MANAGEMENT REPORT

OF THE BOARD OF DIRECTORS

Fiscal year ended December 31, 2008

Compagnie Générale de Géophysique - Veritas
A French Public Limited Company with registered capital of € 60,247,083
Registered Office : Tour Montparnasse, 33, avenue du Maine, 75015 Paris, France
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1. ANALYSIS OF THE GROUP'S CONDITION AND BUSINESS IN 2008

CGGVeritas has organized its geophysical operations into two main sectors of activity: Equipment and Services.

The Equipment sector, operated by Sercel, covers the design, manufacture and marketing of land, marine and down-hole seismic data acquisition equipment.

The Services sector covers:

- Marine seismic contract data acquisition ("Contract Marine Acquisition");
- Land-based and shallow water seismic contract data acquisition ("Contract land-based Acquisition");
- A broad portfolio of advanced geoscience solutions for seismic data processing and imaging ("Processing and Imaging");
- Marine and land multi-client data library in the world's key locations ("Multi-client Acquisition").

A. GEOGRAPHICAL ANALYSIS OF THE GROUP'S BUSINESS

Group, Geophysical Equipments and Services activities break down geographically into Western Hemisphere, which includes North America and Latin America (including Central America), and Eastern Hemisphere, which includes Europe, Africa, the Middle East, and Asia-Pacific.

North America

Sercel's main operational base is in Houston, Texas, where most of the world's marine seismic equipment is manufactured, including Sercel's Sentinel solid streamer systems. Sercel was also extremely active throughout 2008 in supplying its North and Latin American customers with latest-generation land-based acquisition equipment.

With respect to Services, this segment saw high levels of exclusive and multi-client land acquisition activity in 2008, with up to 16 crews operating and with an average of around 11 crews throughout the year, with operations mostly around the Arctic, the Rocky Mountain foothills in Canada and the United States.

There was also sustained activity in 2008 in the field of marine multi-client acquisition in the Gulf of Mexico, with continued industry acceptance of the wide-azimuth (WAz) acquisition technique. Acquisition of our first WAz multi-client survey (Walker Ridge) was completed during the first quarter, a first set of processed data was delivered in December and will therefore be available for the next lease sale scheduled for March 2009; acquisition of our second WAz project (Garden Banks) was completed in the last quarter of 2008 and acquisition of our third WAz project (Green Canyon) commenced in December 2008, is scheduled to be finished in March 2009.

With respect to data processing, activity of the large data processing and imaging centers in Houston and Calgary was particularly sustained in 2008 especially to address the new needs generated by the development of the WAz technology.

Latin America

The Group continues to enjoy a strong position in Mexico, notably through its dedicated data processing and imaging operations for Pemex. This position was strengthened with the opening of a technology centre in Villahermosa and a 2D vessel conducting a 20,000 km^2 survey.

In Brazil, there was sustained activity, with one vessel employed for most of the year on multi-client surveys off Amazonia and a pre-stack depth migration as part of the reprocessing of the Santos Basin cluster survey which includes all the recently discovered areas in the Santos Basin.

Europe, Africa and the Middle East

Sercel's headquarters are based in Nantes (France). Its main equipment manufacturing facilities in France, located in Nantes and Saint Gaudens, experienced record production levels in 2008. The other service centers of the area, in the UK, CIS and Dubai in particular, also enabled to meet local needs by providing a high level of quality service to Sercel's customers.

As far as Services are concerned, activity was particularly sustained in 2008 in the field of land acquisition in the Middle East, especially in Oman, Saudi Arabia and Egypt, with an average of 9 crews operating along the year (including small projects carried out through the Saudi joint-venture ARGAS).

With respect to Marine 3D acquisition, the activities were mainly concentrated in North Sea, including a multi-client survey project, and the Mediterranean, where the *Challenger* and the *Search* carried out several programs off the Libyan coast and in the Arabian-Persian Gulf.

Processing and imaging activity saw further growth at the level of our legacy centers of our centers in Massy, London and Oslo, and also at the level of the network of our dedicated centers supporting international oil & gas companies.

Asia-Pacific

Sercel manufacturing sites and service centers are located in key areas in China and Singapore to address local needs at best with respect to providing equipment and related quality services.

Services land processing activity continued in India, Thailand and Indonesia through projects located essentially in transition zones and shallow water, with two crews operating in average along the year.

Marine acquisition was particularly busy in the region during 2008 with up to eight seismic vessels deployed. Several surveys were performed in Australia, India, Vietnam, Indonesia, New Zealand, Malaysia, Philippines, Thailand and Korea for both 2D and 3D data acquisition programs. A number of 4D surveys along with an exclusive multi-azimuth project were also performed as well as a multi-azimuth survey.

With respect to seismic data processing, the Group remains with a strong presence in the region, mainly through its regional hub in Singapore and large centers in Kuala Lumpur, Perth and Mumbai. New processing centers were opened in Bangkok, specializing in land data processing, and Beijing, specializing in multi-component data processing. Indonesia has seen a strong increase in exploration activity which has benefited the Jakarta processing centre.

B. ANALYSIS BY BUSINESS SECTOR OF THE GROUP'S BUSINESS

SERCEL

In 2008, Sercel capitalized on a moderately growing market to reach new record sales and market share, achieving 12% revenue growth of US$ 1,209 million (€ 832 million). Intra-Group sales accounted for 8% of Sercel revenue. The 2008 contribution from the Equipment sector thus accounted for 29% of total Group revenue.

Market growth, mainly for 2008, was driven by this demand for marine equipment as a significant number of new vessels were operated, while demand for land products stabilized at a record level. Sercel sales outperformed market growth in both segments, in particular due to increased market acceptance of its 428 land recording system and Sentinel marine system, which have become market references in their respective domains. Manufacturing capacity was increased in all the main sites, while output of former generation equipment was progressively phased out.

In addition, SeaRay, the new seabed acquisition system capitalizing on Sercel expertise from the 428 products and digital sensors, received growing acceptance from its early customers and is expected to attract increased demand in 2009.

Through two dedicated business acquisitions, Metrolog and Quest Geo, Sercel also expects to broaden its expertise domain in well applications and seismic software.

SERVICES

Contract marine acquisition

Total revenue from contract marine acquisition came to €713 million (US$1,055 million), a rise of 45% in US dollar terms over 2007. In 2008, contract marine acquisition accounted for 39 % of total Services revenue and 27% of total Group revenue.

In 2008 the global market for marine exclusive contract was estimated at almost US$4.3 billion, up 20% on 2007. Contract marine experienced greater growth than the overall marine market in 2008.

In 2008, we continued the performance upgrades with the capacity extension and the equipment in solid streamers of the *Alizé* now capable of towing 14 streamers. The supply of two large X-BOW seismic vessels to be newly built pursuant to an agreement entered into with Eidesvik Offshore ASA on July 2, 2007 and amended on March 14, 2008, is in line with the initial time schedule, with particularly the aim at operating these vessels during 2010. These two vessels will be under 12-year time charter agreements. They are purpose-designed for the efficient deployment of industry-leading Sercel solid streamer technology and configured for spreads of up to 16 long streamers, or 20 shorter streamers in high-density applications.

In 2008, the fleet availability rate[1] was 92% and the production rate [2] 88%. In 2008, 66% of the high-end 3D fleet operated on exclusive contracts.

Contract land-based acquisition

Global demand for land contract acquisition has continued to grow in 2008, as does the technological content of the activity, in order to meet the new needs in sophisticated subsurface of oil and gas companies.

In dollar terms, revenue from contract land-based acquisition rose 16% compared with 2007 to US$518 million. Contract land-based acquisition accounted for 19% of total Services revenue, and 13% of total Group revenue.

The 2008 global market for contract land-based acquisition accessible to international contractors is estimated at US$2.1 billion, up 10% from 2007, driven predominantly by growth in the Eastern Hemisphere.

In response to market demand for advanced acquisition and interpretation technologies, our international R&D teams continued to develop HPVA™ & V1™ wide-azimuth and Seismovie™ technologies which are being marketed in select regions. Seismovie™ 4D reservoir monitoring technology has seen further improvements, thanks to new pilots installed on various heavy crude

[1] Availability rate = total time – scheduled shipyard time – steaming time as a % of total time
[2] Production rate = available time – operational downtime on site as a % of available time

oilfields. This technology premium gives an undeniable advantage to CGGVeritas in a market where demand for high-precision, high-density imaging is growing fast.

In 2008, CGGVeritas continued to focus on key areas where its local excellence is widely acknowledged. In total an average of 22 crews, including ARGAS crews in Saudi Arabia, operated worldwide. Some 20 of these were involved in contract land-based acquisition, and 2 on multi-client land-based projects. In North American markets (i.e. Canada and Alaska), where its Arctic crews experience is well known, the Group continued to strengthen its positions with its unique expertise in multi-components acquisition, and by introducing HPVA™ technologies. The Group also continued to deepen targeted partnerships with leading players at local levels.

Marine multi-client acquisition

The Group's positioning in the multi-client market, an area where CGGVeritas continued to invest heavily in 2008, is a strategic priority. We continued to develop our wide-azimuth position in the Gulf of Mexico. Our WAz coverage stands at 1,452 OCS blocks, equivalent to 33,000 km^2 with the launch or completion of three projects during 2008.

In addition to the Gulf of Mexico wide-azimuth program, multi-client programs were conducted in Brazil, the North Sea and Kazakhstan. In 2008, CGGVeritas continued to develop its marine multi-client data library with an investment of €288 million (US$426 million). Today, CGGVeritas offers the most recent and advanced data library in the industry.

Total annual revenue from marine multi-client surveys came to €400 million (US$592 million), an decrease of 5% in US dollar terms over 2007. In 2008, therefore, this sector accounted for 22% of total Services revenue and 15% of total Group revenue. After-sales of data amounted to €123 million (US$182 million).

Land multi-client acquisition

The CGGVeritas multi-client land data library is located in Canada and in the United States. In 2008, CGGVeritas invested €55 million (US$82 million) in new programs which benefited from high pre-funding. In the United States, a new core area has been identified in North Louisiana focused on the gas production from the Haynesville Shale area. The first survey was completed in September, and 2 large surveys are being prepared for next year.

Over the full year, total revenue from multi-client library came to €104 million (US$154 million), an decrease of 16% in US$. As such, in 2008, this sector accounted for 6% of total Services revenue and 4% of total Group revenue. After-sales of land multi-client data amounted to €63 million (US$93 million).

Processing and imaging

The 2008 global market for processing and imaging is estimated at US$1.1 billion, up 10% from 2007.

In 2008 processing and imaging revenue amounted to €270 million (US$399 million), representing growth of over 11% in dollar terms compared with 2007. Processing and imaging accounted for 15% of total Services revenue and 10% of total Group revenue.

Global demand for advanced imaging services continued to strengthen, sustained by growing volumes of marine data. CGGVeritas is in a particularly advantageous position, due to the size of its fleet of seismic exploration vessels and, above all, because of its unrivaled team of geophysicists and researchers. Located worldwide, they can respond to the demand for advanced technology, particularly for depth imaging processing and wide azimuth surveys. The emergence of Reverse Time Migration technology, for example, has notably expanded the knowledge of complex, fractured geology such as carbonate reservoirs, or those located under basalt or salt. This is a strategic issue for our customers.

The global integration of our R&D teams, including the convergence of processing software has proceeded smoothly. A fully operational integrated platform will be available in early 2009, providing the best of both legacy platforms for all our worldwide imaging services.

CGGVeritas has the world's most extensive network of processing and imaging service centers (open and dedicated), which enjoy an excellent reputation among our clients. No other company in the industry enjoys such a position. At end-December CGGVeritas operated 40 centers worldwide, of which 12 were dedicated to clients (including BP, Shell and Total) demonstrating our ability to build close and open partnerships. Following the integration of our legacy processing centers, we now have mega processing and imaging centers in Houston, London, Singapore and Calgary, offering our clients efficient access to top-ranking teams of specialists and unmatched raw computing power, tailored to their strategic requirements.

2. 2008 RESULTS: GROUP AND CGG Veritas (mother company)

A. Corporate financial statements of CGG Veritas SA

Operating revenues of CGG Veritas SA for the year ended December 31, 2008 are €27.8 million compared to €35.1 million in 2007.

Operating income amounted to €32.7 million in 2008 compared to €68.1 million for the 2007 fiscal year that was mainly impacted by the fees related to the Veritas acquisition for an amount of €38 million.

Financial results amounted to €137.4 million in 2008 compared to a financial loss of 11.0 million mainly due to dividends received.

Extraordinary loss amounted to €304.4 million in 2008 compared to a profit of €10.1 million in 2007. This loss resulted from the internal sale of Groups' investments as part of the legal reorganization of our subsidiaries.

Net result for 2008, after a positive French tax group impact of €99.1 million, is a loss of €100.6 million compared to a loss of €55.1 million in 2007.

B. Consolidated results

Revenues

Our consolidated operating revenues for the year ended December 31, 2008, increased 10% to €2,602.5 million from €2,374.1 million for the year ended December 31, 2007. Expressed in U.S. dollars, our consolidated operating revenues for the year ended December 31, 2008 increased 18% to U.S.$3,849.8 million from U.S.$3,250.7 million for the year ended December 31, 2007. This increase resulted from all of our activities.

Operating Income

Operating income, after an impairment loss of our OHM shares for an amount of €22.6 million, increased 11% to €540.6 million for the year ended December 31, 2008 compared to €489.1 million for the year ended December 31, 2007. Expressed in U.S. dollars, operating income increased 19% to U.S$799.6 million for the year ended December 31, 2008 compared to U.S$669.6 million for the year ended December 31, 2007. This increase was due to increases in both our Services and Equipments segment.

Operating income from our Services segment was €353.0 million for the year ended December 31, 2007 compared to €304.9 million for 2007.
Operating income from our Equipments segment was €268.1 million for the year ended December 31, 2007 compared to €266.2 million for 2007.

Income before tax

Income before tax increased 19% from €445.3 million for the year ended December 31, 2008 compared to €374.8 million for 2007.

Net income

Net income increased 36% to €340.0 million for the year ended December 31, 2008 compared to €249.6 million for the year ended December 31, 2007.

Shareholders' net income increased 36% to €332.8 million for the year ended December 31, 2008 from €245.5 million for the year ended December 31, 2007.

3. COMMENTS ON THE FINANCIAL CONDITION OF THE COMPANY AND THE GROUP

Definition of EBITDAS

We define EBITDAS as earnings before interest, tax, depreciation, amortization and share-based compensation cost. Share-based compensation includes both stock options and performance shares.

Liquidity and Capital Resources

Our principal capital needs are for the funding of ongoing operations, capital expenditures (particularly repairs and improvements to our seismic vessels), investments in our multi-client data library and acquisitions (such as Veritas in 2007 and Wavefield-Inseis in 2008). We have financed our capital needs with cash flow from operations, borrowings under bank facilities and senior notes.

Operations

For the year ended December 31, 2008, our net cash provided by operating activities, before changes in working capital, was €920.3 million compared to €845.8 million for 2007.

Changes in working capital for the year ended December 31, 2008 had a negative impact of €34.7 million compared to a negative impact of €198.5 million for 2007.

Investing Activities

During the year ended December 31, 2008, we incurred purchases of tangible and intangible assets of €155.4 million compared to €230.5 million for 2007. Capital expenditures relate in a large extent to the upgrade of our seismic vessel *Alizé* with a 14 solid streamer configuration as well as land recording systems expenditures.

We also invested €343.4 million in our multi-client library during the year ended December 31, 2008, primarily in Gulf of Mexico (Wide Azimuth programs) and Brazil compared to €371.4 million in 2007. As of December 31, 2008, the net book value of our marine and land multi-client data library was €535.6 million compared to €435.4 million at December 31, 2007.

In 2008, the total cash requirements related to the acquisition of Wavefield-Inseis, Quest Geo Solutions and Metrolog represented an investment, net of acquired cash, of €6 million.
In 2007, the total cash requirements related to the acquisition of Veritas represented an investment, net of acquired cash, of €1,019.1 million.

Financing Activities

Net cash used in financing activities for the year ended December 31, 2008 was €138.9 million compared to net cash provided of €950.2 million for 2007.

In 2007, The total cash requirements related to the acquisition of Veritas were financed by U.S.$700 million drawn under our bridge loan facility (which was repaid with the proceeds of our U.S.$600 million offering of Senior Notes on February 9, 2007, plus cash on hand) and U.S.$1.0 billion drawn under our Term Loan B facility with a maturity of 2014, of which U.S.$100 million was repaid early on June 29, 2007.

Net debt was €1,029.1 million at December 31, 2008, €1,106.7 million at December 31, 2007 and €153.8 million at December 31, 2006. The ratio of net debt to equity increased decreased to 35% at December 31, 2007 from 46% at December 31, 2007 and was 18% at December 31, 2006.

"Net debt" is the amount of bank overdrafts, plus current portion of financial debt, plus financial debt, less cash and cash equivalents. The following table presents a reconciliation of net debt to financing items of the balance sheet at December 31, 2008, December 31, 2007 and at December 31, 2006:

	December 31,		
	2008	2007	2006
	(in million of euros)		
Bank overdrafts	8.2	17.5	6.5
Current portion of financial debt	241.5	44.7	38.1
Financial debt	1,296.3	1,298.8	361.0
Less cash and cash equivalents	(516.9)	(254.3)	(251.8)
Net debt	**1,029.1**	**1.106,7**	**153.8**

EBITDAS for the year ended December 31, 2008 was €1,058.4 million compared to €997.3 million and €483.0 million for the corresponding period in 2007 and 2006 respectively.

4. RISK FACTORS

4.1 Risks related to the business of CGG Veritas and its subsidiaries:

4.1.1 CGG Veritas is subject to risks related to its international operations that could harm its business and results of operations.

With operations worldwide, including in emerging markets, CGG Veritas's business and results of operations are subject to various risks inherent in international operations. These risks include:

- instability of foreign economies and governments;
- risks of war, terrorism, civil disturbance, seizure, renegotiation or nullification of existing contracts; and
- foreign exchange restrictions, sanctions and other laws and policies affecting taxation, trade and investment.

CGG Veritas is exposed to these risks in all of its foreign operations to some degree, and its exposure could be material to its financial condition and results of operations in emerging markets where the political and legal environment is less stable.

CGG Veritas cannot assure that it will not be subject to material adverse developments with respect to its international operations or that any insurance coverage it has will be adequate to compensate it for any losses arising from such risks.

Revenue generating activities in certain foreign countries may require prior United States government approval in the form of an export license and may otherwise be subject to tariffs and import/export restrictions. These laws can change over time and may result in limitations on CGG Veritas's ability to compete globally. In addition, non-U.S. persons employed by CGG Veritas's separately incorporated non-U.S. entities may conduct business in some foreign jurisdictions that are subject to U.S. trade embargoes and sanctions by the U.S. Office of Foreign Assets Control. CGG Veritas has typically generated revenue in these countries through the performance of data processing and reservoir consulting services and the sale of software licenses and software maintenance. CGG Veritas has current and ongoing relationships with customers in these countries. CGG Veritas has procedures in place to conduct these operations in compliance with applicable U.S. laws. However, failure to comply with U.S. laws on equipment and services exports could result in material fines and penalties and/or damage to CGG Veritas's reputation. In addition, CGG Veritas's presence in these countries could reduce demand for its securities among certain investors.

CGG Veritas and certain of its subsidiaries and affiliated entities also conduct business in countries that experience government corruption. CGG Veritas is committed to doing business in accordance with all applicable laws and its codes of ethics[1], but there is a risk that CGG Veritas, its subsidiaries or affiliated entities or their respective officers, directors, employees or agents may act in violation of applicable laws, including the Foreign Corrupt Practices Act of 1977. Any such violations could result in substantial civil and/or criminal penalties and might materially adversely affect CGG Veritas's business and results of operations or financial condition.

4.1.2 CGG Veritas is subject to certain risks related to acquisitions, including the merger with Veritas DGC Inc., and these risks may materially adversely affect its revenues, expenses, operating results and financial condition.

In the past CGG Veritas has grown by acquisitions, some of which, such as the merger with Veritas DGC Inc. in 2007 or the Waivefield-Inseis acquisition in December, 2008, have been quite significant. Such operations, whether completed, pending or likely to be completed in the future, present various financial and management-related risks which can be material, such as integration of the acquired businesses in a cost-effective manner; implementation of a combined business strategy; diversion of CGG Veritas management's attention; outstanding or unforeseen legal, regulatory, contractual, labor or other issues arising from the acquisitions; additional capital expenditure requirements; retention of customers; combination of different company and management cultures; operations in new geographic markets; the need for more extensive management coordination; and retention, hiring and training of key personnel. Should any of these risks associated with acquisitions materialize, it could have a material adverse effect on CGG Veritas's business, financial condition and results of operations.

More particularly, the merger with Veritas DGC Inc. involved the integration of two companies, CGG and Veritas, that had previously operated independently and as competitors. Achieving the anticipated long-term benefits of the merger depends in particular on achieving the initially-anticipated cost synergies, the redeployment of both companies' respective support resources and the combination and

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[1] In 2005, the Group combined its internal control policies in a financial security program based on applicable laws and regulations in force, such as the Sarbanes-Oxley Act, the French Financial Security Law (LSF) and the Foreign Corrupt Practices Act. This program involves all of the Group's operational and financial officers in a process of ongoing improvement to our control procedures. The program also reflects the Group's code of ethics and code of conduct, which are sent to managers and integrated into their training modules. In particular, to improve management of corruption risk and compliance with U.S. and European anti-corruption regulations, an external consultancy was appointed in 2005 to review the Group's internal rules, particularly for managing sales agents. Each agent was audited and selection and control procedures were strengthened. Best practices training was implemented within the Group in 2006.

integration of their significant global activities. There can be no assurance that these objectives are being achieved or will be achieved successfully.

4.1.3 CGG Veritas is subject to risk relating to the possibility of goodwill write-downs.

CGG Veritas has been involved in a number of business combinations in the past, leading to the recognition of large amounts of goodwill on its balance sheet. Goodwill totaled €2,055.1 million on its balance sheet as at December 31, 2008. Goodwill is allocated to cash generating units (CGUs) (see note 11 to CGG Veritas's consolidated financial statements for the year ended December 31, 2008). The recoverable amount of a CGU is estimated at the closing date for each account and is generally determined on the basis of a group-wide estimate of future cash flows expected from the CGU in question. The estimate takes into account the possibility of significant underperformance in cash generation relative to previously-expected results, which may arise, for example, from the underperformance of certain assets or a change in the industry and/or economic environment. On this basis, at each account closing date, if it is expected that a CGU's recoverable amount will fall below the amount of goodwill recorded on the balance sheet due to substantial underperformance, CGG Veritas may write down that goodwill in part or in whole. Such a write-down would not in itself have an impact on cash flow, but could have a substantial negative impact on CGG Veritas's operating income and net income, and as a result, on CGG Veritas's shareholders' equity and net debt/equity ratio.

4.1.4 CGG Veritas invests significant amounts of money in acquiring and processing seismic data for multi-client surveys and for its data library without knowing precisely how much of the data it will be able to sell or when and at what price it will be able to sell the data.

CGG Veritas invests significant amounts of money in acquiring and processing seismic data that it owns. By making such investments, CGG Veritas is exposed to the following risks:

- CGG Veritas may not fully recover the costs of acquiring and processing the data through future sales. The amounts of these data sales are uncertain and depend on a variety of factors, many of which are beyond CGG Veritas's control. In addition, the timing of these sales is unpredictable, and sales can vary greatly from period to period. Technological or regulatory changes or other developments could also materially adversely affect the value of the data. Additionally, each of CGG Veritas's individual surveys has a limited book life based on its location, so a particular survey may be subject to significant amortization even though sales of licenses associated with that survey are weak or non-existent, thus reducing CGG Veritas's profits.

- The value of CGG Veritas's multi-client data could be significantly adversely affected if any material adverse change occurs in the general prospects for oil and gas exploration, development and production activities in the areas where CGG Veritas acquires multi-client data.

- Any reduction in the market value of such data will require CGG Veritas to write down its recorded value, which could have a significant material adverse effect on CGG Veritas's results of operations.

4.1.5. CGG Veritas's results of operations may be significantly affected by currency fluctuations.

CGG Veritas derives a substantial amount of its revenues from international sales, subjecting it to risks relating to fluctuations in currency exchange rates. CGG Veritas's revenues and expenses are mainly denominated in U.S. dollar and euro, and to a significantly lesser extent, in Canadian dollar, Brazilian real, Australian dollar and other non-euro Western European currencies, principally the British pound and the Norwegian kroner. Historically, a significant portion of CGG Veritas's revenues that were invoiced in euros related to contracts that were effectively priced in U.S. dollars, as the U.S. dollar often serves as the reference currency when bidding for contracts to provide geophysical services.

Fluctuations in the exchange rate of the euro against such other currencies, particularly the U.S. dollar, have had in the past and will have in the future a significant effect upon CGG Veritas's results of operations, which are reported in euros. The merger with Veritas DGC Inc. very significantly increased both the dollar-denominated revenues and expenses of the Group, as Veritas's revenues and expenses were historically denominated largely in U.S. dollars. Thus, for financial reporting purposes, depreciation of the U.S. dollar against the euro will negatively affect CGG Veritas's reported results of operations since U.S. dollar-denominated earnings that are converted to euros are stated at a decreased value. Moreover and in addition to the impact of the conversion of the U.S. dollar at a decreased value, since CGG Veritas participates in competitive bids for data acquisition contracts that are denominated in U.S. dollars, the depreciation of the U.S. dollar against the euro harms its competitive position against companies whose costs and expenses are denominated to a greater extent in U.S. dollars. While CGG Veritas attempts to reduce the risks associated with such exchange rate fluctuations through its hedging policy, CGG Veritas cannot assure that it will maintain its profitability level or that fluctuations in the values of the currencies in which it operates will not materially adversely affect its future results of operations. As of the date of this annual report, CGG Veritas's fixed expenses in euros amount to €500 million and as a consequence, an unfavorable variation of U.S.$0.10 in the exchange rate between the U.S. dollar and the euro would reduce CGG Veritas's operating income by approximately U.S.$50 million.

4.1.6. CGG Veritas's working capital needs are difficult to forecast and may vary significantly, which could result in additional financing requirements that CGG Veritas may not be able to meet on satisfactory terms, or at all.

It is difficult for CGG Veritas to predict with certainty its working capital needs. This difficulty is due primarily to working capital requirements related to the marine seismic acquisition business and related to the development and introduction of new lines of geophysical equipment products. For example, under specific circumstances, CGG Veritas may extend the length of payment terms it grants to customers or increase its inventories substantially. CGG Veritas may therefore be subject to significant and rapid increases in its working capital needs that it may have difficulty financing on satisfactory terms, or at all, due notably to limitations in its debt agreements.

4.1.7. Technological changes and new products and services are frequently introduced in the market, and CGG Veritas's technology could be rendered obsolete by these introductions, or CGG Veritas may not be able to develop and produce new and enhanced products on a cost-effective and timely basis.

Technology changes rapidly in the seismic industry, and new and enhanced products are frequently introduced in the market for CGG Veritas's products and services, particularly in its equipment manufacturing and data processing and geosciences sectors. CGG Veritas's success depends to a significant extent upon its ability to develop and produce new and enhanced products and services on a cost-effective and timely basis in accordance with industry demands. While CGG Veritas commits substantial resources to research and development, it may encounter resource constraints or technical or other difficulties that could delay the introduction of new and enhanced products and services in the future. In addition, the continuing development of new products risks making CGG Veritas's older products obsolete. New and enhanced products and services, if introduced, may not gain market acceptance and may be materially adversely affected by technological changes or product or service introductions by one of CGG Veritas's competitors.

4.1.8. The nature of CGG Veritas's business subjects it to significant ongoing operating risks for which it may not have adequate insurance or for which it may not be able to procure adequate insurance on acceptable terms, if at all.

CGG Veritas's seismic data acquisition activities, particularly in deepwater marine areas, are often conducted under harsh weather and other hazardous operating conditions. These operations are subject to risks of loss to property and injury to personnel from fires, accidental explosions, ice floes and high seas. These types of events could result in loss from business interruption, delay, equipment destruction or other liability. CGG Veritas carries insurance against the destruction of or damage to its seismic equipment and against business interruption for its data processing activities in amounts it considers appropriate in accordance with industry practice. However, CGG Veritas's insurance coverage may not be adequate in all circumstances or against all hazards, and CGG Veritas may not be able to maintain adequate insurance coverage in the future at commercially reasonable rates or on acceptable terms.

4.1.9. CGG Veritas depends on proprietary technology and is exposed to risks associated with the misappropriation or infringement of that technology.

CGG Veritas's results of operations depend in part upon its proprietary technology. CGG Veritas relies on a combination of patents, trademarks and trade secret laws to establish and protect its proprietary technology. CGG Veritas currently holds or has applied for 165 patents in various countries for products and processes. These patents last between four and twenty years, depending on the date of filing and the protection accorded by each country. In addition, CGG Veritas enters into confidentiality and license agreements with its employees, customers and potential customers and limits access to and distribution of its technology. However, actions that CGG Veritas takes to protect its proprietary rights may not be adequate to deter the misappropriation or independent third-party development of its technology. Although CGG Veritas is not currently involved in any material litigation regarding its intellectual property rights or the possible infringement of intellectual property rights of others, such litigation may be brought in the future. In addition, the laws of certain foreign countries do not protect proprietary rights to the same extent as either the laws of France or the laws of the United States, which may limit CGG Veritas's ability to pursue third parties that misappropriate its proprietary technology.

4.1.10. CGG Veritas's failure to attract and retain qualified employees may materially adversely affect its future business and operations.

CGG Veritas's future results of operations will depend in part upon its ability to retain its existing highly skilled and qualified employees and to attract new employees. A number of CGG Veritas employees are highly skilled scientists and technicians.

CGG Veritas competes with other seismic products and services companies and, to a lesser extent, companies in the oil industry for skilled geophysical and seismic personnel, particularly in times when demand for seismic services is relatively high. A limited number of such skilled personnel is available, and demand from other companies may limit CGG Veritas's ability to fill its human resources needs. If CGG Veritas is unable to hire, train and retain a sufficient number of qualified employees, this could impair its ability to compete in the geophysical services industry and to develop and protect its know-how. CGG Veritas’s success also depends to a significant extent upon the abilities and efforts of members of its senior management, the loss of whom could materially adversely affect its business and results of operations.

4.1.11. CGG and Veritas have had losses in the past and there is no assurance of CGG Veritas's profitability for the future.

CGG recorded net losses in 2004 and 2005 (attributable to shareholders) of €6.4 million and €7.8 million, respectively, although excluding the accounting impact under IFRS of its 7.75% subordinated convertible bonds due 2012 denominated in U.S. dollars, its net income would have been positive.

4.1.12. CGG Veritas has ordered two new vessels whose construction may be delayed.

CGG Veritas signed an agreement with the Norwegian company Eidesvik Offshore on July 2, 2007 for the construction of two large-capacity seismic vessels, with a total contractual value of approximately U.S.$420 million. The two vessels should be delivered in 2010 and operated under a time charter for a period of 12 years. CGG Veritas has the necessary expertise to successfully carry out the project management, and thus ensure within the specified timeframe that the vessels construction meets appropriate quality standards. However, the construction and planning of these vessels remain a long and complex process involving many parties (the shipyard, Eidesvik offshore and others) and subject to many factors.

4.2. Risks related to industry:

4.2.1 The volume of CGG Veritas's business depends on the level of capital expenditures by the oil and gas industry, and reductions in such expenditures may have a material adverse effect on CGG Veritas's business.

Demand for CGG Veritas's products and services has historically been dependent upon the level of capital expenditures by oil and gas companies for exploration, production and development activities. These expenditures are significantly influenced by oil and gas prices and by expectations regarding future oil and gas prices. Oil and gas prices may fluctuate based on relatively minor changes in the supply of and demand for oil and gas, expectations regarding future supply of and demand for oil and gas and certain other factors beyond CGG Veritas's control. Lower or volatile oil and gas prices tend to limit the demand for seismic services and products.

Factors affecting the prices of oil and gas include:

- demand for oil and gas;
- worldwide political, military and economic conditions, including political developments in the Middle East, economic growth levels and the ability of OPEC to set and maintain production levels and prices for oil;
- levels of oil and gas production;
- the price and availability of alternative fuels;
- policies of governments regarding the exploration for and production and development of oil and gas reserves in their territories; and
- global weather conditions.

CGG Veritas believes that the current crisis in the credit markets, the general slowdown of the global economy, global geopolitical uncertainty and the rapid decrease in the price of oil price to near US$40, far from its record peak in 2008, could cause hydrocarbon companies to suddenly delay or cancel some of their development projects and, as a consequence, reduce their need for seismic services. Given these uncertainties, CGG Veritas cannot predict future demand for seismic services and products.

4.2.2. CGG Veritas's backlog includes contracts that can be unilaterally terminated at the client's option.

In accordance with industry practice, contracts for the provision of seismic services typically can be canceled at the sole option of the oil or gas client without payment of significant cancellation costs to the service provider. As a result, even if contracts are not recorded in backlog unless they represent a firm commitment by the client, there can be no assurance that such contracts will be wholly executed by CGG Veritas and generate actual revenue, or even that the total costs already incurred by CGG Veritas in connection with the contract would be covered in full by any cancellation clause.

4.2.3. CGG Veritas is subject to intense competition in the markets where it carries out its operations, which could limit its ability to maintain or increase its market share or to maintain its prices at profitable levels.

Most of CGG Veritas's contracts are obtained through a competitive bidding process, which is standard for the seismic services industry in which it operates. Competitive factors in recent years have included price, crew availability, technological expertise and reputation for quality, safety and dependability. While no single company competes with CGG Veritas in all of its segments, CGG Veritas is subject to intense competition in each of its segments. CGG Veritas competes with large, international companies as well as smaller, local companies. In addition, CGG Veritas competes with major service providers and government-sponsored enterprises and affiliates. Some of CGG Veritas's competitors operate more data acquisition crews than CGG Veritas does and have greater financial and other resources. These and other competitors may be better positioned to withstand and adjust more quickly to volatile market conditions, such as fluctuations in oil and gas prices and production levels, as well as changes in government regulations. In addition, if geophysical service competitors increase their capacity in the future (or do not reduce capacity if demand decreases), the excess supply in the seismic services market could apply downward pressure on prices. The negative effects of the competitive environment in which CGG Veritas operates could thus have a material adverse effect on its results of operations.

4.2.4 CGG Veritas's fleet of vessels may be subject to temporary or permanent measures to reduce capacity as a result of future conditions in the seismic market.

Following its acquisition of Wavefield, CGG Veritas operates a fleet of 27 vessels composed of 13 large-capacity vessels with eight to 14 streamers, seven medium-capacity vessels with four to six streamers and seven smaller 3D/2D vessels. CGG Veritas owns five 3D vessels and two 3D/2D vessels, holds purchase options on five 3D vessels, and operates the 11 other 3D vessels and four other 3D/2D vessels under time charters running from one to seven years, with a weighted average term of 5 years. These time charters include extension clauses that, if exercised, would extend the weighted average term to 13 years. Taking into account only vessels that CGG Veritas owns or over which it has purchase options, the average age of the vessels is 19 years. The oldest vessels in the fleet are 26 and 29 years old, respectively.

Future economic conditions in the seismic market could lead CGG Veritas to implement a plan to reduce its marine acquisition capacity, either permanently, by decommissioning the oldest vessels in its fleet, or temporarily, by ceasing to use of certain vessels for a period. This would result in additional industrial adjustment costs to be possibly offset by improved commercial conditions for the vessels remaining in operation.

4.2.5. CGG Veritas has high levels of fixed costs that are incurred regardless of its level of business activity.

CGG Veritas has high fixed costs and data acquisition activities that require substantial capital expenditures. As a result, downtime or low productivity due to reduced demand, weather interruptions, equipment failures or other causes could result in significant operating losses.

4.2.6. The revenues CGG Veritas derives from land and marine seismic data acquisition vary significantly during the year.

CGG Veritas's land and marine seismic data acquisition revenues are partially seasonal in nature. The offshore data acquisition business is, by its nature, exposed to unproductive interim periods due to necessary repairs or transit time from one operational zone to another during which revenue is usually not recognized. Other factors that cause variations from quarter to quarter include the effects of weather conditions in a given operating area, the internal budgeting process of some important clients relative to their exploration expenses, and the time needed to mobilize production means and/or obtain the administrative authorizations necessary to commence data acquisition contracts.

4.2.7. CGG Veritas's business is subject to governmental regulation, which may adversely affect its future operations.

CGG Veritas's operations are subject to a variety of federal, provincial, state, foreign and local laws and regulations, including environmental, health and safety laws. CGG Veritas needs to invest financial and managerial resources to comply with these laws and related permit requirements. CGG Veritas's failure to do so could result in fines or penalties, enforcement actions, claims for personal injury or property damages, or obligations to investigate and/or remediate contamination. Failure to obtain the required permits on a timely basis may also result in crew downtime and operating losses. Moreover, if applicable laws and regulations, including environmental, health and safety requirements, or the interpretation or enforcement thereof, become more stringent in the future, CGG Veritas could incur capital or operating costs beyond those currently anticipated. The adoption of laws and regulations that directly or indirectly curtail exploration by oil and gas companies could also materially adversely affect CGG Veritas's operations by reducing the demand for its geophysical products and services.

4.3. Risks related to CGG Veritas indebtedness

4.3.1. CGG Veritas's substantial debt could adversely affect its financial health and prevent it from fulfilling its obligations.

CGG Veritas has a significant amount of debt. As at December 31, 2008, CGG Veritas's net financial debt, total assets and shareholders’ equity were €1,029.1 million, €5,634.2 million and €2,960.1 million, respectively. CGG Veritas cannot assure that it will be able to generate sufficient cash to service its debt or sufficient earnings to cover fixed charges in future years.

CGG Veritas's substantial debt could have important consequences. In particular, it could:

- increase its vulnerability to general adverse economic and industry conditions;
- require it to dedicate a substantial portion of its cash flow from operations to payments on its indebtedness, thereby reducing the availability of its cash flow to fund capital expenditures and other general corporate purposes;
- limit its flexibility in planning for, or reacting to, changes in its businesses and the industries in which it operates;

- place it at a competitive disadvantage compared to its competitors that have less debt; and
- limit, along with the financial and other restrictive covenants of its indebtedness, among other things, its ability to borrow additional funds.

4.3.2. CGG Veritas's debt agreements contain restrictive covenants that may limit its ability to respond to changes in market conditions or pursue business opportunities.

The indentures governing CGG Veritas's 7 1/2% senior notes due 2015 and 7 3/4% senior notes due 2017 (hereinafter the “Senior Notes”) and the agreements governing its credit facilities (including its U.S.$1.14 billion senior credit facilities dated January 12, 2007 (hereinafter the “Senior Facilities”) and its U.S.$200 million French revolving facility dated February 7, 2007 (hereinafter the “French revolving facility”) contain restrictive covenants that limit CGG Veritas's ability and the ability of certain of its subsidiaries to, among other things:

- incur or guarantee additional indebtedness or issue preferred shares;
- pay dividends or make other distributions;
- purchase equity interests or reimburse subordinated debt;
- create or incur certain liens;
- enter into transactions with affiliates;
- issue or sell capital stock of subsidiaries;
- engage in sale-and-leaseback transactions; and
- sell assets or merge or consolidate with another company.

Complying with the restrictions contained in some of these covenants requires CGG Veritas to meet certain ratios and tests, notably with respect to consolidated interest coverage, total assets, net debt, equity and net income. The requirement that CGG Veritas comply with these provisions may materially adversely affect its ability to react to changes in market conditions, take advantage of business opportunities it believes to be desirable, obtain future financing, fund needed capital expenditures, or withstand a continuing or future downturn in its business.

Detailed information relating to the group's indebtedness and the covenants applicable to its credit agreements are set out in note 13 to the 2008 consolidated financial statements.

4.3.3. If CGG Veritas is unable to comply with the restrictions and covenants in the indentures governing its Senior Notes, Senior Facilities agreement, French revolving facility agreement and other current and future debt agreements, there could be a default under the terms of these indentures and agreements, which could result in an acceleration of repayment.

If CGG Veritas is unable to comply with the restrictions and covenants in the indentures governing the Senior Notes or in other current or future debt agreements, including the Senior Facilities agreement and the French revolving facility agreement, there could be a default under the terms of these indentures and agreements. CGG Veritas's ability to comply with these restrictions and covenants, including meeting financial ratios and tests, may be affected by events beyond its control. As a result, CGG Veritas cannot assure that it will be able to comply with these restrictions and covenants or meet such financial ratios and tests. In the event of a default under these agreements, lenders could terminate their commitments to lend or accelerate the loans and declare all amounts borrowed due and payable. Borrowings under other debt instruments that contain cross-acceleration or cross-default provisions may also be accelerated and become due and payable. If any of these events occur, CGG Veritas's assets might not be sufficient to repay in full all of its outstanding indebtedness and CGG Veritas may be unable to find alternative financing. Even if CGG Veritas could obtain alternative financing, it might not be on terms that are favorable or acceptable to it.

4.3.4. CGG Veritas and its subsidiaries may incur substantially more debt.

CGG Veritas and its subsidiaries may incur substantial additional debt (including secured debt) in the future. The terms of the indentures governing its Senior Notes, the Senior Facilities agreement, French revolving facility agreement and its other existing senior indebtedness limit, but do not prohibit, CGG Veritas and its subsidiaries from doing so. As at December 31, 2008, CGG Veritas had drawn U.S.$35.0 million under its existing credit facilities. The Group also benefited at such date from other long-term confirmed and undrawn credit lines amounting to €203.5 million.

If new debt is added to CGG Veritas's current debt levels, the related risks for CGG Veritas could intensify.

4.3.5. To service its indebtedness, CGG Veritas requires a significant amount of cash, and its ability to generate cash will depend on many factors beyond its control.

CGG Veritas's ability to make payments on and to refinance its indebtedness, and to fund planned capital expenditures depends in part on its ability to generate cash in the future. This ability is, to a certain extent, subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond its control.

CGG Veritas cannot assure that it will generate sufficient cash flow from operations, that it will realize operating improvements on schedule or that future borrowings will be available to it in an amount sufficient to enable it to service and repay its indebtedness or to fund its other liquidity needs. If CGG Veritas is unable to satisfy its debt obligations, it may have to undertake alternative financing plans, such as refinancing or restructuring its indebtedness, selling assets, reducing or delaying capital investments or seeking to raise additional capital. CGG Veritas cannot assure that any refinancing or debt restructuring would be possible, that any assets could be sold or that, if sold, the timing of the sales and the amount of proceeds realized from those sales would be favorable to CGG Veritas or that additional financing could be obtained on acceptable terms. Disruptions in the capital and credit markets, as have been experienced during 2008 and 2009 to date, could adversely affect CGG Veritas's ability to meet its liquidity needs, including its ability to draw on its existing credit facilities or enter into new credit facilities. Banks that are party to CGG Veritas's existing credit facilities may not be able to meet their funding commitments to CGG Veritas if they experience shortages of capital and liquidity or if they experience excessive volumes of borrowing requests from CGG Veritas and other borrowers within a short period of time.

4.3.6. Interest-rate risk at December 31, 2008.

CGG Veritas has part of its borrowings with financial institutions at variable and index-linked interest rates and with terms of one to 60 months. As a result, interest expenses vary in line with movements in short-term interest rates. In particular, CGG Veritas's senior facilities are subject to interest based on U.S. dollar LIBOR. As a result, its interest expenses may increase significantly if short-term interest rates increase. Each 50 basis point increase in the U.S. dollar LIBOR would increase CGG Veritas's interest expense by U.S.$4 million per year.

However, this risk is mitigated by the fact that a large proportion of the group's debt consists of fixed-rate bonds, along with some fixed-rate finance leases and fixed-rate medium-term bank credit facilities with variable terms.

	Overnight to 1 year	1 to 5 years	More than 5 years
		€ million	
Financial liabilities*	144.0	687.8	655.6
Financial assets**	417.6		
Net position before hedging***	273.6	(687.8)	(655.6)
Off-balance sheet position			
Net position after hedging***			

* Excluding bank overdrafts and accrued interest but including employee profit-sharing
** Invested cash and equivalents
*** Net assets/(liabilities)

As at December 31, 2008, the group's variable-rate assets (net of liabilities) due in less than one year totaled €203.9 million.

4.4. Other Financial risks :

4.4.1. Exchange-rate risk as at December 31, 2008

	USD million
Assets	1,590.1
Liabilities	(1,339.5)
Net position before hedging	250.6
Off-balance sheet positions	(166.3)
Net position after hedging	84.3

CGG Veritas's net foreign-exchange exposure is principally to the U.S. dollar and currencies pegged to the U.S. dollar. CGG Veritas seeks to reduce its foreign-exchange position by selling its future receivables as soon as they enter the backlog and taking out dollar-denominated loans supported by long-term assets. Although CGG Veritas attempts to reduce the risks associated with exchange rate fluctuations, it cannot assure that fluctuations in the values of the currencies in which it operates will not materially adversely affect its future results of operations. As of the date of this annual report, a decrease of U.S.$0.10 in the value of the U.S. dollar relative to the euro would reduce CGG Veritas's operating income by U.S.$50 million.

As a result of its compliance with IAS 12 (Income Taxes), CGG Veritas's results of operation are also exposed to the effect of exchange rate variations on its deferred tax amounts when the functional currency for an entity that owns an asset is not the same as the currency used for taxation purposes. This is the case for several Norwegian subsidiaries that own offshore assets (vessels and equipment) for which the functional currency is the U.S. dollar, whereas the taxable currency is the Norwegian krone. The Group estimates that as of the date of this annual report, a decrease of NOK 1 in the value of the Norwegian krone relative to the U.S. dollar would increase CGG Veritas's deferred tax liability by approximately U.S.$7 million.

4.4.2. Risks related to equity securities

The Company's investment policy does not authorize investments in the shares of other companies. Any transactions involving the Company's shares are decided by general management in accordance with the applicable regulations.

As at December 31, 2008, the Company owned 855,350 of its own shares, worth €9,066,710 million. A 10% fall in the price of these treasury shares would therefore reduce shareholders' equity by €0.9 million, but would have no impact on earnings.

	Shares in other companies and equity mutual fund units	Own shares
	(€ million)	
On-balance sheet	-	9.1
Off-balance sheet	-	-
Net overall position	-	-

CGG Veritas also holds minority interests in the following listed companies pursuant to its long-term investment strategy:

- a 15% stake in Offshore Hydrocarbon Mapping (OHM), a company listed on the Alternative Investment Market of the London Stock Exchange, recorded on CGG Veritas's balance sheet as at December 31, 2008 at its market value of €0.3 million.

- a 46.10% stake in Cybernetix, a company listed on Euronext Paris. The closing price of Cybernetix shares on December 30, 2008 was €10.99. A decline in the fair value of this investment equal to €2.6 million was reflected in CGG Veritas's shareholders' equity as at December 31, 2008, and was not treated as a permanent fall in value.

4.4.3. Risk relating to the current financial crisis

The current situation in the credit and capital markets is likely to have a significant adverse impact on industrial and commercial performance and the solvency of many companies in general, which may affect some of CGG Veritas's customers and suppliers. As a result, the current economic climate may have an adverse impact on CGG Veritas's business if customers cancel orders or delay or default on payment, or if suppliers fail to provide goods and services as agreed.

To deal with these risks as effectively as possible,

- CGG Veritas is limiting customer risk by taking a selective approach with its customers (including looking at their solvency) in its services business and by systematically using letters of credit in its equipment business; and

- CGG Veritas, and Sercel in particular, have adopted a highly selective policy regarding suppliers, aimed at keeping exposure to any one supplier within prudent limits.

5. COMMENTS ON THE FINANCIAL CONDITION OF THE COMPANY AND THE GROUP

As mentioned in paragraph 4.1.4. above, as a company that derives a substantial amount of its revenues from sales internationally, we are subject to risks relating to fluctuations in currency exchange rates.

As a company that derives a substantial amount of its revenue from sales internationally, we are subject to risks relating to fluctuations in currency exchange rates. In the years ended December 31, 2008 and December 31, 2007, more than 80% of our operating revenues and operating expenses were denominated in currencies other than euros. These included U.S. dollars and, to a significantly lesser extent, other non-Euro Western European currencies, principally British pounds and Norwegian kroner. In addition, a significant portion of our revenues that were invoiced in euros related to contracts that were effectively priced in U.S. dollars, as the U.S. dollar often serves as the reference currency when bidding for contracts to provide geophysical services.

We attempt to match foreign currency revenues and expenses in order to balance our net position of receivables and payables denominated in foreign currencies. For example, charter costs for our seismic vessels, as well as our most important computer hardware leases, are denominated in U.S. dollars. Nevertheless, during the past five years such dollar-denominated expenses have not equaled dollar-denominated revenues principally due to personnel costs payable in euros in France and Europe.

In order to improve the balance of our net position of receivables and payables denominated in foreign currencies, we maintain our financing in U.S. dollars. At December 31, 2008 and 2007, our total outstanding long-term debt denominated in U.S. dollars was U.S.$ 1,981.5 million (€ 1,423.8 million at the December 31, 2008 exchange rate) and U.S.$ 1,966.1 million (€1,335.6 million at the December 31, 2007 exchange rate), respectively, representing 97.2% and 99.9%, respectively, of our total financial debt outstanding at such dates.

In addition, to be protected against the reduction in value of future foreign currency cash flows, we follow a policy of selling U.S. dollars forward at average contract maturity dates that we attempt to match with future net U.S. dollar cash flows (revenues less costs in U.S. dollars) expected from firm contract commitments.

At December 31, 2008 and 2007, we had U.S.$ 430.8 million (with a euro equivalent-value of € 309.6 million) and U.S.$280.4 million (with a euro equivalent-value of €190.5 million), respectively, of notional amounts outstanding under euro/U.S. dollar forward exchange contracts and other foreign exchange currency hedging instruments.

We do not enter into forward foreign currency exchange contracts for trading purposes.

6. RESEARCH AND DEVELOPMENT

The consolidated R&D spending for CGGVeritas in 2008 exceeded U.S.$. 76 million which is more than 2% of the Group's revenue. Such an investment illustrates clearly the commitment of CGGVeritas to promote innovative approaches and to deliver differentiating technologies to the market with two key objectives: firstly, to improve the quality of our products and services on an ongoing basis, with a permanent target to raise the standards of the industry and secondly, to increase the efficiency of the operations in order for clients to benefit from a better productivity. Both objectives are at the heart of the major achievements of the R&D during 2008, with particularly wide azimuth marine acquisition, single vibrator land acquisition, depth imaging in complex areas, or the Nautilus system for vertical and horizontal streamer steering.

Sercel R&D teams have been actively pursuing efforts to prepare next generation products that will keep Sercel ahead of market demand. In particular, recently announced products are now successfully reaching the market today, such as the Maxiwave down hole tool and the G-Gun2 marine source. Other products, which are now in the final development phase and have benefited from various improvements and successful field trials. They should see significant sales in 2009, in particular Vibtech's Unite wireless recording system, the Nautilus streamer controller and the SeaProNav navigation software.

Through two dedicated business acquisitions, Metrolog and Quest Geo, Sercel also expects to broaden its expertise domain in well applications and seismic software.

Marine Acquisition

Built-up since 2005, CGGVeritas expertise on Wide Azimuth acquisition is well recognized. Despite a much higher cost, this type of acquisition is now widely used in the Gulf of Mexico, especially for Data Library projects, due to the unequalled quality of imaging resulting therefrom.

Efforts were also focused on enhancement in productivity, reliability and security of our operation at sea as well as new acquisition methodologies and ocean bottom systems.

Land Acquisition

Following our HPVA™ widely acknowledge technology, V1™ now commercially available brings considerable productivity gains in land acquisition operations. These gains enable us to massively increase acquisition density and therefore imaging quality for a reasonable cost.

In parallel, our Seismovie system continues to be improved with new pilots being installed on heavy oil reservoirs.

Processing and Imaging

Together with the integration of our Research and Development teams, the main focus is the convergence of the two software platforms previously used by CGG and Veritas. As early as 2009, CGGVeritas processing centers will use a common platform benefiting from the best features of the two existing software.

Regarding differentiating technologies, new innovative tools have been successfully launched such as REVIVE (for 5D interpolation) and AGORA (for ground roll elimination). After delivering the new generation of depth imaging migration tool based on Reverse time Migration, CGGVeritas is presently the only Company to provide an anisotropic version of this process to the market. After a very quick take-off, this version is now widely requested by customers in the Gulf of Mexico.

7. Quality & HSE

7.0 Introduction

This year was a year of integration of new QHSE tools and procedures harmonization into the operations as well as adjustments of the QHSE organization in order to maintain its high standards of services and support to the operations.

In the last quarter of the year we conducted a perception survey ("Your Voice") throughout the organization in order to have the employees opinions, concerns and needs on 12 major themes (including quality, technology, performance, integrity and safety). The results of this survey will be analyzed and converted in action plans during the first semester of 2009.

Highlights 2008

The QHSE highlights for 2008 were the following:

- CGGVeritas participated in the International Year of Planet Earth (IYPE) as a three-star sponsor, the highest level. As the leading geophysical company, CGGVeritas was ideally placed to offer valuable support to this initiative and took part in several events and exhibitions organized during the IYPE;

- As part of our Sustainable Development project, the integrated management systems, especially for HSE, called PRISM, are now deployed on quite all our vessels and land crews. Most of the field personnel has been trained to those tools by the field HSE advisors;

- Our reactive statistical safety data have been published on our website since 2007. We now publish every quarter the vessels utilization rate, i.e. the vessel availability rate and the vessel production rate;

- The QHSE department has been reorganized in order to strengthen the services and support to the operations;

- Several seminars of the QHSE professionals have been held and allowed improvement in communication and better efficiency in the development and implementation of new projects.

7.1. Quality

The focus for Quality in 2008 was to continue to maintain ISO 9001 certification where it was already in place or to expand the ISO 9001 certification to other data processing centers and marine vessels.

A Quality Plan, which purpose is to improve our performance and efficiency at all levels, was developed and a dedicated team will be in charge of its implementation.

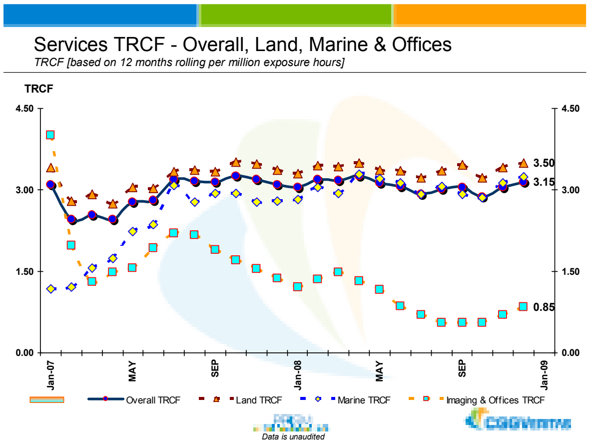
7.2. Health

A number of initiatives were progressed in the area of occupational health. Notable amongst them was a Vector Control program for malaria in Gabon; office based ergonomic assessments and flu prevention; risk assessment and control of hazardous substances, Health Risk Assessments and issues around wellness in the workplace.

7.3. Safety

The Company recorded two fatalities during 2008, one road accident in Egypt where one person died and one accident in Peru, where one person died and four other personnel were injured in a collision between two vessels, among which one sub-contracted vessel for river operations. As for any and all accidents and incidents, extensive and in depth root cause analyses were conducted on this tragic event with the intent of learning and implementing measures to prevent recurrence.

Safety performance is also measured by accidents frequency rates. Our combined exposure hours for the year were 71.8 million hours for the Group (including 63.4 million hours for the Services). The Total Recordable Case Frequency (TRCF) per million exposure hours is 3.15 for the Services (vs. 3.07 in 2007). Our Lost Time Injury Frequency Rate (LTIF) per million exposure hours is 0.32 for the Services en 2008 (vs. 0.41 in 2007).



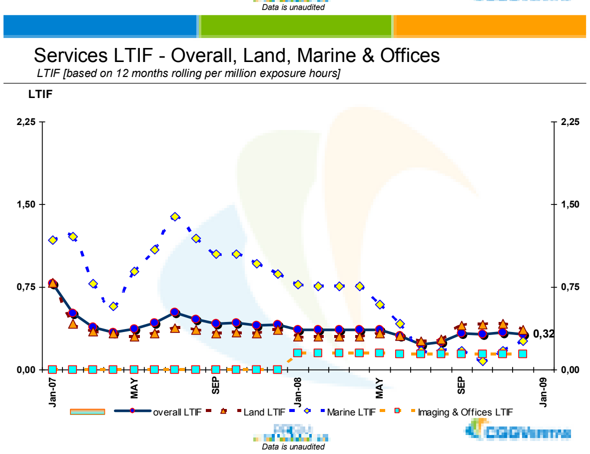


Figure 01: TRCF

Figure 02: LTIF

Transportation by road continues to be the activity with the highest risk profile and a specific transport program was launched in 2007 and reinforced in 2008 mainly for the land acquisition activities. It includes, for example, the systematic deployment of In Vehicle Monitoring Systems (IVMS) on all vehicles.

Extensive internal and external controls and auditing were conducted across all parts of the company with remedial and corrective actions identified.

Proactive Key Performance Indicators (KPI's) were captured throughout the company to gauge progress towards meeting and exceeding goals and targets for QHSE.

CGG Veritas is an active and involved participant for QHSE matters in the International Association of Geophysical Contractors (IAGC) board and subcommittees and a participant in a number of Oil and Gas Producers (OGP) workgroups.

7.4. Environment

The focus on the environment continues to grow especially with our involvement in the IYPE and the UN Global Compact. In 2008, we continued participating in a Joint Industry Program (JIP) to better understand the effects of sound on marine mammals, for example, by participating in the IAGC Passive Acoustic Monitoring (PAM) project and trials.

Environment Risks Assessment processes and systems were integrated in all our processes in 2008.

Recycling and waste management programs have been extended to new premises and offices in 2008.

The new building we are constructing in Massy (France) will be compliant with the HQE standards (*Haute Qualité Environnementale*).

7.5. Security

During 2008 continuous monitoring of areas with a high risk profile were maintained and preventive security measures taken or increased in certain specific areas. For instance, further to the dramatic terrorist attacks in Mumbai (India) where fortunately no CGGVeritas employees or relatives were injured, we totally revisited the security plan for India. In Yemen, we had to stop mobilization of our crew, as security conditions were not secured.

7.6. Sustainable Development

Sustainable Development represents of the framework for the exercise of our activities which aims at balancing the three elements of:

- social progress;
- environmental protection; and
- economic development.

For us Sustainable Development represents the capacity to endure by:

- renewing assets and creating better services and products that meet the evolving need of society;
- attracting successive generations of employees;
- contributing to a sustainable environment; and
- retaining the trust and support of our customers, stakeholders involved in our activities.

As a company we have publicly committed to the ten principles which support the United Nations Global Compact (UNGC). These principles are drawn from:

- the Universal Declaration of Human Rights;
- the International Labor Organization's Declaration on Fundamental Principles and Rights at Work;
- the Rio Declaration on Environment and Development;
- the United Nations Convention Against Corruption.

We have committed to undertake actions to support the principals and also to publicly report actions in these areas and measure the extent of our actions through the applicable Global Reporting Initiatives (GRI) or similar.

To implement its actions, CGGVeritas wishes to rely on the active cooperation of its stakeholders (employees, client, regulatory bodies vendors, suppliers, local communities, partners, investors) and on its new integrated management system: PRISM (Personal Responsibility for Integrated Sustainability Management) developed on Sustainable Development concept.

Finally, we have identified the stakes in terms of sustainable development in relation with our activities, this identification allows definition of our strength, our improvement area and to define action plans to be set-up.

7.6.1 Employees' involvements

In order to involve all the CGGVeritas employees, we emphasized the stakes of the sustainable development.

For that purpose, we used several communication channels: an intranet dedicated to Sustainable Development gathering key concepts, messages, definitions, stakes and goals for the millennium (*Millennium Development Goals*). The UN Global Compact 10 principles are detailed. Main actions conducted during 2008 are presented. Finally, employees may test their knowledge, their eco foot print and find tips to reduce their emissions

To enhance employees' awareness, on all sites, crews and vessels, posters have been posted regarding Sustainable Development, UN Global Compact, and CGGVeritas policy on Sustainable Development through PRISM and on personal responsibility to implement these principles in his/her life.

Now all QHSE, management and integration training programs provided by CGGVeritas University include an awareness program on Sustainable Development.

7.6.2 Sustainable Development and Social Involvement

During 2008, we have continued our efforts to provide our employees with safe working environment allowing their wellness and development. These actions will be further detailed in the chapters related to safety, health and Human Resources Policy.

We are developing tools to reinforce our social commitments. Those tools are aimed to better evaluate the social impact of our activity and to evaluate with local stakeholders the feasibility of projects improving local life conditions.

In that respect, we favored local initiatives in 2008 to the neighbored communities (Laos, South Africa, Peru, Colombia).

During the year, CGGVeritas has made its commitment more visible in respect of Human Rights by integrating in its Code of Business Conduct the fundamental rules of the International Labor Organization and the Universal Declaration of Human Rights. The Company has also developed rules and tools, like purchasing code of conduct, self-assessment questionnaire, social audit form to engage our partners (sub-contractors, vendors) in sustainable development actions.

Through the sponsoring of the International Year of the Planet Earth held in 2008, we have participated in several exhibitions to make aware the public to the stakes of the sustainable development and to focus on the roles that the geosciences may contribute in that respect.

Finally, we have also granted subsidies to associations and events in relation with the protection of the environment, and we have participated to a marathon to collect funds to help medical research (multiple sclerosis).

8. FINANCIAL TRANSACTIONS CARRIED OUT BY THE GROUP DURING FISCAL YEAR 2008

Acquisition of Metrolog :

On May 26, 2008, Sercel acquired Metrolog, a privately held company headquartered in Toulouse, for approximately € 26 million. Established in 1987, Metrolog is a leading provider of high pressure, high temperature gauges and other downhole instruments to the oil and gas industry.

Lease agreement with Genefim and Finamur :

On June 13, 2008, CGG Veritas Services SA entered into a twelve-year lease agreement with Genefim and Finamur to finance the construction of Services' new headquarters in Massy. A construction contract has been entered into between the two banks, which own the building, and Bouygues Immobilier.

The total value of the contract is approximately €80 million and it will take effect as of the building's completion, i.e. in 2010 and for a twelve-year period. CGG Veritas Services SA has a purchase option exercisable from the end of the sixth year until the end of the lease agreement.

Letter of intent to charter the "Fearless", a seismic vessel currently under construction, from Swire Pacific Offshore :

On September 23, 2008, CGG Veritas signed a letter of intent to charter the "Fearless", a seismic vessel currently under construction, from Swire Pacific Offshore. The amount of the contract is US$83 million for a period of eight years. After this period, CGG Veritas has a purchase option as well as an option to extend the charter agreement for a further eight years. The vessel is due to be delivered in mid-2010.

Incorporation of CGGVeritas Services Holding BV:

CGGVeritas Services Holding BV was incorporated in the Netherlands on October 20, 2008. This company is a wholly-owned subsidiary of CGG Veritas SA, mother company of the Group. This company is to become the holding company of all subsidiaries of the Services segment, except for the French subsidiaries.

On October 29, 2008, CGG Veritas SA sold its 15% ownership in Offshore Hydrocarbon Mapping LLC ("OHM") a company organized under the laws of England, to CGGVeritas Services Holding BV. Transfer price amounted to around € one million. Purchase price was paid through a note between CGG Veritas SA and CGGVeritas Services Holding BV. Such note was then contributed by CGG Veritas SA to the share capital of CGGVeritas Services Holding BV on December 22, 2008.

On December 22, 2008, the following companies were also contributed to CGGVeritas Services Holding BV: CGGVeritas Services Holding (US) Inc., a company incorporated under the laws of the State of Delaware, CGG Americas, a company incorporated under the laws of the State of Texas and CGG Canada, a company incorporated under the laws of the province of Alberta (Canada). The share capital of these companies was fully held by CGG Veritas SA. Value of these transfers amounted to around €1,285 million.

Voluntary exchange tender offer to acquire 100% of the Norwegian company Wavefield –Inseis ASA:

On November 25, 2008, CGG Veritas SA launched a voluntary exchange tender offer to acquire 100% of the share capital of Wavefield-Inseis ASA ("Wavefield"). CGG Veritas SA offered Wavefield shareholders one newly issued CGGVeritas share for each 7 Wavefield shares. Completion of the offer was subject to customary conditions (or waive from CGG Veritas no later than on settlement date of the offer). The offer period commenced as of November 27, 2008 and expired on December 12, 2008.The total number of shares tendered to the offer amounted to 90,480,237, representing 69.9% of the share capital of Wavefield. In consideration of the Wavefield shares tendered to the offer, on December 18, 2008, CGG Veritas issued 12,925,749 new shares and consequently increased its share capital by a nominal value of € 5,170,299.60 with a share premium amounting to € 143,346,556.41.

On December 30, 2008, CGG Veritas SA launched a mandatory public offer on the remaining 38, 903,024 outstanding shares (i.e. 30.1% of the share capital) as well as on the 2,892,875 shares that could result from the exercise of stock-options. The offer price calculated in accordance with the provisions of Chapter VI of the Norwegian Securities Trading Act amounted to NOK 15.17 per share to be paid in cash. At the end of this mandatory offer period which expired on January 27, 2009, CGGVeritas acquired 37,043,013 additional shares of Wavefield and held as a result thereof 98.6% of the share capital. CGGVeritas then decided to launch a squeeze-out process on the reaming outstanding shares of Wavefield at a price of NOK 15.17 per share to be paid in cash. Since February

13, 2009, CGG Veritas owns 100% of the share capital of Wavefield. Wavefield was de-listed from the Oslo Bors on February 16, 2009.

Increase in capital of Cybernetix:

Sercel Holding committed to participating in a reserved share capital increase of Cybernetix up to € 4 million in November 2008. It was approved by the shareholder's meeting held on January 8, 2009, bringing Sercel holding to 749,480 shares, representing 46.10% of Cybernetix's share capital and 43.08% of its voting rights. Since Sercel did not take control or management of Cybernetix further to this transaction, the *Autorité des Marchés Financiers* granted, prior to the share capital increase, a waiver from the obligation to launch a mandatory take-over bid on Cybernetix further to the passing of the threshold of 33.33%. The share capital increase was finally completed in 2009 with a € 2 million cash payment and the incorporation of a € 2.0 cash advance granted by Sercel in November 2008.

Amendments to the credit agreement dated January 12, 2007 and the French revolver credit agreement dated February 7, 2007 (hereafter the "credit agreements"):

An amendment to the credit agreements was signed on December 12, 2008.

Such amendments give the group a larger flexibility with respect to (i) the acquisition of companies through a tender offer process, (ii) share buyback and (iii) recapitalization of subsidiaries that are not Guarantors under the credit agreements.

In consideration of such amendments, the Company (i) reimbursed US$ 50 million on the signature date of such amendments and (ii) shall reimburse an additional US$ 100 million (in addition to the reimbursement initially scheduled) in 2009, to be paid in four quarterly installments of US$ 25 million. Half of these additional payments (US$ 75 million) correspond to early payment of compulsory reimbursements to be made in the first semester of 2010.

Acquisition of Quest Geo Solutions Ltd by Sercel:

On December 12, 2008, Sercel acquired Quest Geo Solutions Ltd ("Quest"), a UK-based company, for a price close to GBP 3 million. An additional GBP 1 million will be paid in 2011 provided a certain level of revenues is achieved. Quest is specialized in navigation software for the seismic industry and was already cooperating with Sercel with respect to its SeaProNav products.

9. PROSPECTS AND FORESEEABLE DEVELOPMENTS :

Geophysics market environment

After several difficult years, following the 1999 crisis, characterized by an under-investment in the Exploration-Production sector, the geophysics market has been experiencing significant growth during the last three years built, in our view, on some solid foundations.

In 2004, both oil and gas market operators and major consumer countries became increasingly aware of the growing imbalance between hydrocarbon supply and demand. This was reflected in a very significant and continuous increase in energy prices, coupled with a widely held conviction that there would be a need to produce oil and gas in a sustained manner over the long term in order to meet global demand. In the case in point, the diagnosis is that the rates at which oil reserves are being replenished fall short of being able to replace, year on year, the quantities of sub-surface hydrocarbons extracted and consumed or to compensate for the natural depletion of reserves in the ground. The need to discover new reserves and to seek to recover the quantities of oil and gas in place as carefully as possible led to several years of high levels of investment in Exploration/Production and, by extension, to favorable long-term prospects for the geophysics market which increased by 15% in 2008 compared with 2007 following a growth of almost 20% in 2007 when compared with 2006.

In 2008, the worldwide economy started to slow down as a consequence of the worldwide financial crisis. Numerous countries entered into an economical slow down and sometimes even in recession. The anticipation of a most probable reduction of the worldwide consumption and of the correlated demand for energy resources immediately impacted the oil price which significantly decreased from a top level of U.S.$150 mid 2008 to below U.S.$40 the barrel mid-December. In this context of uncertainty, in 2009, oil and gas companies will most likely reduce their capital spending. This should translate into significant reduction in volumes and prices, exaggerated on the short term by strong competition. This trend for capex reduction will be more important for small oil and gas companies, which account for 10% of CGGVeritas' operating revenues in 2008, facing tight financial credit market, especially in the US.

CGGVeritas believes that on the mid-term, fundamental for energy will remain and that the need to discover new reserves to replace depleting reserves and to cope with long-term growth in energy demand, will materialized by a significant increase of the oil and gas prices, as observed early 2008.

Outlook for CGGVeritas in 2009

Total backlog (Services and Equipment) amounted to US$ 1.98 million (US$ 1.6 million for Services and US$ 344 million for Equipment, excluding the Group's internal sales) on February 1, 2009. This backlog provides good visibility in terms of activity and commercial conditions for the first half of 2009.

The second semester 2009 is characterized by uncertainty from oil and gas companies in terms of decision for investments and therefore does not allow us to well appreciate the evolution of the seismic market, especially in offshore and onshore acquisitions. We nevertheless anticipate:

- in offshore contract acquisition, pressure on prices which should further reinforce in the second part of 2009, as newly built vessels will enter the market;
- in onshore contract acquisition, demand for high-end seismic and productive surveys should remain high and will benefit to the high skilled seismic companies, such as CGGveritas;
- in the Gulf of Mexico, demand for our wide azimuth Multi-Client library should remain high;
- processing and reservoir activities should benefit from this environment as clients usually take opportunities to reprocess existing data, with new high-end sophisticated algorithms, a market segment where CGGVeritas enjoys a leadership position.

Furthering a commercial strategy based on improved customer service

CGGVeritas believes that closer relationship with customers, via a clearer understanding of their problems and requirements, is a way of making sure that it stands out from its competitors. It also gives it an edge when it comes to identifying commercial opportunities, ensuring a good fit of the services proposed, and for upstream management of product and technology development in line with customer demand.

The Group believes that its strategy is allowing it to make the most of a context in which the oil industry will continue to increase the share of external services. The quality of the services provided, along with sound management of health, safety and environmental factors, are pivotal when it comes to establishing a lasting relationship between client and service provider. The Group will continue to focus its strategy on improving and broadening the range of services to its customers.

CGGVeritas' customers increasingly seek integrated solutions to enable more accurate assessment of known reserves and improvement of oil and gas recovery rates in producing fields. CGGVeritas will further develop solutions based on a cross-functional approach, making it possible to integrate all the cutting-edge technologies developed in each area of expertise and adapt or upgrade them to meet the clients' issues.

This is the case with on-site permanent seismic facility projects, for example, which call on a range of skills, involving all the Group's areas of expertise.

2009 outlook and technological developments at CGGVeritas

The Group believes that, to stand out from the crowd in the future, it will be necessary to rely on advanced seismic data acquisition technologies, coupled with a constantly extended range of processing services, aimed both at improving the quality of seismic imaging and further reducing lead-times.

Consequently, CGGVeritas' strategy is to further consolidate its position as market leader in the following sectors:

- top-of-the-range innovative acquisition services and systems;
- data processing and reservoir services;
- production of land, offshore and submarine data acquisition equipment.

To this end, the Group plans to implement the following projects:

Furthering research programs based on improved imaging

On a technological level, the Group believes that by continuously improving acquisition methods and technologies and seismic data processing software developed by its teams, it will continue to be one of the leading suppliers of top-of-the-range seismic services on land and offshore. Its research and development work will continue to focus on improving imaging in complex zones for exploration and on production seismics as a technology to characterize and monitor reservoirs. Lithological prediction (identification of rocky layers surrounding an oil and gas accumulation) and applications linked to description of reservoirs and their content, in particular 3D prestack depth imaging, sub-salt depth imaging ("Wide Azimuth"), multicomponents and 4D studies will continue to be developed.

Developing and improving land and offshore acquisition techniques

The Group believes that the growth in demand for geophysics services will continue to be linked to new technologies. The Group predicts that high-definition 3D studies, 3D multi-azimuth, 4D (adding time as the fourth dimension) studies and multi-component studies (3C or 4C) will play a key role in Exploration / Production, especially in the offshore sector.

Developing new generations of equipment and maintaining sustained R&D efforts at Sercel

Sercel is continuing to pave the way for the future, by constantly improving its existing products but at the same time launching new products available every year – such as Nautilus and SeaProNav in 2008 – and further conducting a proactive policy for developing future products, such as new-generation ocean bottom cables (OBCs) and sensors.

To consolidate its leading position and maintain a high level of innovation and expertise in all its technological sectors, Sercel will maintain its R&D investments in 2009, which are therefore likely to increase more than its turnover.

10. SIGNIFICANT EVENTS BETWEEN 2008 CLOSING DATE AND THE DATE OF THIS REPORT

- **Closing of the mandatory tender offer on Wavefield and squeeze-out process (see paragraph 8)**

- **Increase in capital of Cybernetix (see paragraph 8)**

- **Exercise of purchase options over the vessels Fohn and Harmattan:**

  On February 23, 2009, CGGVeritas Services notified Louis Dreyfus Armateurs of its decision to exercise the purchase options it benefited from over the vessels FOHN and HARMATTAN pursuant to the time charter agreements entered into between the two companies on March 1 and May 7, 1996, respectively. The purchase value of each of these two vessels shall be approximately US$ 750,000.

11. CONSEQUENCES OF THE COMPANY'S BUSINESS ON LABOUR AND ENVIRONMENT:

Since January 1, 2007, the structure of the CGGVeritas Group includes CGGVeritas SA (the mother company), having its registered office at Tour Maine Montparnasse, 33 avenue du Maine, 75015 Paris, France, Sercel and the companies belonging to the Services segment of the Group.

As a consequence, the personnel appointed at CGGVeritas SA is employed by CGGVeritas SA, which belongs to the social and economic unit ("Unité Economique et Sociale" hereinafter referred to as the "UES") set up with its subsidiary CGGVeritas Services SA.

11.1 Consequences of the Company's business on labor:

11.1.1. Employment

As of December 31, 2008, the CGGVeritas Group had 8,492 employees of more than 90 different nationalities in more than 70 locations worldwide. This figure does not take into account the additional personnel resulting from the takeover of Wavefield on December 19th, 2008. A total of 396 people are involved including 160 office staff mainly located in Bergen, Oslo and Trondheim and 236 Norwegian and international onboard staff.

As of December 31, 2008, the workforce was divided by types of activities and by geographic areas as follows:

	Equipment	Services	Corporate
EAME	**989**	**3 104**	**39**
Americas	**685**	**2 554**	**2**
Asia-Pacific	**563**	**556**	
Total	2,237	6,214	41

The CGGVeritas Group employed 1,821 employees in France including 1,799 employed on a permanent basis and 22 on a temporary basis. Among these 1,821 employees, 58 were expatriates. CGGVeritas SA employed 39 permanent employees, 917 permanent employees and 11 on a temporary basis for CGGVeritas Services SA, 843 permanent employees and 11 employees on a temporary basis for Sercel.

This workforce is divided, in France, among the following categories:

	Employees as of December 31, 2008
Executives and engineers	58 %
Technicians	18 %
Workers/employees	24 %

In 2008, 912 new employees joined the CGGVeritas Group worldwide and 543 left. These numbers do not include Wavefield.

In France, 262 new employees were recruited, including 9 hired by CGGVeritas SA, 121 hired by CGGVeritas Services SA and 132 hired by Sercel on a permanent basis. Temporary assignments have been strictly used to compensate absences over a certain duration and temporary workload. At the end of 2008, the number of persons who left the CGGVeritas Group amounted to 113 in France, including 8 in CGGVeritas, 62 in CGGVeritas Services SA and 43 in Sercel.

In order to fulfil the needs for recruitment, the Group takes part to numerous events and keeps close connections with schools and universities that can provide the requested potentials. Thanks to its participation to educational programs organized by the SEG (Society of Exploration Geophysicists) and EAGE (European Association of Geoscientists & Engineers) CGGVeritas contributes also to the promotion of the Geosciences in the world of education, schools and universities. Taking into account the international growth of our Group a specific effort to recruit talented personnel in the various countries where we operate is in place.

An internship and VIE/CIFRE contracts dynamic policy is also part of such voluntarist approach. In this scope 9 interns carried out internship periods exceeding 4 months.

Respecting diversity and fighting discrimination when recruiting is a constant concern. To that respect a specific awareness and a training campaign has been initiated in 2008 in order to consolidate what already existed within the Group.

On top of that a recruitment campaign targeting very talented and internationally experimented high potentials was continued and led in 2008 to the hiring of 3 additional persons.

11.1.2. Work Conditions

In France, CGG Veritas is governed by a specific collective bargaining agreement agreed upon with the workers' representatives. This agreement is common to the mother company and CGG Services within the UES. Sercel, which is excluded from the agreement, is governed by the collective bargaining agreement of the steel industry.

Duration of workdays is governed by an agreement to reduce working hours signed on August 27, 1999, implemented on a yearly-basis, by an agreement dated February 17, 2000.

A specific account ("compte épargne temps") was simultaneously put in place in order to allow employees to save into such account the vacation days to which they are entitled as a result of the implementation of the reduction of working hours and/or as part of their legal annual paid vacation days. Similar processes related to the reform of working hours were implemented in Sercel on its French sites.

33 persons work part-time from 19:37 hours to 33:72 hours per week.

In 2008 absenteism amounted to:

- CGGVeritas SA and CGGVeritas Services combined: 3.89% (excluding maternity leaves), including 3.07% for absences over 100 days.
- Sercel: 2.62% (excluding maternity leaves), including 0.85% for absences over 100 days.

11.1.3 Gender equality

As of December 31, 2008, in France, the CGGVeritas Group employed 23% of women and 77% of men out of 1,821 employees. At the worldwide level 20% of the personnel is female.

In France, it is divided as follows:

- CGGVeritas SA: 18 women out of 39 employees
- CGGVeritas Services: 198 women out of 928 employees
- Sercel: 197 women out of 854 employees

11.1.4. Remuneration

The CGGVeritas Group, in line with its principles, intends to promote a global salary policy linked to the evolution of its results.

Salaries Revision in 2008

Salaries negotiations with workers' representatives in 2008, in the scope of the UES, led to the signature of an agreement on January 4th, 2008 between CGG Veritas and three trade unions. This agreement led to salary increases amounting to 3.5% of the concerned gross salary mass including 2.5% granted on a general and individual basis according to the socio-professional categories with a retroactive effect as of January 1, 2008. A specific envelop of 0.5% has also been dedicated to the promotions.

In addition to these general and individual increases, two specific mechanisms were implemented in 2008:

- an increase in salaries for Marine prospectors, which varies depending on years of service;
- an increase in salaries within the framework of the gender equality mechanism, which applies to all women employees (executives excluded) with a minimum of 5 years of service;

In Sercel equivalent salaries negotiations led to an agreement signed by two trade unions according to which salaries in France would be revised by 3.9% (3.8% for technicians and workers) including a general increase of 3.2%.

Eventually, for the fourth consecutive year, a bonus linked to the performance was paid to all employees of the Services segment. This bonus is deployed homogeneously within all the Group entities along two ways: on one side a common program for all support and managerial entities (GPIP, Global Performance Incentive Plan) based for half on collective financial performance and half on individual performance against objectives, on the other side a program adapted to each production entity based on specific objectives.

The three-year profit-sharing agreement as well as the derogatory incentive agreement signed on June 30, 2007 between workers' representatives and the companies of the UES has been applied. This agreement allowed the companies to generate a provision with respect to profit-sharing in 2008.

The 2007 profit sharing was paid in June 2008. To this amount was added a supplemental sum resulting from an agreement with the personnel representatives, as allowed by the labour law (Article L.3314-10 of the labour code).

In 2008 the agreements in force in Sercel continued to generate payments in respect of profit-sharing and incentive.

The additional company's savings plan (PEE) and collective retirement savings plan (PERCO) implemented in 2006 within the UES CGG Veritas SA and CGGVeritas Services SA (mother-company and Services) and in 2005 within Sercel were normally enforced in 2008. For the UES two agreements relating to the Company Gross-up of the schemes have been signed in June 2006.

Within CGGVeritas SA and CGGVeritas Services SA 637 employees subscribed to the PEE and 602 to the PERCO. In Sercel 622 employees subscribed to the PEE and 512 employees subscribed to the PERCO.

11.1.5. Professional relationships

In order to encourage information and dialogue, the UES (Services) and Sercel have put in place, in France, representatives committees with which various formal meetings are held (Employees' representatives committee, workers' representatives, CHSCT, various commissions), some of which having resulted in the signature of certain agreements. The new collective bargaining agreement signed on December 21, 2007 was deployed in 2008 as per schedule.

An important clarification, necessary in order to harmonize the various international platforms existing in the Group, was achieved when the French unions representatives for the CGGVeritas UES formally agreed that CGGVeritas International SA, registered in Geneva, was the undisputed platform to accommodate the international staff. This clarification, resulting from the signature on January 17th, 2008 by the three representative unions of an "enterprise accord", puts an end to a case initiated by one of these three unions previously. As a consequence of this clarification the project of integration of the 450 onboard staff employed by VGO (Viking Global Offshore, an ex Veritas company) from the US, UK and Singapore could be launched.

Moreover a revised and unified version of the business code of conduct, as well as an employee reporting line, compliant with the SOX act (July 31st, 2002, article 301-4) and compliant with the CNIL (*Commission Nationale de l'Informatique et des Libertés*) recommendations were presented to the representative personnel instances of the UES and of Sercel. These instances have returned their feedback and the necessary filing near the respective labour inspections have been done in order to add these two elements to the legal set of personnel company regulations. At the same time this move allows to update and unify all existing codes and systems already in place in various shapes within the Group.

11.1.6. Training

Training policy, which takes into consideration individual development and new professional qualification, is a key structural driver of the new Group. CGGVeritas University was reorganized in line with the Group orientations in order to better correspond to the new geographic perimeter of the Group and quickly meet the demands arising from the operational units. CGGVeritas University was thus reinforced in Houston. A new center in Singapore served to expand the University in the Asia-Pacific region. The premises of the CGGVeritas University center in France were increased so as to meet the growing activity in Europe.

CGGVeritas University has followed up with our integration policy for new hires through the GeoRise program and aimed at providing training with respect to the company's techniques and assisting new talents at the beginning of their careers. Since the launch of the program in September 2006 eight sessions have been organised in the three main training centers (Massy, Houston and Singapore). In the meantime, CGGVeritas University implemented new programs in order to integrate the teams and techniques in 2008. Twelve geophysical lectures were organised in the training centers and the training kits required for the software convergence plan have been discussed in December.

As a consequence, the programs offered by CGGVeritas University evolved at several levels. A training module dedicated to sharing values within the new Group was created and implemented through a two-day seminar which serves to bring together different teams. A representative of General Management participates in the wrap-up phase at the end of these seminars. The modules for managers were strengthened so as to better integrate culture diversity. Priority was also given to specific mandatory programs that handle the subjects of financial security and QHSE training.

The concept of "Learning for Development" has been formalized and developed on the basis of a reaffirmed and shared vision. This idea meets both the need for training and the desire to train one's fellow employees on an ongoing basis with respect to both technological and environmental changes. The University offer now re-groups specific in-house actions in the areas of training and learning that had been developed independently in various branches of the Group over the past few years.

A total of 19,327 training days were offered within CGGVeritas University in 2008, including 3,211 training days dedicated to management programs, 15,254 training days dedicated to technical programs including 2,565 days for external clients and 862 training days dedicated to specific health, security and environment programs.

In France, the annual socio-economic report (*bilan social*) cites 6,848 training days including 4,801 in the CGGVeritas Services segment and 2,047 in Sercel.

11.1.7. Health and Safety

Assessment and management of the risks is a key factor on work premises. All teams and premises are subject to rules issued by the Company and subject to frequent controls. More than 178 audits have thus being carried out in 2008 resulting in specific action plans.

Health and safety matters are under the responsibility of the management of each activity. The activities rely on specialized professionals located in the activities and reporting to a functional manager. For example, a medical doctor is in charge in the Group of medical and health matters (professional diseases, epidemiology, assessment of the risks abroad) and relies on correspondents based in the crews.

In France, member companies of the UES organized 5 ordinary meetings of the Hygiene, Safety and Work Conditions Committee ("CHSCT") in 2008 and 4 extraordinary meetings dedicated to:

- the appointment of a maritime expert and an authorized expert to asbestos survey on board the CGG Harmattan according to decree n° 98-332 of April 29, 1998;
- the review of the 2007 HSE annual report and annual report of the labor medicine;
- the project of professional alert line (whistle blower);
- the opinion on the project of professional alert line (whistle blower).

Anti-smoking Group policy continued in 2008 through ongoing efforts to assist voluntary employees stop smoking. Additionally prevention campaigns against pandemics, particularly against avian flu and Malaria, were brought to the attention of the employees.

Health Risks Assessment processes and system have been reinforced.

Ergonomics and Wellness awareness programs we conducted on several sites.

11.1.8. Sustainable development - PRISM

Being part of the UN Global Compact, CGGVeritas has expanded its Code of Business Conduct to include the Sustainable Development Pinciples. The up-dated version will be released beginning of 2009.

Tools have been created to lead our sub-contractors and vendors to respect the labour conditions imposed by the international regulations (International Labour Organisation).

In all countries where they work, CGGVeritas and its subsidiaries make sure they comply with local regulation, protect the ecological environment and help local development.

Thus, CGGVeritas employs, local employees, recruited for the duration of operations, in accordance with local regulation. CGGVeritas trains these employees, especially on hygiene and security matters, in accordance with its own internal standards, even though they might be more stringent than local regulations.

Similarly, Sercel, having permanent locations in France, the United States, Canada, Australia, United Kingdom, Singapore and China, does not usually expatriate its French employees and employs mostly local work force. In this scope, Sercel has a strong policy of industrial know-how sharing among each of these sites and their staff.

All these initiatives are part of the PRISM program on sustainable development of the CGGVeritas Group.

11.1.9. Sub-contracting

Within the CGGVeritas Group, Sercel most particularly uses sub-contractors. Indeed, its main manufacturing sites which are in France, sub-contract part of their manufacturing business to local manufacturers chosen according to various objective standards and most particularly their quality and strong financial condition. Sercel general policy is to prevent such sub-contractors to sub-contract all or part of the business they have been entrusted with, without Sercel's agreement thus permitting a real control. In addition, Sercel has developed contractual practices in France for example, where provisions have been included in standard contracts to ensure compliance with law N° 91-1383 reinforcing protection against illicit employment.

For its services business, CGGVeritas Group policy is not to use subcontractors to perform part or all of its core business unless in exceptional cases when no internal resources are available. Subcontractors are solely used to provide the CGGVeritas Group with the means necessary to the performance of its activities (transportation by helicopter, radio-positioning, barges for its shallow water activities…).

11.2. Consequences of the Company's business on environment:

CGGVeritas, as a global participant in the oilfield services industry, recognizes that concern for the environment and the quality of life is an integral and fundamental part of the way in which we conduct our business. Our public commitment is defined within our environmental policy. We are committed to continually improving our environmental performance and to reduce the impact of our activities on the environment.

CGGVeritas is committed to participating in sustainable development initiatives to protect the environment and to comply with all applicable environmental regulations in the countries in which we operate throughout the world.

Sites of Sercel, located in Nantes and Saint-Gaudens, are included in the category of "classified sites" for environmental protection. Such classifications are due to the materials used as well as the activities performed (sections 1000 and 2000 of ICPE). Nantes is subject to notification and Saint-Gaudens to both authorization and notification. Saint Gaudens is therefore subject to a permit defining specific requirements. They are consequently subject to regular controls by administrative agencies having jurisdiction over air or water pollution risks. As of today, Sercel has never been notified as being non-compliant.

Manufacturing or repair sites located abroad (USA, Canada, Singapore, United Kingdom, Australia, China, Russia) ensure that they comply with the applicable local regulations.

CGGVeritas sites in France and Europe, in the Services activity, are mostly administrative buildings and do not generate any specific environmental risks. CGGVeritas stored up to November 2008 in dedicated premises calibration sources having a weak level of radioactivity for borehole measurements. The radioactivity level was regularly measured and was not dangerous for the employees. The sources have been removed from the site at the end of November by an official specialised institute.

The Services operations both relates to seismic data acquisition onshore or offshore.

Onshore, our activities are mainly conducted in North America and in the Middle East.

Offshore, we operate 20 vessels all around the world.

Our main international activities have a limited impact on the environment and do not create significant environmental hazards or risks. We continuously monitor and accurately report environmental impacts, however slight, of our activities.

11.2.1. <u>Water, raw materials and energy consumption</u>:

Greenhouse Gas Emissions

CGGVeritas reporting of the quantity of CO_2e[3] emissions will encompass our onshore and offshore operations combined. Emissions are reported in metric ton (M/T). The quantities submitted are direct emissions on a global scale.

In 2008 the total quantity of CO_2e emissions represented 592,945.01 M/T. Marine operations accounted for 89.44% of the total emissions while land operations represented 10.56%. 95% of land emissions are generated by diesel powered engines.

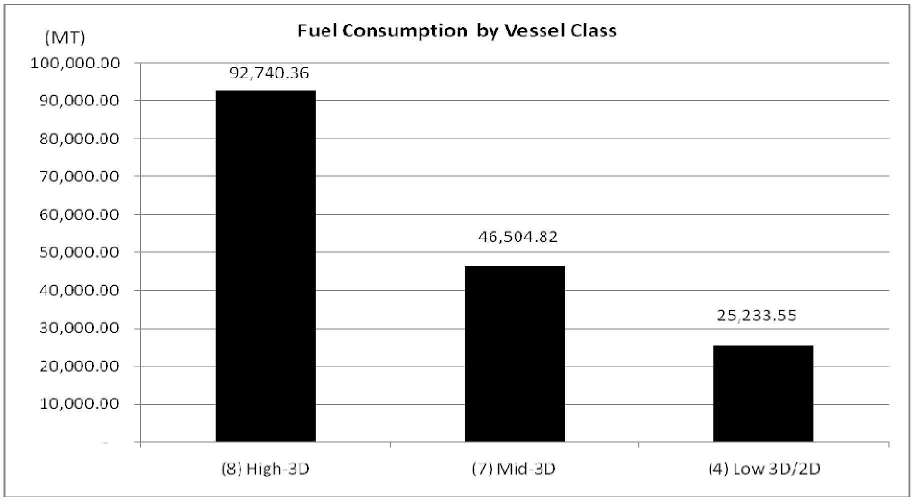
GHG direct emissions of Marine and Land acquisition combined

Total Combined GHG emissions			**Year 2008**
Total GHG emissions:			**608,024.21 M/T**
CHG	Qty (M/T)	GHG	Qty (M/T)
CO_2	592,945.01	**SO_X**	1,482.36
CO	1,854.00	**CH_4**	52.38
NO_X	11,187.07	**VOC**	503.39

[3] **Carbon dioxide equivalent**, **CO_2e**, is an internationally accepted measure that expresses the amount of global warming of greenhouse gases (GHGs) in terms of the amount of carbon dioxide (CO_2) that would have the same global warming potential. Examples of such GHGs are methane, perfluorocarbons and nitrous oxide.

GHG emissions sources from combined operations

Marine – Emission source	Qty (M/T)	Land – Emission source	Qty (M/T)
Vessels using MDO fuel	158781.63	Diesel powered engines	15,053.41
Vessels using HFO fuel	5,697.10	Gasoline powered engines	1,672.68
Incinerators	2,739.03	Kerosene powered engines	1,002.78
		Incinerators	1,831.19



Marine acquisition - GHG emissions

Marine operations				**Period**	**Year 2008**
CHG -	Total Qty (M/T)	Vessels	Emission factor	Incinerators	Emission factor
CO_2	**530,352.83**	526,331.93	3.2	4,020.90	1.468
CO	**1,325.88**	1,315.83	0.008	10.05	0.00367
NO_X	**10,443.78**	9,704.24	0.059	739.54	0.27
SO_X	**1,325.88**	1,315.83	0.008	10.05	0.00367
CH_4	**47.88**	44.41	0.00027	3.47	0.001268
VOC	**397.76**	394.75	0.0024	3.01	0.0011

Land acquisition - GHG emissions

Land operations				**Period**	**Year 2008**
CHG	Total Qty (MT)	Transportation	Emission factor	Incinerators	Emission factor
CO_2	**62,592.19**	56,732.38	3.2	5,859.81	1.468
CO	**528.12**	478.68	0.027	49.44	0.00367
NO_X	**673.70**	743.28	0.038	69.59	0.27
SO_X	**156.48**	141.83	0.027	14.65	0.00367
CH_4	**4.50**	4.08	0.00023	0.42	0.001268
VOC	**105.62**	95.74	0.0054	9.89	0.0011

Water consumption

Water consumption for the land crews operating in isolated locations (desert, jungle…) amounts to 163,368.75 m^3 in 2008. Data relating to crews operating in urban areas are not included.

For the offshore operations, water consumptions tracking falls under the responsibility of vessel maritime managers are not consolidated at this stage.

Management of black and grey waters

On land, black and grey waters generated by the land crews are treated offsite (99.67%) or when operating in isolated locations are treated and disposed onsite (0.33%). In marine, since vessels are equipped with onboard permanent water treatment units, most used waters is treated/disposed onsite (99.02%) and occasionally treated in offsite facilities (0.98%).

Management of used waters	**Qty (m^3)**
onsite treatment – Dispersion	**99,833.59**
offsite treatment (facilities)	**21,559.45**

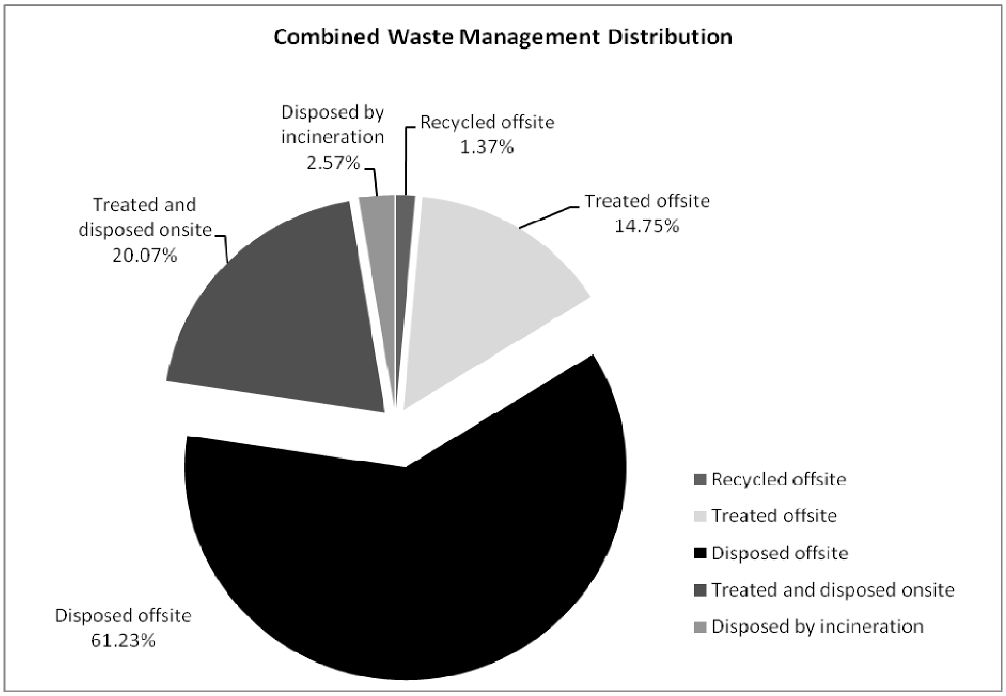
Waste Management

Product use and disposal

Everywhere we operate, on our vessels and land crews, we have implemented a waste management system. It prioritizes the management of waste according to the following hierarchy: waste reductions, reuse, recycle, treat or dispose to certified facilities and dispose by incineration. It must be noted that our operations, especially in land, often take place in remote location and in areas where certified facilities for waste treatment or disposal are not available.

Waste management distribution

Overall operations Waste Management Distribution			**Year 2008**
			M/T
Recycled offsite	2,440.75	Treated and disposed onsite	35,665.32
Treated offsite	26,203.61	Disposed by incineration	4,570.22
Disposed offsite	108,784.64		



Incidents and Residual Spills

Land acquisition

On land, all our environmental incidents were negligible, resulting in a low environmental impact with temporary effect on the natural environment. Most of our incidents occurred during fuel handling activities. As part of our standard practices, we are committed to clean up 100% of our spillage by sending contaminated ground to offsite facilities for proper treatment and disposal.

Land Acquisition Residual Spill Distribution (m3)

Diesel fuel	0.01
Aviation fuel	-
Antifreeze	-
Engine oil	-
Hydraulic oil	-
TOTAL	***0.01***

Marine acquisition

In marine, our environmental incidents were also negligible except two incidents. On both occurrences, streamers entanglement resulted in a short-term minor environmental impact (1.28 and 3.6 cubic meters of ISOPAR M respectively). Tests conducted by TECAM – TECNOLOGIA AMBIENTAL LTDA laboratory - in 1999 on the ISOPAR M biodegradability in marine water environment indicated quick product degradation completed in approximately 8 days of exposure.

Marine Acquisition Spill Distribution (m3)

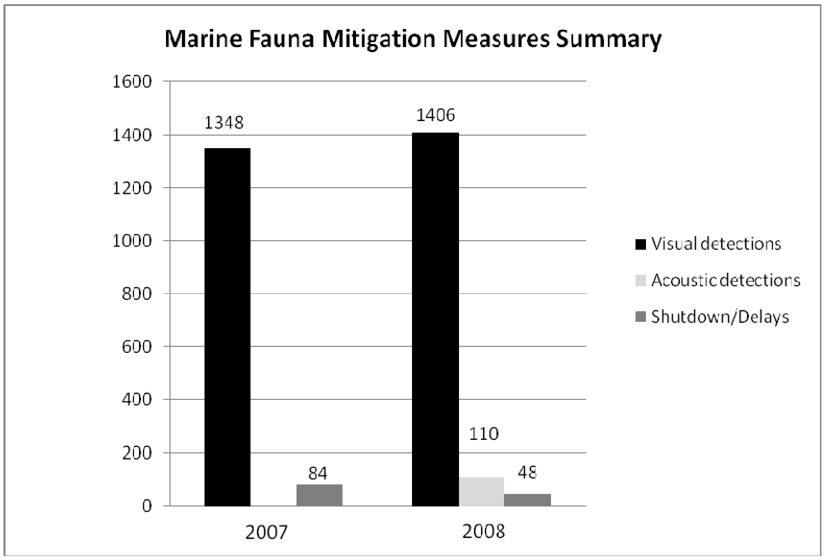
Marine Diesel Oil (MDO)	-
Hydraulic oil	-
Engine oil	-
Grey Water	-
ISOPAR M	4.88
TOTAL	***4.88***

11.2.2. <u>Measures taken to limit impacts on natural environment, protected animal and plant species :</u>

Biodiversity loss due to competing land use or marine ecosystems disturbance is a global environmental challenge our society is facing today. We recognize the importance of protecting biodiversity, especially when operating in sensitive environments. Since 2007, CGGVeritas is part of the International Petroleum Industry Environmental Conservation Association Biodiversity Working Group (IPIECA - BDWG) and thus we collaborate with our clients in developing tools to better assess and manage biodiversity in our operations. In marine acquisition for example, monitoring protected species is part of our daily duties. Onboard dedicated marine fauna observers insure compliance with applicable regulations stipulated by the country or specific region our vessels operate. In 2008, 1,406 marine mammal and sea turtle visual detections and 110 acoustic detections (Passive Acoustic Monitoring) were recorded during our seismic survey acquisitions around the world. Only the visual detections generated 48 delayed energy source ramp-up and shutdowns as part of required mitigation measures. These measures allow sufficient time for the animals to leave the immediate vicinity of our operation. It must be noted that ramp-up procedures also called soft-start are used as a standard practice to warn marine mammals and sea turtles of our presence before seismic surveying can begin.

Marine fauna mitigation measures summary			**Year 2008**
Total visual detections			**1,406**
Delay ram-up and shutdown	**48**	Operational downtime	**95 hours 28 minutes**

Total acoustic detections			**110**
Delay ram-up and shutdown	**0**	Operational downtime	**0**



Measures to reduce GHG emissions

One major emerging environmental challenge faced by society is the reduction of greenhouse gas (GHG) emissions. As a good corporate citizen, CGGVeritas continually looks for innovative ways to minimize emissions through better operating practices and technological innovations.

Onshore, we are committed, whenever possible, to use diesel technology over gasoline to deliver better fuel economy and less GHG emissions. Today, 95% of our vehicles fleet uses diesel engines. In house on site mechanics ensure proper engine maintenance. Each driver is accountable for his or her vehicle and must conduct a documented daily vehicle inspection.

Offshore our fleet of nineteen vessels is composed of eight high capacity 3D (8 to 14 streamers), seven mid-capacity 3D and four Small 3D/ 2D acquisition vessels. Together with our fleet managers, the company has implemented a control process to ensure full compliance of our fleet with MARPOL Annex VI of the international convention on the prevention of pollution from ships which regulates NO_X, SO and CO_2 for new vessels built or modified beginning in 2000.

Our vessels exclusively use marine diesel oil (MDO) with the exception of one 3D vessel with consume a combination of marine diesel oil (MDO) and heavy fuel oil (HFO). The significant advantage of using MDO over HFO is the higher heat value of diesel oil means lower fuel consumption. The typical heat value for MDO is about 42 MJ/kg and for HFO it is about 40 MJ/kg, a difference that in theory represents a reduction in fuel consumption of 5%. Furthermore, diesel oil properties with a lower viscosity and less particle content signifies less friction in the engine's moving parts, which in turn leads to reduced fuel consumption. In addition, our ship-owners warranty that their ships comply with the MARPOL conventions.

Using our integrated Environmental Management system, CGGVeritas assesses its emissions in accordance with the International Oil and Gas Producers (OGP) guidelines and the United Kingdom Offshore Operators Association (UKOOA) Guidelines. In addition, we report on our emissions data for the Carbon Disclosure Project (CDP). Finally, the methodology used for reporting meets the reporting criteria set by the GHG protocol.

Emergency Preparedness and Response

In line with our integrated QHSE Management System, all of our operational sites have Emergency Response Plans (ERP) in place to deal with a wide range of possible emergency scenarios. These plans are tested periodically in drills to ensure their effectiveness throughout the duration of each project. For example, on average every two days a pollution drill is conducted on one of our vessels.

Emergency Preparedness					
Marine Acquisition			**Land acquisition**		
	2007	**2008**		**2007**	**2008**
Pollution drills	**122**	**185**	Pollution drills	**39**	**45**
Fire drills	**445**	**551**	Fire drills	**221**	**243**

Technological initiatives

Sercel has developed a new generation of streamers with "solid" technology which environmental performances are greatly improved compared to conventional streamers, called "liquid" and containing ISOPAR M.

Further to an important investment program, the CGGVeritas fleet is equipped by more than 60% with solid streamers, which particularizes it compared to the industry.

11.2.3. Steps taken for an evaluation and certification of the group regarding environment:

No steps have currently been taken for the certification of our group regarding environment, however our operations are compliant with ISO 14001 standards.

11.2.4. Measures taken to ensure, if necessary, compliance of the company's activities with applicable laws and regulations

The majority of our operations are subject to an impact assessment carried out by our customers in accordance with local regulation before our work starts. Our operations are integrated in our environmental policy according to the principals above mentioned. Experts representing local authorities visit our sites when we are operating. Finally, when operations are over, our sites are restored.

As stated in our environmental policy, we undertake the following:

- Conduct project specific environmental risk assessments, consistent with IS0 14000 standards, to identify actual and potential environmental impacts and assess their significance;
- Where significant impacts potentially exist, develop, implement and maintain, in conjunction with appropriate authorities, a project specific environmental management plan;
- Develop emergency response plans for potential environmental incidents to mitigate environmental impact;
- Measure environmental performance throughout the life cycle of each project.

11.2.5. Committed expenses in order to prevent the consequences of the company's activities on environment

Technological Innovations

CGGVeritas has ordered, for delivery in 2010, two new vessels of the X-Bow™ Design compliant with the most stringent requirements related to environment protection. These vessels comply with the DNV "Clean Design" Class with specific requirements for emissions to air from energy producers, cargo handling systems and service systems on the ship, requirements for discharge to sea from energy producers, waste/sewage systems, antifouling systems, ballast water systems, handling systems and hydraulics.

11.2.6. <u>Dedicated HSE organization to manage environment, training and information of the employees on environment, means dedicated to the reduction of risks for the environment as well as the organization put in place in order to face pollution accidents having an impact beyond the Company's locations</u>

The Group has a dedicated organization for the management of the health, safety and environment (“HSE”) with a centralized pool and dedicated HSE resources for each activity. A full-time Environment manager is dedicated to the implementation and development of the Group Environment Policy.

Such policy which is largely circulated emphasizes the necessity to recognize and manage the environmental risk, to be complaint with laws and regulations and to train all parties involved in the environment stakes.

The objectives of the activities are established with the aim to continuous improvement in the management of the risks to the environment and are followed by actions plans, periodic monitoring and audits.

Moreover, the companies of the Group participate with other industrial partners to projects targeting the reduction of the risks to the environment (for example: marine energy source characterization, passive acoustic monitoring detection …).

11.2.7. <u>Provision for environmental risks - indemnification paid in 2008 as a consequence of a court decision on environmental matters</u>

Neither CGGVeritas nor its subsidiaries have created some specific provision for environmental risks and are subject to judicial or administrative procedure in this respect. No indemnification had to be paid in 2008 by CGGVeritas pursuant to a court decision on environmental matters.

11.2.8. <u>Objectives assigned by the Company to its foreign subsidiaries with respect to the items listed above.</u>

The items listed above apply to all our subsidiaries worldwide and to our subcontractors, the HSE objectives being applied though all our business and product lines, independently from legal entities.

12. BOARD OF DIRECTORS AND GENERAL MANAGEMENT

12.1. Board of Directors

12.1.1 Members of the Board of Directors on the date of drafting of this report

Name	Age	Positions	Initially appointed	Term expires
Robert BRUNCK(2) (4) **Nationality : French**	59	Chairman and Chief Executive Officer	May 20, 1999 (director since September 9, 1998)	2012 General Meeting
Yves LESAGE(1) (4) **Nationality : French**	71	Honorary Chairman and Director	September 29, 1988	2009 General Meeting(*)
Olivier APPERT (2) (3) **Nationality : French**	59	Director	May 15, 2003	2012 General Meeting
Loren CARROLL (1) ***(independent director)*** **Nationality: American**	65	Director	January 12, 2007	2013 General Meeting
Rémi DORVAL (1)(3) ***(independent director)*** **Nationality : French**	58	Director	March 8, 2005	2010 General Meeting
Jean DUNAND(1) ***(independent director)*** **Nationality : French**	69	Director	September 8, 1999	2013 General Meeting
Christian MARBACH(2) **Nationality : French**	71	Director	June 21, 1995	2013 General Meeting
Thierry PILENKO (4) **Nationality : French**	51	Director	January 12, 2007	2013 General Meeting
Robert F. SEMMENS(2) (3) ***(independent director)*** **Nationality: American**	51	Director	December 13, 1999	2011 General Meeting
Daniel VALOT(1) ***(independent director)*** **Nationality : French**	64	Director	March 14, 2001	2012 General Meeting
Terence YOUNG (4) ***(independent director)*** **Nationality: American**	62	Director	January 12, 2007	2013 General Meeting
David WORK (3) ***(independent director)*** **Nationality: American**	63	Director	January 12, 2007	2013 General Meeting

(1) member of the Audit Committee
(2) member of the Strategic Committee
(3) member of the Appointment & Remuneration Committee
(4) member of the Technology Committee
(*) the renewal of this office will be submitted to the approval of general meeting of shareholders of April 29, 2009

The conditions of preparation and organization of the meeting of the Board of Directors are detailed in the report of the Chairman appended to the present annual management report.

12.1.2. Other positions held by the directors on December 31, 2008

Mr. Robert Brunck (number of securities owned : 112, 890 shares)
Chairman and Chief Executive Officer

Positions within the Group:

French company

Sercel Holding	Chairman of the Supervisory Board

Foreign companies

CGGVeritas Services Holding B.V.	Chairman of the Supervisory Board
CGG Americas	Chairman of the Board of Directors

Positions held in other companies:

French institutions and companies

Thalès	Director
Institut Français du Pétrole (IFP)	Director
Association pour la Recherche et le développement des Méthodes et Processus industriels (ARMINES)	Chairman
Ecole Nationale Supérieure de Géologie (ENSG)	Director
Bureau de Recherches Géologiques et Minières (BRGM)	Director
Conservatoire National des Arts et Métiers (CNAM)	Director
Groupement des Entreprises Parapétrolières et Paragazières (GEP)	Director

Mr. Yves Lesage (number of securities owned: 4,985 shares)
Director and Honorary Chairman

Positions within the Group*: none*
Positions held in other companies: *none*

Mr. Olivier Appert (number of securities owned: 830 shares)
Director

Positions within the Group*: none*

Positions held in other companies:

French companies

Institut Français du Pétrole (IFP)	Chairman and Chief Executive Officer
Technip	Director
Institut de Physique du Globe de Paris (IPGP)	Director
Storengy	Director

Mr. Rémi Dorval (number of securities owned: 535 shares)
Director

***Positions within the Group**: none*

Positions held in other companies:

French companies

Solétanche	Director
Solétanche Bachy Entreprise	Director and Chief Executive Officer
Solétanche Bachy	Director, Chairman and Chief Executive Officer
Forsol	Chairman
SB 2007	Chairman
SHPIC	Director

Foreign companies

Bachy Soletanche Holdings	Director
Nicholson Construction	Director
Soletanche Bachy USA	Director
SolData Ibéria	Director

Mr. Jean Dunand (number of securities owned: 4,250 shares)
Director

***Positions within the Group**: none*
***Positions held in other companies:** none*

Mr. Christian Marbach (number of securities owned: 650 shares)
Director

***Positions within the Group**: none*

Positions held in other companies:

French companies

Lagardère	Member of the Supervisory Board
Sofinnova	Supervisor

Mr. Robert F. Semmens (number of securities owned: 6,575 shares and 1,751 ADS)
Director

Positions within the Group:

French companies

Sercel Holding	Member of the Supervisory Board

Positions held in other companies :

Foreign companies

MicroPharma Limited	Director
Mao Networks, Inc.	Member of the Advisory Board
Bronco Holdings, LLC.	Director

Mr. Daniel Valot (number of securities owned: 1,935 shares)
Director

Positions within the Group: *none*

Positions held in other companies:

French companies

SCOR	Director
Dietswell	Director

Foreign company

Pétrocanada	Director

Mr. Loren Carroll (number of securities owned: 500 ADS)
Director

Positions within the Group: *none*

Positions held in other companies:

Foreign companies

Smith International Inc.	Director
Fleetwood Enterprises Inc.	Director
Forest Oil Corporation	Director
KBR Inc.	Director

Mr. Thierry Pilenko (number of securities owned: 1,790 ADS)
Director

Positions within the Group: *none*

Positions held in other companies:

French companies

Technip	Chairman and Chief Executive Officer
Technip France	Permanent Representative of Technip at the Board of Directors

Foreign companies

Technip Italy	Chairman
Hercules Offshore Inc.	Director

Mr. David Work (number of securities owned: 500 ADS)
Director

Positions within the Group: *none*

Positions held in other companies:

Foreign companies

Edge Petroleum Corporation	Director
CrystaTech Inc.	Chairman and Director

Mr. Terence Young (number of securities owned: 500 ADS)
Director

Positions within the Group*: none*
Positions held in other companies: *none*

12.2 General Management

12.2.1 Chief Operating Officer ("Directeur Général Délégué")

Nom	Age	Position	Date of appointment	Term expires
Thierry LE ROUX	55	Group President, Chief Operating Officer	September 7, 2005	2012 General Meeting

12.2.2 Other positions held by the Chief Operating Officer on December 31, 2008

Mr. Thierry LE ROUX (number of securities owned : 22,840 shares)

Positions within the Group:

French companies

Sercel SA	Chairman of the Board of Directors
Sercel Holding	Vice-Chairman and member of the Supervisory Board
CGGVeritas Services SA	Chairman of the Board of Directors

Foreign companies

Sercel Inc.	Chairman of the Board of Directors
Hebei Sercel-Junfeng Geophysical Prospecting Equipment Co. Ltd	Chairman of the Board of Directors
CGG Americas Inc.	Director
CGGVeritas Services Holding B.V.	Member of the Management Board
Sercel England Ltd	Chairman of the Board of Directors
Sercel Singapore Private Ltd	Director
CGGVeritas Services Holding (U.S.) Inc.	Director

Positions held in other companies:

French companies:

Cybernetix SA	Director
Tronic's Microsystems SA	Chairman of the Supervisory Board

Foreign companies

Offshore Hydrocarbon Mapping Plc.	Director
Int Inc.	Director

12.3. Allocation of the Directors' compensation

In January 2009, the Company paid an aggregate amount of € 580,000 to the members of its Board for fiscal year 2008. This amount is divided into a fixed and variable component on the basis of two-thirds of the basic amount for function and one-third for presence as described hereafter. The basic amount is set at € 470,000 plus lump sum, amounting to € 110,000 allocated as described hereafter.

The fixed component is calculated on the basis of one share for each Director and an additional share as a committee member. The remuneration of any Director appointed in the course of the year is calculated on a pro-rata temporis basis.

The variable component linked to the participation in committees and Board meetings is calculated on the basis of one share for each meeting of the Board and the Committees Directors or joint committee attended with a coefficient of 1.5 for Board or Committee Chairs (this rule will apply as well to a chairman attending a joint committee meeting of all committees). A Director who participates in a Board committee's meeting as a guest is not paid.

In addition, a lump sum is allocated as follows:

- € 20,000 for each Director residing outside Europe, i.e. a total amount of € 80,000;
- € 10,000 for the Audit Committee's Chairman;
- € 5,000 for the other Audit Committee's members, i.e. a total amount of € 20,000.

The table below sets forth the gross amount paid for the past two fiscal years to each CGG Veritas Director by the Company and/or by its subsidiaries.

Directors	Amounts paid for fiscal year 2007	Amounts paid for fiscal year 2008
Olivier APPERT		
Director's fees	€ 48,889.39	€ 46,010.11
Other remunerations	N/A	N/A
Loren CARROLL		
Director's fees	€ 55,728.75	€ 58,969.48
Other remunerations	N/A	N/A
Rémi DORVAL		
Director's fees	€ 52,519.56	€ 52,246.14
Other remunerations	N/A	N/A
Jean DUNAND		
Director's fees	€ 43,016.40	€ 49,222.61
Other remunerations	N/A	N/A
Yves LESAGE		
Director's fees	€ 51,753.28	€ 51,010.11
Other remunerations	N/A	N/A
Christian MARBACH		
Director's fees	€ 33,639.09	€ 30,261.40
Other remunerations	N/A	N/A
Thierry PILENKO		
Director's fees	€ 28,659.47	€ 27,789.34
Other remunerations	US$ 70,000 (1)	N/A

Directors	Amounts paid for fiscal year 2007	Amounts paid for fiscal year 2008
Robert SEMMENS		
Director's fees	€ 75,831.80 (2)	€ 71,572.24
	€ 15,000 (3)	€ 15,000 (3)
Other remunerations	N/A	N/A
Daniel VALOT		
Director's fees	€ 36,876.95	€ 37,115.44
Other remunerations	N/A	N/A
David WORK		
Director's fees	€ 50,958.32	€ 55,205.51
Other remunerations	N/A	N/A
Terence YOUNG		
Director's fees	€ 50,958.32	€ 51,497.43
Other remunerations	N/A	N/A

(1) Amount paid pursuant to a consulting agreement which came into effect on January 15, 2007 between the Company and Mr. Thierry PILENKO and was terminated on March 27, 2007

(2) Director's fees paid by CGG Veritas as Board member

(3) Director's fees paid by Sercel Holding as Supervisory Board member. Within Sercel Holding, only non-executive directors receive directors' fees in the form of a lump sum of €15,000.

Pursuant to applicable law, directors, except the Chief Operating officer, are not entitled to be allocated stock-options and/or performance shares of the Company.

13. COMPENSATION OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER AND THE CHIEF OPERATING OFFICER

13.1 Compensation:

The aggregate compensation of Mr. Robert BRUNCK, Chairman and Chief Executive Officer, and Mr. LE ROUX, Chief Operating Officer, includes a fixed element and a bonus. The bonus for a given fiscal year is determined and paid during the first semester of the following fiscal year.

For fiscal year 2008, the 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 are related to the net earnings per share (weighted 20% of the total financial objectives), consolidated EBIT (weighted 30%), consolidated operational cash flow (i.e. EBITDA less capital expenditures) (weighted 35%) and the growth in the consolidated revenues (weighted 15%).

The gross fixed and variable compensation earned by and paid by the Company and its subsidiaries to Mr. Robert BRUNCK, Chairman and Chief Executive Officer, for fiscal years 2007 and 2008 is set forth below :

	2007		2008	
Robert BRUNCK ***Chairman and Chief Executive Officer***	**Amounts earned**	**Amounts paid**	**Amounts earned**	**Amounts paid**
Fixed compensation	€ 520,000	€ 520,020	€ 520,000	€ 520,000
Variable compensation	€ 930,057	€ 610,000(1)	€ 687,230	€ 930,057 (2)
Exceptional compensation	N/A	N/A	N/A	N/A
Director' fees (3)	€ 50,038.81	€ 43,277.05(4)	€ 49,100.18	€ 50,038.81 (5)
Benefits in kind (6)	€ 6,840	€ 6,840	€ 6,840.00	€ 6,840
TOTAL	€ 1,506,935.81	€ 1,180,137.05	€ 1,263,170.18	€ 1,506,935.81

(1) Paid in March 2007 for fiscal year 2006

(2) Paid in March 2008 for fiscal year 2007

(3) R. BRUNCK does not receive any compensation as member of the Supervisory Board of Sercel Holding or as Chairman of the Board of Directors of CGG Americas

(4) Paid at the beginning of 2007 for fiscal year 2006

(5) Paid at the beginning of 2008 for fiscal year 2007

(6) Benefits in kind are limited to the use of a company car

The gross fixed and variable compensations paid by the Company and its subsidiaries to Mr. LE ROUX, Chief Operating Officer, in fiscal years 2007 and 2008 are set forth below:

	2007		2008	
Thierry LE ROUX	**Amounts earned**	**Amounts paid**	**Amounts earned**	**Amounts paid**
Chief Operating Officer				
Fixed compensation	€ 400,000.00	€ 400,018.00	€ 400,000.00	€ 400,000.00
Variable compensation	€ 572,343.00	€ 350,800.00 (1)	€ 422,910	€ 572,343.00 (2)
Exceptional compensation	N/A	N/A	N/A	N/A
Director' fees	N/A	N/A	N/A	N/A
Benefits in kind	N/A	N/A	N/A	N/A
TOTAL	€ 972,343.00	€ 750,818.00	€ 822,910	€ 972,343.00

(1) paid in March 2007 for fiscal year 2006

(2) paid in March 2008 for fiscal year 2007

13.2. Stock-options and performance shares:

Pursuant to article L.225-102-1 of the French Commercial Code, the stock-options and performance shares allocated to Mr. Robert BRUNCK, Chairman and Chief Executive Officer, and Mr. LE ROUX, Chief Operating Officer, for fiscal year 2008, under the plans implemented by the Company are set forth below:

13.2.1 Stock-options :

Name of the Executive Officer	Date of the Plan	Number of options allocated during fiscal year (*)	Valuation of options pursuant to the method used for consolidated financial statements (€)	Subscription price (*)	Exercise period
Robert BRUNCK	03/14//2008	200,000	2,412,000	€ 32.57	From 03/15/2009 to 03/14/2016 inclusive
Thierry LE ROUX	03/14/2008	125,000	1,507,500	€ 32.57	From 03/15/2009 to 03/14/2016 inclusive

(*) Number and price adjusted pursuant to the five-for-one stock split effective as of June 3, 2008.

Pursuant to article L.225-197-1 of the French Commercial Code, the Board of Directors decided that the number of shares resulting from the exercise of stock-options which the Chairman and Chief Executive Officer and Chief Operating Officer will have to keep under the registered form until the end of their term amount should be set at 10% of each individual allocation. .

13.2.2 Performance shares :

Name of the Executive Officer	Date of the Plan	Number of shares allocated during fiscal year (1)	Valuation of shares (€)	Final allocation Date	Date of availability	Performance conditions
Robert BRUNCK	14/03/2008	27,500	840,950 (2)	14/03/2010	14/03/2012	- Net earning per share; and - Operating income
Robert BRUNCK	11/05/2006	12,500	430,425 (3)	12/05/2008	12/05/2010	- Net earning per share
Thierry LE ROUX	14/03/2008	17,500	535,150 (2)	14/03/2010	14/03/2012	- Net earning per share; and - Operating income
Thierry LE ROUX	11/05/2006	8,750	301,297.50 (3)	12/05/2008	12/05/2010	- Net earning per share

(1) Number adjusted pursuant to the five-for-one stock split effective as of June 3, 2008.
(2) Valuation of shares pursuant to the method used for consolidated financial statements
(3) Valuation of shares based on the opening market price of the CGGVeritas share on May 12, 2008

Pursuant to article L.225-197-1 of the French Commercial Code, the Board of Directors decided that the number of performance shares thus allocated which the Chairman and Chief Executive Officer and Chief Operating Officer will have to keep under the registered form until the end of their term will be set at 10% of such allocation.

13.3 Protection letters:

13.3.1. It is reminded that pursuant to section L. 225-42-1 of the French Commercial Code, the Board of Directors, on February 27, 2008, approved an amendment to the previous provisions of the protection letter dated March 8, 2006 for Messrs. BRUNCK and LE ROUX, in accordance with the procedure applicable to related party transactions and provided for by section L.225-38 *et seq.* of the French Commercial Code. These new provisions were approved by the general shareholders meeting held on April 29, 2008.

Consequently and pursuant to section L. 225-42-1 of the French Commercial Code, payment of the special severance indemnity provided for in the scope of such amendment as well as the early exercise of stock-options whether vested or not that have been allocated to Messrs. BRUNCK and LE ROUX pursuant to the stock-options plans in force were subject to a performance condition assessed in comparison with the performance of the Company, requiring fulfillment of at least one of the three following objectives:

- a share price performance objective relative to the share price considering the SBF 120 index;
- a share price performance objective relative to the ADS price considering the PHLX Oil Service Sector^{SM} (OSX^{SM});
- a financial indicator objective of EBIT expressed in USD and related to the target for the annual variable part of the compensation of Messrs. BRUNCK and LE ROUX.

Finally, in order to take into account practices at comparable companies, the amount of special severance indemnities had been reduced from 250% to 200% of the annual reference compensation which corresponds to the global amount of gross fixed remuneration received over the twelve (12) months preceding the date on which the period of notice begins, to which is added the annual average of the variable compensation received over the thirty-six months preceding the date of notice.

This special severance indemnity was a ceiling and a fixed payment paid in lieu of all sums to which Messrs BRUNCK and LE ROUX may be entitled as a consequence of severance including severance payments due by law or under collective bargaining agreements or compensation in lieu of notice and pay in lieu of vacation. -

13.3.2. On December 19, 2008, the board of directors of the company decided to refer to the recommendations on the compensation of executive officers of listed companies that were published by the AFEP-MEDEF on October 6, 2008 and incorporated into the AFEP-MEDEF consolidated code of corporate governance of December 2008.

Consequently, the board of directors decided on February 25, 2009, to amend the existing amendment to the employment contracts of Messrs. BRUNCK and LE ROUX described as described below, being noted that the employment contract of Mr. BRUNCK was currently suspended.

The special termination indemnity will only be paid in case of termination of the employment agreement of Messrs. BRUNCK and LE ROUX in the event of a forced departure relating to a Change of Control or a Change of Strategy,

Such indemnity shall be equal to the difference between (a) a gross amount of 200% of the reference annual compensation received by Messrs. BRUNCK and LE ROUX and described hereinabove and (b) any sum to which Messrs. BRUNCK and LE ROUX may be entitled as a result of such termination including the severance payment due by law or under collective bargaining agreements as well as any sums to be paid further to the application of his non-competition commitment. The indemnity global amount shall not exceed 200% of the reference annual compensation.

Besides, Messrs. BRUNCK and LE ROUX will be entitled to exercise by anticipation the stock-options they benefit from pursuant to the plans in force within the Group in case of the termination of their employment contract or in the event of a forced departure eventually qualified as dismissal.

Pursuant to article L.225-42-1 of the Commercial Code, the payment of the special termination indemnity referred to hereinabove as well as the anticipated exercise of stock-options shall remain subject to the performance conditions described in paragraph 13.3.1.

Finally, pursuant to said article L.225-42-1 of the Commercial Code in particular, the Board of Directors shall verify prior to the payment of the Special Severance Payment (i) that the performance conditions described hereabove in paragraph 13.3.1. are duly fulfilled and (ii) that the payment of such special termination indemnity complies with the corporate governance code applicable at the date of departure.

13.4. Non-compete agreement

In addition, on February 27, 2008, the Board of Directors approved, in accordance with procedures applicable to related party agreements and provided for by section L.225-38 *et seq*. of the French Commercial Code, the signature of a non-compete agreement between the Company and Messrs. BRUNCK and LE ROUX.

This non-compete agreement applies to any geophysical data acquisition, processing or interpretation services or the provision of equipment or products designed for the acquisition, processing or interpretation of geophysical data. Messrs. BRUNCK and LE ROUX have each agreed that they will not contribute to projects or activities in the same field as those in which they were involved at CGGVeritas for period of eighteen months starting on the date on which they leave the Group.

In consideration for this undertaking, Messrs. BRUNCK and LE ROUX will each be entitled to receive compensation corresponding to 100% of their annual reference compensation (as defined in the protection letters described in paragraph 13.3 above) upon leaving the Group. This agreement was approved by the general shareholders' meeting held on April 29, 2008.

13.5. Supplemental Pension and Retirement Plan

A supplemental pension and retirement plan for the members of the Executive Committee and the Management Board of Sercel Holding (whom we refer to here as the “Beneficiaries”) was implemented in December 2004. The Chairman and Chief Executive Officer and the Chief Operating Officer benefit from this plan. The aggregate present benefit value of this supplemental plan as of December 31, 2008 was € 10,792,756 of which € 1,195,530 has been recorded as an expense for fiscal year 2008. Of such present benefit value, the portions relating to the Chairman and Chief Executive Officer and the Chief Operating Officer are € 7,687,185 and € 796,839, respectively.

14. IDENTITY OF SHAREHOLDERS HOLDING MORE THAN 5% OF THE SHARES AND/OR VOTING RIGHTS OF THE COMPANY – CHANGES IN THE SHARE CAPITAL DURING 2008

14.1 Changes in the share capital during fiscal year 2008

Transaction	Nominal value	Number of options created	Amount of the share premium	Amount of the capital variation	Successive amounts of the share capital
Share capital increase as of December 18, 2008	€ 0.40	12,925,749	€ 143,346,556.41	€ 5,170,299.60	€ 60,247,083
Exercize of stock options as of December 15, 2008	€ 0.40	14,055	€ 133,409.95	€ 5,622	€ 55,076,784
Share capital reduction as of November 6, 2008	€ 0.40	-12,231	—	- € 4,892.40	€ 55,071,162
Exercize of stock options as of September 30, 2008	€ 0.40	18,150	€ 152,697.45	€ 7,260	€ 55,076,054
Share capital reduction as of July 30, 2008	€ 0.40	-13,265	—	- € 5,306	€ 55,068,794
Exercize of stock options as of June 30, 2008	€ 0.40	44,115	€ 507,176.15	€ 17,646	€ 55,074,100
Five-for-one stock split effective as of June 3, 2008	€ 0.40				
Exercize of stock options as of May 28, 2008	€ 2	2 068	302,538.56 €	4,136 €	€ 55,056,54
Exercize of stock options as of May 12, 2008	€ 2	284	18,002.76 €	568 €	€ 55,052,318
Performance shares' allocation as of May 12, 2008	€ 2	47,500	-	95,000€	€ 55,051,750
Exercize of stock options as of April 28, 2008	€ 2	10,735	€ 623,176.06	€ 21,470	€ 54,956,750
Exercize of stock options as of March 31, 2008	€ 2	16,882	€ 784,433.36	€ 33,764	€ 54,935,280

14.2 Breakdown of the share capital – Identity of shareholders holding more than 5% of the shares or voting rights

	December 31, 2008		December 31, 2007		December 31, 2006	
	% of shares	% of voting rights	% of shares	% of voting rights	% of shares	% of voting rights
Jupiter Asset Management Limited	4.55 (1)	4.35	-	-	-	-
Institut Français du Pétrole	4.34	8.30	4.77	9.10	7.73	14.32
Fidelity International Limited	-	-	3.30 (4)	3.15	10.36 (2)	9.59
Morgan Stanley	-	-	2.72 (3)	2.59	5.16 (3)	4.48
FCPE "CGG Actionnariat"	0.05	0.11	0.06	0.12	0.14	0.26
Stock Treasury	0.57	0	0,16	0	0	0
Floating	90.42	87.18	88.93	88.09	76.61	71.35
Total	100%	100 %	100 %	100 %	100 %	100 %
Number of outstanding shares and voting rights	**150,617,709**	**157,605,029**	**27,450,758**	**28,758,426**	**17, 597, 888**	**19, 008,295**

(1) see notice relating to crossing of thresholds of December 9, 2008
(2) see notice relating to crossing of thresholds of December 11, 2006
(3) see notice relating to crossing of thresholds of January 9, 2007
(4) see schedule 13-G dated March 12, 2007

15. EMPLOYEES SHAREHOLDING

Pursuant to article L.225-102 of the French Commercial Code, we inform you that on December 31, 2008 the number of shares held by the employees of the Group, through the Group Employee Savings Plan instituted during fiscal 1997, amounted to 82,750 shares corresponding to 0.05% of the share capital and 0.11% of the voting rights.

16. STOCK OPTIONS

In accordance with section L. 225-184 of the Commercial Code, the plans currently in force are described in a separate special report of the Board of Directors.

For information purposes, the table below summarizes the evolution, during fiscal year 2008, of the stock-options plans put in place by virtue of the authorizations granted by the General Meetings of May 20, 1999, May 17, 2000, May 15, 2002, May 15, 2003 and May 11, 2006 respectively:

	2000 Plan	**2001 Plan**	**2002 Plan**	**2003 Plan**	**2006 Plan**	**2007 Plan**	**2008 Plan**	**Total**
Subscription price (in €)	45.83	13.08 (1)	7.99 (1)	2.91 (1)	26.26 (1)	30.4 (1)	32.57 (1)	—
Expiration date	17/01/2008	13/03/2009	14/05/2010	14/05/2011	10/05/2014	23/03/2015	14/03/2016	
Starting date of option exercise	18/01/2003	14/03/2004	15/05/2005	15/05/2006	11/05/2006	23/03/2007	14/03/2008	
Number of beneficiaries	129	144	172	176	171	145	130	—
Number of options initially granted (*)	231,000	256,000	138,100	169,900	202,500	261,750	237,700	1,496,950
Number of options granted to the ten employees of CGG Veritas and entities included in the options allocation perimeter which number thus granted is the highest	95,000	105,000	54,250	62,000	103,000	108,500	435,000 (1)	
Outstanding options as of January 1st 2008	7,231	74,800	53,310	80,246	195,163	250,450	-	661,200
Exercised options since January 1st 2008	966	60,437	7,885	18,446	2,500	2,000	0	92,234
Outstanding options as of December 31, 2008 (1) (2)	0	251,120	244,280	347,000	954,085	1,226,500	1,159,000	4,185,985

(1) Taking into account the adjustment to both the subscription price and the number of shares under option, in compliance with article L.225-181 of the French Commercial Code, further to the five-for-one stock split effective as of June 3, 2008.

(2) Taking into account the options that have become null and void as a result of beneficiaries' termination of employment in the Group or the non-exercise of options before the expiration of the relevant plan.

(*) not taking into account the adjustments that have taken place after the initial allocation.

17. SHARE RE-PURCHASE PLAN

The Ordinary General Meeting held on April 29, 2008, authorized the Board of Directors to carry out transactions on the company shares for an eighteen-month period following the date of such meeting with the following objectives:

- to support liquidity of our shares through a liquidity contract entered into with an investment service provider in compliance with the Code of Practice of the *Association Française des Marchés Financiers* (formerly known as *Association Française des Entreprises d'Investissement)*,

- to deliver shares in the scope of securities giving access, immediately or in the future, to shares by redemption, conversion, exchange, presentation of a warrant or by any other means,

- to deliver, immediately or in the future, shares in exchange in the scope of external growth, in accordance with the conditions to be defined by the French Market Authority,

- to allocate shares to employees and officers of the company or affiliated companies within the meaning of article L.225-180 of the Commercial Code, especially in the scope of options to purchase shares of the company,

- to allocate free shares to employees or executive officers pursuant to articles L. 225-197-1 and seq. of the French Commercial Code,

- cancel the shares through a capital reduction, subject to a decision of, or an authorization, by the extraordinary general meeting.

In accordance with such objectives, the treasury shares so acquired may be either retained, cancelled, sold or transferred. The shares may be acquired on one or several occasions, by any means, including by agreement or stock market purchase, by purchasing blocks of shares or by an offer to buy, and at any moment, except during a take-over bid. The maximum amount of share capital that can be purchased or transferred as block of shares can reach the whole amount of this program.

The maximum purchase price per share approved by the General Meeting was € 300.

The maximum number of shares that the Company may hold shall not exceed 10% of the capital as of December 31, 2007, including the shares already held. Notwithstanding the above, pursuant to article L.225-209, paragraph 6 of the French Commercial Code, the number of shares to be acquired in order to be kept and delivered in the future in payment or exchange in the scope of a merger, demerger or contribution in kind should not exceed 5% of the share capital.

This authorization canceled and replaced the authorization granted to the Board of Directors by the General Meeting held on May 10, 2007.

In 2008 the Company implemented the share repurchase plan authorized by its shareholders in April 2008 with the sole aim to support the liquidity of the shares through a liquidity contract entered into with an investment service provider in compliance with the Code of Practice of the *Association Française des Marchés Financiers* (formerly known as *Association Française des Entreprises d'Investissement*).

The Company concluded this liquidity contract with Crédit Agricole Cheuvreux in July 9, 2007. This liquidity contract is tacitly renewable and compliant with the Code of Practice of the *Association Française des Marchés Financiers (formerly known as Association Française des Entreprises d'Investissement).*

Upon implementation of this contract, the Company allocated € 22,000,000 to the liquidity account.

During fiscal year 2008, Crédit Agricole Cheuvreux has:

- purchased, between April 1, 2008 and May 31, 2008,139,381 CGG Veritas shares at an average weighed price of € 174.10 and sold 1,119,534 CGG Veritas shares at an average weighed price of € 175.02;
- purchased, between June 1, 2008[(*)] and December 31, 2008, 2,105,984 CGG Veritas shares at an average weighed price of € 21.73 and sold 1,496,884 CGG Veritas shares at an average weighed price of € 19.95.

[(*)] after the five-for-one stock split

As of December 31, 2008, the Company held 855,350 shares in relation to this contract, i.e. 0.57% of the share capital. The net book value of these shares amounts to € 9,066,710.

As of December 31, 2008, the Company did not hold any shares directly outside the scope of this liquidity contract.

18. TRANSACTIONS CARRIED OUT BY EXECUTIVES OR THEIR CLOSE RELATIVES ON THE COMPANY' SHARES

Pursuant to article L.621-18-2 of the *Code monétaire et financier* and article 223-26 of the General Regulation of the French Market Authority, you find in Annex B the summary of the transactions carried out pursuant to the above mentioned article L. 621-18-2.

19. ITEMS LIKELY TO HAVE AN INFLUENCE IN THE EVENT OF A TAKE-OVER BID

Pursuant to article L.225-100-3 of the French Commercial Code, we inform you hereafter of the items likely to have an influence in the event of a take-over bid.

Notice of crossing of a statutory threshold:

We remind you that pursuant to article 7.2 of the by-laws of the Company, any shareholder holding directly or indirectly a portion amounting to 1 percent of the stock capital or of the voting rights or a multiple of this percentage, within the meaning of article L. 233-7 of the French Commercial Code, shall give notice to the Company of the number of shares or voting rights he holds, within five trading days from the date on which one of these thresholds was exceeded.

In the event of failure to comply with this notification requirement, and upon request of one or several shareholders holding at least 1 percent of the capital, such request being recorded in the minutes of the general meeting, those shares in excess of the fraction that should have been declared shall be deprived of their voting rights from the date of said general meeting and for any other subsequent general meeting to be held until the expiry of a 2-year period following the date on which the required notification of the passing of the threshold will have been regularized.

Similarly, any shareholder whose shareholding is reduced below one of these thresholds shall give notice thereof to the Company within the same 5-day period.

Agreements entered into by the Company and modified or terminated in the event of change of control over the Company:

The indentures governing the Senior Notes and the credit facility agreements entitle the lenders to ask for the early redemption of the loans in the event of a change of control, pursuant to the terms specified in each agreement.

Agreements providing for severance payments to employees who resign or who are dismissed without cause or employees whose employment is terminated in the event of a take-over bid:

In addition to the agreements referred to in paragraph 13.3 with respect to the Company's executive officers ("*mandataires sociaux*"), we inform you that certain executives of the Group benefit from a protection letter providing for the payment of a severance payment in the event of dismissal or change of control. The amount of such severance payment depends upon the positions and classifications of each concerned persons.

20. PROPOSED RESOLUTIONS TO THE GENERAL MEETING OF SHAREHOLDERS OF APRIL 29, 2009

Approval of statutory accounts

The Statutory Auditors will submit their report on the Company's financial statements presented for your approval.

Loss for fiscal 2008 amounted to € 100,564,482.76 for CGG Veritas.

We propose to allocate this loss to the carry forward account, which will amount to € (103,041,697.06) after allocation.

We also propose not to pay any dividend and we wish to remind you that no dividends were distributed in the course of the previous three years.

Consolidated financial statements

The Statutory Auditors will submit their report on the CGGVeritas Group's consolidated financial statements that we request you to approve which show a net income of € 340.0 million.

Renewal of term of office of a Director

We propose to renew the term of office of Mr. Yves LESAGE which expires at the end of this general meeting. The term of office would be renewed for a four-year period, i.e. until the date of the general meeting to be held to approve the financial statements for fiscal year 2012.

Appointment of a new Director

We propose to appoint for a four-year period Mr. Anders FARESTVEIT as Director. Mr. FARESTVEIT is a Norwegian citizen, born on May 22, 1938 in Åsane and residing at Koelleveien 15, 1997 Nesøya, Norway. The term of office of Mr. FARESTVEIT would expire at the date of the general meeting to be held to approve the financial statements for fiscal year 2012.

Directors' compensation

We propose to set the amount allocated to the directors' aggregate compensation at € 640,000 for fiscal year 2009.

Share re-purchase plan

We request that you renew your authorization to the Board of Directors to purchase Company shares in accordance with the provisions of articles L.225-209 et seq. of the French Commercial Code.

The objectives of this authorization would be the following:

- to support liquidity of our shares through a liquidity contract entered into with an investment service provider in compliance with the Code of Practice of the *Association Française des Marchés Financiers (formerly known as Association Française des Entreprises d'Investissement)*,

- to deliver shares in the scope of securities giving access, immediately or in the future, to shares by redemption, conversion, exchange, presentation of a warrant or by any other means,

- to deliver, immediately or in the future, shares in exchange in the scope of external growth in, accordance with the conditions to be defined by the *Autorité des Marchés Financiers (formerly known as Association Française des Entreprises d'Investissement)*,

- to allocate shares to employees and officers of the company or affiliated companies within the meaning of article L.225-180 of the Commercial Code, especially in the scope of options to purchase shares of the company,

- to deliver shares for no consideration to executive officers and employees pursuant to articles L.225-197-1 and seq. of the Commercial Code,

- cancel the shares through a capital reduction, subject to a decision of, or an authorization, by the extraordinary general meeting.

In accordance with such objectives, the treasury shares so acquired may be either retained, cancelled, sold or transferred.

The re-purchase plan will be carried out under the following conditions:

• maximum purchase price	:	€ 40
• maximum number of shares	:	10% of the capital, i.e., for information only as of December 31, 2008, 14,976,235 shares, as the Company held 855,350 of its own shares on this date)

However, the number of shares to be acquired by the Company in order to be kept and delivered in the future in payment or exchange in the scope of a merger, demerger or contribution in kind shall not exceed 5% of the share capital.

• period for carrying out the operation	:	18 months

In accordance with the above conditions, the total amount payable by the Company would be limited to € 1599,049,400. We wish to specify that the purchase of shares under this plan would be financed by the Company using its own financial resources.

We wish to remind you that pursuant to Article 241-2 of the General Regulation of the French Market Authority the Company will release an outline of the program prior to its implementation.

This authorization, granted for eighteen months, will cancel, for the remainder of its period of validity, and replace the twelfth resolution of the Combined Ordinary and Extraordinary Shareholders Meeting of April 29, 2008 relative to the previous share repurchase plan. It would not be possible to use this authorization during a take-over bid.

Agreements referred to in article L.225-38 of the French Commercial Code

Another resolution is proposed for your approval of the report of the Statutory Auditors, which will be read to you, with respect to agreements falling within the scope of article L.225-38 of the French Commercial Code. Most of these agreements are connected to the transfers of shareholding interests to CGGVeritas Services Holding BV and the related guaranties and securities that had to be granted to the Group's lenders in this respect.

Protection letters of Messrs. Brunck et Le Roux

Pursuant to Article L.225-42-1 of the Commercial Code, we request you to approve the amendments to the employment contract of Messrs. BRUNCK and LE ROUX, respectively.

Pursuant to the provisions of the aforementioned article, this amendment was approved by the board of directors on February 25, 2009 in accordance with the procedure applicable to the related-party agreements and provided for by Article L.225-38 *et seq.* of the Commercial Code.

The purpose of these new amendments is to comply with the recommendations on compensation of executive officers of listed companies issued by the AFEP-MEDEF on October 6, 2008 and incorporated in the consolidated into the AFEP-MEDEF corporate governance code of December 2008.

Delegation of competence to the Board of Directors to increase the capital

At the Combined Ordinary and Extraordinary General Meeting of Shareholders held on April 29, 2008 the Board of Directors was granted full powers to issue shares, other securities or warrants giving immediate or deferred access to a share of the capital, with preferential subscription rights, with the proviso that the maximum nominal amount of capital increases likely to ensue from these two authorizations may not exceed € 54 million and the maximum nominal amount of the securities representing debt securities that may be issued was set at € 600 million.

The delegation of authority to increase the share capital through the issue of shares, or any other securities giving access to the share capital, with preferential subscription rights in favor of holders of existing shares was used by the Board of Directors on November 9, 2008 for the acquisition of the Norwegian company Wavefiel-Inseis ASA (see §8 of the present management report).

In order to enable your Company to turn to the financial markets whenever necessary to support its future expansion and/or external growth opportunities, we propose to reiterate this delegation of competence to the Board of Directors for a twenty-six month period from the date of the present Meeting, with the authority to delegate such competence to the Chief Executive Officer, to issue, on one or several occasions, in France and abroad, shares, other securities giving access, immediately or in the future, to a portion of our share capital, being specified that the securities so created may take the form of subordinated securities with a determined duration or not, or the simultaneous implementation of both processes.

These issues may be carried out with preferential subscription rights (11th resolution) or without preferential subscription rights (12th resolution).

The waiver of the preferential subscription right is requested in order to allow a wider offering and to increase the success potential thereof. **Attention of the shareholders is drawn to the fact that the potential drawbacks which would arise from a share capital increase without preferential right are set off by the possibility for the Board of Directors to grant the shareholders a priority subscription period.**

Finally, the issue price of shares so issued shall equal at least the weighted average share market price over the three last trading days preceding its determination, with a possible maximum 5% reduction (Article L. 225-136 al. 1 and article R. 225-119 of the Commercial Code) ; the issue price of the other securities giving access to the capital will be such that the sum received immediately by the Company, increased, if applicable, by the sum it is likely to receive subsequently, will, for each equity security issued, be at least equal to the issue price defined above.

The maximum nominal amount of capital increase likely to be implemented with preferential subscription rights would be set at €30 million.

The maximum nominal amount of capital increase likely to be implemented without subscription rights, may not exceed € 9 million such amount being allocated to the limit of € 30 million applicable to capital increases with preferential subscription rights.

Besides, the maximum nominal amount of debt securities, giving access, immediately or in the future, to a portion of our share capital, that may be issued, may not exceed € 600 million or its equivalent in any other currency or monetary unit established by reference to several currencies as determined the 11th resolution and € 80 million as determined in the 12th resolution.

Because the definitive terms applicable to these issues cannot be set until the last moment, since they depend, inter alia, on the situation of the financial market and the level of the share price, we request that you give the Board the widest powers necessary to determine the financial conditions of these operations, within the limits indicated above.

The delegation authorizing the Board of Directors to increase the share capital with preferential subscription rights cancels, for the remainder of their period of validity, and replaces the previous authorization given to the Board of Directors by the General Meeting held on May 10, 2007. It would not be possible to use both authorizations during a take-over bid.

Determination of the issue price by the Board of Directors in case of increase in capital without preferential right, within an annual limit of 10% of the share capital (13th resolution)

We request you to authorize the Board to determine the issue price in accordance with the conditions set forth hereunder, within an annual limit of 10% of the share capital of the company at the time of the considered increase. Such price shall be determined on the basis of the weighted average closing market price of the share on Euronext Paris SA during the last twenty trading days preceding the date of determination of the price.

The amount of such capital increase shall be included into the maximum amount set forth by the 12th resolution and the maximum aggregate amount set forth by the 11th resolution.

This authorization would cancel, for the remainder of its period of validity, and replace the authorization given by the General Meeting held on April 29, 2008 in the thirteenth resolution.

Authorization to increase the number of shares issued pursuant to the 11th and 12th resolutions (14th resolution)

In accordance with the provisions of Article L. 225-135-1 and article R. 225-118 of the Commercial Code, we request your approval, for each issue carried out pursuant to the 11th and 12th resolutions, to authorize the Board of Directors to increase the number of shares provided for in the initial issue within 30 days as from the end of the subscription period, within a limit of 15% of the initial issue and at the same issue price.

This authorization would cancel, for the remainder of its period of validity, and replace the authorization given by the General Meeting held on April 29, 2008 in the fourteenth resolution. It would not be possible to use this authorization during a take-over bid.

Delegation to the Board of directors in order to increase the share capital by incorporation of reserves, profits or premiums (15th resolution)

Pursuant to article L.225-130 of the Commercial Code, we request you to authorize the Board of Directors to increase the share capital by incorporation of reserves, profits or premiums. The amount of such increase in capital shall not exceed € 10 million. Such cap shall be included into the aggregate cap of €30 million set out in the 11th resolution. This delegation shall have a twenty-six month period.

This authorization would cancel, for the remainder of its period of validity, and replace the authorization given by the General Meeting held on April 29, 2008 in the fifteenth resolution. It would not be possible to use this authorization during a take-over bid.

Authorization to increase the capital up to 10% in order to compensate for contributions in kind (16th resolution)

We submit for your approval the authorization given to the Board of Directors to proceed on one or several occasions with capital increases in consideration for contributions in kind made to the company and consisting of equity securities or securities giving access to the capital. The aggregate nominal amount of ordinary shares likely to be issued in compliance with the delegation may not exceed 10% of the share capital and shall be included into the aggregate cap of €9 million provided for by the 12th resolution. This authorization would have a twenty-six month duration.

This authorization would cancel, for the remainder of its period of validity, and replace the authorization given by the General Meeting held on April 29, 2008 in the sixteenth resolution. It would not be possible to use this authorization during a take-over bid.

Renewal of the authorization to increase the capital, reserving subscription to members of employee savings plans (17th resolution)

In accordance with the provisions of Article 225-129-2 and seq. and L.225-138-1 of the Commercial Code and in order to favor the access of all Group personnel to a reasonable proportion of the capital and thus associate them to a greater extent in the Group's expansion and performance, we submit for your approval the renewal of a resolution giving full powers to the Board of Directors, with the authority to delegate such powers to the Chief Executive Officer, to proceed, on one or several occasions with capital increases to which the subscription will be reserved to employees of the Company and those of its subsidiaries which are members of an employee savings plan.

The nominal amount of capital increases ensuing from this authorization, by issue of shares or other securities giving access to capital of the Company, may not exceed € 2.5 million, not considering adjustments likely to be required by law, i.e. approximately 4% of the present share capital, such limit being allocated to the aggregate limit of € 30 million provided for in the 11th resolution. This authorization entails a waiver on the part of the shareholders of their preferential subscription rights in favor of members of an employee savings plan. We also request you to give full powers to the Board, with the authority to delegate such powers to the Chief Executive Officer to, inter alia, determine the conditions of the operation and define the subscription periods, determine the subscription price[4], of the shares or of the other securities giving access to the capital of the Company, in accordance with applicable legal provisions the terms of payment of the subscription price and, if applicable, the conditions of a Company contribution to the plan. Under this resolution the Board shall have to deliberate on the opportunity to perform a capital increase reserved to employees when the Board decides to increase the capital under the general authorizations granted by this shareholders' meeting.

This authorization would have a twenty-six month duration and would cancel, for the remainder of its period of validity, and replace the previous authorization granted by the General Meeting of Shareholders held on April 29, 2008 in the seventeenth resolution. It would not be possible to use this authorization during a take-over bid.

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[4] At the date of the present report and in accordance with Article L. 3332-19 of the Labor Code, the subscription price shall not be less than the average of the market prices during the twenty trading days preceding the day on which the opening date of subscription was fixed. In addition, the subscription price shall not represent less than 20% of this average, or 30% when the freeze period provided for in the plan regulations in compliance with Article L. 3332-21 is over or equal to ten years.

Authorization and delegation of powers to decrease the capital by cancellation of the shares purchased by virtue of the authorization given to the Company to repurchase its own shares (18th resolution)

We submit for your approval the authorization given to the Board of Directors, to decrease the capital, on one or several occasions, within the proportions and at the time the Board will deem appropriate, by canceling any amount of treasury shares within the limits authorized by law, in accordance with the provisions of Articles L. 225-209 and seq. of the Commercial Code.

The maximum number of shares that can be cancelled, during a twenty-four month period, may not exceed 10% of the shares that constitute the share capital. Such a limit applies to a portion of the capital that will be adjusted to take into account operations affecting the capital subsequently to the present general meeting.

Such authorization would have a twenty-six-month duration.

This authorization would cancel, for the remainder of its period of validity, and replace the authorization given by the General Meeting held on April 29, 2008 in the twentieth resolution.

Delegation of competence in order to issue securities giving right to the allocation of debt securities (19th resolution)

We submit for your approval the delegation of competence to the Board of Directors to decide the issue of securities giving right to debt securities, inter alia, bonds with warrants giving right to subscribe to bonds or warrants giving right to subscribe to bonds. The amount of debt securities likely to be issued in the scope of this delegation shall not exceed €600 million or its equivalent in foreign currencies or unit of account, such amount being allocated to the level of € 600 million relating to debt securities provided for in the eleventh resolution.

This authorization would cancel, for the remainder of its period of validity, and replace the authorization given by the General Meeting held on April 29, 2008 in the twenty-second resolution. It would not be possible to use this authorization during a take-over bid.

After hearing the reports of the Statutory Auditors, we will submit for your approval the resolutions, which will be read to you.

The Board of Directors

<u>Annex A</u>

SUMMARY OF THE DELEGATIONS TO INCREASE THE SHARE CAPITAL GRANTED TO THE BOARD OF DIRECTORS BY THE GENERAL MEETING CURRENTLY IN FORCE DURING FISCAL YEAR 2008

Share capital increases

<table>
<tr><th>Authorization</th><th>Date of the General Meeting</th><th>Duration</th><th>Maximum authorized amount</th><th>Use of the authorization as of December 31, 2008</th></tr>
<tr><td rowspan="2">Delegation of authority to the Board of Directors to increase the share capital through the issue of shares, or any other securities giving access to the share capital, with preferential subscription rights in favor of holders of existing shares</td><td>May 10, 2007</td><td>26 months from May 10, 2007</td><td>€ 54 million</td><td>None</td></tr>
<tr><td>April 29, 2008 (11th resolution)</td><td>26 months from April 29, 2008</td><td>€ 54 million (1)</td><td>None</td></tr>
<tr><td>Delegation of authority to the Board of Directors to increase the share capital through the issue of shares, or any other securities giving access to the share capital, without preferential subscription rights in favor of holders of existing shares</td><td>April 29, 2008 (12th resolution)</td><td>26 months from April 29, 2008</td><td>€ 8 million(2)</td><td>Share capital increase of € 5,170,299 decided on December 17, 2008</td></tr>
<tr><td>Authorization to increase the number of shares issued pursuant to the 11th and 12th resolutions</td><td>April 29, 2008</td><td>26 months from April 29, 2008</td><td>15% of the initial issue</td><td>None</td></tr>
<tr><td rowspan="2">Delegation of authority to the Board of directors in order to increase the share capital by incorporation of reserves, profits or premiums</td><td>May 10, 2007</td><td>26 months from May 10, 2007</td><td>€ 10 million</td><td>None</td></tr>
<tr><td>April 29, 2008</td><td>26 months from April 29, 2008</td><td>€ 10 million(3)</td><td>None</td></tr>
</table>

Authorization	Date of the General Meeting	Duration	Maximum authorized amount	Use of the authorization as of December 31, 2008
Authorization given to the Board of Directors to increase the capital up to 10% in order to compensate for contributions in kind	May 10, 2007	26 months from May 10, 2007	10% of the existing share capital as of the date of the Board of Directors' resolution	None
	April 29, 2008	26 months from April 29, 2008	10% of the existing share capital as of the date of the Board of Directors' resolution	None
Delegation of authority to the Board of directors to issue securities giving right to debt securities	May 10, 2007	26 months from May 10, 2007	€ 400 million	None
	April 29, 2008	26 months from April 29, 2008	€ 600 million	None
Authorization to increase the capital, reserving the subscription of the shares to be issued to members of a Company Savings Plan ("Plan d'Epargne Entreprise")	May 10, 2007	26 months from May 10, 2007	€ 2.5 million	None
	April 29, 2008	26 months from April 29, 2008	€ 2.5 million (4)	None

(1) Aggregate ceiling for share capital increases, any operation considered
(2) Within the limit of the aggregate ceiling of € 54 million
(3) Within the limit of the aggregate ceiling of € 54 million
(4) Within the limit of the aggregate ceiling of € 54 million

Stock-options and performance shares

Authorizaton	Date of the General Meeting	Duration	Maximum authorized amount	Use of the authorization as of December 31, 2008
Authorization to grant stock options to employees and executive officers of the group	May 10, 2007	38 months from May 10, 2007	5% of the existing share capital as of the date of the Board of Directors' resolution. Without discount.	1,188,500(*) options granted on March 14, 2008
	April 29, 2008	38 months from April 29, 2008	5% of the existing share capital as of the date of the Board of Directors' resolution. Without discount.	None
Authorization to grant performance shares to employees and executive officers of the group	May 11, 2006	38 months from May 11, 2006	1% of the existing share capital as of the date of the Board of Directors' resolution	459, 250(*) performance shares granted on March 14, 2008
	April 29, 2008	38 months from April 29, 2008	1% of the existing share capital as of the date of the Board of Directors' resolution	None

(*) Number adjusted pursuant to the five-for-one stock split effective as of June 3, 2008.

Annex B

TRANSACTIONS CARRIED OUT ON THE COMPANY'S SHARES BY EXECUTIVES AND THEIR CLOSE RELATIVES IN 2008

Name	Type of transaction	Date	Unit price	Amount of the transaction
Robert Brunck Chairman and Chief Executive Officer	Subscription to shares Transfer of shares Subscription to shares Transfer of shares	April 11, 2008 April 11, 2008 June 4, 2008 June 4, 2008	€ 65.39 € 166.76 € 13.08 € 34.75	€ 428,369.89 € 1,092,444.76 € 327,000 € 868,750
Thierry Le Roux Group President, Chief Operating Officer	Subscription to shares	January 7, 2008	€ 131.26	€ 328,150
Stéphane-Paul Frydman Chief Financial Officer	Share purchase	November 21, 2008	€ 9.186	€ 68,895
Olivier Appert Director	Share purchase Share purchase	January 23, 2008 November 21, 2008	€ 148.15 € 9.58	€ 1,481.50 € 958
Jean Dunand Director	Share purchase	November 21, 2008	€ 9	€ 4,500
Robert Semmens Director	Share purchase	December 10, 2008	US$ 14,16	US$ 24,780