CGG
Form 20-F/A
July 30, 2015

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F/A

AMENDMENT NO. 1

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

OR

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

For the Fiscal Year Ended December 31, 2014

OR

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

OR

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

Date of Event Requiring this Shell Company Report

Commission File Number 001-14622

CGG

(Exact name of registrant as specified in its charter)

CGG

(Translation of registrant s name into English)

Republic of France

(Jurisdiction of incorporation or organization)

Tour Maine Montparnasse

33, avenue du Maine

75015 Paris France

(Address of principal executive offices)

Stephane-Paul Frydman

Chief Financial Officer

CGG

Tour Maine Montparnasse

33, avenue du Maine

75015 Paris France

tel: +33 (0) 16467 4500

fax: +33 (0) 16447 3429

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

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

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

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

None

(Title of class)

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

7.75% Senior Notes due 2017

6.50% Senior Notes due 2021

6.875% Senior Notes due 2022

(Title of class)

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

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

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

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

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

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

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

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

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

Large accelerated filer x	Accelerated filer ¨	Non-accelerated filer ¨

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

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

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

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

EXPLANATORY NOTE

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

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

Item 18: FINANCIAL STATEMENTS

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

Item 19: EXHIBITS

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

** Previously filed.*

*** Filed herewith.*

(1)

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

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

SIGNATURES

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

CGG

(Registrant)

/s/ STEPHANE-PAUL FRYDMAN
Stéphane-Paul Frydman

Chief Financial Officer

Date: July 30, 2015

CGG

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

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

To the Board of Directors and Shareholders of CGG,

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

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

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

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

Paris-La Défense,

April 13, 2015

ERNST & YOUNG et Autres

Pierre Jouanne | Laurent Vitse

COMPAGNIE GENERALE DE GEOPHYSIQUE-VERITAS

ERNST & YOUNG	**MAZARS**
1-2 place des Saisons, Paris La Défense 1	Exaltis 61, rue Henri Regnault
92400 Courbevoie	92400 Courbevoie

Report of Independent Registered Public Accounting Firms

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

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

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

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

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

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

Courbevoie and Paris La Défense, France

April 25, 2013.

MAZARS	ERNST & YOUNG et Autres	
Jean-Marc Deslandes	Pierre Jouanne	Laurent Vitse

CGG

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

Common stock: 286,705,217 shares authorized and 177,065,192 shares with a 0.40 nominal value issued and outstanding at December 31, 2014	15	92.8	92.7	92.4
Additional paid-in capital		3,180.4	3,180.4	3,179.1
Retained earnings		562.0	1,273.9	1,190.6
Other Reserves		64.7	(46.1)	(27.8)
Treasury shares		(20.6)	(20.6)	(20.6)
Net income (loss) for the period attributable to owners of CGG SA		(1,154.4)	(698.8)	75.2
Cumulative income and expense recognized directly in equity		(7.6)	(7.6)	(7.6)
Cumulative translation adjustment		(24.3)	26.0	1.9
Equity attributable to owners of CGG SA		**2,693.0**	**3,799.9**	**4,483.2**
Non-controlling interest		53.2	90.2	98.7
Total equity		**2,746.2**	**3,890.1**	**4,581.9**
TOTAL LIABILITIES AND EQUITY		**7,061.0**	**8,262.8**	**8,332.8**

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

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

CGG

CONSOLIDATED STATEMENTS OF OPERATIONS

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

Dilutive weighted average number of shares outstanding adjusted when dilutive		176,985,293	176,734,989	163,409,442
Net income (loss) per share[3]				
Basic	$	(6.52)	(3.95)	0.46
Basic[5]		(4.89)	(2.98)	0.36
Diluted	$	(6.52)	(3.95)	0.46
Diluted[5]		(4.89)	(2.98)	0.36

(1) *As our net result was a loss, stock options and performance shares plans had an anti-dilutive effect; as a consequence, potential shares linked to those instruments were not taken into account in the dilutive weighted average number of shares or in the calculation of diluted loss per share.*

(2) *Convertible bonds had an accretive effect; as a consequence, potential shares linked to those instruments were not taken into account in the dilutive weighted average number of shares or in the calculation of diluted income per share.*

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

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

(5) *Converted at the average exchange rate of US$1.3328, US$1.3254 and US$1.29 per for 2014, 2013 and 2012 respectively.*

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

CGG

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

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

[(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.

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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
				(in millions of US$, 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
	(in millions of US$, 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										(7.5)	**(7.5)**
Net income				(698.8)					(698.8)	7.6	**(691.2)**
Cost of share-based payment				11.9					11.9		**11.9**
Net gain (loss) on actuarial changes on pension plan[(1)]				(2.5)					(2.5)		**(2.5)**
Net gain (loss) on cash flow hedges[(2)]											
Exchange differences on foreign currency translation[(3)]							(0.4)	24.1	23.7	1.5	**25.2**
Other comprehensive income*(1)+(2)+(3)*				**(2.5)**			**(0.4)**	**24.1**	**21.2**	**1.5**	**22.7**
Changes in consolidation scope and other				(1.1)	(18.3)		0.4		(19.0)	(10.1)	**(29.1)**
Balance at December 31, 2013	***176,890,866***	**92.7**	**3,180.4**	**575.1**	**(46.1)**	**(20.6)**	**(7.6)**	**26.0**	**3,799.9**	**90.2**	**3,890.1**

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

	Number of Shares	Share capital	Additional paid-in	Retained earnings	Other reserves	Treasury shares	Income and expense	Cumulative Translation	Equity attributable	Non-controlling	Total equity

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

CGG

CONSOLIDATED STATEMENTS OF CASH FLOWS

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

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

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

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

CGG

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Critical Accounting Policies

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

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

- Amendment to IFRS7 / IAS32 Offsetting financial assets and financial liabilities
- Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets
- Amendments to IAS 39 Financial Instruments Novation of derivatives and continuation of hedge accounting
- IFRIC 21 Levies Recognition of a liability for a levy imposed by a government (early adoption as authorized by the European Union).

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

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

- Annual Improvements (2010-2012)

- Annual Improvements (2011-2013)

- Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

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

- IFRS 9 Financial instrument classification and valuation of financial assets

- Annual Improvements (2012-2014)

Amendment to IFRS11   Acquisition of an interest in a joint operation

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

IFRS15   Revenue from Contracts with Customers

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

Amendments to IAS 1   Disclosure initiative

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

Application of IAS19 revised   Employee benefits

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

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

- Discounting effects are calculated on the amount of the net defined benefit liability. Interests in the profit and loss are calculated using the discount rate used to measure the defined benefit obligation. Changes in actual return are shown in   Other comprehensive income   .

- The Group recognizes actuarial gains and losses in other comprehensive income (OCI).

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

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

Owners of CGG SA	(10.0)
Non-controlling interests	

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

Estimates

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

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

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

Changes in estimates

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

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

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

1 Basis of consolidation

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

Subsidiaries are fully consolidated from the date of acquisition, being the date on which we obtain control, and continue to be consolidated until the date when such control ceases. Control is achieved when we are exposed or have rights to variable returns from our involvement with the investee and have the ability to affect those returns through our power over the investee. When we have less than a majority of the voting or similar rights of an investee, we consider all relevant facts and circumstances in assessing whether we have power over the investee, including contractual arrangements with the other holders or potential voting rights.

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

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

- derecognize the assets (including goodwill) and liabilities of the subsidiary,
- derecognize the carrying amount of any non-controlling interest,
- derecognize the cumulative translation differences, recorded in equity,
- recognize the fair value of the consideration received,
- recognize the fair value of any investment retained,
- recognize any surplus or deficit in profit or loss, and
- reclassify the parent s share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

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

2 Foreign currency

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

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

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

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

Transactions denominated in currencies other than the functional currency of a given entity are recorded at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies other than the functional currency are revalued at year-end exchange rates and any resulting unrealized exchange gains and losses are included in income. Unrealized exchange gains and losses arising from monetary assets and liabilities for which settlement 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 we receive during periods of mobilization as advance billing in the statement of financial position in the line item Advance billings to customers .

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

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

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

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

Exclusive surveys

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

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

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

Equipment sales

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

Software and hardware sales

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

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

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

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

Other geophysical sales/services

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

Customer loyalty programs

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

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

5 Cost of net financial debt

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

Borrowing costs are capitalized for all eligible assets.

6 Income taxes and deferred taxes

Income taxes includes all tax based on taxable profit.

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

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

Deferred tax assets and deferred tax liabilities are not discounted.

7 Intangible and tangible assets

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

Property, plant and equipment

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

equipments and tools	3 to 10 years

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

Depreciation expense is determined using the straight-line method.

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

Lease agreements

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

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

Goodwill

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

Multi-client surveys

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

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

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

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

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

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Development costs

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

- the project is clearly defined, and costs are separately identified and reliably measured,
- the product or process is technically and commercially feasible,
- we have sufficient resources to complete development, and
- the intangible asset is likely to generate future economic benefits, either because it is useful to us or through an existing market for the intangible asset itself or for its products.

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

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

Capitalized developments costs are amortized over 5 years.

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

Other intangible assets

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

Impairment

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

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

- significant changes in the manner of our use of the tested assets or the strategy for our overall business, and
- significant negative industry or economic trends.

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

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

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

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

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

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

Impairment losses recognized on goodwill cannot be reversed.

Assets held for sale

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

8 Investments and other financial assets

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

Investments in companies under equity method

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

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

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

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

Investments in non-consolidated entities

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

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

Loans and non-current receivables

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

Impairment

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

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

Derecognition

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

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

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

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

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

9 Treasury shares

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

10 Inventories

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

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

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

11 Trade accounts and Notes receivable

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

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

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

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

12 Provisions

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

Onerous contracts

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

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

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

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

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

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

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

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

13 Financial debt

Financial debt is accounted for:

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

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

14 Convertible debt

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

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

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

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

15 Derivative financial instruments

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

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

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

Derivative financial instruments are stated at fair value.

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

16 Cash flow statement

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

Operating activities

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

Investing activities

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

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

Financing activities

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

They include the cash impact of financial expenses.

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

Cash and cash equivalents

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

17 Share-based payments, including stock options

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

Equity-settled transactions

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

Cash-settled transactions

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

18 Grants

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

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

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

19 Earnings per share

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

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

NOTE 2 ACQUISITIONS AND DIVESTITURES

During 2014

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

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

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

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

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

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

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

Agreement with Geokinetics Inc.

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

Agreement with Alcatel-Lucent

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

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

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

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

During 2013

Acquisition of Fugro s Geoscience Division

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

- Fugro-Geoteam (specializing in marine streamer seismic data acquisition);
- Fugro Seismic Imaging (specializing in seismic data processing services);
- Fugro Geophysical and Geological Services (specializing in geographical exploration services);

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The goodwill recognized included intangible assets that did not qualify for separate recognition such as assembled workforce and synergies expected between the business lines of our GGR segment that resulted from the acquisition (see note 19). None of the goodwill recognized is expected to be deductible for income tax purposes.

Creation of the joint venture Seabed Geosolutions BV

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

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

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

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

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

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

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

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

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

Sale of the Company s shareholding interest in Spectrum ASA

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

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

During 2012

Geophysical Research Corporation

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

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

PTSC CGGV Geophysical Survey Company Limited

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

NOTE 3 TRADE ACCOUNTS AND NOTES RECEIVABLE

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

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

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

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

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

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

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

Litigation

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

Factoring agreements

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

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

NOTE 4 INVENTORIES AND WORK IN PROGRESS

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

Variation of inventories and work in progress

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

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

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

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

NOTE 5 OTHER CURRENT ASSETS AND ASSETS HELD FOR SALE

Other current assets

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

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

Assets held for sale

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

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

NOTE 6 ASSET VALUATION ALLOWANCE

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

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

[a] *Includes the effects of exchange rate changes and changes in the scope of consolidation.*

	December 31, 2013	
	Balance at beginning of year	Additions