PROFILE

Compagnie Générale de Géophysique (CGG) is a leading supplier of geophysical products and services to the worldwide oil and gas industry.

Geophysical Services are offered through three operating Strategic Business Units:

Land, which, with a potential of more than 20 crews equipped with the latest available technology, operates in the most difficult areas worldwide such as land-sea transition zones or protected natural environments.

Offshore, which covers all marine seismic acquisition and non-exclusive surveys. It currently operates a fleet of five multi-streamer (3D) vessels.

Processing & Reservoir, which covers all seismic data processing and reservoir geophysics activities.

Products are developed and marketed through Sercel, which manufactures a wide range of land and marine seismic equipment, including high-density recording systems, vibrators, land cables, Ocean Bottom Cables (OBCs), sensors and streamers.

AT CGG WE BELIEVE IN

- Sustainable development through Innovation and Technology.
- Project Management methods for proper control of our operations, with a view to develop Responsibility, Effectiveness and Accountability.
- Dynamic Human Resources policies based on skills development through regular Training and personal fulfillment through Career Management.
- Constant reinforcement of QHSE Policies, in particular with a view to develop safety awareness and respect for the environment.

KEY EVENTS IN 2002

- **February 11**: realization of an additional $ 55 M (million US dollars) tranche in connection with the bond issue floated in November 2000.
- **May 27**: Sercel unveils the NOMAD at the EAGE conference.
- **July 15**: the CGG Mistral leaves the shipyard after six months of conversion work.
- **July 30**: break-off of merger negotiations between Veritas and PGS.
- **August 13**: sale of CGG’s stake in the capital of Paradigm to Fox Paine.
- **September 26**: CGG holds 7.5% of the capital of Petroleum Geo Services (PGS).
- **October 7**: launch of WaveVista™ and GeoVista™ 2 to deliver high-quality depth imaging to the oil and gas companies.
- **November 7**: the worldwide network of CGG processing centers has more than 10,000 CPUs, while computer capacity exceeds 15 teraflops.
- **December 21**: the CGG Mistral vessel sinks offshore Trinidad after a fire broke out in the engine room 24 hours earlier.
- **December 27**: signature of the definitive agreements for the sale of the borehole seismic activity to Baker Hughes.
The world economy in 2002 operated in a tense and uncertain environment. In spite of the good level of oil and gas prices, the investment policy pursued by the oil companies, which was marked by this trend, was no exception to the general cautiousness. The market for geophysical services, stable as a whole, remained under strong competitive pressure. The geophysical equipment market on its part, more strongly affected, suffered from the substantial reduction of investments made by the seismic contractors, who also had to cope with a lack of visibility.

In this disappointing context, CGG fared well with a net income of €17.4 M, and again an improved performance. Operating margin rose from 7% to 9%, to €61.6 M (million Euros), on sales of €701 M, down over the previous year, mainly because of the decline of the Equipment business. Nevertheless, Sercel was able to maintain its profitability margin at a level very close to an all-time high reached in 2001, while services found their operating margin rising from break-even to 5%. Even more significantly, our net debt fell to €202 M, corresponding to 46% of our equity, highlighting the strength of our operating net cashflow, in spite of an exceptional investment program focused on our marine assets. Many of our competitors, particularly affected in 2002 by substantial provisions to adjust the net value of their seismic data libraries, are far from posting comparable performances, not only in 2002 but also over the two previous years when these results are revised to take into account these provisions.

Nevertheless, all this is very far below our expectations and those of our shareholders. To reach satisfactory profitability levels in our business sector, two conditions are required looking beyond our ongoing management efforts: a recovery of our markets and a restructuring of our industry around a limited number of strong, high-performance and responsible leaders, allowing a readjustment of the contractual relationship with our clients whose risk profile has taken an unfavorable turn over the last few years. In this respect, the year 2002 was marked by the break-off of merger discussions between two of our competitors, thus pushing back the horizon of a stabilized seismic industry. In this new environment, CGG intends to play its full role with determination, but also with the appropriate caution. That is why we decided to acquire 7.5% of the capital of Petroleum Geo Services for $7 M, clearly putting us in a position to act as a visible stakeholder for the various parties involved in restructuring that company, but without exposing our shareholders to the risks connected with its balance sheet.

Looking beyond this important strategic horizon, our objectives for the year 2003 are clear: on what will probably be a stable market, we intend to pursue, thanks to innovation, initiative and rigor, the improvement of our operating performance, continue to reduce our debt, and finally make every effort for the merits of our management and our strategic decisions to be recognized by the financial markets and to result in a higher level for the CGG share price by comparison with the largely discounted level noted at the end of 2002.

Finally, how can we mention 2002 without addressing the tragic loss of our CGG Mistral vessel last December offshore Trinidad? Everybody who has experienced a major accident of this kind knows how it marks people’s minds. We were very fortunate that there were no deaths, or even injuries. CGG as a whole was able to cope with this difficult situation, and it is continuing its course with determination focused on its objectives for development. We know that, to do this, we have the support of high-quality personnel and the trust of our shareholders.
THE CGG GROUP IN 2002

Figures are presented under French GAAP method.
Development of the Group’s Image

Development of the CGG group’s image is a major objective, strengthened during the year 2002 vis-à-vis its current and future staff, as well as clients and the financial community (shareholders, bondholders, financial analysts, etc.).

A corporate film was made in 2002 called “All Ears”, focusing on CGG’s men and women as well as on the trade they ply. This film was sent to all Group employees. “All Ears” is used for participating in student forums and geophysical conferences, to present CGG.

The Group in-house newspaper was entirely redesigned, and it is now called “Transverse”. This quarterly discusses CGG’s major projects, its trades and technologies.

“CGG World”, a technical showcase, describes every year the main projects in connection with a given theme. In 2001, it was 4D, while for 2002 there was insistence on CGG’s strictly geophysical calling, devoted entirely to serving clients.

Finally, when it comes to financial communication, CGG took part last year in seven international conferences, put on 15 “road-shows”, both in Europe and in the United States, and met with more than 200 fund managers shares or bonds.

This communication effort, carried out in very difficult stock market conditions, contributed to the remarkable stability displayed by the Group’s shareholding structure, as is indicated by the statistics showing evolution over a year.
During the year 2002, the CGG group maintained its balanced profile of activities on the five continents.

**Eastern Hemisphere**

The Middle East remained the most active sector in 2002, and the most promising one for 2003 if the political tensions there quickly result in a positive outcome. CGG is continuing to strengthen its presence in Iran, Saudi Arabia, Kuwait, Yemen, Bahrain and Oman, both in acquisition and in processing, by offering innovative technical solutions. The main benefits of this are productivity gains for seismic acquisition and the promotion of new methods for data processing and characterization of hydrocarbon reservoirs.

Europe is still experiencing a rather weak level of activity, particularly in acquisition, although this is offset by a good level of processing services, mainly in the North Sea, thanks to the dedicated centers of Shell, BP and TotalFinaElf.

Africa remains at essentially the same level as in 2001, mainly with shallow water in Nigeria, marine in Morocco, and in the Gulf of Guinea, with a high-resolution 4D survey.

In 2002 Indonesia experienced a substantial amount of 2D and 3D seismic acquisition for several customers in the transition and shallow water zone, under difficult operating conditions. The recently acquired Kuala Lumpur processing center, equipped with new computer facilities and transformed into a regional platform, is becoming one of the three major CGG regional hubs, after London and Houston, enabling the group to exert its influence throughout the Asia-Pacific region.

**Western Hemisphere**

CGG continued its development on the American continent in 2002 on a difficult market, thanks to services characterized by high value added and to a very strong focus of its activities.

In 2002, CGG launched two new marine multi-client survey programs in the Gulf of Mexico, Garden Banks and Mississippi Atwater Valley, covering an area of 8,370 km². The Houston processing center’s power was strengthened. With 5,600 CPUs, CGG is now among the leaders in depth processing and 4D data processing.

In Brazil, CGG has increased its multi-client data library with 7,600 km² in the form of new data acquired throughout the year by the Harmattan and the Alizé.

The Group's long experience in Mexico made it possible in 2002 to benefit from the growth of the local seismic market. Thus CGG won three land acquisition contracts at the end of 2002. In Villahermosa, CGG is providing Pemex with geophysical services relating to processing, reservoir and data management, as well as technical assistance.

In Venezuela, two complex land acquisition projects were carried out successfully in 2002 under difficult operating conditions.

In Canada, CGG maintained its processing market share, particularly among the country’s oil companies, which developed their international exploration activities in 2002.

Land acquisition surveys in Qatar, India and Yemen.

CGG staff in the dedicated center of Villahermosa, PC clusters in Houston, the Amadeus vessel in Miami.
Sercel recorded total turnover of €262.0 M, down 18% from fiscal year 2001. Sercel’s market share exceeds 50%.

SIGNIFICANT FACTS

- An increased market share, under tougher operating conditions.
- The 408 is recognized as the reference system in the seismic acquisition field.
- Three product launches in 2002 - DSU, 408ULS and the NOMAD65 - along with constant improvement in the various products already available on the market.
On a tighter market (a decline of almost 25%), particularly in the second half of the year, Sercel displayed good resistance. By comparison with the previous year, turnover is down by 14% in dollar terms and by 18% in Euros (€262 M). Thus Sercel increased its market share to over 50%. The efforts aimed at developing new products and improving the existing system continue.

The 408UL is definitely the industry’s reference system, and at the end of the year, the installed base reached more than 240,000 channels. Sercel, eager to provide users with systems well-adapted to various environments, had developed the 408UL concept on the basis of an upgradeable architecture. This extension capacity took concrete form in 2002 with the launch of two new products: the DSU and the 408ULS.

The DSU is a digital accelerometer based on the MEMS technology integrated into the acquisition casing. It combines easy use and digital transmission with a minimum number of cables and connections. The DSU, available in single or three component versions, is fully compatible with the 408UL and its software.

Thanks to the 408ULS, the 408UL technology is now operational in water depths of up to 50 m. Based on the experience Sercel has acquired in this field over many years, the 408ULS, easy to deploy and very resistant, is ideal for seismic operations in shallow water and transition zones. The NOMAD65, launched in May 2002, is the newcomer among Sercel vibrators. This “all terrains” product, equipped either with wheels or with treads, has been designed with an eye on optimal maintenance and improved reliability for applications entailing high operating rates.

Sercel is continuing its developments in the marine field. The SEAL system is the only new-generation marine seismic acquisition system with distributed electronics available on the market. The successful introduction of solid streamers associated with the SEAL architecture has proven the great interest of this technology.

Finally, a substantial effort is being made to develop a broad range of ocean bottom products.
The consolidated turnover of the land acquisition activity stood at €184.6 M, down 8% by comparison with financial year 2001. The tense international situation depressed the land market, particularly in the first quarter of 2002.

**SIGNIFICANT FACTS**

- **Low activity** during the first quarter following the events of September 11, 2001.
- CGG’s return to West Africa with a long term contract in Nigeria.
- Good **HSE** performance, in spite of operations in sensitive geographical areas.
- A good **backlog** on December 31, 2002.
The land acquisition market in 2002 was weaker than 2001 and 2000. The September 11 events resulted in a slower decision process by major operators, with in 2002, the volume of tenders, expressed in number of crew months, falling by more than 20% by comparison with 2001.

On this difficult and always highly competitive market, the CGG group maintained an average of 16 crews at work from April until the end of the year, compared to 12 crews during the first quarter of 2002.

The year 2002 marked CGG’s return to West Africa, particularly to Nigeria as of March 2002, with a long contract involving about 15 months of land and shallow water acquisition and off the coasts, as well as in the Congo with a 2D and then a 3D acquisition survey. Business continued in South Africa with a crew working for mining exploration.

Starting in the second quarter of 2002, CGG’s presence in the Middle East intensified thanks to the award of contracts in Iran, in Egypt and then in Bahrain, all this added to a crew working in Yemen throughout the year. In Saudi Arabia, two crews continued their three-year land acquisition contract while a new crew made a successful start in February. Those three crews, particularly in the second half of the year, posted a remarkable operating performance.

In Southeast Asia, activity was concentrated in Indonesia with an average of four crews mobilized for complex projects during which the group’s experience and know-how in managing difficult operations were hailed by the customers. One crew was also present in India for five months.

In South America, CGG operated two crews on average, and stopped working in the southern cone at the end of February 2002, when land acquisition operations in Brazil came to an end. The Group was present in Ecuador and in Venezuela during the last quarter of the year, while three crews were getting ready at the end of the year for acquisition projects in Mexico in 2003.
The turnover in the Offshore activity stood at €199.8 M, stable by comparison with the previous fiscal year. An increase of almost 40% was recorded in sales of non-exclusive surveys.

**SIGNIFICANT FACTS**

- **Loss of the Mistral vessel**, which sank offshore Trinidad on 21 December 2002, 24 hours after a large fire broke out on board.
- Success of the multi-client library, whose annual sales exceed annual investment for the third consecutive year.
- A high rate of prefinancing of non-exclusive surveys.
- **Sale of the borehole seismic activity** to Baker Hughes and establishment of a Joint Venture for the processing of borehole seismic data, named QV2.
The marine acquisition market in 2002 was characterized by overcapacity, keeping acquisition prices for exclusive surveys at insufficient levels. Sixty-nine percent of the CGG were devoted to multi-client surveys, and 31% to exclusive surveys. During the first half of 2002, CGG operated a fleet of five ships, since the Mistral was in a shipyard until the end of July for full reconfiguration. As of the start of August, the Mistral operated off Morocco, and then off Trinidad. An accidental fire broke out on board on 21 December 2002, and the vessel was lost in 820 meters of water depth the next day, with fortunately no deaths or injuries.

The company immediately established the necessary contacts with the local authorities, its client and its insurers. All of the reimbursements for this loss should be made during the first half of 2003.

During the year 2002, the Amadeus and the Symphony remained in the Gulf of Mexico, where they operated mainly on building up the local multi-client library. The Harmattan and the Alizé were offshore Brazil, where they operated almost solely on multi-client surveys. Those surveys carried out in Brazil benefit from a very high level of prefinancing (bordering on 100%), thus differing from the more traditional multi-client surveys in the Gulf of Mexico, where the prefinancing level in 2002 stood at around 45%.

After a winter in Brazil dedicated to multi-client surveys, the Føhn operated in the North Sea under exclusive contracts. She has been located offshore West Africa since the end of September 2002 on high resolution marine data programs. Investments in the marine multi-client library represented €124 M compared with €76 M in 2001. In 2002, as in the previous year, the sales, coming to €134 M, cover investments. The library’s net value on December 31, 2002, stood at €126 M, representing less than one year of turnover.

At end-2002, the library totalled 72,000 km², 35% of that figure in the Gulf of Mexico, 36% off Brazil and 29% in the rest of the world. At the end of 2002, 72% of the multi-client surveys appearing in the balance sheet had been acquired during the past two years.

The borehole seismic activity had a satisfactory year. On December 27, 2002, CGG signed the final agreements for the sale of this activity to Baker Hughes and on establishment of a Joint Venture for the processing of borehole seismic data named QV2.
Turnover in the Processing and Reservoir activity stood at €123.2 M for the financial year 2002, up 14% by comparison with 2001.

**Significant Facts**

- **Opening** of the Kuala Lumpur regional hub linking up the Group’s activities in Southeast Asia.

- Development of high added-value imaging **technology**.

- Real-time **computer capacity** exceeds 15 teraflops, 30 times capacity in 2001.

- Continued **growth** in dedicated Processing and Reservoir centers.
The year 2002 marked a turning point in the development of the Processing and Reservoir SBU. The action plan undertaken at the end of 2002 bore fruit. Annual production increased by 18%, the Group’s geographical presence was strengthened in Southeast Asia with the opening of the Kuala Lumpur hub, the number of dedicated centers increased to 14, and the share of turnover made in imaging work rose by 33%. Finally, real-time computer capacity represented 15 teraflops as of January 1, 2003, five times more than at the start of 2002 and 30 times more than at the start of 2001.

All of CGG’s processing and reservoir centers were very active in 2002, on a market that grew by around 5%. Demand in Europe, Africa and the Middle East resulted from numerous reprocessing projects aimed at upgrading the quality of old data thanks to new technologies. The open processing and reservoir centers in London, Massy and Oslo increased their production by 13% over 2001. Customers entrusted CGG with some very ambitious projects in terms of processing programs and deadlines, with which those three centers were able to cope throughout 2002, strengthening further an image of professionalism and technological expertise.

The North American market was very active all year, mainly in the field of imaging work and more particularly in connection with depth migration, making possible a better imaging of the hydrocarbon reservoirs located under the salt domes in the Gulf of Mexico. CGG’s experience and know-how were rewarded in Mexico with an extension of the dedicated Processing and Reservoir activities for the national oil company Pemex. The Group maintained its market share at 75% in the dedicated centers, with 14 such centers operational as of January 1, 2003.

In 2002, CGG strengthened its offerings in the field of depth processing with the launch of WaveVista, the new depth migration service based on wave equations developed by the Research and Development teams. The launch of WaveVista as well as the exponential growth of the Group’s computer capacity, which got underway at the start of 2001, mark a significant advance in CGG’s capacities in imaging work.
In 2002, gross investment in the CGG Group’s Research and Development represented about 4% of its turnover. The R&D effort is very substantial at Sercel and in the “Processing-Reservoir” division, with respective figures of 8.3% and 7.2% of turnover. The seismic acquisition divisions, in both the land and marine sectors, whose competitiveness is based mainly on new equipment, all the same markedly increased their R&D effort in 2002, as was made necessary by the industrial development of the 4D and High Resolution techniques with a “Reservoir” orientation. Sercel successfully launched the DSU (Digital Sensor Unit), a “monophone” or “triphone” sensor that is entirely digital, a real revolution in an industry that has used only coil sensors for more than 70 years.

In the marine sector, Sercel’s Solid Streamer (Solid Seal) was the decisive development made in 2002. The very high reliability that was immediately acquired, the possibility of complete maintenance on board and a widened weather window are all factors making for greater competitiveness.

The acquisition of the first 4D in the Girassol field for an oil company is a major event, when one thinks of the stake involved in the exploitation of this deep offshore deposit. The first results, most spectacular, lead us to expect a fastly growing use of this method.

In the land domain, the effort focuses on promoting systems with a very large number of channels, relying on Sercel’s 408 and DSU, to increase resolution at reservoir level, as well as on field seismic monitoring systems, Seismovie and 4D light, developed jointly with the Institut Français du Pétrole (IFP) and Gaz de France (GDF). When it comes to Seismic Processing, R&D focused on the brand-new imaging products based on wave equations and on widening the range of interactivity of our software (GeoVista, FracVista, VectorVista), dedicated, respectively, to depth imaging, fracture characterization, and dual interpretation of pressure and shear waves to obtain a better description of reservoirs.

With more than 50 sites in the world and 3,440 employees of more than 20 different nationalities, the CGG group has developed a solid worldwide presence. The internationalization and mobility of its teams strengthen the Group’s ability to adapt quickly to a changing competitive world, while enabling each employee to find possibilities there for meeting his or her professional goals.

The skills offered are highly diverse and technical. When it comes to land or marine acquisition skills, the conditions regarding equipment use, remoteness of the location, the ecological environment, the weather, and the socio-economic and/or political context require CGG group’s personnel to reconcile reactivity with observance of quality/safety regulations and customer deadlines.

For Processing-Reservoir, the coming widespread use of 3D and of 4D requires ever increasing geophysical knowledge, maintained by high-level in-house and external training programs. Finally, the wide industrial spectrum of Sercel’s activity calls for cutting-edge skills, particularly in the fields of very high integration electronics and mechanics.

To continue to enhance its employees’ professionalism, the CGG group devoted in 2002 a total of € 6 M to professional training. To deal with its recruiting needs and guarantee its future, the CGG group has established a genuine partnership with certain universities and other institutes, with a view to broaden the recruitment of new talents. A more international approach to relationships between CGG and such universities and other schools has already been put in place and will be continued in 2003.
During the year 2002, CGG continued its efforts to improve performance by integrating quality and HSE (standing for Health, Safety and Environment), as essential to its operations. The resources used (personnel and equipment), the training given (sometimes attended by our customers and subcontractors), the audits made and the QHSE meetings held at all CGG levels made it possible to end the year 2002 with good results. The frequency rate of accidents entailing medical leave (LTIF, Lost Time Injury Frequency), which improved further in 2002, has been cut in half since 1998. Finally, the quality certification policy continued for all of the Group’s operating units, particularly with the gradual extension of certifications to include the data processing centers and the commitment to revise the quality system in accordance with the new frame of reference under the ISO standard.
EXECUTIVE COMMITTEE

Messrs. Robert Brunck  
Chairman of the Board and  
C.E.O.  
Michel Ponthus  
Senior Executive Vice President and  
Group C.F.O.  
Gérard Chambovet  
Senior Executive Vice President,  
Services  
Thierry Le Roux  
Senior Executive Vice President,  
Products  
Christophe Pettenati-Auzière  
Senior Executive Vice President,  
Strategy, Corporate Planning and Control.

From left to right:  

BOARD OF DIRECTORS at March 12, 2003

Board of Directors
Messrs. Robert Brunck, Chairman and Chief Executive  
Officer of CGG  
Robert Castaigne, Chief Financial Officer and  
member of the Executive Committee of TotalFinaElf  
Jean Dunand, Independent Director  
Gérard Friès, Executive Vice President, IFP  
Claude Mandil, Executive Director of IEA  
(International Energy Agency)  
Yves Lesage, Honorary Chairman of CGG,  
President of CEP&M  
Christian Marbach, President of Agence des PME  
John McWilliams, Partner, JPMorgan Partners  
Robert Semmens, Consultant, Independent Director  
Daniel Valot, Chairman of the Management Board  
of Technip-Coflexip

Board Committees
Appointments-Remuneration Committee  
Messrs. Robert Brunck, Robert Castaigne, Robert Semmens,  
Daniel Valot  
Strategic Committee  
Messrs. Robert Brunck, Robert Castaigne, Gérard Friès,  
Robert Semmens  
Audit Committee  
Messrs. Jean Dunand, Yves Lesage, Christian Marbach,  
John McWilliams
**Stock Exchange Listing**

CGG's Ordinary Shares have been listed and traded on the Paris Premier Marché stock market since October 1981 (Code Sicovam 12016). Since May 1997, CGG’s American Depositary Shares (“AD Ss”) have been listed on the New York Stock Exchange, each ADS representing one-fifth of one Ordinary Share. These ADSs are evidenced by American Depositary Receipts (“ADRs”) issued by The Bank of New York and are traded under the symbol “GGY”. On December 31, 2002 the value of one share was Euros 15.40 and the value of one ADS was USD 3.40.

**Shareholding**

At December 31, 2002 the capital of the company amounted to € 23 361 436 divided into 11 680 718 Ordinary Shares with a nominal value of € 2.

**2003 Annual Meeting**

The 2003 Annual Meeting of shareholders will be held on May 15, 2003 at 10 am at: Maison de la Mécanique, 39-41, rue Louis Blanc, 92400 Courbevoie, France.

**CGG stock price**

At Paris Bourse

- 2002 lowest: 13.35 €
- 2002 highest: 50.05 €
- Closing price at Dec. 31, 2002: 15.40 €

At the New York Stock Exchange

- 2002 lowest: 2.50 USD
- 2002 highest: 9.00 USD
- Closing price at Dec. 31, 2002: 3.40 USD

**Dividend**

It is not intended to propose to the Annual Meeting a dividend payment with respect to the fiscal year ended December 31, 2002.

**Investor Relations**

Copies of the Company’s 2002 Annual Report on Form 20F, as filed with the Securities and Exchange Commission (SEC), and the Document de Référence, as filed with the Commission des Opérations de Bourse (COB), as well as any other available corporate literature will be sent without charge to any investor upon written request to the following address:

**Financial information concerning the Company can also be obtained on the CGG website: www.cgg.com**

**Statutory Auditors**

Barbier Frinault et Associés
41, rue Ybry
92576 Neuilly sur Seine Cedex - France

Ernst & Young Audit
Faubourg de l’Arche
92037 Paris La Défense - France

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**CGG Corporate Communications**

Tel.: +33 1 64 47 38 23
Fax: +33 1 64 47 39 69
Email: mkt@cgg.com

www.cgg.com

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