COMPAGNIE GENERALE DE GEOPHYSIQUE-VERITAS, S.A.

The consolidated financial statements were approved by the Board of Directors on February 25, 2009 and are subject to the approval of our General Shareholders Meeting expected to be held on April 29, 2009.

CONSOLIDATED BALANCE SHEETS

	Notes	December 31, 2008	2007	2006
		(amounts in millions of euros)		
ASSETS				
Cash and cash equivalents	28	516.9	254.3	251.8
Trade accounts and notes receivable, net	3	712.3	601.9	301.1
Inventories and work-in-progress, net	4	287.9	240.2	188.7
Income tax assets		102.2	34.6	18.0
Other current assets, net	5	101.5	89.6	63.1
Assets held for sale, net	9	7.6	—	0.4
Total current assets		**1,728.4**	**1,220.6**	**823.1**
Deferred tax assets	24	109.2	81.4	43.4
Investments and other financial assets, net	7	26.2	32.0	19.2
Investments in companies under equity method	8	72.9	44.5	46.2
Property, plant and equipment, net	9	822.4	660.0	455.2
Intangible assets, net	10	820.0	680.5	127.6
Goodwill, net	11	2,055.1	1,928.0	267.4
Total non-current assets		**3,905.8**	**3,426.4**	**959.0**
TOTAL ASSETS		**5,634.2**	**4,647.0**	**1,782.1**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Bank overdrafts	13	8.2	17.5	6.5
Current portion of financial debt	13	241.5	44.7	38.1
Trade accounts and notes payables		286.2	256.4	161.2
Accrued payroll costs		144.3	113.2	74.4
Income taxes payable		85.5	59.1	37.7
Advance billings to customers		43.5	51.9	45.9
Provisions — current portion	16	20.7	9.6	10.4
Other current liabilities	12	173.3	109.0	31.3
Total current liabilities		**1,003.2**	**661.4**	**405.5**
Deferred tax liabilities	24	223.8	157.7	66.5
Provisions — non-current portion	16	82.4	76.5	25.5
Financial debt	13	1,296.3	1,298.8	361.0
Other non-current liabilities	17	29.9	27.0	23.7
Total non-current liabilities		**1,632.4**	**1,560.0**	**476.7**
Common stock: 276,413,038 shares authorized and 150,617,709 shares with a €0.40 nominal value issued and outstanding at December 31, 2008; 137,253,790 at December 31, 2007; 87,989,440 at December 31, 2006 (1)	15	60.2	54.9	35.2
Additional paid-in capital		1,964.7	1,820.0	394.9
Retained earnings		799.4	538.6	320.6
Treasury shares		(18.1)	(3.9)	3.0
Net income (loss) for the period — Attributable to the Group		332.8	245.5	157.1
Income and expense recognized directly in equity		(2.5)	(5.1)	4.8
Cumulative translation adjustment		(176.4)	(248.4)	(38.6)
Total shareholders' equity		**2,960.1**	**2,401.6**	**877.0**
Minority interests		38.5	24.0	22.9
Total shareholders' equity and minority interests		**2,998.6**	**2,425.6**	**899.9**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**5,634.2**	**4,647.0**	**1,782.1**

(1) Number of shares at December 31, 2007 and at December 31, 2006 has been restated to reflect the five-for-one stock split on June 3, 2008.

The accompanying notes are an integral part of the consolidated financial statements

COMPAGNIE GENERALE DE GEOPHYSIQUE-VERITAS, S.A.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Notes	December 31, 2008	2007	2006
		(in millions of euros, except per share data)		
Operating revenues	19	2,602.5	2,374.1	1,329.6
Other income from ordinary activities	19	1.7	1.2	1.8
Total income from ordinary activities		**2,604.2**	**2,375.3**	**1,331.4**
Cost of operations		(1,722.5)	(1,622.3)	(890.0)
Gross profit		**881.7**	**753.0**	**441.4**
Research and development expenses — net	20	(43.8)	(51.3)	(37.7)
Selling, general and administrative expenses		(256.1)	(231.0)	(126.4)
Other revenues (expenses) — net	21	(36.4)	18.4	11.7
Operating income before reduction of goodwill	19	**545.4**	**489.1**	**289.0**
Reduction of goodwill	11	(4.8)	-	-
Operating income	**19**	**540.6**	**489.1**	**289.0**
Expenses related to financial debt		(93.0)	(121.7)	(31.8)
Income provided by cash and cash equivalents		9.2	12.6	6.4
Cost of financial debt, net	**22**	**(83.8)**	**(109.1)**	**(25.4)**
Derivative and other expenses on convertible bonds	23	—	—	(23.0)
Other financial income (loss)	23	(11.5)	(5.2)	(8.8)
Income (loss) of consolidated companies before income taxes		**445.3**	**374.8**	**231.8**
Income taxes	24	(108.3)	(129.4)	(83.2)
Net income (loss) from consolidated companies		**337.0**	**245.4**	**148.6**
Equity in income of affiliates		3.0	4.2	10.1
Net income (loss)		**340.0**	**249.6**	**158.7**
Attributable to:				
Shareholders		332.8	245.5	157.1
Minority interests		7.2	4.1	1.6
Weighted average number of shares outstanding	29	137,910,388	134,567,140	86,859,635
Dilutive potential shares from stock-options	29	579,432	992,915	1,547,920
Dilutive potential shares from performance share plan	29	575,063	518,940	249,375
Dilutive weighted average number of shares outstanding adjusted when dilutive		139,064,883	136,078,995	88,656,930
Net income (loss) per share				
— Basic		2.41	1.82	1.81
— Diluted		2.39	1.80	1.77

The accompanying notes are an integral part of the consolidated financial statements

COMPAGNIE GENERALE DE GEOPHYSIQUE-VERITAS, S.A.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	2008	Year 2007	2006
			(in millions of euros)	
OPERATING				
Net income (loss)		340.0	249.6	158.7
Depreciation and amortization		233.5	179.1	106.0
Multi-client surveys amortization	10	260.8	308.5	80.6
Variance on provisions		2.8	2.0	4.6
Stock based compensation expenses		23.8	20.6	7.4
Net gain (loss) on disposal of fixed assets		2.0	(0.3)	(5.3)
Share in profits of affiliates		(3.0)	(4.2)	(10.1)
Dividends received from affiliates		1.4	5.3	4.3
Other non-cash items	28	4.4	(9.2)	31.5
Net cash including net cost of financial debt and income tax		**865.7**	**751.4**	**377.7**
Less net cost of financial debt		83.8	109.1	25.4
Less income tax expense		108.3	129.4	83.2
Net cash excluding net cost of financial debt and income tax		**1,057.8**	**989.9**	**486.3**
Income tax paid		(137.5)	(144.1)	(80.4)
Net cash before changes in working capital		**920.3**	**845.8**	**405.9**
— change in trade accounts and notes receivables		(39.7)	(133.0)	(18.8)
— change in inventories and work-in-progress		(26.6)	(41.4)	(40.0)
— change in other current assets		9.7	(12.8)	(5.8)
— change in trade accounts and notes payable		(17.5)	(13.3)	5.0
— change in other current liabilities		30.8	22.5	20.1
Impact of changes in exchange rate on financial items		8.6	(20.5)	(19.0)
Net cash provided by operating activities		**885.6**	**647.3**	**347.4**
INVESTING				
Total capital expenditures (including variation of fixed assets suppliers, excluding multi-client surveys)	9 &10	(155.4)	(230.5)	(149.2)
Investments in multi-client surveys	10	(343.4)	(371.4)	(61.5)
Proceeds from disposals of tangible & intangible assets		1.5	27.4	6.1
Total net proceeds from financial assets	28	8.8	2.8	16.8
Acquisition of investments, net of cash & cash equivalents acquired	28	(6.0)	(1,019.1)	(48.3)
Variation in loans granted		(7.6)	(0.2)	(0.2)
Variation in subsidies for capital expenditures		(0.1)	(0.1)	(0.2)
Variation in other non-current financial assets	28	(1.3)	18.0	(6.9)
Net cash from investing activities		**(503.5)**	**(1,573.1)**	**(243.4)**
FINANCING				
Repayment of long-term debt		(64.7)	(622.8)	(131.9)
Total issuance of long-term debt		39.2	1,698.3	208.3
Lease repayments		(7.2)	(10.0)	(19.6)
Change in short-term loans		(9.7)	12.0	(2.4)
Financial expenses paid	28	(82.9)	(123.5)	(23.8)
Net proceeds from capital increase:				
— from shareholders		1.9	9.1	12.4
— from minority interest of integrated companies		—	—	—
Dividends paid and share capital reimbursements:				
— to shareholders		—	—	—
— to minority interest of integrated companies		(1.4)	(6.0)	(0.3)
Acquisition/disposal from treasury shares		(14.1)	(6.9)	4.1
Net cash provided by financing activities		**(138.9)**	**950.2**	**46.8**
Effect of exchange rates on cash		19.4	(21.9)	(11.4)
Net increase (decrease) in cash and cash equivalents		**262.6**	**2.5**	**139.4**
Cash and cash equivalents at beginning of year	28	254.3	251.8	112.4
Cash and cash equivalents at end of period	**28**	**516.9**	**254.3**	**251.8**

The accompanying notes are an integral part of the consolidated financial statements

Consolidated Statements of income and expenses attributable to shareholders

	December 31,		
	2008	2007	2006
	(amounts in million of euros)		
Net income (loss) attributable to the Group	332.8	245.5	157.1
— Change in actuarial gains and losses on pension plan	0.6	(3.8)	(1.0)
— Change in fair value of available-for-sale investments (a)	6.9	(6.9)	—
— Change in fair value of hedging instruments	(4.3)	(3.0)	6.2
— Change in foreign currency translation adjustment	72.1	(209.8)	(49.9)
Income recognized directly in equity for the period	**408.1**	**22.0**	**112.4**

(a) The change in fair value of available-for-sale investments corresponds to our investment in Offshore Hydrocarbon Mapping that was impaired in 2008 (See note 7).

Consolidated Statements of income and expenses attributable to minority interests

	December 31,		
	2008	2007	2006
	(amounts in million of euros)		
Net income (loss) attributable to minority interests	7.2	4.1	1.6
— Change in foreign currency translation adjustment	3.5	(2.5)	(1.6)
Income recognized directly in equity for the period	**10.7**	**1.6**	—

See notes to consolidated financial statements

COMPAGNIE GENERALE DE GEOPHYSIQUE-VERITAS, S.A.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Compagnie Générale de Géophysique Veritas, S.A. ("the Company") and its subsidiaries (together, the "Group") is a global participant in the geophysical services industry, providing a wide range of seismic data acquisition, processing and interpretation services as well as related processing and interpretation software to clients in the oil and gas exploration and production business. It is also a global manufacturer of geophysical equipment.

Given that the Company is listed on a European Stock Exchange and pursuant to European regulation n™1606/ 2002 dated July 19, 2002, the accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and its interpretations as issued by the International Accounting Standards Board (IASB). These consolidated financial statements are also in accordance with IFRS adopted by the European Union at December 31, 2008.

According to the general conditions of the standard IFRS 1, regarding the first adoption of IFRS, the Group elected the following options:

— Business combinations (IFRS 3): the Company elected not to restate business combinations consummated prior to January 1, 2004;

— Fair value used as assumed cost (IAS 16): the Company did not elect to assess its property, plant and equipment at fair value. Property, plant and equipment are recognized at amortized historical cost;

— Actuarial gains (losses) on pension plans (IAS 19): the Company elected to recognize actuarial gains (losses) on pension plans previously unrecognized at January 1, 2004, in retained earnings;

— Currency translation adjustments (IAS 21): the Company elected to recognize currency translation adjustments at January 1, 2004 through retained earnings.

Moreover, the Company elected for the early adoption from January 1, 2004 of the following standards:

— Financial instruments: the Company early adopted the standards IAS 32 and IAS 39 from January 1, 2004;

— Actuarial gains (losses) on pension plans (IAS 19): the Company elected to recognize actuarial gains (losses) on pension plans directly in retained earnings.

The preparation of financial statements in accordance with IFRS requires management to make estimates, assumptions and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from those estimates due to the change in economic conditions, changes in laws and regulations, changes in strategy and the inherent imprecision associated with the use of estimates.

Use of estimates

Significant estimates in preparing financial statements that could have a material impact on the carrying values of assets and liabilities are:

- Amortization of multi-client data library,
- Depreciation and, if applicable, impairment of tangible and intangible assets, including goowill,
- Development costs,
- Valuation of investments,
- Recoverability of goodwill and intangible assets,
- Income taxes, and
- Employee benefit plans.

Judgments

The major accounting matters that are subject to management judgments, which have a material effect on the carrying amounts of assets and liabilities recognized in the consolidated financial statements, relate to:

- Collectibility of accounts receivable,
- Recoverability of deferred tax assets,

— Fair value of assets and liabilities as part of the different purchase price allocations,
— Provision for contingencies, claims and litigations.

Critical Accounting Policies

Our significant accounting policies, which we have applied consistently, are fully described below. However, certain of our accounting policies are particularly important to reflect our financial position and results of operations. As we must exercise significant judgment when we apply these policies, their application is subject to an inherent degree of uncertainty.

The following Standards, Amendments and Interpretations have been effective since January 1, 2008:

- IFRIC 11 – IFRS 2 - Group and Treasury Share Transactions
- Amendments to IAS 39 and IFRS 7 – Reclassification of financial assets

These Standards, Amendments and Interpretations have had no significant impact on our consolidated financial statements at December 31, 2008.

The applied accounting treatment do not differ from IFRS and its interpretations as issued by the IASB nor from IFRS as adopted by the European Union at December 31, 2008 as the application of the following standards, compulsory f or financial years starting as of January 1, 2008 but not yet adopted by the European Union would have no significant impact on our consolidated financial statements:

- IFRIC 12 – Service Concession Arrangements
- IFIC 14 – IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – endorsed by the European Union in December 2008 but compulsory for financial years starting as of December 31, 2008

Concerning Standards, Amendments and Interpretations that were adopted by the European Union and are optional at December 31, 2008, CGGVeritas decided not to anticipate them:

- Amendments to IAS 1 – Presentation of financial statements (revised)
- Amendments to IAS 23 – Borrowing costs
- IFRS 8 – Operating segments
- IFRIC 13 – Customer loyalty programs
- Amendments to IFRS 2 – Share based payments – Vesting conditions and cancellations
- IFRIC 14 – IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

Furthermore, CGGVeritas does not apply the following Standards, Amendments and interpretations published by the IASB but not yet adopted in the European Union at December 31, 2008:

- IFRS 3 (revised) – Business combinations
- Amendments to IAS 27 - Consolidated and separate financial statements
- Amendments to IAS 39 - Financial Instruments - Recognition and Measurement - Eligible Hedged Items
- IFRIC 15 - Agreements for the Construction of Real Estate
- IFRIC 16 - Hedges of a Net Investment in a Foreign Operation
- IFRIC 17 - Distributions of Non-cash Assets to Owners
- Amendments to IAS 32 and IAS 1 - Puttable Financial Instruments and Obligations Arising on Liquidation
- Improvements to IFRS (and specifically amendment to IAS 38 – Intangible assets - Advertising and promotional activities).

We are currently reviewing them to measure the potential impact on our consolidated financial statements. At this stage, we do not anticipate any significant impact.

1 — Basis of consolidation

Our consolidated financial statements include CGGVeritas and all majority-owned subsidiaries.

We use the equity method for investments in which our ownership interest ranges from 20% to 50% and we exercise significant influence over operating and financial policies. We may account for certain investments where the Group's ownership is below 20% using the equity method when we exercise significant influence (Board membership or equivalent) over the business.

All inter-company transactions and accounts are eliminated in consolidation.

Our consolidated financial statements are reported in euros.

2 — Foreign currency

The financial statements of all of our French subsidiaries are maintained in euro, with the exception of the financial statements of certain subsidiaries for which the functional currency is the U.S. dollar, the currency in which they primarily conduct their business.

The financial statements of all of our foreign subsidiaries are maintained in the local currency, which is the functional currency, with the exception of the financial statements of historical subsidiaries of CGG operating in Norway (including notably some subsidiaries of Exploration Resources), in Malaysia, Venezuela and historical subsidiaries of Veritas (excluding Canada). In those subsidiaries, the functional currency is the U.S. dollar, the currency in which they primarily conduct their business. Goodwill attributable to foreign subsidiaries is accounted for in the functional currency of the applicable entities.

When translating the foreign currency financial statements of foreign subsidiaries to euro, year-end exchange rates are applied to balance sheet items, while average annual exchange rates are applied to income statement items. Adjustments resulting from this process are recorded in a separate component of shareholders' equity. With respect to foreign affiliates accounted for using the equity method, the effects of exchange rates changes on the net assets of the affiliate are recorded in a separate component of shareholders' equity.

Transactions denominated in currencies other than the functional currency of a given entity are recorded at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies other than the functional currency are revalued at year-end exchange rates and any resulting unrealized exchange gains and losses are included in income.

3 — Business combinations

Business combinations after January 1, 2004 are accounted for in accordance with IFRS 3. Assets and liabilities acquired under a business combination are recognized at their fair values at the date of acquisition. The remaining difference between the fair value of assets and liabilities acquired and the consideration tendered in an acquisition is recorded as goodwill and allocated to the cash generating units.

4 — Operating revenues

Operating revenues are recognized when they can be measured reliably, and when it is likely that the economic benefits associated with the transaction will flow to the entity, which is at the point that such revenues have been realized or are considered realizable. For contracts where the percentage of completion method of accounting is being applied, revenues are only recognized when the costs incurred for the transaction and the cost to complete the transaction can be measured reliably and such revenues are considered earned and realizable.

- *Multi-client surveys*

Multi-client surveys consist of seismic surveys to be licensed to customers on a non-exclusive basis. All costs directly incurred in acquiring, processing and otherwise completing seismic surveys are capitalized into the multi-client surveys. The value of our multi-client library is stated on our balance sheet at the aggregate of those costs less accumulated amortization or at fair value if lower. We review the library for potential impairment of our independent surveys on an ongoing basis.

Revenues related to multi-client surveys result from (i) pre-commitments and (ii) licenses after completion of the surveys ("after-sales").

Pre-commitments — Generally, we obtain commitments from a limited number of customers before a seismic project is completed. These pre-commitments cover part or all of the survey area blocks. In return for the commitment, the customer typically gains the right to direct or influence the project specifications, advance access to data as it is being acquired, and favorable pricing. The

Company records payments that it receives during periods of mobilization as advance billing in the balance sheet in the line item "Advance billings to customers".

The Company recognizes pre-commitments as revenue when production is begun based on the physical progress of the project.

After sales — Generally, we grant a license entitling non-exclusive access to a complete and ready for use, specifically defined portion of our multi-client data library in exchange for a fixed and determinable payment. We recognize after sales revenue upon the client executing a valid license agreement and having been granted access to the data. Within thirty days of execution and access, the client may exercise our warranty that the medium on which the data is transmitted (a magnetic cartridge) is free from technical defects. If the warranty is exercised, the Company will provide the same data on a new magnetic cartridge. The cost of providing new magnetic cartridges is negligible.

After sales volume agreements — We enter into a customer arrangement in which we agree to grant licenses to the customer for access to a specified number of blocks of the multi-client library. These arrangements typically enable the customer to select and access the specific blocks for a limited period of time. We recognize revenue when the blocks are selected and the client has been granted access to the data and if the corresponding revenue can be reliably estimated. Within thirty days of execution and access, the client may exercise our warranty that the medium on which the data is transmitted (a magnetic cartridge) is free from technical defects. If the warranty is exercised, the Company will provide the same data on a new magnetic cartridge. The cost of providing new magnetic cartridges is negligible.

- *Exclusive surveys*

In exclusive surveys, we perform seismic services (acquisition and processing) for a specific customer. We recognize proprietary/contract revenues as the services are rendered. We evaluate the progress to date, in a manner generally consistent with the physical progress of the project, and recognize revenues based on the ratio of the project cost incurred during that period to the total estimated project cost. We believe this ratio to be generally consistent with the physical progress of the project.

The billings and the costs related to the transit of seismic vessels at the beginning of the survey are deferred and recognized over the duration of the contract by reference to the technical stage of completion.

In some exclusive survey contracts and a limited number of multi-client survey contracts, the Company is required to meet certain milestones. The Company defers recognition of revenue on such contracts until all milestones that provide the customer a right of cancellation or refund of amounts paid have been met.

- *Other geophysical services*

Revenues from our other geophysical services are recognized as the services are performed and, when related to long-term contracts, using the proportional performance method of recognizing revenues.

- *Equipment sales*

We recognize revenues on equipment sales upon delivery to the customer. Any advance billings to customers are recorded in current liabilities.

- *Software and hardware sales*

We recognize revenues from the sale of software and hardware products following acceptance of the product by the customer at which time we have no further significant vendor obligations remaining. Any advance billings to customers are recorded in current liabilities.

If an arrangement to deliver software, either alone or together with other products or services, requires significant production, modification, or customization of software, the entire arrangement is accounted for as a production-type contract, i.e. using the percentage of completion method.

If the software arrangement provides for multiple deliverables (e.g. upgrades or enhancements, post-contract customer support such as maintenance, or services), the revenue is allocated to the various elements based on specific objective evidence of fair value,

regardless of any separate allocations stated within the contract for each element. Each element is appropriately accounted for under the applicable accounting standard.

Maintenance revenues consist primarily of post contract customer support agreements and are recorded as advance billings to customers and recognized as revenue on a straight-line basis over the contract period.

5 — Cost of net financial debt

Cost of financial debt is expensed in the income statement on the period in which it is borne, regardless of the use of funds borrowed.

Cost of net financial debt includes expenses related to financial debt, composed of bonds, the debt component of convertible bonds, bank loans, capital-lease obligations and other financial borrowings, net of income provided by cash and cash equivalents.

6 — Income taxes and deferred taxes

Income taxes includes all tax based on taxable profit.

Deferred taxes are recognized on all temporary differences between the carrying value and the tax value of assets and liabilities, as well as on carry-forward losses, using the liability method. Deferred tax assets are recognized only when its recovery is probable.

Deferred tax liabilities are recognized on intangibles assets valued in purchase accounting of business combinations (technological assets, customer relationships).

Deferred tax assets and deferred tax liabilities are not discounted.

7 — Intangible and tangible assets

In accordance with IAS 16 "Property, Plant and equipment" and IAS 38 "Intangible assets" only items for which cost can be reliably measured and for which the future economic benefits are likely to flow to us are recorded in our consolidated financial statements.

- *Property, plant and equipment*

Property, plant and equipment are valued at historical cost less accumulated depreciation and impairment losses. Depreciation is generally calculated over the following useful lives:

— equipments and tools	3 to 10 years
— vehicles	3 to 5 years
— seismic vessels	12 to 30 years
— buildings for industrial use	20 years
— buildings for administrative and commercial use	20 to 40 years

Depreciation expense is determined using the straight-line method.

We include residual value, if significant, when calculating the depreciable amount. We segregate tangible assets into their separate components if there is a significant difference in their expected useful lives, and depreciate them accordingly.

- *Lease agreements*

Assets under a capital lease agreement or a long-term lease agreement that transfers substantially all the risks and rewards incidental to ownership to the Group are accounted for as fixed assets at the commencement of the lease term, at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability and the finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining

balance of the liability. Assets under capital lease are depreciated over the shorter of its useful life and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Rent payments under operating leases are recognized as operating expenses over the lease term.

- *Goodwill*

Goodwill is determined according to IFRS 3 — Business Combinations. Upon transition to IFRS, goodwill is not amortized but subject to an annual impairment test.

- *Multi-client surveys*

Multi-client surveys consist of seismic surveys to be licensed to customers on a non-exclusive basis. All costs directly incurred in acquiring, processing and otherwise completing seismic surveys are capitalized into the multi-client surveys (including transit costs when applicable). The value of our multi-client library is stated on our balance sheet at the aggregate of those costs less accumulated amortization or at fair value if lower. We review the library for potential impairment of our independent surveys on an ongoing basis.

We amortize the multi-client surveys over the period during which the data is expected to be marketed using a pro-rata method based on recognized revenues as a percentage of total estimated sales.

In this respect, we use four amortization rates 50%, 75%, 80% or 83.3% of revenues depending on the category of the surveys. Multi-client surveys are classified into a same category when they are located in the same area with the same estimated sales ratio, such estimates generally relying on the historical patterns.

For all category of surveys and starting from data delivery, a minimum straight-line depreciation scheme is applied over a five-year period, if total accumulated depreciation from the applicable amortization rate is below this minimum level.

Multi-client surveys acquired as part of the business combination with Veritas and which have been valued for purchase price allocation purposes are amortized based on 65% of revenues and an impairment loss is recognized on a survey by survey basis in case of any indication of impairment.

Until December 1, 2006, an amortization rate of 66.6% of revenues with a minimum straight-line depreciation over a three-year period were used instead of 50% over a five-year period. The impact of this change of estimates applied from December 1, 2006 was a reduction in depreciation expenses of €1.2 million over the year ended December 31, 2006 and lower depreciation of €2.7 million over the year ended December 31, 2007.

From January 12, 2007 to October 1, 2007, we applied an amortization rate of 66.6% of revenues instead of 50% for a certain category of surveys. The impact of this change of estimates applied from October 1, 2007 is a reduction in depreciation expenses of €3.1 million for the year ended December 31, 2007.

- *Development costs*

Expenditures on research activities undertaken with the prospect of gaining new scientific or technological knowledge and understanding are recognized in the income statement as expenses as incurred and are presented as “Research and development expenses — net”.

Expenditures on development activities, whereby research finding are applied to a plan or design for the production of new or substantially improved products and processes, are capitalized if:

— the project is clearly defined, and costs are separately identified and reliably measured,

— the product or process is technically and commercially feasible,

— we have sufficient resources to complete development, and

— the intangible asset is likely to generate future economic benefits, either because it is useful to us or through an existing market for the intangible asset itself or for its products.

The expenditures capitalized include the cost of materials, direct labor and an appropriate proportion of overhead. Other development expenditures are recognized in the income statement as expenses as incurred and are presented as “Research and development expenses — net”.

Capitalized development expenditures are stated at cost less accumulated amortization and impairment losses.

We amortize capitalized developments costs over 5 years.

Research & development expenses in our income statement represent the net cost of development costs that are not capitalized, of research costs, offset by government grants acquired for research and development.

- *Impairment*

In accordance with IAS 36 “Impairment of assets”, the carrying amounts of our assets, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, we estimate the asset’s recoverable amount. Factors we consider important by that could trigger an impairment review include the following:

— significant underperformance relative to expected operating results based upon historical and/or projected data,

— significant changes in the manner of our use of the acquired assets or the strategy for our overall business, and

— significant negative industry or economic trends.

The recoverable amount of tangible and intangible assets is the greater of their net fair value less costs to sell and value in use.

Goodwill, assets that have an indefinite useful life and intangible assets are allocated to cash generating units, for which we estimate the recoverable amount at each balance sheet closing date.

We determine the recoverable amounts by estimating future cash flows expected from the assets or from the cash generating units, discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

We recognize an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Impairment losses are recognized in the income statement. Impairment losses recognized in respect of a group of non independent assets allocated to a cash-generating unit are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

- *Assets held for sale*

Assets classified as assets held for sale correspond to assets for which the net book value will be recovered by a sale rather than by its use in operations. Assets held for sale are valued at the lower of historical cost and net realizable value.

8 — Investments and other financial assets

Investments and other financial assets include investments in non-consolidated entities and loans and non-current receivables.

- *Investments in non-consolidated entities*

In accordance with IAS 39 "Financial instruments", we classify investments in non-consolidated companies as available-for-sale and therefore present them on the balance sheet at their fair value. The fair value for listed securities is their market price at the balance sheet date. If a reliable fair value cannot be established, securities are valued at historical cost. We account for changes fair value directly in shareholders' equity, except in case of impairment.

- *Loans and non-current receivables*

Loans and non-current receivables are accounted for at amortized cost.

- *Impairment*

We examine available-for-sale securities and other financial assets at each balance sheet date to detect any objective evidence of impairment. Where this is the case, we record an impairment loss.

Where there is objective evidence of impairment of a financial asset (for instance in case of significant and prolonged decline of the value of the asset) we record an irreversible impairment provision. This provision can only be released upon the sale of the relevant financial asset.

9 — Treasury shares

We value treasury shares at their cost, as a reduction of shareholders' equity. Proceeds from the sale of treasury shares are included in shareholders' equity and have no impact on the income statement.

10 — Inventories

We value inventories at the lower of cost (including direct production costs where applicable) and net realizable value.

We calculate the cost of inventories on a weighted average price basis for our Equipment segment and on a first-in first-out basis for our Services segment.

11 — Provisions

We record a provision when the Group has a present obligation (legal or constructive) as a result of a past event for which it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

- *Onerous contracts*

We record a provision for onerous contracts equal to the excess of the unavoidable costs of meeting the obligations under the contract over the economic benefits expected to be received under it, as estimated by the Group.

- *Pension, post-employment benefits and other post-employment benefits*

— Defined contribution plans

We record obligations for contributions to defined contribution pension plans as an expense in the income statement as incurred.

— Defined benefit plans

Our net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to

determine its present value, and the fair value of any plan assets is deducted. We perform the calculation by using the projected unit credit method.

When the benefits of a plan are increased, the portion of the increased benefit relating to past service by employees is recognized as an expense in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in the income statement.

We record actuarial gains and losses that arise subsequent to the adoption of IAS 19 on January 1, 2004 directly in equity.

12 — Financial debt

Financial debt is accounted for:

- As at the date of issuance, at the fair value of the consideration received, less issuance fees and/or issuance premium;
- subsequently, at amortized cost, corresponding to the fair value at which is initially recognized, less repayments at the nominal amount and increased or decreased for the amortization of all differences between this original fair value recognized and the amount at maturity; differences between the initial fair value recognized and the amount at maturity are amortized using the effective interest rate method.

- *Convertible bonds*

As the US$85 million 7.75% subordinated bonds due 2012 convertible into new ordinary shares or redeemable into new shares and/or existing shares and/or in cash issued in 2004 were denominated in U.S. dollars and convertible into new ordinary shares denominated in Euros, the embedded conversion option was bifurcated and accounted for separately within non-current liabilities. The conversion option and the debt component were initially recognized at fair value on issuance. The amount of the debt component recorded in our financial statements was discounted at the rate of 10.75%, the rate borne by comparable indebtedness without a conversion option. As a result, we bifurcated the embedded conversion option by €10.5 million at issuance as “Other non-current assets”. The discounting of the debt at issuance is accounted for as “Cost of financial debt” until the maturity of the convertible bonds. Those convertible bonds were fully converted at December 31, 2006.

Changes of the fair value of the embedded derivative were recognized in the consolidated income statement in the line item “Variance on derivative convertible bonds”. The fair value of the embedded derivative had been determined using a binomial model.

13 — Derivative financial instruments

We use derivative financial instruments to hedge our exposure to foreign exchange fluctuations (principally U.S. dollars) from operational, financing and investment activities. In accordance with our treasury policy, we do not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments in “Other financial income (loss)”.

Exchange gains or losses on foreign currency financial instruments that represent the efficient portion of an economic hedge of a net investment in a foreign subsidiary are reported as translation adjustments in shareholder’s equity under the line item “Cumulative translation adjustments”, the inefficient portion being recognized in the income statement. The cumulative value of foreign exchange gains and losses recognized directly in equity will be transferred to income statement when the net investment is sold or lost.

Derivative financial instruments are stated at fair value.

The gain or loss on reassessment to fair value is recognized immediately in the income statement. However, where derivatives qualify for hedge accounting, recognition of any resulting gain or loss is as follows (cash flow hedges), we account for changes in the fair value of the effective hedged amount in shareholder’s equity. The ineffective portion is recorded in “Other financial income (loss)”.

14 — Cash-flow statement

The cash flows of the period are presented in the cash flow statement within three activities: operating, investing and financing activities:

- *Operating activities*

Operating activities are the principal revenue-producing activities of the entity and other activities that are not investing or financing activities.

- *Investing activities*

Investing activities are the acquisition and disposal of long-term assets and other investments not included in cash equivalents. When a subsidiary is acquired, a separate item, corresponding to the consideration paid net of cash and cash equivalents held by the subsidiary at the date of acquisition, provides the cash impact of the acquisition.

- *Financing activities*

Financing activities are activities that result in changes in the size and composition of the contributed equity and borrowings of the entity. They include the cash impact of financial expenses.

- *Cash and cash equivalents*

Cash and cash equivalents are liquid investments that are readily convertible to known amounts of cash in less than three months.

15 — Stock-options

We include stock-options granted to employees in the financial statements using the following principles: the stock option's fair value is determined on the grant date and is recognized in personnel costs on a straight-line basis over the period between the grant date and the end of the vesting period. We calculate stock option fair value using the Black-Scholes model.

16 — Grants

Government grants, including non-monetary grants at fair value, are not recognized until there is reasonable assurance that the entity will comply with the conditions of the grant and that the grants will be received.

Government grants are recognized as income over the periods necessary to match them with the related costs which they are intended to compensate. They are presented as a reduction of the corresponding expenses in the item "Research and development expenses, net" in the income statement.

Refundable grants are presented in the balance sheet as "Other non-current liabilities".

17 — Earnings per share

Basic per share amounts are calculated by dividing net income for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net income attributable to ordinary equity holders of the Company (after deducting interest, amortization on deferred expenditures and variance on derivative related to convertible bonds) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of convertible bonds and the exercise of stock options.

NOTE 2 — ACQUISITIONS AND DIVESTITURES

— during 2008

- *Wavefield Inseis ASA*

On November 25, 2008, CGGVeritas SA launched a voluntary exchange tender offer to acquire 100% of the share capital of Wavefield-Inseis ASA ("Wavefield"). CGGVeritas 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 CGGVeritas no later than on settlement date of the offer). 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, CGGVeritas issued 12,925,743 new shares. The fair value of those issued shares amounted to €139.0 million.

On December 30, 2008, CGGVeritas 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.

The total consideration of the acquisition, including the 30% acquired in February 2009 after the Mandatory Public Offer that was considered as a put option granted to minority interest, and squeeze-out process, amounted to €206.6 million (US$287.6 million). The minority interests have been recognized as a financial debt at the fair value of the put option for an amount of €62 million.

Total direct transaction costs related to the acquisition (including advisory fees and legal fees) amounted to €5.5 million and were recognized as part of the cost of the acquisition.

Purchase price allocation

The purchase price has been preliminary allocated to the net assets acquired based upon their estimated fair values as follows:

	(in millions of euros)
Intangible assets, net	41.3
Multi-client seismic library, net	27.2
Fixed assets, net	180.0
Current assets /(liabilities), net	45.1
Financial debt	(92.6)
Cash & cash equivalents	25.8
Net book value of assets acquired	**226.8**
Fair Value Adjustments	
Technology (useful life of 10 years)	(3.6)
Customer contracts (maximum life of 2 years)	2.0
Multi-client seismic library	(12.9)
Unfavorable contracts (weighted average remaining life of 5.6 years)	(8.9)
Other financial & current assets	(9.4)
Contingent liabilities	(1.5)
Deferred taxes on fair value adjustments	5.5
Preliminary Goodwill	**8.6**
Purchase Price	**206.6**

The amount allocated to goodwill represents the excess of the purchase price over the fair value of the net assets acquired. This preliminary purchase price allocation is subject to modification during the next twelve months.

Multi-client data library

The fair value of the completed surveys was determined by projecting the expected future revenues net of selling costs over the estimated remaining life (5 years) of the surveys at the date of acquisition. The fair value is estimated at US$20.5 million.

Unfavorable contracts

The fair values of Wavefield's unfavorable contracts correspond to the difference in economic terms between Wavefield's existing vessel charters' conditions and their estimated market value at the date of the acquisition.

Expenses related to unfavorable contracts are expected to be a reduction of cost of US$2 million per year over the remaining life.

Other financial & current assets

The fair values of certain investments were determined by using comparable market data and certain current assets were discounted or written-down due to the uncertainty of their recoverability.

Contingent liabilities

Due to the acquisition and the change of control of Wavefield, contractual obligations related to the stock-option plans have been recognized for an amount of €1.5 million (US$2.1 million).

- *Quest Geo Solutions*

On December 12, 2008, Sercel acquired Quest Geo Solutions Ltd ("Quest"), a UK-based company, for a price of €5.1 million (GBP3 million, with an additional GBP1 million that 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.

The purchase price allocation resulted in a preliminary goodwill of €2.8 million.

- *Metrolog*

On May 26, 2008, Sercel acquired Metrolog, a privately held company, for €25.7 million paid in cash (including advisory and legal fees). Metrolog is a leading provider of high pressure, high temperature gauges and other downhole instruments to the oil and gas industry. The purchase price allocation resulted in a preliminary goodwill of €14.3 million.

- *Ardiseis FZCO*

On June 25, 2008, in conjunction with the Oman business transfer from Veritas DGC Ltd to Ardiseis FZCO, CGGVeritas subscribed to the increase of 805 shares in the capital of its subsidiary Ardiseis FZCO, and sold 407 Ardiseis FZCO shares to Industrialization & Energy Services Company (TAQA) for a total consideration of U.S.$11.8 million. At the end of this transaction the Group's percentage interest in Ardiseis remained unchanged at 51%.

- *CGGVeritas Services Holding BV*

On October 20, 2008 CGGVeritas Services Holding BV has been incorporated in the Netherlands. This allows CGGVeritas to benefit from a structure comparable to similar-sized international industrial groups, within a tax and legal environment better suited to our business needs. With the creation of CGGVeritas Services Holding BV, all Services operations will be conducted under a unified mode at the level of this new entity by the Services management team, also responsible for CGGVeritas Services SA.

— during 2007

- *Veritas*

On September 4, 2006, CGG entered into a definitive merger agreement with Veritas DGC Inc. ("Veritas") to acquire Veritas in a part cash, part stock transaction. The merger was completed on January 12, 2007 upon satisfaction of the closing conditions of the merger agreement. The combined company has been renamed "Compagnie Générale de Géophysique-Veritas," abbreviated as "CGGVeritas", and is listed on both the Euronext Paris and the New York Stock Exchange (in ADS form). The trading symbol of the combined company's ADS on the New York Stock Exchange is "CGV".

At the merger closing date, and according to the formula set out in the merger agreement, the per share cash consideration to holders of Veritas stock was US$85.50 and the per share stock consideration was 2.0097 CGGVeritas ADSs upon the election of Veritas' shareholders. Of the 40,420,483 shares of Veritas common stock outstanding as of the merger date (January 12, 2007), approximately:

- 33,004,041 of the shares, or 81.7%, had elected to receive cash,
- 5,788,701 of the shares, or 14.3%, had elected to receive CGG ADSs; and
- 1,627,741 of the shares, or 4.0%, did not make a valid election.

Stockholders electing cash received, on average, 0.9446 CGV ADSs and US$45.32 in cash per share of Veritas common stock. Stockholders electing ADSs and stockholders making no valid election received 2.0097 CGV ADSs per share of Veritas common stock. In aggregate, approximately US$1.5 billion and approximately 46.1 million shares of CGV ADSs were paid to Veritas stockholders as merger consideration. Based on a valuation of CGV's ADS at US$40.5 on January 12, 2007, the total consideration of the merger amounted to approximately €2,7 billion (US$3.5 billion).

Total direct transaction costs related to the merger (including advisory fees and legal fees) amounted to €26.3 million (US$34.6 million) and were recognized as cost of the acquisition.

Purchase price allocation

The purchase price has been allocated to the net assets acquired based upon their estimated fair values as follows:

	(in millions of euros)
Fixed assets, net	448
Current assets /(liabilities), net	43
Cash & cash equivalents	97
Net book value of assets acquired	**588**
Fair Value Adjustments	
Trade name (indefinite life)	23
Technology (useful life of 5 years)	31
Customer relationship (useful life of 20 years)	130
Multi-client seismic library (maximum life of 6 years)	73
Favorable contracts (weighted average remaining life of 5 years)	52
Fixed assets (weighted average remaining life of 3 years)	24
Other intangible assets	23
Contingent liabilities	(40)
Other liabilities	(24)
Deferred taxes on the above adjustments	(106)
Goodwill	**1,884**
Purchase Price	**2,658**

The amount allocated to goodwill represents the excess of the purchase price over the fair value of the net assets acquired.

Technology, customer relationships and other intangible assets

Amortization expense related to technologies and customer relationships acquired was €12.0 million (US$16.4 million) for the year ended December 31, 2007 and is expected to be US$17.0 million per year over the useful life.

Other intangible assets relate to exploration and appraisal licenses in the U.K. North Sea that were sold in February 2007 for a net amount of US$27.5 million and an asset sold in Canada for US$2.3 million. Neither amortization expense nor gain was recognized in the year ended December 31, 2007.

Favorable contracts and fixed assets

The fair values of Veritas' favorable contracts correspond essentially to the difference in economic terms between Veritas' existing vessel charters' conditions and their market value at the date of the acquisition.

Amortization expense related to favorable contracts acquired was €11.5 million (US$15.7 million) for the year ended December 31, 2007 and is expected to be US$16.2 million per year over the remaining life.

In determining the fair value of the fixed assets, it was considered that the remaining useful life of the fixed assets acquired exceeded the estimated useful life currently being used for amortization expense. Therefore, the combined effect of the fair value adjustments and the change in estimate of the useful life of the assets resulted in a net reduction of depreciation cost of €3.3 million (US$4.5 million) for the year ended December 31, 2007.

Multi-client data library

After consideration of the estimated number of future years that revenues are expected to be generated from the completed surveys of the multi-client data library at the time of the transaction, CGGVeritas concluded that the remaining life of the completed surveys was a maximum of 6 years. The fair value of these surveys was determined by projecting the expected future revenues net of selling costs over the estimated remaining life of the surveys at the date of acquisition.

The US$285 million of total capitalized multi-client data costs, including a US$96 million adjustment, will be amortized pro rata the percentage of revenues generated and, in case of any indication of impairment, an impairment loss will be recognized. The net impact of the US$96 million fair value adjustment combined with the estimated remaining life of the surveys resulted in an additional amortization expense of €27.5 million (US$37.6 million) for the year ended December 31, 2007.

Contingent liabilities and Other liabilities

Due to the merger and the change of control of Veritas, contractual obligations related to a portion of severance costs for certain Veritas employees have been recognized for an amount of US$21 million (€16 million) as well as success fees for an amount of approximately US$30 million.

- ***Geomar***

Geomar is a subsidiary, owned 49% by CGGVeritas and 51% by Louis Dreyfus Armateurs ("LDA"), that has owned the seismic vessel "Alizé" since March 29, 2007. On April 1, 2007, Geomar entered into a new charter agreement with LDA and LDA entered into a new charter agreement with CGG Services. Additionally, on April 10, 2007, CGG Services acquired a call right and LDA a put on the 51% stake of Geomar held by LDA. In light of the risks and benefits related to these new agreements for CGGVeritas, Geomar has been fully consolidated in our financial statements since April 1, 2007. Prior to that date, Geomar was accounted for under the equity method.

- ***Cybernetix***

On June 27, 2007, Sercel Holding acquired 121,125 Cybernetix shares bringing its total holding to 352,125 shares, representing voting rights for 32.01% of Cybernetix's share capital and 26.57% of its voting rights. On November 5, 2007, Sercel Holding increased its investment for a total amount of €0.8 million, bringing its total holding to 416,147 shares, representing voting rights for 32.20% . Since June 30, 2007, Cybernetix has been accounted for under the equity method in our financial statements.

- ***Offshore Hydrocarbon Mapping***

On July 17, 2007, we entered into strategic joint operating agreement with Offshore Hydrocarbon Mapping plc ("OHM") under which both companies will work together to develop the Controlled Source ElectroMagnetic imaging activities (CSEM) and on seismic and CSEM integration opportunities. On August 21, 2007, subsequent to the approval by the shareholders of OHM, we acquired 6,395,571 shares of OHM at a price of 240 GBP pence per share. On October 19, 2007, we acquired an additional 80,695 shares at a price of 240 GBP pence per share. We thus paid in total €22.9 million for 14.99% of OHM's issued share capital.

- ***Eastern Echo Holding Plc***

On November 12, 2007, we acquired 30.9 million shares of Eastern Echo Holding plc (ECHO NO) for a total consideration of approximately €55 million (NOK 431 million), representing 12.67% of Eastern Echo's issued share capital. Eastern Echo is a geophysical company specializing in acquisition of high quality 3D seismic data. Our intent, with this minority stake, was to best position ourselves, especially Sercel, for continuing cooperation with Eastern Echo in the expanding seismic market.

On November 23, 2007, further the cash offer launched by Schlumberger BV on November 16, 2007, we tendered our shares of Eastern Echo to Schlumberger BV at price of NOK 15 per share. We therefore recognized a gain of €2.8 million.

— during 2006

- *TAQA*

On June 24, 2006, Industrialization & Energy Services Company (TAQA), our long term Saudi 51% Partner in Arabian Geophysical and Surveying Company ("Argas"), acquired, for €16.8 million, 49% of the capital of CGG Ardiseis, a newly formed CGG subsidiary dedicated to land and shallow water seismic data acquisition in the Middle East, and the company maintained a 51% interest. CGG Ardiseis, whose headquarters are located in Dubai, provides its clients with the complete range of CGG land and shallow water acquisition services, focusing on Eye-D, the latest CGG technology for full 3D seismic imaging. As part of our agreement with TAQA, CGG Ardiseis activities in the Gulf Cooperation Council countries are operated by Argas.

- *Cybernetix*

On July 10 2006, Sercel acquired a 20% interest (17% of voting rights) in the French listed company Cybernetix, a specialist in robotics, with the aim of strengthening our technical partnership with Cybernetix in offshore oil equipment, and an additional 1% by the end of the year 2006. The aggregate consideration for the transactions is €4.0 million.

- *Vibtech*

On September 28, 2006, Sercel acquired the Scottish company Vibration Technologies Limited ("Vibtech"), pioneer in the use of advanced wireless technologies for seismic recording. The Unite system, and field trials of this new generation equipment, which have attracted interest from both oil companies and seismic contractors, is a unique versatile product capable of recording and transmitting data in a stand alone or real time mode, enabling quality control while recording and is capable of handling thousands of channels. Use of new transmission technologies also reduces limitations inherent to radio frequencies. We expect that the combination of Sercel expertise in seismic recording and new skills arising from Vibtech's development group will help expand the capabilities of the Sercel portfolio of products and integrate advanced wireless technology with its latest generation products. The cash consideration was €49.5 million (GBP 33.3 million) and our valuation of technological assets purchased of €11.6 million more (GBP 7.8 million), led us to record a goodwill of €35.6 million. The cash acquired was an amount of €1.3 million (GBP 0.9 million).

NOTE 3 — TRADE ACCOUNTS AND NOTES RECEIVABLE

Analysis of trade accounts and notes receivables by maturity is as follows:

	December 31		
	2008	**2007**	**2006**
	(in millions of euros)		
Trade accounts and notes receivable gross — current portion	522.9	409.1	207.5
Less: allowance for doubtful accounts	(12.4)	(6.8)	(8.3)
Trade accounts and notes receivables net — current portion	**510.5**	**402.3**	**199.2**
Trade accounts and notes receivable gross —non current portion	0.1	3.3	4.3
Less: allowance for doubtful accounts	—	—	—
Trade accounts and notes receivables net —non current portion	**0.1**	**3.3**	**4.3**
Recoverable costs and accrued profit, not billed	201.7	196.3	97.6
Total accounts and notes receivables	**712.3**	**601.9**	**301.1**

In the geophysical services segment, customers are generally large national or international oil and gas companies, which management believes reduces potential credit risk. In the geophysical equipment segment, a significant portion of sales is paid by irrevocable letters of credit.

The Group maintains an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, historical trends and other information. Credit losses have not been material for the periods presented and have consistently been within management's expectations.

Recoverable costs and accrued profit not billed comprise amounts of revenue recognized under the percentage of completion method on contracts for which billings had not been presented to the contract owners. Such unbilled accounts receivable are generally billed over the 30 or 60 days following the project commencement.

The non current receivables as of December 31, 2008 amounted to €0.1 million for the geophysical equipment segment. The non current receivables as of December 31, 2007 amounted to €3.3 million for the geophysical equipment segment. The non current receivables as of December 31, 2006 amounted to €1.4 million for the geophysical services segment and to €2.9 million for the geophysical equipment segment.

As of December 31, the ageing analysis of trade receivables is as follows:

			Past due but not impaired					
		No past due	30 days	30 - 60 days	60 - 90 days	90 - 120 days	> 120 days	Total
		(in millions of euros)						
2008	Trade accounts and notes receivables — net	335.3	81.2	49.9	15.4	7.1	21.7	**510.6**
2007	Trade accounts and notes receivables — net	295.0	53.2	18.6	14.2	4.2	20.4	**405.6**

NOTE 4 — INVENTORIES AND WORK IN PROGRESS

Analysis of Inventories and work-in-progress is as follows:

	December 31, 2008			December 31, 2007			December 31, 2006		
	Cost	Valuation Allowance	Net	Cost	Valuation Allowance	Net	Cost	Valuation Allowance	Net
	(in millions of euros)								
Geophysical services									
— Consumables and spares parts	31.7	(0.9)	30.8	38.5	(1.0)	37.5	30.3	(1.1)	29.2
— Work in progress	39.3	—	39.3	30.3	—	30.3	8.0	—	8.0
Geophysical equipment									
— Raw materials and spare parts	76.2	(6.2)	70.0	67.3	(7.9)	59.4	62.6	(8.0)	54.6
— Work in progress	89.1	(4.2)	84.9	78.9	(4.1)	74.8	73.8	(4.3)	69.5
— Finished goods......................	66.3	(3.4)	62.9	39.9	(1.7)	38.2	30.3	(2.9)	27.4
Inventories and work in progress	**302.6**	**(14.7)**	**287.9**	**254.9**	**(14.7)**	**240.2**	**205.0**	**(16.3)**	**188.7**

The item « Work in progress » for Geophysical Services includes transit costs of seismic vessels that are deferred and recognized over the contract period according to the technical progress ratio.

The variation of inventories and work in progress is as follows:

Variation of the period	December 31, 2008	December 31, 2007	December 31, 2006
	(in millions of euros)		
Balance at beginning of period..	240.2	188.7	139.5
Variations	26.7	40.3	39.3
Movements in valuation allowance		1.0	0.7
Change in consolidation scope	18.9	18.7	3.1
Change in exchange rates	3.0	(8.7)	(4.6)
Others	(0.9)	0.2	10.7
Balance at end of period	**287.9**	**240.2**	**188.7**

The additions and deductions in valuation allowances for inventories and work-in-progress are presented in the consolidated statements of operations as “Cost of sales”.

The change in consolidation scope relates to the acquisition of Wavefield for €17.1 million and Metrolog for €1.8 million in 2008, to the acquisition of Veritas in 2007.

NOTE 5 — OTHER CURRENT ASSETS

Detail of other current assets is as follows:

	December 31,		
	2008	2007	2006
	(in millions of euros)		
Personnel and other tax assets	20.9	24.3	15.4
Fair value of financial instruments (see note 14)	1.1	8.3	8.8
Other miscellaneous receivables	34.4	18.9	18.1
Supplier prepayments	19.8	12.3	10.6
Prepaid expenses(a)	25.3	25.8	10.2
Other current assets	**101.5**	**89.6**	**63.1**

(a) includes principally prepaid rent, vessel charters.

NOTE 6 — ASSET VALUATION ALLOWANCE

Details of valuation allowances recorded against assets are as follows:

	December 31, 2008			
	Balance at beginning of year	Additions/ Deductions charged in income	Others(a)	Balance at end of period
	(in millions of euros)			
Trade accounts and notes receivables	6.8	5.6	—	12.4
Inventories and work-in-progress	14.7	—	—	14.7
Tax assets	1.0	(1.0)	—	—
Other current assets	0.8	1.9	(0.9)	1.8
Loans receivables and other investments	1.1	0.3	(0.3)	1.1
Total assets valuation allowance	**24.4**	**6.8**	**(1.2)**	**30.0**

(a) includes the effects of exchange rate changes and changes in the scope of consolidation.

	December 31, 2007			
	Balance at beginning of year	Additions/ Deductions charged in income	Others(a)	Balance at end of period
	(in millions of euros)			
Trade accounts and notes receivables	8.3	(1.6)	0.1	6.8
Inventories and work-in-progress	16.3	(1.0)	(0.6)	14.7
Tax assets	0.8	(0.3)	0.5	1.0
Other current assets	0.7	0.2	(0.1)	0.8
Loans receivables and other investments	1.0	0.1	—	1.1
Total assets valuation allowance	**27.1**	**(2.6)**	**(0.1)**	**24.4**

	December 31, 2006			
	Balance at beginning of year	Additions/ Deductions charged in income	Others(a)	Balance at end of period
	(in millions of euros)			
Trade accounts and notes receivables	6.2	2.3	(0.2)	8.3
Inventories and work-in-progress	17.7	(0.7)	(0.7)	16.3
Tax assets	0.3	0.5	—	0.8
Other current assets	1.4	(0.7)	—	0.7
Loans receivables and other investments	1.3	(0.2)	(0.1)	1.0
Total assets valuation allowance	**26.9**	**1.2**	**(1.0)**	**27.1**

NOTE 7 — INVESTMENTS AND OTHER FINANCIAL ASSETS

Detail of investments and other financial assets is as follows:

	December 31,		
	2008	2007	2006
	(in millions of euros)		
Non-consolidated investments	5.2	21.1	8.9
Loans and advances(a)	9.9	0.6	6.8
Other	11.1	10.3	3.5
Total	**26.2**	**32.0**	**19.2**

(a) includes loans and advances to companies accounted for under the equity method, at December 31, 2008 for € 2.0 million and at December 31, 2006 for €6.0 million.

Non-consolidated investments are as follows:

	December 31,		
	2008	2007	2006
	(in millions of euros)		
Assets available for sale investments			
Offshore Hydrocarbon Mapping(a)	0.3	16.4	—
Other investments in non-consolidated companies			
Cybernetix(b)	—	—	4.1
Tronic's Microsystems SA(c)	3.9	3.9	3.9
Other investments in non-consolidated companies	1.0	0.8	0.9
Total non-consolidated investments	**5.2**	**21.1**	**8.9**

(a) The Group's shareholding in Offshore Hydrocarbon Mapping was 14.99% at December 31, 2008 and at December 31, 2007. As it is listed on Alternative Investment Market (London Stock Exchange), Offshore Hydrocarbon Mapping is recognized at the fair value based on closing share price of GBP0.05 pence as of December 31, 2008 and on closing share price of GBP 185.50 pence as of December 31, 2007. At December 31, 2008 a definitive impairment loss of €22.6 million was recognized in the line item "Other revenues (expenses)" (see note 21). At December 31, 2007, the change in fair value recognized in shareholders' equity was a negative amount of €6.9 million.

(b) The Group's shareholding in Cybernetix was 21% interest and 17% of voting rights at December 31, 2006. Since June 30, 2007, Cybernetix has been accounted for under the equity method in our financial statements due to additional 112,125 shares acquired leading to 32.01% voting rights.

(c) The Group's shareholding in Tronic's Microsystems S.A. was 16.07% at December 31, 2008 and at December 31, 2007 and 15.90% at December 31, 2006.

NOTE 8 — INVESTMENTS IN COMPANIES UNDER EQUITY METHOD

The variation of "Investments in companies under equity method" is as follows:

	December 31,		
	2008	2007	2006
	(in millions of euros)		
Balance at beginning of period	44.5	46.2	43.9
Change in consolidation scope	24.1	2.1	—
Investments made during the year	0.1	0.9	1.0
Equity in income	3.0	4.2	10.1
Dividends received during the period, reduction in share capital	(1.4)	(5.3)	(4.3)
Changes in exchange rates	2.6	(3.6)	(4.5)
Balance at end of period	**72.9**	**44.5**	**46.2**

The change in consolidation scope in 2008 corresponds to the entrance of Norwegian Oilfield Services AS and Multifield Geophysics at December 31, 2008 as part of the acquisition of Wavefield. The change in consolidation scope in 2007 corresponded to the exit of Geomar which was fully consolidated since April 1, 2007 for €5.4 million, and the entrance of Cybernetix which was accounted for under equity method since June 30, 2007 for €7.5 million (see note 2).

The investments in 2007 corresponded to the subscription of the capital increase in Cybernetix, and to the subscription of the capital increase in VS Fusion LLC in 2006.

Investments in companies accounted for under equity method are comprised of:

	December 31,		
	2008	2007	2006
	(in millions of euros)		
Argas	40.7	32.8	37.5
Norwegian Oilfield Services AS	24.1	—	—
Cybernetix (a)	5.0	8.2	—
JV Xian Peic/Sercel Limited	2.6	2.4	2.4
VS Fusion LLC	0.5	1.1	0.9
Geomar	—	—	5.4
Multifield Geophysics	—	—	—
Investments in companies under the equity method	**72.9**	**44.5**	**46.2**

(a) the investment under equity method for Cybernetix includes an impairment of €2.7 million.

The net contribution to equity of affiliates accounted for under the equity method is as follows:

	December 31,		
	2008	2007	2006
	(in millions of euros)		
Argas	36.4	28.5	33.2
Norwegian Oilfield Services AS	24.1	—	—
Cybernetix	(3.5)	(0.3)	—
JV Xian Peic/Sercel Limited	1.0	0.7	0.9
VS Fusion LLC	(0.7)	0.1	(0.3)
Geomar	—	—	(0.2)
Multifield Geophysics	—	—	—
Total	**57.3**	**29.0**	**33.6**

NOTE 9 — PROPERTY, PLANT AND EQUIPMENT

Analysis of "Property, plant and equipment" is as follows:

	December 31						
	2008			2007			2006
	Gross	Accumulated depreciation	Net	Gross	Accumulated depreciation	Net	Net
	(amounts in millions of euros)						
Land	7.0	(0.2)	6.8	7.7	(0.2)	7.5	4.5
Buildings	89.1	(40.7)	48.4	83.1	(41.1)	42.0	30.6
Machinery & equipment	1,131.6	(623.0)	508.6	910.8	(547.9)	362.9	183.7
Vehicles & vessels	405.3	(181.9)	223.4	374.4	(148.5)	225.9	221.4
Other tangible assets	61.8	(41.1)	20.7	50.0	(36.8)	13.2	9.5
Assets under constructions	14.5	—	14.5	8.5	—	8.5	5.5
Total Property, plant and equipment	**1,709.3**	**(886.9)**	**822.4**	**1,434.5**	**(774.5)**	**660.0**	**455.2**

At December 31, 2008, lands and buildings of the current Massy headquarters have been reclassified as "Assets held for sale" for €8.0 million.

Land, buildings and geophysical equipment recorded under capital leases are as follows:

	December 31						
	2008			2007			2006
	Gross	Accumulated depreciation	Net	Gross	Accumulated depreciation	Net	Net
	(amounts in millions of euros)						
Land and buildings under capital leases	—	—	—	—	—	—	—
Geophysical equipment and vessels under capital leases	186.0	(44.9)	141.1	56.1	(17.9)	38.2	50.5
Other tangible assets under capital leases	0.5	(0.5)	—	0.4	(0.4)	—	—
Total Property, plant and equipment under capital leases	**186.5**	**(45.4)**	**141.1**	**56.5**	**(18.3)**	**38.2**	**50.5**

In 2008, the increase in geophysical equipment and vessels under capital leases is related to the acquisition of Wavefield.

The decrease in geophysical equipment and vessels under capital leases in 2007 was due to the termination of a US$13 million (€10 million) lease and impact of changes in exchange rate.

In July 2006, the time charter party agreement of our seismic vessel, the Laurentian, had been renewed with modified contractual conditions and still qualifies as a capital lease. The total lease obligation is approximately US$20.8 million (€16 million) over its three-year term. The net present value of future lease payments under the capital lease was approximately US$7.8 million (€6 million) and the remaining part of the obligation is accounted for as operating expenses over the agreement duration. The capital lease amount was depreciated over the agreement duration, maturing in September 2008.

Depreciation of assets recorded under capital leases is determined on the same basis as owned-assets and is included in depreciation expense.

Included in assets recorded under capital leases are land and buildings of the Massy headquarters, which were sold under a sale and leaseback agreement in 1990, which included a purchase option that was exercised in 2006. The assets were maintained at their original cost and the buildings continue to be depreciated over their initial estimated useful lives.

The variation of the period for tangible assets is as follows :

	December 31, 2008	2007	2006
	(in millions of euros)		
Balance at beginning of period	660.0	455.2	480.1
Acquisitions	142.2	214.1	133.3
Acquisitions through capital lease	—	—	0.1
Depreciation	(168.4)	(142.2)	(92.8)
Disposals	(7.8)	(7.8)	(3.6)
Changes in exchange rates	27.2	(64.4)	(41.1)
Change in consolidation scope	180.2	204.0	(6.5)
Reclassification of tangible assets as “Assets held for sale”	(8.0)	—	(0.4)
Other	(3.0)	1.1	(13.9)
Balance at end of period	**822.4**	**660.0**	**455.2**

The change in consolidation scope in 2008 corresponds to the fair value of Wavefield’s tangible assets acquired for €179.8 million and of Metrolog’s tangible assets acquired for €0.4 million.

The change in consolidation scope in 2007 corresponded to the fair value of Veritas’ tangible assets acquired for €173.3 million and the consolidation of Geomar, owner of the seismic vessel *Alizé* for €30.7 million, and in 2006 to the adjustment in the estimated fair value of assets acquired and liabilities assumed from the acquisition of Exploration Resources.

Reconciliation of acquisitions with the consolidated statements of cash flows and capital expenditures in note 19 is as follows:

	December 31, 2008	2007	2006
	(in millions of euros)		
Acquisitions of tangible assets (excluding capital lease) — see above	142.2	214.1	133.3
Development costs capitalized — see note 20	13.7	8.2	11.9
Additions in other tangible assets (excluding non-exclusive surveys) — see note 10	5.9	3.8	4.1
Variance of fixed assets suppliers	(6.4)	4.4	(0.1)
Total purchases of tangible and intangible assets according to cash-flow statement	**155.4**	**230.5**	**149.2**
Acquisitions through capital lease — see above	—	—	0.1
Increase in multi-client surveys — see note 10	343.4	371.4	61.5
Less variance of fixed assets	6.4	(4.4)	0.1
Capital expenditures according to note 19	**505.2**	**597.5**	**210.9**

Repairs and maintenance expenses

Repairs and maintenance expenses included in cost of operations amounted to €79.6 million in 2008, €68.3 million in 2007 and €36.0 million in 2006.

NOTE 10 — INTANGIBLE ASSETS

Analysis of intangible assets is as follows:

	December 31,						
	2008			2007			2006
	Gross	Accumulated depreciation	Net	Gross	Accumulated depreciation	Net	Net
	(amounts in millions of euros)						
Multi-client surveys Marine	1,326.3	(910.0)	416.3	955.8	(660.2)	295.6	71.8
Multi-client surveys Land	262.7	(143.4)	119.3	228.9	(89.1)	139.8	—
Development costs capitalized	104.6	(19.6)	85.0	47.3	(12.8)	34.5	31.6
Software	45.8	(33.6)	12.2	41.0	(32.0)	9.0	7.3
Other intangible assets	249.9	(62.7)	187.2	239.4	(37.8)	201.6	16.9
Total intangible assets	**1,989.3**	**(1,169.3)**	**820.0**	**1,512.4**	**(831.9)**	**680.5**	**127.6**

The variation of the period for intangible assets is as follows:

Variation of the period	December 31, 2008	2007	2006
	(in millions of euros)		
Balance at beginning of period	680.5	127.6	136.3
Increase in multi-client surveys	343.4	371.4	61.5
Development costs capitalized	13.7	8.2	11.9
Others acquisitions	5.9	3.8	4.1
Depreciation on multi-client surveys	(260.8)	(308.5)	(80.6)
Other depreciation	(37.3)	(36.9)	(13.2)
Disposals	—	(21.9)	—
Changes in exchange rates	32.5	(67.1)	(4.0)
Change in consolidation scope	62.1	584.8	11.4
Other	(20.0)	19.1	0.2
Balance at end of period	**820.0**	**680.5**	**127.6**

The change in consolidation scope in 2008 corresponds to the fair value of Wavefield's intangible assets acquired for €54.0 million, Metrolog for €4.8 million and Quest Geo for €3.3 million, in 2007 to the fair value of Veritas' intangible assets acquired (see note 2), and in 2006 to technology acquired in Sercel Vibtech's purchase accounting.

In 2007 the disposals of assets related mainly to the sale of certain of Veritas' North Sea licenses and a Canadian asset (see note 2).

NOTE 11 — GOODWILL

Analysis of goodwill is as follows:

Variation of the period	December 31, 2008	2007	2006
	(in millions of euros)		
Balance at beginning of period	1,928.0	267.4	252.9
Additions	25.8	1,883.6	35.6
Adjustments	4.3	—	2.9
Changes in exchange rates	97.0	(223.0)	(24.0)
Other	—	—	—
Balance at end of period	**2,055.1**	**1,928.0**	**267.4**

The additions in 2008 correspond to the preliminary goodwill arising on the acquisition of Metrolog for €14.3 million, the acquisition of Wavefield for €8.6 million, and the acquisition of Quest for €2.8 million (see note 2).

The adjustments to goodwill in 2008 correspond to an increase of €9.1 million related to the deferred tax asset previously recognized on Veritas acquisition fees, and a decrease of €4.8 million arising from the use of Veritas foreign carry-forward losses

existing prior to the merger and not recognized as an asset according to IAS 12.68 "Income taxes – Deferred tax arising from a business combination". This reduction of goodwill offsets the symmetrical tax credit recorded in the line item "Other income taxes".

The additions in 2007, corresponded to the goodwill arising on the acquisition of Veritas for €1,883.6 million (US$2,480.7 million), and in 2006 to the goodwill arising on the acquisition of Vibtech renamed Sercel Vibtech for €35.6 million (GBP 24.4 million). The goodwill arising on the acquisition of Exploration Resources was adjusted in 2006 for €2.9 million, according to the adjustment of the fair value of Exploration Resources' acquired assets and assumed liabilities, and was presented as "Goodwill adjustments". The final goodwill of Exploration Resources amounted to €179.9 million.

Impairment review

Group management undertakes at least an annual impairment test covering goodwill, intangible assets and indefinite lived assets allocated to the cash generated units to consider whether an impairment is required.
The recoverable value retained by the Group corresponds to the discounted expected cash flows from the cash generating units or group of cash generating units.

The cash generating units are as follows:

- Equipment segment (test of the carrying value of the goodwill);
- Marine business line (test of carrying value of the goodwill, multi-client library and tangible assets corresponding mainly to the Veritas and Exploration Resources purchase accounting in 2007 and 2005);
- Processing & Imaging business line (test of the carrying value of the goodwill, intangible and tangible assets resulting from the Veritas purchase accounting in 2007);
- Land business line level (test of the carrying value of the goodwill and intangible and tangible assets resulting from the Veritas purchase accounting in 2007).

Key assumptions used in the determination of value in use

In determining the asset recoverability, management makes estimates, judgments and assumptions on uncertain matters. The recoverable amounts are determined based on economic and regulation assumptions and forecasted operating conditions as follows:

- expected cash flows estimated in the 3-year business plans,
- use of what is considered as normative cash flows beyond Year 3,
- industrial outlook consisting in a slow down in 2009 and 2010, and recovery in 2011 and beyond,
- average exchange rate of U.S.$1.35 for 1€,
- discount rates corresponding to the respective sector weighted average cost of capital (WACC):
    - 10.1% for the Equipment segment (corresponding to a pre-tax rate of 15.2%);
    - 9.0%for the Marine business line (corresponding to a pre-tax rate of 11.2%);
    - 9.6% for the Processing & Imaging business line (corresponding to a pre-tax rate of 12.2%); and
    - 9.2% for the Land business line (corresponding to a pre-tax rate of 11.2%).

The result of the different impairment tests performed as of December 31, 2008, 2007 and 2006 is that no impairment loss was recorded in any year.

Sensitivity to changes in assumptions

Changing the assumptions selected by Group management, in particular the discount rate and the normative cash flows (EBITDAS) could significantly affect the Group's impairment evaluation and, hence, results.
The following changes to the assumptions used in the impairment test lead to the following:

(in millions of euros)	Goodwill	Excess of the expected future discounted cash-flows over the carrying value of assets including goodwill	Sensitivity on normative cash flows: Decrease by 10%	Sensitivity on normative cash flows: Increase by 10%	Sensitivity on discount rate (after tax): Decrease by 1%	Sensitivity on discount rate (after tax): Increase by 1%
Equipment segment	101	844	(148)	+ 148	+ 143	(127)
Marine	1,345	1,042	(890)	+ 890	+ 622	(507)
Processing & Imaging	323	277	(99)	+ 99	+ 118	(83)
Land	286	187	(189)	+ 189	+ 130	(101)

NOTE 12 — OTHER CURRENT LIABILITIES

The analysis of other current liabilities is as follows:

	December 31, 2008	2007	2006
	(in millions of euros)		
Value added tax and other taxes payable	34.7	25.9	15.7
Deferred income	93.1	63.5	7.0
Fair value of financial instruments (see note 14)	10.2	1.1	0.6
Other liabilities	35.3	18.5	8.0
Other current liabilities	**173.3**	**109.0**	**31.3**

NOTE 13 — FINANCIAL DEBT

Analysis of financial debt by type is as follows:

	December 31 2008			2007			2006
	Current	Non-current	Total	Current	Non-current	Total	Total
	(amounts in millions of euros)						
Outstanding bonds	—	642.8	642.8	—	606.6	606.6	245.5
Bank loans	137.3	558.7	696.0	28.4	657.4	685.8	95.2
Capital lease debt	31.4	94.8	126.2	8.5	34.8	43.3	55.5
Sub-total	**168.7**	**1,296.3**	**1,465.0**	**36.9**	**1,298.8**	**1,335.7**	**396.2**
Bank overdrafts	8.2		8.2	17.5		17.5	6.5
Accrued interest	10.7		10.7	7.8		7.8	2.9
Other(a)	62.1		62.1				2.9
Total	**249.7**		**1,546.0**	**62.2**		**1,361.0**	**405.6**

(a) corresponds at December 31, 2008 to the 30.1% share capital of Wavefield that was subject to the mandatory public offer launched on December 30, 2008 and acquired on February 16, 2009 (see note 30).

The current portion corresponds to a one year maturity (See note 18).

Analysis of financial debt by currency is as follows:

	December 31,		
	2008	2007	2006
	(in millions of euros)		
Euro	35.1	—	1.5
U.S. dollar	1,423.8	1,335.6	394.6
Other currencies	6.1	0.1	0.1
Total	**1,465.0**	**1,335.7**	**396.2**

Analysis of financial debt by interest rate is as follows:

	December 31,		
	2008	2007	2006
	(in millions of euros)		
Variable rates (average effective rate December 31, 2008: 4.82%, 2007: 7.62%, 2006: 6.34%)	724.7	633.5	85.3
Fixed rates (average effective rate December 31, 2008: 7.46%, 2007: 7.65%, 2006: 7.30%)	740.3	702.2	310.9
Total	**1,465.0**	**1,335.7**	**396.2**

Variable interest rates generally are based on inter-bank offered rates of the related currency. The weighted average interest rate on bank overdrafts was 7.90%, 11.50% and 9.40% at December 31, 2008, 2007 and 2006 respectively.

Out of the fixed rate credit lines, no significant credit line is expected to be renewed within the next twelve months (see note 18).

The impact of hedging instruments has not been considered in the above two tables.

- **Outstanding Bonds**

High Yield bonds — Additional notes (US$400 million, 7 3/4% Senior Notes, maturity 2017)

On February 9, 2007, we issued US$400 million of 7 ¾% Senior Notes due 2017. These notes were guaranteed on a senior basis by certain of our subsidiaries. The notes are listed on the Euro MTF market of the Luxembourg Stock Exchange. We used the net proceeds from the notes to repay one part of US$700 million outstanding under the bridge loan facility used to finance Veritas acquisition.

Those bonds include some covenants, specifically on additional indebtedness subscriptions, pledges arrangements, sales and lease-back transactions, issuance and sale of equity instruments and dividends payments by certain subsidiaries of the Group.

In addition, the ratio of EBITDAS to gross interest expenses has to be equal or greater than 3.

All those covenants were complied with at December 31, 2008. They were also complied with at December 31, 2007.

High Yield bonds — Additional notes (US$ 200 million, 7 1/2% Senior Notes, maturity 2015)

On February 9, 2007, we issued an additional US$200 million in aggregate principal amount of 7 1/2% senior notes due 2015. These notes were guaranteed on a senior basis by certain of our subsidiaries. The notes are listed on the Euro MTF market of the Luxembourg Stock Exchange. We used the net proceeds from the notes to repay one part of US$700 million outstanding under the bridge loan facility used to finance Veritas acquisition.

Those bonds include some covenants, specifically on additional indebtedness subscriptions, pledges arrangements, sales and lease-back transactions, issuance and sale of equity instruments and dividends payments by certain subsidiaries of the Group.

In addition, the ratio of EBITDAS to gross interest expenses has to be equal to or greater than 3.

All those covenants were complied with at December 31, 2008. They were also complied with at December 31, 2007.

High Yield bonds — Additional notes (US$ 165 million, 7 1/2% Senior Notes, maturity 2015)

On February 3, 2006, we issued an additional US$165 million principal amount of our dollar-denominated 7 1/2% Senior Notes due 2015 issued in April 2005 in a private placement with certain eligible investors. The notes were issued at a price of 103 1/4% of their principal amount, resulting in a Yield-to-Worst of 6.9%. The net proceeds from the notes were used on February 10, 2006 to repay the US$140.3 million remaining outstanding under our US$375 million bridge credit facility used to finance the acquisition of Exploration Resources. On August 17, 2006, US$164 million in principal amount of these notes were exchanged for identical notes registered with the SEC.

Those bonds include some covenants, specifically on additional indebtedness subscriptions, pledges arrangements, sales and lease-back transactions, issuance and sale of equity instruments and dividends payments by certain subsidiaries of the Group.

In addition, the ratio of EBITDAS to gross interest expenses has to be equal to or greater than 3.

All those covenants were complied with at December 31, 2008. They were also complied with at December 31, 2007 and at December 31, 2006.

High Yield bonds (US$ 165 million, 7 1/2% Senior Notes, maturity 2015)

On April 28, 2005, we issued US$165 million of 7 1/2% Senior Notes due 2015. The net proceeds were used to redeem and pay accrued interest on all US$150 million outstanding aggregate principal of our existing 10 5/8% Senior Notes due 2007, on May 31, 2005 (see above).

Those bonds include some covenants, specifically on additional indebtedness subscriptions, pledge arrangements, sale and lease-back transactions, issuance and sale of equity instruments and dividends payments by certain subsidiaries of the Group.

In addition, the ratio of EBITDAS to gross interest expenses has to be equal to or greater than 3.

All those covenants were complied with at December 31, 2008. They were also complied with at December 31, 2007 and at December 31, 2006.

Convertible bonds (7.75%, due 2012)

On November 4, 2004 the Company issued 14,000 subordinated bonds in favor of Onex Partners LP, Onex American Holdings II LLC, Onex US Principals LP and CGG Executive Invesco, LLC, with maturity of 2012, in a total nominal amount of US$84,980,000, convertible into new ordinary shares or redeemable in new shares and/or existing shares and/or in cash (the "Bonds"), at an interest rate of 7.75%.

The terms of the convertible bonds were amended as approved by the General Meeting of bondholders held on November 2, 2005, and approved by a General Meeting of CGG shareholders held on November 16, 2005. The early conversion period was open from November 17 to November 18 2005, inclusive. At the conclusion of the conversion period, 11,475 convertible bonds due 2012 were converted, leading to the issuance of 1,147,500 new shares. Thereafter 2,525 convertible bonds remained outstanding representing a nominal value of US$15.3 million. The Group paid a total premium of US$10.4 million (€8.9 million) to the bondholders who converted its bonds. This premium has been recognized as a charge under the line item "Other financial income (loss)" in the income statement for the year ended December 31, 2005. In addition, the write-off of the deferred issuance costs linked to this redemption amounted to €3.7 million and has been recognized as a charge under the line item "Other financial income (loss)" in the income statement for the year ended December 31, 2005 (see note 23).

A component of our convertible bonds due 2012 issued on November 4, 2004 and denominated in US dollars constitutes an embedded derivative as the shares to be issued upon conversion are denominated in Euro. A portion of the issuance proceeds was deemed to relate to the fair value of the derivative on issuance and subsequent changes in fair value of the derivative are recorded through earnings. The allocation of a portion of the proceeds to the derivative created a discount on issuance that is being amortized to earnings over the life of the bonds.

The fair value of the embedded derivative has been determined using a binomial model.

The indenture of the Bonds states that, in case of fundamental change (shares or American depositary shares ceasing to be listed on the New York Stock Exchange, sale of a substantial part of the assets of the Company, liquidation or dissolution of the Company, change of control of the Company), any bondholder may require the Company to redeem its Bonds and to pay, in addition to the principal amount of the Bonds, an amount equal to the amount of basic interest at a rate of 7.75% that would have accrued on the Bonds until maturity for a maximum period of five years. This provision may trigger a payment by the Company of a maximum of U.S.$6 million in additional interest. At December 31, 2004 and at December 31, 2005, no expense related to this clause was booked since its realization was considered unlikely.

Approximately US$70 million of our US$85 million 7.75% convertible bonds due 2012 were converted in November 2005. A general meeting of bondholders, held on April 5, 2006, and a general meeting of CGG shareholders, held on May 11, 2006, approved a change to the terms and conditions of the remaining convertible bonds to grant bondholders a right to receive a cash payment upon immediate conversion of the bonds. The early conversion period was open on May 12, 2006 only. At the conclusion of the conversion period, all the remaining 2,525 convertible bonds were converted, leading us to issue of 274,914 new shares of CGG and pay a total premium of US$2.1 million (€1.6 million) to the converting bondholders. This premium has been recognized as an expense under the line item “Derivative and other expenses on convertible bonds” in our income statement for the twelve months period ended December 31, 2006. In addition, we wrote-off the deferred issuance costs attached to the remaining 2,525 convertible bonds in connection with the early conversion, corresponding to a €0.7 million expense under the line item “Derivative and other expenses on convertible bonds” in our income statement for the twelve months ended December 31, 2006 (see note 23).

The fair value of the derivative increased from €11.3 million at December 31, 2005 to €32.0 million at May 12, 2006 when the remaining 2,525 convertible bonds due 2012 were converted. At the conversion, the derivative of €32.0 million was reclassified to retained earnings in the balance sheet.

The increase in the value of the derivative of €20.7 million from January 1, 2006 to May 12, 2006 is explained principally by the increase in CGG share price, taking into account that the value was reduced by the time component upon the conversion in shares for an amount of €1.6 million. The corresponding income was accounted under the line item “Derivative and other expenses on convertible bonds”.

- **Bank loans**

At December 31, 2008, €617.7 million of bank loans were secured by tangible assets and receivables.

At December 31, 2008, the Group had €11.1 million available in unused short-term credit lines and overdraft facilities and €203.5 million in unused long-term credit lines.

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.

U.S.$1,140 million Senior Facilities

On January 12, 2007, the Group entered into a US$1.140 billion senior secured credit agreement with Credit Suisse, as administrative agent and collateral agent, and the lenders party thereto, pursuant to which credit agreement the Group borrowed a US$1.0 billion senior secured “term loan B” and obtained a US$140 million senior secured U.S. revolving facility (which revolving facility includes letter of credit and swingline subfacilities). We repaid US$100 million on June 29, 2007 of the Term Loan B early.

The proceeds of the term loan facility were used to:

- finance a portion of the cash component of the merger consideration;
- repay certain existing debt of CGG and Veritas; and
- pay the fees and expenses incurred in connection with the foregoing.

Proceeds of loans under the U.S. revolving facility may be used for the general corporate purposes of the borrower and other subsidiaries.

The obligations of CGGVeritas Services Holding (US) under the senior facilities are guaranteed by CGGVeritas and certain subsidiaries including the former Veritas group subsidiaries. Shares of CGGVeritas Services Holding (US) and of certain of its first-tier subsidiaries are pledged as well as those of other first-tier subsidiaries of CGGVeritas. In addition, certain guarantors have provided first-priority security interests in certain of their respective tangible and intangible assets, including (without limitation) certain vessels, real property, mineral rights, deposit accounts and intellectual property. In the case of certain of subsidiaries (most notably CGGVeritas Services Holding (US) and certain U.S. and Canadian subsidiaries), the collateral may comprise substantially all of their respective assets.

The interest rate applicable to the term loan facility is LIBOR + 200 bps. The interest rate applicable to the U.S. revolving facility of U.S.$140 million is LIBOR + 225 bps.

Pursuant to this agreement, the group is required to adhere to certain financial covenants including maximum ratio of total net debt to EBITDAS, and minimum ratio of EBITDAS less capital expenditures to total interest costs. Besides, the group is subject to affirmative and negative covenants that affect its ability, among other things, to borrow money, incur liens, dispose of assets and acquisitions and pay dividends or redeem shares.

U.S.$1,600 million Bridge Loan

On November 22, 2006, the Group entered into a US$1.6 billion senior secured bridge loan facility agreement with Credit Suisse International, as agent and security agent, and the lenders party thereto. On January 12, 2007, the Group borrowed US$700 million under the bridge loan facility, and the proceeds were used to:

- finance a portion of the cash component of the merger consideration;
- repay certain existing debt of CGG and Veritas; and
- pay the fees and expenses incurred in connection with the foregoing.

Upon such borrowing and the concurrent funding of the US$1.0 billion term loan facility described above, the unused commitments of US$900 million were terminated.

We used the net proceeds of our February 2007 senior notes offering described above, together with cash on hand, to repay in full the bridge loan facility.

U.S.$375 million Bridge Loan (used credit line and presented as bank loans — current portion)

On September 1, 2005, we entered into a single currency US$375 million term credit facility, which was amended on September 30, 2005, with Crédit Suisse, Paris Branch and BNP Paribas as arrangers, with a maturity date at September 1, 2006 with the option (upon our request and upon approval of a majority of the lenders) to extend it for a further six months. The use of proceeds for this credit facility was to fund our initial purchase of approximately 60% of Exploration Resources shares, our continuing purchases of Exploration Resources shares, our mandatory offer for the purchase of the remaining Exploration Resources shares and the “squeeze out” of remaining shareholders.

The credit facility bears interest at a graduated rate beginning with a base margin, depending on the credit rating assigned by either Moody’s or Standard & Poor’s to our outstanding U.S.$165 million 7 1/2% senior notes due 2015 (4.25% at BB — /Ba3 or higher, 5.25% at B+/B1, 5.75% at B/B2 and 6.25% at B — /B3 or lower), over US$ LIBOR until March 1, 2006, plus 0.50% from March 1, 2006 until June 1, 2006, plus 1.00% from June 1, 2006 until September 1, 2006 plus 2.00% from September 1, 2006 until the repayment. The interest expense represents €10.4 million for the year ended December 31, 2005.

In order to comply with the conditions of the acquisitions of Exploration Resources shares noted above, we obtained waivers from the lenders under our US$60 million syndicated credit facility dated March 12, 2004 of the negative pledge and any other relevant provisions hereunder, as well as amendments to the financial covenants (see below).

As a consequence of the capital increase dated December 16, 2005, we repaid, on December 23, 2005, US$234.7 million of the US$375 million which had been drawn on this credit facility. The unamortized portion of the deferred expenditures linked to this redemption amounted to €3.8 million and were recognized in the income statement as “Cost of financial debt” at December 31, 2005. At December 31, 2005, we have drawn down US$140.3 million (€118.9 million), which was effectively repaid on February 10, 2006. The net proceeds from the notes issued on February 3, 2006 were used on February 10, 2006 to repay the US$140.3 million which remained outstanding under our US$375 million bridge credit facility used to finance the acquisition of Exploration Resources. We agreed to maintain some provisions under the bridge loan agreement: those were respected at December 31, 2005 and were invalid and void from February 10, 2006. The corresponding interest expense amounted to €2.0 million in 2006.

Additional asset financing agreement

On March 13, 2006, CGG Marine Resources Norge AS concluded an asset financing agreement for US$26.5 million with a bank. The purpose of this agreement was to finance the acquisition of newly-developed “Sentinel” streamers for the vessel Symphony. This financing agreement is guaranteed by a pledge on the streamers. At December 31, 2006, this facility was fully drawn. The outstanding value at December 31, 2008 is US$9.5 million.

Additional credit facility

On March 29, 2006, Exploration Resources concluded a credit facility of US$70 million. The proceeds from this credit facility were used to finance the conversion of the *Geo-Challenger* from a cable laying vessel to a 3D seismic vessel and seismic equipment for the vessels *C-Orion* and *Geo-Challenger*. At December 31, 2006, this facility was fully drawn. The outstanding value at December 31, 2008 is US$35 million.

U.S.$25 million Secured Term Loan Facility

On April 30, 2007, Geomar concluded a credit facility of US$25 million. The proceeds from this credit facility were used to refinance the seismic vessel *Alizé*. At December 31, 2007, this facility was fully drawn. The outstanding value at December 31, 2008 is US$19.6 million.

U.S.$200 million Revolving Credit Agreement

On February 7, 2007, CGGVeritas entered into a US$200 million revolving credit agreement with Natixis as administrative agent and Crédit Suisse as collateral agent. The proceeds of this revolving credit agreement may be drawn in US$ or in €, and may be used for the general corporate purposes of the borrower. At December 31, 2008, €35 million were drawn.

NOTE 14 — FINANCIAL INSTRUMENTS

Because we operate internationally, we are exposed to general risks linked to operating abroad. Our major market risk exposures are changing interest rates and currency fluctuations. We do not enter into or trade financial instruments including derivative financial instruments for speculative purposes.

- **Foreign currency risk management**

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, 2007 and 2006, more than 80% of our operating revenues were denominated in U.S. dollar while in the same time the part of our operating expenses denominated in currencies other than euros grew to approximately three-quarters. These included U.S. dollars and, to a significantly lesser extent, other non-Euro Western European currencies, principally British pounds and Norwegian kroner.

Foreign currency sensitivity analysis

The reporting currency for the Group's consolidated financial statements is the euro. As a result, the Group's sales and operating income are exposed to the effects of fluctuations in the exchange rate of the euro against such other currencies, particularly the U.S. dollar. A depreciation of the U.S. dollar against the euro will negatively affect our reported results of operations since U.S. dollar denominated earnings that are converted to euros are stated at a decreased value. Based upon the level of operations we reached in year 2008, and given the current portfolio of currencies, a 10 cents variance of the U.S. dollar against the euro would impact by approximately 50 million dollars our dollar equivalent-value results of operations.

To mitigate the exposure, we attempt to match foreign currency revenues and expenses in order to balance our net position of receivables and payables denominated in foreign currencies. 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 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.

Foreign forward exchange contracts

In order to protect the Group against the reduction in the value of future foreign currency cash flows we follow a policy of selling U.S. dollars forward at average contract maturity dates that the Group attempts to match with future net U.S. dollar cash flows (revenues less costs in U.S. dollars) to be generated by firm contract commitments in its backlog generally over the ensuing six months. A similar policy, to a lesser extent, is carried out with respect to contracts denominated in British pounds and in Australian dollars. This foreign currency risk management strategy has enabled us to reduce, but not eliminate, the positive or negative effects of exchange movements with respect to these currencies.

Details of forward exchange contracts are as follows:

		December 31,	
	2008	2007	2006
Forward sales of U.S. dollars against euros			
Notional amount (in millions of US$)	418.8	255.9	305.9
— of which forward sales qualifying as cash-flow hedges	408.8	255.9	305.9
— of which forward sales not qualifying as cash-flow hedges	10.0	—	—
Weighted average maturity	83 days	70 days	94 days
Weighted average forward US$/Euro exchange rate	1.4354	1.4065	1.2619
Forward sales of U.S. dollars against British pounds			
Notional amount (in millions of US$)	5.5	15.0	21.9
— of which forward sales qualifying as cash-flow hedges	5.5	15.0	21.9
— of which forward sales not qualifying as cash-flow hedges	—	—	—
Weighted average maturity	8 days	26 days	123 days
Weighted average forward U.S.$/£ exchange rate	0.5055	1.9847	1.8956
Forward sales of U.S. dollars against Australian dollars			
Notional amount (in millions of US$)	—	9.5	—
— of which forward sales qualifying as cash-flow hedges	—	9.5	—
— of which forward sales not qualifying as cash-flow hedges	—	—	—
Weighted average maturity	—	229 days	—
Weighted average forward U.S.$/AUD$ exchange rate	—	0.8383	—
Forward sales of U.S. dollars against Ren-min-bi Yuan			
Notional amount (in millions of US$)	6.5	—	—
— of which forward sales qualifying as cash-flow hedges	6.5	—	—
— of which forward sales not qualifying as cash-flow hedges	—	—	—
Weighted average maturity	61 days	—	—
Weighted average forward U.S.$/RMB exchange rate	6.8248	—	—

Effects of forward exchange contracts on financial statements are as follows:

		December 31,	
	2008	2007	2006
	(in millions of euros)		
Carrying value of forward exchange contracts (see notes 5 and 12)	(7.6)	8.3	8.8
Fair value of forward exchange contracts	(7.6)	8.3	8.8
Gains (losses) recognized in profit and loss (see note 21)	(9.1)	18.7	8.9
Gains (losses) recognized directly in equity	(3.9)	(4.6)	8.7

Call contracts

In 2008, the Group has acquired call contracts in connection with the mandatory public offer to acquire the portion of Wavefield shares not yet acquired at December 31, 2008, so as to mitigate the exchange risk related to the cash consideration of the transaction in a context of appreciation of the Norwegian Kroner against Euro.

		December 31,	
	2008	2007	2006
Call NOK / Put €			
Notional amount (in millions of NOK)	600.0	—	—
— of which qualifying as cash-flow hedges	600.0	—	—
— of which not qualifying as cash-flow hedges	—	—	—
Maturity	33 days	—	—
Exercise price (NOK/€)	9.50	—	—

Effects of call contracts on financial statements are as follows:

	December 31,		
	2008	2007	2006
	(in millions of euros)		
Carrying value of call contracts	1.0	-	-
Fair value of call contracts	1.0	-	-

- **Interest rate risk management**

Our policy is to manage interest rates through use of a combination of fixed and floating rate debt. Our exposure to interest rate fluctuations is reduced to the extent that part of our financial debt at December 31, 2008 consists of bond issues maturing in November 2015 and 2017 and bearing a fixed interest rate. However, our sources of liquidity include a Senior “Term Loan B” credit with financial institutions charging variable interest rates. We may also use interest rate swaps to adjust interest rate exposures when appropriate based upon market conditions.

Interest rate sensitivity analysis

Our sources of liquidity include credit facilities and debt securities which are or may be subject to variable interest rates. In particular, the Senior Facilities are subject to interest based on U.S. dollar LIBOR. As a result, our interest expenses could increase significantly if short-term interest rates increase. Each 50 basis point increase in the LIBOR will increase our interest expense by approximately $4 million per year.

Interest rate swap contracts

There is one outstanding agreement at December 31, 2008, subscribed by Exploration Resources on a variable rate loan in U.S. dollars to pay the interest at fixed rate of 5.67% and to receive interest at the variable rate of the loan. This contract is designated as a cash flow hedge starting January 1, 2008. The outstanding value of the loan at December 31, 2008 is US$35.0 million. The maturity of this agreement is June 2011.

Effects of interest rate swap on financial statements are as follows:

	At December 31,		
	2008	2007	2006
	(in millions of euros)		
Carrying value of interest rate swaps (see note 12)	(1.5)	(1.1)	(0.6)
Fair value of interest rate swaps	(1.5)	(1.1)	(0.6)
Gains (losses) recognized in profit and loss	—	(0.5)	(0.6)
Gains (losses) recognized directly in equity	(1.8)	—	—

Interest rate cap contracts

There is no interest rate cap agreement as at December 31,2008.

- **Credit risk management**

We seek to minimize our counter-party risk by entering into hedging contracts only with highly rated commercial banks or financial institutions and by distributing the transactions among the selected institutions. Although our credit risk is the replacement cost at the then-estimated fair value of the instrument, we believe that the risk of incurring losses is remote and those losses, if any, would not be material. Our receivables and investments do not represent a significant concentration of credit risk due to the wide variety of customers and markets in which we sell our services and products and our presence in many geographic areas. In 2008, the Group's two most significant customers accounted for 3.9% and 3.8% of the Group's consolidated revenues compared with 4.5% and 2.8% in 2007 and 9.0% and 3.2% in 2006.

- **Liquidity risk management**

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, most recently, Exploration Resources and Veritas).

We intend to fund ongoing operations and debt service requirements through cash generated by operations. Our ability to make scheduled payments of principal, or to pay the interest or additional interest, if any, on, or to refinance our indebtedness, or to fund planned capital expenditures will depend on our future performance, which, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. Based upon the current level of operations, we believe that cash flow from operations, available cash and short-term investments, together with borrowings available under the U.S. revolving facility and the French revolving facility, will be adequate to meet our future liquidity needs for the next twelve months.

- **Financial instruments by categories in the Balance sheet**

The impact and the breakdown of the Group's financial instruments in the balance sheet at December 31, 2008 are as follows:

	December 31, 2008						
	Carrying Amount	**Fair Value**	**Fair value in income statement**	**Available-for-sale assets**	**Loans, receivables**	**Debts at amortized cost**	**Derivatives**
	(in millions of euros)						
Non-consolidated investments	5.2	5.2		5.2			
Financial and non-current assets	21.0	21.0			21.0		
Notes receivables	712.3	712.3			712.3		
Financial and current assets	1.1	1.1					1.1
Cash equivalents	77.5	77.5	76.5				1.0
Cash	439.4	439.4	439.4				
Total assets	**1,256.5**	**1,256.5**	**515.9**	**5.2**	**733.3**		**2.1**
Financial and non-current liabilities	1.4	1.4			1.4		
Financial debts(a)	1,546.0	1,551.5				1,546.0	
Notes payables	286.2	286.2			286.2		
Financial and current liabilities	10.2	10.2					10.2
Total liabilities	**1,843.8**	**1,849.3**			**287.6**	**1,546.0**	**10.2**

(a) Financial debts include long term debt, bank overdraft facilities and accrued interest (see note 13)

- **Fair value information**

The carrying amounts and fair values of the Group's financial instruments are as follows:

	December 31,					
	2008		2007		2006	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(in millions of euros)					
Cash and cash equivalents	516.9	516.9	254.3	254.3	251.8	251.8
Bank overdraft facilities	8.2	8.2	17.5	17.5	6.5	6.5
Bank loans, vendor equipment financing and shareholder loans:						
Variable rate	724.7	724.7	633.5	633.5	85.3	85.3
Fixed rate	740.3	745.8	702.2	1,106.9	310.9	369.2
Forward currency exchange contracts	(7.6)	(7.6)	8.3	8.3	8.7	8.7
Interest rate swaps	(1.5)	(1.5)	(1.1)	—	(0.6)	—

The Group considers the carrying value for loans receivable and other investments, trade accounts and notes receivable, other receivables, trade accounts and notes payable and other current liabilities to be the most representative estimate of fair value.

For bank loans with fixed interest rates, the fair values have been estimated using discounted cash flow (interest payments and reimbursements) analysis based on the Group's incremental borrowing rates for similar types of borrowing arrangements. At December 31, 2008, the rate of 17.5% (source Bloomberg) is used to determine the fair value of high yield bonds. For variable-rate bank loans, vendor equipment financing and the shareholder loans, fair values approximate carrying values.

The market value of forward sales is assessed based on forward rates, available on the financial markets for similar maturities.

NOTE 15 — COMMON STOCK AND STOCK OPTION PLANS

The Company's share capital at December 31, 2008 consisted of 150,617,709 shares, each with a nominal value of €0.40.

Five-for-one stock split

On June 3, 2008 at the opening of the Paris stock exchange, CGGVeritas implemented a five-for-one stock split.

As a consequence:

- the market price of CGGVeritas shares listed on Euronext Paris was divided by 5;
- the number of outstanding shares was multiplied by 5;
- the par value of each share decreased from €2.00 to €0.40 each; and
- an ADS listed on the NYSE has one-to-one parity with an ordinary share listed on Euronext Paris.

This transaction did not require any specific formalities from CGGVeritas shareholders and did not involve additional costs.

As a consequence, the following information has been restated in order to reflect this split: granted / exercised or forfeited options have been multiplied by 5, and issued shares price or exercise option price have been divided by 5.

Rights and privileges related to ordinary shares

Ordinary shares give right to dividend. Dividends may be distributed from the statutory retained earnings, subject to the requirements of French law and the Company's articles of incorporation. Retained earnings available for distribution amounted to €1,867.9 million at December 31, 2008.

Ordinary shares registered held for more than two years give a double voting right.

Issued Shares

In 2008, CGGVeritas S.A. issued 13,363,919 fully paid shares related to the following operations:

- 226 165 ordinary shares corresponding to allocated stock-options;
- 237 500 ordinary shares corresponding to allocated performance shares;
- 12 925 749 ordinary shares corresponding to the acquisition of Wavefield;
- 25 495 cancellation of ordinary shares related to the acquisition of Veritas.

Consolidated statements of changes in shareholders' equity

	Number of shares issued	Share capital	Additional paid-in capital	Retained earnings	Treasury shares	Income and expense recognized directly in equity	Cumulative translation adjustment	Total shareholders' equity	Minority interest	Total shareholders' equity and minority interest
				(amounts in millions of euros, except share data)						
Balance at January 1, 2006	**85,408,400**	**34.2**	**372.3**	**283.2**	**(1.1)**	**(1.4)**	**11.3**	**698.5**	**11.7**	**710.2**
Capital increase	1,206,470	0.5	11.9					12.4		12.4
Conversion of convertible bonds	1,374,570	0.5	10.7	31.0				42.2		42.2
Net income				157.1				157.1	1.6	158.7
Cost of share-based payment				7.4				7.4	(0.3)	7.1
Operations on treasury shares					4.1			4.1		4.1
Actuarial gains and losses of pension plans(1)(b)				*(1.0)*				*(1.0)*		*(1.0)*
Financial instruments: change in fair value and transfer to income statement(2)(b)						*6.2*		*6.2*		*6.2*
Foreign currency translation: change in fair value and transfer to income statement(3)(b)							*(49.9)*	*(49.9)*	*(1.6)*	*(51.5)*
Income and expense recognized directly in equity(1) +(2) +(3)				(1.0)		6.2	(49.9)	(44.7)	(1.6)	(46.3)
Changes in consolidation scope								—	11.5	11.5
Balance at December 31, 2006	**87,989,440**	**35.2**	**394.9**	**477.7**	**3.0(a)**	**4.8**	**(38.6)**	**877.0**	**22.9**	**899.9**
Capital increase	47,914,350	19.7	1,425.1	44.1				1,488.9		1,488.9
Net income				245.5				245.5	4.1	249.6
Cost of share-based payment				20.6				20.6		20.6
Operations on treasury shares					(6.9)			(6.9)		(6.9)
Actuarial gains and losses of pension plans(1)(b)				*(3.8)*				*(3.8)*		*(3.8)*
Financial instruments: change in fair value and transfer to income statement(2)(b)						*(9.9)*		*(9.9)*		*(9.9)*
Foreign currency translation: change in fair value and transfer to income statement(3)(b)							*(209.8)*	*(209.8)*	*(2.5)*	*(212.3)*
Income and expense recognized directly in equity(1) +(2) +(3)				(3.8)		(9.9)	(209.8)	(223.5)	(2.5)	(226.0)
Changes in consolidation scope									(0.5)	(0.5)
Balance at December 31, 2007	**135,903,790**	**54.9**	**1,820.0**	**784.1**	**(3.9)**	**(5.1)**	**(248.4)**	**2,401.6**	**24.0**	**2,425.6**
Capital increase	13,363,919	5.3	144.7	(9.6)				140.4		140.4
Net income				332.8				332.8	7.2	340.0
Cost of share-based payment				25.1				25.1	(1.4)	23.7
Operations on treasury shares					(14.2)			(14.2)		(14.2)
Actuarial gains and losses of pension plans(1)(b)				0.6				*0.6*		*0.6*
Financial instruments: change in fair value and transfer to income statement(2)(b)						*2.6*		*2.6*		*2.6*
Foreign currency translation: change in fair value and transfer to income statement(3)(b)							*72.1*	*72.1*	*3.5*	*75.6*
Income and expense recognized directly in equity(1) +(2) +(3)				0.6		2.6		75.3	3.5	78.8
Changes in consolidation scope and other				(0.8)			(0.1)	(0.9)	5.2	4.3
Balance at December 31, 2008	**150,617,709**	**60.2**	**1,964.7**	**1,132.2**	**(18.1)**	**(2.5)**	**(176.4)**	**2,960.1**	**38.5**	**2,998.6**

(a) at December 31, 2006, CGGVeritas S.A. did not hold any own shares through the liquidity contract.
(b) net of deferred tax.

Stock options

Pursuant to various resolutions adopted by the Board of Directors, the Group has granted options to purchase Ordinary Shares to certain employees, executive officers and directors of the Group.

Options granted under the provisions of the 2000 option plan expired on January 17, 2008.

Options granted under the provisions of the March 2001 option plan, which expires eight years from the date of grant, are vested by one fifth each year from March 2001 and could not generally be exercised before 2004 and for the options to subscribe for 1,000 shares or more, the shares resulting from the exercise of those options could not be sold before January 18, 2005.

Options granted under the May 2002 option plan, which expires eight years from the date of grant, are vested by one fifth each year from May 2002 and could not generally be exercised before 2005. Moreover, for options to subscribe for 1,000 shares or more, the shares resulting from the exercise of those options could not be sold before May 15, 2006.

Options granted under the May 2003 option plan, which expires eight years from the date of grant, are vested by one-fourth each year from May 2003 and could not generally be exercised before May 16, 2006. Moreover, for options to subscribe for 1,000 shares or more, the shares resulting from the exercise of those options could not be sold before May 16, 2007.

Options granted under the May 2006 option plan, which expires eight years from the date of grant, are vested by one fourth each year from May 2006 and could not generally be exercised before May 2010. Moreover, for options to subscribe for 1,000 shares or more, the shares resulting from the exercise of those options could not be sold before May, 2010. Out of the 1,012,500 options granted in May 2006, 680,000 were granted to the executive managers of the Group.

Options granted under the March 2007 option plan, which expires eight years from the date of grant, are vested by one third each year from March 2007 and, once vested, can be exercised at anytime. For the French tax residents, the shares resulting from the exercise of those options may not be sold before March 24, 2011. Out of the 1,308,750 options granted in March 2007, 675,000 were granted to the executive officers.

Options granted under the March 2008 option plan, which expires eight years from the date of grant, are vested by one third each year from March 2008 and, once vested, can be exercised at anytime. For the French tax residents, the shares resulting from the exercise of those options may not be sold before March 14, 2012. Out of the 1,188,500 options granted in March 2008, 584,742 were granted to the executive officers.

The exercise price of each option is the average market value of the share during the twenty-day period ending the day before the date the option is allocated.

Information related to options outstanding at December 31, 2008 is summarized below:

Date of Board of Directors' Resolution	Options granted	Options outstanding at Dec. 31, 2008	Exercise price per share (€)	Expiration date	Remaining duration
March 14, 2001	1,280,000	251,120	13.08€	March 13, 2009	2.5 months
May 15, 2002	690,500	244,280	7.99€	May 14, 2010	16.5 months
May 15, 2003	849,500	347,000	2.91€	May 14, 2011	28.5 months
May 11, 2006	1,012,500	954,085	26.26€	May 10, 2014	64.5 months
March 23, 2007	1,308,750	1,226,500	30.40€	March 22, 2015	74.5 months
March 14, 2008	1,188,500	1,159,000	32.57€	March 14, 2016	86.5 months
Total	**6,329,750**	**4,181,985**			

A summary of the Company's stock option activity, and related information for the years ended December 31 follows:

	2008		2007		2006	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
	(weighted average exercise price in euro)					
Outstanding-beginning of year	3,306,000	21.84€	3,253,985	13.59	3,459,695	8.73
Granted	1,188,500	32.57€	1,308,750	30.40	1,012,500	26.25
Exercised	(226,165)	11.55€	(1,157,125)	7.89	(1,206,470)	10.30
Forfeited	(86,350)	22.89€	(99,610)	26.94	(11,740)	9.67
Outstanding-end of year	**4,181,985**	**25.43€**	**3,306,000**	**21.84**	**3,253,985**	**13.59**
Exercisable-end of year	1,728,276	18.05€	1,077,935	7.90	1,896,535	8.44

The average price of CGGVeritas share was €23.74 in 2008, €36.20 in 2007 and €25.60 in 2006.

Performance shares

The Board of Directors meeting held on April 29, 2008 resolved that the performance conditions set forth by the general regulations of the plan dated May 11, 2006 had been fulfilled and, as a result, finally allocated the performance shares to those beneficiaries that were employees or officers of the company or one of its subsidiaries at the time of the final allocation, i.e. May 12, 2008. 237,500 shares were thus allocated.

Additionally to our 2006 performance share allocation plan, the Board of Directors implemented, on March 23, 2007, a performance share allocation plan. The maximum number of performance shares that may be allocated is 408,750 shares, out of which 67,500 may be allocated to the executive officers. Performance shares are allocated according to the following conditions:

- If the realization of the performance conditions described below has been enacted by the Board of Directors shares will be issued on the latest of the two following dates : March 23, 2009 or the date of the General Shareholders' meeting approving the financial statements for the year ended December 31, 2008.
- The beneficiaries would be allocated the shares only if such beneficiary still has a valid employment contract with CGGVeritas or one of its subsidiaries (subject to specific conditions) at the date the two-year acquisition period expires and if the conditions of allocation are met.
- The Board of Directors defined two general performance conditions based on the Group's average consolidated net income per share for the year ended December 31, 2007 and 2008 and the average yearly return before tax on capital employed for the year ended December 31, 2007 and 2008 of either CGGVeritas, the Services segment, or the Equipment segment, according to the segment to which the beneficiary belongs.
- Once allocated, the shares may not be sold for a two years conservation period from the date of the actual allocation.

In addition to our 2006 and 2007 performance share allocation plans, on March 14, 2008, the Board of Directors decided to allocate a maximum amount of 459,250 performance shares to senior executives and certain other employees of the Group. These shares will be allocated at the end of a two-year allocation period expiring on the later of March 14, 2010 or the date of the shareholders' meeting convened to approve the 2009 financial statements.

Such allocation will be final provided (i) the Board resolves that the performance conditions provided for by the plan regulations, i.e. the achievement in fiscal years 2008 and 2009 of a minimum average consolidated net earning per share and an average operating income of either the Group, the Services segment or the Equipment segment, depending upon the segment to which each beneficiary belongs, and (ii) the beneficiary is still an employee or officer of the Group upon final allocation of the shares.

The allocated shares will have to be kept in registered form for a two-period as from the allocation date before they can be sold.

Compensation cost on stock-options and performance shares

The following table lists the assumptions used to value the 2006, 2007 and 2008 options plan and the 2006, 2007 and 2008 performance shares allocation plan according to IFRS 2 :

	Options granted	Volatility	Risk-free rate	Fair value per share at the grant date (€)
2006 stock options plan	1,012,500	35 %	3.80 %	14.97€(a)
2007 stock options plan	1,308,750	36 %	3.95 %	12.65€(b)
2008 stock options plan	1,188,500	39 %	3.47 %	12.06€

	Performance shares granted	Annual Turnover	Achievement of performance Conditions	Fair value per share at the grant date (€)
2006 performance shares allocation plan	266,000	2.5%	100%	31.64€(c)
2007 performance shares allocation plan	408,750	2.5%	100%	31.02€(c)
2008 performance shares allocation plan	459,250	5.0 %	75 %	30.58€(c)

(a) the hypothetical exercise date was estimated at May 11, 2012, corresponding to the mid-term between the last acquisition date (May 11, 2010) and the end of the plan (May 11, 2014);

(b) the hypothetical exercise date was estimated at September 23, 2012, corresponding to the mid-term between the last acquisition date (March 23, 2010) and the end of the plan (March 23, 2015);
(c) corresponds to CGGVeritas share price at the date of allocation

According to IFRS 2, fair value of stock-options and performance shares granted since November 7, 2002 must be recognized as an expense over the life of the plan. Detail of this expense is as follows:

	Year 2008	2007	2006
	(in millions of euros)		
2003 stock options plan(a)	—	—	0.2
2006 stock options plan(b)	2.5	5.6	4.8
2007 stock options plan(c)	5.1	8.1	—
2008 stock options plan(d)	6.5	—	—
2006 performance shares plan(e)	1.7	4.0	2.4
2007 performance shares plan(f)	4.1	2.9	—
2008 performance shares plan(g)	3.9	—	—
Total recognized expense according to IFRS 2	**23.8**	**20.6**	**7.4**

(a) of which €0.1 million for the executive managers of the Group in 2006;
(b) of which €1.3 million for the executive managers of the Group in 2008, €2.7 million in 2007, €3.2 million in 2006;
(c) of which €2.6 million for the executive managers of the Group in 2008, €3.9 million in 2007;
(d) of which €3.2 million for the executive managers of the Group in 2008;
(e) of which €0.3 million for the executive managers of the Group in 2008, €0.7 million in 2007, €0.6 million in 2006;
(f) of which €0.7 million for the executive managers of the Group in 2008, €1.5 million in 2007.
(g) of which €0.4 million for the executive managers of the Group in 2008.

NOTE 16 — PROVISIONS

Detail of provisions for liabilities and charges is as follows:

	Balance at 31 December, 2007	Additions	Deductions (used)	Deductions (non used)	Others(a)	Balance at 31 December, 2008
			(in millions of euros)			
Provisions for onerous contracts (b)	1.4	1.4	1.3		8.6	10.1
Provisions for restructuring costs	1.1	2.0	0.2		(0.4)	2.5
Provisions for litigations	0.9	0.4	0.6	0.1		0.6
Others provisions	6.2	5.8	3.7		(0.8)	7.5
Total current provisions	**9.6**	**9.6**	**5.8**	**0.1**	**7.4**	**20.7**
Customers Guarantee provisions	12.1	7.4	8.5		(0.4)	10.6
Retirement indemnity provisions	28.6	6.3	7.3		(2.1)	25.5
Other provisions	35.8	3.5			7.0	46.3
Total non current provisions	**76.5**	**17.2**	**15.8**		**4.5**	**82.4**
Total provisions	**86.1**	**26.8**	**21.6**	**0.1**	**11.9**	**103.1**

(a) includes the effects of exchange rates changes and acquisitions and divestitures
(b) the column other corresponds mainly to the impact of the fair value of unfavorable contracts recorded as part of the purchase price allocation related to Wavefield acquisition (see also note 2).

Customers Guarantee provisions

The increase of "Customers Guarantee provisions" is related to the warranty given by Sercel to external clients.

Retirement indemnity provisions

The Group records retirement indemnity provisions based on the following actuarial assumptions:

- historical staff turnover and standard mortality schedule;
- age of retirement between 60 and 65 years old in France and 67 years old in Norway; and
- actuarial rate and average rate of increase in future compensation.

In addition, a supplemental pension and retirement plan was implemented in December 2004 for the members of the Group's Management Committee and members of the management board of Sercel Holding. Contributions of €2.0 million on this pension plan were paid in 2007. No contribution was paid in 2008 and 2006.

The status of the retirement indemnity plans is as follows:

	December 31,		
	2008	2007	2006
	(in millions of euros)		
Amount recognized in the balance sheet			
Present value of the obligation	68.4	79.9	21.0
Fair value of plan assets	(28.2)	(37.1)	(5.2)
Deficit (surplus) of funded plans	40.2	42.8	15.8
Unrecognized past service cost (a)	(15.0)	(16.3)	(3.2)
Payroll tax	0.3	-	-
Net liability (asset) recognized in balance sheet	**25.5**	**26.5**	**12.6**
Amounts recognized in the income statement			
Current service cost	2.9	2.5	1.4
Interest cost	4.1	2.9	0.9
Expected return on plan assets	(2.1)	(1.7)	(0.2)
Amortization of past service costs	1.2	0.4	0.6
Payroll tax	0.2	-	-
Net periodic expense (b)	**6.3**	**4.1**	**2.7**
Movements in the net liability recognized in the balance sheet			
Net liability at January 1	26.5	12.6	10.0
Expense as above	6.3	4.1	2.7
Actuarial gains (losses) recognized in the Sorie	(1.4)	6.3	1.1
Contributions paid	(3.0)	(12.2)	(0.6)
Benefits paid by the company	(2.9)	(0.7)	(0.5)
Consolidation scope entries and changes in exchange rates	(0.3)	16.8	(0.1)
Other	0.3	(0.4)	
Net liability at December 31	**25.5**	**26.5**	**12.6**
Change in benefit obligation			
Benefit obligation at January 1	79.9	21.0	18.2
Current service cost	2.9	2.5	1.4
Contributions paid	0.4	0.4	-
Interest cost	4.1	2.9	0.9
Past service cost	0.1	13.6	-
Benefits paid from plan	(5.6)	(0.8)	(0.5)
Actuarial (gains) losses recognized in the Sorie (c)	(7.1)	5.3	1.1
Consolidation scope entries and changes in exchange rates	(6.2)	34.4	(0.7)
Other	(0.1)	0.6	0.6
Benefit obligation at December 31	**68.4**	**79.9**	**21.0**
Change in plan assets			
Fair value of plan assets at January 1	37.1	5.2	5.0
Expected return on plan assets	2.1	1.7	0.2
Contributions paid	3.4	12.6	0.6
Benefits paid from plan	(2.8)	(0.1)	-
Actuarial gains and losses recognized in the Sorie	(5.7)	(1.0)	-
Consolidation scope entries and changes in exchange rate	(7.5)	17.6	(0.6)
Other	1.6	1.1	-
Fair value of plan assets at December 31 (d)	**28.2**	**37.1**	**5.2**

Key assumptions used in estimating the Group's retirement obligations are:

Discount rate (e)	5.73%	5.44%	4.50%
Average rate of increase in future compensation	3.25%	6.15%	3.00%
Average expected return on assets (f)	5.17%	4.15%	4.00%

(a) Corresponds to the supplemental pension and retirement plan for the members of the Group's Management Committee and members of the management board of Sercel Holding. In 2007, this item also includes the impacts of a change in the French pension scheme for € (13.5) million.

(b) The presentation of this line item has been changed in 2008, in order to include the expected return on plan assets as part of the net periodic expense. The effect of this change in presentation for 2007 is an additional expense of €(1.7) million, and € (0.2) million in 2006.

(c) Sorie corresponds to the statements of income and expenses attributable to shareholders.

(d) The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	December, 31	
	2008	2007
Equity securities	30 %	43 %
Debt securities	27 %	22 %
Real estate	7 %	6,0 %
Other	36 %	28,0 %

(e) The discount rate for entities belonging to the "euro zone" is 5.60%. It has been defined by comparison to the following rates at December 31, 2008:

- Bloomberg Corporate 20 years: 5,20%
- IBOXX 10 + AA: 6,28%
- IBOXX 10 + AA financial: 7,08%
- IBOXX 10+ AA Non financial: 5,26%

For entities not included in the "euro zone", the discount rates used range from 4.50% to 6.20%

An increase of 0.25% of the discount rate would increase the DBO by €5.0 million, and a decrease of the discount rate of 0.25% would decrease the DBO by €5.5 million.

(f) Plan assets are located in the UK (79%), in Norway (13%) and in France (8%). The average expected return on assets is determined based on long term return by asset category assumptions at December 31, 2008. Plan assets are placed mainly in stocks, bonds and cash.
Actuarial gains and losses on plan assets correspond to the difference between actual and expected return on plan assets (€(5.7) million in 2008 and €(1.0) million in 2007).

A decrease of 0.25% of the expected return on assets rate would result in a decrease of €0.1 million the expected return of assets.

NOTE 17 — OTHER NON-CURRENT LIABILITIES

Detail of other non-current liabilities is as follows:

	December 31,		
	2008	2007	2006
	(in millions of euros)		
Deposit and guarantees	1.4	1.2	—
Research and development subsidies	5.5	5.4	5.5
Profit sharing scheme	23.0	20.4	18.2
Other non-current liabilities	**29.9**	**27.0**	**23.7**

NOTE 18 — CONTRACTUAL OBLIGATIONS. COMMITMENTS AND CONTINGENCIES

Contractual obligations — capital leases

The Group leases land, buildings and geophysical equipment under capital lease agreements expiring at various dates during the next five years. In addition, the Group operates seismic vessels under charter agreements over one to eight year periods.

Capital leases commitments included the sale-leaseback agreement with respect to the Group's head office in Massy, for which we exercised the purchase option in January 2006 (see Note 9).

Contractual obligations — operating leases

Other lease agreements relate primarily to operating leases for offices, computer equipment and other items of personal property.

Rental expense was €311.6 million in 2008, €236.8 million in 2007 and €73.5 million in 2006.

Contractual obligations — present payments in future periods

The following table presents payments in future periods relating to contractual obligations as of December 31, 2008:

	Payments due by period				
	Less than 1 year	2-3 years	4-5 years	After 5 years	Total
	(in millions of euros)				
Long-term debt obligations:					
— Repayments : fixed rates	13.5	17.8	0.5	655.7	687.5
— Repayments : variables rates	123.9	28.3	21.9	477.3	651.4
— Bonds interests	50.8	101.7	101.7	120.8	375.0
Total Long-term debt flows	**188.2**	**147.8**	**124.1**	**1,253.8**	**1,713.9**
— Capital Lease Obligations:					
— Capital Lease Obligations : fixed rates	11.3	36.4	7.8	2.1	57.6
— Capital Lease Obligations : variables rates	21.6	25.9	27.7	7.2	82.4
Total Capital Lease Obligations	**32.9**	**62.3**	**35.5**	**9.3**	**140.0**
Operating Leases	164.7	166.6	165.0	237.4	733.7
Total Contractual Obligations	**385.8**	**376.7**	**324.6**	**1,500.5**	**2,587.6**

The following table presents reconciliation between capital lease obligations and capital lease debts as of December 31, 2008:

	Less than 1 year	1-5 years	After 5 years	Total
		(in millions of euros)		
Capital Lease Obligations	**32.9**	**97.8**	**9.3**	**140.0**
Discounting	2.5	10.4	0.9	13.8
Capital lease debt (see note 13)	**30.4**	**87.4**	**8.4**	**126.2**

Other commitments

Outstanding commitments at December 31, 2008 include the following:

	December 31,		
	2008	2007	2006
	(in millions of euros)		
Guarantees issued in favor of clients(a)	271.5	338.7	161.6
Guarantees issued in favor of banks(b)	38.7	19.4	21.8
Other guarantees and commitments(c)	92.5	35.4	25.5
Total	**402.7**	**393.5**	**208.9**

(a) Guarantees issued in favor of clients relate mainly to guarantees issued by the Company to support bids made at the subsidiaries level.
(b) Guarantees issued in favor of banks related mainly to guarantees issued by the Company to support credit facilities made at the subsidiaries level.
(c) Other guarantees relate primarily to guarantees issued by the Company on behalf of subsidiaries and affiliated companies in favor of customs or other governmental administrations.

In 2008, in connection with the acquisition of Wavefield, CGGVeritas SA deposited in cash the equivalent of the banking guarantee issued in accordance with the provisions of Chapters 6-10 of the Norwegian Securities Trading Act., the cash refund being subject to the waiver of the guarantee, for NOK639 million (€65 million).

In 2008, CGGVeritas signed a Letter of Intent to charter from Swire Pacific Offshore a newly built 2D seismic vessel the *Fearless*. The contract value amounts to approximately U.S.$83 million over a period of eight years. At the term of the eight years charter, CGGVeritas has both a purchase option and an option for another eight years charter extension. The seismic vessel should be delivered mid 2010.

In 2008, CGGVeritas and Eidesvik Offshore amended their agreement for Eidesvik to supply to CGGVeritas two large seismic vessels to be newly built, for a total contract value of approximately U.S.$420 million (U.S.$377 million previously). The two vessels should be delivered in 2010 under 12-year time charter agreements.

On June 13, 2008, CGGVeritas 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 lessors, 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. CGGVeritas Services SA has a purchase option exercisable from the end of the sixth year until the end of the lease agreement.

In 2007 and 2006, the increase in guarantees issued in favor of clients related mainly to guarantees issued in bids or contracts achievements. This increase was due to the external growth of the Group.

In 2006, other guarantees represented essentially the guarantees given to the Swiss legal authorities for the unemployment funds related to the employees of CGGVeritas International based in Geneva for €16.9 million.

The duration of the guarantees and commitments is as follows:

	Due date				
	Less than 1 year	2-3 years	4-5 years	After 5 years	Total
	(in millions of euros)				
Guarantees issued in favor of clients	246.6	11.7	13.2	-	271.5
Guarantees issued in favor of banks	24.6	13.4	-	0.7	38.7
Other guarantees and commitments	84.9	7.3	0.3	-	92.5
Total	**356.1**	**32.4**	**13.5**	**0.7**	**402.7**

In addition, the Group's agreements for the disposal of certain activities contain customary, reciprocal warranties and indemnities.

The Group has no off-balance sheet obligations under IFRS that are not described above.

Legal proceedings, claims and other contingencies

The Group is a defendant in a number of legal proceedings arising in the ordinary course of business and has various unresolved claims pending. The outcome of these lawsuits and claims is not known at this time. The Group believes that the resulting liability, if any, net of amounts recoverable from insurance or other sources will not have a material adverse effect on its consolidated results of operations, financial position or cash flows.

On July 7, 2008, CGGVeritas issued a writ against Arrow Seismic ASA in order to obtain compensation for the loss suffered by CGGVeritas (approximately USD70 million at the date of the claim) following Arrow Seismic ASA's withdrawal from the negotiations of a construction contract for a 3D seismic vessel. The negotiations were terminated after Arrow Seismic ASA was acquired by PGS. Discussions between CGGVeritas and Arrow Seismic ASA were at such an advanced stage that, in the Group's view, the parties were contractually committed. A decision is expected by the end of the second quarter 2009.

On October 20, 2006, a complaint was filed against CGG's subsidiary, Sercel Inc., in the United States District Court for the Eastern District of Texas. The complaint alleges that several of Sercel Inc.'s seismic data acquisition products that include micro electromechanical systems (MEMS) infringe a U.S. patent allegedly owned by the plaintiffs. The plaintiff has requested a permanent injunction prohibiting Sercel Inc. from making, using, selling, offering for sale or importing the equipment in question into the United States. In addition, plaintiff has requested damages based on lost profits in the amount of $14,672,261 plus prejudgment interest of $775,254. In the alternative, plaintiff is requesting damages based on a reasonable royalty in the amount of $6,185,924 plus prejudgment interest of $374,898. Sercel is confident that the products in question do not infringe any valid claims under the patent in question and intends to contest this claim vigorously. During 2008, the discovery process was completed and the Court provided a claim construction opinion. The Court has found that three of the seven claims of the patent are invalid for indefiniteness and one claim is not infringed. We do not believe this litigation will have a material adverse effect on our financial position or results of operations. Accordingly, no provision has been recorded in our consolidated financial statements, except for the fees related to preparing the defense.

The Company has been sued by Parexpro (Portugal), for termination without cause of employment agreements and solicitation of a significant number of highly qualified staff in the field of reservoir evaluation, misappropriation of confidential information and documentation, clients, and loss of profits resulting there from.
In October 2003, the Lisbon Commercial Court declared itself unqualified to give a decision on this issue. The company Parexpro appealed on this decision.
In 2005, Lisbon Appeal Court confirmed the decision of Lisbon Commercial Court and Parexpro introduced a new assignation on the Lisbon Civil Court, targeting the same persons and companies on the same basis. This action is still being processed.
The Company does not expect this claim to have any material impact on the Group's results of operation, financial position, or cash flows. Thus, no provision was recorded in the consolidated financial statements.

NOTE 19 — ANALYSIS BY OPERATING SEGMENT AND GEOGRAPHIC ZONE

Financial information by operating segment is reported in accordance with the internal reporting system and shows internal segment information that is used to manage and measure the performance of CGGVeritas. We divide our business into two operating segments, geophysical services and geophysical equipment.

Our geophysical services segment comprises:

- Land contract: seismic data acquisition for land, transition zones and shallow water undertaken by us on behalf of a specific client;
- Marine contract: seismic data acquisition offshore undertaken by us on behalf of a specific client;
- Multi-client land and marine: seismic data acquisition undertaken by us and licensed to a number of clients on a non-exclusive basis; and
- Processing & Imaging: processing and imaging and interpretation of geophysical data, data management and reservoir studies for clients.

Our equipment segment, which we conduct through Sercel Holding S.A. and its subsidiaries, is our manufacturing and sales activities for seismic equipment used for data acquisition, both on land and offshore.

Inter-company sales between the two segments are made at prices approximating market prices and relate primarily to equipment sales made by the geophysical equipment segment to the geophysical services segment. These inter-segment sales, the related operating income recognized by the geophysical equipment segment, and the related effect on capital expenditures and depreciation expense of the geophysical services segment are eliminated in consolidation and presented in the column "Eliminations and Adjustments" in the tables that follow.

Operating income represents operating revenues and other operating income less expenses of the relevant industry segment. It includes non-recurring and unusual items, which are disclosed in the operating segment if material. General corporate expenses, which include Group management, financing, and legal activities, have been included in the column "Eliminations and Adjustments" in the tables that follow. The Group does not disclose financial expenses or revenues by operating segment because these items are not followed by the segment management and because financing and investment are mainly managed at the corporate level.

Identifiable assets are those used in the operations of each industry segment and geographic zone. Unallocated and corporate assets consist primarily of financial assets, including cash and cash equivalents.

Due to the constant changes in work locations, the group does not track its assets based on country of origin or ownership.

Identifiable liabilities are those used in the operations of each industry segment and geographic zone. Unallocated and corporate liabilities consist primarily of corporate financial debts.

In 2008, the Group's two most significant customers accounted for 3.9% and 3.8% of the Group's consolidated revenues compared with 4.5% and 2.8% in 2007 and 9.0% and 3.2% in 2006.

Analysis by operating segment

2008	Geophysical services	Geophysical equipment	Eliminations and Adjustments	Consolidated Total
		(in millions of euros)		
Revenues from unaffiliated customers	**1,837.3**	**765.2**	**—**	**2,602.5**
Inter-segment revenues	0.6	66.9	(67.5)	—
Operating revenues	**1,837.9**	**832.1**	**(67.5)**	**2,602.5**
Other income from ordinary activities	—	1.7	—	1.7
Total income from ordinary activities	**1,837.9**	**833.8**	**(67.5)**	**2,604.2**
Operating income (loss)	**353.0**	**268.1**	**(80.5)** (a)	**540.6**
Equity income (loss) of investees	6.0	(3.0)	—	3.0
Capital expenditures(b)	504.2	26.3	(25.3)	505.2
Depreciation and amortization(c)	(467.7)	(22.5)	(4.1)	(494.3)
Identifiable assets	**4,561.1**	**767.1**	**(289.0)**	**5,039.2**
Unallocated and corporate assets				595.0
Total assets				**5,634.2**
of which equity method companies				72.9
Identifiable liabilities	**1,170.7**	**254.9**	**(154.0)**	**1,271.6**
Unallocated and corporate liabilities				1,364.0
Total liabilities				**2,635.6**

(a) Includes general corporate expenses of €46.7million for year ended December 31, 2008.

(b) Includes (i) investments in multi-client surveys of €343.4 million, (ii) no equipment acquired under capital lease, (iii) capitalized development costs in the Services segment of €11.2 million, and (iv) capitalized development costs in the Equipment segment of €2.5 million for year ended December 31, 2008.

(c) Includes multi-client surveys amortization of €260.8 million for year ended December 31, 2008.

2007	Geophysical services	Geophysical equipment	Eliminations and Adjustments	Consolidated Total
		(in millions of euros)		
Revenues from unaffiliated customers	**1,694.5**	**679.6**	**—**	**2,374.1**
Inter-segment revenues	0.7	108.9	(109.6)	—
Operating revenues	**1,695.2**	**788.5**	**(109.6)**	**2,374.1**
Other income from ordinary activities	0.2	1.0	—	1.2
Total income from ordinary activities	**1,695.4**	**789.5**	**(109.6)**	**2,375.3**
Operating income (loss)	**304.9**	**266.2**	**(82.0)(a)**	**489.1**
Equity income (loss) of investees	4.4	(0.2)	—	4.2
Capital expenditures(b)	614.1	25.6	(42.2)	597.5
Depreciation and amortization(c)	(479.2)	(19.8)	11.5	(487.5)
Identifiable assets	**3,953.3**	**659.4**	**(285.7)**	**4,327.0**
Unallocated and corporate assets				320.0
Total assets				**4,647.0**
of which equity method companies				44.5
Identifiable liabilities	**948.4**	**242.7**	**(196.6)**	**994.5**
Unallocated and corporate liabilities				1,226.7
Total liabilities				**2,221.2**

(a) Includes general corporate expenses of €54.3 million for year ended December 31, 2007.

(b) Includes (i) investments in multi-client surveys of €371.4 million, (ii) no equipment acquired under capital lease, (iii) capitalized development costs in the Services segment of €5.0 million, and (iv) capitalized development costs in the Equipment segment of €3.2 million for year ended December 31, 2007.

(c) Includes multi-client surveys amortization of €308.5 million for year ended December 31, 2007.

2006	Geophysical services	Geophysical equipments	Eliminations and Adjustments	Consolidated Total
		(in millions of euros)		
Revenues from unaffiliated customers	**792.0**	**537.5**	**—**	**1,329.6**
Inter-segment revenues	0.9	72.6	(73.4)	—
Operating revenues	**792.9**	**610.1**	**(73.4)**	**1,329.6**
Other income from ordinary activities	1.8	—	—	1.8
Total income from ordinary activities	**794.7**	**610.1**	**(73.4)**	**1,331.4**
Operating income (loss)	**150.3**	**174.2**	**(35.5)(a)**	**289.0**
Equity income (loss) of investees	9.8	0.4		10.2
Capital expenditures(b)	200.3	29.8	(19.2)	210.9
Depreciation and amortization(c)	(177.2)	(18.1)	7.2	(188.1)
Identifiable assets	**1,106.2**	**550.0**	**(181.0)**	**1,475.2**
Unallocated and corporate assets				306.9
Total assets				**1,782.1**
of which equity method companies				46.2
Identifiable liabilities	**508.8**	**243.9**	**(118.3)**	**634.4**
Unallocated and corporate liabilities				247.8
Total liabilities				**882.2**

(a) Includes general corporate expenses of €27.4 million for year ended December 31, 2006.

(b) Includes (i) investments in multi-client surveys of €61.5 million, (ii) equipment acquired under capital lease of €0.1 million, (iii) capitalized development costs in the Services segment of €8.2 million, and (iv) capitalized development costs in the Equipment segment of €3.7 million for year ended December 31, 2006.

(c) Includes multi-client surveys amortization of €80.6 million for year ended December 31, 2006.

Analysis by geographic zone

Analysis of operating revenues by location of customers

	2008		2007		2006	
			(in millions of euros)			
North America	725.0	28%	734.6	31%	344.2	26%
Central and South Americas	203.2	8%	244.0	10%	138.3	10%
Europe, Africa and Middle East	1,045.2	40%	767.2	32%	472.7	36%
Asia Pacific	629.1	24%	628.3	27%	374.4	28%
Consolidated total	**2,602.5**	**100%**	**2,374.1**	**100%**	**1,329.6**	**100%**

Analysis of operating revenues by category

	2008		2007		2006	
			(in millions of euros)			
Sales of goods	748.9	29%	646.5	27%	499.4	37%
Services rendered	1,667.7	64%	1,445.1	61%	688.2	52%
After-sales on multi-client surveys	175.7	6%	278.0	12%	133.5	10%
Leases	10.2	1%	4.5	0%	8.5	1%
Consolidated total	**2,602.5**	**100%**	**2,374.1**	**100%**	**1,329.6**	**100%**

NOTE 20 — RESEARCH AND DEVELOPMENT EXPENSES

Analysis of research and development expenses is as follows:

	December 31,		
	2008	2007	2006
	(in millions of euros)		
Research and development costs — gross, incurred	(68.8)	(63.0)	(51.1)
Development costs capitalized	13.7	8.2	11.9
Research and development expensed	**(55.1)**	**(54.8)**	**(39.2)**
Government grants recognized in income	11.3	3.5	1.5
Research and development costs — net	**(43.8)**	**(51.3)**	**(37.7)**

Research and development expenditures related primarily to:

- for the geophysical services segment, projects concerning data processing services; and
- for the equipment segment, projects concerning seismic data recording equipment.

NOTE 21 — OTHER REVENUES AND EXPENSES

	December 31,		
	2008	2007	2006
	(in millions of euros)		
Impairment of assets	(30.2)	—	(1.9)
Restructuring costs	(1.4)	(0.9)	(0.1)
Variation of reserves for restructuring	(1.9)	0.3	(0.5)
Other non-recurring revenues (expenses)	8.3	—	—
Non-recurring revenues (expenses) — net	**(25.2)**	**(0.6)**	**(2.5)**
Exchange gains (losses) on hedging contracts	(9.1)	18.7	8.9
Gains (losses) on sales of assets	(2.1)	0.3	5.3
Other revenues (expenses) — net	**(36.4)**	**18.4**	**11.7**

Year ended December 31, 2008

The impairment of assets corresponds to the definitive impairment related to OHM investment for €22.6 million (see note 7) and to the write-off of fixed assets damaged due to the loss of propulsion incident of the *Symphony,* which occurred in April 2008. This write-off was totally offset by an insurance indemnity of € 13 million in the line on the item “Other non-recurring revenues”.

Restructuring costs and reserves for a total of €3.3 million relate to the shutdown of Sercel Australia.

Exchange gains & losses on hedging contracts corresponded to the impact of financial hedging instruments allocated to the operating revenues of the period.

Year ended December 31, 2007

Exchange gains & losses on hedging contracts corresponded to the impact of financial hedging instruments allocated to the operating revenues of the period.

The provision for restructuring booked in 2003 was reversed for €0.3 million in 2007 once the restructuring expenses were incurred.

"Gain on sale of assets" included primarily a gain of €2.8 million on the disposal of Eastern Echo shares and a loss of €1.7 on damaged seismic recording equipment of the one of our seismic vessel.

Year ended December 31, 2006

The assets depreciation corresponds to the write-off of the share of "Customers Relationships" related to Veritas recognized as intangible asset in Sercel Australia, Veritas having merged with CGG on January 12, 2007 (see note 2). This intangible asset had been recognized in 2004 when Sercel Australia acquired the seismic equipments activity of Thalès Underwater Systems.

The provision for restructuring booked in 2003 was reversed for €0.1 million in 2006 once the restructuring expenses were incurred. This provision was nevertheless readjusted in 2006 for €0.5 million.

Exchange gains & losses on hedging contracts corresponded to the impact of financial hedging instruments allocated to the operating revenues of the period.

"Gain on sale of assets" included primarily a gain of €5.3 million on the sale of 49% of CGG Ardiseis.

NOTE 22 — COST OF FINANCIAL DEBT

Cost of financial debt includes expenses related to financial debt, composed of bonds, debt component of convertible bonds, bank loans, capital-lease obligations and other financial borrowings, net of income provided by cash and cash equivalents.

Analysis of cost of financial debt is as follows:

	December 31,		
	2008	2007	2006
	(in millions of euros)		
Current interest expenses related to financial debt	(90,1)	(109.7)	(29.2)
Amortization of deferred expenditures on financial debts	(2,9)	(12.0)	(2.6)
Income provided by cash and cash equivalents	9,2	12.6	6.4
Cost of financial debt, net	**(83,8)**	**(109.1)**	**(25.4)**

As described in note 13, we repaid US$50 million on the US$1.000 million "Term Loan B" senior facility.

As described in note 13, we repaid US$100 million on the US$1.000 million "Term Loan B" senior facility used to finance Veritas acquisition on June 29, 2007. The unamortized portion of the deferred expenditures linked to this redemption amounted to €1.5 million.

On February 2007, we fully repaid the US$700 million credit facility used to finance Veritas acquisition and borrowed on January 12, 2007. The unamortized portion of the deferred expenditures linked to this redemption amounted to €7.3 million and was recognized as *"Cost of financial debt"*.

On February 10, 2006, we repaid the remaining US$140.3 million on the US$375 million credit facility used to finance the acquisition of Exploration Resources. The unamortized portion of the deferred expenditures linked to this redemption amounted to €2.0 million.

NOTE 23 — OTHER FINANCIAL INCOME (LOSS)

Analysis of other financial income (loss) is as follows:

	December 31,		
	2008	2007	2006
	(in millions of euros)		
Variance in fair value of conversion option on convertible bonds	—	—	(20.7)
Premium paid for the early conversion of the convertible bonds	—	—	(1.6)
Write-off of issuance costs on convertible bonds recognized as expense at the time of the early conversion	—	—	(0.7)
Derivative and other expenses on convertible bonds	**—**	**—**	**(23.0)**
Exchange gains (losses) net	(7.9)	0.7	(4.1)
Other financial income	6.5	—	0.6
Other financial expenses	(10.1)	(5.9)	(5.3)
Other financial income (loss)	**(11,5)**	**(5.2)**	**(8.8)**
Other financial income (loss) including derivative and other expenses on convertible bonds	**(11,5)**	**(5.2)**	**(31.8)**

NOTE 24 — INCOME TAXES

Income tax

Income tax expense consists of:

	December 31,		
	2008	2007	2006
	(in millions of euros)		
France			
Current taxes expense before use of carry-forward losses	—	(30.2)	(31.0)
Adjustments on income tax recognized in the period for prior periods	0.4	(2.8)	—
Current taxes income after use of carry-back losses	32.1	—	—
Deferred taxes on reversal of temporary differences	(4.2)	(0.9)	2.5
Deferred taxes arising from previously unrecognized deferred tax on temporary differences	—	—	(12.5)
Deferred taxes arising from previously unrecognized deferred tax income	—	—	28.8
Total France	**28.3**	**(33.9)**	**(12.2)**
Foreign countries			
Current income taxes(a)	(112.9)	(126.0)	(84.3)
Adjustments on income tax recognized in the period for prior periods(b)	2.9	(0.5)	(1.0)
Deferred taxes on reversal of temporary differences	(14.5)	16.8	11.0
Deferred taxes on currency translation	(17.5)	11.0	2.2
Deferred taxes arising from previously unrecognized tax loss	5.4	3.2	1.1
Total Foreign countries	**(136.6)**	**(95.5)**	**(71.0)**
Total income tax expense	**(108.3)**	**(129.4)**	**(83.2)**

(a) includes withholding taxes
(b) corresponds in 2006 to the tax audit at CGG Nigeria — see below

The Company and its subsidiaries compute income taxes in accordance with the applicable tax rules and regulations of the numerous tax authorities where the Group operates. The tax regimes and income tax rates legislated by these taxing authorities vary substantially. In foreign countries, income taxes are often accrued based on deemed profits calculated as a percentage of sales as defined by local government tax authorities.

Due to the mobile nature of seismic acquisition activities, current relationships between the French and foreign components of such tax items are not reliable indicators of such relationships in future periods.

The reconciliation between income tax expense in the income statement and the theoretical tax charge is detailed below:

	2008	2007	2006
	(in millions of euros)		
Net income (loss)	**340.0**	**249.6**	**158.7**
Income tax	**(108.3)**	**(129.4)**	**(83.2)**
Income before tax	**448.3**	**379.0**	**241.9**
Differences on tax basis :			
Equity investment companies income	(3.0)	(4.2)	(10.1)
Theoretical tax basis	**445.3**	**374.8**	**231.8**
Enacted tax rate in France	34.43%	34.43%	34.43%
Theoretical tax	**(153.3)**	**(129.0)**	**(79.8)**
Differences on tax :			
Differences in tax rates between France and foreign countries	6.4	1.7	3.2
Non-deductible part of dividends	(2.8)	(0.2)	(1.0)
Other permanent differences(a)	167.8	(15.4)	(19.5)
Tax on carry-forward losses net on the French tax group not recognized in the income statement(b)	(92.7)	—	16.3
Other unrecognized deferred tax in income statement on previous years(c)	5.4	3.2	1.1
Adjustments on the tax expense recognized in the period for the previous years(d)	3.3	(0.5)	(1.0)
Income tax and deferred tax on Argas net income (equity method company)(e)	(0.5)	(0.7)	(1.9)
Foreign deferred tax unrecognized on losses of the period	(12.4)	(5.1)	(3.2)
Deferred tax on currency translation adjustments(f)	(17.5)	11.0	2.2
Current and deferred tax on income subject to Norwegian tonnage tax system and other countries where the tax rate is nil	6.0	7.0	(0.6)
Others(g)(h)	(18.0)	(1.4)	1.0
Income tax	**(108.3)**	**(129.4)**	**(83.2)**

(a) In 2008, results mainly from the losses on internal disposals of investments performed as part of the Services segment legal reorganization, and includes a tax asset of €25 million corresponding to the 2007 carry back.

(b) In 2008, corresponds to the deficit of the French tax group not activated due to short and medium term uncertainties in using the losses carried forward, and historical tax losses generated in France.
At December 31, 2006, a €16.3 million deferred tax income was recognized relating to the tax position of the French tax group not recognized in 2005 due to unlikely tax perspectives.

(c) Corresponds in 2005 to €2.4 million on Mexican carry-forward losses and to €3.7 million on Norwegian carry-forward losses.

(d) Corresponds in 2006 to the tax notification received for CGG Nigeria.

(e) CGGVeritas, as shareholder of Argas, is directly required to pay income tax for Argas in Saudi Arabia for its share in Argas.

(f) Corresponds to the currency translation adjustment related to the translation in functional currency (U.S. dollar) of Norwegian and Brazilian entities' books in local currency.

(g) In 2008 this corresponds to unrecognized deferred tax assets on temporary differences in Norway.

(h) Change in presentation of the tax reconciliation in 2007: the theoretical tax calculation is now based on the Income (loss) of consolidated companies before income taxes as stated in the Consolidated Statement of Operations whereas it was previously based on the Group share of the Income (loss) of consolidated companies before income taxes. The effects of this change in presentation is reported in the item "Others" for €0.5 million in 2006.

Income tax assets

Income tax assets at December 31, 2008 include mainly the carry back and other income tax credits recorded in France for a total amount of €53.9 million.

Net operating loss carried forward

Net operating loss carried forward available in France and in foreign jurisdictions, and not recognized as deferred tax assets at December 31, 2008, amounted to €257.0 million and are currently scheduled to expire as follows:

	France	Foreign countries
	(in millions of euros)	
2009 and thereafter	—	11.7
Available indefinitely	148.4	96.9
Total	**148.4**	**108.6**

The Group has recorded valuation allowances to fully provide for the potential tax benefit of carried forward losses by entities that have a recent history of generating losses or for which there is a dispute with tax authorities.

Tax losses carried forward and not recorded as a deferred tax asset mainly relate to United Kingdom tax losses incurred of GBP 64.3 million and to part of Norwegian tax losses incurred for NOK 378.2 million for which we are currently in discussion with Norwegian tax authorities.

Deferred tax assets and liabilities

The reconciliation of net deferred tax are as follows:

	December 31,		
	2008	2007	2006
	(in millions of euros)		
Non-deductible provisions (including pensions and profit sharing)	11.7	19.7	11.8
Tangible assets	20.4	23.9	3.8
Effect of currency translation adjustment not recognized in income statement	(8.3)	10.5	2.6
Multi-client surveys (including deferred revenues)	(5.4)	(17.9)	0.8
Assets reassessed in purchase price allocation of acquisitions	(102.8)	(99.1)	(35.3)
Development costs capitalized	(11.0)	(8.5)	(8.0)
Incomes and losses subject to Norwegian tax tonnage system	—	—	(6.8)
Incomes and losses subject to U.S. taxation system	0.7	(17.9)	—
Other deferred revenues	(9.6)	(0.2)	—
Financial instruments	1.0	(1.6)	(1.9)
Others	(17.7)	1.4	0.1
Total deferred tax assets net of deferred tax (liabilities) related to timing differences	**(121.0)**	**(89.7)**	**(32.9)**
Tax losses carried forward(a)	6.4	13.4	9.8
Total deferred tax assets net of deferred tax (liabilities)	**(114.6)**	**(76.3)**	**(23.1)**

(a) relating to loss carry forwards in United Kingdom, Norway.

Tax position and tax audit

A tax audit of CGGVeritas SA by the French tax authorities covering the 2005 to 2007 fiscal years has taken place. 2005 fiscal year is now prescribed. No material impact is expected.

A tax audit of CGGVeritas Services (ex CGG Services) covering the 2005 and 2006 fiscal years was notified end of December 2007 and started early 2008. The Group received a reassessment notice in December 2008 for fiscal years 2005 and 2006. The Group contests the tax authorities position.

In 2008, CGGVeritas Services U.S. Inc and CGG Americas are under a tax audit covering the second semester 2006. The control have not started at December 31, 2008.

With a retroactive effect of January 1 2008, Exploration Investment Resources II has opted for the new Norwegian tonnage tax system, which led to the reversal of the deferred tax liability related to the purchase price allocation of Exploration Resources acquisition for an amount of US$3.8 million.

The City of Rio (Brazil) is claiming €26.7 million euros (86.6 million Brazilian reals) against Veritas do Brazil concerning tax on services (ISS) relative to the years 2001 to 2008, which we contest.This risk was identified during the Veritas acquisition in 2007 and accrued for a total amount of €4.4 million (14.3 million Brazilian reals), which we believe corresponds to a fair estimate of the exposure, including advisory fees.

With a retroactive effect of January 1 2007, Exploration Vessel Resources and Exploration Vessel Resources II opted for the new Norwegian tonnage system tax which led to classifying deferred taxes on retained earnings into tax due (over a 10 years period) for an amount of NOK 44.6 million and to reverse the deferred tax liability related to the purchase price allocation of Exploration Resources acquisition of those two companies' vessels for an amount of US$8.7 million.

Effective January 1, 2007, the Group has opted for a new tax amortization method for its multi-client library, based on the "Geology & Geophysics" method and on the long-term contract method.

NOTE 25 — PERSONNEL

The analysis of personnel is as follows:

	Year ended December 31,		
	2008 (a)	2007	2006
Personnel employed under French contracts performing Geophysical services	956	893	863
Equipment	922	765	703
Personnel employed under local contracts	6,988	6,451	2,934
Total (a)	**8,866**	**8,109**	**4,500**
Including field staff of:	2,726	2,079	739

(a) At December 31, 2008 the personnel of Wavefield is included for:

Equipments	79
Personnel employed under local contracts	317
Total	**396**
Including field staff of	236

The total cost of personnel employed by consolidated subsidiaries was €575.7 million in 2008, €528.3 million in 2007 and €265.7 million in 2006.

NOTE 26 — DIRECTORS AND EXECUTIVE COMMITTEE MEMBERS' REMUNERATION

Directors, Board and Executive Committee members' remuneration was as follows:

	Year ended December 31,		
	2008	2007	2006
		(in euros)	
Short-term employee benefit paid(a)	5,270,989	5,807,202	3,590,163
Attendance fees	595,000	595,000	365,000
Long-term employee benefit — pension(b)	119,507	18,314	16,903
Long-term employee benefit — supplemental pension(c)	1,195,530	593,102	679,013
Share-based payments(d)	8,506,575	8,891,212	3,907,966

(a) Excludes tax on salary
(b) Cost of services rendered and interest cost
(c) Cost of services rendered and interest cost and amortization of past service cost on the supplemental pension implemented by the end of 2004.
(d) Expense in the income statement related to the stock-options and performance shares plans.

On March 8, 2006, the Board of Directors authorized the Company to enter into an amendment to the employment contract of Mr BRUNCK which is currently suspended and to an amendment to the respective employment contract of each President. Such

amendment provides that in case of dismissal or change of control, a special severance indemnity representing 250% of their reference annual compensation (gross fixed salary including, if applicable, salaries paid by foreign subsidiaries over the prior 12 months and the average bonuses paid during the prior 3 years) would be paid. In addition, should they decide, in case of a change of control, to continue working for the Company, they would receive a loyalty bonus representing 150% of their reference annual compensation as defined above after the expiry of a 18-month period after change of control.

NOTE 27 — RELATED PARTY TRANSACTIONS

The Group provides services to related parties, contracts associated with these services are concluded at arm's length. The Group also receives in counterpart services from related parties.

	2008	2007	2006
	(in millions of euros)		
Operating income			
Sales of geophysical equipment to Argas	63.5	25.5	0.8
Charter revenues received from LDA for the *Alizé*	7.8	8.2	9.0
Technical consulting services to Argas	4.5	-	-
Sales of geophysical equipment to JV Xian Peic	3.3	4.2	4.1
Income	**79.1**	**37.9**	**13.9**
Expenses paid for *Alizé* ship management to LDA	5.5	6.5	4.9
Purchases of geophysical equipment from Tronic's	7.5	8.3	-
Purchases of geophysical equipment from Cybernetix	3.8	1.1	-
Expenses	**16.8**	**15.9**	4.9
Trade receivables from LDA	-	-	0.1
Trade receivables from Norwegian Oilfield AS	16.8	-	-
Trade accounts and notes receivable	**16.8**	**-**	**0.1**
Accounts payable to LDA	0.4	0.2	0.3
Trade accounts and notes payables	**0.4**	**0.2**	**0.3**
Future rents commitments to LDA	49.3	54.8	16.1
Contractual Obligations	**49.3**	**54.8**	**16.1**

Louis Dreyfus Armateurs ("LDA") provides ship management services for a portion of our fleet. In addition, LDA is the owner, together with the Group, of Geomar owner of the seismic vessel "Alizé". Geomar provides vessel charter services to LDA.

Argas, JV Xian Peic and Cybernetix are companies consolidated under the equity method.

Norwegian Oilfield AS is consolidated under the equity method as at Decempber 31, 2008, as part of the acquisition of Wavefield.

Tronic's is 16% owned by the group.

No credit facility or loan was granted to the Company by shareholders during the three years.

NOTE 28 — SUPPLEMENTARY CASH FLOW INFORMATION

The "Financial expenses paid" for 2008 and 2007 included mainly fees and interest related to the US$1,000 million Term Loan B senior facility, the US$330 million 7 ½ Senior Notes, the US$200 million 7 ½ additional Senior Notes and the US$400 million 7 3/4% Senior Notes used to finance Veritas and Exploration Resources acquisitions (see note 13).

The "Financial expenses paid" for 2006 included mainly €2.0 million of fees and interest related to the remaining part of the US$375 million bridge loan used to acquire Exploration Resources that was eventually repaid on February 2006 and a €1.6 million premium paid to the bondholders on conversion in May 2006 (see note 13).

Proceeds from sales of assets correspond to the sale of Ardiseis shares in 2008, Eastern Echo shares in 2007 and in 2006 to the sale of 49% of Ardiseis.

Acquisitions in 2008 include Quest for €4.4 million acquired cash, Metrolog for €21.5 million, and Wavefield for €(19.9) million acquired cash. These reflect total consideration €206.6 million less the €25.8 million cash held by Wavefield and less the fair value of the increase in the capital of CGGVeritas for €139.0 million, and the debt to the minority interests corresponding to the 30.1% not yet acquired at December 31, 2008 for €62.1 million.

The €1,019.1 million total acquisition in 2007 corresponded to the net investment of €993.1 million for the acquisition of Veritas (Total consideration less the €97.4 million cash held by Veritas and less the increase in the capital of CGGVeritas for €1,435.8), the acquisition of OHM for €22.9 million and Cybernetix shares for €3.1 million.

The Sercel Vibtech's acquisition in 2006 represented an investment net of acquired cash of €48.3 million

In 2006 "Other non-cash items" include mainly the cancellation of the non-cash expense related to the change in fair value of the derivative on convertible bonds (see note 13).

The "Impact of changes in exchange rate on financial items" corresponds notably to the elimination of the unrealized exchange gains (losses) resulting from the gross financial debt in U.S. dollars located in those subsidiaries whose functional currency is euro; this elimination amounted to €(19.0) million in 2008 to €(47.9) million in 2007 and €(12.3) million in 2006.

Non-cash investing and financing transactions that are excluded from the consolidated statements of cash flows consisted of the following:

	Year ended December 31,		
	2008	2007	2006
	(in millions of euros)		
Equipment acquired under capital leases	—	—	0.1

The cash and cash equivalents are composed as follows:

	Year ended December 31,		
	2008	2007	2006
	(in millions of euros)		
Cash	422.4	169.3	114.0
Cash equivalents	77.5	85.0	137.8
Restricted cash	17.0	—	—
Total cash and cash equivalents	**516.9**	**254.3**	**251.8**

At December 31, 2008, the restricted cash corresponds to the part of the cash and cash equivalent of Wavefield pledged in favor of financial institutions pursuant to the guarantees issued to clients in the normal course of business.

NOTE 29 — EARNINGS PER SHARE

The following reflects the income and the share data used in the basic and diluted earnings per share computations:

	Year		
	2008	2007 (1)	2006 (1)
	(in millions of euros, excepted per share data)		
Net income attributable to shareholders (a)	332.8	245.5	157.1
Effect of dilution			
Ordinary shares outstanding at the beginning of the year (b)	137,253,790	87,989,440	85,408,400
Weighted average number of ordinary shares outstanding during the year (c)	656,598	46,577,700	1,451,235
Weighted average number of ordinary shares outstanding (d) =(b) +(c)	137,910,388	134,567,140	86,859,635
Dilutive potential shares from 2000 stock options	—	27,000	129,659
Dilutive potential shares from 2001 stock options	112,782	238,870	358,975
Dilutive potential shares from 2002 stock options	162,126	207,755	333,965
Dilutive potential shares from 2003 stock options	304,524	369,015	728,030
Dilutive potential shares from 2006 stock options	(2)	150,275	(2)

Dilutive potential shares from 2007 stock options	(2)	(2)	—
Dilutive potential shares from 2008 stock options	(2)	—	—
Total dilutive potential shares from stock options(1)	579,432	992,915	1,547,920
Dilutive potential shares from 2006 performance shares allocation	—	249,250	249,375
Dilutive potential shares from 2007 performance shares allocation	252,625	269,690	—
Dilutive potential shares from 2008 performance shares allocation	322,438	—	—
Total dilutive potential shares from performance shares allocation	575,063	518,940	249,375
Dilutive potential shares from stock convertible bonds(1)	—	—	—
Dilutive weighted average number of shares outstanding adjusted when dilutive (e)	139,064,883	136,078,995	88,657,930
Earning per share			
Basic (a) /(d)	**2.41**	**1.82**	**1.81**
Diluted (a) /(e)	**2.39**	**1.80**	**1.77**

(1) For the years ended December 31, 2007 and December 31, 2006, number of shares and dilutive potential shares from stock options have been restated according the five-for-one split stock effective on June 3, 2008. As a consequence, number of shares and dilutive potential shares from stock-options have been multiplied by 5.

(2) Exercise price of this stock-options was higher than the average run stock exchange of the share.

NOTE 30 — SUBSEQUENT EVENTS

On December 30, 2008, CGGVeritas 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, CGGVeritas owns 100% of the share capital of Wavefield. Wavefield was de-listed from the Oslo Bors on February 16, 2008.

On February 23, 2009, CGGVeritas Services notified Louis Dreyfus Armateurs of its decision to exercise the purchase options it benefited from on the seismic 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 million.

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 operation, the Autorité des Marchés Financiers granted, prior to the share capital increase, a waiver from the obligation to launch a take-over bid on Cybernetix further to passing 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 million cash advance granted by Sercel in November 2008.

NOTE 31 — LIST OF PRINCIPAL CONSOLIDATED SUBSIDIARIES AS OF DECEMBER 31, 2008

Certain dormant or insignificant subsidiaries of the Group have not been included in the list below.

Siren Number(a)	Consolidated companies	Head Office	% of interest
	CGGVeritas Services Holding B.V	Amsterdam, Netherlands	100,0
403 256 944	CGGVeritas Services SA	Massy, France	100,0
351 834 288	Geocal SARL	Massy, France	100,0
966 228 363	Geoco SAS	Paris, France	100,0
410 072 110	CGG Explo SARL	Massy, France	100,0
413 926 320	Geomar SAS	Paris, France	49,0
	CGGVeritas International SA	Geneva, Switzerland	100,0
	CGG Marine Resources Norge AS	Hovik, Norway	100,0
	CGGVeritas Services (Norway) AS	Bergen, Norway	100,0
	Exploration Investment Resources II AS	Bergen, Norway	100,0
	Exploration Vessel Resources AS	Bergen, Norway	100,0
	Optowave AS	Bergen, Norway	100,0
	Wavefield Inseis ASA	Oslo, Norway	100,0
	MPG Holding AS	Bergen, Norway	100,0
	Wavefield Exploration Ltd	London, United Kingdom	100,0
	Viking Global Offshore Limited	Crawley, United Kingdom	100,0
	Veritas DGC Limited	Crawley, United Kingdom	100,0
	Veritas Geophysical Limited	Crawley, United Kingdom	100,0
	Companhia de Geologia e Geofisica Portuguesa	Lisbon, Portugal	100,0
	Geoexplo	Almaty, Kazakhstan	100,0
	Veritas Caspian LLP	Almaty, Kazakhstan	50,0
	CGG Vostok	Moscow, Russia	100,0
	CGG do Brasil Participaçoes Ltda	Rio do Janeiro, Brazil	100,0
	Veritas do Brasil Ltda	Rio do Janeiro, Brazil	100,0
	Wavefield Inseis Do Brazil	Rio do Janeiro, Brazil	100,0
	Veritas DGC Land Guatemala SA	Guatemala	100,0
	Companía Mexicana de Geofisica	Mexico City, Mexico	100,0
	Veritas DGC (Mexico) S. de R.L. de CV	Mexico City, Mexico	100,0
	Veritas Servicios Geofisicos S. de R.L. de CV	Tabasco, Mexico	100,0
	Veritas Servicios Technicos S. de R.L. de CV	Mexico	100,0
	Veritas Geoservices Ltd Sa	Venezuela	100,0
	Veritas Geophysical (Chile) SA	Chili	100,0
	Exgeo CA	Caracas, Venezuela	100,0
	CGGVeritas Services Holding (U.S.) Inc	Delaware, United States	100,0
	CGGVeritas Services (U.S.) Inc	Delaware, United States	100,0
	CGGVeritas Land (U.S) Inc	Delaware, United States	100,0
	CGG Americas. Inc.	Houston, United States	100,0
	Alitheia Resources Inc	Delaware, United States	100,0
	Veritas DGC Asia Pacific Ltd	Delaware, United States	100,0
	Veritas Geophysical (Mexico) LLC	Delaware, United States	100,0
	Veritas Investments Inc	Delaware, United States	100,0
	Viking Maritime Inc	Delaware, United States	100,0
	Wavefield Aim Inc.	Texas, United States	100,0
	Inupiat Geophysical LLC	Alaska, United States	45,0
	CGG Canada Services Ltd.	Calgary, Canada	100,0
	CGGVeritas Services (Canada) Inc	Alberta, Canada	100,0
	CGGVeritas Services (Canada) Partnership	Alberta, Canada	100,0
	Hampson Russel GP Inc	Alberta, Canada	100,0
	Hampson Russel Limited Partnership	Alberta, Canada	100,0
	Veritas MacKenzie Delta Ltd	Alberta, Canada	100,0
	Veri-Illuq Geophysical Ltd	Northwest Territoires, Canada	49,0
	Yamoria Geophysical Ltd	Northwest Territoires, Canada	49,0
	Veritas Geophysical (Canada) Corporation	Nova Scotia, Canada	100,0

Siren	Company	Location	%
	Veritas Geophysical III	Cayman Islands	100,0
	Veritas Geophysical IV	Cayman Islands	100,0
	Veritas DGC Australia Pty Ltd	Perth, Australia	100,0
	CGG Australia Services Pty Ltd.	Sydney, Australia	100,0
	Wavefield Inseis Australia Pty Ltd	Perth, Australia	100,0
	Veritas Geophysical (Asia Pacific) Pte Ltd	Singapore	100,0
	Wavefield Inseis Singapore Pte Ltd	Singapore	100,0
	CGG Asia Pacific	Kuala Lumpur, Malaysia	100,0
	CGGVeritas Services (Malaysia) Sdn. Bhd.	Malaysia	65,0
	PT CGG Indonesia	Djakarta, Indonesia	100,0
	P.T. Veritas DGC Mega Pratama	Djakarta, Indonesia	80,0
	CGGVeritas Services India Private Ltd.	New Delhi, India	100,0
	CGGVeritas Technology Services (Beijing) Co. Ltd.	Beijing, Chine	100,0
	Ardiseis FZCO	Dubaï, United Arab Emirats	51,0
	Veritas Geophysical (Nigeria) Limited	Lagos, Nigeria	60,0
	CGGVeritas Services (B) Sdn. Bhd	Brunei	100,0
	CGG (Nigeria) Ltd.	Lagos, Nigeria	100,0
866 800 154	Sercel Holding SA	Carquefou, France	100,0
378 040 497	Sercel SA	Carquefou, France	100,0
	Sercel Australia	Sydney, Australia	100,0
	Hebei Sercel JunFeng(c)	Hebei, Chine	51,0
	Sercel Beijing Technology	Beijing, Chine	100,0
	Sercel Inc.	Tulsa, United States	100,0
	Sercel Singapore Pte Ltd.	Singapore	100,0
	Sercel England Ltd.	Somercotes, United Kingdom	100,0
	Sercel Canada Ltd.	Calgary, Canada	100,0
	Sercel Vibtech Ltd.	Stirlingshire, United Kingdom	100,0
	Seismic Support Services	Moscow, Russia	100,0
	Quest Geo Solutions Limited	Hampshire, United Kingdom	100,0
	Optoplan AS	Trondheim, Norway	100,0

(a) Siren number is an individual identification number for company registration purposes under French law.

(b) CGG Asia Pacific, in which CGGVeritas owns 33.2% of the ordinary shares and 30% of the total shares, is consolidated according to IAS27

(c) Sercel JunFeng is fully consolidated since, according to the management agreement, the Group has operating control of the company.

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NOTE 32 — CONDENSED CONSOLIDATING INFORMATION FOR CERTAIN SUBSIDIARIES

At December 31, 2008 the obligations to pay our outstanding Senior Notes (see Note 13) are guaranteed by certain subsidiaries: CGG Canada Services Ltd, CGG Americas Inc., CGG Marine Resources Norge A/S, CGGVeritas Services Holding Inc, Alitheia Resources Inc, Veritas DGC Asia Pacific Ltd., CGGVeritas Land (US) Inc., CGGVeritas Services (US) Inc., Veritas Geophysical (Mexico) LLC, Veritas Investments Inc., Viking Maritime Inc., CGGVeritas Services Holding BV as the “Services guarantors”, and Sercel Inc., Sercel Australia Pty Ltd and Sercel Canada Ltd as the “Equipment guarantors”.

The following table presents condensed consolidated financial information in IFRS for the year ended December 31, 2008 for the Company, the Guarantor subsidiaries, the Non-Guarantor subsidiaries and and the Eliminations to arrive at CGGVeritas on a consolidated basis.

IFRS	CGG Veritas	Services Guarantors	Equipment Guarantors	Non Guarantors	Consolidating Adjustments	Group Consolidated
			(in millions of euros)			
Goodwill		1,782.1	45.0	233.8	(5.9)	2,055.1
Intangible assets (including multi client surveys)	0.3	479.5	5.8	374.0	(39.6)	820.0
Property, plant and equipment	3.8	360.0	33.5	492.5	(67.3)	822.4
Investment in affiliates	1,979.6	1,520.6	4.0	321.3	(3,825.5)	-
Other non current assets	691.4	59.2	-	215.5	(757.8)	208.3
Current assets	462.8	372.2	214.1	1,453.1	(773.8)	1,728.4
Total assets	**3,137.9**	**4,573.6**	**302.4**	**3,090.2**	**(5,469.9)**	**5,634.2**
Financial debt (including bank overdrafts, current and non current portion)	768.0	1,162.2	1.2	348.8	(734.2)	1,546.0
Other non current liabilities (excluding financial debt)	11.7	200.7	7.8	117.4	(1.6)	336.0
Current liabilities (excluding current portion of debt)	274.6	204.1	49.4	1,134.1	(908.6)	753.6
Total liabilities (excluding equity)	**1,054.3**	**1,567.0**	**58.4**	**1,600.3**	**(1,644.4)**	**2,635.6**
Equity	**2,083.6**	**3,006.7**	**244.0**	**1,489.9**	**(3,825.5)**	**2,998.6**
Operating revenues	27.8	585.2	389.8	2,419.5	(811.7)	2,602.5
Depreciation and amortization	24.1	275.4	10.6	210.7	(26.5)	494.3
Operating income (loss)	(330.3)	184.9	79.9	390.3	215.9	540.6
Net income (loss) group share	**(98.1)**	**89.7**	**55.5**	**317.2**	**(24.2)**	**340.0**
Cash flow from operating activities	190.0	392.8	32.5	430.0	(159.1)	885.6
Cash flow from investing activities	(30.5)	(1,525.3)	(10.5)	(215.8)	1,278.6	(503.5)
Cash flow from financing activities	(1,339.8)	1,162.2	(8.5)	(162.8)	210.0	(138.9)
Cash at opening	**103.9**	**17.4**	**2.9**	**130.0**	**-**	**254.3**
Cash at closing	**232.7**	**64.4**	**16.3**	**203.4**	**-**	**516.9**

The following table presents condensed consolidated financial information in IFRS for the Company, on the one hand, and CGG Canada Services Ltd, CGG Americas, Inc., CGG Marine Resources Norge A/S, CGGVeritas Services Holding (U.S.) Inc., Alitheia Resources Inc, Veritas DGC Asia Pacific Ltd., CGGVeritas Land (US) Inc., CGGVeritas Services (US) Inc., Veritas Geophysical (Mexico) LLC, Veritas Investments Inc., Viking Maritime Inc (the “Subsidiary Group”), on the other hand, as of and for the years ended December 31, 2007 and 2006. The column “Sercel Subsidiary Group” includes Sercel Inc., Sercel Australia Pty Ltd and Sercel Canada Ltd.

IFRS	CGG Veritas	Services Guarantors	Equipment Guarantors	Non Guarantors	Consolidating Adjustments	Group Consolidated
			(in millions of euros)			
Goodwill	—	1,688.7	45.2	201.0	(7.0)	1,928.0
Intangible assets (including multi client surveys)	0.2	396.4	10.3	310.2	(36.6)	680.5
Property, plant and equipment	12.7	334.6	29.3	344.5	(61.1)	660.0
Investment in affiliates	1,999.4	257.8	3.7	307.9	(2,568.8)	—
Other non current assets	575.9	257.0	0.1	128.7	(803.8)	157.9
Current assets	324.5	162.0	181.5	1,198.2	(645.6)	1,220.6
Total assets	2,912.7	3,096.6	270.1	2,490.5	(4.122.9)	4,647.0

Financial debt (including bank overdrafts, current and non current portion)	636.6	1,028.1	1.3	272.9	(577.9)	1,361.0
Other non current liabilities (excluding financial debt)	(1.3)	161.0	12.2	94.2	(4.9)	261.2
Current liabilities (excluding current portion of debt)	225.9	279.9	67.6	862.6	(836.7)	599.2
Total liabilities (excluding equity)	861.2	1,468.9	81.1	1,229.7	(1,419.5)	2,221.4
Operating revenues	34.8	618.1	362.1	2,136.8	(777.7)	2,374.1
Depreciation and amortization	0.6	198.1	9.8	296.7	(17.6)	487.6
Operating income (loss)	(50.7)	191.4	70.9	363.5	(85.9)	489.1
Net income (loss) group share	6.4	45.2	51.0	290.7	(143.6)	249.6
Cash flow from operating activities	(4.1)	178.6	9.5	411.7	51.6	647.3
Cash flow from investing activities	(424.9)	(1,462.6)	(12.6)	(239.7)	566.7	(1,573.1)
Cash flow from financing activities	372.3	1,094.8	0.1	(138.0)	(379.1)	950.2
Cash at opening	201.2	4.4	6.2	40.0	—	251.8
Cash at closing	103.9	17.4	2.9	130.1	—	254.3

IFRS	**CGGVeritas**	**Subsidiary Group**	**Others**	**Consolidating adjustments**	**Consolidated**	**Sercel Subsidiary Group**
2006						
Total assets	1,033.0	626.2	1,475.5	(1,352.6)	1,782.1	237.9
Operating revenues	263.4	607.5	1,092.0	(633.3)	1,329.6	341.6
Operating income (loss)	(7.7)	172.3	182.3	(57.9)	289.0	52.6
Net income (loss)	54.3	104.1	169.6	(169.3)	158.7	34.8