

GENERAL GEOPHYSICS CO

Form 6-K

November 16, 2004

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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 November, 2004

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  Form 40-F

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

Yes  No

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

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**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.

Table of Contents**PART I****Item 1: FINANCIAL STATEMENTS****COMPAGNIE GÉNÉRALE DE GÉOPHYSIQUE, S.A.****CONSOLIDATED BALANCE SHEETS**

	<b>September 30, 2004 (Unaudited)</b>	<b>December 31, 2003</b>
	<hr/>	<hr/>
<b>(in millions of euros)</b>		
<b>ASSETS</b>		
Cash and cash equivalents	50.3	96.4
Trade accounts and notes receivable	180.2	165.5
Inventories and work-in-progress	79.3	64.0
Other current assets	53.0	57.9
	<hr/>	<hr/>
<b>Total current assets</b>	<b>362.8</b>	<b>383.8</b>
	<hr/>	<hr/>
Long term receivable and other investments	36.1	41.5
Investments in and advances to companies under the equity method	37.0	33.0
Property, plant and equipment, net	212.9	216.0
Goodwill and intangible assets, net	222.8	205.1
	<hr/>	<hr/>
<b>Total assets</b>	<b>871.6</b>	<b>879.4</b>
	<hr/>	<hr/>
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>		
Bank overdrafts	4.9	3.2
Current portion of long-term debt	22.8	24.6
Trade accounts and notes payable	78.9	78.6
Accrued payroll costs	48.4	47.7
Income taxes payable	18.7	18.3
Advance billings to customers	8.9	16.9
Other current liabilities	39.0	44.8
	<hr/>	<hr/>
<b>Total current liabilities</b>	<b>221.6</b>	<b>234.1</b>
	<hr/>	<hr/>

Long-term debt	208.4	207.8
Other long-term liabilities	37.8	32.1
	<u>          </u>	<u>          </u>
<b>Total long-term liabilities</b>	<b>246.2</b>	<b>239.9</b>
	<u>          </u>	<u>          </u>
<b>Minority interest</b>	<b>7.6</b>	<b>8.8</b>
Common stock, 24,498,368 shares authorized; 11,681,718 shares with a \$2 nominal value issued and outstanding as of September 30, 2004; 11,680,718 at December 31, 2003	23.4	23.4
Additional paid-in capital	173.4	292.7
Retained earnings	251.4	142.5
Net income (loss) for the period	(7.3)	(10.4)
Cumulative translation adjustment	(44.7)	(51.6)
	<u>          </u>	<u>          </u>
<b>Total shareholders' equity</b>	<b>396.2</b>	<b>396.6</b>
	<u>          </u>	<u>          </u>
<b>Total liabilities and shareholders' equity</b>	<b>871.6</b>	<b>879.4</b>
	<u>          </u>	<u>          </u>

See notes to Consolidated Financial Statements

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## COMPAGNIE GÉNÉRALE DE GÉOPHYSIQUE, S.A.

CONSOLIDATED STATEMENTS OF OPERATIONS  
(UNAUDITED)

(in millions of euros, except per share data)	Nine months ended September 30,		Three months ended September 30,	
	2004	2003	2004	2003
<b>Operating revenues</b>	<b>488.2</b>	<b>454.6</b>	<b>166.8</b>	<b>135.7</b>
Cost of operations	(389.5)	(366.8)	(127.7)	(106.4)
<b>Gross profit</b>	<b>98.7</b>	<b>87.8</b>	<b>39.1</b>	<b>29.3</b>
Research and development expenses net	(24.1)	(19.2)	(8.4)	(6.7)
Selling, general and administrative expenses	(57.3)	(59.8)	(19.7)	(21.7)
Other revenues (expenses) net	6.4	(14.1)	(0.3)	(18.1)
<b>Operating income (loss)</b>	<b>23.7</b>	<b>(5.3)</b>	<b>10.7</b>	<b>(17.2)</b>
Interest and other financial income and expense net	(16.7)	(15.8)	(5.0)	(3.6)
Exchange gains (losses) net	0.9	5.4	(3.2)	(0.7)
<b>Income (loss) from consolidated companies before income taxes</b>	<b>7.9</b>	<b>(15.7)</b>	<b>2.5</b>	<b>(21.5)</b>
Income taxes	(15.6)	(8.4)	(6.0)	(1.7)
<b>Net income (loss) from consolidated companies</b>	<b>(7.7)</b>	<b>(24.1)</b>	<b>(3.5)</b>	<b>(23.2)</b>
Equity in income (losses) of investees	7.7	5.8	2.9	0.9
Goodwill amortization	(6.4)	(6.2)	(2.2)	(3.2)
<b>Net income (loss) before minority interest</b>	<b>(6.4)</b>	<b>(24.5)</b>	<b>(2.8)</b>	<b>(25.5)</b>
Minority interest	(0.9)		(0.4)	

	_____	_____	_____	_____
<b>Net income (loss)</b>	<b>(7.3)</b>	<b>(24.5)</b>	<b>(3.2)</b>	<b>(25.5)</b>
	_____	_____	_____	_____
Weighted average number of shares outstanding	11,681,218	11,680,718	11,681,718	11,680,718
Dilutive potential shares from stock-options	159,751	169,900	159,751	169,900
	_____	_____	_____	_____
Dilutive weighted average number of shares outstanding	11,840,969	11,850,618	11,841,469	11,850,718
	_____	_____	_____	_____
<b>Net income (loss) per share</b>				
Basic	(0.62)	(2.10)	(0.27)	(2.18)
Diluted	(0.62)	(2.10)	(0.27)	(2.18)

See notes to Consolidated Financial Statements



**Table of Contents****COMPAGNIE GÉNÉRALE DE GÉOPHYSIQUE, S.A.****CONSOLIDATED STATEMENTS OF CASH FLOWS  
(UNAUDITED)**

	<b>Nine months ended September 30,</b>	
	<b>2004</b>	<b>2003</b>
<b>(in millions)</b>		
<b>Cash flows from operating activities</b>		
Net income (loss)	(7.3)	(24.5)
Depreciation and amortization	51.7	57.8
Multi-client surveys amortization	43.1	64.8
Net loss (gain) on sale of assets	(2.6)	(3.0)
Deferred income taxes	1.1	(1.0)
Minority interest	0.9	
Equity in income of investees, net of dividends	(2.9)	(0.7)
Increase (decrease) in other long-term liabilities	1.8	(2.9)
Other non-cash items	13.2	(5.6)
Increase/decrease in operating assets and liabilities:		
(Increase) decrease in trade accounts and notes receivable	(15.9)	12.6
(Increase) decrease in inventories and work in progress	(8.4)	0.6
(Increase) decrease in other current assets	15.7	55.3
Increase (decrease) in trade accounts and notes payable	(4.1)	(25.5)
Increase (decrease) in other current liabilities	(21.5)	7.9
	<u>64.8</u>	<u>135.8</u>
<b>Net cash provided by operating activities</b>		
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment (a)	(29.5)	(21.9)
Investments in multi-client surveys	(39.8)	(92.0)
Proceeds from sale of assets	4.5	4.4
Cash paid for acquired businesses, net of cash acquired	(27.9)	(2.0)
Investments in and advances to companies under the equity method		(0.6)
Decrease (increase) in other investments	(0.3)	2.3
	<u>(93.0)</u>	<u>(109.8)</u>
<b>Net cash used in investing activities</b>		
<b>Cash flows from financing activities</b>		
Repayment of long-term debt	(14.7)	(27.4)
Issuance of long-term debt	7.2	
Repayment of capital lease obligations	(11.1)	(10.3)

Government research grants received		
Government research grants repaid	(1.1)	(0.3)
Increase (decrease) in bank overdrafts	1.4	(1.8)
Net proceeds from capital increase		
Contribution from minority shareholders		
	<u>          </u>	<u>          </u>
<b>Net cash provided by (used in) financing activities</b>	<b>(18.3)</b>	<b>(39.8)</b>
	<u>          </u>	<u>          </u>
Effects of exchange rate changes on cash	0.4	6.8
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(46.1)</b>	<b>(7.0)</b>
Cash and cash equivalents at beginning of year	96.4	116.6
	<u>          </u>	<u>          </u>
<b>Cash and cash equivalents at end of period</b>	<b>50.3</b>	<b>109.6</b>
	<u>          </u>	<u>          </u>
(a) Not including equipment acquired under capital leases	7.7	4.2

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)					
<b>Balance at January 1, 2003</b>	<b>11,680,718</b>	<b>23.4</b>	<b>310.6</b>	<b>124.6</b>	<b>(21.1)</b>	<b>437.5</b>
Capital increase						
Net income				(10.4)		(10.4)
Foreign currency translation					(30.5)	(30.5)
Other <sup>(a)</sup>			(17.9)	17.9		
<b>Balance at December 31, 2003</b>	<b>11,680,718</b>	<b>23.4</b>	<b>292.7</b>	<b>132.1</b>	<b>(51.6)</b>	<b>396.6</b>
Capital increase	1,000					
Net income				(7.3)		(7.3)
Foreign currency translation					6.9	6.9
Other <sup>(a)</sup>			(119.3)	119.3		
<b>Balance at September 30, 2004 (Unaudited)</b>	<b>11,681,718</b>	<b>23.4</b>	<b>173.4</b>	<b>244.1</b>	<b>(44.7)</b>	<b>396.2</b>

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

See notes to Consolidated Financial Statements

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**COMPAGNIE GÉNÉRALE DE GÉOPHYSIQUE, S.A.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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 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, 2003.

French GAAP differ in certain significant respects from accounting principles generally accepted in the United States ( U.S. GAAP ). Note 3 describes the principal differences between French GAAP and U.S. GAAP as they relate to CGG and its subsidiaries ( The Group ) and reconcile net income and shareholders equity to U.S. GAAP as of and for the period ended September 30, 2004.

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 ANALYSIS BY OPERATING SEGMENT AND GEOGRAPHIC ZONE**

The following tables present revenues by activity and geographic zone based on the location of the customer, operating income and identifiable assets by operating segment.

The Group principally services the oil and gas exploration and production industry and currently operates in two industry segments:

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

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, and software development and sales.

***Revenues by activity***

The following table sets forth our consolidated operating revenues by activity, and the percentage of total consolidated operating revenues represented thereby, during each of the periods stated:

<b>Nine months ended September 30,</b>		<b>Three months ended September 30,</b>	
<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>

	<b>(in millions of euros, except percentages)</b>							
Land SBU	61.0	12%	115.2	25%	18.8	11%	20.6	15%
Offshore SBU	134.5	28%	117.3	26%	55.2	33%	26.3	19%
Processing & Reservoir SBU	76.4	16%	84.2	19%	27.5	17%	29.1	22%
Services	271.9	56%	316.7	70%	101.5	61%	76.0	56%
Products	216.3	44%	137.9	30%	65.3	39%	59.7	44%
<b>Total</b>	<b>488.2</b>	<b>100%</b>	<b>454.6</b>	<b>100%</b>	<b>166.8</b>	<b>100%</b>	<b>135.7</b>	<b>100%</b>

**Table of Contents****Revenues by geographic zone***Analysis of operating revenues by origin*

(in millions of euros, except percentages)	Nine months ended September 30,				Three months ended September 30,			
	2004		2003		2004		2003	
France	176.8	36%	112.9	25%	50.4	30%	48.3	36%
Rest of Europe	51.6	11%	38.6	8%	18.7	11%	10.9	8%
Asia-Pacific/Middle East	82.0	17%	47.8	10%	29.7	18%	13.9	10%
Africa	43.6	9%	66.3	15%	13.4	8%	22.3	16%
Americas	134.2	27%	189.0	42%	54.6	33%	40.3	30%
<b>Total</b>	<b>488.2</b>	<b>100%</b>	<b>454.6</b>	<b>100%</b>	<b>166.8</b>	<b>100%</b>	<b>135.7</b>	<b>100%</b>

*Analysis of operating revenues by location of customers*

(in millions of euros, except percentages)	Nine months ended September 30,				Three months ended September 30,			
	2004		2003		2004		2003	
France	11.5	2%	5.7	1%	3.2	2%	2.3	2%
Rest of Europe	78.7	16%	58.9	13%	30.8	18%	28.4	21%
Asia-Pacific/Middle East	191.3	39%	112.6	25%	61.7	15%	41.0	30%
Africa	62.6	13%	90.4	20%	15.4	9%	14.4	11%
Americas	144.1	30%	187.0	41%	55.7	33%	49.6	36%
<b>Total</b>	<b>488.2</b>	<b>100%</b>	<b>454.6</b>	<b>100%</b>	<b>166.8</b>	<b>100%</b>	<b>135.7</b>	<b>100%</b>

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