GENERAL GEOPHYSICS CO
Form 6-K
September 03, 2003

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

**REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16
OF THE SECURITIES EXCHANGE ACT OF 1934**

For the month of September, 2003

General Company of Geophysics

(Translation of Registrant s Name Into English)

**1, rue Léon Migaux
91341 Massy
France
(33) 1 64 47 3000**
(Address of principal executive offices)

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

Form 20-F [X] Form 40-F [ ]

(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 [X]

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

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COMPAGNIE GENERALE DE GEOPHYSIQUE, S.A.

FORWARD-LOOKING STATEMENTS

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

These forward-looking statements are subject to risks, uncertainties and assumptions we have made, including, among other things:

- changes in international economic and political conditions, and in particular in oil and gas prices;
- our ability to reduce costs;
- our ability to finance our operations on acceptable terms;
- the timely development and acceptance of our new products and services;
- the effects of competition;
- political, legal and other developments in foreign countries;
- the timing and extent of changes in exchange rates for non-U.S. currencies and interest rates;
- the accuracy of our assessment of risks related to acquisitions, projects and contracts, and whether these risks materialize;
- our ability to integrate successfully the businesses or assets we acquire;
- our ability to sell our seismic data library;
- our ability to access the debt and equity markets during the periods covered by the forward-looking statements, which will depend on general market conditions and on our credit ratings for our debt obligations; and
- our success at managing the risks of the foregoing.

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

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COMPAGNIE GENERALE DE GEOPHYSIQUE, S.A.

PART I

Item 1: FINANCIAL STATEMENTS

COMPAGNIE GÉNÉRALE DE GÉOPHYSIQUE, S.A.

CONSOLIDATED BALANCE SHEETS

(in millions of euros)	Notes	June 30, 2003 (Unaudited)	December 31, 2002
ASSETS			
Cash and cash equivalents		130.9	116.6
Trade accounts and notes receivable		178.5	192.3
Inventories and work-in-progress		68.5	65.2
Other current assets		73.1	130.9
Total current assets		**451.0**	**505.0**
Long term receivable and other investments		18.7	16.8
Investments in and advances to companies under the equity method	**3**	34.9	36.8
Property, plant and equipment, net		238.3	265.0
Goodwill and intangible assets, net	**4**	200.6	201.1
Total assets		**943.5**	**1,024.7**
LIABILITIES AND SHAREHOLDERS EQUITY			
Bank overdrafts		5.5	10.5
Current portion of long-term debt	**5**	37.3	58.6
Trade accounts and notes payable		77.9	92.8
Accrued payroll costs		49.9	50.6
Income taxes payable		19.9	21.9
Advance billings to customers		14.2	13.9
Other current liabilities		38.7	38.3
Total current liabilities		**243.4**	**286.6**
Long-term debt	**5**	226.2	249.2
Other long-term liabilities		41.0	41.1
Total long-term liabilities		**267.2**	**290.3**
Minority interest		**9.5**	**10.3**
Common stock, 24,498,368 shares authorized; 11,680,718 shares with a 2 nominal value issued and outstanding as of June 30, 2003 and at December 31, 2002	**6**	23.4	23.4

Additional paid-in capital	292.7	310.6
Retained earnings	142.5	107.2
Net income (loss) for the period	1.0	17.4
Cumulative translation adjustment	(36.2)	(21.1)
Total shareholders equity	**423.4**	**437.5**
Total liabilities and shareholders equity	**943.5**	**1,024.7**

See notes to Consolidated Financial Statements

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COMPAGNIE GENERALE DE GEOPHYSIQUE, S.A.

COMPAGNIE GÉNÉRALE DE GÉOPHYSIQUE, S.A.

CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(in millions of euros, except per share data)	Notes	Six months ended June 30, 2003	Six months ended June 30, 2002	Three months ended June 30, 2003	Three months ended June 30, 2002
Operating revenues	9	**318.9**	**336.3**	**162.2**	**178.5**
Cost of operations		(260.4)	(259.6)	(133.0)	(139.1)
Gross profit		**58.5**	**76.7**	**29.2**	**39.4**
Research and development expenses net		(12.5)	(14.1)	(6.2)	(7.2)
Selling, general and administrative expenses		(38.1)	(42.9)	(17.9)	(20.1)
Other revenues (expenses) net	10	4.0	(2.8)	3.4	(2.3)
Operating income (loss)	9	**11.9**	**16.9**	**8.5**	**9.8**
Interest and other financial income and expense net		(12.2)	(14.3)	(3.8)	(7.6)
Exchange gains (losses) net		6.1	4.7	5.3	6.2
Income (loss) from consolidated companies before income taxes		**5.8**	**7.3**	**10.0**	**8.4**
Income taxes	11	(6.7)	(4.8)	(4.0)	(1.9)
Net income (loss) from consolidated companies		**(0.9)**	**2.5**	**6.0**	**6.5**
Equity in income (losses) of investees		4.9	1.2	1.9	1.0
Goodwill amortization		(3.0)	(3.3)	(1.5)	(1.6)
Net income (loss) before minority interest		**1.0**	**0.4**	**6.4**	**5.9**
Minority interest			(0.1)	0.1	
Net income (loss)		**1.0**	**0.3**	**6.5**	**5.9**
Weighted average number of shares outstanding		11,680,718	11,680,718	11,680,718	11,680,718
Dilutive potential shares from stock-options		169,900	(a)	169,900	(a)

Dilutive weighted average number of shares outstanding	11,850,618	11,680,718	11,850,618	11,680,718
Net income (loss) per share				
Basic	0.09	0.03	0.56	0.51
Diluted	0.08	0.03	0.55	0.51

(a) Effects of stock option anti-dilutive

See notes to Consolidated Financial Statements

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COMPAGNIE GÉNÉRALE DE GÉOPHYSIQUE, S.A.

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Six months ended June 30,		December 31,
	2003	**2002**	**2002**
(in millions of euros)			
Cash flows from operating activities			
Net income (loss)	1.0	0.3	17.4
Depreciation and amortization	35.2	34.5	134.9
Multi-client surveys amortization	55.5	39.2	87.0
Net loss (gain) on sale of assets	(3.5)	0.8	(4.3)
Deferred income taxes	(0.9)	0.1	2.0
Minority interest		0.1	2.2
Equity in income of investees, net of dividends	0.3	1.7	(2.9)
Increase (decrease) in other long-term liabilities	(0.4)	1.5	5.9
Other non-cash items	(11.9)	(0.2)	(19.0)
Increase/decrease in operating assets and liabilities:			
(Increase) decrease in trade accounts and notes receivable	7.5	32.0	60.5
(Increase) decrease in inventories and work in progress	(5.0)	4.2	16.7
(Increase) decrease in other current assets	57.0	(14.3)	(77.1)
Increase (decrease) in trade accounts and notes payable	(13.6)	(13.9)	0.6
Increase (decrease) in other current liabilities	(2.5)	(12.0)	(4.9)
Net cash provided by operating activities	**118.7**	**74.0**	**219.0**
Cash flows from investing activities			
Purchases of property, plant and equipment (a)	(14.4)	(62.1)	(122.0)
Investments in multi-client surveys	(66.7)	(60.4)	(130.1)
Proceeds from sale of assets	4.0	1.9	22.2
Cash paid for acquired businesses, net of cash acquired	(2.0)		(7.4)
Investments in and advances to companies under the equity method	(0.6)	0.1	(1.2)
Decrease (increase) in other investments	2.0	(0.1)	(2.8)
Net cash used in investing activities	**(77.7)**	**(120.6)**	**(241.3)**
Cash flows from financing activities			
Repayment of long-term debt	(22.2)	(49.1)	(53.6)
Issuance of long-term debt	0.1	97.8	131.6
Repayment of capital lease obligations	(6.6)	(6.7)	(14.0)
Government research grants received			1.1
Government research grants repaid	(0.3)	(0.2)	(1.2)
Increase (decrease) in bank overdrafts	(4.5)	8.6	5.0
Net proceeds from capital increase			
Contribution from minority shareholders			
Net cash provided by (used in) financing activities	**(33.5)**	**50.4**	**68.9**

Effects of exchange rate changes on cash	6.8	4.6	13.3
Net increase (decrease) in cash and cash equivalents	**14.3**	**8.4**	**59.9**
Cash and cash equivalents at beginning of year	116.6	56.7	56.7
Cash and cash equivalents at end of period	**130.9**	**65.1**	**116.6**
(a) not including equipment acquired under capital leases	4.2	5.1	8.6

See notes to Consolidated Financial Statements

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COMPAGNIE GÉNÉRALE DE GÉOPHYSIQUE, S.A.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY

	Number of shares	Share capital	Additional paid-in capital	Retained Earnings	Cumulative translation adjustment	Total shareholders' equity
	(in millions of euros, except for number of shares and U.S. dollar amounts)					
Balance at January 1, 2002	**11,680,718**	**23.4**	**347.5**	**70.3**	**21.6**	**462.8**
Capital increase Net income				17.4		17.4
Foreign currency translation					(42.7)	(42.7)
Other [(a)]			(36.9)	36.9		
Balance at December 31, 2002	**11,680,718**	**23.4**	**310.6**	**124.6**	**(21.1)**	**437.5**
Capital increase						
Net income				1.0		1.0
Foreign currency translation					(15.1)	(15.1)
Other [(a)]			(17.9)	17.9		
Balance at June 30, 2003 (unaudited)	**11,680,718**	**23.4**	**292.7**	**143.5**	**(36.2)**	**423.4**

(a) Deduction from Issuance premium for allocation to the carry forward

See notes to Consolidated Financial Statements

COMPAGNIE GÉNÉRALE DE GÉOPHYSIQUE, S.A.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The accounting principles applied by the Group in the preparation of the accompanying financial statements are in conformity with accounting principles generally accepted in France (French GAAP) and comply with the regulation Number 99-02 approved by the decree dated June 22, 1999 of the French Comité de la Réglementation Comptable .

The accompanying unaudited interim financial statements comply with the recommendations of the *Conseil National de la Comptabilité* dated March 1999 on interim consolidated statements. The accompanying interim financial statements are also in conformity with the accounting principles applied to the Company s annual consolidated statements, as set forth in the Company s Annual Report on Form 20-F for the year ended December 31, 2002.

French GAAP differ in certain significant respects from accounting principles generally accepted in the United States (U.S. GAAP). Note 16 describes the principal differences between French GAAP and U.S. GAAP as they relate to the Group, and reconcile net income and shareholders equity to U.S. GAAP as of and for the period ended June 30, 2003.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 ACQUISITIONS AND DIVESTITURES

During the first half of 2003, as part of the agreement concluded with Baker Hughes on December 27, 2002, an equity investment named VS Fusion was incorporated in which CGG owns 49% and Baker Hughes owns 51%.

NOTE 3 INVESTMENTS IN AND ADVANCES TO COMPANIES UNDER THE EQUITY METHOD

(in millions of euros)	June 30, 2003	December 31, 2002
Balance at beginning of period	36.8	51.4
Investments made during the period	0.3	
Net variation in advances and loans to equity investees		1.4
Equity in income including amortization of goodwill [a]	4.9	6.4
Dividends received during the period, reduction in share capital	(5.3)	(3.5)
Changes in exchange rates	(1.8)	(8.5)
Other [b]		(10.6)
Balance at end of period	**34.9**	**36.8**

(a) includes goodwill amortization related to Paradigm for 0.8 million for the first half of 2002.

(b) related primarily to divestiture (sale of Paradigm stock) and valuation allowances recorded against receivables from affiliates with a negative net worth.

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Investments in and advances to companies under the equity method are comprised of:

(in millions of euros)	June 30, 2003	December 31, 2002
Argas	19.3	20.5
Geomar	5.6	5.6
Zhong Hai		
JV Xian Peic/Sercel Limited	3.2	3.3
Other [a]	6.8	7.4
Investments in companies under the equity method	**34.9**	**36.8**

(a) includes loans and advances to companies accounted for under the equity method at June 30, 2003 and December 31, 2002 for 6.8 million and 7.4 million respectively.

The net contribution to equity of affiliates accounted for under the equity method is as follows:

(in millions of euros)	June 30, 2003	December 31, 2002
Argas	14.9	16.1
Geomar		
Zhong Hai		
JV Xian Peic/Sercel Limited	1.6	1.7
Total	**16.5**	**17.8**

NOTE 4 GOODWILL AND INTANGIBLE ASSETS

(in millions of euros)	June 30, 2003	December 31, 2002
Goodwill of consolidated subsidiaries	85.4	90.4
Less: accumulated amortization	(20.6)	(18.7)
Goodwill net	**64.8**	**71.7**
Multi-client surveys	457.0	429.0
Less: accumulated amortization	(323.3)	(301.9)
Multi-client surveys net	**133.7**	**127.1**
Patents, trademarks and other intangible assets	5.3	5.7
Less: accumulated amortization	(3.2)	(3.4)

Other intangible assets net	**2.1**	**2.3**
Total Goodwill and Intangible assets net	**200.6**	**201.1**

NOTE 5 LONG-TERM DEBT

Analysis of long-term debt by type is as follows:

	June 30, 2003			December 31, 2002		
(in millions of euros)	**Current**	**Long-term**	**Total**	**Current**	**Long-term**	**Total**
Outstanding bonds		196.9	196.9		214.6	214.6
Bank loans	19.1	9.9	29.0	41.8	12.3	54.0
Capital lease obligations	15.3	19.4	34.7	13.4	22.3	35.8
Sub-total	**34.4**	**226.2**	**260.6**	**55.2**	**249.2**	**304.4**
Accrued interest	2.9			3.4		
Total	**37.3**			**58.6**		

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COMPAGNIE GENERALE DE GEOPHYSIQUE, S.A.

At June 30, 2003 54.0 million of bank loans were secured by tangible assets and receivables.

Analysis of long-term debt (including amounts due within one year) by currency is as follows:

(in millions of euros)	June 30, 2003	December 31, 2002
Euro	35.2	39.9
U.S. dollar	218.2	259.9
Other currencies	7.2	4.6
Total	**260.6**	**304.4**

Analysis of long-term debt (including amounts due within one year) by interest rate is as follows:

(in millions of euros)	June 30, 2003	December 31, 2002
Variable rates (effective rate June 30, 2003: 8.06%; December 31, 2002: 4.87%)	21.8	21.3
Fixed rates (effective rate June 30, 2003: 9.84%; December 31, 2002: 9.47%)	238.8	283.1
Total	**260.6**	**304.4**

Variable interest rates generally are based on inter-bank offered rates of the related currency. The weighted average interest rate on bank overdrafts was 14.32% and 10.95% at June 30, 2003 and December 31, 2002 respectively. The impact of hedging instruments has not been considered in the above two tables.

At June 30, 2003 the Group had 11.0 million available in unused short-term credit lines and overdraft facilities and 48.5 million in unused long-term credit lines.

NOTE 6 COMMON STOCK AND STOCK OPTION PLANS

At June 30, 2003, the Company s share capital consisted of 11,680,718 shares, each with a nominal value of 2.

Dividend rights
Dividends may be distributed from the statutory retained earnings, subject to the requirements of French law and the Company s Articles of Association (statuts). Retained earnings available for distribution totaled 6.9 million at June 30, 2003.

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

Pursuant to a resolution adopted by the Board of Directors, the Company instituted a new stock option plan on May 15, 2003. Options granted under this new plan, which expires eight years from the date of grant, vest by one fourth each year beginning May 2003 and cannot generally be exercised before 2006. Options to subscribe 1000 or more shares cannot be sold before May 2007. Information relating to options outstanding at June 30, 2003 is summarized below:

Date of Board of Directors Resolution	Options granted	Options outstanding at June 30, 2003	Exercise price per share ( )	Expiration date
May 5, 1997	100,000	57,863	61.03	May 4, 2005
January 18, 2000	231,000	214,250	49.90	January 17, 2008
March 14, 2001	256,000	242,000	71.20	March 13, 2009
May 15, 2002	138,100	132,750	43.47	May 14, 2010
May 15, 2003	169,900	169,900	15.82	May 14, 2011
Total	**895,000**	**816,763**		

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A summary of the Company s stock option activity, and related information follows:

	June 30, 2003		June 30, 2002	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding-beginning of period	648,335	57.55	532,381	61.27
Granted	169,900	15.82	138,100	43.47
Exercised				
Forfeited	(1,472)	48.90	(7,496)	62.10
Outstanding-end of period	816,763	48.88	662,985	57.59
Exercisable-end of period	57,863	61.03	58,135	61.03

NOTE 7 FINANCIAL INSTRUMENTS

Foreign currency exposure management
The reporting currency for the Group s consolidated financial statements is the euro. However, as a result of having primarily customers, which operate in the oil and gas industry, more than 90% of the Group s operating revenues are denominated in currencies other than the euro, primarily the U.S. dollar.

As a result, the Group s sales and operating income are exposed to the effects of fluctuations in the value of the euro versus the U.S. dollar. A strengthening of the euro compared to the U.S. dollar has a negative effect on the Group s net sales and operating income denominated in U.S. dollars when translated to euro, while a weakening of the euro has a positive effect. In addition, the Group s exposure to fluctuations in the euro / U.S. dollar exchange rate has considerably increased over the last few years due to increased sales outside of Europe.

In order to improve the balance of its net position of receivables and payables denominated in foreign currencies, the Group maintains a portion of its financing in U.S. dollars. At June 30, 2003 and at December 31, 2002, the Group s long-term debt denominated in U.S. dollars amounted to U.S.$249.3 million and U.S.$272.6, respectively. The Group also attempts to improve this balance by entering into forward exchange contracts.

In addition, to protect against the reduction in the value of future foreign currency cash flows, the Group follows a policy of selling U.S. dollars forward at average contract maturity dates which the Group attempts to match with future net U.S. dollar cash flows (revenues less costs in U.S. dollars) to be generated by firm contract commitments in its backlog generally over the ensuing six months. A similar policy, to a lesser extent, is carried out with respect to contracts denominated in British pounds. This foreign currency risk management strategy has enabled the Group to reduce, however, but not eliminate the positive or negative effects of exchange movements with respect to these currencies.

Details of forward exchange contracts are as follows:

	June 30, 2003	December 31, 2002
Notional amount (in millions of U.S.$)	126.7	132.8
Weighted average maturity	89 days	94 days
Weighted average forward Euro/U.S.$ exchange rate	1.0505	0.9743
Unrealized exchange gains (losses) (in millions of)[(a)]	9.7	9.7

(a) 1.9 million of unrealized exchange profit was designated as a hedge of foreign currency commitments at June 30, 2003 and deferred in the future period. Equivalent amount was a profit of 5.2 million at December 31, 2002.

Interest rate risk management

No new interest rate cap agreement was subscribed during the first half of 2003.

COMPAGNIE GENERALE DE GEOPHYSIQUE, S.A.

Fair value information

The carrying amounts and fair values of the Group s financial instruments are as follows:

(in millions of euros)	June 30, 2003		December 31, 2002	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	130.9	130.9	116.6	116.6
Bank overdraft facilities	7.3	7.3	10.5	10.5
Bank loans, vendor equipment financing and shareholder loans:				
Variable rate	21.8	21.8	21.3	21.3
Fixed rate	237.1	260.9	283.1	320.3
Foreign currency exchange contracts	9.7	9.4	9.7	9.2

Due to their short maturity, the Group considers the carrying value for loans receivable and other investments, trade accounts and notes receivable, other receivables, trade accounts and notes payable and other current liabilities to be the representative estimate of fair value.

For bank loans with fixed interest rates, the fair values have been estimated using discounted cash flow analyses based on the Group s incremental borrowing rates for similar types of borrowing arrangements. For variable-rate bank loans, vendor equipment financing and the shareholder loans, fair values approximate carrying values. The fair values of foreign currency exchange contracts are estimated based on current forward exchange rates for contracts with comparable maturities.

NOTE 8 CONTRACTUAL OBLIGATIONS, COMMITMENTS AND CONTINGENCIES

Contractual obligations

The Group leases primarily land, buildings and geophysical equipment under capital lease agreements expiring at various dates during the next five years. These capital lease commitments include the sale-leaseback agreement with respect to the Group s head office in Massy.

The Group also presently operates seismic vessels under long-term charter agreements with ship-owners that expire at various dates over the next 8 to 48 months. Other lease agreements relate primarily to operating leases for offices, computer equipment and other items of personal property.

Rental expense was 40.5 million for the six months ended June 30, 2003 and 40.2 million for the six months ended June 30, 2002.

The following table presents on the future periods payments relating to contractual obligations as of June 30, 2003:

(in millions of euros)	Payments due by period				
	Less than 1 year	2-3 years	4-5 years	After 5 years	Total
Long-term debt (Note 5)	19.1	4.8	200.0	2.0	225.9
Capital Lease Obligations	17.3	10.5	10.8		38.6(a)
Operating Leases (b)	46.2	49.2	38.8	2.6	136.8
Other long-term Obligations (bond interest)	20.9	41.8	31.4		94.1

Total Contractual Obligations	**103.5**	**106.3**	**281.0**	**4.6**	**495.4**

(a) includes 3.9 million of interest.

(b) includes an agreement concluded during the first half of 2003 on a three-year period with option to extend for one year related to a boat as source vessel for undershoot, for a total amount of US$21.5 million.

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Other commitments

Outstanding commitments at June 30, 2003 and December 31, 2002 include the following:

(in millions of euros)	**June 30, 2003**	**December 31, 2002**
Guarantees issued in favor of clients	33.0	57.2
Guarantees issued in favor of banks	15.6	3.5
Notes receivable discounted		
Other guarantees [(a)]	13.2	16.5
Total	**61.8**	**77.2**

(a) other guarantees relate primarily to guarantees issued by the Company on behalf of subsidiaries and affiliated companies in favor of customs or administrations

As a significant shareholder of PGS since September 26, 2002 with a 7.5% equity stake, CGG has given its support to the financial restructuring plan presented on June 18, 2003 at PGS s annual shareholders meeting in Oslo. This support is demonstrated by the participation of CGG in the group of supporting shareholders who have committed to jointly acquire up to 30% of the post-restructuring equity of PGS for a global amount of U.S.$85 million (of which U.S.$22 million from CGG and U.S.$60 million from UMOE).

75% of this 30% equity tranche will be offered to the PGS s Shareholders pro-rata for their share ownership, thereby potentially reducing the amount guaranteed to the supporting shareholders to a minimum 25% of this tranche (corresponding to U.S.$5.5 million for CGG). Upon completion of this offering which is anticipated by fall 2003, CGG s stake in PGS will therefore be comprised between 2.7% and 8.1% of PGS s total share capital.

Two legal agreements in relation with the above arrangement were signed among CGG and various parties:

- the Plan Support Agreement on June 18, 2003;
- the Underwriting Agreement on July 28, 2003.

Legal proceedings, claims and other contingencies

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

The Company has been sued by Parexpro (Portugal), for termination without cause of employment agreements and solicitation of a significant number of highly qualified staff in the field of reservoir evaluation, misappropriation of confidential information and documentation, clients, and loss of profits resulting therefrom. Although we cannot be certain of the outcome, we consider that, given our legal position, we have no significant exposure on that case.

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

We recently brought suit against one of our clients in connection with an outstanding payment of 10 million relating to a marine seismic acquisition contract. Although we cannot be certain of the outcome, we believe that this total amount may eventually be recovered based on our contractual and legal position as well as the solvency of the defendant. No provision related to this issue has therefore been included in our accounts.

NOTE 9 ANALYSIS BY OPERATING SEGMENT AND GEOGRAPHIC ZONE

The following tables present revenues, operating income and identifiable assets by operating segment, revenues by geographic zone (by origin) as well as net sales by geographic zone based on the location of the customer. The Group principally services the oil and gas exploration and production industry and currently operates in two industry segments:

Geophysical services, which consist of (i) land seismic data acquisition, (ii) marine seismic data acquisition, (iii) other geophysical data acquisition, including activities not exclusively linked to oilfield services, and (iv) data processing, and data management;

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Products, which consist of the manufacture and sale of equipment involved in seismic data acquisition, such as recording and transmission equipment and vibrators for use in land seismic acquisition.

Inter-company sales between such industry segments are made at prices approximating market prices and relate primarily to equipment sales made by the geophysical products segment to the geophysical services segment. These inter-segment sales, the related operating income recognized by the geophysical products segment, and the related effect on capital expenditures and depreciation expense of the geophysical services segment are eliminated in consolidation and presented in the column Eliminations and Adjustments in the tables which follow. Operating income represents operating revenues and other operating income less expenses of the industry segment. It includes non-recurring and unusual items, which are disclosed in the operating segment if material. General corporate expenses, which include Group management, financing, and legal activities, have been included in the column Eliminations and Adjustments in the tables which follow. The Group does not disclose financial expenses or revenues by operating segment because these items are not followed by the operating management and financing and investing are mainly managed at a corporate level.

Identifiable assets are those used in the operations of each industry segment and geographic zone. Unallocated and corporate assets consist primarily of financial assets, including cash and cash equivalents, and the Group s Corporate headquarters in Massy.

Net sales originating in France include export sales of approximately 72.5 million for the six months ended June 30, 2003 and 90.4 million for the six months ended June 30, 2002.

For the first half of 2003, the Group s two most significant customers accounted for 11.5% and 8.2%, respectively, of the Group s consolidated revenues compared with 11.3% and 7.7% for the first half of 2002.

Analysis by operating segment

	Six months ended June 30, 2003				**Six months ended June 30, 2002**			
(in millions of euros)	**Services**	**Products**	**Eliminations and Adjustments**	**Consolidated Total**	**Services**	**Products**	**Eliminations and Adjustments**	**Consolidated Total**
Revenues from unaffiliated customers	**240.7**	**78.2**		**318.9**	**232.3**	**104.0**		**336.3**
Inter-segment revenues	0.5	10.0	(10.5)		0.4	39.2	(39.6)	
Operating revenues	**241.2**	**88.2**	**(10.5)**	**318.9**	**232.7**	**143.2**	**(39.6)**	**336.3**
Operating income (loss)	**(1.1)**	**16.6**	**(3.6)**[a]	**11.9**	**1.9**	**25.3**	**(10.3)**[a]	**16.9**
Equity income (loss) of investees	4.7	0.2		4.9	2.0	(0.8)		1.2
Capital expenditures [b]	86.6	0.9	(2.3)	85.2	134.1	1.8	(8.3)	127.6
Depreciation and amortization [c]	87.7	6.0	(3.0)	90.6	69.6	6.6	(2.7)	73.5
Corporate assets amortization				0.1				0.2
Investments in companies under equity method	0.6			0.6	0.2			0.2
Identifiable assets	**607.5**	**188.5**	**(24.6)**	**771.4**	**685.2**	**259.3**	**(58.6)**	**885.9**
Unallocated and corporate assets				172.1				103.4
Total assets				**943.5**				**989.3**

(a) includes general corporate expenses of 5.3 million for the first half of 2003 and of 5.4 million for the comparable period in 2002.

(b) includes investments in multi-client surveys of 66.7 for the first half of 2003 and 60.4 million for the comparable period in 2002 and equipment acquired under capital leases, of which there was 4.2 million in the first six months of 2003 and 5.1 million for the comparable period in 2002.

(c) includes multi-client amortization of 55.5 million for the first six months of 2003 and 39.2 million for the comparable period in 2002 and goodwill amortization for our Services and Products segments of 0.6 million and 2.4 million respectively, for the first six months of 2003 and 0.7 million and 2.6 million respectively for the comparable period in 2002.

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(in millions of euros)	Three months ended June 30, 2003				Three months ended June 30, 2002			
	Services	Products	Eliminations and Adjustments	Consolidated Total	Services	Products	Eliminations and Adjustments	Consolidated Total
Revenues from unaffiliated customers	**115.3**	**46.9**		**162.2**	**125.3**	**53.2**		**178.5**
Inter-segment revenues	0.2	3.6	(3.8)		0.2	28.2	(28.4)	
Operating revenues	**115.5**	**50.5**	**(3.8)**	**162.2**	**125.5**	**81.4**	**(28.4)**	**178.5**
Operating income (loss)	**(2.3)**	**11.4**	(0.6)[a]	**8.5**	**1.7**	**13.5**	**(5.4)**[a]	**9.8**
Equity income (loss) of investees	1.7	0.2		1.9	1.4	(0.4)		1.0
Capital expenditures [b]	43.1	0.4		43.5	82.0	1.2	(4.2)	79.0
Depreciation and amortization [c]	41.2	2.9	(1.5)	42.6	34.1	3.2	(1.3)	36.0
Corporate assets amortization								0.1
Investments in companies under equity method	0.6			0.6				

(a) includes general corporate expenses of 2.6 million for the three months ended June 30, 2003 and of 2.9 million for the comparable period of 2002.

(b) includes investments in multi-client surveys for 34.4 million for the three months ended June 30, 2003 and 28.9 million for the comparable period of 2002, and equipment acquired under capital leases, of which there was 3.7 million for the first three months ended June 30, 2003 and 5.1 million for the comparable period in 2002.

(c) includes multi-client amortization of 25.4 million for the three months ended June 30, 2003 and 18.9 million for the comparable period of 2002 and goodwill amortization for our Services and Products segments of 0.3 million and 1.2 million respectively, for the three months ended June 30, 2003 and 0.4 million and 1.2 million, respectively, for the comparable period of 2002.

Analysis by geographic zone

Analysis of operating revenues by location of customers

(in millions of euros, except percentages)	Six months ended June 30,				Three months ended June 30,			
	2003		2002		2003		2002	
France	3.4	1%	2.4	1%	2.0	1%	2.2	1%
Rest of Europe	30.5	10%	59.6	17%	17.1	11%	34.5	20%
Asia-Pacific/Middle East	71.6	22%	80.3	24%	35.7	22%	35.7	20%
Africa	76.0	24%	51.5	16%	45.9	28%	32.9	18%
Americas	137.4	43%	142.5	42%	61.5	38%	73.2	41%
Total	**318.9**	**100%**	**336.3**	**100%**	**162.2**	**100%**	**178.5**	**100%**

Analysis of operating revenues by origin

(in millions of euros, except percentages)	Six months ended June 30,				Three months ended June 30,			
	2003		2002		2003		2002	
France	64.6	20%	92.8	28%	38.0	23%	61.8	35%
Rest of Europe	27.7	8%	33.6	10%	14.4	9%	17.2	9%
Asia-Pacific/Middle East	33.9	11%	39.7	12%	12.9	8%	23.3	13%
Africa	44.0	14%	38.4	11%	24.0	15%	13.7	8%
Americas	148.7	47%	131.8	39%	72.9	45%	62.5	35%
Total	**318.9**	**100%**	**336.3**	**100%**	**162.2**	**100%**	**178.5**	**100%**

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Due to the constant change in working locations the Group does not track its assets based on country of origin or ownership.

NOTE 10 OTHER REVENUES AND EXPENSES

	Six months ended June 30,		Three months ended June 30,	
(in millions of euros)	**2003**	**2002**	**2003**	**2002**
Assets depreciation	0.2	(2.0)	0.2	(2.0)
Restructuring costs	(1.8)[(a)]	(0.1)	(1.8)	(0.1)
Variation of reserves for restructuration	0.2	0.5	1.5	0.2
Assets write-downs				
Other	1.9(b)	(0.4)		(0.1)