, processing and otherwise completing seismic surveys are capitalized into the multi-client surveys (including transit costs when applicable). The value of our multi-client library is stated on our 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).

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.

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

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

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

However, for the surveys of our offshore Brazilian multi-client library which were directly impacted by 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 5 years.

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

- *Other intangible assets*

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

- *Impairment*

The carrying values of our assets (excluding inventories, deferred tax assets, assets arising from employee benefits and financial assets) are reviewed at each balance sheet date or if any indication exists that an asset may be impaired, in compliance with IAS 36 "Impairment of assets". Factors we consider important that could trigger an impairment review include the following:

- significant underperformance relative to expected operating results based upon historical and/or projected data,
- significant changes in the manner of our use of the acquired assets or the strategy for our overall business, and
- significant negative industry or economic trends.

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

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

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

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

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

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

Impairment losses recognized on goodwill cannot be reversed.

- *Assets held for sale*

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

8 — Investments and other financial assets

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

- *Investments in companies under equity method*

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

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

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

- *Investments in non-consolidated entities*

In accordance with IAS 39 "Financial instruments", we classify investments in non-consolidated entities as available-for-sale and therefore present them on the balance sheet at their fair value. The fair value for listed securities is their market price at the balance sheet date. If a reliable fair value cannot be established, securities are valued at historical cost. We account for changes in fair value directly in other comprehensive income, except in case of impairment ('significant or prolonged decline' in the fair value).

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

- *Loans and non-current receivables*

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

- *Impairment*

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

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

- *Derecognition*

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

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

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

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

9 — Treasury shares

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

10 — Inventories

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

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

11 — Provisions

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

- *Onerous contracts*

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

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

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

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

- That benefit is discounted to determine its present value, and the fair value of any plan assets is deducted.
- Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. Interest is recorded in the profit and loss.
- Unvested past services costs are recognized immediately if the benefits have vested immediately following the introduction of, or changes to, a pension plan.
- We record actuarial gains and losses on defined benefits plans directly in equity.

12 — Financial debt

Financial debt is accounted for:

- As at the date of issuance, at the fair value of the consideration received, less issuance fees and/or issuance premium;
- subsequently, at amortized cost, corresponding to the fair value at which is initially recognized, less repayments at the nominal amount and increased or decreased for the amortization of all differences between this original fair value recognized and the amount at maturity; differences between the initial fair value recognized and the amount at maturity are amortized using the effective interest rate method.

13 — Convertible debt

- The Company recognizes separately the components of a convertible debt respectively a financial liability and an option to the holder of the instrument to convert it into an equity instrument of the Company.
- The Company first determines the carrying amount of the liability component by measuring the fair value of a similar liability (including any embedded non-equity derivative features) that does not have an associated equity component.
- The carrying amount of the equity instrument represented by the option to convert the instrument into ordinary shares is then determined by deducting the fair value of the financial liability from the fair value of the compound financial instrument as a whole. The carrying amount is presented net of associated deferred taxes.
- The sum of the carrying amounts assigned to the liability and equity components on initial recognition is always equal to the fair value that would be ascribed to the instrument as a whole.

14 — Derivative financial instruments

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

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

Derivative financial instruments are stated at fair value.

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

15 — Cash flow statement

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

- *Operating activities*

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

- *Investing activities*

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

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

- *Financing activities*

Financing activities are activities that result in changes in the size and composition of the contributed equity and borrowings of the entity. They include the cash impact of financial expenses.

- *Cash and cash equivalents*

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

16 — Stock options

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

- *Equity-settled transactions*

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

- *Cash-settled transactions*

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

17 — Grants

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

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

Refundable grants are presented in the balance sheet as "Other non-current liabilities".

18 — Earnings per share

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

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

NOTE 2 — ACQUISITIONS AND DIVESTITURES

— During 2013

Acquisition of Fugro's Geoscience Division

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

- Fugro-Geoteam (specializing in marine streamer seismic data acquisition);
- Fugro Seismic Imaging (specializing in seismic data processing services);
- Fugro Geophysical and Geological Services (specializing in geographical exploration services);
- De Regt Marine Cables (specializing in high-end cables and umbilicals),
- as well as all related entities and assets, but excluding Fugro's multi-client library and ocean bottom nodes ("OBN") activity (the acquired activities are referred to herein as the "Geoscience Division").

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

- Establish a joint venture with Fugro, Seabed Geosolutions BV, to which Fugro would contribute its OBN activity and we would contribute our shallow water, ocean bottom cable ("OBC") and OBN activities (the "Seabed JV"); and
- Enter into certain commercial agreements with Fugro, including (i) a non-exclusive selling and marketing agreement with respect to Fugro's multi-client library, (ii) a technological and commercial agreement providing reciprocal preferred supplier status and (iii) a transitional services agreement (together, the "Commercial Agreements").

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

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

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

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

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

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

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

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

(2) The fair value of the Robertson's geological data library was determined by using a relief from royalty approach.

The goodwill recognized includes intangible assets that do not qualify for separate recognition such as assembled workforce and synergies expected between the Business Lines of our GGR Segment that resulted from the Acquisition (see note 19).

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

Creation of the Seabed Joint venture

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

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

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

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

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

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

On April 16, 2013, CGG and Louis Dreyfus Armateurs Group (LDA) created a ship management joint venture, GeofieLD Ship Managements Services SAS, in which we own 50%. The new joint venture provides 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.

Purchase option over Geomar with Louis Dreyfus Armateurs Group (LDA)

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

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

Framework agreement with Industrialization & Energy Services Company (TAQA)

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

CGG and TAQA are currently shareholders of two joint ventures in the Middle East: Argas, a Saudi company established in 1966, covering geophysical activities in the Kingdom of Saudi Arabia (KSA), of which TAQA owns 51% and CGG owns 49%; Ardiseis, a company established in 2006 in Dubai, covering land & shallow water data acquisition activities in the rest of the Middle East, of which CGG owns 51% and TAQA 49%. Through the Framework Agreement, Argas will become the sole shareholder of Ardiseis FZCO, with Argas and Ardiseis FZCO pooling all their resources to create a more efficient and powerful combined Argas Group. The new Argas group will have a stronger capital base, will cover a larger business scope, and will be 51% owned by TAQA and 49% owned by CGG.

In relation with this agreement, net assets of Ardiseis FZCO have been reclassified in Assets held for sales for an amount of US$22 million (see note 5).

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

— During 2012

- *Geophysical Research Corporation*

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

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

- *PTSC CGGV Geophysical Survey Company Limited*

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

- *Spectrum ASA*

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

— During 2011

- *Norfield AS*

On January 13, 2011, the exchange of assets between certain subsidiaries of CGG and the Norwegian group Norfield was completed. As a result of this transaction, we acquired Voyager AS (renamed Exploration Vessel Resources II AS), the owner of the seismic vessel *Geowave Voyager*; and sold the seismic vessel *Venturer* to Norfield AS; CGG is no longer a shareholder of Norfield AS.

CGG owns 100% of Exploration Vessel Resources II AS. This company is consolidated in our financial statements since January 13, 2011.

We recorded a gain of US$10.9 million in the line item "Other revenues (expenses)" in our statement of operations from the disposal of our assets in relation to this transaction (see note 21).

On the date we acquired it, Exploration Vessel Resources II AS entered into a US$45 million credit facility secured by a pledge over the *Geowave Voyager* and subject to substantially the same covenants as our US senior credit facilities.

- *Petrodata Consulting LLC*

On March 17, 2011, we purchased for US$2.5 million Petrodata Consulting LLC, a Moscow-based company offering static and dynamic reservoir modeling, reserve estimation and risking, and field development services to the international oil and gas industry. CGG owns 100% of the company. Petrodata Consulting LLC is fully consolidated in our financial statements.

- *PT Elnusa-CGGVeritas Seismic*

On April 7, 2011, an agreement was signed with PT Elnusa Tbk (Elnusa) to create a marine joint venture company in Indonesia, PT Elnusa-CGGVeritas Seismic. The company's vocation was to deliver 2D and 3D marine seismic acquisition services to oil and gas company clients mainly operating in Indonesia and to operate the first Indonesian-owned and flagged seismic vessel, the *Pacific Finder*.

PT Elnusa-CGGVeritas Seismic, under joint control, is 51% owned by Elnusa and 49% owned by CGG. This company is accounted under the equity method in our financial statements since July 5, 2011.

- *PTSC CGGV Geophysical Survey Company Limited*

On April 19, 2011, we entered into an agreement with PetroVietnam Technical Services Corporation (PTSC) to create a marine joint venture company, PTSC CGGV Geophysical Survey Company Limited. The company delivers 2D and 3D marine seismic acquisition services to oil and gas company clients mainly operating in Vietnamese waters and the region.

- *CGG Eidesvik Ship Management AS (formerly named CGGVeritas Eidesvik Ship Management AS)*

On June 27, 2011, we signed a joint venture agreement with Eidesvik offshore to create a joint venture to manage ten high-capacity 3D vessels in the CGG fleet, including the two new X-BOW vessels, *Oceanic Vega* and *Oceanic Sirius*.

The joint venture, CGG Eidesvik Ship Management AS, is 51% owned by Eidesvik and 49% owned by CGG. This company is accounted under the equity method in our financial statements since June 27, 2011.

- *Spectrum ASA*

On July 28, 2011, we signed a strategic agreement with Spectrum ASA, a Norwegian multi-client company, for the contribution of our 2D multi-client marine library for consideration in cash and a 25% equity stake in Spectrum ASA, which together amounted to US$40 million. The transaction was finalized on September 15, 2011. We recognized a gain of US$18.8 million presented in the line item "other revenues (expenses)" in our statement of operations (see note 21).

On October 3, 2011, in conjunction with this transaction, Spectrum ASA issued convertible bonds for an aggregate amount of US$13.6 million (NOK77 million). The conditions of this issue are described in the prospectus issued by Spectrum ASA on September 14, 2011. In this scope, CGG was allocated 27,682,970 convertible bonds representing US$4.9 million (NOK27.7 million). On December 30, 2011, we converted these bonds and received 1,977,355 shares of Spectrum ASA.

As a result, we hold 10,840,181 shares of Spectrum ASA representing 29% of its share-capital. The investment amounted to US$26.7 million as of December 31, 2011 (see note 8). This company was accounted under the equity method in our financial statements since September 15, 2011.

- *Cybernetix*

During 2011, we sold all of our shareholding in Cybernetix. The gain of US$4.2 million from this disposal was recorded in the line item "Other revenues (expenses)" in our statement of operations (see note 21).

- *Seismic vessels*

On October 3, 2011, the Group took delivery of the seismic vessel *Oceanic Sirius*. Oceanic Seismic Vessels AS, the owner of the vessel, is accounted under the equity method since the delivery date.

NOTE 3 — TRADE ACCOUNTS AND NOTES RECEIVABLE

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

	December 31,		
	2013	2012 (restated)	2011 (restated)
	(In millions of US dollars)		
Trade accounts and notes receivable gross — current portion	751.1	600.4	679.4
Less: allowance for doubtful accounts — current portion	(29.6)	(23.8)	(22.5)
Trade accounts and notes receivables net — current portion	**721.5**	**576.6**	**656.9**
Trade accounts and notes receivable gross — non-current portion	5.2	9.6	1.8
Less: allowance for doubtful accounts — non-current portion	(1.0)	(0.5)	(1.4)
Trade accounts and notes receivables net — non-current portion	**4.2**	**9.1**	**0.4**
Recoverable costs and accrued profit, not billed	261.7	303.0	218.7
Total accounts and notes receivables	**987.4**	**888.7**	**876.0**

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

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

In the Acquisition and Geology, Geophysics & Reservoir ("GGR") segments, customers are generally large national or international oil and gas companies, which management believes reduces potential credit risk. In the Equipment segment, a significant portion of sales is paid by irrevocable letters of credit.

The Group maintains an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, historical trends and other information. Credit losses have not been material for the periods presented and have consistently been within management's expectations. Allowances for doubtful accounts only relate to overdue receivables as of December 31, 2013.

The non-current receivables relate to our Equipment segment as of December 31, 2013, 2012 and 2011.

As of December 31, 2013 the ageing analysis of net trade accounts and notes receivables is as follows:

	Not past due	30 days	30 - 60 days	60 - 90 days	90 - 120 days	> 120 days	Total
2013	445.3	99.9	71.6	18.6	12.6	77.7	**725.7**
2012	340.8	103.4	16.8	42.3	13.1	69.3	**585.7**
2011	374.3	131.5	35.2	39.5	21.0	55.8	**657.3**

Litigation

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

Factoring agreements

In 2012 and 2013, we entered into several factoring agreements with various banks. As of December 31, 2013, we had transferred US$36.9 million compared to US$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 4 — INVENTORIES AND WORK IN PROGRESS

Analysis of Inventories and work-in-progress is as follows:

	December 31, 2013			December 31, 2012 (restated)			December 31, 2011 (restated)		
	Cost	Valuation Allowance	Net	Cost	Valuation Allowance	Net	Cost	Valuation Allowance	Net
	(In millions of US dollars)								
— Consumables and spares parts	60.6	(0.8)	59.8	48.1	(1.2)	46.9	47.9	(1.2)	46.7
— Raw materials and sub-assemblies	121.8	(16.5)	105.3	108.7	(14.5)	94.2	92.4	(14.0)	78.4
— Work in progress	245.6	(17.5)	228.1	212.2	(11.7)	200.5	179.9	(11.6)	168.3
— Finished goods	127.3	(15.1)	112.0	87.5	(9.9)	77.6	73.7	(5.6)	68.1
Inventories and work in progress	**555.1**	**(49.9)**	**505.2**	**456.5**	**(37.3)**	**419.2**	**393.9**	**(32.4)**	**361.5**

The variation of inventories and work in progress is as follows:

Variation of the period	December 31, 2013	2012 (restated)	2011 (restated)
	(In millions of US dollars)		
Balance at beginning of period	419.2	361.5	353.4
Variations	60.1	49.2	19.8
Movements in valuation allowance	(11.3)	(2.5)	(6.8)
Change in consolidation scope	20.9	6.0	—
Change in exchange rates	13.8	6.4	(5.9)
Others	2.5	(1.4)	1.0
Balance at end of period	**505.2**	**419.2**	**361.5**

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

Change in consolidation scope corresponds to inventories and work in progress acquired in the Fugro’s Geoscience Division.

The line item “Others” includes a reclassification of US$2.9 million of inventories in “assets held for sale” in 2013 and US$2.0 million in 2012.

NOTE 5 — OTHER CURRENT ASSETS AND ASSETS HELD FOR SALE

Other current assets

Detail of other current assets is as follows:

	December 31,		
	2013	2012 (restated)	2011 (restated)
	(In millions of US dollars)		
Personnel and other tax assets	61.7	44.3	51.0
Fair value of financial instruments (see note 14)	1.8	3.0	3.5
Other miscellaneous receivables[(a)]	34.4	27.3	37.0
Supplier prepayments	52.1	39.2	39.0
Prepaid expenses	25.6	25.8	26.5
Other current assets	**175.6**	**139.6**	**157.0**

(a) Includes restricted cash for $4.8 million in 2013.

Assets held for sale

Detail of assets held for sale is as follows:

	December 31,		
	2013	2012 (restated)	2011 (restated)
	(In millions of US dollars)		
Ardiseis Net assets related to the framework agreement with TAQA (see note 2)	21.9	—	—
Massy headquarters land & building	10.7	10.7	10.7
Seabed Geosolutions BV Net assets (see note 2)	—	376.4	—
Seismic vessels	—	6.8	48.3
Equipments and others	5.1	—	5.5
Assets held for sale	**37.7**	**393.9**	**64.5**

On February 16, 2013, we contributed assets to our newly established joint venture Seabed Geosolutions BV (see note 2).

In 2012 we contributed the seismic vessel *Amadeus*, a high capacity 3D seismic vessel, to our joint venture PTSC CGGV Geophysical Survey Company Limited (see note 2).

NOTE 6 — ASSET VALUATION ALLOWANCE

Details of valuation allowances recorded against assets are as follows:

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

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

Details of valuation allowances recorded against assets are as follows:

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

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

	December 31, 2011 (restated)					
	Balance at beginning of year	Additions	Deductions	Unused Deductions	Others[(a)]	Balance at end of period
	(In millions of US dollars)					
Trade accounts and notes receivables	24.4	8.1	(6.6)	—	(2.0)	23.9
Inventories and work-in-progress	28.2	8.2	(1.4)	—	(2.6)	32.4
Tax assets	0.5	0.6	—	—	(0.1)	1.0
Other current assets	1.7	7.4	—	—	1.5	10.6
Loans receivables and other investments	2.9	—	(0.7)	—	(0.9)	1.2
Total assets valuation allowance	**57.7**	**24.3**	**(8.7)**	**—**	**(4.2)**	**69.1**

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

NOTE 7 — INVESTMENTS AND OTHER FINANCIAL ASSETS

Detail of investments and other financial assets is as follows:

	December 31,		
	2013	2012 (restated)	2011 (restated)
	(In millions of US dollars)		
Non-consolidated investments	8.5	7.3	6.7
Loans and advances	26.5	30.5	3.0
Deposits and other	12.8	15.9	15.0
Total	**47.8**	**53.7**	**24.7**

Non-consolidated investments are as follows:

	December 31,		
	2013	2012 (restated)	2011 (restated)
	(In millions of US dollars)		
Other investments in non-consolidated companies			
Tronic's Microsystems SA[(a)]	5.3	5.1	5.0
Other investments in non-consolidated companies	3.2	2.2	1.7
Total non-consolidated investments	**8.5**	**7.3**	**6.7**

(a) The Group's shareholding in Tronic's Microsystems SA is 16.07% at December 31, 2013, 2012 and 2011.

Loans and advances

Loans and advances to companies accounted for under equity method include a loan granted by CGG Holding BV to PTSC CGGV Geophysical Survey Limited for US$25.1 million as of December 31, 2013 and US$29.2 million as of December 31, 2012.

NOTE 8 — INVESTMENTS IN COMPANIES UNDER EQUITY METHOD

Investments in companies accounted for under equity method are comprised of:

	Country / Head office	2013 % of interests	December 31, 2013	2012 (restated)	2011 (restated)
			(In millions of US dollars)		
Argas	Saudi Arabia / Al-Khobar	49,0%	63.3	51.1	69.6
CGG Eidesvik Ship Management AS	Norway / Bergen	49,0%	1.2	(0.8)	0.2
Eidesvik Seismic Vessels AS	Norway / Bomlo	49,0%	14.2	12.5	10.9
Gardline	Singapore	49,0%	5.8	4.9	3.8
Magnitude Microseismic LLC	US / Houston	49,0%	(4.1)	(2.4)	(1.4)
Oceanic Seismic Vessels AS	Norway / Bomlo	49,0%	21.6	19.2	17.4
PT Elnusa-CGGVeritas Seismic	Indonesia / Jakarta	49,0%	0.6	0.5	3.4
PTSC CGGV Geophysical Survey Limited	Vietnam / Vung Tau City	49,0%	28.9	27.1	—
Reservoir Evaluation Services LLP	Kazakhstan / Almaty	36,0%	1.6	—	—
Seabed Geosolutions BV	The Netherlands / Amsterdam	40,0%	193.2	—	—
Spectrum ASA	Norway / Oslo	0,0%	—	12.4	27.8
Veri-Illuq Geophysical Ltd.	Canada / Calgary	49,0%	(0.1)	—	—
Yamoria Geophysical Ltd.	Canada / Calgary	49,0%	(0.4)	—	—
Investments in companies under the equity method			**325.8**	**124.5**	**131.7**

The following tables illustrate summarized financial information of the main contributive entities accounted for under equity method as of December 31, 2013:

Entities business lines	Argas Land	Seabed Geosolutions BV Land
	in millions of US$	
Revenue	195.6	159.9
Depreciation and amortization	(40.2)	(38.4)
Cost of financial debt	0.4	—
Tax income (expense)	—	6.1
Net income (loss)	**24.7**	**(62.2)**
Cash and cash equivalents	70.5	19.2
Current assets	56.3	65.5
Total non-current assets	47.4	567.1
Current financial liabilities	—	1.9
Current liabilities	27.6	87.4
Non-current financial liabilities	—	—
Non-current liabilities	10.4	4.2
Equity	**136.2**	**558.3**
Dividends paid to CGG	**—**	**—**

Reconciliation of the summarized financial information above with the carrying amount of the main contributive entities in our balance sheet as of December 31, 2013 is as follows:

	Argas	Seabed Geosolutions BV	Other entities	Total
	in millions of US$			
Equity of main contributive entities	136.2	558.3		
% of interest	49%	40%		
% of equity of main contributive entities	66.7	223.3		
Adjustments and eliminations	(3.4)	(30.1)		
Investments in companies under the equity method	**63.3**	**193.2**	**69.3**	**325.8**

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

	December 31,		
	2013	2012 (restated)	2011 (restated)
	(In millions of US dollars)		
Balance at beginning of period	124.5	131.7	98.6
Change in consolidation scope	(13.9)	(20.4)	(8.5)
Investments made during the year	219.6	21.7	36.1
Equity in income	0.6	37.4	16.4
Dividends received during the period, reduction in share capital	(10.0)	(48.2)	(6.9)
Change in other comprehensive income of entities under the equity method	—	1.5	(4.6)
Change in exchange rate and other	5.0	0.8	0.6
Balance at end of period	**325.8**	**124.5**	**131.7**

The changes in consolidation scope in 2013 correspond for US$13.9 million to the disposal of the remaining 10.14% shares we held in Spectrum ASA (see note 2). The adoption of IFRS11 had no impact on the consolidation perimeter.

In 2012, it corresponded for US$20.4 million to the disposal of 18.82% of our investment in Spectrum. In 2011, it corresponded for US$8.5 million to the disposal of 32.6% of our investment in Cybernetix (see note 2).

The investments in 2013 correspond for US$217 million to 40% investment in Seabed Geosolutions BV (see note 2). The investments in 2012 corresponded for US$21.7 million to our contribution, in our joint venture PTSC CGGV Geophysical Survey limited (see note 2). The investments in 2011 corresponded for US$26.5 million to 29% investment in Spectrum ASA, and for the remaining amount to an increase in the capital of Oceanic Seismic Vessels AS (US$4.8 million), of PT Elnusa-CGGVeritas Seismic (US$4.8 million) and of CGG Eidesvik Ship Management AS (see note 2).

The line "Equity in income" includes a US$9.1 million contribution from Argas and a US$(21.8) million from Seabed Geosolutions BV in 2013. This line included a US$27.2 million and a US$13.8 million contribution from Argas respectively in 2012 and 2011.

NOTE 9 — PROPERTY, PLANT AND EQUIPMENT

Analysis of "Property, plant and equipment" is as follows:

	December 31,						
	2013			2012 (restated)			2011 (restated)
	Gross	Accumulated depreciation	Net	Gross	Accumulated depreciation	Net	Net
	(amounts in millions of US$)						
Land	21.1	—	21.1	20.2	—	20.2	19.4
Buildings	276.8	(110.1)	166.7	243.1	(92.2)	150.9	153.2
Machinery & equipment	1,590.4	(912.8)	677.6	1,281.0	(722.0)	559.0	578.5
Vehicles & vessels	975.0	(400.6)	574.4	599.7	(245.8)	353.9	341.6
Other tangible assets	140.3	(99.8)	40.5	110.6	(74.8)	35.8	34.7
Assets under constructions	77.5	—	77.5	39.7	—	39.7	55.8
Total Property, plant and equipment	**3,081.1**	**(1,523.3)**	**1,557.8**	**2,294.3**	**(1,134.8)**	**1,159.5**	**1,183.2**

Land, buildings and geophysical equipment recorded under finance leases are as follows:

	December 31,						
	2013			2012 (restated)			2011 (restated)
	Gross	Accumulated depreciation	Net	Gross	Accumulated depreciation	Net	Net
	(amounts in millions of US$)						
Geophysical Equipment and vessels under finance leases	117.4	(92.5)	24.9	118.1	(77.6)	40.5	59.4
Land and buildings under finance leases	106.3	(10.0)	96.3	101.8	(5.6)	96.2	98.0
Other tangible assets under finance leases	3.7	(3.7)	—	3.7	(3.4)	0.3	1.6
Total Property, plant and equipment under finance leases	**227.4**	**(106.2)**	**121.2**	**223.6**	**(86.6)**	**137.0**	**159.0**

Depreciation of assets recorded under finance leases is determined on the same basis as owned-assets and is included in depreciation expense.

The variation of the period for tangible assets is as follows:

	December 31,		
	2013	2012 (restated)	2011 (restated)
	(In millions of US dollars)		
Balance at beginning of period	**1,159.5**	**1,183.2**	**1,045.6**
Acquisitions	289.5	339.1	336.6
Acquisitions through finance lease	—	2.8	29.1
Depreciation	(482.2)	(287.5)	(284.6)
Disposals	(16.1)	(16.4)	(33.6)
Change in exchange rates	6.4	4.4	(16.2)
Change in consolidation scope	624.1	2.0	160.1
Reclassification of tangible assets as "Assets held for sale"	(20.8)	(57.5)	(41.3)
Other	(2.6)	(10.6)	(12.5)
Balance at end of period	**1,557.8**	**1,159.5**	**1,183.2**

In 2013, the depreciation line item includes US$105 million of non-recurring impairment of seismic vessels and equipments (see notes 19 & 21).

Disposals of assets mainly relate to scrap of marine equipment.

The change of consolidation scope relates to the acquisition of the Fugro Geoscience Division. The change of consolidation scope related to the acquisition of the company Exploration Vessel Resources II, owner of the seismic vessel *Geowave Voyager* (see note 2) in 2011.

In 2013, assets have been reclassified as "Assets held for sale" for US$20.8 million in relation to the framework agreement signed with TAQA (see note 2). In 2012, tangible assets that have been contributed to the joint venture Seabed Geosolutions BV, were classified as "Assets held for sale" for an amount of US$57.5 million.

In 2011, acquisitions through finance lease related to seismic equipment for the new seismic vessels *Pacific Finder* and *Oceanic Sirius*.

Reconciliation of acquisitions with the consolidated statements of cash flows is as follows:

	December 31,		
	2013	2012 (restated)	2011 (restated)
	(In millions of US dollars)		
Acquisitions of tangible assets (excluding finance lease)	289.5	339.1	336.6
Development costs capitalized — see notes 10 and 20	56.9	29.1	23.0
Additions in other intangible assets (excluding non-exclusive surveys) — see note 10	8.7	2.5	8.1
Variance of fixed assets suppliers	(7.9)	(1.9)	(2.1)
Total purchases of tangible and intangible assets according to cash flow statement	**347.2**	**368.8**	**365.6**

Repairs and maintenance expenses

Repairs and maintenance expenses included in cost of operations amount to US$115.9 million in 2013 due to upgrades and repairs on seismic vessels. Repairs and maintenance expenses amounted to US$114.7 million in 2012, and to US$116.4 million in 2011.

NOTE 10 — INTANGIBLE ASSETS

Analysis of intangible assets is as follows:

	December 31,						
	2013			2012 (restated)			2011 (restated)
	Gross	Accumulated depreciation	Net	Gross	Accumulated depreciation	Net	Net
	(amounts in millions of US$)						
Multi-client surveys Marine	3,049.2	(2,380.9)	668.3	2,571.3	(2,097.2)	474.1	391.7
Multi-client surveys Land	867.5	(752.6)	114.9	820.8	(690.7)	130.1	135.6
Multi-client surveys Robertson	51.6	(16.8)	34.8	—	—	—	—
Development costs capitalized	306.9	(101.6)	205.3	168.5	(72.3)	96.2	86.6
Software	89.3	(55.9)	33.4	75.3	(44.8)	30.5	28.7
Research — Technology	153.5	(111.5)	42.0	154.5	(103.1)	51.4	49.4
Customer relationships	239.6	(102.3)	137.3	204.1	(71.9)	132.2	124.0
Trade names	45.2	(30.3)	14.9	33.7	(30.0)	3.7	30.0
Other intangible assets	53.6	(32.9)	20.7	44.3	(27.6)	16.7	19.1
Total intangible assets	**4,856.4**	**(3,584.8)**	**1,271.6**	**4,072.5**	**(3,137.6)**	**934.9**	**865.1**

The variation of the period for intangible assets is as follows:

	December 31,		
Variation of the period	2013	2012 (restated)	2011 (restated)
	(In millions of US dollars)		
Balance at beginning of period	934.9	865.1	963.9
Increase in multi-client surveys	572.3	418.0	229.0
Development costs capitalized	56.9	29.1	23.0
Other acquisitions	8.7	2.5	8.1
Depreciation on multi-client surveys	(398.7)	(340.9)	(285.3)
Other depreciation	(90.8)	(80.5)	(59.1)
Disposals	(0.4)	(0.2)	(20.4)
Change in exchange rates	2.3	4.2	(3.5)
Change in consolidation scope	184.9	34.5	—
Reclassification of intangible assets as "Assets held for sale"	—	(6.7)	—
Other	1.5	9.8	9.4
Balance at end of period	**1,271.6**	**934.9**	**865.1**

In 2013, change in consolidation scope relates to the acquisition of the Fugro Geoscience Division (see note 2). High level of investments in multi-client survey is related to ongoing programs in Gulf of Mexico. Other depreciation line item includes US$21.0 million of customer relationship impairment (see notes 19 and 21).

In 2012, change in consolidation scope related to the acquisition of the assets of GRC (see note 2). Other depreciation included a US$30 million impairment loss related to the trade name "Veritas". Intangible assets to be contributed to the joint venture Seabed Geosolutions BV were classified in 2012 as "Assets held for sale" for an amount of US$6.7 million.

Disposals in 2011 mainly related to the sale of our 2D multi-client marine library to Spectrum ASA (see note 2).

Reconciliation of acquisitions with the consolidated statements of cash flows and capital expenditures in note 19 is as follows:

	December 31,		
	2013	2012 (restated)	2011 (restated)
	(In millions of US dollars)		
Increase in multi-client surveys	572.3	418.0	229.0
Multi-client depreciations & amortizations capitalized	(92.9)	(54.2)	(25.8)
Investment in multi-client surveys according to cash flow statement	**479.4**	**363.8**	**203.2**

NOTE 11 — GOODWILL

Analysis of goodwill is as follows:

	December 31,		
Variation of the period	2013	2012 (restated)	2011 (restated)
	(In millions of US dollars)		
Balance at beginning of period	2,415.5	2,688.2	2,688.5
Additions	721.6	23.0	1.8
Impairment	(640.0)	—	—
Reclassification to Assets held for sale (note 5)	(13.0)	(300.0)	—
Adjustments	—	—	—
Change in exchange rates	(0.9)	4.3	(2.1)
Other	—	—	—
Balance at end of period	**2,483.2**	**2,415.5**	**2,688.2**

The additions correspond to the goodwill arising from the purchase of the Fugro's Geoscience Division in 2013, the purchase of the Geophysical Research Corporation, LLC ("GRC") in 2012, and from the purchase of Petrodata Consulting LLC in 2011 (see note 2).

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

Impairment review

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

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

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

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

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

	Goodwill		
	2013	2012 (restated)	2011 (restated)
	(In millions of US dollars)		
Acquisition	782	1,344	1,644
GGR	1,493	901	901
Equipment	208	170	143
Total	**2,483**	**2,415**	**2,688**

Key assumptions used in the determination of recoverable value

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

- expected cash flows estimated in the 2014 budget and 2015-2016 outlook as presented to the Board of Directors on February 26, 2014,
- use of normative cash flows beyond Year 3,
- productivity rate between 2% and 2.5% regarding the activity,
- discount rates we consider reflecting the respective sector weighted average cost of capital (WACC):
  - 10% for the Equipment segment (corresponding to a pre-tax rate of 14.5%);
  - 8.5% for the cash generating units within the Acquisition segment (corresponding to a pre-tax rate from 10.3% up to 15.9%); and
  - 9.5% for the cash generating units within the GGR segment (corresponding to a pre-tax rate from 12.7% up to 13.3%).

No impairment loss was recorded for the year ended December 31, 2012 and December 31, 2011.

As a consequence of the 25% fleet downsizing plan of our fleet and of the change of market outlook, the impairment test of our Marine cash generating unit as of December 31, 2013 triggered a goodwill impairment for US$582 million. Besides, given more overall difficult Land market conditions, we recognized in 2013 an impairment of goodwill for US$58 million on our Land cash generating unit. Overall, the Acquisition segment goodwill was impaired by US$640 million in 2013.

Sensitivity to changes in assumptions

Changing the assumptions selected by Group management, in particular the discount rate and the normative cash flows (based on EBITDAS) could significantly affect the evaluation of the value in use of our cash generating units and, hence, Group's impairment result.

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

			Sensitivity on normative cash flows		Sensitivity on discount rate (after tax)	
	Goodwill	Excess of the expected future Discounted cash flows over the carrying value of assets including goodwill	Decrease by 10%	Increase by 10%	Decrease by 0.25%	Increase by 0.25%
			(In millions of US dollars)			
Acquisition	782	57	(185)	+185	+89	(82)
GGR	1,493	325	(292)	+292	+130	(121)
Equipment	208	1,601	(209)	+209	+84	(79)
Total	**2,483**					

Changes to the assumptions used in the impairment test for which the recoverable value equals to the carrying value are as follows:

	Sensitivity on normative cash flows	Sensitivity on discount rate (after tax)
Acquisition	(3.1)%	+0.2%
GGR	(11.1)%	+0.7%
Equipment	Not relevant	

NOTE 12 — OTHER CURRENT LIABILITIES

The analysis of other current liabilities is as follows:

	December 31,		
	2013	2012 (restated)	2011 (restated)
	(In millions of US dollars)		
Value added tax and other taxes payable	89.1	75.6	64.3
Deferred revenue	109.3	139.3	145.4
Fair value of financial instruments (see note 14)	1.0	0.8	9.5
Other liabilities	84.5	84.5	53.1
Other current liabilities	**283.9**	**300.2**	**272.3**

Other liabilities include an earn-out related to the assets of Geophysical Research Corporation, LLC (see note 2) for US$9.5 million and US$17 million as of December 31, 2013 and 2012 respectively.

NOTE 13 — FINANCIAL DEBT

Analysis of financial debt by type is as follows:

	December 31,						
	2013			2012 (restated)			2011 (restated)
	Current	Non-current	Total	Current	Non-current	Total	Total
	(amounts in millions of US$)						
High yield bonds	—	1,234.9	1,234.9	—	1,349.0	1,349.0	1,342.7
Convertible bonds	—	836.6	836.6	—	763.5	763.5	363.0
Bank loans	199.5	157.3	356.8	14.7	26.2	40.9	56.9
Other loans	18.8	155.1	173.9	—	—	—	—
Finance lease debt	9.0	112.2	121.2	16.4	114.5	130.9	157.3
Sub-total	**227.3**	**2,496.1**	**2,723.4**	**31.1**	**2,253.2**	**2,284.3**	**1,919.9**
Accrued interests	19.7	—	19.7	16.7	—	16.7	16.2
Financial debt	**247.0**	**2,496.1**	**2,743.1**	**47.8**	**2,253.2**	**2,301.0**	**1,936.1**
Bank overdrafts	4.5	—	4.5	4.2	—	4.2	6.0
Total			**2,747.6**			**2,305.2**	**1,942.1**

Analysis of financial debt by currency is as follows:

	December 31,		
	2013	2012 (restated)	2011 (restated)
	(amounts in millions of US$)		
US dollar	1,493.1	1,431.3	1,464.5
Euro	1,230.3	853.0	455.4
Other currencies	—	—	—
Total	**2,723.4**	**2,284.3**	**1,919.9**

Analysis of financial debt by interest rate is as follows:

	December 31, 2013	December 31, 2012 (restated)	December 31, 2011 (restated)
	(amounts in millions of US$)		
Variable rates (average effective rate December 31, 2013: 2.20%, 2012: 2.84%, 2011: 2.73%)	168.2	41.4	74.0
Fixed rates (average effective rate December 31, 2013: 7.20%, 2012: 6.27%, 2011: 8.16%)	2,555.2	2,242.9	1,845.9
Total	**2,723.4**	**2,284.3**	**1,919.9**

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

Analysis of financial debt by financing sources as of December 31, 2013 is as follows:

	Issuing date	Maturity	Nominal amount Dec 31, 2013	Net balance Dec 31, 2013	Interest rate	Last amendment
			(in millions of currency)	(in millions of US$)		
High yield bond 2016	2009	2016	US$ 350	217.8	9 ½%	—
High yield bond 2017	2007	2017	US$ 400	396.0	7 ¾%	—
High yield bond 2021	2011	2021	US$ 650	621.1	6 ½%	—
Sub-total High yield bonds				**1,234.9**		
Convertible bond 2016	2011	2016	€360	436.9	1 ¾%	—
Convertible bond 2019	2012	2019	€360	399.7	1 ¼%	—
Sub-total Convertible bonds				**836.6**		
US$200 million term loan and revolving facilities	2013	2018	US$ 200	186.5	4 ⅖%	—
Other bank loans	—	—	—	170.3	—	—
Sub-total bank loans				**356.8**		
Other loans	—	—	—	173.9	—	—
Sub-total other loans				**173.9**		
Real estate finance lease	2010	2015	€75	88.4	—	—
Other finance lease	—	—	—	32.8		—
Sub-total Finance lease debt				**121.2**		
Total financial debt				**2,723.4**		

Analysis of authorized credit lines as of December 31, 2013 is as follows:

	Date	Maturity	Authorized amount	Mobilized amount	Available amount	Used amount	Last amendment
			(in millions of US$)	(in millions of US$)	(in millions of US$)	(in millions of US$)	
US Revolving facility	2013	2018	165.0	—	165.0	—	—
French Revolving facility	2013	2016	325.0	—	173.0	152.0	—
Other Revolving facility	2013	2018	100.0	—	5.0	95.0	—
Total			**590.0**		**343.0**	**247.0**	**—**
Short-term credit lines (bank overdrafts)	—	—	12.5	—	8.0	4.5	

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

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

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

All financial covenants were complied with at December 31, 2013.

■ High Yield bonds

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

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

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

EBITDAS is defined as earnings before interest, tax, depreciation, amortization net of amortization costs capitalized to multi-client surveys, and share-based compensation cost. Share-based compensation includes both stock options and shares issued under our performance share allocation plans. For the determination of ratios included in the covenants, EBITDAS is before non-recurring items.

All those financial covenants were complied with at December 31, 2013, 2012 and 2011.

High Yield bonds — (US$350 million, 9½% Senior Notes, maturity 2016)

On August 21, 2013, we redeemed US$125 million aggregate principal amount of our US$350 million 9½% Senior Notes due 2016 at a price of 104.75% plus accrued interest. This redemption was partially financed through the US$200 million term loan and revolving facilities described below. Accelerated amortization of deferred expenditures and penalties for early repayment were recorded for US$4.3 million and US$5.9 million, respectively.

On June 9, 2009, we issued US$350 million principal amount of 9½% Senior Notes due 2016. The Senior Notes were issued at a price of 97.0% of their principal amount, resulting in a yield of 10⅛%. The Senior Notes will mature on May 15, 2016.

High Yield bonds — (US$400 million, 7¾% Senior Notes, maturity 2017)

On February 9, 2007, we issued US$400 million of 7¾% Senior Notes due 2017. We used the net proceeds from the notes to repay one part of US$700 million outstanding under the bridge loan facility used to finance Veritas acquisition.

High Yield bonds — (US$650 million, 6½% Senior Notes, maturity 2021)

On May 31, 2011, we issued US$650 million principal amount of 6½% Senior Notes due June 1, 2021. The Senior Notes were issued at a price of 96.45% of their principal amount, resulting in a yield of 7%. We used the net proceeds of the issuance to redeem the remainder of our US$530 million 7½% Senior Notes due May 2015 and to repay in full the US$508 million outstanding under our term loan B facility.

■ Convertible bonds

Convertible bonds — (€360 million, 1¾% Senior Notes, maturity 2016)

On January 27, 2011, we issued 12,949,640 bonds convertible into and/or exchangeable for new or existing shares of our company to be redeemed on January 1, 2016 for a total nominal amount of €360 million. We used the net proceeds of the issuance to partially redeem our US$530 million 7½% Senior Notes due May 2015, allowing us to reduce our cash interest expense.

The bonds' nominal value was set at €27.80 per bond, representing an issue premium of 25% of the CGG's reference share price on the regulated market of NYSE Euronext in Paris. The bonds bear interest at a rate of 1¾% payable semi-annually in arrears on January 1 and July 1 of each year. The bonds entitle the holders to receive new and/or existing CGG shares at the ratio of one share per one bond, subject to adjustments. Under certain conditions, the bonds may be redeemed prior to maturity at our option.

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

Convertible bonds — (€360 million, 1¼% Senior Notes, maturity 2019)

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

The bonds' nominal value was set at €32.14 per bond, representing an issue premium of 40% of the CGG's reference share price on the regulated market of NYSE Euronext in Paris. The bonds bear interest at a rate of 1¼% payable semi-annually in arrears on January 1 and July 1 of each year. The bonds entitle the holders to receive new and/or existing CGG shares at the ratio of one share per one bond, subject to adjustments. Under certain conditions, the bonds may be redeemed prior to maturity at our option.

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

■ Bank loans and credit facilities

At December 31, 2013, US$365.9 million of bank loans amounting to US$530.7 million were secured by tangible assets and receivables.

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

On July 15, 2013, we entered into a new US revolving credit facility of up to US$165 million with a 5-year maturity. This facility was undrawn as of December 31, 2013. Pursuant to this agreement, the Group is required to adhere to certain financial covenants defined as follows:

- a maximum ratio of total net financial debt to EBITDA of 3.00:1 for each rolling 12-month period tested at the end of each quarter between September 30, 2013 and June 30, 2018;
- and a minimum ratio of EBITDA to total interest costs of 4.00:1 for each rolling 12-month period tested at the end of each quarter between September 30, 2013 and June 30, 2018.

All those financial covenants were complied with at December 31, 2013.

Term Loan B and US Revolving Facilities

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

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

On December 15, 2011, we amended our US senior facility agreement. This amendment extended the maturity of US$79 million out of the total US$140 million outstanding by two years, from January 2012 to January 2014. In consideration of such amendments, covenants have been re-defined as follows:

- a maximum ratio of total net financial debt to EBITDAS (2.50:1 for any relevant period expiring in the rolling 12-month period ending December 31, 2012 and 2013).
- and a minimum ratio of EBITDAS to total interest costs (3.00:1 for any relevant period expiring in the rolling 12-month periods- ending December 31, 2012 and 2013).

On June 2, 2011, we repaid in full the US$508 million outstanding under our Term Loan B facility with the proceeds of our issuance of senior bonds due 2021 described above.

On July 15, 2010, we amended our US senior facilities agreement. This amendment extended the maturity of US$348 million out of the total US$515 million outstanding as of June 30, 2010 from January 2014 to January 2016 and increased the Company's headroom under its financial covenants. In consideration of such amendment, the applicable margin for all borrowings under the US senior facilities increased by 1.0% for the amounts whose maturity was extended. The tranche whose maturity was extended to 2016 would have its maturity accelerate to February 2015 if our Senior Notes due May 2015 were not refinanced by February 2015.

On May 21 and 27, 2009, we amended our US senior facilities agreement and our French revolving facility agreement, respectively. These amendments, in line with our conservative financial policy, were aimed mainly at increasing the Company's headroom under its financial covenants. In consideration of such amendments, the applicable margin for all borrowings under the US senior facilities and French revolving facility increased by 1.0% and covenants have been re-defined.

A first amendment to the credit agreements and the French revolver credit agreement was signed on December 12, 2008. Such amendments gave the Group a larger flexibility with respect to (i) the acquisition of companies through a tender offer process, (ii) share buyback and (iii) recapitalization of subsidiaries that are not Guarantors under the credit agreements.

On January 12, 2007, the Group entered into a US$1.140 billion senior secured credit agreement with Credit Suisse, as administrative agent and collateral agent, and the lenders party thereto, pursuant to which credit agreement the Group borrowed a US$1.0 billion senior secured "Term Loan B" and obtained a US$140 million senior secured US revolving facility (which revolving facility includes letter of credit and swingline subfacilities). We repaid US$100 million on June 29, 2007 of the "Term Loan B" early.

The obligations of CGG Holding (U.S.) Inc. under the senior facilities are guaranteed by CGG SA and certain subsidiaries including the former Veritas group subsidiaries. Shares of CGG Holding (U.S.) Inc. and of certain of its first-tier subsidiaries are pledged as well as those of other first-tier subsidiaries of CGG SA. In addition, certain guarantors have provided first-priority security interests in certain of their respective tangible and intangible assets, including (without limitation) certain vessels, real property, mineral rights, deposit accounts and intellectual property. In the case of certain of subsidiaries (most notably CGG Holding (U.S.) Inc. and certain US and Canadian subsidiaries), the collateral may comprise substantially all of their respective assets.

Pursuant to this agreement, the Group was required to adhere to certain financial covenants. All financial covenants, calculated on a quarterly basis, were complied with at December 31, 2012. They were also complied with at December 31, 2011.

French revolving facilities

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

On July 31, 2013, we entered into a new French revolving credit facility of up to US$325 million with a 3-year maturity with two extension options of one year each. €110 million was drawn as of December 31, 2013.

Pursuant to this agreement, the Group is required to adhere to certain financial covenants defined as follows:

- a maximum ratio of total net financial debt to EBITDA of 3.00:1 for each rolling 12-month period tested at the end of each quarter between September 30, 2013 and June 30, 2016;
- and a minimum ratio of EBITDA to total interest costs of 4.00:1 for each rolling 12-month period tested at the end of each quarter between September 30, 2013 and June 30, 2016.

All those financial covenants were complied with at December 31, 2013.

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

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

In 2013, €85 million from our French revolving facility were drawn and fully repaid.

During the year 2012, €30 million and US$40 million were drawn and fully repaid respectively on June and November 2012.

On December 21, 2012, we amended the French revolving facility to improve flexibility under certain non-financial covenants and to obtain consent to the acquisition of Fugro's Geoscience Division from the lenders under the French revolving facility. As amended, the amount of permitted Net capital expenditures is increased to the greater of US$750 million and 50% of EBITDA.

On December 15, 2011, we amended our French revolving facility agreement. This amendment, in line with our conservative financial policy, was aimed mainly at increasing the Company's headroom under its financial covenants. In consideration of such amendments, covenants have been re-defined as follows: Aggregate amount

of Net Capital Expenditures made by the Group in any fiscal year shall not exceed the greater of US$600 million and 50% of EBITDA for such fiscal year. "Net Capital Expenditures" shall mean Capital Expenditures minus Multi-client Prefunding Sales.

On November 4, 2010, we amended this facility, in order to align covenant levels with our amended senior US facilities and extend the maturity by two years, from February 2012 to February 2014. Total Leverage Ratio covenant levels increased from 2.25 to 2.75 in 2010 declining thereafter to 2.0 in 2014; and EBITDAS to total interest cost covenant levels decreased from 4.00 to 3.50 in 2010 increasing thereafter to 4.50 in 2014. In consideration of the amendment, interest rates increased from Libor + 300 bps (initially) to Libor + 325 bps, and will then be adjusted based on the CGG corporate ratings.

On May 21 and 27, 2009, and December 2008, we amended our French revolving facility agreement as described in the above paragraphs.

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

US$200 million term loan and revolving facilities

On July 1, 2013, we entered into a 5-year US$200 million financing secured by vessel assets, split into two tranches of US$100 million each, the proceeds of which were used in part to reimburse the 2013 tranche of the vendor loan granted by Fugro. We entered into an interest rate swap to fix the annual effective rate at 4.4%.

Pursuant to this agreement, the Group is required to adhere to certain financial covenants defined as follows:

- a minimum of Cash plus Cash Equivalents of not less than US$75 million, at all times;
- a maximum ratio of total net financial debt to EBITDA (3.00:1.00);
- and a minimum ratio of EBITDA to total interest costs (3.00:1.00).

The outstanding value at December 31, 2013, is US$186.5 million net of issuing fees.

All those financial covenants were complied with at December 31, 2013.

US$25 million streamer financing

On December 19, 2013, we signed a loan agreement for a maximum amount of US$25 million with multiple drawings. This loan is dedicated to finance the acquisition of marine equipment to be delivered in up to twelve monthly lots over a period of one year. This loan is to be reimbursed over 5 years after the deadline for drawing and has not been drawn as of December 31, 2013.

US$45 million Secured Term Loan Facility

On December 18, 2013, we amended this facility, in order to align covenant levels with our US$200 million term loan and revolving facilities. The outstanding value at December 31, 2013, is US$22.2 million.

On January 13, 2011, Exploration Vessel Resources II AS entered into a US$45 million credit facility secured by a pledge over the seismic vessel *Geowave Voyager* and subject to substantially the same covenants as our US Revolving Facilities.

US$25 million Secured Term Loan Facility

On April 30, 2007, Geomar concluded a credit facility of US$25 million. The proceeds from this credit facility were used to refinance the seismic vessel *CGG Alizé*. At December 31, 2007, this facility was fully drawn. The outstanding value at December 31, 2013 is US$1.8 million.

■ Other loans

Vendor loan granted by Fugro

In connection with the Fugro Geoscience Division acquisition, Fugro granted to us, on January 31, 2013, a €125 million vendor loan with a 5 year maturity bearing an interest rate of 5.5% per annum, which was increased to €225 million at the date of effective acquisition of the Airborne business.

On August 21, 2013, we repaid an amount of €112.5 million under the vendor loan to Fugro. The outstanding amount as of December 31, 2013 is €112.5 million.

NOTE 14 — FINANCIAL INSTRUMENTS

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

■ Foreign currency risk management

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

Foreign currency sensitivity analysis

Fluctuations in the exchange rate of the US dollar against other currencies, particularly the euro, have had in the past and will have in the future a significant effect upon our results of operations, which were reported in euros for periods prior to January 1, 2012 and are reported in US dollars from that date. Since we participate in competitive bids for data acquisition contracts that are denominated in US dollars, the appreciation of the euro against the US dollar harms our competitive position against companies whose costs and expenses are denominated to a greater extent in US dollars. Our annual fixed expenses in euros are equal to approximately €500 million after hedging and as a consequence, an unfavorable variation of US$0.1 in the average yearly exchange rate between the US dollar and the euro would reduce our operating income and our shareholders' equity by US$50 million.

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

Foreign forward exchange contracts

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

Details of forward exchange contracts are as follows:

	December 31,		
	2013	2012	2011
Forward sales of US dollars against euros			
Notional amount (in millions of US$)	5.0	35.0	157.8
— *of which forward sales qualifying as cash flow hedges*	5.0	35.0	157.8
— *of which forward sales not qualifying as cash flow hedges*	—	—	—
Weighted average maturity	11 days	22 days	57 days
Weighted average forward US$/Euro exchange rate	1.3711	1.2840	1.3492
Forward sales of US dollars against British pounds			
Notional amount (in millions of US$)	11.4	3.0	17.2
— *of which forward sales qualifying as cash flow hedges*	11.4	3.0	17.2
— *of which forward sales not qualifying as cash flow hedges*	—	—	—
Weighted average maturity	21 days	20 days	41 days
Weighted average forward US$/£ exchange rate	1.5919	1.6022	1.5635
Forward sales of US dollars against Ren-min-bi Yuan			
Notional amount (in millions of US$)	5.4	2.0	21.5
— *of which forward sales qualifying as cash flow hedges*	5.4	2.0	21.5
— *of which forward sales not qualifying as cash flow hedges*	—	—	—
Weighted average maturity	42 days	29 days	20 days
Weighted average forward US$/RMB exchange rate	0.1646	0.1595	0.1576
Forward sales of US dollars against Norwegian kroner			
Notional amount (in millions of US$)	—	15.6	—
— *of which forward sales qualifying as cash flow hedges*	—	15.6	—
— *of which forward sales not qualifying as cash flow hedges*	—	—	—
Weighted average maturity	—	21 days	—
Weighted average forward US$/NOK exchange rate	—	5.6505	—
Forward sales of US dollars against Singapore dollar			
Notional amount (in millions of US$)	7.9	8.2	2.3
— *of which forward sales qualifying as cash flow hedges*	7.9	8.2	2.3
— *of which forward sales not qualifying as cash flow hedges*	—	—	—
Weighted average maturity	35 days	38 days	50 days
Weighted average forward US$/SGD exchange rate	0.7936	0.8199	0.7735
Forward sales of US dollars against Swiss Franc			
Notional amount (in millions of US$)	—	1.1	3.8
— *of which forward sales qualifying as cash flow hedges*	—	1.1	3.8
— *of which forward sales not qualifying as cash flow hedges*	—	—	—
Weighted average maturity	—	53 days	41 days
Weighted average forward US$/CHF exchange rate	—	0.9120	0.8713
Forward sales of US dollars against Australian Dollar			
Notional amount (in millions of US$)	1.8	—	—
— *of which forward sales qualifying as cash flow hedges*	1.8	—	—
— *of which forward sales not qualifying as cash flow hedges*	—	—	—
Weighted average maturity	24 days	—	—
Weighted average forward US$/AUD exchange rate	0.9085	—	—

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

	December 31,		
	2013	2012 (restated)	2011 (restated)
	(In millions of US dollars)		
Carrying value of forward exchange contracts at fair value (see notes 5 and 12)	0.8	2.2	(6.0)
Gains (losses) recognized in profit and loss (see note 21)	1.9	0.8	4.8
Gains (losses) recognized directly in equity	—	3.7	(4.4)

Net gains (loss) on cash flow hedges in companies consolidated under the equity method are not included in the above table. Net gain (loss) recognized in profit and loss for these entities are included in the line item "Equity in income of investees" in the Consolidated Statement of Operations. Gains (losses) recognized directly

in equity are presented in the line item "Other comprehensive income (loss) for the period, net of taxes, in companies consolidated under the equity method" in the consolidated statements of comprehensive income (loss).

Call contracts

There were no call contracts outstanding as of December 31, 2013, 2012 and 2011.

■ Interest rate risk management

Our policy is to manage the interest rates through maximization of the proportion of fixed rate debt. Today, our exposure to interest rate fluctuations is reduced to the extent that 94% of our financial debt at December 31, 2013 consists of debts bearing fixed rates such as High Yield bonds maturing in 2016, 2017, 2021 convertible bonds maturing in 2016 and 2019, some capital leases and bank credit loans. We may use interest rate swaps to adjust interest rate exposure when appropriate based upon market conditions.

Interest rate sensitivity analysis

Our sources of liquidity include credit facilities and debt securities which are or may be subject to variable interest rates. As a result, our interest expenses could increase if short-term interests' rates increased. The sensitivity analysis is based on a net exposure of US$160 million. Our investments and other financial assets earned interest at an average rate of 0.8%. Each 80 basis point increase in this rate would increase our interest revenue by US$1.3 million per year and each 80 basis point decrease in this rate would reduce our interest revenue by US$1.3 million per year.

Interest rate cap contracts

There was no interest rate cap agreement as of December 31, 2013.

■ Credit risk management

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

Our receivables and investments do not represent a significant concentration of credit risk due to the wide variety of customers and markets in which we sell our services and products and our presence in many geographic areas. In 2013, the Group's two most significant customers accounted 5.1% and 3.9% of the Group's consolidated revenues compared with 7.1% and 5.8% in 2012 and 13.0% and 3.0% in 2011.

■ Liquidity risk management

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

We intend to fund ongoing operations and debt service requirements through cash generated by operations. Our ability to make scheduled payments of principal, or to pay the interest or additional interest, if any, on, or to refinance our indebtedness, or to fund planned capital expenditures will depend on our future performance, which, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. Based upon the current level of operations, we believe that cash flow from operations, available cash and cash equivalents, together with borrowings available under the US revolving facility (US$165 million) and the French revolving facility (US$325 million) will be adequate to meet our future liquidity needs for the next twelve months (see note 13).

■ **Financial instruments by categories in the balance sheet**

The impact and the breakdown of the Group's financial instruments in the balance sheet as of December 31, 2013 are as follows:

	December 31, 2013							
	Fair value hierarchy	Carrying Amount	Fair Value	Fair value in income statement	Available-for-sale assets	Loans, receivables	Debts at amortized cost	Derivatives
	(In millions of US dollars)							
Non-consolidated investments	Level 3	8.5	8.5		8.5			
Financial and non-current assets	Level 3	39.3	39.3			39.3		
Notes receivables	Level 3	987.4	987.4			987.4		
Financial and current assets	Level 2	1.8	1.8					1.8
Cash equivalents	Level 2	90.2	90.2	90.2				
Cash	Level 2	439.9	439.9	439.9				
Total assets		**1,567.1**	**1,567.1**	**530.1**	**8.5**	**1,026.7**		**1.8**
Financial debts (note 13)	Level 2	2,723.4	3,367.8				2,723.4	
Notes payables	Level 3	557.6	557.6			557.6		
Financial and current liabilities	Level 2	1.0	1.0					1.0
Total liabilities		**3,282.0**	**3,926.4**			**557.6**	**2,723.4**	**1.0**

There was no change of fair value hierarchy in 2013 compared to previous years.

■ **Fair value information**

The carrying amounts and fair values of the Group's financial instruments are as follows:

	December 31,					
	2013		2012 (restated)		2011 (restated)	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	530.0	530.0	1,520.2	1,520.2	531.4	531.4
Bank overdraft facilities	4.5	4.5	4.2	4.2	6.0	6.0
Financial debts	2,723.4	3,367.8	2,284.3	3,400.6	1,919.9	2,840.6
Forward currency exchange contracts	0.8	0.8	2.2	2.2	(6.0)	(6.0)

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

For bank loans with fixed interest rates, the fair values have been estimated using discounted cash flow (interest payments and reimbursements) analysis based on the Group's incremental borrowing rates for similar types of borrowing arrangements. At December 31, 2013, the rate of 6.8% (source: Thomson Reuters) is used to determine the fair value of high yield bonds, the rate of 4.3% (source: BNP) is used to determine the fair value of convertible bond, the rate of 5.0% (source: Thomson Reuters) is used to determine the fair value of the US$200 million term loan and revolving facilities and the rate of 5.75% (source: CA-CIB) is used to determine the fair value of the Vendor loan. For variable-rate bank loans, vendor equipment financing and the shareholder loans, fair values approximate carrying values.

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

NOTE 15 — COMMON STOCK AND STOCK OPTION PLANS

The Company's share capital at December 31, 2013 consisted of 176,890,866 shares, each with a nominal value of €0.40; 176,392,225 as of December 31, 2012 and 151,861,932 as of December 31, 2011.

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

Rights and privileges related to ordinary shares

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

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

Retained earnings available for distribution amounted to €2,313.6 million (US$3,190.8 million) at December 31, 2013.

We did not pay any dividend during the years ended December 31, 2013, 2012 and 2011.

Issued shares

In 2013, CGG SA issued 498,641 fully paid shares related to the following operations:

- 122,561 ordinary shares corresponding to allocated stock options;
- 376,080 ordinary shares corresponding to allocated performance shares.

Stock options

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

Options granted under the May 2006 option plan, which expire eight years from the date of grant, are vested by one fourth each year from May 2006 and could not generally be exercised before May 2010. Moreover, for options to subscribe for 1,000 shares or more, the shares resulting from the exercise of those options could not be sold before May, 2010. Out of the 1,012,500 options granted in May 2006, 680,000 were granted to the executive managers of the Group.

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

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

Options granted under March 16, 2009, have an eight-year duration subject to the requirement, for all French residents, to hold the resulting shares in registered form from their purchase date until March 16, 2013, inclusive, except in limited cases listed in the plan regulations. Rights to these options vest by one-third during each of the first three years of the plan. 1,002,000 stock options were allocated to 149 beneficiaries; 200,000 stock options to the Chairman and Chief Executive Officer and 125,000 stock options to the Chief Operating Officer.

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

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

- 1,348,150 stock options to 338 beneficiaries pursuant to a shareholders' resolution. The exercise price of the stock options is €19.44. The stock options expire on March 22, 2018. Rights to these options vest by one-third during each of the first three years of the plan;
- 200,000 stock options to the Chairman and Chief Executive Officer. Their exercise price is €19.44. Rights to these options vest by one-third during each of the first three years of the plan. Such vesting is subject to performance conditions based on the fulfillment of one of the following objectives:
  - A share price performance objective relative to the share price considering the SBF 120 index;
  - A share price performance objective relative to the ADS price considering the PHLX Oil Services Sector^{SM} (OSX^{SM}) index; or
  - A financial indicator in the form of an EBITDAS objective expressed in US dollars and related to the target for the annual variable part of compensation of the Chairman and Chief Executive Officer.

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

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

- 964,363 stock options to 364 beneficiaries pursuant to a shareholders' resolution. The exercise price of the stock options is €25.48. The stock options expire on March 24, 2019. Rights to these options vest by one-third during each of the first three years of the plan;
- 66,667 stock options to the Chairman of the Board of Directors and 133,333 stock options to the Chief Executive Officer. Their exercise price is €25.48. Rights to these options vest by one-third during each of the first three years of the plan. Such vesting is subject to performance conditions based on the fulfillment of one of the following objectives:
  - A share price performance objective relative to the share price considering the SBF 120 index;
  - A share price performance objective relative to the ADS price considering the PHLX Oil Service Sector^{SM} (OSX^{SM}) index; or
  - A financial indicator in the form of an EBITDAS objective expressed in US dollars and related to the target for the annual variable part of compensation of the Chairman and to the Chief Executive Officer.

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

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

- 590,625 stock options to certain employees. Their exercise price is €18.77. The options vest in three batches, in June 2014 (for 50% of the options allocated), June 2015 (for 25% of the options allocated) and June 2016 (for 25% of the options allocated). The options have an eight-year duration.
- 420,000 stock options to the Executive Committee. Their exercise price is €18.77. The options vest in three batches, in June 2014 (for 50% of the options allocated), June 2015 (for 25% of the options allocated) and June 2016 (for 25% of the options allocated). The options have an eight-year duration. Such vesting is subject to performance conditions based on the fulfillment of the following objectives:
  - A share price performance objective relative to the share price considering the SBF 120 index;
  - A share price performance objective relative to the ADS price considering the PHLX Oil Service Sector^{SM} (OSX^{SM}) index;
  - A financial indicator in the form of an EBITDAS objective expressed in US dollars and related to the target for the annual variable part of compensation of the Executive Committee members;
  - A share price performance objective relative to the share price increase over the vesting period.

- 200,000 stock options to the Chief Executive Officer and 100,000 to each of the Corporate Officers. Their exercise price is €18.77. The options vest in three batches, in June 2014 (for 50% of the options allocated), June 2015 (for 25% of the options allocated) and June 2016 (for 25% of the options allocated). The options have an eight-year duration. Such vesting is subject to performance conditions based on the fulfillment of the following objectives:
    - A share price performance objective relative to the share price considering the SBF 120 index;
    - A share price performance objective relative to the ADS price considering the PHLX Oil Service Sector^{SM} (OSX^{SM}) index;
    - A financial indicator in the form of an EBITDAS objective expressed in US dollars and related to the target for the annual variable part of compensation of the Chief Executive Officer and corporate officers;
    - A share price performance objective relative to the share price increase over the vesting period.

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

- 1,062,574 stock options to certain employees. Their exercise price is €18.47. The options vest in three batches, in June 2015 (for 50% of the options allocated), June 2016 (for 25% of the options allocated) and June 2017 (for 25% of the options allocated). The options have an eight-year duration.
- 180,000 stock options to the other Corporate Committee members. Their exercise price is €18.47. The options vest in three batches, in June 2015 (for 50% of the options allocated), June 2016 (for 25% of the options allocated) and June 2017 (for 25% of the options allocated). The options have an eight-year duration. Such vesting is subject to performance conditions based on the fulfillment of the following objectives:
    - A share price performance objective relative to the share price considering the SBF 120 index;
    - A share price performance objective relative to the ADS price considering the PHLX Oil Service Sector^{SM} (OSX^{SM}) index;
    - A financial indicator in the form of an EBITDAS objective expressed in US dollars and related to the target for the annual variable part of compensation of the Corporate Committee members;
    - A share price performance objective relative to the share price increase over the vesting period.
- 200,000 stock options to the Chief Executive Officer and 100,000 to each of the Corporate Officers. Their exercise price is €18.47. The options vest in three batches, in June 2015 (for 50% of the options allocated), June 2016 (for 25% of the options allocated) and June 2017 (for 25% of the options allocated). The options have an eight-year duration. Such vesting is subject to performance conditions based on the fulfillment of the following objectives:
    - A share price performance objective relative to the share price considering the SBF 120 index;
    - A share price performance objective relative to the ADS price considering the PHLX Oil Service Sector^{SM} (OSX^{SM}) index;
    - A financial indicator in the form of an EBITDAS objective expressed in US dollars and related to the target for the annual variable part of compensation of the Chief Executive Officer and corporate officers;
    - A share price performance objective relative to the share price increase over the vesting period.

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

Information related to options outstanding at December 31, 2013 is summarized below:

Date of Board of Directors' Resolution	Options granted	Options outstanding at Dec. 31, 2013[(a)]	Exercise price per share (€)[(a)]	Expiration date	Remaining duration
May 11, 2006	1,012,500	1,001,048	24.95	May 10, 2014	4.3 months
March 23, 2007	1,308,750	1,220,109	28.89	March 23, 2015	14.7 months
March 14, 2008	1,188,500	1,117,594	30.95	March 14, 2016	26.4 months
March 16, 2009	1,327,000	828,039	8.38	March 16, 2017	38.5 months
January 06, 2010	220,000	231,538	13.98	January 06, 2018	48.2 months
March 22, 2010	1,548,150	1,415,977	18.47	March 22, 2018	50.7 months
October 21, 2010	120,000	126,291	16.05	October 21, 2018	57.7 months
March 24, 2011	1,164,363	1,130,380	24.21	March 24, 2019	62.8 months
June 26, 2012	1,410,625	1,458,208	17.84	June 26, 2020	77.9 months
June 24, 2013	1,642,574	1,622,636	18.47	June 24, 2021	89.8 months
Total	**10,942,462**	**10,151,820**			

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

Date of stock options	Adjustment of number of options as of October 23, 2012	Exercise price before adjustment per share (€)	Adjusted exercise price per share (€)
May 11, 2006	1,001,048	26.26	24.95
March 23, 2007	1,221,425	30.40	28.89
March 14, 2008	1,120,226	32.57	30.95
March 16, 2009	950,179	8.82	8.38
January 06, 2010	231,538	14.71	13.98
March 22, 2010	1,430,622	19.44	18.47
October 21, 2010	126,291	16.88	16.05
March 24, 2011	1,150,636	25.48	24.21
June 26, 2012	1,483,424	18.77	17.84
Total	**8,715,389**		

A summary of the Company's stock option activity, and related information for the years ended December 31, 2013 follows:

	2013		2012 (restated)		2011 (restated)	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
	(weighted average exercise price in €)					
Outstanding-beginning of year	8,711,012	21.67	7,062,320	23.16	6,428,504	22.17
Granted	1,642,574	18.47	1,410,625	18.77	1,164,363	25.48
Adjustments followings the capital increase	—	—	435,498	21.68	—	—
Exercised	(122,561)	8.42	(132,758)	13.06	(318,823)	7.31
Forfeited	(79,205)	20.30	(64,673)	23.98	(211,724)	20.21
Outstanding-end of year	**10,151,820**	**21.33**	**8,711,012**	**21.67**	**7,062,320**	**23.16**
Exercisable-end of year	6,694,183	14.91	5,943,122	22.60	4,535,303	16.11

The average price of CGG share was €17.46 in 2013, €21.89 in 2012, €20.17 in 2011.

Performance shares

Allocation plan dated March 24, 2011

On March 24, 2011 the Board of Directors implemented a performance share allocation plan for a maximum amount of 488,586 performance shares out of which 13,750 were allocated to the Chairman and 27,500 were allocated to the Chief Executive Officer. This allocation of shares is subject to the following performance conditions: (i) the achievement of a minimum average consolidated EBIT over fiscal years 2011 and 2012 and

(ii) the achievement of an average EBITDAS over fiscal years 2011 and 2012 of either the Group, the Services segment or the Equipment segment, depending upon the segment to which each beneficiary belongs. In addition, the beneficiary still had to be an employee or officer of the Group upon final allocation of the shares.

Following the capital increase of October 2012, the number of existing or newly issued shares to be allocated to the Beneficiaries, including the Corporate Officers and the members of the Executive Committee was adjusted to 472,846.

The Board of Directors held on February 27, 2013 confirmed that the performance conditions for the plan implemented on March 24, 2011 were partially fulfilled and that 376,080 shares were allocated pursuant to this plan on May 3, 2013

Allocation plan dated June 26, 2012

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

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

These performance units will be allocated on the later of the two following dates: June 26, 2014 or the date of the Annual Shareholders' Meeting convened to approve the financial statements for fiscal year 2013, provided that the Board of Directors decides that the performance conditions set forth in the plan regulation have been fulfilled.

Performance units

Allocation plan dated June 24, 2013

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

- Implement a remuneration mechanism globally harmonized and consistent with the growing internalization of our Group,
- Establish a closer link between the remuneration of the main senior executives and the share price performance combined with the economic performance of the Group taken as a whole on a mid-term basis (3 years).

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

The performance units vest upon the expiry of a 3-year period from the allocation date subject to a presence condition in the Group at the time of vesting and achievement of certain performance conditions. These performance conditions are based on the achievement of Group objectives related to the return on capital employed and balance sheet structure along with achievement of Divisions' financial objectives aligned with the Group strategic orientations over a 3-year period.

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

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

Compensation cost on stock options, performance shares and units

The following table lists the assumptions used to value the 2011, 2012 and 2013 options plans, the 2012 performance shares allocation plan and the 2013 performance units allocation plan according to IFRS 2:

	Options granted	Volatility	Risk-free rate	Exercise price per share (€)	Estimated Maturity (years)	Fair value per share at the grant date (€)	Dividends yields
2011 stock options plan	1,164,363	37%	2.52%	25.48	4	8.48	0.0%
2012 stock options plan	1,410,625	42%	1.23%	18.77	4	5.98	0.0%
2013 stock options plan	1,642,574	42%	1.11%	18.47	4	5.14	0.0%

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

[a] Corresponds to CGG share price at the date of allocation.

[b] Estimated.

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

	Year		
	2013	2012 (restated)	2011 (restated)
	(in millions of US$)		
2008 stock options plan[a]	—	—	0.4
2009 stock options plan[b]	—	0.1	0.6
2010 stock options plan[c]	0.6	3.2	7.6
2011 stock options plan[d]	1.7	4.3	5.6
2012 stock options plan[e]	3.8	1.9	—
2013 stock options plan[f]	1.8	—	—
2009 performance shares plan[g]	—	—	0.1
2010 performance shares plan[h]	—	0.1	(1.8)
2011 performance shares plan[i]	1.9	9.9	3.2
2012 performance shares plan[j]	1.7	1.4	—
2013 performance units plan[k]	0.7	—	—
Recognized expense from equity-settled share based payment transactions	**12.2**	**20.9**	**15.7**

[a] of which US$0.3 million for the executive managers of the Group in 2011.

[b] of which US$0.1 million for the executive managers of the Group in 2012,US$0.3 million in 2011.

[c] of which US$0.3 million for the executive managers of the Group in 2013, US$1.4 million in 2012, US$3.8 million in 2011.

[d] of which US$1.1 million for the executive managers of the Group in 2013, US$2.9 million in 2012, US$3.8 million in 2011.

[e] of which US$1.8 million for the executive managers of the Group in 2013, US$0.9 million in 2012.

[f] of which US$0.6 million for the executive managers of the Group in 2013.

[g] none.

[h] of which US$(0.3) million for the executive managers of the Group in 2011.

[i] of which US$0.5 million for the executive managers of the Group in 2013, US$2.4 million in 2012, US$0.7 million in 2011.

[j] of which US$0.3 million for the executive managers of the Group in 2013, US$0.3 million in 2012.

[k] of which US$0.1 million for the executive managers of the Group in 2013.

NOTE 16 — PROVISIONS

	Balance at 31 December, 2012 (restated)	Additions	Deductions (used)	Deductions (unused)	Others[(a)]	Balance at 31 December, 2013
			(In millions of US dollars)			
Provisions for restructuring costs	0.8	24.0	(5.2)	(12.9)	—	6.7
Provisions for onerous contracts	4.8	35.0	(1.7)	—	—	38.1
Provisions for litigations	2.1	0.8	(1.0)	—	0.2	2.1
Provision for tax contingencies	—	—	—	—	6.3	6.3
Other provisions related to contracts	8.5	14.6	(10.7)	—	6.6	19.0
Provisions for demobilization costs	4.8	0.9	(0.5)	—	(4.3)	0.9
Total current provisions	**21.0**	**75.3**	**(19.1)**	**(12.9)**	**8.8**	**73.1**
Provisions for cash-settled share-based payment arrangements (note 15)	—	3.8	—	—	—	3.8
Retirement indemnity provisions	73.2	10.5	(13.0)	(2.5)	15.4	83.6
Provisions for tax contingencies	7.1	2.9	(2.3)	—	(1.7)	6.0
Provisions for unfavorable contracts	4.8	—	(5.0)	—	6.8	6.6
Customers Guarantee provisions	20.6	9.6	(12.4)	—	(0.1)	17.7
Provisions for customs and other contingencies	17.8	8.5	(1.3)	—	(0.2)	24.8
Total non-current provisions	**123.5**	**35.3**	**(34.0)**	**(2.5)**	**20.2**	**142.5**
Total provisions	**144.5**	**110.6**	**(53.1)**	**(15.4)**	**29.0**	**215.6**

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

Provision for restructuring costs

In 2013, provision for restructuring costs relate to the Fugro Geoscience integration.

Provision for onerous contract

In 2013, we recognized a provision for onerous contract of US$34.0 million as part of our marine fleet downsizing plan (note 21).

Customers Guarantee provisions

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

Retirement indemnity provisions

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

In addition, a supplemental pension and retirement plan was implemented in December 2004 for the members of the Group's Management Committee and members of the Management Board of Sercel Holding. A contribution amounting to US$4,6 million was paid in 2013 and US$6.9 million in 2011. No contribution was paid in 2012.

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

- historical staff turnover and standard mortality schedule;
- age of retirement between 60 and 65 years old in France and 67 years old in Norway; and
- actuarial rate and average rate of increase in future compensation.

As of December 31, 2013, the net liability for these plans amounted to US$83.6 million.

The status of the retirement indemnity plans is as follows:

	December 31,			
	2013	2012 (restated)	2011 (restated)	2010 (restated)
	(In millions of US dollars)			
Amount recognized in the balance sheet				
Present value of the obligation[(a)]	163.0	145.5	115.9	117.1
Fair value of plan assets	(79.4)	(72.3)	(63.5)	(61.3)
Deficit (surplus) of funded plans	**83.6**	**73.2**	**52.4**	**55.8**
Net liability (asset) recognized in balance sheet	**83.6**	**73.2**	**52.4**	**55.8**
Amounts recognized in the income statement				
Service cost	5.7	4.4	4.9	4.0
Interest cost (income)	2.2	2.5	2.0	2.4
Effects of curtailments/settlements	(4.1)	—	(0.3)	(0.9)
Payroll tax	—	0.1	0.1	—
Net periodic expense	**3.8**	**7.0**	**6.7**	**5.5**
Movements in the net liability recognized in the balance sheet				
Net liability at January 1	73.2	52.4	55.8	66.3
Expense as above	3.8	7.0	6.7	5.5
Actuarial gains (losses) recognized in other comprehensive income[(b)]	6.3	14.4	1.8	—
Contributions paid	(6.6)	(1.4)	(7.3)	(6.1)
Benefits paid by the Company	(2.1)	(2.3)	(2.9)	(4.4)
Consolidation scope entries and changes in exchange rates	8.4	2.8	(1.3)	(4.1)
Other	0.6	0.3	(0.4)	(1.4)
Net liability at December 31	**83.6**	**73.2**	**52.4**	**55.8**
Change in benefit obligation				
Benefit obligation at January 1	145.5	115.9	117.1	123.1
Payroll tax adjustment	—	0.1	0.2	(0.2)
Current service cost	6.0	4.4	4.9	4.0
Contributions paid	0.3	0.4	1.1	0.4
Interest cost	5.2	5.6	5.6	5.5
Past service cost	(0.3)	—	—	—
Benefits paid from plan	(7.2)	(2.7)	(15.3)	(4.8)
Actuarial (gains) losses recognized in other comprehensive income	7.1	16.0	4.5	2.8
Effects of curtailments/settlements	(6.4)	—	(0.6)	(5.7)
Consolidation scope entries and changes in exchange rates	12.2	5.8	(1.6)	(8.3)
Other	0.6	—	—	0.3
Benefit obligation at December 31	**163.0**	**145.5**	**115.9**	**117.1**
Change in plan assets				
Fair value of plan assets at January 1	72.3	63.5	61.3	56.8
Interest income	3.0	3.1	3.6	3.1
Contributions paid	6.9	1.8	8.4	6.5
Benefits paid from plan	(5.1)	(0.4)	(12.4)	(0.4)
Actuarial gains and losses recognized in other comprehensive income	0.8	1.6	2.7	2.8
Effects of curtailments/settlements	(2.3)	—	(0.3)	(4.8)
Consolidation scope entries and changes in exchange rate	3.8	3.0	(0.3)	(2.6)
Other	—	(0.3)	0.5	(0.1)
Fair value of plan assets at December 31[(c)]	**79.4**	**72.3**	**63.5**	**61.3**
Key assumptions used in estimating the Group's retirement obligations are:				
Discount rate[(d)]	3.00%	3.00%	4.75%	4.75%
Average rate of increase in future compensation[(e)]	3.31%	3.04%	2.93%	2.89%

(a) In 2013 the obligation amounts to US$163.0 million of which US$54.3 million for defined benefit plans not covered (US$46.9 million in 2012, US$37.1 million in 2011 and US$39.4 million in 2010). The average duration of the defined benefit plan obligation at the end of the reporting period is 15.3 years in 2013 and 16.6 years in 2012.

(b) Other comprehensive income

Cumulative actuarial losses recognized in other comprehensive income amount to US$22.8 million as of December 31, 2013. Changes in the defined benefit obligation and fair value of plan assets are, as follows:

	December 31,	
	2013	2012 (restated)
	(In millions of US dollars)	
Amount recognized in the other comprehensive income		
Experience adjustment	4.0	—
Actuarial changes arising from changes in demographic assumptions	3.1	4.8
Actuarial changes arising from changes in financial assumptions	(0.1)	11.8
Return on plan assets (excluding amounts included in net interest expense)	(0.7)	(2.2)
Sub-total included in the other comprehensive income	**6.3**	**14.4**

(c) Plan assets

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

	December, 31			
	2013	2012	2011	2010
Equity securities	48%	47%	35%	45%
Debt securities	22%	22%	29%	50%
Real estate	8%	8%	4%	4%
Other	22%	23%	32%	1%

(d) Discount rate

The discount rate for entities belonging to the "euro zone" is 3.00%. It has been defined by comparison to the following rates at December 31, 2013:

- Bloomberg Corporate 15 years: 3.02%
- IBOXX 10 + AA: 3.17%
- IBOXX 10 + AA Financial: 3.31%
- IBOXX 10+ AA Non Financial: 3.03%

For entities not included in the "euro zone", the discount rates used are 4.65% for the United Kingdom, 4.45% for the United States, 3.50% for Norway and 7.50% for Mexico.

An increase of 0.25% of the discount rate would decrease the defined benefit plan obligation ("DBO") by US$5.8 million, and a decrease of the discount rate of 0.25% would increase the DBO by US$6.4 million.

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

(e) Increase in future compensation

An increase of 0.25% of the average rate would increase the future compensation by US$3.6 million, and a decrease of the average rate of 0.25% would decrease the future compensation by US$3.4 million.

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

NOTE 17 — OTHER NON-CURRENT LIABILITIES

Detail of other non-current liabilities is as follows:

	December 31,		
	2013	2012 (restated)	2011 (restated)
	(In millions of US dollars)		
Deposit and guarantees	—	—	4.4
Research and development subsidies	4.2	5.5	6.7
Profit sharing scheme	37.5	41.1	38.7
Other non-current liabilities	**41.7**	**46.6**	**49.8**

NOTE 18 — CONTRACTUAL OBLIGATIONS. COMMITMENTS AND CONTINGENCIES

Status on contractual obligations

	December 31,		
	2013	2012 (restated)	2011 (restated)
	(In millions of US dollars)		
Long-term debt obligations	3,388.8	3,013.5	2,606.8
Finance lease obligations	120.3	136.6	170.8
Operating leases obligations[(a)]	1,211.1	1,174.3	1,100.3
Total obligations	**4,720.2**	**4,324.4**	**3,877.9**

(a) Including US$807.4 million in 2013 for seismic vessel bareboat agreements, US$898.3 million in 2012 and US$863.5 million in 2011.

The following table presents payments in future periods relating to contractual obligations as of December 31, 2013:

	Payments due by period				
	Less than 1 year	2-3 years	4-5 years	After 5 years	Total
	(In millions of US dollars)				
Long-term debt obligations:					
— Repayments: fixed rates	60.7	879.1	547.6	1,146.5	2,633.8
— Repayments: variables rates[(a)]	161.5	14.6	—	—	176.2
— Bonds and facilities interests	126.8	225.6	117.7	108.7	578.8
Total Long-term debt obligations	**349.0**	**1,119.3**	**665.3**	**1,255.2**	**3,388.8**
Finance leases:					
— Finance lease Obligations: fixed rates	15.2	30.2	30.0	44.9	120.3
— Finance lease Obligations: variables rates[(a)]	—	—	—	—	—
Total Finance lease obligations	**15.2**	**30.2**	**30.0**	**44.9**	**120.3**
Operating leases[(b)]					
— Bareboat agreements	227.9	250.4	177.0	152.1	807.4
— Other operating lease agreements	84.7	112.4	78.5	128.1	403.7
Total Operating lease obligations	312.6	362.8	255.5	280.2	1,211.1
Total Contractual Obligations[(c)]	**676.8**	**1,512.3**	**950.8**	**1,580.3**	**4,720.2**

(a) Payments are based on the variable rates applicable as of December 31, 2013.

(b) Includes the five-year marine charter agreement signed on June 28, 2011 with Bourbon for six new support vessels of which three were delivered in 2013.

(c) Payments in foreign currencies are converted in US$ at December 31, 2013 exchange rates.

Contractual obligations — finance leases

The Group leases land, buildings and Geophysical Equipments under finance lease agreements expiring at various dates during the next five to ten years.

The following table presents reconciliation between finance lease obligations and finance lease debts as of December 31, 2013:

	Less than 1 year	1-5 years	After 5 years	Total
	(In millions of US dollars)			
Finance lease Obligations	**15.2**	**60.2**	**44.9**	**120.3**
Discounting	(6.2)	(13.6)	(15.6)	(35.4)
Headquarters purchase option	—	—	36.3	36.3
Finance lease debt (see note 13)	**9.0**	**46.6**	**65.6**	**121.2**

Contractual obligations — operating leases

Operating lease agreements relate primarily to bareboat charter agreements for seismic vessels, Geophysical Equipment, offices and computer equipment.

Rental expenses were US$586.8 million in 2013, US$466.1 million in 2012, US$445.6 million in 2011.

Credit agreements

See note 13.

Guarantees

Guarantees issued include the following:

	December 31,		
	2013	2012 (restated)	2011 (restated)
	(In millions of US dollars)		
Operations			
Guarantees issued in favor of clients[(a)]	789.0	720.2	577.1
Other guarantees and commitments issued[(b)]	215.0	184.2	220.5
Financing			
Guarantees issued in favor of banks[(c)]	1.5	3.9	3.3
Total	**1,005.5**	**908.3**	**800.9**

(a) Guarantees issued in favor of clients relate mainly to guarantees issued by the Company to support bids made at the subsidiaries level.

(b) Other guarantees relate primarily to guarantees issued by the Company on behalf of subsidiaries and affiliated companies in favor of customs or other governmental administrations.

(c) Guarantees issued in favor of banks related mainly to guarantees issued by the Company to support credit facilities made at the subsidiaries level.

On December 2011, the time charter related to the vessel *Elnusa Finder* was novated to the joint venture PT Elnusa-CGGVeritas Seismic. In conjunction to this transaction, we issued a guarantee for the benefit of the owner of the vessel (Swire Pacific Offshore) corresponding to the commitment of this 8-year time charter agreement (€62 million). This guarantee was subject to a co-guarantee given by PT Elnusa Tbk up to their interest in the joint venture. On July 13, 2012, the time was transferred to our fully owned subsidiary Exploration Investment Resources II. The vessel was renamed *Pacific Finder*.

The duration of the guarantees and commitments is as follows:

	Due date				
	Less than 1 year	2-3 years	4-5 years	After 5 years	Total
	(In millions of US dollars)				
Operations					
Guarantees issued in favor of clients	680.3	52.8	3.4	52.5	789.0
Other guarantees and commitments	108.9	10.2	0.6	95.3	215.0
Financing					
Guarantees issued in favor of banks	1.5	—	—	—	1.5
Total	**790.7**	**63.0**	**4.0**	**147.8**	**1,005.5**

Others

During the year 2013, a bareboat charter extension for the seismic vessel *Venturer* was signed on June 28, 2013 for 1 additional year until December 2014.

The seismic vessels *Bergen Surveyor* and *Geo Atlantic* were returned to their ship-owner, respectively on October 17, 2013 and October 30, 2013.

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

Legal proceedings, claims and other contingencies

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

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

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

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

NOTE 19 — ANALYSIS BY OPERATING SEGMENT AND GEOGRAPHIC AREA

Until February 1, 2013, we organized ourselves and reported our results on the basis of two segments: Geophysical Services and Geophysical Equipment. As a result of the acquisition of Fugro Geoscience Division as at January 31, 2013, we changed our organization, as well as the way management measures our performance. Since February 1, 2013, we have been organized in three divisions which we also used as segments for our financial reporting. These segments are:

- **Acquisition**, which comprises the following business lines:
  - Marine acquisition: seismic data acquisition offshore undertaken by us on behalf of a specific client or for our Multi-client business line (internal activity);
  - Land and Airborne: other seismic data acquisition undertaken by us on behalf of a specific client, or for our Multi-client business line (internal activity);
- **Geology, Geophysics & Reservoir ("GGR")**. This operating segment comprises the Multi-clients business line (development and management of seismic surveys that we undertake and license to a number of clients on a non-exclusive basis) and the Subsurface Imaging and Reservoir business line (processing and imaging of geophysical data, reservoir characterization, geophysical consulting and software services, geological data library and data management solutions).
- **Equipment**, which comprises our manufacturing and sales activities for seismic equipment used for data acquisition, both on land and marine. We carry out the activity in the Equipment segment through our subsidiary Sercel.

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

In 2013, in addition to our reorganization into three reportable segments, 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 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 segment, and operating revenues by geographic area (by location of customers).

In 2013, the Group's two most significant customers accounted for 5.1% and 3.9% of the Group's consolidated revenues compared with 7.1% and 5.8% in 2012 and 13.0% and 3.0% in 2011.

Analysis by segment

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

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

(2) For the year ended December 31, 2013, Acquisition EBIT includes US$(800,0) million of non-recurring items: (i) US$(721,0) million related to the Marine business, out of which US$(139,0) million of assets impairment and provisions for onerous contracts and US$(582,0) million of goodwill depreciation as a consequence of the 25% fleet downsizing plan and change of market outlook; and (ii) US$(79,0) million of goodwill and assets impairment as a consequence of more overall difficult Land market conditions.

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

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

(3) Capital expenditures include capitalized development costs of US$(56.9) million for the year ended December 31, 2013.

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

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

(2) For the year ended December 31, 2012, general corporate expenses amounted to US$(53.8) million and an impairment loss of US$(30,0) million related to the Veritas trade name.

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

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

	2011 (restated)				
	Acquisition	GGR	Equipment	Eliminations and Other	Consolidated Total
	(In millions of US dollars), except for assets and capital employed in billions of US$				
Revenues from unaffiliated customers	**1,350.5**	**939.0**	**891.4**	**—**	**3,180.9**
Inter-segment revenues	167.7	—	250.6	(418.3)	—
Operating revenues	**1,518.2**	**939.0**	**1,142.0**	**(418.3)**	**3,180.9**
Depreciation and amortization (excluding multi-client surveys)	(245.0)	(47.6)	(51.1)	—	(343.7)
Depreciation and amortization of multi-client surveys	—	(285.3)	—	—	(285.3)
Share of income in companies accounted for under equity method[(1)]	15.4	1.0	—	—	16.4
Earnings before interest and tax[(2)]	**(178.9)**	**229.1**	**354.0**	**(180.6)**	**223.6**
Capital expenditures (excluding multi-client surveys)[(3)]	338.7	31.0	27.1	(31.2)	365.6
Investments in multi-client surveys, net cash	—	203.2	—	—	203.2
Capital employed	**2.9**	**1.8**	**0.5**	**0.1**	**5.3**
Total assets	**3.5**	**2.0**	**0.9**	**0.2**	**6.6**

(1) Operational results of companies accounted for under equity method were US$17.4 million for the year ended December 31, 2011.

(2) For the year ended December 31, 2011, general corporate expenses amounted to US$(57.4)million.

(3) Capital expenditures include capitalized development costs of US$(23.0) million for the year ended December 31, 2011.

Analysis by geographic area

Analysis of operating revenues by location of customers

	2013		2012 (restated)		2011 (restated)	
	(In millions of US dollars)					
North America	872.2	23.2%	730.3	21.4%	704.8	22.2%
Central and South Americas	309.9	8.2%	499.7	14.7%	641.0	20.2%
Europe, Africa and Middle East	1,666.2	44.2%	1,245.8	36.5%	1,134.5	35.6%
Asia Pacific	917.5	24.4%	934.7	27.4%	700.6	22.0%
Consolidated total	**3,765.8**	**100%**	**3,410.5**	**100%**	**3,180.9**	**100%**

Operating revenue attributed to France is US$38.6 million for the year ended December 31, 2013.

Analysis of operating revenues by category

	2013		2012 (restated)		2011 (restated)	
	(In millions of US dollars)					
Sales of goods	825.7	21.9%	913.4	26.8%	857.2	27.0%
Services rendered[(a)]	2,674.8	71.1%	2,281.0	67.2%	1,962.7	61.7%
After-sales on multi-client surveys	259.9	6.9%	208.0	5.8%	334.9	10.5%
Leases	5.4	0.1%	8.1	0.2%	26.1	0.8%
Consolidated total	**3,765.8**	**100%**	**3,410.5**	**100%**	**3,180.9**	**100%**

(a) Included services rendered and royalties

NOTE 20 — RESEARCH AND DEVELOPMENT EXPENSES

Analysis of research and development expenses is as follows:

	December 31,		
	2013	2012 (restated)	2011 (restated)
	(In millions of US dollars)		
Research and development costs	(181.0)	(135.1)	(117.2)
Development costs capitalized	56.9	29.1	23.0
Research and development expensed	**(124.1)**	**(106.0)**	**(94.2)**
Government grants recognized in income	18.2	13.2	17.2
Research and development costs — net	**(105.9)**	**(92.8)**	**(77.0)**

Research and development expenditures related primarily to:

- for the Geophysical Services segment, projects concerning data processing services and marine acquisition; and
- for the equipment segment, projects concerning seismic data recording equipment.

NOTE 21 — OTHER REVENUES AND EXPENSES

	December 31,		
	2013	2012 (restated)	2011 (restated)
	(In millions of US dollars)		
Impairment of goodwill	(640.0)	—	—
Impairment of assets	(130.0)	(30.0)	—
Restructuring costs	(5.6)	(6.9)	(21.8)
Change in restructuring reserves	(40.0)	6.1	24.4
Other non-recurring revenues (expenses)	(21.8)	(6.1)	3.3
Non-recurring revenues (expenses) — net	**(837.4)**	**(36.9)**	**5.9**
Exchange gains (losses) on hedging contracts	1.9	0.8	4.8
Gains (losses) on sales of assets	90.3	9.4	23.6
Other revenues (expenses) — net	**(745.2)**	**(26.7)**	**34.3**

Year ended December 31, 2013

Impairment of goodwill

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

Impairment of assets

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

Change in restructuring reserves

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

Other non-recurring revenues (expenses)

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

Gains (losses) on sales of assets

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

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

Year ended December 31, 2012

2012 Performance plan

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

Gains (losses) on sales of assets

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

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

Other non-recurring revenues (expenses)

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

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

Year ended December 31, 2011

2011 Performance plan

In 2011, we paid US$20.9 million related to our 2010 performance plan, which was offset by the use of the corresponding provisions.

Gains (losses) on sales of assets

In 2011, Gains on assets included the gain arising from the disposal of our assets in relation with our transaction with Norfield AS amounting to US$10.9 million. We also recognized a US$18.8 million gain arising from the contribution of our 2D multi-client marine library to Spectrum ASA, and a US$4.2 million gain for the sale of our shares in the company Cybernetix (see note 2).

This line item also included vessels and related equipment's losses mainly relating to the crash of one seismic vessel (US$6.7 million). Related insurance indemnities amounting to US$4.2 million were included in the line item Other non-recurring revenues.

NOTE 22 — COST OF FINANCIAL DEBT

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

Analysis of cost of financial debt is as follows:

	December 31,		
	2013	2012 (restated)	2011 (restated)
	(In millions of US dollars)		
Current interest expenses related to financial debt	(179.4)	(151.5)	(149.0)
Amortization of deferred expenditures on financial debts	(13.9)	(7.5)	(28.2)
Income provided by cash and cash equivalents	1.6	2.3	2.7
Cost of financial debt, net	**(191.7)**	**(156.7)**	**(174.5)**

On August 21, 2013, we redeemed US$125 million aggregate principal amount of our US$350 million 9 ½% Senior Notes due 2016 at a price of 104.75% plus accrued interest. Accelerated amortization of deferred expenditures for early repayment are recorded for US$4.3 million in line "Amortization of deferred expenditures on financial debts".

On March 1, 2011, we redeemed US$460 million aggregate principal amount of our US$530 million 7 ½% Senior Notes due 2015. On June 30, 2011, we redeemed the remaining US$70 million. Accelerated amortization of deferred expenditures was recorded for US$6.2 million in line "Amortization of deferred expenditures on financial debts".

On June 2, 2011, we repaid in full the US$508 million outstanding under our Term Loan B facility with the proceeds of our issuance of senior bonds due 2021. Accelerated amortization of deferred expenditures was recorded for US$15.4 million in line "Amortization of deferred expenditures on financial debts".

NOTE 23 — OTHER FINANCIAL INCOME (LOSS)

Analysis of other financial income (loss) is as follows:

	December 31,		
	2013	2012 (restated)	2011 (restated)
	(In millions of US dollars)		
Exchange gains (losses) net	(4.6)	0.7	21.9
Other financial income (expenses)	(17.7)	(20.4)	(21.1)
Other financial income (loss)	**(22.3)**	**(19.7)**	**0.8**

Other financial expenses include arrangement fees for a bridge credit facility that was planned to finance a portion of the acquisition of the Fugro's Geoscience Division, for US$3.7 million and US$12.0 million in 2013 and 2012 respectively.

Other financial expenses also include a US$5.9 million for the early repayment penalty of our US$350 million 9 ½% Senior Notes due 2016.

NOTE 24 — INCOME TAXES

Income tax benefit (expense) consists of:

	December 31,		
	2013	2012 (restated)	2011 (restated)
	(In millions of US dollars)		
France			
Current income tax expense	—	(9.9)	(13.2)
Adjustments on income tax recognized in the period for prior periods	5.4	3.9	(10.2)
Deferred taxes on temporary differences[a]	11.8	(9.9)	(8.1)
Deferred taxes recognized in the period for prior periods[b]	(21.6)	(18.6)	66.1
Deferred taxes on currency translation	16.6	2.6	(1.5)
Total France	**12.2**	**(31.9)**	**33.1**
Foreign countries			
Current income tax expense[c]	(110.7)	(107.7)	(117.5)
Adjustments on income tax recognized in the period for prior periods	2.8	0.1	(4.6)
Deferred taxes on temporary differences for the period	21.1	45.1	32.6
Deferred taxes recognized in the period for prior periods	(6.2)	(8.1)	(5.8)
Deferred taxes on currency translation	(2.1)	3.3	(0.9)
Total Foreign countries	**(95.1)**	**(67.3)**	**(96.2)**
Total income tax benefit (expense)	**(82.9)**	**(99.2)**	**(63.1)**

(a) In 2013, the French branch of the Netherlands entity joined the French tax group.

(b) In 2013, includes a reversal of deferred tax asset on net operating losses carry forward amounting to US$19.9 million. In 2012, included a reversal of deferred tax asset amounting to US$14.5 million and related to the correction of the French tax group loss due to the carry back and R&D tax credit adjustments. In 2011, included US$73.0 million of deferred tax asset related to the remaining French tax group loss carried forward based on a revised 2012-2015 tax planning.

(c) Includes withholding taxes.

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

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

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

	2013	2012 (restated)	2011 (restated)
	(In millions of US dollars)		
Net income (loss)	**(691.2)**	**92.4**	**(13.2)**
Income taxes	**(82.9)**	**(99.2)**	**(63.1)**
Net Income (loss) before taxes	**(608.3)**	**191.6**	**49.9**
Differences on tax basis:			
Equity investment companies income	(0.6)	(37.4)	(16.4)
Theoretical tax basis	**(608.9)**	**154.2**	**33.5**
Enacted tax rate in France	38.00%	36.10%	36.10%
Theoretical taxes	**231.4**	**(55.6)**	**(12.1)**
Differences on tax:			
Differences in tax rates between France and foreign countries	(4.3)	25.6	1.0
Non-deductible part of dividends	(4.7)	(1.5)	(5.3)
Adjustments on the tax expense recognized in the period for prior periods	8.2	4.0	(14.9)
Adjustments on the deferred tax expense recognized in the period for prior periods[a]	(27.9)	(26.7)	59.8
Other permanent differences[b]	(269.7)	(33.1)	(50.7)
Deferred tax unrecognized on losses of the period on the French tax group	(20.2)	—	—
Deferred tax unrecognized on losses of the period on foreign entities[c]	(10.3)	(12.4)	(27.1)
Unrecognized deferred tax on losses of prior periods	3.0	0.7	10.0
Income tax and deferred tax on Argas net income (equity method company)[d]	(3.0)	(6.1)	(1.4)
Deferred tax on currency translation adjustments[e]	14.6	5.9	(4.6)
Other[f]	—	—	(17.8)
Income taxes	**(82.9)**	**(99.2)**	**(63.1)**

(a) In 2013, includes a reversal of deferred tax asset on net operating losses carry forward amounting to US$19.9 million. In 2012, included a reversal of deferred tax assets amounting to US$14.5 million related to the correction of the French tax group loss due to the carry back and R&D Tax Credit adjustments. Included deferred tax assets recognized on the French tax group for US$73.0 million in 2011.

(b) In 2013 permanent differences include impairment of goodwill for US$640 million. Also primarily include withholding taxes.

(c) Corresponds to the unrecognized deferred tax on losses for the period for various countries due to short and medium term uncertainties.

(d) CGG SA, as shareholder of Argas, is directly required to pay income tax for Argas in Saudi Arabia for its share in Argas.

(e) Corresponds to the currency translation adjustment related to the translation in functional currency of the local books of French and Norwegian entities.

(f) In 2011, included the income tax impact of 10% of the net gain realized on internal disposal of investments.

Net operating loss carried forward

Net operating loss carried forward available and not recognized as deferred tax assets as of December 31, 2013, amounted to US$285.2 million and are currently scheduled to expire as follows:

	France	Foreign countries
	(In millions of US dollars)	
2014	—	5.0
2015 and thereafter	—	98.0
Available indefinitely	64.4	118.3
Total	**64.4**	**221.3**

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

Deferred tax assets and liabilities

Deferred tax assets and liabilities are as follows:

	December 31,		
	2013	2012 (restated)	2011 (restated)
	(In millions of US dollars)		
Tax losses carried forward	151.7	137.7	143.0
Deferred tax assets related to timing differences	70.9	33.7	45.8
Total deferred tax assets	**222.6**	**171.4**	**188.8**
Deferred tax liabilities related to timing differences	148.9	106.0	104.4
Total deferred tax liabilities	**148.9**	**106.0**	**104.4**
Total deferred taxes, net	**73.7**	**65.4**	**84.4**

The reconciliation of net deferred tax is as follows:

	December 31,		
	2013	2012 (restated)	2011 (restated)
	(In millions of US dollars)		
Non-deductible provisions (including pensions and profit sharing)	50.8	52.1	60.0
Tangible assets	93.0	100.0	68.3
Effect of currency translation adjustment not recognized in income statement	6.1	(2.2)	(5.3)
Multi-client surveys (including deferred revenues)	(60.9)	(86.5)	(50.2)
Assets reassessed in purchase price allocation of acquisitions	(102.1)	(83.2)	(78.3)
Development costs capitalized	(22.4)	(15.1)	(11.5)
Other deferred revenues	(7.8)	(10.1)	(14.2)
Convertible bonds and other financial instruments, including Net Investment Hedge	(42.5)	(60.9)	(32.0)
Other	7.8	33.6	4.6
Total deferred tax assets net of deferred tax (liabilities) related to timing differences	**(78.0)**	**(72.3)**	**(58.6)**
Tax losses carried forward	151.7	137.7	143.0
Total deferred tax assets net of deferred tax (liabilities)	**73.7**	**65.4**	**84.4**

The impact of the Fugro integration is not significant.

As of December 31, 2013, deferred tax assets (liabilities) per tax group are as follows:

	France	Norway	US	Other	Total
Net deferred tax assets (liabilities) related to timing differences	7.6	3.4	(101.8)	12.8	(78.0)
Deferred tax assets on losses carried forward	98.8	27.6	—	25.3	151.7
Total deferred tax assets (liabilities)	**106.4**	**31.0**	**(101.8)**	**38.1**	**73.7**

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

The deferred tax assets recognized on losses carried forward of the French tax group are based on a 2014-2018 tax planning.

Tax audit and litigation

US

The ongoing tax audit regarding CGG Holding (U.S.) Inc. for the 2007 fiscal year has been extended to 2008-2011 within a limited audit scope. The on-site verification was concluded but the procedure is still pending until the conclusions of the CGG Americas litigation.

The Group is litigating the tax authorities' position related to the tax audit of CGG Americas covering fiscal years 2006 and 2007 before the Civil Courts but does not fear any material consequences. All petitions, motions, objections and rebuttals have been filed during 2012 but the Courts decisions were not released in 2013.

CGG Holding (U.S.) Inc. has received a redetermination notice regarding its Texas State tax for the years 2007 and 2008 for US$3.4 million. The Group is litigating the Texas Controller's position before the Civil Courts. Depositions occurred in June 2013 and were favorable to the Company; trial occurred recently in February, 2014. The company is now awaiting the decision.

Brazil

The City of Rio has claimed US$48 million (103 million Brazilian reais) against Veritas do Brazil plus US$30 million (63 million Brazilian reais) to CGG do Brazil Participacoes Ltda concerning tax on services (ISS) with respect to the years 2001 to 2008, which has been duly disputed.

Decisions in favor of Veritas do Brazil were rendered in Appeal in August 2011 and May 2012. The municipality appealed to Supreme Court in June 2012 and Veritas do Brazil presented its defense in August 2012. The Superior Court of Justice denied again receiving the Municipality Appeal on the case. The Municipality can appeal against the decision before Supreme Court.

Following a 2012 audit on year 2009, CGG do Brazil Participacoes Ltda was reassessed US$7.9 million of withholding tax and US$5.3 million of CIDE. The reassessment is disputed. No events occurred in this Court Case during 2013.

Middle East

In Egypt, the discussions with the tax authorities on their US$25 million tax claim, based on revenues earned without any deduction of costs incurred have not lead to any significant new development in 2013. The Group does not expect this claim to have any material impact on the Group's statements.

India

The Group has litigation with Indian Tax administration regarding the application of the specific regime dedicated to activities in connection with exploration of mineral oil (subject to 4.2% withholding tax) for years 2006 to 2010. Indian Tax Administration has changed its interpretation, by requesting a 10.0% withholding tax as Fees for Technical Services without any legal basis, no specific regulations has been issued so far. The whole industry being concerned, this issue will be handled by the Indian Supreme Court.

Besides, In January 2012, Delhi Income Tax Appellate Tribunal (ITAT) issued an unfavorable decision, based on assumptions which do not fit with the Company's actual situation. The Group challenged the ITAT order through a miscellaneous application and appealed the same decision to the Nainital High Court. The hearings at High Court could not take place in 2013.

Nevertheless, since December 2012 in similar cases, Delhi High Court has issued several judgments in favor of seismic companies, on disputes based on the same grounds than ours. In a nutshell, these judgments state officially that seismic activities are eligible to the said specific regime, whatever the legal way the activities are performed in India.

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

NOTE 25 — PERSONNEL

The analysis of personnel is as follows:

	Year ended December 31,		
	2013	2012 (restated)	2011 (restated)
Personnel employed under French contracts	1,960	1,929	1,828
Personnel employed under local contracts	7,728	5,631	5,370
Total	**9,688**	**7,560**	**7,198**
Including field staff of:	1,617	1,500	1,476

The total cost of personnel employed was US$1,142.6 million in 2013, US$911.5 million in 2012, and US$905.8 million in 2011.

2,305 people have joined the Group pursuant the acquisition of Fugro.

NOTE 26 — KEY MANAGEMENT PERSONNEL COMPENSATION

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

The C-Com members' remuneration for year 2013 and Directors and Executive Committee members' remuneration for 2012 and 2011 were:

	Year ended December 31,		
	2013	2012 (restated)	2011 (restated)
		(in US$)	
Short-term employee benefit paid[a]	4,714,636	8,337,564	10,354,542
Directors' fees	967,542	941,700	1,024,561
Long-term employee benefit — pension[b]	69,015	62,293	79,388
Long-term employee benefit — supplemental pension[c]	954,088	1,221,058	1,266,967
Share-based payments[d]	4,495,433	7,254,272	6,834,400

(a) Excludes tax on salary.

(b) Cost of services rendered and interest cost.

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

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

Contractual indemnity in case of termination of the functions

Chief Executive Officer

The Board of Directors of May 10, 2012, having renewed the term of office of Mr. Jean-Georges Malcor for a two-year period, i.e. until the General Meeting convened to approve the financial statements for the financial year ended December 31, 2013, also renewed for the duration of this office, the terms and conditions of the advantages granted to Mr. Jean-Georges Malcor in case of termination of its term of office as they had been approved by the Board of Directors of February 24, 2011 and ratified by the General Meeting of May 4, 2011. These benefits were ratified by the General Meeting of May 3, 2013.

These advantages are the following:

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

(i) a gross amount of 200% of the gross fixed compensation paid by the Company to Mr. Jean-Georges Malcor during the twelve-month period preceding his departure date, to which is added the annual average of the variable compensation paid by the Company to Mr. Jean-Georges Malcor over the thirty-six-month period preceding his departure date (hereinafter "the Reference Annual Compensation"), and

(ii) any sum to which Mr. Jean-Georges Malcor may be entitled as a result of such termination, including any sums to be paid further to the application of his non-competition commitment.

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

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

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

- The average, calculated over the 60 trading days preceding the departure date, of the ratio of the CGG share price over the SBF 120 index shall equal at least two-thirds of the same average ratio over the same 60-day period four years before the date on which Mr. Malcor leaves the Group;
- The average margin rate of the Group EBITDAS over the four years preceding the date on which Mr. Malcor leaves the Group shall be at least 25%.

Payment of the full amount of the special termination indemnity is subject to the fulfillment of two conditions out of three. In case only one condition is fulfilled, then Mr. Jean-Georges Malcor will be entitled to receive only 50% of the said special termination indemnity.

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

Corporate Officers (Directeurs Généraux Délégués)

The benefits granted to Messrs. Frydman and Rouiller in case of their departure from the Group were approved by the Board of Directors on February 29, 2012 and ratified by the General Meeting on May 10, 2012. They include the following:

Messrs. Frydman and Rouiller will benefit from a special termination indemnity in the event of a forced departure relating to a change of control or a change of strategy. The amount of this indemnity is set at the difference between

(i) a gross amount equal to 200% of their reference annual compensation and

(ii) any amounts to which they may claim entitlement in case of departure from the Group, particularly, the indemnities that could be paid in connection with their non-compete agreement referred to below.

The global amount of such special termination indemnity shall not exceed 200% of the reference annual compensation.

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

- The average of the ratio between the CGG ADS price over the PHLX Oil Service Sector^{SM} (OSX^{SM}) index over the 60 trading days preceding the date of departure shall equal at least two-thirds of the same average ratio assessed over the same period of 60 trading days four years before the beneficiary leaves the Group;
- The average of the ratio of the CGG share price over the SBF 120 index over the 60 trading days preceding the date of departure shall equal at least two-thirds of the same average ratio assessed over the same period of 60 trading days four years before the beneficiary leaves the Group;
- The average Group EBITDAS margin over the 4 years preceding the date of departure shall be at least 25%.

Payment of the full amount of the special termination indemnity is subject to the fulfillment of two conditions out of three. Should only one of the objectives be fulfilled, then the beneficiary would only be entitled to 50% of his special termination indemnity.

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

NOTE 27 — RELATED PARTY TRANSACTIONS

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

	2013	2012 (restated)	2011 (restated)
	(In millions of US dollars)		
Sales of Geophysical Equipment to Argas	1.4	10.9	4.2
Equipment rentals and services rendered to Argas	9.7	10.4	15.2
Charter revenues received from LDA for the *CGG Alizé*	15.3	12.2	13.8
Services rendered to Gardline CGG Pte Ltd.	—	3.3	—
Equipment rentals and services rendered to PTSC CGGV Geophysical Survey Company	27.8	13.6	—
Equipment rentals and services rendered to PT Elnusa-CGGVeritas Seismic	—	6.0	17.3
Equipment rentals and services rendered to Seabed Geosolutions BV	11.9	—	—
Income	**66.1**	**56.4**	**50.5**
Equipment purchase and rentals from Argas	4.4	6.2	8.7
Charter expenses and ship management paid to LDA	22.0	34.3	28.1
Charter expenses from Eidesvik Seismic Vessels AS	14.6	14.6	17.3
Charter expenses from Oceanic Seismic Vessels AS	18.1	15.4	4.5
Ship management expenses from CGG Eidesvik Ship Management AS	80.3	67.8	9.0
Ship management expenses from GeofieLD Ship Management Services SAS	11.3	—	—
Costs of services rendered by PT Elnusa-CGGVeritas Seismic	—	10.8	13.5
Purchases of Geophysical Equipment from Tronic's	5.0	10.9	8.8
Cost of services rendered by PTSC CGGV Geophysical Survey Company	42.6	23.4	—
Cost of services rendered by Gardline CGG Pte Ltd	1.7	5.6	1.4
Expenses	**200.0**	**189.0**	**91.3**
Trade receivables from Argas	8.0	6.9	4.0
Trade receivables from PT Elnusa-CGGVeritas Seismic.	5.1	6.1	14.7
Trade receivables from PTSC CGGV Geophysical Survey Company	1.8	4.2	—
Trade receivables from LDA	10.6	11.9	7.1
Trade receivables from Seabed Geosolutions BV	8.5	—	—
Trade accounts and notes receivable	**34.0**	**29.1**	**25.8**
Agency arrangements with Seabed Geosolutions BV	5.0	—	—
Agency arrangements with Argas	5.4	—	—
Other current assets	**10.4**	**—**	**—**
Loan to PTSC CGGV Geophysical Survey Company	25.0	28.3	—
Financial assets	**25.0**	**28.3**	**—**
Accounts payable to Argas	8.6	5.4	3.0
Accounts payable to LDA	—	2.7	3.9
Accounts payable to Spectrum ASA	—	0.9	3.4
Accounts payable to PTSC CGGV Geophysical Survey Company	10.2	10.9	—
Accounts payable to PT Elnusa-CGGVeritas Seismic	—	—	12.9
Accounts payable to Seabed Geosolutions BV	2.6	—	—
Trade accounts and notes payables	**21.4**	**19.9**	**23.2**
Agency arrangements with Seabed Geosolutions BV	15.4	—	—
Agency arrangements with Argas	5.4	—	—
Other current liabilities	**20.8**	**—**	**—**
Finance lease debt to Eidesvik Seismic Vessels AS	10.9	11.7	12.4
Finance lease debt to Oceanic Seismic Vessels AS	9.0	9.6	10.2
Financial liabilities	**19.9**	**21.3**	**22.6**
Future leases commitments to Oceanic Seismic Vessels AS	163.7	180.1	149.3
Future leases commitments to Eidesvik Seismic Vessels AS	139.9	155.9	172.5
Future ship management costs to LDA — net	—	4.6	8.2
Future ship management costs to CGG Eidesvik Ship Management AS	241.9	222.9	258.2
Future ship management costs to GeofieLD Ship Management SAS	12.2	—	—
Contractual Obligations	**557.5**	**563.5**	**588.2**

Louis Dreyfus Armateurs ("LDA") provides ship management services for a portion of our fleet. In addition, LDA was the owner, together with the Group, of Geomar which owns of the seismic vessel "*CGG Alizé*"(note 2). Geomar provides vessel charter services to LDA.

Argas, Eidesvik Seismic Vessels AS, Oceanic Seismic Vessels AS, Gardline CGG Pte Ltd., CGG Eidesvik Ship Management AS, PTSC CGGV Geophysical Survey Company, Spectrum ASA, PT Elnusa-CGGVeritas Seismic, GeofieLD Ship Management Services SAS and Seabed Geosolutions BV are companies 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 28 — SUPPLEMENTARY CASH FLOW INFORMATION

Depreciation and amortization include US$640 million of impairment of goodwill and US$126 million of impairment of other assets (see note 21). In 2012, depreciation and amortization included US$30 million impairment loss related to the 'Veritas' trade name.

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

Acquisition in 2013 is mainly related to the Fugro Geoscience Division. On January 31, 2013, based on a €703 million gross payment, we paid a total consideration of US$937.6 million (including US$8.8 million cash contributed to our Seabed joint venture), net of US$23.6 million of cash acquired. The airborne activity was acquired on September 2, 2013 and was financed by the vendor loan granted by Fugro. Final adjustments, notably for actual levels of working capital, indebtedness and cash position lead to a subsequent cash refund of US$5.1 million from Fugro to CGG. Overall, we paid a total net consideration of US$933.0 million for the whole Fugro transaction.

Acquisitions in 2012 included US$52.5 million net investment in Geophysical Research Corporation, LLC ("GRC"). Acquisitions in 2011 included US$4.8 million convertible bond in Spectrum ASA, US$4.5 million convertible bond in Oceanic Seismic Vessels AS and US$0.8 million investment in Petrodata Consulting LLC.

Proceeds from disposal of tangible and intangible assets in 2011 mainly corresponded to the disposal of our 2D marine multi-client library paid in cash by Spectrum ASA.

Proceeds from disposal of financial assets in 2013 mainly relate to the sale of our 10.14% stake in Spectrum ASA. Proceeds from disposal of financial assets in 2012 mainly related to the sale of an 18.82% stake in Spectrum ASA. In 2011, they corresponded mainly to the disposal of 33% of our investment in Cybernetix.

The financial expenses paid include mainly fees and interests related to the Senior Notes, the convertible bonds and other facilities (see note 13).

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

Non-cash investing and financing transactions that are excluded from the consolidated statements of cash flows consisted of the following:

	Year ended December 31,		
	2013	**2012 (restated)**	**2011 (restated)**
	(In millions of US dollars)		
Equipment acquired under finance leases	—	2.8	29.1

The cash and cash equivalents are composed as follows:

	Year ended December 31,		
	2013	**2012 (restated)**	**2011 (restated)**
	(In millions of US dollars)		
Cash	439.9	952.5	431.9
Cash equivalents	90.1	567.7	99.5
Total cash and cash equivalents	**530.0**	**1,520.2**	**531.4**

Cash and Cash equivalents include trapped cash amounting to US$92.4 million. Trapped cash means any cash and cash equivalent held by a subsidiary that operates in a country where exchange controls or other legal restrictions apply when the balances are not available for general use by the Group (cash in subsidiaries not available at Group level).

NOTE 29 — EARNINGS PER SHARE

	Year		
	2013	2012 (restated)[4]	2011 (restated)[4]
	(in millions of US$, excepted per share data)		
Net income attributable to shareholders[a]	(698.8)	75.2	(27.1)
Less financial expenses on convertible bond, net of tax	36.2	21.7	18.9
Adjusted net income attributable to shareholders for diluted earnings per shares[b]	(662.6)	96.9	(8.2)
Effect of dilution			
Ordinary shares outstanding at the beginning of the year[c]	176,392,225	158,665,347	158,293,583
Weighted average number of ordinary shares outstanding during the year[d]	342,764	3,412,261	277,740
Weighted average number of ordinary shares outstanding[(e) =(c)+(d)]	176,734,989	162,077,608	158,571,323
Dilutive potential shares from 2006 stock options	[1]	[1]	[1]
Dilutive potential shares from 2007 stock options	[1]	[1]	[1]
Dilutive potential shares from 2008 stock options	[1]	[1]	[1]
Dilutive potential shares from 2009 stock options	[2]	586,385	[2]
Dilutive potential shares from 2010 stock options	[2]	241,517	[2]
Dilutive potential shares from 2011 stock options	[1]	[1]	—
Dilutive potential shares from 2012 stock options	—	—	—
Dilutive potential shares from 2013 stock options	—	—	—
Total dilutive potential shares from stock options	—	827,902	—
Dilutive potential shares from 2011 performance shares allocation	[2]	236,423	[2]
Dilutive potential shares from 2012 performance shares allocation	[2]	267,509	[2]
Dilutive potential shares from 2013 performance shares allocation	[2]	—	—
Total dilutive potential shares from performance shares allocation	—	503,932	—
Dilutive potential shares from Convertible bonds 2011	[2]	[3]	[2]
Dilutive potential shares from Convertible bonds 2012	[2]	[3]	—
Dilutive weighted average number of shares outstanding adjusted when dilutive[f]	176,734,989	163,409,442	158,571,323
Earnings per share			
Basic[(a)/(e)]	**(3.95)**	**0.46**	**(0.17)**
Diluted[(b)/(f)]	**(3.95)**	**0.46**	**(0.17)**

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

(2) As our net result was a loss, stock options, performance shares plans and convertible bonds had an anti-dilutive effect; as a consequence, potential shares linked to those instruments were not taken into account in the dilutive weighted average number of shares or in the calculation of diluted loss per share.

(3) Convertible bonds had an accretive effect (increase of our earning per share); as a consequence, potential shares linked to those instruments were not taken into account in the dilutive weighted average number of shares or in the calculation of diluted income per share.

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

As a result of the 2012 CGG SA capital increase via an offering of preferential subscription rights to existing shareholders, the calculation of basic and diluted earnings per shares for 2012 and 2011 has been adjusted retrospectively. Number of ordinary shares outstanding has been adjusted to reflect the proportionate change in the number of shares.

NOTE 30 — SUBSEQUENT EVENTS

No significant subsequent event.

NOTE 31 — LIST OF PRINCIPAL CONSOLIDATED SUBSIDIARIES AS OF DECEMBER 31, 2013

Subsidiaries are fully consolidated from the date of their acquisition, being the date on which the Group obtains the control. Dormant subsidiaries of the Group have not been included in the list below.

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

Siren Number[(a)]	Companies Names	Head Office	% of interest
	CGG Holding BV	Amsterdam, The Netherlands	100.0
	CGG Marine BV	Amsterdam, The Netherlands	100.0
	CGG Services Ressources BV	Amsterdam, The Netherlands	100.0
	CGG Data Management (Netherlands) B.V[(2)]	Montfoort, The Netherlands	100.0
	CGG Jason (Netherlands) BV[(2)]	Gravenhague, The Netherlands	100.0
	De Regt Marine Cables BV[(2)]	Leidschendam, The Netherlands	100.0
403 256 944	CGG Services SA	Massy, France	100.0
410 072 110	CGG Explo SARL	Massy, France	100.0
413 926 320	Geomar SAS[(1)]	Paris, France	49.0
	CGG Electromagnetics (Italy) Srl[(2)]	Milan, Italy	100.0
	CGG International SA	Geneva, Switzerland	100.0
	CGG Data Services AG[(2)]	Zug, Switzerland	100.0
	CGG Geoscience GmbH[(2)]	Zug, Switzerland	100.0
	Wavefield Inseis AS	Bergen, Norway	100.0
	CGG Marine Resources Norge AS	Hovik, Norway	100.0
	CGG Geo Vessels AS[(2)]	Bergen, Norway	100.0
	CGG Marine (Norway) AS[(2)]	Oslo, Norway	100.0
	CGG Seismic Imaging (Norway)AS[(2)]	Oslo, Norway	100.0
	CGG Services (Norway) AS	Oslo, Norway	100.0
	Profocus Systems AS[(2)]	Fyllingsdalen, Norway	100.0
	Robertson Geolab Nor AS[(2)]	Trondheim, Norway	100.0
	Exploration Vessel Resources AS	Bergen, Norway	100.0
	Exploration Investment Resources II AS	Bergen, Norway	100.0
	Exploration Vessel Resources II AS	Bergen, Norway	100.0
	CGG Services (UK) Ltd.	Crawley, United Kingdom	100.0
	CGG Data Management (UK) Limited[(2)]	Conwy, United Kingdom	100.0
	CGG Jason (UK) Limited[(2)]	Wallingford, United Kingdom	100.0
	CGG NPA Satellite Mapping Limited[(2)]	Edenbridge, United Kingdom	100.0
	CGG Seismic Imaging (UK) Limited[(2)]	Swanley, United Kingdom	100.0
	Robertson (UK) Limited[(2)]	Llandudno, United Kingdom	100.0
	Robertson Geospec International[(2)]	Llandudno, United Kingdom	100.0
	Veritas Caspian LLP[(1)]	Almaty, Kazakhstan	50.0
	CGG do Brasil Participaçoes Ltda	Rio do Janeiro, Brazil	100.0
	Veritas do Brasil Ltda.	Rio do Janeiro, Brazil	100.0
	LASA Prospeccoes S.A[(2)]	Rio do Janeiro, Brazil	100.0
	Geomag SA Prospeccoes Aerogeofisicas[(2)]	Rio do Janeiro, Brazil	100.0
	CGGVeritas Services de Mexico SA de CV	Mexico City, Mexico	100.0
	CGG Geoscience de Mexico SA de CV.[(2)]	Mexico City, Mexico	100.0
	Exgeo CA	Caracas, Venezuela	100.0
	CGG Holding (US) Inc	Delaware, United States	100.0
	CGG Services (US) Inc.	Delaware, United States	100.0
	CGG Land (US) Inc.	Delaware, United States	100.0
	CGG Jason (US) Inc.[(2)]	Houston, United States	100.0
	CGG Canada Services Ltd.	Calgary, Canada	100.0
	Viking Maritime Inc.	Houston, United States	100.0
	CGG Services (Canada) Inc.	Alberta, Canada	100.0
	Hampson-Russell Ltd.	Alberta, Canada	100.0
	CGG Services (Australia) Pty. Ltd.	Perth, Australia	100.0
	CGG Seismic Imaging (Australia) Pty Ltd.[(2)]	Perth, Australia	100.0

Siren Number[a]	Companies Names	Head Office	% of interest
	CGG Marine (Australia) Pty Ltd.[2]	Perth, Australia	100.0
	CGG Jason (Australia) Pty Ltd.[2]	Perth, Australia	100.0
	CGG Ground Geophysics (Australia) Pty Ltd.[2]	Perth, Australia	100.0
	PT CGG Services Indonesia[1]	Djakarta, Indonesia	95.0
	CGG Services India Private Ltd.	Navi Mumbai, India	100.0
	CGGVeritas Technology Services (Beijing) Co. Ltd.	Beijing, China	100.0
	CGG Geoscience (Bejing) Ltd[2]	Beijing, China	100.0
	CGG Services (Singapore) Pte Ltd	Singapore	100.0
	Ardiseis FZCO	Dubai, United Arab Emirates	51.0
	CGG Vostok	Moscow, Russia	100.0
	CGG (Nigeria) Ltd.	Lagos, Nigeria	100.0
	CGG Airborne Survey (Pty) Ltd[2]	Johannesburg, South Africa	100.0
866 800 154	Sercel Holding SA	Carquefou, France	100.0
378 040 497	Sercel SA	Carquefou, France	100.0
	Sercel England Ltd.	Edimburgh, United Kingdom	100.0
	Sercel-GRC	Houston, United States	100.0
	Optoplan AS	Trondheim, Norway	100.0
	Sercel Inc.	Houston, United States	100.0
	Sercel Canada Ltd.	Fredericton, Canada	100.0
	Sercel Australia Pty. Ltd.	Sydney, Australia	100.0
	Xian Sercel Petroleum Exploration Instrument Co. Ltd.[1]	Xian, China	51.0
	Sercel (Beijing) Technological Services Co. Ltd.	Beijing, China	100.0
	Sercel Singapore Pte Ltd.	Singapore	100.0
	De Regt Germany Gmbh	Dortmund, Germany	100.0

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

(1) % of control for these subsidiaries amount to 100%. Non-Controlling interests are not significant.

(2) New entities acquired from Fugro.

NOTE 32 — CONDENSED CONSOLIDATING INFORMATION FOR CERTAIN SUBSIDIARIES

At December 31, 2013 the obligations to pay our outstanding Senior Notes are guaranteed by certain subsidiaries: CGG Canada Services Ltd, CGG Marine Resources Norge AS, CGG Holding (U.S.) Inc, Alitheia Resources Inc, CGG Land (U.S.) Inc., CGG Services (U.S.) Inc., Veritas Geophysical (Mexico) LLC, Veritas Investments Inc., Viking Maritime Inc., CGG Marine BV, CGG Holding BV as the “Services guarantors”, and Sercel Inc., Sercel Australia Pty Ltd, Sercel Canada Ltd and Sercel-GRC as the “Equipment guarantors”.

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

	CGG	Services Guarantors	Equipment Guarantors	Non Guarantors	Consolidation Adjustments	Group Consolidated
			(in millions of US dollars)			
Goodwill	—	2,210.6	91.6	181.0	—	2,483.2
Intangible assets (including multi-client surveys)	26.3	652.6	30.8	759.8	(197.9)	1,271.6
Property, plant and equipment	112.2	740.6	39.4	944.4	(278.8)	1,557.8
Investment in affiliates	4,505.2	1,938.0	6.1	504.2	(6,953.5)	—
Other non-current assets	2,440.2	582.1	7.6	482.7	(2,916.4)	596.2
Current assets	359.9	1,080.7	300.7	2,847.3	(2,234.6)	2,354.0
Total assets	**7,443.8**	**7,204.6**	**476.2**	**5,719.4**	**(12,581.2)**	**8,262.8**
Financial debt (including bank overdrafts, current and non-current portion)	2,504.0	2,381.1	0.2	734.8	(2,872.5)	2,747.6
Other non-current liabilities (excluding financial debt)	26.5	98.2	24.3	194.7	(10.6)	333.1
Current liabilities (excluding current portion of debt)	1,023.2	693.7	121.8	1,872.0	(2,418.7)	1,292.0
Total liabilities (excluding equity)	**3,553.7**	**3,173.0**	**146.3**	**2,801.5**	**(5,301.8)**	**4,372.7**
Equity	**3,890.1**	**4,031.6**	**329.9**	**2,917.9**	**(7,279.4)**	**3,890.1**
Operating revenues	110.8	914.3	440.2	4,539.5	(2,239.0)	3,765.8
Depreciation and amortization	7.2	1,133.6	12.5	533.0	(74.6)	1,611.7
Operating income (loss)	(108.1)	(509.7)	120.1	100.1	2.7	(394.9)
Equity in income of affiliates	(234.3)	152.9	—	0.2	81.2	—
Net income (loss) group share	**(691.2)**	**(559.8)**	**83.0**	**75.3**	**401.5**	**(691.2)**
Cash flow from operating activities	798.9	194.3	7.8	467.7	(561.0)	907.7
Cash flow from investing activities	(1,295.4)	(1,452.9)	(10.5)	(417.7)	1,457.0	(1,719.5)
Cash flow from financing activities	(526.8)	1,283.9	(2.1)	(37.4)	(914.7)	(197.1)
Effect of exchange rates on cash	—	—	—	—	21.4	21.4
Impact of changes in consolidation scope	—	—	—	—	(2.7)	(2.7)
Cash at opening	**1,289.8**	**67.6**	**8.8**	**154.0**	**—**	**1,520.2**
Cash at closing	**266.5**	**92.9**	**4.0**	**166.6**	**—**	**530.0**

The following tables present condensed consolidated financial information in IFRS for the year ended December 31, 2012 (restated) and December 31, 2011 (restated).

	CGG	Services Guarantors	Equipment Guarantors	Non Guarantors	Consolidation Adjustments	Group Consolidated
			(In millions of US dollars)			
Goodwill	—	2,176.6	94.0	144.9	—	2,415.5
Intangible assets (including multi-client surveys)	29.0	539.6	32.6	462.7	(129.0)	934.9
Property, plant and equipment	106.1	655.0	41.7	604.9	(248.2)	1,159.5
Investment in affiliates	5,174.8	1,552.6	5.9	230.0	(6,963.3)	—
Other non-current assets	1,082.2	117.7	7.3	248.4	(1,106.0)	349.6
Current assets	1,396.4	1,220.2	256.5	3,443.6	(2,843.4)	3,473.3
Total assets	**7,788.5**	**6,261.7**	**438.0**	**5,134.5**	**(11,289.9)**	**8,332.8**
Financial debt (including bank overdrafts, current and non-current portion)	2,223.3	1,096.9	0.4	124.6	(1,140.0)	2,305.2
Other non-current liabilities (excluding financial debt)	31.7	85.2	29.9	175.2	(45.9)	276.1
Current liabilities (excluding current portion of debt)	951.6	472.7	153.2	2,435.1	(2,843.0)	1,169.6
Total liabilities (excluding equity)	**3,206.6**	**1,654.8**	**183.5**	**2,734.9**	**(4,028.9)**	**3,750.9**
Equity	**4,581.9**	**4,606.9**	**254.5**	**2,399.6**	**(7,261.0)**	**4,581.9**
Operating revenues	100.6	810.1	560.2	3,976.9	(2,037.3)	3,410.5
Depreciation and amortization	7.0	403.2	12.5	347.2	(61.0)	708.9
Operating income (loss)	(52.7)	120.8	125.6	209.3	(72.4)	330.6
Equity in income of affiliates	31.7	101.8	—	0.2	(133.7)	—
Net income (loss) group share	**92.4**	**236.3**	**87.1**	**150.8**	**(474.2)**	**92.4**
Cash flow from operating activities	573.0	75.2	67.2	699.5	(494.0)	920.9
Cash flow from investing activities	27.1	(487.5)	(62.9)	(368.1)	146.8	(744.6)
Cash flow from financing activities	348.9	390.4	(3.8)	(270.2)	329.5	794.8
Effect of exchange rates on cash	—	—	—	—	17.7	17.7
Cash at opening	**340.8**	**89.5**	**8.3**	**92.8**	**—**	**531.4**
Cash at closing	**1,289.8**	**67.6**	**8.8**	**154.0**	**—**	**1,520.2**

	CGG	Services Guarantors	Equipment Guarantors	Non Guarantors	Consolidation Adjustments	Group Consolidated
			(In millions of US dollars)			
Goodwill	—	2,476.3	70.5	141.4	—	2,688.2
Intangible assets (including multi-client surveys)	24.7	486.6	3.1	460.0	(109.3)	865.1
Property, plant and equipment	111.8	590.4	48.9	632.1	(200.0)	1,183.2
Investment in affiliates	4,601.8	1,471.5	5.3	234.3	(6,312.9)	—
Other non-current assets	1,194.0	137.7	4.3	100.8	(1,091.6)	345.2
Current assets	495.4	656.4	178.9	2,709.0	(1,929.9)	2,109.8
Total assets	**6,427.7**	**5,818.9**	**311.0**	**4,277.6**	**(9,643.7)**	**7,191.5**
Financial debt (including bank overdrafts, current and non-current portion)	1,819.9	1,094.3	0.8	246.1	(1,219.0)	1,942.1
Other non-current liabilities (excluding financial debt)	36.4	94.6	18.0	168.0	(39.0)	278.0
Current liabilities (excluding current portion of debt)	689.7	551.8	52.5	1,621.3	(1,825.6)	1,089.7
Total liabilities (excluding equity)	**2,546.0**	**1,740.7**	**71.3**	**2,035.4**	**(3,083.6)**	**3,309.8**
Equity	**3,881.7**	**4,078.2**	**239.7**	**2,242.2**	**(6,560.1)**	**3,881.7**
Operating revenues	14.6	784.1	524.8	3,443.1	(1,585.7)	3,180.9
Depreciation and amortization	4.9	393.8	17.4	263.3	(50.4)	629.0
Operating income (loss)	(36.6)	125.8	150.6	587.3	(619.9)	207.2
Equity in income of affiliates	851.6	(155.8)	—	0.4	(696.2)	—
Net income (loss) group share	**(13.2)**	**257.5**	**102.6**	**763.5**	**(1,123.6)**	**(13.2)**
Cash flow from operating activities	1,017.7	520.4	109.9	(47.0)	(811.1)	789.9
Cash flow from investing activities	(502.9)	(438.7)	(7.0)	(36.7)	446.8	(538.5)
Cash flow from financing activities	(456.3)	(8.1)	(116.2)	47.5	371.2	(161.9)
Effect of exchange rates on cash	—	—	—	—	(6.9)	(6.9)
Cash at opening	**282.3**	**15.9**	**21.6**	**129.0**	**—**	**448.8**
Cash at closing	**340.8**	**89.5**	**8.3**	**92.8**	**—**	**531.4**

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