REPORT OF THE CHAIRMAN ON PREPARATION AND ORGANIZATION OF THE BOARD OF DIRECTORS' WORK AND ON INTERNAL CONTROL

Compagnie Générale de Géophysique - Veritas
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In accordance with section L.225-37 of the French commercial code, the purpose of this document is to report on the conditions of preparation and organization of the meeting of the board of directors, on the limitations of the authority of the general management as well as the internal control procedures put in place by Compagnie Générale de Géophysique – Veritas (hereinafter referred to as "the Company"). The Board of Directors reviewed this report in its session of February 27, 2008.

This report informs shareholders of the oversight assured by General Management and the Board of Directors of the activities of the Company. Such oversight involves assuring:

- on the one hand, that acts of management or transactions and the behavior of personnel adhere to guidelines established by corporate governance bodies, applicable laws and regulations, standards, and internal rules and procedures of the Company;

- on the other hand, that the accounting, finance and management information, provided to corporate governance bodies offers a fair presentation of the activity and situation of the Company;

One of the objectives is to anticipate and manage risks resulting from the activity of the Company and risks of errors or fraud, particularly in accounting and finance.

However, as with all control systems, there is no absolute guarantee that such risks can be entirely eliminated.

In accordance with article L. 225-37 of the French commercial code, this report is divided into three sections:

- preparation and organization of the Board of Directors' work (I),
- limitations of the authority of General Management (II),
- procedures of internal control implemented by the Company (III).

I. Preparation and organization of the Board of Directors' work

a) Composition:

In 2007, the Board of Directors had twelve members, seven of which may be qualified as independent directors. The Board reviews the qualification of the directors as independent annually before release of the *"Document de Référence"*. Thus, in its meeting held on March 7, 2007, the Board resolved that seven out of twelve directors could be qualified as independent. These directors are Messrs. Caroll, Dorval, Dunand, Semmens, Valot, Work and Young.

In accordance with the criteria established by the AFEP-MEDEF working group of September 2002, these directors maintain no relations of any nature with the Company, its Group or management which could restrict their freedom of judgment. The fact that Mr. Semmens is also a member of the supervisory board of Sercel Holding does not impair his independence. Similarly, the fact that MM. Caroll, Work and Young were directors of CGGVeritas Services Holding (US) Inc. (previously named Veritas DGC Inc.), one of the consolidated subsidiaries of the Company, over the past 5 years, does not impair their qualification as independent since they were already qualified as such in this entity.

Upon consultation of the directors, it has been decided, in December 2005, to follow the recommendation of the *"Institut Français des Administrateurs"* and to organize an annual self-evaluation of the Board's activities analyzed by an outside consultant and a more in-depth evaluation every three year which includes individual interviews with the outside consultant. A first evaluation including an individual interview between each director and the outside consultant was carried out in 2005. Such evaluation was followed by a self-evaluation in 2006. In 2007, even though the three-year period was not yet over, the Board of Directors decided to go through an in-depth evaluation process as in 2005, taking into account the appointment of several new directors. The results of such evaluation are analysed once a year, reported on by the external consultant and result in action plans that are followed up annually.

The identity of directors, positions held in other companies and the composition of Board committees are provided in paragraph 12 of the management report.

b) Preparation of meetings and information to be provided to directors:

Since December 10, 2003, the operating procedure of the Board is governed by internal rules and regulations (hereafter the "Internal rules and regulation of the Board of Directors"). The main provisions relating to the preparation and operating procedure of the board are summarized below.

In preparation of every Board meeting, the Secretary of the Board sends directors a file which includes all useful information concerning the items of business on the meeting agenda. This file is sent to directors within one week before the meeting to enable them to study its content before this meeting.

Furthermore, directors are kept informed and consulted by the Chairman between Board meetings about all events or operations of importance to the Company.

A draft version of press releases related to quarterly, semiannual and annual financial statements and all events or operations of importance for the Company are sent to directors sufficiently in advance of their publication so they can transmit their comments to the Chairman. Other press releases are systematically sent to them at the same time they are published by the Company.

In general, the Chairman ensures that directors are able to fulfill their duties. For this purpose, he provides each of them with the documents and information they require to perform their functions.

c) Board meetings:

At every meeting, the Board is informed of the evolution of the operating and financial performance of the main segments of the Group since the last meeting. An information file is provided to each director.

This information per segment is supplemented by a detailed review of the consolidated financial situation of the Group in terms of debt, cash flow and financial resources available in light of a review of the financial planning.

All transactions with a material impact on the strategy of the Group such as acquisitions, partnerships, disposals or strategic investments are subject to the prior authorization of the Board after the Strategic Planning Committee has issued its recommendation. The Board is regularly informed on the progress of the transaction in question.

When due to a situation of urgency, it is not possible to call a Board of Directors' meeting, the Chairman contacts by mean of a conference call all directors.

The Board of Directors meets at least four times per year in the presence of the statutory auditors.

Pursuant to the Board's internal rules and regulations, directors may participate in Board proceedings through videoconferences or telephone conferencing provided such telecommunication means permit to identify the participants and allow them to effectively participate to the meeting in the conditions set forth in article L.235-37 of the Commercial Code.

They are in such cases counted as present for the calculation of the quorum and majority in accordance with the rules of the Board of Directors.

In 2007, the Board of Directors of the Company met nine times. The average rate of attendance of directors at these meetings was close to 87%.

During these meetings, the Board resolved upon the increase in capital resulting from the issuance of new shares to the shareholders of Veritas DGC Inc. pursuant to the seventh and eighth resolutions approved by the general meeting of January 9, 2007. Besides, as a consequence of the acquisition of Veritas DGC Inc. and the appointment of four new directors, the Board modified the composition of its committees and created a new committee: the technology committee. The Board consequently revised its internal rules and regulations in order to include the operating procedure of this new committee.

In the scope of the refinancing of the acquisition of Veritas DGC Inc., the Board also authorized the issue of a tack-on of the 7½ Senior Notes 2015 and the issue of new senior notes (7¾ Senior Notes 2017) as well as the entering into of a € 200 million syndicated loan. The Board also authorized the issue of guarantees pursuant to section L.225-38 of the Commerce Code (regulated agreements) that had to be given in the scope of such financings.

The Board also approved the annual consolidated and individual financial statements for 2006 the as well as quarterly and half-year financial statements of 2007. The 2008 budget and the 2008-2010 mid-term plan were also reviewed by the Board. The board also convened the 2007 general meeting and the reports and resolutions to be submitted to such meeting approval. The Board also approved the compensation to be paid to the Senior Executive Officers ("*mandataires sociaux*") and decided to allocate performance shares and stock-options.

The Board adopted the assets contribution agreement between the Company and its subsidiary CGG Services pursuant to which the Company contributed its Services business to its subsidiary. The Board approved the purchase of a 15% interest in Hydrocarbon Mapping plc ("OHM") and the contemplated agreement between the Company and Eidesvik Offshore for the supply of two high capacity vessel to be newly built and operated by the Group under a twelve-year charter agreement.

Finally, the Board was consulted upon the departure from the group of one of the Presidents.

c) Committees established by the Board of Directors:

The Internal rules and regulation of the Board of Directors initially defined the composition, duties and operating procedures of the four Committees established by the Board and described below. At its meeting held on March 8, 2005, the Board of Directors has ratified the charter of functioning of the Audit Committee as proposed by the President of said Committee. The operating procedure of the other three Committees is governed by the internal rules and regulations of the Board of Directors.

The Appointment-Remuneration Committee:

The Committee's assignment is to propose the following to the Board:

- the compensation to be paid to the Chairman and the Presidents, including the procedures for setting the variable part thereof and the grant of possible benefits in kind;
- all provisions relative to the retirement of the Chairman and the Presidents;
- installation of stock option plans; allocation of free shares;
- realisation of capital increases reserved for the employees;

- possible candidacies for filling director's positions, positions as CEO or positions as a member of a Board Committee.

The Committee is also consulted with respect to the evolution of the compensation of the other members of the executive committee.

Finally, the Committee may also be led to consider any question that might be submitted to it by the Chairman in connection with one of the matters mentioned above.

The work of the Committee is recorded in minutes.

In 2007, this Committee met nine times to decide on (i) the remuneration of the Chairman and Chief Executive Officer and of the two Presidents (ii) the policy governing allocation of performance shares and stock-options within the Group, (iii) the draft resolutions to be submitted to the general annual meeting concerning the allocation of stock options and performance shares and the final allocation of these options and shares to the Company’s employees, (iv) the implementation of the evaluation process of the Board and of the Chairman and Chief Executive Officer and (v) the departure conditions of one of the Presidents.

The average meeting attendance rate was approximately 86%.

Pursuant to article 225-37 of the Commercial Code, it is specified that the compensation for 2007 of the Chairman and Chief Executive Officer, the Chief operating Officer and the President Geophysical Services was determined by the Board of Directors upon proposal of the appointment-remuneration committee. Such aggregate compensation includes a fixed element and a bonus. The bonus for a given fiscal year is paid during the first semester of the following fiscal year.

For Mr. Robert BRUNCK (Chairman and Chief Executive Officer) and Mr. Thierry LE ROUX, (Chief Operating Officer), this variable part is based on the achievement of personal objectives (representing one third of the bonus) and financial objectives (representing two thirds of the bonus). The financial objectives include the net earnings per share (weighted 25%), Group EBIT (weighted 25%), Group operational cash flow (i.e. EBITDA less CAPEX) (weighted 35%) and the growth in the Group’s year-to-year revenues (weighted 15%).

For Mr. Christophe PETTENATI-AUZIERE (President Geophysical Services) who left his position as of December 6, 2007, this variable part is based on the achievement of personal objectives (representing 50% of the bonus) and financial objectives (representing 50% of the bonus). The financial objectives include the net earnings per share (weighted 25%), Services EBIT (weighted 25%), Services’ operational cash flow (i.e. EBITDA less CAPEX) (weighted 35%) and the growth in Services’ revenues (weighted 15%).

A detailed description of the compensation paid to the Chairman and CEO, the Chief Operating Officer and the President Geophysical Services is set forth in paragraph 13 of the management report.

The strategic planning committee:

The Strategic Planning Committee's assignment is to study:

- business plans and budgets,
- strategic options for the Group
- organic development,
- projects related to financial transactions

This Committee customarily meets before each Board meeting and more often if necessary. During 2007, the Strategic Planning Committee met seven times. The average meeting attendance rate of committee members was close to 93%.

In 2007, the Committee was kept regularly informed of the integration process further to the merger between CGG and Veritas.

The Committee was also consulted regarding (i) issues linked to the Group indebtedness and its tax location, (ii) the contemplated acquisition of a 15% interest in OHM, (iii) the contemplated agreement between the Company and Eidesvik Offshore for the supply of two high capacity vessel to be newly built and operated by the Group under a twelve-year charter agreement, (iv) investments to be implemented for WAZ surveys, (v) building of the new executive offices of CGG Services, a subsidiary of the Company, (vi) renewal plan of the Company's seismic fleet, (vii) the Group legal organization, and (vii) the draft resolutions to be submitted to 2008 annual general meeting.

The audit committee:

In 2007, the audit committee met eight times with a meeting attendance rate of committee members close to 85 %.

The duties and activities of the Audit Committee in 2007 are described below in the second section which deals with the internal control procedures implemented by the Company in the paragraph dealing with the control environment.

Minutes of each meeting are taken. Besides, the Chairman of the Committee reports on its work at every Board of Directors' meeting as the audit committee meets systematically before each Board of Directors meeting. This report is recorded in the minutes of the Board of Directors' meeting.

Assignments of the audit committee and description of its works in 2007 are detailed in paragraph III.b).

The Technology Committee:

The Committee's assignment is to assist the Board in reviewing:

- the Group's development strategy in reservoir imaging: seismic and opportunities in other oilfield services and products,
- the main development programmes in services and equipment,
- the technology offer from competitors and other oil service companies,
- the R&D budgets.

The Technology Committee usually meets twice a year. In 2007, the Committee met twice with an attendance rate of 87.5%.

During these meetings, the Committee reviewed the last technological developments of the Services and Equipment divisions, the Company R&D plan. Certain specific technological projects were also presented to the Committee.

II. Limitations of the authority of General Management

1. Structure of General Management:

Pursuant to the harmonization of the Company's articles of association with the provisions of the law of May 15, 2001 (*Loi sur les Nouvelles Régulations Économiques*) by the combined shareholders' meeting of May 15, 2002, the Board of Directors' meeting held on the same day chose the general management option whereby the functions of Chairman of the Board of Directors and Chief Executive Officer are combined. Since September 7, 2005, two Presidents *("Directeurs Généraux Délégués"*) were assisting the Chairman and Chief Executive Officer i.e. until the general meeting that will approve the 2007 financial statements. Those Presidents were initially appointed until the expiry of the term of the Chairman of the Board of Directors and Chief Executive Officer. Those two Presidents were

a. Thierry LE ROUX, initially appointed Group President and Chief Financial Officer has become as from January 1, 2007, President and Chief Operating Officer.

b. Christophe PETTENATI-AUZIERE, President Geophysical Services. He left his position as of December 6, 2007.

2. Limitations of authority of the Chief Executive Officer :

The Board of Directors imposed no restrictions on the powers of the Chief Executive Officer (*Directeur Général)*. In consequence, in accordance with the law and article 10 of the Company's articles of association, the Chairman-CEO (*Président Directeur Général*) is vested with the broadest powers to act in all circumstances in the name of the Company.

III. Internal control procedures implemented by the Company

The purpose of the internal control procedures of the Company is to offer reasonable assurance as to meeting objectives in respect of the following:

- completion and optimization of operations, including the safeguarding of resources,
- the reliability of financial information, and
- compliance with applicable laws and regulations.

All persons belonging to the Company are covered by the system of internal controls. The Board of Directors, senior executives, internal auditors, management and other personnel contribute significantly to the effectiveness of internal control procedures. Naturally, the responsibilities of supervisory personnel in the area of internal control vary in accordance with their level in the organizational hierarchy.

Because the Company is listed both in France and the US, it is also subject to the Sarbanes-Oxley Act and the French "*Loi de Sécurité Financière*". In the scope of implementation of the recommendations and provisions of the Sarbanes-Oxley Act relating to internal control, the Company has decided to apply the COSO internal control integrated framework, established by the Committee of Sponsoring Organization of the Treadway Commission (COSO). Pursuant to Sarbanes-Oxley Act, the Company must include in its report on Form 20-F (the "20-F Report") filed with the Securities Exchange Commission, a management report on internal control over financial reporting. This report along with the opinion of the auditors on the company's internal control will be included in item 15 of the 20-F report for fiscal year 2007. A translation of this item 15 into French will be included in the "*Document de reference*" for fiscal year 2007.

The Chairman and Chief Executive Officer is responsible for the internal control system of the Company.

a) Group organization:

The CGGVeritas Group consists of a mother company, Compagnie Générale de Géophysique- Veritas SA, a public company listed in New-York and Paris, and operational subsidiaries. The industrial activities of the Company were retroactively contributed, as of January 1, 2007, to an operational subsidiary, CGG Services. Apart from determining the Group strategy and policies, the scope of activity of the mother company is now limited to operational and financial organization at the Group level, holding the operational subsidiaries and controlling them (a pure holding company role). Corporate bodies (board of directors and shareholders' meeting), production of the Group's consolidated statements and other various US and French regulatory documents, Group's commitments pursuant to its credit agreements, relations with the Group's investors, shareholders and lenders are managed by the Group's mother company.

Prior to the merger with Veritas DGC Inc., the Group's operations were organized into two main divisions: Services (Geophysical Services) and Equipment (seismic acquisition equipment). Such organization has been kept after the effective date of the merger, i.e. January 12, 2007.

On this date, however, the Services division was reorganized under a matrix organization articulated around two regions: Western hemisphere (Americas) and Eastern hemisphere (Asia-Pacific, Europe, Africa and Middle-East). Such regions manage the business and operations around three product lines (Land, offshore, processing & reservoir) that ensure worldwide consistency of the activities notably with respect to assets management, development of technology and investments, human resources in their respective scope of business.

The Equipment division, operated through Sercel, also has a matrix organization by function (product development, marketing and sales, industrial operations and administration) and geographical region (Europe, Americas, Far East).

For each division, staff functions in finance, human resources and legal affairs report either to the President, Geophysical Services or the Chairman of the management board of Sercel. Same support can be found at the Group level with, in addition, investor relations and internal audit.

The Company's organization chart is made of 160 subsidiaries and JV/partnerships. A continuous effort is made to reduce the number of subsidiaries. A dedicated project team has been organized in this respect, the merger between CGG and Veritas in January 2007 having significantly increased the number of the Group entities.

In 2007, management of the new CGGVeritas Group was reorganized as follows:

The **Executive Committee** comprises the following members:

- the Chief Executive Officer,
- the Chief Operating Officer,
- the Chief Financial Officer,
- the Group Senior Executive Vice-President,
- the President, Geophysical Services,
- the Chief Executive Officer of Sercel,

– the President Eastern Hemisphere, and
– the President Western Hemisphere

(hereinafter the "Executive Committee").

The Group has also established a **Finance Committee** reporting to the Chief Executive Officer which includes:

– the Chief Operating Officer,
– the President, Geophysical Services,
– the Group Senior Executive Vice-President,
– the Chief Financial Officers of the Group,
– the Chief Financial Officers of the Services and Equipment divisions, and
– the Group Treasurer.

This Committee meets monthly and reviews the Group's financial situation.

At the end of 2006, in the scope of the merger between CGG and Veritas, the Group put in place an **Integration Committee**, including mostly the Executive Committee members and the Senior Vice-President corporate internal audit.

This committee in charge of monitoring the integration project named "Pegasus" relied on a dedicated project team, the "program office", managed by the Senior Vice-President corporate internal audit and coordinating the implementation of the integration efforts in all areas during the first six months. After July 2007, the integration monitoring was transferred to the various management teams. Integration follow-up is reported on during the regular sessions of the Executive Committee and through a recognition of the effectiveness of such integration on the basis of pre-established criteria which, when satisfied, allow each entity to be stamped "PEGASUS".

In 2007, the Group launched two strategic initiatives – Geoscope and Geopromote – aiming at developing our technology on a long term basis. These two projects' purposes are respectively to define the R&D strategy of the Services for the three to five coming years and developing the Group's ability to establish long-term connections with its customers and partners through its technology.

The Group has an internal audit organization with eight persons, exercises its functions independently and objectively relying on its charter, and reports directly to the Executive Committee of the Group and the Audit Committee. The Equipment Division (Sercel) also has its own internal audit organization with two persons reporting functionally to the Senior Vice-President corporate internal audit.

Internal audit evaluates internal controls on the basis of the COSO framework and tools and in compliance with the code of conduct of the 'Internal Audit Institute'. It works on the basis of a three-year cycle to assure a review of every important entity of the Group. Priorities are set on the basis of activities in progress and the level of risk. The annual plan is defined by the corporate internal audit department, approved by the Executive Committee and presented to the Audit Committee. Internal audit conducts financial and accounting audits as well as operational audits. Recommendations issued from the audits are approved by the Company Executive Committee and the associated action plans are monitored by internal audit until all open issues have been resolved. The scope of action of the internal audit includes the performance of conformity tests in the scope of the provisions of the Sarbanes-Oxley Act relating to internal control.

Over the three-year period preceding the merger with Veritas, the units audited accounted for approximately 90% of the average revenues of the Group. In 2007, the internal audit's activities excluding those linked to Sarbanes-Oxley, were mostly dedicated to the major scope of activities of the new CGGVeritas Group, i.e. the sites on which efforts to integrate the teams and the systems were the most important and the entities considered as being a priority based on the assessment of risks exposure carried out after the merger. The annual budget of internal audit corresponds to 0.1% of Group's revenues which is close to standards existing for companies in the same industrial sector.

b) Environmental control

Environmental control is an important part of the Company's internal control procedures.

Integrity and ethics

The Board of Directors implemented on December 10, 2003 a code of ethics which is applicable to the Chairman-CEO, members of the Group Management Committee and the Disclosure Committee. This code defines rules of conduct and integrity which the persons must follow in the performance of their function and obligations relating to disclosure.

In 2007, after the merger with Veritas, the chart of ethics adopted in 2004 was extended to the whole new CGGVeritas Group. The integration achievements have made it possible to extend and reinforce the four values of the Group that are from now on: focus on performance, passion for innovation, power by people and integrity.

During the 2007 first quarter, the chart of ethics and the fundamental values were commented by the management and dispatched to all employees of the Group during presentation and exchange meetings organized worldwide in all Group entities.

Finally, in the Company's "control and finance policy" charter, the Company undertakes to conduct its business in a responsible manner, producing timely reliable, accurate and fairly presented financial information, ensuring that all transactions are accurately and honestly reported in the Company's financial statements in accordance with the procedures in force, and then audited. Such commitment is materialized through compliance with the financial security program of the Company.

Corporate governance

The role and operating procedures of the Board of Directors, Strategic Committee, the Appointment-Remuneration Committee and Technology Committee are dealt with in the first part of this report.

Pursuant to its charter, the Audit Committee is responsible for assisting the Board of Directors and, as such for undertaking preparatory work for the Board, particularly by reviewing our financial statements with management and our statutory auditors.

Toward this goal, the principal responsibilities of the Audit Committee are as follows:

- Review and discuss with management and our statutory auditors the consistency and appropriateness of the accounting methods we adopt to prepare our corporate and consolidated financial statements;

    - Review and discuss with management and the statutory auditors the consolidation perimeter and requesting, when necessary, all appropriate explanations;
    - Review and discuss with management and the statutory auditors or draft annual, semi-annual and quarterly financial statements together with the notes to them, and especially off-balance sheet arrangements;
    - Review and discuss with management and the statutory auditors the quality, comprehensiveness, accuracy and sincerity of the financial statements;
    - Receive reports from the statutory auditors on their review, including any comments and suggestions they may have made in the scope of their audit; and

- Raise any financial or accounting question that the Committee deems important.

- Review the 20-F Report and the "*Document de Référence*".

- In consultation with the statutory auditors, the internal auditors and management, review the structure of our internal control procedures and the way in which they operate, notably those procedures relating to the preparation and treatment of accounting and financial information used to prepare the financial statements, to assess and manage risks, to comply with the principal regulations applicable to the Group. The Committee reviews the comments and observations made by the statutory auditors on internal control procedures.

- With respect to internal audit, review and discuss with management particularly:

  - its organization and operation,
  - its activities and in particular the responsibilities proposed in the scope of the internal audit plan approved by the general management and presented to the Committee.

- Review and discuss with management and, when appropriate, the statutory auditors the transactions directly or indirectly binding the Group and its executive officers.

- With respect to external audit:

  - Review and discuss with the statutory auditors their annual audit plan,
  - Meet, if necessary, with the statutory auditors outside the presence of management,
  - Ensure the independence of the statutory auditors by managing the procedure for selection of the auditors. The Committee submits its choice to the Board of Directors, which, pursuant to law, must submit appointment of auditors to the vote at a shareholders' meeting,
  - Discuss possibly the extent and results of the audit work with the statutory auditors and management and review the amount of auditors' fees regularly with management. Within the framework of a procedure that it determines annually, the Committee has sole authority to authorize performance by the auditors and/or by the members of their network of non-audit services.

- Oversee the anonymous handling of any report concerning a possible internal control problem or any problem of an accounting or financial nature.

- Finally, the management of the Company must report to the committee any suspected fraud of a significant amount so that the committee may proceed with any verification that it deems appropriate.

Sessions of the Audit Committee are open to the members of the Executive Committee, including the Chief Financial Officer, the external auditors (in order to report on their audit reviews) and the Senior Vice-President, corporate internal audit (in order to review important assignments).

The audit committee customarily meets before each board meeting. In addition, the members of the audit committee are systematically invited to attend strategic planning committee meetings.

During 2007, the audit committee reviewed draft versions of the annual consolidated financial statements for 2006, the financial statements for the first quarter, the first semester and the third quarter of 2007 before these were presented to the Board. It reviewed the 2007 forecasts, the 2008 budget and the 2008-2010 business plan. The Audit Committee also provided to the Board its recommendations concerning these financial statements. The audit committee reviewed the 20-F Report and the "*Document de Référence*". Finally, it was also presented with the project to reduce the financial statements closing time-period in 2007.

The Audit Committee also examined the renewal of the term of both external auditors. It examined the work to be performed by the statutory auditors in the scope of their audit on the 2007 financial statements and approved their fee estimates for this work. In compliance with the Audit Committee's procedures providing for its prior approval of non-audit services provided by the members of our auditors' network, the Audit Committee reviewed the services so performed in 2007 and approved them as necessary.

The Audit Committee reviewed the activities of the internal audit team, which acts on the basis of a plan established by the Executive Committee and presented to the Audit Committee. This plan is established in light of perceived operational and financial risks and with the goal of systematically reviewing the major entities of each business division every three years.

The Audit Committee was also kept regularly informed on the development of the assessment of internal control procedures pursuant to section 404 of the Sarbanes-Oxley Act and of the results thereof. The external auditors and the internal audit presented their respective conclusions.

Disclosure

Within the framework of the implementation of the Sarbanes-Oxley Act, the Chairman-CEO and Chief Financial Officer created a Disclosure Committee to assure they will be able to properly issue the certificate provided for by section 302 of the Sarbanes-Oxley Act which must accompany annual financial statements filed by the Company with the Securities and Exchange Commission.

The principle functions of this Committee are to:

- analyze the importance of information and determine the appropriateness of a disclosure, and if so according to what schedule, and to this purpose:

  - review all information to be published and their draft wording,
  - oversee disclosure procedures and coordinate disclosures to external parties (shareholders, market authorities, investors, the press etc.).

- provide guidelines for internal control procedures to ensure the reporting of material information to be disclosed within the framework of quarterly, semiannual or annual communications to market authorities or destined for financial markets,

- inform the Chairman and CEO and the Group Chief Financial Officer of any changes, deficiencies or material weaknesses pointed out by the Committee in the process of the reporting of information.

On the date of this report, the Committee was chaired by the Group Senior Executive Vice-President. The other members of the Committee are:

- the President, Geophysical Services,
- the Chairman of the management board of Sercel,
- the Group Deputy Chief Financial Officer,
- the Chief Financial Officers, Services and Equipement,
- the Senior Vice-President corporate internal audit,
- the Chief Accounting Officer,
- the Investor Relations Officer,
- the Corporate General Counsel.

The Committee meets quarterly before periodic disclosures of the Company are published. The first meeting of the Committee was held on February 11, 2003. Further to the results of the evaluation of the Committee operating procedure in February 2005, the information reporting process has been modified in order to increase its efficiency and to give the committee reasonable assurance as to the fact that all significant information is brought to its attention.

Delegation of powers and areas of responsibility

General instructions which are widely distributed, set forth rules for the delegation of powers, the approval of offers and contracts, investment authorizations and the budget allocation authorities. Such delegations are granted with the aim to permit and facilitate the management of the business of the Company and its subsidiaries.

The internal process for preparing offers, and controlling and approving contracts signed between the Company (or Group companies) on the one hand, and their customers, partners or subcontractors on the other hand, is well defined. Such process includes authorization rules in respect to contractual commitments and in particular the limits at which prior authorization by the Executive Committee is required.

Approval levels for investments, leases, sale-and-lease back transactions, expenses are also defined.

Human resources policy

The Group's human resources policy, set forth in a charter, is based on recruitment and development of expertise through regular training and on career management.

The Group seeks to identify and effectively match the knowledge and expertise of personnel with the needs of the Company, and to develop training plans to meet such needs.

The Group devotes considerable percentage of its training budget to improving technical and trade expertise. An increasing share of training is devoted to the management of personnel and projects, risks and performance. The personnel of the Group has access to a dedicated training structure through CGGVeritas University which includes an exhaustive range of training performed within the University and through well-known partners.

Integration works of CGGVeritas in 2007 made it possible to establish solid basis of convergence, especially in the field of compensation. Such works will be pursued in 2008 to provide the Group with all structuring tools that are necessary for the management of human resources in order to carry through its policy.

c) Assessment of risks

Market risks:

- Loan agreements may limit the Company's ability to react to market trends or finance its growth. If the Group is not able to comply with the restrictions and provisions imposed under its loan agreements, an event of default vis-à-vis its contractual obligations may exist. This could accelerate the maturity of loan repayments.
- The Group invests important amounts to acquire and process seismic data for multi-client surveys and its data library based on assumptions than cannot be verified. The Group is required to incur high fixed costs regardless of the level of commercial activity.
- Earnings from operations may be materially impacted by foreign exchange fluctuations.

- Financial needs and, in particular, working capital requirements may significantly vary within a short period, resulting in a need for additional financing. Such financing may not be possible to obtain or could be granted at unsatisfactory conditions.
- The significant debt of the Group could adversely affect its financial situation and prevent it from meeting these obligations.

<u>Interest-rate risks:</u> the Company could be required to have recourse in part to indexed floating-rate debt which may result in variations in interest charges.

<u>Environmental risks:</u> frequent changes in environmental laws and regulations could make it difficult for the Company to forecast precisely the cost and impact of such changes in future operations.

<u>Insurance risks</u>: the Company may be required to carry risks resulting from its operations which may have an adverse impact on activity and operating results.

The Company has implemented mechanisms for identifying both external and internal risks. The principal risks which the Company incurs are analyzed in the "*Document de Référence*" and the 20-F Report.

The Company has mechanisms to identify changes which could have an impact on the Company's ability to meet its objectives and requiring the intervention of management for an immediate response.

At the time of its quarterly review, the Executive Committee and the main managers of the Group (approximately a total of 20 persons), evaluates most particularly risks related to the Company's dependence on capital spending of oil companies, certain major customers, competitors, seasonal trends, technology trends, the qualification of its personnel, its operational surroundings, its investments in multi-client surveys, the level of its debt, currency fluctuations and evolution of environmental regulations. In 2007, monitoring and follow-up of integration of both Groups was added to the agenda of these meetings.

The Executive Committee also ensures a follow-up of action plans and results on the basis of a monthly review.

It may also be noted that:

- Every legal entity of the Group is positioned in a matrix in terms of risk exposure and volume of financial transactions. About fifteen risks have been listed for this classification; they are risks related to the internal structure of the entity on the one hand, such as the size of the entity, the turn over of key staff, the level of skills of the employees, the existence of an information system, etc. and risks related to the environment of the entity on the other hand, such as the context of the country, the complexity of laws, etc. The new entities of the Group as a result of the merger with Veritas were integrated in the pre-existing matrix in 2007 in order to obtain immediately a risks' cartography of the new Group and, starting 2008, to ensure a follow-up on a systematic basis of all the entities of the Group under a homogeneous format.

- The sales process for geophysical services includes a phase devoted to identifying and evaluating operational, customer, country, environmental risks, etc. The results of the evaluation are reviewed at different hierarchical levels up to the Executive Committee if necessary.

d) Control activities

Processes implemented by the Company to identify necessary control procedures are based on its risks assessment and on the measures to be implemented in order to fulfill the Group's objectives.

1. <u>CGGVeritas guidelines</u>

The Company has made available to employees and has posted on its intranet all its charters, objectives, general instructions, procedures and other guidelines. The requirement to make legal, tax and accounting decisions in accordance with applicable laws and regulations is clearly established.

❖ Hygiene, safety and the environment (HSE) : the Company seeks to strengthen policies in these areas on an ongoing basis.

- The integration works in the scope of health, safety, environment protection and quality (QHSE) were carried out along the following principles:

– Perpetuate what both Groups had already implemented, identify and consolidate the best practices in these areas;

– Build the basis of a new QHSE system including the most recent computer and communication tools;

– Include this system in a consistent sustainable development process which takes into account all concerned parties in the economic, corporate and environment areas.

Thus, the revision of the policies in place, the launch of the PRISM program of sustainable development, the preparation of the communication and reporting items, the risks analysis and the follow-up of the actions were priorities in 2007. This turning year was accompanied by a reallocation of the QHSE resources to both a specialists' pool and the product lines and the regions.

- The Group has a health, safety and environmental charter which stipulates that the considers that the protection of the environment and health and safety of its employees, subcontractors, and neighboring communities as a fundamental prerequisite ahead of any other work objective.

- The Group has a quality charter which stipulates that quality is, in the same way as security and environmental protection, a permanent priority of all Group's personnel.

- Every year the Company defines general objectives in the area of health, safety, the environment and quality.

- A 24-hour notification system exists to report accidents and incidents to provide better protection for persons and Company assets.

❖ Information technology infrastructure and information systems security:

IT security is an essential item of the Company's internal control; thus access to internal networks of the Group's companies and IT systems is regulated.

- The networks are protected by firewalls and antivirus systems. External access is possible through secure and encrypted connections.
- Users are duly authenticated before being granted access to the system.
- Data backup, archiving and recovery systems have been put into place. Procedures are created, modified and updated by competent personnel and approved by the appropriate management. Once a year, an internal audit is carried out to test the effectiveness of such procedures.

Financial information

Key processes such as the preparation of documents for the Board of Directors and the Audit Committee, the preparation of budgets, consolidation, etc., are formally described. Schedules for submitting information or meetings dealing with financial issues have been established.

In June 2003, the Senior Executive Vice President of Human Resources and Finance renewed instructions to all executives and financial management of each unit, to remind the importance of internal control and the necessity to constantly see to its implementation. In 2005, the company launched a financial security program joining all financial and operational managers in the performance of annual objectives clearly defined and consistent with the Group financial security. This program was fully operational in 2006 on the CGG Group perimeter. Its implementation to all the new entities of the Group after the merger with Veritas was initiated in 2007 with the aim to have a full system in place on the whole new perimeter of the CGGVeritas Group in 2008.

The Company has an accounting manual which sets forth Group accounting and reporting rules. This manual applies to all Group entities and is destined to ensure that the same accounting rules are applied across the Group. It details procedures for closings, the preparation of the income statement, balance sheet, cash flow statement as well as the consolidation process and the principles for producing the notes to the consolidated financial statements.

All Group companies process their corporate accounts in the format chosen by the Group using a standardized package. All reclassifications from the corporate accounts to the consolidated accounts are documented using a specific standard format.

Intercompany transactions are carried out in various areas (different services, geophysical equipment sales, software licenses). The corresponding payments for fees vary according to the nature of the transaction and in compliance with market prices.

Management software packages implemented in the Group in finance, logistics and procurement are critical organizational components of the internal control system as they define in detail processes to be applied in these areas. A convergence project of the management software existing within CGG and Veritas was initiated in 2007 with the objective to have a unified system fully operational in 2010. Until then and starting 2007, the existing systems were brought together in order to ensure for the Group a consistent and global overview of all its operations.

❖ Control of the external disclosure of information:

- The Company has a procedure which specifies rules for preparing, validating and approving press releases by the Executive Committee.

- The Company follows a pre-determined process for the preparation and distribution of its regulatory documents.

2. Internal control procedures

The control procedures of the Company are implemented according to the hierarchical level of the personnel involved and the principles of materiality and the separation of functions. Control procedures are implemented in light of the identification of risks.

System of evaluation of internal control

About thirty prerequisites have been defined as far as financial security is concerned both for Group operations and support functional departments. These prerequisites must be entirely observed (100%). An evaluation questionnaire was sent to the persons in charge of the various entities of the Group for a self-evaluation. In addition, every manager who visits an entity shall ensure by means of interviews and tests that the prerequisites are observed. This tool has been implemented in all Group entities in the course of 2005 and was fully operational in 2006. Further to the merger with Veritas, such questionnaire was adapted in order to ensure both a convergence with the Sarbanes-Oxley system of reference with which the Group has to comply and also adaptability to the new organizational structure of the Group. During the first half of 2007, the pre-existing system of reference was kept, then gradually replaced by the new one with the objective to have it implemented to the whole new Group perimeter in 2008. The financial security objectives of the Group define since 2006 the minimum frequency of these evaluations. Results of these evaluations are reviewed quarterly by the Executive Committee.

Financial and accounting controls

Internal control procedures in force in the Company are destined principally to ensure that accounting, financial and management information communicated to corporate bodies of the Company provide a fair presentation of the activity and situation of the Company.

- The financial statements of all Group's subsidiaries in activity are reviewed by the finance departments of each Group's division. Inventories are carried out on a regular basis at each site, comparing the balance sheet values of inventories with actual values and to correct eventual variances.
- Access to the accounting information systems is formally restricted in accordance with the function and responsibilities of each user.
- Current management information systems make it possible to record transactions in a complete and exact manner, to trace them and regularly back them up.
- The Company formally evaluates on specific dates the financial data which is correctly aggregated and presented in financial statements.
- All intercompany transactions are documented and reconciled on given dates according to the transactions.
- The Company monitors its off-balance sheet commitments.
- Comparisons and reconciliations are performed at various levels, particularly between reporting and consolidation. The consolidated financial statements are reviewed by the Group Chief Financial Officer and the Chief Financial Officers of the divisions.
- In the scope of the provisions of the Sarbanes-Oxley Act relating to internal control, the Group has put in place in 2005 an evaluation system of the efficiency of the controls put in place within the Group on all significant processes leading to the preparation of the consolidated financial statements. This system which was operational in 2006 was brought together with the existing system of Veritas (a company which was also subject to the Sarbanes-Oxley Act) further to the merger.

Miscellaneous controls

- Management frequently visits the Company's hubs, wherever located. Onsite tests are conducted and reports distributed to concerned parties and the General Management on their return.

- Interviews for the evaluation of expertise and individual and collective performance and definition of objectives are carried out on an annual basis. A working Group was organized in

2007 in order to ensure convergence of the evaluation systems pre-existing within CGG and Veritas. Those systems were kept as is for 2007 considered as a transition year.

- Health, safety, environmental and quality audits are conducted on a regular basis by auditors having expertise in those files to ensure that Company standards are complied with.

- Results of audits are presented to the concerned management teams and a summary is presented to the Executive Committee. Business divisions are responsible for monitoring actions to be implemented.

On the basis of objectives defined by the Executive Committee, key performance indicators have been implemented in the areas of quality, health, safety and the environment, as well as in the operational, financial and commercial areas. These indicators are monitored on a quarterly basis.

e) Information and Disclosure

Company's management and progress in meeting its objectives depend on effective dissemination of information at all levels of the Company.

Quality standards, security requirements or legal and professional obligations demand that the procedures be accessible and documented. The Company undertakes to foster the sharing of knowledge and practices. Company intranet sites make available to personnel the charters and Group policies, annual objectives, general instructions, procedures, standards and other documents on which the Company Management System is based. The pre-existing intranet systems of both CGG and Veritas were interconnected upon merger of both companies in order to ensure a global communication of information. Besides, the Company publishes an internal newsletter, "Pegasus", with the objective to reach a better communication and cooperation between the entities of the Group and among the operating and support functions of the whole CGGVeritas Group.

The Group undertakes, through its communication and human resources strategy, to develop and exploit all vectors of communications upward, downward and on a transversal basis, to share knowledge and practices. This commitment is pursued through the Company's intranet sites by sharing knowledge bases, the electronic management of documents through secured access and the organization of forums on specific subjects relating to each business.

The Company organizes an annual seminar for senior management and the Executive Committee. Seminars' frequency was significantly increased in 2007 to facilitate the integration process.

The Company has implemented a weekly, monthly and quarterly reporting system according to the hierarchical levels and relevance, to ensure that personnel can obtain an exchange information necessary to carry out, manage and control operations. The data distributed concerns operations, finance, or legal and regulatory compliance issues. It includes not only data produced by the Company but also data related to the external environment.

Management evaluates the performances of the Company on the basis of both internal and external information.

f) Steering

The Company's business environment being evoluting by nature, the internal control system is continuously adapted taking into account the environmental conditions and the capitalization on its experience. In the context of the merger between CGG and Veritas in 2007, management paid particular attention to the monitoring of internal control in the integration phase as well as to the adaptability and convergence of the pre-existing systems to the context of the new Group.

Managing and supervising day-to-day operations, comparative analyses and the comparison of information and other day-to-day tasks of employees enable the Company to ensure the pertinence of internal controls. Management carries out periodic evaluations, taking into account the nature and importance of changes which may have occurred.

g) Conclusion

Every system of internal control, however well-designed and effective, has inherent limitations, and notably the possibility to circumvent or bypass controls put into place. This means that the internal control system can offer only a reasonable assurance as to the reliability of financial statements. Furthermore, the effectiveness of internal control procedures may vary over time, in response to new circumstances.

As set forth in "Environment Control", the Group has an internal audit department that carries out every year an operational and financial audit program on the various Group entities. These audits include the performance of conformity tests in the scope of the provisions of the Sarbanes-Oxley Act relating to internal control.

In order to evaluate the efficiency and the compliance with internal control procedures on a regular and formal basis, the Company puts in place a project of internal control self-evaluation for all units of the Group. This project includes improving evidence of the controls implemented. At the Group level and within both Group segments (Services and Equipment), a compliance officer has been appointed thus showing the Group commitment to good corporate governance rules.

The Executive Committee fully supports this project as a contribution to a proper business' control, which is also in line with the implementation of values and the application of the financial security program with our personnel.