

***Sale and Purchase Agreement dated December 19, 2003 by and among Sercel Australia Pty Ltd and Thales underwater systems Pty Ltd***

In accordance with this agreement, our subsidiary Sercel Australia Pty Ltd, purchased part of the business of Thales Underwater Systems Pty Ltd specific to civilian marine seismic oil and gas exploration equipment and systems, for a total amount of €22 million.

***Revolving Credit Facility Agreement dated March 12, 2004 by and among us, Sercel SA, CGG Marine, Natexis Banques Populaires and certain banks and financial institutions***

On March 12, 2004, CGG, CGG Marine and Sercel signed a revolving credit facility agreement of up to U.S.\$60,000,000 with Natexis Banques Populaires acting as arranger and agent and certain banks and financial institutions acting as lenders. The purpose of this agreement was to replace our current facility agreement dated September 15, 1999, as amended on August 31, 2000.

**Exchange Controls**

***Ownership of ADSs or shares by Non-French Persons***

Under French law, there is no limitation on the right of non-resident or foreign shareholders to own or to vote securities of a French company.

According to the law dated February 14, 1996, administrative authorization is no longer required prior to acquiring a controlling interest in a French company. However a notice (*déclaration administrative*) must be filed with the French Ministry of the Economy for the acquisition of an interest in us by any person not residing in France or any group of non-French residents acting in concert or by any foreign controlled resident if such acquisition would result in (i) the acquisition of a controlling interest in us or (ii) the increase of a controlling interest in us unless such person not residing in France or group of non-French residents already controls more than two-thirds of our share capital or voting rights prior to such increase. Under existing administrative rulings, ownership of 20% or more of a French listed company's share capital or voting rights is regarded as a controlling 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**

The following summarizes the material French tax and U.S. federal income tax consequences to U.S. Holders (as defined below) of the ownership and disposal of ADSs.

For the purposes of this discussion, a U.S. Holder means a beneficial owner of ADSs that is:

- an individual who is a citizen or resident of the United States for U.S. federal income tax purposes,
- a corporation, or other entity treated as a corporation, created or organized in or under the laws of the United States or of any State thereof,
- an estate the income of which is subject to United States federal income taxation regardless of its source, or
- a trust if a court within the United States is able to exercise primary supervision over the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust.

A Non-U.S. Holder is a holder that is not a U.S. Holder.

This discussion is not a complete description of all of the tax consequences of the ownership or disposition of ADSs. 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 current tax laws of the Republic of France and the United States, including the U.S. Internal Revenue Code of 1986, as amended (the "Code"), its legislative history, existing and proposed Treasury Regulations, Internal Revenue Service ("IRS") rulings and judicial opinions as well as the Convention between the United States and the Republic of France for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and Capital dated August 31, 1994 (the "Treaty"), all as currently in effect and all subject to change, possibly with retroactive effect.

Your individual circumstances may affect the tax consequences of the ownership or disposition of ADSs to you, and your particular facts or circumstances are not considered in the discussion below.

For purposes of the Treaty, French tax law and the Code, U.S. owners of ADSs will be treated as owners of the corresponding number of our shares underlying those ADSs held by The Bank of New York as depository (the "Depository"). There are currently no procedures available for holders that are not U.S. residents to claim tax treaty benefits in respect of dividends received on ADSs or shares registered in the name of a nominee. Such holders should consult their own tax advisor about the consequences of owning and disposing of ADSs.

This discussion summary is not intended to apply to holders of ADSs in particular circumstances, such as:

- investors that own (directly or indirectly) 10% or more of our voting stock,
- banks,
- dealers in securities or currencies,
- traders in securities who elect to apply a mark-to-market method of accounting,
- financial institutions,
- regulated investment companies,
- real estate investment trusts,
- tax-exempt organizations,
- insurance companies,
- persons holding ADSs as part of a hedging, straddle, conversion or other integrated transaction,
- U.S. Holders who hold ADSs other than as capital assets,
- persons whose functional currency is not the U.S. dollar,
- certain U.S. expatriates,
- individual retirement accounts and other tax-deferred accounts,
- partners in partnerships,
- persons subject to the U.S. alternative minimum tax, and
- persons who acquired ADSs pursuant to an employee stock option or otherwise as compensation.

You should consult your own tax advisor regarding the French and United States federal, state and local and other tax consequences of the purchase, ownership and disposition of ADSs in the light of your particular circumstances, including the effect of any state, local or other national laws. In particular, you should confirm whether you are eligible for the benefits of the Treaty with your advisor and should discuss any possible consequences of failing to be so eligible. You should also consult your tax advisor in the event that you become entitled to receive any annual dividend that is approved to be paid with respect to our 2003 results.

## **French Taxation**

The following describes the material French tax consequences of owning and disposing of ADSs relevant to U.S. Holders which do not hold their ADSs in connection with a permanent establishment or fixed base through which a holder carries on business or performs personal services 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 of Dividends – Withholding Tax**

France generally imposes a 25% withholding tax on dividends distributed in cash or in the form of shares by a French corporation (such as our company) to shareholders who are not residents of France for French tax purposes.

However, the Treaty generally reduces the withholding tax rate to 15% on dividends paid in cash or in the form of shares to an Eligible U.S. Holder (as defined below).

Under the Treaty, an “Eligible U.S. Holder” is a U.S. Holder whose ownership of ADSs is not attributable to a permanent establishment or fixed base in France and who is:

- an individual or other non-corporate holder, or
- a corporation that does not own, directly or indirectly, 10% or more of the capital of our company,

provided in each case that such holder:

- is a resident of the United States under the Treaty,
- is entitled to Treaty benefits under the limitation on benefits provisions in Article 30 of the Treaty, and
- complies with the procedural rules described below.

Pursuant to a French administrative instruction 4 J-1-94 dated May 13, 1994, dividends paid in cash or in the form of shares to an Eligible U.S. Holder who is entitled to the *avoir fiscal* (as discussed below) are no longer subject to the French withholding tax at 25% (with this tax reduced at a later date to 15%, subject to filing formalities), but are immediately subject to the reduced rate of 15% provided that the holder establishes before the date of payment that he is a resident of the United States under the Treaty. The French tax authorities have indicated that the provisions of that instruction shall apply to the dividends paid in 2004 to recipients, whether individuals or legal entities, that are resident for tax purposes in a State that has entered into a tax treaty with France providing for the transfer of the *avoir fiscal*, which is the case of the Treaty (4 J-1-04 dated April 5, 2004). Accordingly, those dividends may be immediately subject to the reduced withholding tax rate.

### **Taxation of Dividends – Avoir Fiscal and Précompte**

Investors should note that the Finance Act for 2004 (*loi de finances pour 2004*) provides for the repeal of the *avoir fiscal* and *précompte* mechanisms, as described below. At the date of this registration statement, the French tax authorities have not yet issued any guidelines commenting on the repeal of those mechanisms or the new distribution regime and their consequences for non-French residents. The tax treatment of distributions made to non-French residents, as described herein, is therefore subject to confirmation by the French tax authorities.

For the purposes of this sub-section, the term dividends means distributions which have the characteristics of dividends within the meaning of the French administrative instruction 4 J-2-01 dated December 14, 2001. According to that instruction, the *avoir fiscal* is exclusively attached to distributions that are duly made pursuant to a decision of the competent corporate bodies in accordance with the French laws and regulations applicable to dividend distributions. Only those distributions may give rise to a payment of the *précompte*.

The *précompte* is an equalization tax payable by a French corporation in respect of any amounts distributed as a dividend out of profits which:

- have not been subject to French corporate income tax at the standard corporate income tax rate, or
- were earned and taxed more than five years before the distribution,

The *précompte* is paid at the time of such dividend distribution and is generally equal to 50% of the net dividend distributed.

Under French domestic tax law, including the provisions of the Finance Act for 2004 (*loi de finances pour 2004*):

- French individual residents are entitled to a tax credit, known as the *avoir fiscal*, equal to 50% of the dividend paid in cash or in the form of shares by a French corporation before January 1, 2005, but dividend distributions made as from that date shall carry no *avoir fiscal*; however, for distributions received as from January 1, 2005, French individual residents will be entitled to a tax credit equal to 50% of the dividend received (the 50% Tax Credit). The 50% Tax Credit will have a cap of €230 for married couples and for members of a civil union agreement (*pacte civil de solidarité* under Article 515-1 of the French civil code) who are subject to joint taxation and €115 for single persons, widows or widowers, divorcees or married persons subject to separate taxation;
- subject to certain holding requirements, certain French corporations holding a 5% or more controlling interest (*participation*) in the distributing company are entitled to an *avoir fiscal* equal to 50% of the dividend, but will not be able to credit any such *avoir fiscal* against their French tax liability or to obtain any refund thereof as from January 1, 2005;
- other French residents are entitled to an *avoir fiscal* equal to 10% of the dividend (plus an additional payment equal to 80% of any *précompte* actually paid in cash by the distributing corporation), but will not be able to credit any such *avoir fiscal* against their French tax liability or to obtain any refund thereof as from January 1, 2005.

Under French domestic law, shareholders who are not resident in France are not eligible for the *avoir fiscal* or the 50% Tax Credit.

Under the Treaty, an Eligible U.S. Holder who receives dividends paid by a French company (such as our company) that, if received by a resident of France, would entitle such U.S. Holder to an *avoir fiscal* is generally entitled to a payment from the French Treasury that is the equivalent of an *avoir fiscal*. That payment is made by the French Treasury not earlier than the January 15 following the close of the calendar year in which the related dividend is paid, and only after receipt by the French tax authorities of a claim for that payment in accordance with the procedures described below.

However, the following are certain limitations to the availability of the *avoir fiscal* under the Treaty:

- An *avoir fiscal* is generally only granted if the Eligible U.S. Holder is subject to U.S. federal income tax on both the dividend and the *avoir fiscal*.
- A partnership or a trust (other than a pension trust, a real estate investment trust or a real estate mortgage investment conduit) in its capacity as an Eligible U.S. Holder is entitled to an *avoir fiscal* only to the extent that its partners, beneficiaries or grantors, as applicable, are themselves Eligible U.S. Holders (other than a regulated investment company) and are themselves subject to U.S. federal income tax on their respective shares of both the dividend and the *avoir fiscal*.
- The Eligible U.S. Holder, where required by the French tax authorities, must show that he or she is the beneficial owner of the dividends received from our company and that the holding of the ADSs does not have as one of its principal purposes to allow another person to take advantage of the grant of an *avoir fiscal* under the Treaty.
- If the Eligible U.S. Holder is a regulated investment company, it should not own, directly or indirectly, 10% or more of the capital of our company. This rule only applies if less than 20% of the shares of the

regulated investment company are beneficially owned by persons who are neither citizens nor residents of the United States under the Treaty.

Under the Treaty, any payment of an *avoir fiscal* to an Eligible U.S. Holder is subject to the 15% dividend withholding tax.

In addition, under the Treaty, an Eligible U.S. Holder that is not entitled to an *avoir fiscal* generally may obtain from the French tax authorities a refund of any *précompte* paid by our company with respect to the dividends distributed if he or she is the beneficial owner of those dividends. The French tax authorities consider that the *précompte* paid in respect of dividends distributed from the long-term capital gains reserve cannot be refunded (D. adm. 4 K 1122, nos. 8-9).

Pursuant to the Treaty, the amount of the *précompte* refunded to Eligible U.S. Holders is reduced by the 15% French withholding tax applicable to dividends and a partial *avoir fiscal*, if any. An Eligible U.S. Holder is only entitled to a refund of the *précompte* actually paid in cash by our company and is not entitled to a refund of any *précompte* paid by our company by offsetting French and/or foreign tax credits.

However, the Finance Act for 2004 (*loi de finances pour 2004*) provides that any distributions made as from January 1, 2005 will not trigger the payment of any *précompte*.

As a consequence of the above:

- Individual U.S. Eligible Holders should be entitled under the French Treaty to a payment from the French tax authorities equal to the *avoir fiscal* or, as the case may be, the refund of the *précompte* (less, in each case, a 15% withholding tax) in respect of dividends that we may pay before January 1, 2005. They should not be entitled to any such payment or refund in respect of dividends that we may pay as from that date. However, they should be entitled to a refund of the 50% Tax Credit, subject to the same limitations as applicable to the refund of the *avoir fiscal*, as well as to certain filing requirements, although the French tax authorities have not issued guidelines commenting thereon; and
- Non-individual U.S. Eligible Holders should not be entitled to the refund of the *avoir fiscal* in respect of dividends that we may pay in 2004, since, under French administrative practices, the *avoir fiscal* refund would not be payable before January 15, 2005 and the Finance Act for 2004 (*loi de finances pour 2004*) terminates any payment of *avoir fiscal* to persons other than individuals after January 1, 2005. However, although they should be entitled under the French Treaty to a refund of the *précompte*, if any, (less a 15% withholding tax) in respect of dividends that we may pay in 2004, they will not be entitled to any such refund in respect of dividends that we may pay as from January 1, 2005.

#### **Taxation of Dividends – Procedure to Obtain Treaty Benefits**

Eligible U.S. Holders must follow certain procedures in order to be eligible for the 15% dividend withholding tax and to receive, if applicable, a refund of the *avoir fiscal* and/or *précompte* (less the 15% withholding tax on that amount) under the Treaty.

An Eligible U.S. Holder entitled to the *avoir fiscal* who wishes to obtain a reduced withholding rate at source must:

- complete a French form RF1 A E.U. no. 5052, entitled “Application for Refund”,
- have it certified by the U.S. financial institution that is in charge of the administration of the ADSs of that Eligible U.S. Holder, and
- file it with us or the French person in charge of the payment of dividends on our shares underlying the ADSs, such as the French paying agent, in the case of our shares, or with the Depositary in the case of ADSs,

before the date of payment of the relevant dividend. However, if an Eligible U.S. Holder is not able to complete, have certified and file the Application for Refund before the date of payment of the dividend, that Eligible U.S. Holder may still benefit from the reduced 15% withholding tax rate if the U.S. financial institution that is in

charge of the administration of that Holder's ADSs or underlying shares provides us or the French paying agent with certain information with respect to that Eligible U.S. Holder and his or her holding of the ADSs or the underlying shares before the date of payment of the relevant dividend. Whichever procedure is followed, the *avoir fiscal* is not paid by the French Treasury earlier than the January 15 following the close of the calendar year in which the relevant dividend is paid.

If either of the procedures described above has not been followed before a dividend payment date or is not available to an Eligible U.S. Holder, our company or the French paying agent will withhold tax from the dividend at the normal French rate of 25%, and the Eligible U.S. Holder will be entitled to claim a refund of the excess withholding tax and the payment of the related *avoir fiscal* by filing the Application for Refund with the Depositary or the French paying agent early enough to enable them to forward that application to the French tax authorities before December 31 of the year following the calendar year in which the related dividend was paid.

The Depositary will provide to all U.S. Holders of ADSs the applications or certificates, together with instructions, and will arrange for the filing with the French tax authorities of all applications and certificates completed by U.S. Holders of ADSs and returned to the Depositary in sufficient time to effect the filing.

An Eligible U.S. Holder entitled to the refund of the *précompte* must apply for the refund by filing a French Treasury form RF 1 B E.U. no. 5053 before the end of the calendar year following the year in which the dividend is paid.

The forms RF1 A E.U. no. 5052 and RF 1 B E.U. no. 5053 and their respective instructions are available from the United States Internal Revenue Service or at the *centre des impôts des non-résidents* (9, rue d'Uzès, 75094 Paris Cedex 2, France).

The French tax authorities have not yet issued any guidance in respect of the refund of the 50% Tax Credit to individuals who are not French resident for tax purposes. It is expected that the procedure to obtain such a refund would imply cumbersome filing requirements.

#### ***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.

#### ***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.

## **United States Taxation**

The summary assumes that we are not a passive foreign investment company (a "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 OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. U.S. HOLDERS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF OWNING THE ADSs, INCLUDING THEIR ELIGIBILITY FOR THE BENEFITS OF THE TREATY, THE APPLICABILITY AND EFFECT OF STATE, LOCAL, FOREIGN AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.**

## **Dividends**

*General.* Distributions (including the amount of any *avoir fiscal* or *précompte* paid to a U.S. Holder, as discussed above under "*Taxation – French Taxation – Taxation of Dividends – Avoir Fiscal and Précompte*") 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 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.

For taxable years that begin after December 31, 2002 and on or before December 31, 2008, dividends paid by us will be taxable to a non-corporate U.S. Holder at the special reduced rate normally applicable to capital gains, provided we qualify for the benefits of the Treaty. A U.S. Holder will be eligible for this reduced rate only if it has held the ADSs for more than 60 days during the 120-day period beginning 60 days before the ex-dividend date. On February 19, 2004, the IRS announced that it will permit taxpayers to apply a proposed legislative change to the holding period requirement described in the preceding sentence as if such changes were already effective. This legislative "technical correction" would change the minimum required holding period, retroactive to January 1, 2003, to more than 60 days during the 121-day period beginning 60 days before the ex-dividend date.

*Foreign Currency Dividends.* Dividends paid in euro 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 Depositary, 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 by the Depositary, the U.S. Holder generally will not be required to recognize foreign currency gain or loss in respect of the dividend income.

## **Effect of French Withholding Taxes.**

*Avoir Fiscal.* As discussed above under "*Taxation – French Taxation – Taxation of Dividends – Withholding Tax*", under French domestic law, dividends paid by us to a non-resident shareholder are subject to a 25% withholding tax. Under the Treaty, however, the rate of withholding tax applicable to Eligible U.S. Holders is reduced to a maximum of 15%. In addition, as discussed above under "*Taxation – French Taxation – Taxation of Dividends – Avoir Fiscal and Précompte*", Eligible U.S. Holders may, under certain conditions, be also entitled to a payment from the French tax authorities equal to the applicable amount of *avoir fiscal*, less a 15%

withholding tax imposed on the gross amount of the *avoir fiscal* plus the related dividend. Please see “*Taxation – French Taxation – Taxation of Dividends – Procedure to Obtain Treaty Benefits*” for the procedure to claim the *avoir fiscal* and reduced rate of withholding tax under the Treaty.

*Précompte*. As discussed above under “*Taxation – French Taxation – Taxation of Dividends – Avoir Fiscal and Précompte*”, an Eligible U.S. Holder that is not entitled to payment of the *avoir fiscal* may nonetheless be able to obtain a refund from the French tax authorities of any *précompte* actually paid by the Company with respect to dividends distributed to the U.S. Holder. Under the Treaty, the amount refunded is reduced by a 15% withholding tax imposed on the gross amount of the *précompte* and the related dividend. Please see “*Taxation – French Taxation – Taxation of Dividends – Procedure to Obtain Treaty Benefits*” for the procedure to claim a refund of *précompte*.

An Eligible U.S. Holder will generally be entitled, subject to certain limitations, to a credit against its U.S. federal income tax liability, or a deduction in computing its U.S. federal taxable income, for any French tax withheld from a dividend or payment of *avoir fiscal* or *précompte*. Eligible U.S. Holders will not be entitled to a foreign tax credit for the amount of any French taxes withheld in excess of the 15% maximum rate, and with respect to which the holder can obtain a refund from the French taxing authorities. For purposes of the foreign tax credit limitation, foreign source income is classified in 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 by us generally will constitute foreign source income in the “passive income” basket. In certain circumstances, a U.S. Holder may be unable to claim foreign tax credits (and may instead be allowed deductions) for foreign taxes imposed on a dividend if the U.S. Holder has not held the ADSs for at least 16 days in the 30-day period beginning 15 days before the ex dividend date.

U.S. Holders that are accrual basis taxpayers 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, while all U.S. Holders must translate taxable dividend income into U.S. Dollars at the spot rate on the date received. This difference in exchange rates may reduce the U.S. dollar value of the credits for French taxes relative to the U.S. Holder’s U.S. federal income tax liability attributable to a dividend.

U.S. Holders should read the Section entitled “*Taxation – French Taxation – Taxation of Dividends – Avoir Fiscal and Précompte*” for a description of the *avoir fiscal*, *précompte*, the repeal of these mechanisms for distributions made as from 2004 and their eligibility for the 50% Tax Credit (described above under “*Taxation – French Taxation – Taxation of Dividends – Avoir Fiscal and Précompte*”) after such date; and should consult their tax advisers concerning the foreign tax credit implications of the payment of French taxes.

#### **Exchange of ADSs for Shares**

No gain or loss will be recognized upon the exchange of ADSs for the U.S. Holder’s proportionate interest in our ordinary shares. A U.S. Holder’s tax basis in the withdrawn shares will be the same as the U.S. Holder’s tax basis in the ADSs surrendered, and the holding period of the shares will include the holding period of the ADSs.

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

Upon a sale or other disposition of ADSs (other than an exchange of ADSs for shares), 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. Any gain or loss will generally be U.S. source.

#### **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 2004, 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.

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

Payments of dividends and other proceeds with respect to 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 exempt status or fails to report all interest and dividends required to be shown on its U.S. federal income tax returns. Certain U.S. Holders (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 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.

You can inspect and copy these reports, and other information, without charge, at the Public Reference Room of the Commission located at 450 Fifth Street, N.W., Washington, D.C. 20549. You can also obtain copies of these materials at prescribed rates from the Public Reference Room of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549 or by calling the Commission at 1-800-SEC-0330. The Commission also maintains a web site at <http://www.sec.gov> that contains reports and other information regarding registrants that file electronically with the Commission.

In addition, you can inspect material filed by us at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005, on which American Depositary Shares representing shares of our common