

CGG
Form 6-K
August 01, 2013

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Private Issuer
Pursuant to Rule 13a- 16 or 15d- 16
of the Securities Exchange Act of 1934

For the month of August 2013

CGG

Tour Maine Montparnasse - 33 Avenue du Maine BP 191 - 75755 PARIS CEDEX 15

(address of principal executive offices)

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

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Form 20-F Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82

CGG Announces Second Quarter 2013 Results

Very Strong Second Quarter 2013

Excellent operational and financial performance

High level of multi-client sales

PARIS, France August 1st 2013 CGG (ISIN: 0000120164 NYSE: CGG) announced today its non-audited second quarter 2013 consolidated results. All comparisons are made on a year-on-year basis with CGG 2012 results before the Fugro Geoscience acquisition.

Very strong quarter with Revenue up 24% and an EBIT at \$117 million corresponding to an EBIT at \$128 million not-including a \$11 million* negative non-recurring impact

Group Revenue at \$1.032 billion, up 24%

Group EBIT margin was 11% and 12% not-including the negative non-recurring impact from the Fugro Geosciences transaction

Sustained EBIT margin at 28% for the Equipment division in line with forecasts

Acquisition division's EBIT margin at 5% with a sequential improvement in marine acquisition and with seasonal weak activity in land acquisition

Strong EBIT margin from Geology, Geophysics & Reservoir (GGR) division at 26%, notably driven by a high level of multi-client sales at \$190 million. 84% multi-client cash prefunding rate

Strong sequential increase in operating cash flow at \$204 million

Negative free cash flow at \$(43) million after payment of \$58 million in interest

Net income of \$36 million

Backlog at the end of June stood at \$1.3 billion

CGG CEO, Jean-Georges Malcor, commented:

CGG, in its new configuration, delivered a very good operational and financial performance over the quarter. Two of our divisions, Equipment and Geology, Geophysics & Reservoir, both achieved high operating margins, confirming the strength of their businesses, positioning and operations. In the Acquisition Division, Marine results were driven by record utilization rates while Land registered a loss, mainly due to the low seasonal activity in North America and severe weather and security conditions in certain countries.

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Looking forward to the end of 2013 and 2014, we remain confident about exploration & production spending levels of our clients. While the integration of Fugro's former activities is progressing well and is already bearing fruit, the reinforcement of CGG in the Geosciences is providing significant new long-term opportunities. In this context, we are confirming our annual objectives, with a second semester that we expect to be characterized by a very strong fourth quarter, especially for Sercel and multi-client.

* This negative impact of \$(11)m linked to the Fugro Geoscience Acquisition comes in addition to the \$35m positive impact during the first quarter of 2013.

Post-closing events:

As part of the company's proactive management of its debt, CGG accelerated in July the refinancing of its credit facilities by extending the debt maturity periods:

A five-year-\$200-million credit facility was signed with a 4.4% interest rate, notably to reimburse the 2013 tranche of our Fugro Vendor Loan

The two existing \$289m Revolving Credit Facilities expiring in January 2014 were fully renewed with:

A-\$165-million US Revolving Credit Facility for a period of 3+1+1 year

A-\$325-million French Revolving Credit Facility for a period of three year with an option for five year

CGG also sent an early redemption notice to repay \$125 million of the 9.5% 2016 High Yield Bond

Confirmation of our 2013 Financial Objectives

25% growth in revenue

To address sustained demand in multi-client especially in Brazil, multi-client cash capex was revised up to \$400-\$450 million with a prefunding rate confirmed above 75%

Industrial capex maintained around \$300-\$350 million

Positive Free Cash Flow generation

Return on Capital Employed improvement

Second Quarter 2013 Key Figures

In million \$	Second Quarter 2012	First Quarter 2013	Second Quarter 2013
Group Revenue	831	871	1 032
Sercel	285	251	254
Acquisition	466	594	605
Geology, Geophysics & Reservoir (GGR)	200	260	367
Group EBITDAs	229	313	324
Group EBIT	96	162	117
Non-recurring items related to Fugro	0	35	(11)
Group EBIT before NRI	96	128	128
Sercel	92	69	71
Acquisition	5	47	28

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GGR	30	81	96
Net Income	34	79	36
Cash Flow from Operations	104	63	204
Free Cash Flow	(129)	(148)	(43)
Net Debt	1 600	2 092	2 170
Capital Employed	5 514	6 776	6 868
Backlog	1 300	1 400	1 300

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Second Quarter 2013 Financial Results by Division

Equipment

Equipment In million \$	Second Quarter 2012	First Quarter 2013	Second Quarter 2013
Equipment Total Revenue	285	251	254
<i>External Revenue</i>	232	190	188
EBITDAs	103	81	83
<i>Margin</i>	36%	32%	33%
EBIT	92	69	71
<i>Margin</i>	32%	28%	28%
Capital Employed (in billion \$)		0.8	0.8

Equipment division Total Revenue was \$254 million, down 11% compared to second the quarter of 2012 and up slightly sequentially. Marine equipment sales represented 48% of total revenue. Sales were strong in Eastern Europe, Asia and Russia. The commercial success of UNITE, Sercel's wireless land acquisition system, is confirmed with sales in North America and Latin America during the quarter. External sales were \$188 million, down 19% and internal sales represented 26% of total revenue.

Sercel successfully launched its new multi-sensor solid streamer, the Sentinel® MS streamer at the European seismic convention in June. It offers directional measurements for both cross-line and vertical wave fronts and delivers multi-sensor data sets for enhanced broadband imaging.

Equipment division EBITDAs was \$83 million, a margin of 33%.

Equipment division EBIT was \$71 million, a margin of 28%.

Equipment division Capital Employed was \$0.8 billion at the end of June 2013.

Acquisition

Acquisition In million \$	Second Quarter 2012	First Quarter 2013	Second Quarter 2013
Acquisition Total Revenue	466	594	605
<i>External Revenue</i>	400	421	477
<i>Total Marine</i>	335	449	511
<i>Total Land and Airborne Acquisition</i>	131	145	94
EBITDAs	60	121	121
<i>Margin</i>	13%	20%	20%
EBIT	5	47	28
<i>Margin</i>	1%	8%	5%
Capital Employed (in billion \$)		3.3	3.3

Acquisition division Total Revenue increased sharply to \$605 million, up 30% year-on-year and up 2% sequentially, due to an excellent operational performance by Marine acquisition. External revenue was \$477 million.

Marine Acquisition revenue increased sharply to \$511 million, up 53% year-on-year and 14% sequentially. Production was high this quarter for the whole fleet with record availability and production rates at 93% and 92%. 45% of the fleet was acquiring BroadSeis™ projects. A large part of the fleet was located in the North Sea where six vessels were in operation, four in the Gulf of Mexico and six in Asia. 21% of the fleet was dedicated to multi-client programs.

Land and Airborne Acquisition revenue totalled \$94 million, down 28% year-on-year and 35% sequentially. During this typically weak quarter, land crews operated in challenging safety and weather conditions. The Airborne organization should join CGG in early September.

Acquisition division EBITDAs was \$121 million, a margin of 20%.

Acquisition division EBIT was \$28 million, a margin of 5%. Marine acquisition continued to improve its operational and financial performance with a record utilization rate. The traditionally low level of land activity in the second quarter, due to the demobilization of the winter crews in North America, was impacted by difficult safety conditions in North Africa and in Egypt and by unfavorable climate conditions particularly in Oman and France.

Acquisition division Capital Employed was \$3.3 billion at the end of June 2013.

Geology, Geophysics & Reservoir (GGR)

GGR In million \$	Second Quarter 2012	First Quarter 2013	Second Quarter 2013
GGR Total Revenue	200	260	367
Multi-client and basin data	86	123	215
<i>Prefunding</i>	<i>45</i>	<i>61</i>	<i>87</i>
Subsurface Imaging & Reservoir	114	137	152
EBITDAs	104	163	218
<i>Margin</i>	<i>52%</i>	<i>63%</i>	<i>59%</i>
EBIT	30	81	96
<i>Margin</i>	<i>15%</i>	<i>31%</i>	<i>26%</i>
Capital Employed (in billion \$)		2.7	2.8

GGR Division Total Revenue was \$367 million, up 84% year-on-year and up 41% sequentially due to a good performance across all businesses in a strong market.

Multi-client and basin data revenue increased sharply to \$215 million, up 149% year-on-year and 75% sequentially.

Prefunding revenue was \$87 million. Multi-client cash capex was at \$107 million and was mainly focused offshore in the Gulf of Mexico with the continuation of our IBALT program and in the North Sea. Onshore multi-client cash capex was spent in the Marcellus region. After-sales were at a high level across the regions and particularly in Brazil, ahead of the October Santos pre-salt bid round. The multi-client cash prefunding rate was 84% this quarter.

Imaging & Reservoir revenue was \$152 million, up 35% year-on-year and 12% sequentially. The imaging and reservoir characterization markets remain buoyant due to the increasing volume of data and by a high number of projects in more complex geologies.

GGR Division EBITDAs was \$218 million, a margin of 59%.

GGR Division EBIT was \$96 million, a margin of 26%. The depreciation rate averaged 51%, the Net Book Value at the end of June 2013 was \$751 million.

GGR Division Capital Employed was \$2.8 billion at the end of June 2013.

Second Quarter 2013 Financial Results

Group Total Revenue was \$1.032 billion, up 24% year-on-year and 18% sequentially. It breaks down to 18% from the Equipment division, 46% from the Acquisition division, and 36% from the GGR division.

Group EBITDAs was \$324 million, a margin of 31%. Before the non-recurring charge associated with the Fugro Geoscience deal, Group EBITDAs was \$333 million.

In million \$	Second Quarter 2012	First Quarter 2013	Second Quarter 2013
Group EBITDAs	229	313	324
<i>Margin</i>	<i>28%</i>	<i>36%</i>	<i>31%</i>
Sercel	103	81	83
Acquisition	60	121	121
GGR	104	163	218
<i>Eliminations</i>	<i>(26)</i>	<i>(83)</i>	<i>(75)</i>
<i>Corporate</i>	<i>(12)</i>	<i>(11)</i>	<i>(14)</i>
<i>Non-recurring items related to Fugro</i>	<i>0</i>	<i>41</i>	<i>(10)</i>

Group EBIT was \$117 million, a margin of 11%. Before the non-recurring charge associated with the Fugro Geoscience deal, Group EBIT was \$128 million, a margin of 12%.

In million \$	Second Quarter 2012	First Quarter 2013	Second Quarter 2013
Group EBIT	96	162	117
<i>Margin</i>	<i>11%</i>	<i>19%</i>	<i>11%</i>
Sercel	92	69	71
Acquisition	5	47	28
GGR	30	81	96
<i>Eliminations</i>	<i>(18)</i>	<i>(56)</i>	<i>(51)</i>
<i>Corporate</i>	<i>(13)</i>	<i>(13)</i>	<i>(15)</i>
<i>Non-recurring items related to Fugro</i>	<i>0</i>	<i>35</i>	<i>(11)</i>

Financial Charges were \$47 million:

Cost of Debt was \$47 million, while the total amount of interest paid during the quarter was \$58 million
Taxes were \$35 million including the \$2 million favorable impact of deferred tax on currency translation.

Group Net Income was \$36 million.

After minority interests, **Net Income attributable to the owners of CGG** was a gain of \$35 million/ 27 million. EPS was positive at \$0.20/ 0.15.

Cash Flow

Cash Flow from operations was \$204 million, a significant improvement compared to the first quarter 2013 figure of \$63 million.

Global Capex was \$198 million this quarter.

Industrial capex was \$77 million

Research & Development capex was \$14 million

Multi-client cash capex was \$107 million

In million \$	Second Quarter 2012	First Quarter 2013	Second Quarter 2013
Capex	179	202	198
Industrial	90	64	77
R&D	7	11	14
Multi-client Cash	82	127	107
<i>Marine MC</i>	<i>41</i>	<i>119</i>	<i>87</i>
<i>Other MC</i>	<i>41</i>	<i>8</i>	<i>20</i>

Free Cash Flow

After \$58 million interest expenses paid during the quarter and Capex, **free cash flow** was negative at \$(43) million.

Second Quarter 2013 Comparisons with Second Quarter 2012

Consolidated Income Statements In million \$	Second Quarter 2012	First Quarter 2013	Second Quarter 2013
<i>Exchange rate euro/dollar</i>	1.298	1.329	1.296
Operating Revenue	831.0	870.7	1031.7
<i>Sercel</i>	285.2	250.7	254.3
<i>Acquisition</i>	466.5	594.0	605.4
<i>GGR</i>	199.5	259.6	366.9
<i>Elimination</i>	(120.2)	(233.6)	(194.9)
Gross Margin	177.8	196.1	237.9
Operating Income	85.4	151.8	121.5
Equity from Investments	10.1	10.6	(4.5)
EBIT	95.5	162.4	117.0
<i>Sercel</i>	91.7	69.1	71.0
<i>Acquisition</i>	5.3	47.2	28.0
<i>GGR</i>	29.9	80.7	95.9
<i>Non-recurring items related to Fugro</i>	0.0	34.7	(10.8)
<i>Corporate and eliminations</i>	(31.4)	(69.3)	(67.1)
Net Financial Costs	(34.0)	(51.3)	(46.7)
Income Taxes	(24.4)	(25.3)	(36.3)
Deferred Tax on Currency Translation	(2.8)	(6.7)	1.7
Net Income	34.3	79.1	35.7
Earnings per share in \$	0.19	0.43	0.20
Earnings per share in	0.14	0.33	0.15
EBITDAs	228.8	313.2	323.8
<i>Sercel</i>	102.5	81.2	83.1
<i>Acquisition</i>	59.6	121.2	120.6
<i>GGR</i>	103.9	163.5	217.9
<i>Non-recurring items related to Fugro</i>	0.0	40.9	(9.6)
<i>Corporate and eliminations</i>	(37.2)	(93.6)	(88.2)
Industrial Capex (including R&D capex)	97.1	74.9	90.2
Multi-client Cash Capex	81.9	127.2	107.3

First Half 2013 Financial Results

Group Total Revenue was \$1.902 billion up 18% compared to the first half 2012. It breaks down to 20% from the Equipment division, 47% from the Acquisition division and 33% from the GGR division.

Group EBITDAs was \$637 million up 44%, a 33% margin. Before the non-recurring impact of the Fugro Geoscience deal, Group EBITDAs was \$606 million.

In million \$	First Half 2012	First Half 2013
Group EBITDAs	441	637
<i>Margin</i>	<i>27%</i>	<i>33%</i>
Sercel	229	164
Acquisition	85	242
GGR	230	381
<i>Eliminations</i>	<i>(81)</i>	<i>(157)</i>
<i>Corporate Costs</i>	<i>(23)</i>	<i>(24)</i>
<i>Non-recurring items linked to Fugro</i>	<i>0</i>	<i>31</i>

Group EBIT was \$279 million up 82%, a margin of 15%. Before the non-recurring impact of the Fugro Geoscience deal, Group EBIT was \$256 million, a margin of 13%.

In million \$	First Half 2012	First Half 2013
Group EBIT	153	279
<i>Margin</i>	<i>9%</i>	<i>15%</i>
Sercel	207	140
Acquisition	(34)	75
GGR	67	177
<i>Eliminations</i>	<i>(61)</i>	<i>(107)</i>
<i>Corporate Costs</i>	<i>(27)</i>	<i>(29)</i>
<i>Non-recurring items linked to Fugro</i>	<i>0</i>	<i>24</i>

Financial Charges were \$98 million:

The cost of Debt was \$93 million, while the total amount of interest paid during the quarter was \$66 million

Other financial items were negative at \$5 million including \$3 million related to additional bridge-loan commitment fees
Taxes were \$67 million including \$5 million due to the unfavorable impact of deferred tax on currency translation.

Group Net Income was \$115 million.

After minority interests, **Net Income attributable to the owners of CGG** was \$112 million/ 85 million. EPS was positive at \$0.63/ 0.48.

Cash Flow

Cash Flow from operations was \$267 million.

Global Capex was \$400 million in the first half of the year.

Industrial capex was \$141 million, 47% of the total amount of the year

Research & Development capex was \$24 million

Multi-client cash capex was \$235 million, 52% of the total amount of the year

In million \$	First Half 2012	First Half 2013
Capex	382	400
Industrial	210	141
R&D	14	24
Multi-client Cash	157	235
<i>Marine MC</i>	92	207
<i>Other MC</i>	66	28

Free Cash Flow

After \$66 million of interest paid during the first half of the year and Capex, **free cash flow** was negative at \$(191) million.

Balance Sheet

Net Debt to Equity Ratio:

Group gross debt was \$2.529 billion at the end of June 2013.

Available cash was \$359 million. Group net debt was \$2.170 billion at the end of June 2013.

Net debt to equity ratio, at the end of June 2013, was 47%.

2013 First Half Comparisons with 2012 First Half

Consolidated Income Statements	First Half	First Half
In million \$	2012	2013
Exchange rate euro/dollar	1.308	1.312
Operating Revenue	1617.6	1902.4
<i>Sercel</i>	633.0	505.0
<i>Acquisition</i>	849.3	1199.4
<i>GGR</i>	418.8	626.5
<i>Elimination</i>	(283.5)	(428.5)
Gross Margin	316.4	434.0
Operating Income	139.2	273.3
Equity from Investments	13.7	6.1
EBIT	152.9	279.4
<i>Sercel</i>	207.2	140.1
<i>Acquisition</i>	(34.0)	75.2
<i>GGR</i>	67.2	176.6
<i>Non-recurring items related to Fugro</i>	0.0	23.8
<i>Corporate and eliminations</i>	(87.5)	(136.3)
Net Financial Costs	(75.9)	(98.0)
Income Taxes	(46.2)	(61.6)
Deferred Tax on Currency Translation	0.0	(5.0)
Net Income	30.8	114.8
Earnings per share in \$	0.13	0.63
Earnings per share in	0.10	0.48
EBITDAs	440.8	637.0
<i>Sercel</i>	229.4	164.3
<i>Acquisition</i>	84.7	241.8
<i>GGR</i>	230.5	381.4
<i>Non-recurring items related to Fugro</i>	0.0	31.4
<i>Corporate and eliminations</i>	(103.8)	(181.9)
Industrial Capex (including R&D capex)	224.2	165.1
Multi-client Cash Capex	157.4	234.5

Other Information

An English language conference call is scheduled today August 1st, 2013 at 10:00 AM (Paris time) 9:00 AM (London time). To take part in the English language conference, simply dial five to ten minutes prior to the scheduled start time.

- US Toll-Free 1-877-317-6789
- International call-in 1-412-317-6789
- Replay 1-877-344-7529 & 1-412-317-0088

Conference number: 10024658

You will be connected to the conference: CGG Q2 2013 results .

Copies of the presentation are posted on the Company website www.cgg.com and can be downloaded.

The conference call will be broadcast live on the CGG website www.cgg.com and a replay will be available for two weeks thereafter.

About CGG:

CGG (www.cgg.com) is a fully integrated Geosciences company providing leading geological, geophysical and reservoir capabilities to its broad base of customers primarily from the global oil and gas industry. Through its three complementary business divisions of Equipment, Acquisition and Geology, Geophysics & Reservoir (GGR), CGG brings value across all aspects of natural resource exploration and exploitation.

CGG employs 9,800 people around the world, all with a Passion for Geosciences and working together to deliver the best solutions to its customers.

CGG is listed on the Euronext Paris SA (ISIN: 0000120164) and the New York Stock Exchange (in the form of American Depositary Shares. NYSE: CGG).

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The information included herein contains certain forward-looking statements within the meaning of Section 27A of the securities act of 1933 and section 21E of the Securities Exchange Act of 1934. These forward-looking statements reflect numerous assumptions and involve a number of risks and uncertainties as disclosed by the Company from time to time in its filings with the Securities and Exchange Commission. Actual results may vary materially.

CGG

CONSOLIDATED FINANCIAL STATEMENTS

Second Quarter 2013

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CONSOLIDATED BALANCE SHEET

Amounts in millions of U.S.\$, unless indicated	June 30, 2013 (unaudited)	December 31, 2012 (restated)
ASSETS		
Cash and cash equivalents	358.8	1,520.2
Trade accounts and notes receivable, net	1,062.5	888.7
Inventories and work-in-progress, net	445.0	419.2
Income tax assets	131.5	111.7
Other current assets, net	178.7	139.6
Assets held for sale, net	10.6	393.9
Total current assets	2,187.1	3,473.3
Deferred tax assets	175.5	171.4
Investments and other financial assets, net	56.5	53.7
Investments in companies under equity method	332.8	124.5
Property, plant and equipment, net	1,688.2	1,159.5
Intangible assets, net	1,208.0	934.9
Goodwill, net	3,111.8	2,415.5
Total non-current assets	6,572.8	4,859.5
TOTAL ASSETS	8,759.9	8,332.8
LIABILITIES AND EQUITY		
Bank overdrafts	8.4	4.2
Current portion of financial debt	164.2	47.8
Trade accounts and notes payable	478.3	