

interest, but a lower percentage might be held to be a controlling interest in certain circumstances (depending upon such factors as the acquiring party's intentions, the ability of the acquiring party to elect directors or financial reliance by the company concerned on the acquiring party).

### **Exchange Controls**

Under current French exchange control regulations, there are no limitations on the amount of payments that may be remitted by us to non-residents. Laws and regulations concerning foreign exchange control do require, however, that all payments or transfers of funds (including payments of dividends to foreign shareholders) made by a French resident to a non-resident be handled by an accredited intermediary. In France, all registered banks and substantially all credit establishments are accredited intermediaries.

## **Taxation**

### **French Taxation**

The following is a general summary of the principal French tax consequences of owning and disposing of ADSs relevant to U.S. Holders (as defined below) which do not hold the ADSs or underlying shares in connection with a trade or business conducted in France. The statements relating to French tax laws set out below are based on the laws in force as at the date hereof, and are subject to any changes in applicable French tax laws or in any applicable double taxation conventions or treaties with France occurring after such date.

This discussion is intended only as a descriptive summary and does not purport to be a complete analysis or list of all potential tax effects of the purchase or ownership of ADSs.

### **Taxation on Sale or Disposal of ADSs**

Subject to the provisions of any relevant double tax treaty, persons who are not French residents for the purpose of French taxation (as well as, under certain conditions, foreign states, international organizations and certain foreign public bodies) and who have held not more than 25%, directly or indirectly, of the dividend rights (*bénéfices sociaux*) of our company at any time during the preceding five years, are not generally subject to any French income tax or capital gains tax on any sale or disposal of ADSs.

If a transfer of listed shares is evidenced by a written agreement, such share transfer agreement is, in principle, subject to registration formalities and therefore to a 1% registration duty assessed on the higher of the purchase price or the market value of the shares (subject to a maximum assessment of €3,049 per transfer), provided that, under certain circumstances, no duty is due if such written share transfer agreement is executed outside France.

### **Taxation of Dividends**

Under French law, dividends are paid out of after-tax income. French residents are entitled to a tax credit, known as the *avoir fiscal*, equal to one-half of the dividend paid where the beneficiary shareholder is an individual. Where the beneficiary shareholder is not an individual, the *avoir fiscal* is generally equal to 10% of the dividend paid for the *avoir fiscal* used or refunded in 2003. However, except in limited circumstances, if a distribution is subject to a tax known as the *précompte*, shareholders entitled to the *avoir fiscal* at the rate of 10% are generally entitled to an additional amount of *avoir fiscal* equal to 80%, respectively, of any *précompte* actually paid in cash by our company upon distribution of dividends paid out of certain profits (see below paragraph relating to the *précompte*). Dividends paid to non-residents are normally subject to a 25% withholding tax and, under French law, non-residents are not eligible for the benefit of the *avoir fiscal*. As discussed below, this amount is reduced to 15% or, as the case may be, 5% under the income and capital tax treaty between the United States and France currently in force (the "Treaty").

Amounts distributed as dividends by French companies out of profits which have not been taxed at the ordinary corporate income tax rate or which have been earned and taxed more than five years before the distribution are subject to a tax known as the *précompte*, by such companies. The *précompte* is paid by the distributing company to the French tax authorities and is generally equal to one-half of the net dividend

distributed, before withholding tax. When a tax treaty in force does not provide for a refund of the *avoir fiscal* or when the non-resident investor is not entitled to such refund but is otherwise entitled to the benefits of a tax treaty, such investor may obtain from the French tax authorities a refund of such *précompte* actually paid in cash by our company, if any (net of applicable withholding tax).

## **U.S. Taxation**

The following is a summary of the material U.S. federal income tax and French tax consequences of the acquisition, ownership and disposition of ADSs by a U.S. Holder (as defined below). This summary deals only with purchasers of ADSs that are U.S. Holders that will hold the ADSs as capital assets. The discussion does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of ADSs by particular investors, and does not address state, local, foreign or other tax laws. In particular, this summary does not address tax considerations applicable to investors that own (directly or indirectly) 10% or more of our voting stock, nor does this summary discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the U.S. federal income tax laws (such as banks, insurance companies, investors liable for the alternative minimum tax, individual retirement accounts and other tax-deferred accounts, tax-exempt organizations, dealers in securities or currencies, investors that will hold ADSs as part of straddles, hedging transactions or conversion transactions for U.S. federal income tax purposes or investors whose functional currency is not the U.S. dollar).

As used herein, the term “U.S. Holder” means a beneficial owner of ADSs that is (i) a citizen or resident of the United States for U.S. federal income tax purposes, (ii) a corporation, or other entity treated as a corporation, created or organized under the laws of the United States or any State thereof, (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust.

The summary assumes that we are not a passive foreign investment company (“PFIC”) for U.S. federal income tax purposes, which we believe to be the case. Our possible status as a PFIC must be determined annually and therefore may be subject to change. If we were to be a PFIC in any year, materially adverse consequences could result for U.S. Holders.

The summary assumes that each obligation in the deposit agreement between The Bank of New York and us (the “Deposit Agreement”) and any related agreement will be performed in accordance with its terms and is based on the tax laws of the United States, including the Internal Revenue Code of 1986, as amended (the “Code”), its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, as well as on the Treaty, all as currently in effect and all subject to change at any time, possibly with retroactive effect.

For United States federal income tax purposes, a U.S. Holder of ADSs will be treated as the owner of the corresponding number of our shares held by The Bank of New York as depositary (the “Depositary”) and references herein to shares refer also to ADSs representing shares.

## **Dividends**

**General.** Distributions, inclusive of the *avoir fiscal* or *précompte* (discussed below under “Effect of French Withholding Taxes – *Avoir Fiscal*”), if applicable, paid on our shares out of current or accumulated earnings and profits (as determined for U.S. federal income tax purposes), before reduction for any French withholding tax paid by us with respect thereto, will generally be taxable to a U.S. Holder as foreign source dividend income in the year in which the distribution is received (which, in the case of a U.S. Holder of ADSs, will be the year of receipt by the Depositary), and will not be eligible for the dividends received deduction otherwise allowed to corporations. Distributions in excess of current and accumulated earnings and profits will be treated as a non-taxable return of capital to the extent of the U.S. Holder’s basis in the ADSs and thereafter as capital gain.

*Effect of French Withholding Taxes – Avoir Fiscal.* As discussed above under “French Taxation – Taxation of Dividends” in France dividends are paid out of after-tax income. Under French domestic law, dividends paid to non-residents are normally subject to a 25% French withholding tax and are not eligible for the benefit of the *avoir fiscal*.

Under the Treaty, the rate of French withholding tax on dividends paid to a US Holder that is not a company holding, directly or indirectly, at least 10% of our share capital and whose ownership of ADSs is not effectively connected with a permanent establishment or a fixed base in France is reduced to a 15% withholding tax. This rate is further reduced to 5% if the US Holder is a company holding, directly or indirectly, at least 10% of our share capital and whose ownership of ADSs is not effectively connected with a permanent establishment or a fixed base in France. An Eligible U.S. Holder (as defined below) is also entitled to a payment equal to the *avoir fiscal*, less the 15% withholding tax. As noted below, this payment will not be made to an Eligible U.S. Holder until after the close of the calendar year in which the dividend was paid and only upon receipt by the French tax authorities of a claim made by the Eligible U.S. Holder for the payment in accordance with the procedures set forth below.

As used herein, the term “an Eligible U.S. Holder” is a U.S. Holder whose ownership of ADSs is not effectively connected with a permanent establishment or fixed base in France who is entitled to the benefits of the Treaty under the “Limitation on Benefits” article of the Treaty, and who is (i) an individual or other non-corporate holder that is a resident of the United States as defined pursuant to the provisions of the Treaty, (ii) a United States corporation that does not own, directly or indirectly, 10% or more of our capital, other than a regulated investment company, (iii) a United States corporation that does not own, directly or indirectly, 10% or more of our capital, which is a regulated investment company, but only if less than 20% of its shares are beneficially owned by persons who are neither citizens nor residents of the United States or (iv) a partnership or trust that is treated as a resident of the United States as defined pursuant to the provisions of the Treaty, but only to the extent that its partners, beneficiaries or grantors would qualify under clause (i) or (ii) above.

In general, under the Treaty, an Eligible U.S. Holder may receive a payment of the *avoir fiscal* only if the holder (or its partners, beneficiaries or grantors, if the holder is a partnership or trust) attests that it is subject to United States federal income taxes on the payment of the *avoir fiscal* and the related dividend. However, certain tax-exempt “U.S. Pension Funds”, as defined below, and certain other tax-exempt entities (including certain governmental institutions, non-profit-making organizations and individuals with respect to dividends beneficially owned by such individuals and derived from an investment retirement account) (“Other Tax-Exempt Entities”) that own, directly or indirectly, less than 10% of our capital, and that satisfy certain filing formalities (i) are entitled to a payment, subject to French withholding tax, equal to 30/85 of the gross *avoir fiscal* (the “partial *avoir fiscal*”) and (ii) are eligible for the reduced withholding tax rate of 15% on dividends. A “U.S. Pension Fund” includes, inter alia, the exempt pension funds subject to the provisions of Section 401(a) (qualified retirement plans), Section 403(b) (tax deferred annuity contracts), Section 408 (individual retirement accounts) or Section 457 (deferred compensation plans) of the Code, established and managed in order to pay retirement benefits.

Dividends paid to an Eligible U.S. Holder will be subject to the reduced withholding tax rate of 15% at the time the dividend is paid if (i) such holder duly completes and provides the French tax authorities with French Treasury Form RF 1 A EU-N0. 5052 (the “Form”) before the date of payment of the relevant dividend together with, if such Eligible U.S. Holder is not an individual, an affidavit attesting that it is the beneficial owner of all the rights attached to the full ownership of ADSs, including but not limited to dividend rights, or (ii) if completion of the Form is not possible prior to the payment of dividends, the holder duly completes and provides the French tax authorities with a simplified certificate (the “Certificate”) stating that (a) the holder is a U.S. resident as defined pursuant to the provisions of the Treaty, (b) the holder’s ownership of the ADSs is not effectively connected with a permanent establishment or fixed base in France, (c) the holder owns all the rights attached to the full ownership of the ADSs, including but not limited to dividend rights, (d) the holder meets all the requirements of the Treaty for obtaining the benefit of the reduced rate of withholding tax and the right to payment of the French *avoir fiscal*, and (e) the holder claims the reduced rate of withholding tax and payment of the *avoir fiscal* under the Treaty. U.S. Holders of ADSs may provide the Form or the Certificate to the Depositary, provided that the Depositary be given sufficient time to file such Form or Certificate with the French tax authorities before the date of payment.

Dividends paid to a U.S. Holder that is not entitled to the *avoir fiscal* (i.e., not an Eligible U.S. Holder) or to an Eligible U.S. Holder whose completed Form or Certificate has not been filed before the dividend payment date will be subject to French withholding tax at the rate of 25%. Such holder may claim a refund of the excess withholding tax and an Eligible U.S. Holder may claim the *avoir fiscal* by completing and providing the French tax authorities with the Form before December 31 of the year following the end of the calendar year in which the dividend is paid. U.S. Pension Funds and Other Tax-Exempt Entities are subject to the same general filing requirements as Eligible U.S. Holders except that they may have to supply additional documentation evidencing their entitlement to these benefits.

The Form or the Certificate, together with their respective instructions, will be provided by the Depositary to all U.S. Holders of ADSs registered by the Depositary. They are also available from the United States Internal Revenue Service (the "IRS"). The Depositary will arrange for the filing with the French tax authorities of all Forms or Certificates completed by U.S. Holders that are returned to the Depositary in sufficient time. Eligible U.S. Holders, U.S. Pension Funds and Other Tax-Exempt Entities must file (or have the Depositary file) the form and, when applicable, the affidavit in order to receive payment of the *avoir fiscal* or partial *avoir fiscal* (whichever is applicable). The *avoir fiscal* or partial *avoir fiscal* is generally expected to be paid to Eligible U.S. Holders, U.S. Pension Funds and Other Tax-Exempt Entities within 12 months of filing the Form, but not before 15 January following the end of the calendar year in which the related dividend is paid. Similarly, any French withholding tax refund is generally expected to be paid to U.S. Holders within 12 months of filing the Form, but not before 15 January following the end of the calendar year in which the related dividend is paid.

*Précompte.* Amounts distributed as dividends by French companies out of profits which have not been taxed at the ordinary corporate income tax rate or which have been earned and taxed more than five years before the distribution and which give rise to the *avoir fiscal* are subject to a *précompte*, or equalization tax, by such companies. The *précompte* is paid by the distributing company to the French tax authorities and is generally equal to one-half of the net dividend distributed.

A U.S. Holder not entitled to the (full or partial) *avoir fiscal* may generally obtain a refund from the French tax authorities of *précompte* actually paid by us with respect to the dividends distributed. A U.S. Holder entitled to partial *avoir fiscal* may generally obtain a refund of *précompte* reduced by the amount of the *avoir fiscal* payment. Pursuant to the Treaty, the amount of the *précompte* refunded to United States residents is reduced by the 15% or, as the case may be, 5% withholding tax applicable to dividends. A U.S. Holder is only entitled to a refund of *précompte* actually paid in cash by us and is not entitled to a refund of the *précompte* paid by us by off-setting French and/or foreign tax credits.

A U.S. Holder entitled to the refund of the *précompte* must apply for such refund by filing a French Treasury Form RF 1 B EU-NO. 5053 before the end of the calendar year following the year in which the dividend was paid. This form, together with its instructions, are available from the United States Internal Revenue Services and at the *Centre des impôts des non résidents* (9 rue d'Uzès, 75094 Paris Cedex 2, France). The Depositary will arrange for the filing with the French tax authorities of all forms that are returned to the Depositary in sufficient time.

For United States federal income tax purposes, the amount of the *précompte* paid to a U.S. Holder will be included in gross income as dividend income in the year such payment is received. Such amounts will generally constitute foreign source "passive" or (in the case of certain holders) "financial services" income for foreign tax credit purposes.

*US Credits.* For U.S. federal income tax purposes, U.S. Holders will be treated as having received the amount of French taxes withheld by us with respect to a share or an ADS, and as then having paid over the withheld taxes to the French taxing authorities. As a result of this rule, the amount of dividend income included in gross income for U.S. federal income tax purposes by a U.S. Holder with respect to a payment of dividends may be greater than the amount of cash actually received (or receivable) by the U.S. Holder from us with respect to the payment.

Subject to certain limitations, a U.S. Holder will generally be entitled to a credit against its U.S. federal income tax liability, or a deduction in computing its U.S. federal taxable income, for French income taxes

withheld by us that are not refundable under the Treaty. For purposes of the foreign tax credit limitation, foreign source income is classified into one of several “baskets”, and the credit for foreign taxes on income in any basket is limited to U.S. federal income tax allocable to that income. Dividends paid on our Shares generally will constitute foreign source income in the “passive income” basket or, in the case of certain holders, the “financial services income” basket. In certain circumstances, a U.S. Holder may be denied foreign tax credits (and instead may be allowed deductions) for foreign taxes imposed on a dividend if the U.S. Holder (i) has not held our ADSs for at least 16 days in the 30-day period beginning 15 days before the ex dividend date, during which it is not protected from risk of loss; (ii) is obligated to make payments related to the dividends; or (iii) holds the ADSs in arrangements in which the U.S. Holder’s expected profit, after non-U.S. taxes, is insubstantial. Prospective purchasers should consult their tax advisers concerning the foreign tax credit implications of the payment of these French taxes.

**Foreign Currency Dividends.** Dividends paid in Euro, including the *avoir fiscal* and the *précompte*, before reduction for French withholding taxes, will be included in income in a U.S. dollar amount calculated by reference to the exchange rate in effect on the day the dividends are received by the U.S. Holder, regardless of whether the Euro are converted into U.S. dollars at that time. If dividends received in Euro are converted into U.S. dollars on the day they are received, the U.S. Holder generally will not be required to recognize foreign currency gain or loss in respect of the dividend income.

A U.S. Holder will generally be required to recognize United States source ordinary income or loss upon the sale or disposition of Euro. Moreover, a U.S. Holder may be required to recognize foreign currency gain or loss, which will generally be United States source ordinary income or loss, upon the receipt of a refund of amounts, if any, withheld from a dividend in excess of the Treaty rate of 15%.

For purposes of determining the amount of the foreign tax credit, U.S. Holders who use the cash basis method of accounting must translate French withholding tax into U.S. dollars at the spot rate on the date the dividend is received. U.S. Holders that use the accrual basis method must translate French taxes into U.S. dollars at a rate equal to the average exchange rate for the taxable year in which the taxes accrue. All U.S. Holders, however, must translate foreign currency received as a dividend into U.S. dollars at the spot rate on the date the dividend is received for purposes of determining the amount of dividend income that is included in the U.S. Holder’s gross taxable income. This difference in exchange rates may reduce the U.S. dollar value of the credits for French taxes relative to the U.S. Holders’ U.S. federal income tax liability attributable to a dividend.

#### ***Sale or other Disposition***

Upon a sale or other disposition of ADSs, a U.S. Holder generally will recognize capital gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the amount realized on the sale or other disposition and the U.S. Holder’s adjusted tax basis in the ADSs. This capital gain or loss will be long-term capital gain or loss if the U.S. Holder’s holding period in the ADSs exceeds one year. For a non-corporate U.S. Holder, the maximum long-term capital gains rate is 20%, which is further reduced to 18% of the ADS’s have been held for more than five years. Any gain or loss will generally be U.S. source, except that losses will be treated as foreign source to the extent that the U.S. Holder received dividends that were includible in the financial services income basket during the 24-month period prior to the sale. This 24-month period may be extended to cover periods in which the U.S. Holder’s risk of loss is hedged.

#### ***Passive Foreign Investment Company Status***

A foreign corporation will be a PFIC in any taxable year in which either (i) 75% or more of its gross income consists of certain specified types of “passive” income or (ii) the average percentage of its assets (by value) that produce or are held for the production of passive income is at least 50%. We do not expect that we will be a PFIC in 2002, but our possible status as a PFIC must be determined annually and therefore we might become a PFIC in future years.

If we were a PFIC in any taxable year during which a U.S. Holder owned ADSs and the U.S. Holder had not made a mark to market or qualified electing fund election, the U.S. Holder would generally be subject to special rules (regardless of whether we continued to be a PFIC) with respect to (i) any “excess distribution” (generally,

any distributions received by the U.S. Holder on ADSs in a taxable year that are greater than 125% of the average annual distributions received by the U.S. Holder in the three preceding taxable years or, if shorter, the U.S. Holder's holding period for the ADSs and (ii) any gain realized on the sale or other disposition of ADSs. Under these rules (a) the excess distribution or gain would be allocated ratably over the U.S. Holder's holding period, (b) the amount allocated to the current taxable year and any taxable year prior to the first taxable year in which we are a PFIC would be taxed as ordinary income, and (c) the amount allocated to each of the other taxable years would be subject to tax at the highest rate of tax in effect for the applicable class of taxpayer for that year and an interest charge for the deemed deferral benefit would be imposed with respect to the resulting tax attributable to each such other taxable year. If we were a PFIC, a U.S. Holder of ADSs would generally be subject to similar rules with respect to distributions to us by, and dispositions by us of the stock of, any direct or indirect subsidiaries of ours that were also PFICs. Furthermore, a U.S. Holder who beneficially owns an interest in a PFIC is generally required to file an annual information return on IRS Form 8621 describing the distributions received from and any gain realized upon the disposition of a beneficial interest in the PFIC.

#### **French Estate and Gift Taxes**

Pursuant to "The Convention Between the United States of America and the French Republic for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Estates, Inheritance and Gifts", a transfer of ADSs by gift or by reason of the death of a U.S. Holder will not be subject to French gift or inheritance tax, unless (i) the donor or the transferor is domiciled in France at the time of making the gift or at the time of his or her death, or (ii) the ADSs were used in, or held for use in, the conduct of a business through a permanent establishment or fixed base in France. In such a case, the French gift or inheritance tax may be credited against the U.S. gift or inheritance tax. This tax credit is limited to the amount of the U.S. gift or inheritance tax due on the ADSs.

#### **French Wealth Tax**

The French wealth tax ("*impôt de solidarité sur la fortune*") does not generally apply to a U.S. Holder who is a resident of the United States as defined in the provisions of the Treaty, unless the ADSs form part of the business property of a permanent establishment or fixed base in France.

#### **Information Reporting and Backup Withholding**

Dividends on, and proceeds from the sale or other disposition of ADSs by a U.S. paying agent or other U.S. intermediary will be reported to the IRS and to the U.S. Holder as may be required under applicable regulations. Backup withholding may apply to these payments if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of foreign or other exempt status or fails to report all dividends required to be shown on its U.S. federal income tax returns. Certain U.S. Holders (including, among others, corporations) are not subject to backup withholding. U.S. Holders should consult their tax advisers as to their qualification for exemption from backup withholding and the procedure for obtaining such an exemption.

#### **Dividends and Paying Agents**

Not applicable.

#### **Statement by Experts**

Not applicable.

#### **Documents on Display**

We are subject to the reporting requirements of the Exchange Act applicable to foreign private issuers. In accordance with the Exchange Act, we electronically file reports, including annual reports on Form 20-F and interim reports on Form 6-K, and other information with the Securities and Exchange Commission. You may obtain these reports and other information by sending a written request to Compagnie Générale de Géophysique, 1, rue Léon Migaux, 91341 Massy, France, Attention: Investor Relations Officer, Telephone: (33) 1 64 47 3000.