GENERAL GEOPHYSICS CO
Form 20-F/A
October 31, 2005

Table of Contents

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F/A
AMENDMENT NO. 2

o REGISTRATION STATEMENT PURSUANT TO SECTION 12(B) OR (G)
OF THE SECURITIES EXCHANGE ACT OF 1934
OR
x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 2004
OR
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period from to

Commission File Number 001-14622

Compagnie Générale de Géophysique
(Exact name of registrant as specified in its charter)

General Company of Geophysics
(Translation of registrant s name into English)
Republic of France
(Jurisdiction of incorporation or organization)
1, rue Léon Migaux
91300 Massy
France
(33) 1 64 47 3000
(Address of principal executive offices)

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

Title of each class	Name of each exchange on which registered
American Depositary Receipts representing Ordinary Shares, nominal value 2 per share	**New York Stock Exchange**

Securities registered or to be registered pursuant to Section 12(g) of the Act.
None
(Title of class)
Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.
None
(Title of class)

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

11,682,218 Ordinary Shares, nominal value 2 per share

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x No o

Indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 o Item 18 x

Table of Contents

EXPLANATORY NOTE

This Amendment No. 2 to Compagnie Générale de Géophysique s (CGG) Annual Report on Form 20-F for the year ended December 31, 2004 (the Amendment No. 2) is being filed solely to amend Items 3, 15 and 18 of the Amendment No. 1 to CGG s Annual Report on Form 20-F/ A (the Amendment No. 1) filed with the U.S. Securities and Exchange Commission (the SEC) on September 19, 2005. This Amendment No. 2 is being filed to reflect the restatement of financial information at and for the year ended December 31, 2004. Amendment No. 1 was filed solely to amend Items 3, 5 and 18 of CGG s Annual Report on Form 20-F for the year ended December 31, 2004 originally filed with the SEC on April 18, 2005.

During the process of closing our financial statements for the nine-month period ended September 30, 2005 (which were prepared under International Financial Reporting Standards, or IFRS), we reconsidered the treatment under accounting principles generally accepted in the United States (U.S. GAAP) for fiscal year 2004 of our dollar-denominated convertible bonds issued on November 4, 2004. This was because the International Accounting Standards Board published a decision paper in September 2005 that updated its interpretation of the treatment of instruments such as our convertible bonds under International Accounting Standard 32. The IASB set forth therein its interpretation that the proposed treatment under IFRS converges with the analogous treatment under U.S. GAAP. This interpretation was different from the interpretation we applied in our U.S. GAAP reconciliation note for 2004. As a result, we determined that our U.S. GAAP reconciliation note reflected a misinterpretation of the U.S. GAAP treatment of the issue, and that it was necessary to restate our previously issued U.S. GAAP financial information. This restatement did not have any impact on our French GAAP financial statements. The adjustments in our restated financial statements reflect an additional charge for derivative instrument of 23.5 million for the year 2004. Our net result under U.S. GAAP for the year 2004 has been restated to a net loss of 20.2 million from the previously published net income of 3.3 million. Our shareholders equity under U.S. GAAP at December 31, 2004 has been restated to 372.2 million from the previously published 396.4 million.

This Amendment No. 2:

- amends certain U.S. GAAP Selected Financial Data at and for the year ended December 31, 2004 in Item 3 to reflect the restatement described above;
- includes disclosure in Item 15 with respect to the restatement described above; and
- amends the financial statements filed pursuant to Item 18 and Notes 28-A, 28-B and 28-C thereto to reflect the restatement described above.

For the convenience of the reader, this Amendment No. 2 includes the complete text of all Items of the Form 20-F, including the complete text of Items 3, 15 and 18, as amended. However, other than the amendments described above, no changes have been made to these or any other Items to Amendment No. 1. This Amendment continues to speak as of the date of the original filing of the Form 20-F and, except as described above, does not purport to amend or update the information contained in the Form 20-F filed on April 18, 2005, or reflect any events that have occurred after the Form 20-F was filed. Investors should not rely upon this amendment as a reaffirmation or reiteration of forward-looking statements that were made in the original filing and are reprinted in this amendment.

PRESENTATION OF INFORMATION

In this annual report, references to United States or U.S. are to the United States of America, references to U.S. dollars , $ or U.S.$ are to United States dollars, references to France are to the Republic of France, references t FF are to French francs and references to Euro or are to the single currency introduced at the start of the third stage European Economic and Monetary Union pursuant to the Treaty Establishing the European Union.

As our shares are listed on the New-York Stock Exchange (in the form of American Depositary Shares), we are required to file an annual report on Form 20-F with the SEC including our annual financial statements reconciled to accounting principles generally accepted in the United States (U.S. GAAP).

2

Table of Contents

For the year ended December 31, 2000, there were no material differences between French generally accepted accounting principles (French GAAP) and U.S. GAAP. Beginning with the financial statements for fiscal year 2001, French GAAP differs in certain significant respects from U.S. GAAP.

The differences between French GAAP and U.S. GAAP as they relate to the CGG group, and the reconciliation of net income and shareholders equity to U.S. GAAP, are described in note 28 to our consolidated financial statements.

We adopted International Financial Reporting Standards (IFRS) as our primary accounting principles from January 1, 2005, and our first consolidated financial statements under IFRS will be those as of and for the three months ended March 31, 2005. We will present restated financial statements under IFRS as of and for the three months ended March 31, 2004.

Unless otherwise indicated, statements in this annual report relating to market share, ranking and data are derived from management estimates based, in part, on independent industry publications, reports by market research firms or other published independent sources. Any discrepancies in any table between totals and the sums of the amounts listed in such table are due to rounding.

As used in this annual report CGG , we , us and our means Compagnie Générale de Géophysique and its subsidiaries, except as otherwise indicated.

FORWARD-LOOKING STATEMENTS

This annual report includes forward-looking statements, including, without limitation, certain statements made in the sections entitled Business and Operating and Financial Review and Prospects. 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 annual report might not occur.

TABLE OF CONTENTS

Table of Contents

PART I

Item 1: IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

Item 2: OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

Item 3: KEY INFORMATION

Selected Financial Data

The table below sets forth selected consolidated financial and operating data as of and for each of the five years in the period ended December 31, 2004, and the table should be read in conjunction with, and is qualified in its entirety by reference to, our consolidated financial statements and Operating and Financial Review and Prospects included elsewhere in this annual report. The selected financial data for each of the years in the five-year period ended December 31, 2004 have been derived from our audited consolidated financial statements prepared in accordance with French GAAP, which differs in certain respects from U.S. GAAP.

For the year ended December 31, 2000 there were no material differences between French GAAP and U.S. GAAP. Beginning with the financial statements for the year ended December 31, 2001, French GAAP differs in certain significant respects from U.S. GAAP.

We adopted IFRS as our primary accounting principles from January 1, 2005, and our first consolidated financial statements under IFRS will be those as of and for the three months ended March 31, 2005. We will present restated financial statements under IFRS as of and for the three months ended March 31, 2004. Please read Operating and Financial Review and Prospects Trend Information Transition to IFRS Accounting .

The differences between French GAAP and U.S. GAAP as they relate to us, and the reconciliation of net income and shareholders equity to U.S. GAAP are described in Note 28 to our consolidated financial statements.

The information in the following table and in our consolidated financial statements is presented in euro. We prepared our consolidated financial statements in French francs for periods through December 31, 2000; however, we have adopted the euro as our reporting currency for the periods after January 1, 2001. We have restated our 2000 annual consolidated financial statements in euro at the fixed exchange rate of 1.00 = FF 6.55957. Although our 2000 annual consolidated financial statements depict the same trends as would have been shown had they been presented in French francs, they may not be directly comparable to the financial statements of other companies originally reported in a currency other than the French franc and subsequently restated in euro. A comparison of our financial statements and those of another company that had historically used a reporting currency other than the French franc that takes into account actual fluctuations in exchange rates could be materially different from a comparison of our financial statements and those of another company as translated into euro.

Table of Contents

	As of and for the year ended December 31,				
	2004	2003	2002	2001	2000
	(in millions, except per share and operating data)				
Statement of Operations Data:					
Amounts in accordance with French GAAP:					
Operating revenues	692.7	612.4	700.7	802.9	695.3
Cost of operations	(556.0)	(491.0)	(531.4)	(641.7)	(579.9)
Gross profit	136.7	121.4	169.3	161.2	115.4
Research and development expenses, net	(33.5)	(26.9)	(27.1)	(35.3)	(26.9)
Selling, general and administrative expenses	(79.5)	(78.8)	(86.7)	(84.8)	(83.2)
Other revenues (expenses)	12.0	(5.1)	6.1	13.7	13.5
Operating income	35.7	10.6	61.6	54.8	18.8
Interest and other financial income and expense, net	(22.4)	(21.0)	(32.6)	(23.0)	(15.9)
Exchange gains (losses), net	4.4	4.6	7.9	(1.4)	(5.8)
Equity in income of affiliates	10.3	6.5	6.4	8.8	2.6
Income (loss) before income taxes and minority interest	28.0	0.7	43.3	39.2	(0.3)
Income tax expense	(9.7)	(3.1)	(17.4)	(16.8)	(10.6)
Goodwill amortization	(6.2)	(7.7)	(6.3)	(6.5)	(4.7)
Minority interest	(1.0)	(0.3)	(2.2)	(0.2)	3.6
Net income (loss)	11.1	(10.4)	17.4	15.7	(12.0)
Per share amounts: Basic(1)	0.95	(0.89)	1.49	1.35	(1.28)
Diluted(2)	0.94	(0.89)	1.49	1.35	(1.28)
Amounts in accordance with U.S. GAAP:	*Restated*				
Operating revenues	709.5	645.6	719.0	795.0	695.3
Operating income	55.0	42.7	81.9	48.6	14.1
Net income (loss)	(20.2)	3.1	15.1	9.3	(12.0)
Per share amounts:					
Basic common stock holder(1)	(1.73)	0.27	1.29	0.80	(1.28)
Diluted common stock holder(2)	(1.73)	0.26	1.29	0.80	(1.28)
Balance Sheet Data:					
Amounts in accordance with French GAAP:					
Cash and cash equivalents	130.8	96.4	116.6	56.7	60.1
Working capital(3)	106.7	81.1	170.9	191.8	180.3
Property, plant and equipment, net	204.5	216.0	265.0	280.7	140.7
Multi-client data library	124.5	145.0	127.1	91.9	77.5
Total assets	939.6	879.4	1,024.7	1,014.4	839.3
Gross debt(4)	267.2	232.4	307.8	279.5	251.8
Shareholders equity	395.7	396.6	437.5	462.8	320.7

	As of and for the year ended December 31,				
	2004	**2003**	**2002**	**2001**	**2000**
	(in millions, except per share and operating data)				
Amounts in accordance with U.S. GAAP:	*Restated*				
Total assets	975.8	924.2	1,036.8	1,008.0	839.3
Gross debt(4)	256.1	232.4	307.8	279.5	251.8
Shareholders equity	372.2	413.4	431.0	456.4	320.7
Other Historical Financial Data and Ratios:					
Amounts derived from French GAAP data:					
ORBDA(5)	165.4	162.3	210.1	200.5	150.5
Capital expenditures(6)	51.7	44.4	130.6	55.0	39.5
Investments in multi-client data library	51.1	109.7	130.1	78.8	92.5
Total Debt	270.0	235.6	318.3	285.7	264.5
Net Debt(7)	139.2	139.2	201.7	229.0	204.4
Total Debt/ORBDA(5)	1.63x	1.45x	1.51x	1.42x	1.76x
Net Debt(7)/ORBDA(5)	0.84x	0.86x	0.96x	1.14x	1.36x
ORBDA(5)/net interest expense(8)	7.38x	7.73x	6.44x	8.72x	9.47x
Amounts derived from U.S. GAAP data:					
EBITDA(9)	172.4	190.1	277.1	195.2	158.1
Operating Data (at end of period):					
Land crews in operation	8	12	14	12	20
Streamers in operation	39	42	42	48	30
Data processing centers in operation	26	26	26	26	25

(1) Basic per share amounts have been calculated on the basis of 11,681,406 issued and outstanding shares in 2004, 11,680,718 issued and outstanding shares in 2003 and 2002, 11,609,393 issued and outstanding shares in 2001 and 9,389,214 issued and outstanding shares in 2000.

(2) Diluted per share amounts have been calculated on the basis of 11,818,603 issued and outstanding shares in 2004, 11,760,630 issued and outstanding shares in 2003, 11,680,718 issued and outstanding shares in 2002, 11,609,393 issued and outstanding shares in 2001 and 9,485,053 issued and outstanding shares in 2000. In 2002 and 2001, the effects of stock options were not dilutive (as a result of applying the treasury stock method).

(3) Consists of trade accounts and notes receivable, inventories and work-in-progress and other current assets less trade accounts and notes payable, accrued payroll costs, income tax payable, advance billings to customers and other current liabilities.

(4) Gross debt means total long-term debt, including current maturities, capital leases and accrued interest but excluding bank overdrafts and fair value of conversion option on convertible bonds.

(5) A discussion of ORBDA (Operating Result Before Depreciation and Amortization, previously denominated Adjusted EBITDA), including a reconciliation to net cash provided by operating activities, is found in Item 5: Operating and Financial Review and Prospects Liquidity and Capital Resources .

(6) Capital expenditures is defined as purchases of property, plant and equipment plus equipment acquired under capital lease.

The following table presents a reconciliation of capital expenditures to purchases of property, plant and equipment and equipment acquired under capital lease for the periods indicated:

	For the year ended December 31,				
	2004	**2003**	**2002**	**2001**	**2000**
			(in millions)		
Purchase of property, plant and equipment	43.0	36.3	122.0	41.8	33.1
Equipment acquired under capital lease	8.7	8.1	8.6	13.2	6.4
Capital expenditures	51.7	44.4	130.6	55.0	39.5

(7) Net Debt is the amount of bank overdrafts plus current portion of long-term debt, plus long-term debt less cash and cash equivalents.

(8) Net interest expense is another term for Interest and other financial income and expense, net as stated in our statements of operations.

(9) EBITDA is defined as net income (loss) plus income tax, plus interest and other financial income and expense, plus depreciation and amortization. EBITDA is presented as additional information because we understand that it is one measure used by certain investors to

Table of Contents

determine our operating cash flow and historical ability to meet debt service and capital expenditure requirements. However, other companies may present EBITDA differently than we do. EBITDA is not a measure of financial performance under French GAAP, U.S. GAAP or IFRS and should not be considered as an alternative to cash flow from operating activities or as a measure of liquidity or an alternative to net income as indicators of our operating performance or any other measures of performance derived in accordance with French GAAP, U.S. GAAP or IFRS. The following table presents a reconciliation of EBITDA to net income under U.S. GAAP for the periods indicated as follows:

	For the year ended December 31,				
	2004	**2003**	**2002**	**2001**	**2000**
	Restated				
			(in millions)		
Net Income (loss)	(20.2)	3.1	15.1	9.3	(12.0)
Interest and other financial expense	45.9	25.1	33.1	23.0	15.9
Taxes	15.0	16.7	13.3	16.8	10.6
Depreciation and amortization	131.7	145.2	215.6	146.1	143.6
EBITDA	172.4	190.1	277.1	195.2	158.1

The European Monetary System

Under the Treaty on European Union negotiated at Maastricht, The Netherlands, in 1991 (the Maastricht Treaty) and signed by the then 12 EU Member States in early 1992, the European Monetary Union (the EMU), with a single European currency under the monetary control of the European Central Bank, was introduced. On January 1, 1999, the last stage of the EMU came into effect with the adoption of fixed exchange rates between national currencies and the euro. On January 1, 2002, the euro became the official currency of the following 12 EU Member States: Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, The Netherlands, Portugal and Spain. As a result, national currencies (including the French franc) ceased to exist during the first quarter of 2002, after transition periods during which national currencies of such Member States and the euro co-existed.

Table of Contents

Exchange Rates

The following table sets forth, for the periods and dates indicated, certain information concerning the exchange rates for the euro expressed in U.S. dollars per euro. Information concerning the U.S. dollar exchange rate is based on the noon buying rate in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York (the Noon Buying Rate). Such rates are provided solely for convenience and no representation is made that French francs or euro were, could have been, or could be, converted into U.S. dollars at these rates or at any other rate. Such rates were not used by us in the preparation of our audited consolidated financial statements included elsewhere in this annual report. The Noon Buying Rate on April 15, 2005 was U.S.$1.2928 per euro.

	Dollars per Euro Exchange Rate	
Year ended December 31,	**Period-end**	**High**