



**MANAGEMENT REPORT
OF THE BOARD OF DIRECTORS**

Fiscal year ended December 31, 2010

**Compagnie Générale de Géophysique - Veritas
A French Public Limited Company with registered capital of € 60,602,443
Registered Office : Tour Montparnasse, 33, avenue du Maine, 75015 Paris, France
969 202 241 RCS PARIS**

1. ANALYSIS OF THE GROUP'S POSITION AND BUSINESS IN 2010

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

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

The Services sector covers:

- Marine seismic contract data acquisition (“Contract Marine”);
- Land-based, shallow water and seabed seismic contract data acquisition (“Contract Land”);
- A broad portfolio of advanced geosciences technology, products and solutions for seismic data processing, imaging and reservoir management (“Processing, Imaging and Reservoir”);
- Multi-Client data library in the world's key hydrocarbon basins (“Multi-Client”).

Our Services sector is organized by division since the reorganization that took place in July 2010. The objective is to enhance our operational excellence and leverage on our advanced technologies in order to better promote our entire spectrum of integrated services in our main markets.

1.1. Geographical analysis of the Group's business

Group geophysical Equipments and Services activities break down geographically into four regions: North America (USA and Canada), Latin America (including Central America and Mexico), Europe-Africa & the Middle East, and Asia-Pacific. The significant facts concerning the Group's activity in 2010 are described hereafter.

North America

Sercel's main operational base is in Houston, Texas, where most of the world's marine seismic equipment is manufactured, including the Sentinel solid streamer systems.

In Services, the Contract Land segment saw reduced levels of Land Acquisition activity in North America during 2010, with up to 11 crews operating and an average of approximately 5 crews throughout the year, with operations mostly in the Arctic, Oil Sand provinces in Canada and the Shale gas plays in the United States. Multi-Client activity in the US grew slightly in 2010 with strong interest in our shale gas programs and is expected to continue to grow in 2011 in line with the continued development of our shale gas portfolio.

In the Gulf of Mexico, three of our high capacity vessels were mobilized on a mix of contract and Multi-Client wide-azimuth (WAZ) projects, and we further developed our WAZ Multi-Client footprint, which despite conditions in the Gulf-of-Mexico continued to receive industry acceptance. The acquisition of our Three Corners survey was further extended in 2010 and was completed in July. The final results of our Garden Banks and Green Canyon WAZ Multi-Client surveys were delivered during the first half of the year. The total WAZ coverage is now approximately 48,000 km².

While the implementation of the drilling and seismic moratorium in the Gulf of Mexico, following the Macondo blow-out, did not directly affect our ongoing operations, activity in the Gulf of Mexico dramatically slowed. No new permits were awarded between April and December. We anticipate the situation to regularize in 2011.

In Processing, Imaging and Reservoir, the activity was sustained throughout the year in our large data processing and imaging centers in Houston and Calgary. Market pressure in Canada was strong as low gas prices curtailed exploration for traditional resources.

The Houston center concentrated on advanced sub-salt imaging delivering high-end technology and solutions, such as RTM gathers, for WAZ surveys. The Macondo accident introduced a degree of uncertainty in the Gulf of Mexico market, reduced seismic activity in general and increased pressures on prices, but our high-end processing and imaging activity remained strong with good margins.

Latin America

The Group continued to have a strong position in Mexico, notably through its long term relationship with Pemex.

Our Contract Marine operations in the Mexican deep waters of the Gulf of Mexico, achieved good results with the continued operation of the CGG Alizé on her four-year program, and the contract extension of over USD150 million for the largest WAZ acquisition project to date in Latin America. This project is expected to continue through the third quarter of 2011 with the Oceanic Vega and Viking Vanquish deployed on the high-end survey.

Our dedicated Pemex data processing and imaging center in Mexico continued to perform at high levels.

In Nicaragua the Veritas Viking conducted a major 3-D survey after working the first half of the year in the Gulf of Mexico.

Our Contract Land operations re-entered the Latin American market through local partnership with the award of large 3D heliportable programs in Peru, and in Colombia.

In Brazil, we sustained activity, with the Veritas Vantage, another high-end CGGVeritas vessel, continuing the extension of our Multi-Client coverage in the prolific Santos basin throughout most of the year. The pre-stack depth migration over the initial survey was delivered, providing enhanced images of the recent discoveries and surrounding geology in the Santos Basin.

Sercel was active throughout 2010 supplying its Latin American customers with latest-generation land-based acquisition equipment.

Europe, Africa and the Middle East

Sercel's headquarters are based in Nantes, France and the main Land equipment manufacturing facilities are also in France, located in Nantes and Saint-Gaudens, both of which experienced higher production activity in 2010.

Support centers in the area, including the UK, the Russian Federation and Dubai in particular, enabled Sercel to meet local needs by providing customers with high quality support services.

In Services, activity was reasonably sustained in 2010. Contract Land in the Middle East, especially in Oman, Saudi Arabia, Qatar and Egypt, remained at high-levels throughout the year with an average of 8 crews operating, including projects carried out through the Saudi joint-venture ARGAS and our high resolution super-crews operating through Ardiseis.

2010 also saw the acceleration of shallow water and ocean bottom cable (OBC) activity, following the start of two major multi-year programs in Saudi Arabia, both using Sercel SeaRay OBC technology.

Contract Marine activities were again mainly concentrated in the North Sea during the summer season and split between Africa and the Mediterranean in the winter.

Three high capacity vessels including the Amadeus, the Oceanic Challenger and the Geowave Endeavour were deployed in North West Europe and Norway for an extended season which included a mix of Multi-Client and Contract projects. In addition two 2D vessels were active in the region acquiring data in the Mediterranean, North West Europe and Greenland.

The Geowave Master and the Symphony were fully committed to Contract Marine projects in East and West Africa for most of the year, the Geowave Master only returning to Norway at the end of the year for a planned upgrade of her streamer capacity.

Processing, Imaging and Reservoir activity was sustained across our major centers in London, Massy, Oslo and Cairo, as well as at across our network of dedicated centers supporting our clients throughout the industry. Pricing pressure in Europe increased towards the middle of the year, and improved towards year end. Technology differentiation was vital to counter price erosion.

Asia-Pacific

Sercel manufacturing sites and support centers are located in key areas in China and Singapore to best address local needs to provide clients with both the equipment and related quality support.

In Services, Contract Land activity strengthened in Indonesia with increased interest in transition zone and shallow water projects. We operated with our local partner Elnusa with two crews on average throughout the year, including the first CGGVeritas SeaRay OBC survey for BP.

Contract Marine activity was very active in the region with six high capacity seismic vessels deployed in 2010. Several 2D, 3D and shallow water surveys were acquired in Australia, Vietnam, Malaysia, Philippines, Myanmar and Thailand. In 2010 India, followed by Indonesia, remained the key markets in Asia-Pacific for CGGVeritas, with a number of surveys carried out for ONGC, Reliance, Cairn and Bumi Armada.

In seismic data processing and imaging, market pressures intensified in the region, but the Group maintained a strong presence mainly through the technology and services provided by our regional hub in Singapore and large centers in Kuala Lumpur, Perth and Mumbai. Activity at our multi-component technology center in Beijing increased. Exploration activity in Indonesia continued to increase benefiting our Jakarta processing centre. Margin erosion remained a concern during 2010 with strong discounting against our technology leadership by competitors.

Near the end of the year we signed a term sheet with Petrovietnam Technical Services Corporation (PTSC) to create a marine joint venture to operate 2D and 3D marine seismic vessels that provide seismic data acquisition services primarily in Vietnamese waters.

1.2. Analysis by Division of the Group's business

SERCEL

Sercel revenues increased 17% in line with market trends, to USD1.0 billion (€754 million). Intra-Group sales accounted for 18% of Sercel global revenues. The contribution from the Equipment division accounted for 28% of Group revenues.

Worldwide demand for geophysical equipment increased within the same magnitude, mainly based on increased marine demand for new build vessels, growing technology intensity requirements for high resolution acquisition and land technology replacements and upgrades in local markets, such as the Russian Federation and China. Demand for Land equipment declined in North America in general and increased worldwide for SeaRay, our ocean bottom technology, confirming Sercel's leadership for OBC equipment in this expanding market.

SERVICES

Contract Marine acquisition

Global demand in 2010 for Contract Marine was estimated to be up in volume close to 20% over 2009. Our revenues reached USD778 million (€585 million), as overcapacity, which remained throughout the year, put pressure on prices.

The fleet availability rate¹ was 88% and the production rate² was 91% for the full year with 83% of the 3D fleet operating on contract.

In 2010, Contract Marine acquisition accounted for 37% of Services revenue and 27% of Group revenue.

The first of two large X-BOW seismic vessels, the Oceanic Vega, was commissioned in July 2010. The second, the Oceanic Sirius is on schedule to be delivered in September 2011. Each vessel is owned by a joint venture held by CGGVeritas (49%) and Eidesvik (51%). Both vessels are under twelve-year time charter agreements. The vessels are purpose-designed for the efficient deployment of industry-leading Sercel solid streamers together with Nautilus streamer steering technology and are configured for spreads of up to twenty streamers for high-density surveys.

We continued the performance upgrades of our seismic vessels including steerable streamers for four more vessels, the Oceanic Vega, Viking Vanquish, Veritas Viking II and Geowave Voyager. The upgrade of the Geowave Endeavour and Geowave Master to enhance their propulsion systems and to add power and seismic capabilities was initiated in December 2010. The upgrade of the Geowave Champion is planned for end 2011.

As a result of the transaction with Norfield shareholders, the Venturer, previously owned, is now in bareboat until December 2012. The Bergen Surveyor has been extended until December 2012. The Geowave Voyager is now owned, and the Geowave Champion charter was extended until December 2019.

Three 2D vessels, the Malene, the Pacific Titan and the Pacific Sword were decommissioned as part of our marine capacity adjustment program initiated in 2009. The Veritas Voyager will be decommissioned in July 2011 at the end of its time chart, replaced by the Pacific Finder which will be delivered at the end of the first quarter 2011.

The number of shipmanagers for the high capacity 3D vessels was reduced to three in order to strengthen CGGVeritas fleet management.

¹ **Availability rate** = metric measuring the structural availability of our vessels to meet demand ; this metric is related to the entire fleet , and corresponds to the total vessel time reduced by the standby time between contracts , the shipyard time and the steaming time (the "available time"), all divided by total vessel time;

² **Production rate** = metric measuring the effective utilization of the vessels once available; this metric is related to the entire fleet, and corresponds to the available time reduced by the operational downtime, all then divided by available time.

In June of 2010 we launched our breakthrough broadband marine solution, BroadSeis, and have seen tremendous interest with over 20 client requests for trial or production acquisition. We expect to commercialize BroadSeis in the first half of 2011.

Contract Land acquisition

Global demand for Contract Land acquisition increased moderately in 2010 with strong disparities between the specialized high-end markets such as the Arctic, Middle East and transition zone which remained robust throughout 2010 and the more accessible general market, such as the North American summer season, which remained over supplied with reduced activity.

Revenue from Contract Land was stable compared with 2009 at USD381 million (€287 million) accounting for 18% of Services revenue, and 13% of Group revenue.

CGGVeritas continued to focus on key markets where specialized technology and techniques are required and our local excellence is widely acknowledged. In total, an average of fifteen crews, including ARGAS in Saudi Arabia, operated worldwide. We maintain our strategy in Land Contract of not focusing on market share but building targeted local partnerships in protected niche high-end markets, such as the Arctic and Middle-East, where we can differentiate from the general Land market. This enables CGGVeritas to best protect margins in the largely commodity Land business.

CGGVeritas continued to strengthen its position in the high-end markets with our unique expertise in multi-component acquisition, transition zone environments, high-resolution HPVA and V1 technologies, shale gas solutions and Arctic acquisition.

Interest for our ultra high-density high resolution crews in the Middle East, including our industry first 40,000 channel count survey, continued to strengthen as our super-crews set production records and early results provided finer detail of the reservoir than previously obtained.

The Group benefited from increasing interest in the shallow water and OBC market where we maintain a strong position operating an average of four crews simultaneously, with a strong presence in Indonesia, Qatar and Saudi Arabia. In 2010 we also installed the industry first complete ocean bottom fiber optic permanent monitoring solution in the North Sea on the Ekofisk field utilizing Sercel's Optowave fiber optic cable technology connected to an on shore data processing and imaging center at the client's office.

In response to market demand for our advanced acquisition and processing technologies, our Research & Development teams continued to develop innovative technologies including our new and patented EmphaSeis broadband vibroseis solution, a complement to our breakthrough broadband marine solution BroadSeis, along with microseismic techniques and SeisMovie technologies which were marketed in selected locations including Canada, Brazil, Spain and the Netherlands in 2010. SeisMovie is a unique onshore specialized reservoir monitoring technology and has been utilized for variety of applications ranging from steam injection to CO2 monitoring.

The North American summer season in 2010 was depressed, as low gas prices created weak market conditions for conventional exploration projects.

Multi-Client

In Multi-Client, we remain focused on our strategy of selecting locations in key basins with the best potential, leveraging our technology portfolio as well as our customer network and extending the value cycle through reprocessing our data with the latest algorithms.

In 2010, we invested USD291 million (€219 million) in Multi-Client programs.

Marine Multi-Client

We continued to develop our wide-azimuth position in the Gulf of Mexico and despite reduced seismic activity following Macondo, prefunding progressively increased to 79% by the end of the year. With completion of the 2010 projects, our WAZ coverage stands at approximately 2,060 OCS blocks, equivalent to 48,000 km².

Outside of the Gulf of Mexico, CGGVeritas continued to invest in select basin and acquired new projects in the North Sea and in Brazil.

Annual revenue from marine Multi-Client was USD388 million (€292 million), a decrease of 6% in US dollars over 2009. Multi-Client marine accounted for 19% of Services revenue and 13% of Group revenue. After-sales amounted to USD218 million (€164 million).

Land Multi-Client

The CGGVeritas Multi-Client land data library is located in Canada and in the United States where over the last two years we have seen a shift in interest from conventional to nonconventional, particularly shale gas reservoirs.

Acquisition in 2010 was focused mainly around areas of shale gas activity with up to two (one on average) crews operating on Multi-Client land-based projects. Approximately 2,000 square miles have been acquired in North Louisiana from the Haynesville. In the Marcellus basin, another key shale gas producing basin, the first phase of a two year 1,800 square mile program was delivered late 2010. Both of these programs will continue in 2011.

During the year, CGGVeritas invested USD85 million (€64 million) in new programs with high levels of prefunding that reached 90% by year end.

Revenue from Multi-Client land in 2010 was USD146 million (€110 million), an increase of 44% in US dollars. Multi-Client land accounted for 7% of Services revenue and 5% of Group revenue. After-sales were USD69 million (€52 million).

Processing, Imaging and Reservoir

The overall Processing, Imaging and Reservoir market remained relatively flat, with growing data volumes as interest in wide-azimuth and high-density acquisition continued to increase.

Revenues and margins softened as general overcapacity in the marine market and reduced activity in the Gulf of Mexico increased both uncertainty and pricing pressure worldwide.

CGGVeritas performance in Processing, Imaging and Reservoir remained robust based on our advantageous position that was built on our clear and recognized technological leadership, particularly for depth and wide azimuth imaging, our team of geophysicists and researchers, the leading size of our fleet and our worldwide network of processing centers.

We are recognized for our advanced depth imaging technology. Our industry first production deployment of Reverse Time Migration with Tilted Anisotropy (TTI RTM) along with RTM gathers for example, notably expanded the understanding of complex environments. These advanced technologies are critical to our clients to unlock the challenging geologic settings of today's prospects and reservoirs.

CGGVeritas has the world's most extensive network of Processing, Imaging and Reservoir centers. At the end of the year we operated forty two centers worldwide, thirteen of which were dedicated to specific clients and located in their facilities. No other company in the industry enjoys such a position, one that enables CGGVeritas to build close and long lasting partnerships as well as best understand our clients' needs.

Within the interconnected network we have five mega centers including Houston, London, Singapore, Paris and Calgary. The CGGVeritas global Processing, Imaging and Reservoir network has an excellent reputation in the industry and offers our clients significant computing power along with access to leading algorithms and top-ranked teams of specialists.

With this unique offering we provide solutions to the most complex problems and use our unrivaled resources to offer an unsurpassed level of service to our clients. At the core of this network is our integrated Processing and Imaging platform, *geovation*, which was commercialized in 2010 and is currently being deployed worldwide.

In addition to our leadership in Processing and Imaging, our Reservoir teams, deploying Hampson Russell software, the industry preferred advanced geophysical technology for understanding reservoir rock properties, enable our clients to optimize reservoir recovery through improved production management and enhanced reservoir recovery.

Processing and imaging revenue was USD389 million (€293 million), a decline of 3% in US dollars compared with 2009. Processing and imaging accounted for 19% of Services revenue and 13% of Group revenue.

2. 2010 RESULTS: GROUP AND CGG VERITAS SA (MOTHER COMPANY)

2.1. Corporate financial statements of CGG Veritas SA

Operating revenues of CGG Veritas S.A. for the year ended December 31, 2010 were €10.9 million compared to €11.6 million for 2009.

Operating loss for the year ended December 31, 2010 amounted to €21.8 million compared to €20.0 million for 2009.

Financial income for the year ended December 31, 2010 amounted to €213.4 million compared to a financial loss of €195.9 million for 2009, given that a significant impairment was recognized in 2009 on investments.

Extraordinary results for the year ended December 31, 2010 amounted to €16.5 million compared to €1.6 million for 2009.

Net income for the year ended December 31, 2010, after positive income tax of €17.3 million due to the French tax group effect, was €225.4 million compared to a loss of €220.5 million for the year ended December 31, 2009.

The shareholders' equity as of December 31, 2010 amounted to €1,9 billion compared to €1.7 billion for 2009.

No dividends have been distributed in the last three fiscal years.

2.2. Consolidated results

Change of method

No change in accounting method occurred during the year ended December 31, 2010.

Revenues

Our consolidated operating revenues for the year ended December 31, 2010 decreased 2% to €2,186.1 million from €2,233.2 million for 2009. Expressed in U.S. dollars, our consolidated operating revenues for the year ended December 31, 2010 decreased 7% to USD2,904.2 million from USD3,109.3 million for 2009.

Operating revenues for our Services segment, which were impacted by the events in the Gulf of Mexico and the continued oversupply in the marine market, decreased 8% to €1,566.9 million for the year ended December 31, 2010 from €1,708.5 million for 2009. In U.S. dollar terms, operating revenues for our Services segment decreased 12%.

Operating revenues for our Equipment segment, excluding intra-group sales, increased 18% to €619.2 million for the year ended December 31, 2010 from €524.7 million for 2009. In US dollar terms, operating revenues for our Equipment segment increased 12%.

Operating Income (loss)

Operating income for the year ended December 31, 2010 was €67.2 million compared to an operating loss of €160.6 million for 2009. Expressed in U.S. dollars, operating income for the year ended December 31, 2010 was USD89.3 million compared to an operating loss of USD223.7 million for 2009.

As announced on December 16, 2010, our performance plan led to recognize a €28.1 million (USD37.3 million) provision for restructuring costs. €70.4 million (USD93.6 million) of Multi-Client surveys were also written-down as of December 31, 2010.

Before restructuring costs and write-down of intangible assets, the consolidated operating income was €165.7 million (USD220 million) for the year ended December 31, 2010 compared to an operating income of €222.2 (USD309 million) for 2009.

Operating loss from our Services segment for the year ended December 31, 2010 was €68.6 million compared to €236.7³ million for 2009. Expressed in U.S. dollars, operating loss for the year ended December 31, 2010 was USD91.5 million compared to USD329.5³ million for 2009. Before restructuring costs and impairment, operating income was USD37.1 million for the year ended December 31, 2010 compared to USD203.4³ million for 2009.

Operating income from our Equipments segment for the year ended December 31, 2010 increased 62% to €217.2 million from €133.8 million for 2009. Expressed in USD, this increase amounted to 55%.

Cost of financial debt

Cost of net financial debt was stable at €105.5 million for the year ended December 31, 2010 and decreased slightly 4% in U.S. dollar terms.

³ The segment information relating to our Services segment for the year 2009 was restated to reflect the change in our internal financial reporting in 2010. Operating income is presented after elimination of amortization expenses corresponding to past intercompany capital expenditures between our Equipment and Services segment.

Income taxes

Income taxes increased to €13.5 million for the year ended December 31, 2010 from positive income taxes of €9.8 million for 2009. Income taxes for the year ended December 31, 2010 included a deferred tax asset of €42.2 million related to loss carry forward in France.

Net income

Net loss for the year ended December 31, 2010 was €44.0 million compared to €258.9 million for 2009.

Net loss attributable to the owners of CGG Veritas was €54.6 million compared to €264.3 million for 2009.

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

Definition of EBITDAS

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

EBITDAS was €596.2 million for the year ended December 31, 2010 compared to €658.9 million and €1,058.4 million for 2009 and 2008, respectively.

Liquidity and Capital Resources

Our principal capital needs are for the funding of ongoing operations, capital expenditures (particularly repairs and improvements to our seismic vessels and acquisition of seismic vessels), investments in our Multi-Client data library and acquisitions (such as Veritas in 2007 and Wavefield in 2008).

We intend to fund our liquidity needs through cash generated by operations, senior notes and borrowings under our U.S. and French facilities. Our U.S. facilities consist of a Term Loan B facility (USD510 million outstanding as of December 31, 2010) maturing January 2014 (USD165 million) and January 2016 (USD345 million) and a USD140 million U.S. revolving facility (undrawn as of December 31, 2010) maturing January 2012. The French facility consists of a USD200 million senior secured revolving facility maturing February 2014, as amended on November 4, 2010.

We believe that we are not subject to near-term liquidity constraints, given our liquidity available as of December 31, 2010, our cash flow generation capability and prospects, and our near-to mid-term debt repayment schedule.

Operations

Our net cash provided by operating activities was €450.0 million for the year ended December 31, 2010, compared to €616.8 million for 2009.

Changes in working capital had a negative impact of €50.9 million compared to a favorable impact of €16.2 million in 2009.

Investing Activities

During the year ended December 31, 2010, purchases of tangible and intangible assets amounted to €210.4 million compared to €170.1 million in 2009, mainly to equip the *Viking 2* and *Oceanic Vega* with Sentinel streamers and upgrade the *Geowave Master* and *Geowave Endeavour*.

Non exclusive surveys investments amounted to €219.3 million, primarily in the Gulf of Mexico and Brazil compared to €229.3 million in 2009. As of December 31, 2010, the net book value of our marine and land Multi-Client data library was €451.2 million compared to €469.1 million at year-end 2009.

Financing Activities

Net cash used in financing activities during the year ended December 31, 2010 was €207.8 million compared to €167.0 million in 2009.

On February 26, 2010, we repaid €35 million under our French revolving facility.

Net financial debt was €1,149.7 million as of December 31, 2010, €918.7 million as of December 31, 2009 and €1,029.1 million as of December 31, 2008. The ratio of net financial debt to equity was 41% as of December 31, 2010, 35% as of December 31, 2009 and 35% as of December 31, 2008.

“Gross financial debt” is the amount of bank overdrafts, plus current portion of financial debt, plus long-term debt, and “net financial debt” is gross financial debt less cash and cash equivalents. The following table presents a reconciliation of net financial debt to financing items of the balance sheet at end of fiscal year:

	December 31,		
	2010	2009	2008
	(in millions of euros)		
Bank overdrafts.....	4.5	2.7	8.2
Current portion of long-term debt	74.5	113.5	241.5
Long-term debt	1,406.6	1,282.8	1,296.3
Gross financial debt	<u>1,485.6</u>	<u>1,399.0</u>	<u>1,546.0</u>
Less cash and cash equivalents.....	<u>(335.9)</u>	<u>(480.3)</u>	<u>(516.9)</u>
Net financial debt	1,149.7	918.7	1,029.1

4. INFORMATION ON TERMS OF PAYMENT (ARTICLE D.441-4 OF THE FRENCH COMMERCIAL CODE)

As of December 31, 2010, the debt balance of the Company towards its suppliers amounted to €13.9 million and was divided as follows:

- due date not exceeding 30 days : €13.3 million
- due date not exceeding 60 days: €0.5 million
- due date exceeding 60 days: €0.1 million

5. RISK FACTORS

Risks factors are presented by order of importance in each category listed in paragraphs 5.1, 5.2, 5.3 and 5.4.

In accordance with article L. 823-19 of the Commercial Code, during fiscal year 2010, the audit committee reviewed some of the significant risks of the Group on a yearly basis.

5.1. Risks related to our business

5.1.1. *Current economic uncertainty and the volatility of the oil and natural gas prices could have a significant adverse effect on demand for certain of our products and services, our results of operations, our cash flows, our financial condition and our ability to borrow.*

Global market and economic conditions are uncertain and volatile. In the past, economic contractions have weakened demand and lowered prices for oil and natural gas, which entailed a reduction of the levels of exploration for hydrocarbons. Historically, demand for our products and services has been sensitive to the level of exploration spending by oil and gas companies; as a result the demand for our products and services declines when the global level of exploration expenditures declines.

Difficult conditions in the credit and capital markets and the uncertainty about the global economy have had and are likely to continue to have a significant adverse impact on industrial and commercial performance and the solvency of many companies, which may affect some of our customers and suppliers. Limited access to external funding has caused some customers to reduce their capital spending to levels supported by their internal cash flow. Some companies have found their access to liquidity constrained or subject to more onerous terms. In this context, there can be no assurance that our customers will be able to borrow money on a timely basis or on reasonable terms, which could have a negative impact on their demand for our products, and impair the ability of our customers to pay us for our products and services on a timely basis, or at all. More generally, the current economic climate may lead customers to cancel or delay orders. Suppliers may also fail to provide goods and services as agreed. These developments could have a material adverse effect on our business, results of operations, financial condition and cash flows.

The recent turmoil in the credit markets and its potential impact on the liquidity of major financial institutions may also have an adverse effect on our ability to fund our business strategy through borrowings under either existing or new debt facilities in the public or private markets and on terms we believe to be reasonable. Persistent volatility in the financial markets could have a material adverse effect on our ability to refinance all or a portion of our indebtedness and to otherwise fund our operational requirements.

It is difficult to predict how long the current economic conditions will persist, whether they will deteriorate further, and which of our products and services will be adversely affected. We may have impairment losses as events or changes in circumstances occur which reduce the fair value of an asset below its carrying amount. As a result, these conditions could adversely affect our financial condition and results of operations, and we may be subject to increased disputes and litigation because of these events and issues.

5.1.2. *We are subject to risks related to our international operations that could harm our business and results of operations.*

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

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

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

We cannot assure you that we will not be subject to material adverse developments with respect to our international operations or that any insurance coverage we have will be adequate to compensate us for any losses arising from such risks.

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

Certain of our clients and certain tax, social security or customs authorities may request that we or certain of our subsidiaries post performance bonds or guarantees issued by banks or insurance companies, including in the form of stand-by letters of credit, in order to guarantee our legal or contractual obligations. We cannot assure you that we will be able to provide these bonds or guarantees in the amounts or durations required or for the benefit of the necessary parties. Our failure to comply with these requests could reduce our capacity to conduct business or perform our contracts. In addition, if we do provide these bonds or guarantees, our clients or the relevant authorities may call them under circumstances that we believe to be improper, and we may not be able to challenge such actions effectively in local courts.

We and certain of our subsidiaries and affiliated entities also conduct business in countries where there is government corruption. We are committed to doing business in accordance with all applicable laws and our codes of ethics, but there is a risk that we, our subsidiaries or affiliated entities or their respective officers, directors, employees or agents may act in violation of our codes and applicable laws, including the Foreign Corrupt Practices Act of 1977 or any laws enforced by the US Office of Foreign assets control. Any such violations could result in substantial civil and/or criminal penalties and might materially adversely affect our business and results of operations or financial condition.

5.1.3. We are subject to certain risks related to acquisitions, and these risks may materially adversely affect our revenues, expenses, operating results and financial condition.

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

5.1.4. We may need to write down goodwill from our balance sheet.

We have been involved in a number of business combinations in the past, leading to the recognition of large amounts of goodwill on our balance sheet. Goodwill totaled €2,012.00 million on our balance sheet as of December 31, 2010. Goodwill is allocated to cash generating units (“CGUs”) (as described in note 11 to our consolidated financial statements for the year ended December 31, 2010). The recoverable amount of a CGU is estimated at each balance sheet date and is generally determined on the basis of a group-wide estimate of future cash flows expected from the CGU in question. The estimate takes into account, in particular, the removal from service of certain assets used in our business (such as decommissioning or coldstacking vessels) or any significant underperformance in cash generation relative to previously-expected results, which may arise, for example, from the underperformance of certain assets, a deterioration in industry conditions or a decline in the economic environment. At each balance sheet date, if we expect that a CGU’s recoverable amount will fall below the amount of goodwill recorded on the balance sheet, we may write down that goodwill in part or in whole. Such a write-down would not in itself have an impact on cash flow, but could have a substantial negative impact on our operating income and net income, and as a result, on our shareholders’ equity and net debt/equity ratio.

5.1.5. We invest significant amounts of money in acquiring and processing seismic data for Multi-Client surveys and for our data library without knowing precisely how much of the data we will be able to sell or when and at what price we will be able to sell the data.

We invest significant amounts of money in acquiring and processing seismic data that we own. By making such investments, we are exposed to the following risks:

- We may not fully recover the costs of acquiring and processing the data through future sales. The amounts of these data sales are uncertain and depend on a variety of factors, many of which are beyond our control. In addition, the timing of these sales is unpredictable, and sales can vary greatly from period to period. Technological or regulatory changes or other developments could also materially adversely affect the value of the data. Additionally, each of our individual surveys has a limited book life based on its location, so a particular survey may be subject to significant amortization even though sales of licenses associated with that survey are weak or non-existent, thus reducing our profits.
- The value of our Multi-Client data could be significantly adversely affected if any material adverse change occurs in the general prospects for oil and gas exploration, development and production activities in the areas where we acquire Multi-Client data or more generally.
- Any reduction in the market value of such data will require us to write down its recorded value, which could have a material adverse effect on our results of operations. In the fourth quarter of 2010, we recorded an impairment loss of €70.4 million on the Gulf of Mexico Narrow-azimuth library further to the Macondo spill and on the Canadian land library as a result of the decline of the North American conventional gas market.

5.1.6. Our results of operations may be significantly affected by currency fluctuations.

We derive a substantial portion of our revenues from international sales, subjecting us to risks relating to fluctuations in currency exchange rates. Our revenues and expenses are mainly denominated in U.S. dollars and euros, and to a significantly lesser extent, in Canadian dollars, Brazilian reals, Australian dollars, Norwegian kroner and British pounds. Historically, a significant portion of our revenues that were invoiced in euros related to contracts that were effectively priced in U.S. dollars, as the U.S. dollar often serves as the reference currency when bidding for contracts to provide geophysical services.

Fluctuations in the exchange rate of the euro against such other currencies, particularly the U.S. dollar, have had in the past and will have in the future a significant effect upon our results of operations, which are reported in euros. For financial reporting purposes, 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. Moreover, and in addition to the impact of the conversion of the U.S. dollar at a decreased value, since we participate in competitive bids for data acquisition contracts that are denominated in U.S. dollars, the depreciation of the U.S. dollar against the euro harms our competitive position against companies whose costs and expenses are denominated to a greater extent in U.S. dollars. While we attempt to reduce the risks associated with such exchange rate fluctuations through our hedging policy we cannot assure you that we will maintain our profitability level or that fluctuations in the values of the currencies in which we operate will not materially adversely affect our future results of operations. As of the date of this annual report, our annual fixed expenses in euros are equal to approximately €400 million and as a consequence, an unfavorable variation of USD0.1 in the exchange rate between the U.S. dollar and the euro would reduce our operating income and our shareholders' equity by approximately USD40 million.

5.1.7. Our working capital needs are difficult to forecast and may vary significantly, which could result in additional financing requirements that we may not be able to meet on satisfactory terms, or at all.

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

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

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

5.1.9. We depend on proprietary technology and are exposed to risks associated with the misappropriation or infringement of that technology.

Our ability to maintain or increase prices for our products and services depends in part on our ability to differentiate the value delivered by our products and services from those delivered by our competitors. Our proprietary technology plays an important role in this differentiation. We rely on a combination of patents, trademarks and trade secret laws to establish and protect our proprietary technology. Patents last up to 20 years, depending on the date of filing and the protection accorded by each country. In addition, we enter into confidentiality and license agreements with our employees, customers and potential customers which limit access to and distribution of our technology. However, actions that we take to protect our

proprietary rights may not be adequate to deter the misappropriation or independent third-party development of our technology. Although we do not believe that any current litigation - See Paragraph 11 - involving our intellectual property rights and the intellectual rights of others will have a material impact on us, such litigation may take place in the future. In addition, the laws of certain foreign countries do not protect proprietary rights to the same extent as either the laws of France or the laws of the United States, which may limit our ability to pursue third parties that misappropriate our proprietary technology.

5.1.10. The nature of our business subjects us to significant ongoing operating risks for which we may not have adequate insurance or for which we may not be able to procure adequate insurance on acceptable terms, if at all.

We are exposed to significant on-going operating risks:

- Our seismic data acquisition activities, particularly in deepwater marine areas, are often conducted under harsh weather and other hazardous operating conditions. These operations are subject to risks of loss to property and injury to personnel from fires, accidental explosions, collisions, ice floes, high seas and other natural disasters;
- Our extensive seismic products and services expose us to litigation and proceedings including those related to product liability, personal injury and contract liability;
- We produce and sell highly complex products and we cannot assure you that our extensive product development, manufacturing controls and testing will be adequate and sufficient to detect all defects, errors, failures, and quality issues that could affect our customers and result in claims against us or result in order cancellations or delays in market acceptance.

We have put in place insurance coverage against operating hazards, including product liability claims and personal injury claims, damage, destruction or business interruption related to our equipment, data processing centers, manufacturing centers and other facilities to the extent deemed prudent by our management and in amounts we consider appropriate in accordance with industry practice. Whenever possible, we obtain agreements from customers that limit our liability.

However, we cannot assure you that the nature and amount of insurance will be sufficient to fully indemnify us against liabilities arising from pending and future claims or that our insurance coverage will be adequate in all circumstances or against all hazards, and that we will be able to maintain adequate insurance coverage in the future at commercially reasonable rates or on acceptable terms.

5.1.11. Disruptions to our supply chain may adversely affect our ability to deliver our products and services to our customers.

Our supply chain is a complex network of internal and external organizations responsible for the supply, manufacture and logistics supporting our products and services around the world. We are vulnerable to disruptions in this supply chain from changes in government regulations, tax and currency changes, strikes, boycotts and other disruptive events as well as from unavailability of critical resources. These disruptions may have an adverse impact on our ability to deliver products and services to our customers.

5.1.12. Our failure to attract and retain qualified employees may materially adversely affect our future business and operations.

Our future results of operations will depend in part upon our ability to retain our existing highly skilled and qualified employees and to attract new employees. A number of our employees are highly skilled scientists and technicians. We compete with other seismic products and services companies and, to a lesser extent, companies in the oil industry for skilled geophysical and seismic personnel, particularly in times when demand for seismic services is relatively high. A limited number of such skilled personnel is available, and demand from other companies may limit our ability to fill our human resources needs. If we are unable to

hire, train and retain a sufficient number of qualified employees, this could impair our ability to compete in the geophysical services industry and to develop and protect our know-how. Our success also depends to a significant extent upon the abilities and efforts of members of our senior management, the loss of whom could materially adversely affect our business and results of operations.

5.1.13. CGGVeritas has had losses in the past and there is no assurance of our profitability for the future.

Before they merged, CGG and Veritas have had losses in the past. In 2007 and 2008, our net profit attributable to shareholders amounted to €245.5 million and €332.8 million, respectively. In 2009 and 2010, we recorded a net loss attributable to shareholders of €264.3 million, and €54.6 million respectively. There is therefore no assurance as to our profitability for the future.

5.2. Risks related to our industry

5.2.1. The volume of our business depends on the level of capital expenditures by the oil and gas industry, and reductions in such expenditures may have a material adverse effect on our business.

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

Factors affecting the prices of hydrocarbons (and, consequently, demand for our products and services) include:

- Demand for hydrocarbons;
- Worldwide political, military and economic conditions, including political developments in the Middle East, economic growth levels, the availability of financing and the ability of OPEC to set and maintain production levels and prices for oil;
- Laws or regulations restricting the use of fossil fuels or taxing such fuels;
- Levels of oil and gas production;
- The price and availability of alternative fuels;
- Policies of governments regarding the exploration for and production and development of oil and gas reserves in their territories; and
- Global weather conditions, with warmer temperatures decreasing demand for products such as heating oil.

5.2.2. Our backlog includes contracts that can be unilaterally terminated at the client's option.

In accordance with industry practice, contracts for the provision of seismic services typically can be canceled at the sole discretion of the client without payment of significant cancellation costs to the service provider.

As a result, even if contracts are recorded in backlog, there can be no assurance that such contracts will be wholly executed by us and generate actual revenue, or even that the total costs already incurred by us in connection with the contract would be covered in full by any cancellation clause.

5.2.3. We are subject to intense competition in the markets where we carry out our operations, which could limit our ability to maintain or increase our market share or maintain our prices at profitable levels.

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

5.2.4. CGGVeritas has taken significant measures to adapt its fleet, and we may take temporary additional measures in the future if called for by the situation in the seismic market.

In order to adjust to the conditions of the market and to reposition our fleet toward the high-end, CGGVeritas decided in 2009 to reduce its fleet capacity to eighteen vessels by decommissioning nine 2D and 3D vessels of medium capacity. As of September 30, 2010 this decommissioning program was fully achieved.

In 2010, CGGVeritas decided further to put in place a vessel upgrade plan to strengthen its position at the high end of the market with 12 streamer vessels. Accordingly, 4 vessels (Viking Vanquish, Geowave Master, Geowave Endeavour and Geowave Champion) enter dry-dock between the third quarter of 2010 and the fourth quarter of 2011 for an upgrade of propulsion and streamers. These vessels will be removed from the market during their time in dry dock, which should be around 3 or 4 months per vessel. In the effort to reposition the 3D fleet toward very high capacity vessels, that is, with more than 10 streamers, CGGVeritas intends to terminate early the contract of the Commander, a vessel originally under charter until mid 2013, but only able to pull 8 streamers.

Beyond these measures, conditions in the seismic market could lead us to further adjust our marine acquisition capacity on a temporary basis, for example by cold stacking some of our vessels. Reduction in capacity can generate additional operating costs.

5.2.5. We have high levels of fixed costs that are incurred regardless of our level of business activity.

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

In particular, CGGVeritas estimates that its 2011 upgrade plan of vessels will lead to a reduction of approximately 5 points in its vessel availability rate.

On the other hand, at the end of 2010, CGGVeritas announced an enhanced profitability plan which seeks to reduce costs in the amount of USD75 million. These cost reductions are essentially based on a streamlined organization (decrease in general and administrative costs) and a reduction in cost of sales (optimization of procurement and a reduction in the cost of non-quality).

The implementation of this plan translated into restructuring charges of around USD37 million in Q4 of 2010.

5.2.6. *The revenues we derive from land and marine seismic data acquisition vary significantly during the year.*

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

5.2.7. *Our business is subject to governmental regulation, which may adversely affect our future operations.*

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

We may be affected by new environmental laws or regulations intended to limit or reduce emissions of gases, such as carbon dioxide and methane, that may be contributing to climate change. The European Union has already established greenhouse gas regulations, and many other countries, including the United States, are in the process of doing so. This could cause us to incur additional direct costs in complying with any new environmental regulations, as well as increase indirect costs resulting from our customers, suppliers or both incurring additional compliance costs that get passed on to us. Moreover, passage of climate change legislation or other regulatory initiatives that target emissions of greenhouse gases may curtail production and demand for fossil fuels such as oil and gas and thus adversely affect future demand for our products and services. Reductions in our revenues or increases in our expenses as a result of climate control initiatives could have adverse effects on our business, financial position, results of operations and prospects.

In particular, in the United States Gulf of Mexico, new regulations governing oil and gas exploration and development are being put in place following the Macondo incident. These new regulations may have a significant financial impact on oil and gas companies that wish to carry out exploration and development projects in deep water Gulf of Mexico. The CGGVeritas client mix could be impacted with the disappearance of small and medium sized players, which could impact our sales of Multi-Client data and our exclusive acquisition contracts as well. In the short term, as a result of the implementation of new regulations, the American government may postpone lease sales of blocs identified for March 2011 and August 2011 to end of 2011 or to 2012, which could have an effect on the profile of Multi-Client sales in 2011.

5.3. Risks related to our indebtedness

5.3.1. *Our substantial debt could adversely affect our financial health and prevent us from fulfilling our obligations.*

We have a significant amount of debt. As of December 31, 2010, our net debt, total assets and shareholders' equity were €1,150 million, €5,324 million and €2,812 million, respectively. We cannot assure you that we will be able to generate sufficient cash to service our debt or sufficient earnings to cover fixed charges in future years.

Our substantial debt could have important consequences. In particular, it could:

- increase our vulnerability to general adverse economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund capital expenditures and other general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in our businesses and the industries in which we operate;
- place us at a competitive disadvantage compared to competitors that have less debt; and
- limit, along with the financial and other restrictive covenants of our indebtedness, among other things, our ability to borrow additional funds.

5.3.2. *Our debt agreements contain restrictive covenants that may limit our ability to respond to changes in market conditions or pursue business opportunities.*

The indentures governing our 7 ½% Senior Notes due 2015, 9 ½% Senior Notes due 2016, 7 ¾% Senior Notes due 2017 (the "Senior Notes"), the USD 1,140 million credit agreement dated January 12, 2007 (the "Senior credit facilities") and our USD 200 million French revolving facility dated February 7, 2007 (the "French revolving facility") contain restrictive covenants that limit our ability and the ability of certain of our subsidiaries to, among other things:

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

Complying with the restrictions contained in some of these covenants requires us to meet certain ratios and tests, relating notably, to interest coverage ratio, total assets, net indebtedness, shareholders' equity and net result. The requirement that we comply with these provisions may materially adversely affect our ability to react to changes in market conditions, take advantage of business opportunities we believe to be desirable, obtain future financing, fund needed capital expenditures, or withstand a continuing or future downturn in our business.

Information relating to our indebtedness and the restrictive covenants contained in our debt agreements is provided in note 13 to our consolidated financial statements for the year ended December 31, 2010.

On July 15, 2010, in order to soften certain ratios and tests, the maturity of our Senior facilities was extended from January 2014 to January 2016 for a tranche which amounts as of December 31, 2010 to USD348 million for a global outstanding amount at the same date of USD515 million. The margin applicable to the tranche due 2016 was consequently increased by 1%. The maturity of this tranche could be accelerated to February 2015 if, at this date, the 7 ½% Senior Notes due 2015 has not been refinanced.

Finally, on November 4, 2010, the maturity of our French revolver facility was extended until February 2014. As a result of this amendment, the margin was increased from LIBOR + 300 basis points to LIBOR + 325 basis point and will be adjusted taking into account the corporate rating of CGGVeritas.

Further to these amendments, the ratios and tests of our Senior credit facilities and of our French revolver facility are as follows:

- a maximum ratio of total net debt to EBITDAs of 2.75:1 at the end of each quarter for the 12-month testing period ending December 31, 2011; 2.50:1 at the end of each quarter for the 12-month testing period ending December 31, 2012; 2.25:1 at the end of each quarter for the 12-month testing period ending December 31, 2013; 2.00:1 at the end of each quarter for the 12-month testing period ending December 31, 2014; 1.75:1 at the end of each quarter for the 12-month testing period ending December 31, 2015;
- a minimum ratio of EBITDA to total interest costs of 3.50:1 at the end of each quarter for the 12-month testing period ended December 31, 2012; 4.00:1 at the end of each quarter for the 12-month testing period ended December 31, 2013; 4.50:1 at the end of each quarter for the 12-month testing period ended December 31, 2014; 5.00:1 at the end of each quarter for the 12-month testing period ended December 31, 2015.

5.3.3. If we are unable to comply with the restrictions and covenants in the indentures governing our senior notes, senior facilities agreement, the French revolving facility agreement and other current and future debt agreements, there could be a default under the terms of these indentures and agreements, which could result in an acceleration of repayment.

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

5.3.4. We and our subsidiaries may incur substantially more debt.

We and our subsidiaries may incur substantial additional debt (including secured debt) in the future. The terms of the indentures governing our Senior Notes, the senior facilities agreement, the French revolving facility agreement and our other existing senior indebtedness limit, but do not prohibit, us and our subsidiaries from doing so. As of December 31, 2010, we had drawn €3.55 million (USD5.5 million) under our US revolver facility linked to our Senior credit facilities (the "US revolver facility") and long-term confirmed and undrawn credit lines amounted to €251 million.

If new debt is added to our current debt levels, the related risks for us could intensify.

5.3.5. To service our indebtedness, we require a significant amount of cash, and our ability to generate cash will depend on many factors beyond our control.

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

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

5.3.6. Liquidity risk

As of December 31, 2010, we had €1,150 million of net debt with 1,486 M€ financial debt (of which €17 million was bank overdrafts and accrued interest) and €336 million of cash and cash equivalents.

As of December 31, 2010, our financial debt consisted primarily of:

- USD530 million outstanding principal amount of our 7½% Senior Notes due 2015, USD 350 million outstanding principal amount of our 9½% Senior Notes due 2016 and USD400 million outstanding principal amount of our 7¾% Senior Notes due 2017;
- USD165 million outstanding under our Senior facilities due 2014 and USD345 million due 2016;
- our French revolving facility not drawn as of December 31, 2010;
- our US revolver facility not drawn as of December 31, 2010 (except for the USD70 million basket of guarantees and letters of credit drawn up to USD5 million (€3.5 million)),
- a total of €10 million (out of which €4 million are drawn) under various credit lines held by several of our subsidiaries.

The amendments entered into in 2010 with respect to the Senior facilities and the French revolver are described in paragraph 5.3.2.

In millions of Euros	31/12/2010	N+1		N+2 à N+4		N+5 et >		Total	
		Nominal	Interests	Nominal	Interests	Nominal	Interests	Nominal	Interests
Senior notes.....	958	-	78	-	233	958	110	958	422
Bank borrowings	402	14	23	152	56	236	16	402	95
Financial leases	144	47	9	29	11	68	17	144	37
Banks overdrafts	5	5	-	-	-	-	-	5	-
Derivative instruments	-	-	-	-	-	-	-	-	-
Cash	(336)	-	-	-	-	-	-	(336)	-
Total net financial liabilities	1 173	66	110	181	301	1 262	144	1 173	554

Accrued interests, IFRS adjustments and issue premium are not included.

The Senior Notes, the Senior facilities and the French revolving facility contain certain restrictive covenants, including covenants that require compliance with certain financial ratios. For the Senior facilities and the French revolving facility, these financial ratios include:

- a minimum ratio of EBITDA to total interest costs of 3.50:1 for the 12-month testing period ended December 31, 2010. The actual ratio as of December 31, 2010 was 5.9:1;
- a maximum ratio of total net debt to EBITDA of 2.75:1 for the 12-month testing period ended December 31, 2010. The actual ratio as of December 31, 2010 was 1.86:1.

Information relating to our indebtedness and the restrictive covenants contained in our debt agreements is provided in note 13 to our consolidated financial statements for the year ended December 31, 2010.

As of December 31, 2010, our available financial resources amounted to € 542 million (including cash, cash equivalents, marketable securities). We consider that the risk of a default in our compliance with these covenants resulting in acceleration of our financial debt is unlikely.

We benefit from an outlook rating from Standard & Poor's and Moody's that assess the potential evolution (positive or negative) of our credit rating over time. In order to assign an outlook rating, rating agencies take into account the economic and operational evolution of the company and its industry.

Our current ratings are as follows:

- Standard & Poor's has given us a corporate rating of BB- and a rating of BB+ for the US 1,140 million senior facilities and the French revolver and BB- for the Senior Notes;
- Moody's has given us a corporate rating of Ba1, and a rating of Ba1 for the senior facilities and the French revolver and Ba3 for the Senior Notes.

Standard and Poor's and Moody's have revised, since August 19, 2010 and December 2, 2010, respectively, their outlook rating to negative on a long term basis.

5.3.7. Risk over Interest rates.

Drawings under our credit facilities incur interest at variable rates that are reset at each interest period (generally between one and 60 months). As a result, our interest expenses vary in line with movements in short-term interest rates. In particular, our senior facilities are subject to interest based on U.S. dollar LIBOR with 1.50% floor. Any increase by 50 basis points of LIBOR above the 1.50% floor would increase our interest expense by USD3 million per year.

However, a large proportion of our debt consists of fixed-rate bonds, along with some fixed-rate finance leases and fixed-rate medium-term bank credit facilities with variable maturities. This debt is not exposed to interest rate fluctuations.

The following table shows our variable interest rate exposure by maturity as of December 31, 2010.

31/12/2010	Financial assets (*)		Financial liabilities (*)		Net position before hedging		Off-balance sheet position		Net position after hedging	
	(a)		(b)		(c)=(a)-(b)		(d)		(e)=(c)+(d)	
	Fix rate	Variable rate	Fix rate	Variable rate	Fix rate	Variable rate	Fix rate	Variable rate	Fix rate	Variable rate
Overnight to 1 year	53	179	29	27	24	152	-	-	24	152
1 to 5 years	-	-	1	34	(1)	(34)	-	-	(1)	(34)
3 to 5 years	-	-	661	358	(661)	(358)	-	-	(661)	(358)
More than 5 years	-	-	357	-	(357)	-	-	-	(357)	-
Total	53	179	1 048	420	(995)	(241)	-	-	(995)	(241)

(*) Excluding bank overdrafts and accrued interest but including employee profit-sharing

As of December 31, 2010, our variable-rate assets (net of liabilities) due in less than one year totaled €152 million.

The following table shows our variable interest rate exposure over our financial assets and liabilities:

	2010	
	Impact on result before tax	Impact on shareholders' equity before tax
Impact of an interest rate variation of +1 %	1.2	1.2
Impact of an interest rate variation of -1 %	-0.7	-0.7

Our variable interest rate indebtedness carried an average interest rate of 4.87% in 2010, and our investments and other financial assets earned interest at an average rate of 0.5%.

5.4. Other financial risks

5.4.1. Foreign exchange rate exposure as of December 31, 2010

The following table shows our exchange rate exposure as of December 31, 2009.

	In millions of USD
Assets	1,732.2
Liabilities	1,726.7
Net position before hedging	5.5
Off-balance sheet positions	-33.3
Net position after hedging	-27.8

	In millions of euros
Assets	135.1
Liabilities	147.9
Net position before hedging	-12.8
Off-balance sheet positions	0.00
Net position after hedging	-12.8

Our net foreign-exchange exposure is principally to the U.S. dollar and currencies pegged to the U.S. dollar. We seek to reduce our foreign-exchange position by selling our future receivables as soon as they enter the backlog and taking out dollar-denominated loans supported by long-term assets. Although we attempt to reduce the risks associated with exchange rate fluctuations, we cannot assure you that fluctuations in the values of the currencies in which we operate will not materially adversely affect our future results of operations. As of the date of this annual report, a decrease of USD0.10 in the value of the US dollar relative to the euro would reduce our operating income by USD40 million.

As a result of our compliance with IAS 12 (Income Taxes), our results of operation are also exposed to the effect of exchange rate variations on our deferred tax amounts when the functional currency for an entity that owns a non-cash asset is not the same as the currency used for taxation purposes.

5.4.2. Risks related to certain of our shareholdings and other financial instruments

Our investment policy does not authorize investments in the shares of other companies. Any transactions involving our own shares are decided by management in accordance with the applicable regulations.

As of December 31, 2010, we owned 800,000 of our own shares, worth €13.8million. A 10% fall in the price of these treasury shares would reduce shareholders' equity by €1.4 million, but would have no impact on earnings.

	<u>Shares in other companies and equity mutual fund units</u>	<u>Own shares</u>
	(in millions of euros)	
On-balance sheet	—	13.8
Off-balance sheet.....	—	—
Net overall position.....	—	13.8

As of December 31, 2010, pursuant to our long-term investment strategy, we also hold a minority stake of 32.60% in Cybernetix, a company listed on Euronext Paris recorded on our balance sheet as of December 31, 2010 at €6.4 million. This valuation is based on a subscription price of €12 per share for Cybernetix's capital increase in 2009. As of February 24, 2011, Sercel Holding (further to several sales of the shares on the market) held 20.06% of the share-capital of Cybernetix.

5.4.3. Risk relating to the current financial crisis

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

To deal with these risks as effectively as possible,

- We are limiting customer risk by taking a selective approach with our customers (including looking at their solvency) in our services business and by using letters of credit in our equipment business; and
- We, and Sercel in particular, have adopted a highly selective policy regarding suppliers, aimed at keeping exposure to any one supplier within prudent limits.

6. INFORMATION ON THE UTILIZATION OF FINANCIAL INSTRUMENTS

As mentioned in paragraph 5.1.6. above, as that the Group derives a substantial amount of its revenues from sales internationally, we are subject to risks relating to fluctuations in currency exchange rates.

In the years ended December 31, 2010 and December 31, 2009, more than 90 % of our operating revenues and operating expenses were denominated in currencies other than euros. These included U.S. dollars and, to a significantly lesser extent, other non-Euro Western European currencies, principally British pounds and Norwegian kroner. In addition, a significant portion of our revenues that were invoiced in euros related to contracts that were effectively priced in U.S. dollars, as the U.S. dollar often serves as the reference currency when bidding for contracts to provide geophysical services.

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

In order to improve the balance of our net position of receivables and payables denominated in foreign currencies, we maintain our financing in U.S. dollars. At December 31, 2010 and 2009, our total outstanding long-term debt denominated in U.S. dollars was USD1,862.7 million (€1,394 million at the December 31, 2010 exchange rate) and USD1,935.1 million (€1,343.4 million at the December 31, 2009 exchange rate), respectively, representing 95% and 97.0%, of our total financial debt outstanding at such dates.

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

As of December 31, 2010 and 2009, we had USD128.1 million (with a euro equivalent-value of €95.9 million) and USD139.5 million (with a euro equivalent-value of €96.8 million), respectively, of notional amounts outstanding under euro/U.S. dollar forward exchange contracts and other foreign exchange currency hedging instruments.

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

7. RESEARCH & DEVELOPMENT ("R&D")

The consolidated R&D spending of the CGGVeritas group in 2010 amounted to over USD 120 million (€93 million), which accounts for more than 4% of the Group's revenue. This investment represents a significant increase with respect to 2009 and illustrates the long-term commitment of CGGVeritas to promote innovative solutions and the development of new technologies. We pursue a dual goal: continuously improve the quality of our services and products in order to raise industry standards and increase the efficiency of our operations, providing our clients with better productivity.

Both objectives are at the heart of the major achievements of the R&D during 2010, led by the successful deployment of BroadSeis and Emphaseis, two new technical solutions that significantly increase the bandwidth for, respectively, Marine and Land acquisition surveys. R&D took advantage of the very high-density Land acquisition survey in progress in Qatar to develop the required tools to accelerate the processing of the data thus recorded and be capable to extract the full potential of this data, despite its colossal volume.

The Sercel R&D teams have been actively pursuing efforts to prepare next-generation products that will keep Sercel ahead of market demand. Amongst the major achievements, the large-scale deployment of fiber optical sensors implanted on the seabed was successfully launched by the Sercel-Optoplan teams. This equipment allowed the startup of monitoring of the Ekofisk field in the North Sea as of the end of 2010. The introduction of this unique technology allows for the significant increase in both the quality of recording and reliability of the system. Other products recently introduced on the market have seen promising starts in operations, such as the well tool, MaxiWave (used for the Qatar survey) or the Marine acquisition software application, Seapronav. The deployment of Nautilus streamer controller has continued successfully across the CGGVeritas fleet.

Marine Acquisition

The year 2010 was marked by the launch of BroadSeis, the solution that allows a remarkable improvement of data quality due to its enlarged frequency range. The low frequencies are less attenuated, allowing for imaging to more significant subsurface depths, whereas the high frequencies yield a true breakthrough in obtaining a superior level of resolution. BroadSeis builds on a combination of three CGGVeritas differentiating technologies: the Sercel solid streamers, the quietest on the market; a unique technique of optimized positioning of the streamers as a function of the target structure to image; and a processing sequence redesigned to take into account multiple innovative tools. These different components have been patented to guarantee CGGVeritas' exclusive rights for this solution.

In parallel with this major success in the domain of Marine acquisition, CGGVeritas has devoted efforts to the improved design of marine seismic sources, seen as integral to future breakthroughs in the quality of the final imaging.

After the final stage of adjustments to the Trilobit, an autonomous seabed node that records seismic data along the ocean bottom, CGGVeritas has industrialized this product as well as the associated methodology for its implementation. 150 new Trilobit have been built in 2010. With 220 nodes altogether now, CGGVeritas is ready to take a market share for this type of acquisition which is currently taking off. The principal interest of this new technology lies in the imaging of the blind spots in areas obstructed by platform structures, inaccessible to our seismic vessels, and the recording of the shear waves that are not recorded by streamers.

Land Acquisition

In this domain, 2010 was a year marked by the execution of a major contract with Qatar Petroleum, characterized by an extremely large number of traces (40,000 of which 25,000 active channels) with the associated well data acquisition of equally high density. The results are up to our expectations, showing a quality and imaging resolution never previously achieved. The activity generated by this contract has resulted in several promising research projects that will be key to future characterization and monitoring of giant carbonate fields in the Middle East. In Saudi Arabia, the CGGVeritas crews set a new world record for the number of source points (more than 40,000) vibrated in the same day.

As for Marine acquisition, the frequency bandwidth range for Land surveys constitutes a critical factor for the quality of the resulting images. The new unit patented by CGGVeritas, Emphaseis, allows for the optimization of the vibrator trucks frequency sweeps and has gained immediate market success.

Promoted by the success of an operation in Canada in 2009, the SeisMovie system to monitor onshore fields was deployed in several operations in 2010 (in particular, in Canada, Holland, and Saudi Arabia). Promising outlooks are anticipated for this technology.

Processing and Imaging

Beyond the processing sequence linked with the BroadSeis solution for Marine acquisition, our principal efforts were in depth imagery and multi-component processing.

In depth imaging, Reverse Time Migration, with generation of angle and azimuth stacks, was adopted as an industry reference. This unique solution amongst the competition represents the latest generation of migration solutions and a differentiating advantage in a highly competitive market.

As the carriers of valuable complementary data key to the analysis of existing reservoirs, converted waves require a specific and complex processing sequence. Such efforts were actively pursued to both improve and accelerate multi-component processing.

Finally, the deployment of the new *geovation* software in the various CGGVeritas centers continued according to plan. This software package was rated as the best in a benchmark test comparing other products on the market proposed by the competition.

8. QUALITY & HSE

8.0. Introduction

The QHSE tools and practices throughout the Company were developed in coordination around PRISM reporting and information sharing common platform.

Highlights 2010

The highlights for 2010 were:

- Our integrated management system PRISM continued to be developed, enhanced and improved to provide more data and information to our employees: all Marine and land Acquisition sites, and Processing and Imaging Centers are now reporting into PRISM;
- Our Marine HSE Management System has been fully standardized across the fleet, replacing remaining legacy systems from merged and acquired companies;
- A global review of our HSE Management System has been initiated, aiming at a better alignment with evolving industry best practices, as established by Oil and Gas Producers organization (OGP) and International Association of Geophysical Contractors (IAGC);
- An HSE & Sustainable Development Committee was created by CGGVeritas Board of Directors, to monitor and influence closely the Company's HSE & Sustainable Development performance and initiatives. This Committee will start meeting formally in 2011, to replace and further strengthen the reviews done regularly by the Audit Committee until 2010.

8.1. Quality

In 2010, the Quality effort has been organized towards improvement of Client satisfaction and control of our Non Quality costs. Following the new Group re-organization into five Divisions and six Functions July 1, the Quality department has been reshaped so that clearly identified resources exist within each Division facing our clients.

Simultaneously, associated quality processes have been streamlined to reach better efficiency and benefit at field level:

- Clear reporting for non Quality events;
- Developing, executing and reviewing Quality and Performance improvement plans;
- Acceleration of the Quality awareness training program aiming specifically new hires and project managers;
- A specific focus was developed to enhance support functions performance through the deployment of quality surveys assessing the satisfaction of their internal clients.

ISO 9001 certifications already in place have all been maintained and even expanded in Marine toward the entire Marine fleet and in Processing & Imaging with certification of the Aberdeen centers.

8.2. Health

Our GoCare program of regular medical check up of all CGGVeritas International personnel was launched. This program carried out in several medical centers worldwide under a standardized approach by our independent partner International SOS, will improve the medical follow up of our personnel, and prevention of pathologies.

Ergonomic assessments at or office sites continued. The roll out of our Non smoking policy was continued and awareness programs were conducted in various sites; treatment for employees willing to give up smoking was endorsed by the Company. General awareness campaigns about wellness and healthy behaviors were also conducted.

The Company standardized its approach to field medical services, including facilities, pharmacy and the level of medical training specified, based on a risk assessment approach. Joint trainings for contracted and in house field medical specialists were conducted to harmonize practices and share best practices across our operation sites.

8.3. Safety

The Company recorded one fatality during 2010, as a light vehicle driver was fatally wounded after his vehicle was hit by a bulldozer in the Kingdom of Saudi Arabia. Root cause analysis was conducted on this tragic event to learn and then implement measures to prevent recurrence. High potential events were systematically identified and root cause analysis conducted and presented to Company's Executive Committee and Board of Directors; the implementation of corrective actions was tracked and recommendations from the events were incorporated into Company practices.

Safety performance is also measured by injury frequency rates. Our combined exposure hours for the year were 76.5 million hours for the Group (including 69.1 million hours for Services). The Group Total Recordable Case Frequency (TRCF) per million exposure hours on twelve rolling months was 3.06 (a significant improvement over the TRCF of 3.14 recorded in 2009, mostly driven by a good performance of our Equipment Division). Our Group Lost Time Injury Frequency Rate (LTIFR) per million exposure hours in 2010 was 0.42, showing a degradation (0.36 recorded in 2009) linked to a degraded Services performance (0.39 vs. 0.25 in 2009, which was a record year).

Transportation by vehicle continued to be the activity with the highest risk profile. The transport program launched in 2007 was continued in 2010 with a focus on contracted and subcontracted vehicles, mainly in Land Acquisition activities. Continued focus on reducing exposure to road traffic elimination of vehicles where possible (use of buses for example), installation of speed limiting devices (SLDs), and rollover protection (ROP), ongoing improvements in the In Vehicle Monitoring Systems (IVMS) and continued driver

training and education contributed to reduce the Motor Vehicle Crash Rate (MVCR) further down at 0.92, from 1.40 in 2008 and 0.96 in 2009.

The management HSE recommitment program was extended in 2010 from Land Acquisition to Marine Acquisition Division, where a two-year training program was rolled out up to expectations. Our Behavioral Program TOP (Task Observation Program) was extended within the Marine Division, contributing to improving personnel awareness and commitment, as demonstrated by the doubling of our leading indicators during the year (number of hazard reports, HSE toolbox meetings and TOP reports per million man hour). The program was also tested in the Land Division.

The HSE training programs for our field personnel were continued and enhanced, with regular introduction of video and on line training, particularly for our Marine Division personnel.

A large part of our personnel is exposed to extensive worldwide traveling: a new Safe travel Guideline was implemented, which was adopted by the IAGC for the geophysical industry.

43 internal audits, more than 50 external audits and limited reviews, as well as thousands of inspections were conducted across all parts of the Company with remedial and corrective actions identified.

Proactive Key Performance Indicators (KPI's) continued to be captured throughout the Company to gauge progress towards meeting and exceeding goals and targets for HSE.

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

8.4. Environment

The focus on the environment continues to grow especially with our involvement in the United Nations Global Compact. In 2010, we continued participating in a Joint Industry Program (JIP) to better understand the effects of sound on marine mammals. Innovative Passive Acoustic Monitoring were used by our vessels beyond regulatory requirements to improve marine mammal detections, particularly at night, while standard precautionary measures were adhered to (including progressive "soft" start of airguns, marine mammals observers on board and suspension of operations in case of marine mammals spotting).

The consistency and reliability of environmental indicators reporting throughout the Company was reinforced.

A Green Campaign was rolled out throughout CGGVeritas sites, promoting sustainable practices at work. The personnel were involved through a Quiz and contest on our InSite intranet, as a conclusion to the campaign.

The process for certifying our Crawley and Redhill (UK) Processing & Imaging centers under ISO 14000 family of norms was launched formally, aiming at completion before the end of 2011. This certification is aimed as a pilot within the Company, providing key learning for further certifications.

8.5. Security

During 2010 we continued monitoring countries and areas with a high risk profile. Additionally, we formalized our Security process systematically in PRISM and revised our security planning for countries with a high potential security risk threshold.

A special attention was given to the rise of the piracy threat for our Marine Acquisition operations. Specific risk assessment surveys were conducted preventively where required; a standard Security plan was designed and deployed for operations and transits in Indian Ocean and Gulf of Guinea. Vessels were “hardened” to dissuade assailants, and military escorts were arranged in agreement with ship managers and clients when necessary.

8.6. Sustainable Development

Sustainable Development represents the framework of our activities which aims at balancing three elements, namely:

- Social progress;
- Environmental protection; and
- Economic development.

As a company we publicly committed to comply with the ten principles which support the United Nations Global Compact (UNGC). During the year we successfully completed our second Certificate of Progress (COP), which is a condition precedent to our participation in this Global Compact.

To implement its actions, CGGVeritas is actively engaging its stakeholders including employees, customers, regulatory bodies vendors and suppliers, subcontractors, institutions, local communities, local partners, investors, etc.

A Sustainable Development and Social Responsibility chapter has been added in 2010 to all internal HSE audits, with the objective of identifying areas of concern for action or more detailed specific audits in this domain, and of raising the awareness of the local management on Sustainable Development issues.

CGGVeritas commitment for Sustainable Development has been rewarded in 2010 by the recognition of the community of Socially Responsible Investment specialists, and we have been included into ASPI (Advanced Sustainable Performance Indices) Eurozone and Ethibel Excellence Index, after a review of our policies, performances and progress.

8.6.1. *Employees' communication*

In order to involve all the CGGVeritas employees, the stakes of Sustainable Development are clearly promoted throughout the Company and reiterated during training sessions. Several communication channels are involved including an intranet site for Sustainable Development which gathers key concepts, messages, definitions, stakes and goals for the millennium (Millennium Development Goals). The ten principles of the United Nations Global Compact are also detailed.

In 2010, awareness and communication campaigns were particularly focused upon the individual environmental footprint. Best practices were divulged monthly and shared through articles and contests involving the personnel and their family.

A Think Tank focused on Sustainable Development initiatives was created, which provides an opportunity for young professionals of CGGVeritas to share and develop their projects.

8.6.2. *Social Responsibility*

During 2010, our Social Responsibility objectives were completed in line with our annual plan and a number of other key and ongoing initiatives were initiated or continued, globally and locally. Some examples:

Human Rights

In order to make our commitment in this domain more visible, CGGVeritas has formally endorsed in our Social Responsibility Policy the Rights of Indigenous People. In addition, the Company announced in its security protection policy its commitment towards the implementation of the Voluntary Principles of Oil and Mining industry (Volprin), in case we use protection firms, whether public or private.

Local Communities

CGGVeritas developed a Community Relations Management Plan, which provides internal best practices and proposes methods to identify and to communicate with local communities, in order to evaluate the social impact (whether positive or negative) of our activities, and to put in place the relevant corrective measures each time it is necessary. This guide also identifies key performance indicators to determine the quality of relationship with the local communities during our operations. This guide will be rolled out in 2011.

Prevention of discrimination

We draw a particular attention to diversity and prevention of discrimination at work and during hiring process. This is formalized in our Group Code of Ethics, Code of Business Conduct, and Sustainable Development policy. In this respect, specific training modules and awareness campaign continued in 2010 in order to better formalize and improve what already existed elsewhere within the Group. Thus, prevention of discrimination has been put on the agenda of local human resources seminars and of the "Governance & Performance" training provided by CGGVeritas University and attended by senior management. CGGVeritas will continue to deploy its internal awareness campaign in 2011.

India

- Continued partnership with the Muktangan Organization in Mumbai. Muktangan provides an innovative educational model based on affordable, high-quality and child-centered education which:
 - addresses the learning needs of underprivileged children ; and
 - empowers women from these same communities by providing career opportunities through training to teach in these schools, thereby becoming effective community change agents.

In 2010, CGGVeritas continued funding of one of their schools for a school year.

France

- French employee solidarity leaves agreement with Planète Urgence by which employees can take a 'solidarity' leave and work with the NGO on various Social Responsibility projects;
- CGGVeritas Massy site became the center for its region of Second Chance Foundation, a NGO which funds individual social reinsertion projects through education and entrepreneurship; CGGVeritas employees are involved in evaluating projects and coaching the beneficiaries of the program;
- The Action Against Hunger (*Action Contre la Faim*) Challenge in which employees volunteered to fundraise for the organization. CGGVeritas finished fifth from the fifty-seven competing companies.

Angola

- Contribution and participation of personnel to a BirdLife NGO project, focused on local Community Development in relation with protection of forestry.

Brazil

- Continued support to Gol de Letra (NGO) initiative, promoting the eradication of illiteracy.

Natural Disasters

- As an international and multicultural company, CGGVeritas and our personnel contributed to the relief effort for victims of 2010 Haiti earthquake and tsunami.

Education in Geoscience

CGGVeritas contributes to education in Geoscience by:

- Contributing financially to SEG (Society of Exploration Geophysicists) and EAGE (European Association of Geoscientists and Engineers) student foundations;
- Supporting universities and allowing them free access to our processing software. Our partnerships include more than sixty universities in France, USA, UK, Norway, China, Nigeria, Brazil, Mexico, Russia, Turkey, Germany, Poland, Hungary, Switzerland, South Africa, Kingdom of Saudi Arabia, Italy, Tunisia, Egypt, Belgium, Portugal, Austria, The Netherlands, Czech Republic, and Ukraine.

Purchasing

- Our Social Responsibility policy and actions are increasingly accessible to investors and ethics rating agencies. The Purchasing Code of Conduct has been reviewed and a '*Responsible Purchasing Training Program*' has been drafted and disseminated.

9. FINANCIAL TRANSACTIONS CARRIED OUT BY THE GROUP DURING FISCAL YEAR 2010

Sale of the Harmattan vessel

On January 22, 2010, the HARMATTAN vessel was sold for USD 3.4 millions.

Exercise of the purchase option of the Geo-Challenger vessel

On February 9, 2010, Exploration Investment Resources II AS, exercised the option to purchase the Geo-Challenger vessel (renamed Oceanic Challenger as of November 10, 2010).

Amendments to the Term Loan B (July 2010) and to the French Revolver (October 2010)

On July 15, 2010, our senior facilities were amended in order to extend their maturity from January 2014 to January 2016 for a tranche which, on July 15, 2010, amounted to USD 348 million for a global outstanding amount, on the same date, of USD 515 million. In addition, as a result of this amendment, certain ratios and tests were softened. The margin applicable to the tranche due 2016 was consequently increased by 1%. The maturity of this tranche could be accelerated to February 2015 if, at this date, the 7 ½% Senior Notes due 2015 has not been refinanced.

On November 4, 2010, the maturity of our French revolver facility was extended until February 2014.

As a result of this amendment, the margin was increased from LIBOR + 300 basis points to LIBOR + 325 basis points and will be adjusted taking into account the corporate rating of CGGVeritas.

Further to these amendments, the ratios and tests of our Senior credit facilities and of our French revolver facility are as follows:

- a maximum ratio of total net debt to EBITDAS of 2.75:1 at the end of each quarter for the 12-month testing period ending December 31, 2011; 2.50:1 at the end of each quarter for the 12-month testing period ending December 31, 2012; 2.25:1 at the end of each quarter for the 12-month testing period ending December 31, 2013; 2.00:1 at the end of each quarter for the 12-month testing period ending December 31, 2014; 1.7775:1 at the end of each quarter for the 12-month testing period ending December 31, 2015;
- a minimum ratio of EBITDA to total interest costs of 3.50:1 at the end of each quarter for the 12-month testing period ended December 31, 2012; 4.00:1 at the end of each quarter for the 12-month testing period ended December 31, 2013; 4.50:1 at the end of each quarter for the 12-month testing period

ended December 31, 2014; 5.00:1 at the end of each quarter for the 12-month testing period ended December 31, 2015.

Norfield

On June 30, 2010, we entered into an agreement with Norfield AS providing for us to acquire full ownership of the seismic vessel *Voyager* in exchange for certain assets as part of the restructuring of Norfield AS.

10. PROSPECTS AND FORESEEABLE DEVELOPMENTS

Geophysics market environment

After several difficult years, following the 1999 crisis, characterized by an under-investment in the Exploration-Production sector and by very low oil & gas prices, the geophysics market has been experiencing significant growth between 2005 and 2008 built, in our view, on some solid foundations.

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

In 2008, the economy started to slow down as a consequence of the worldwide financial crisis. Numerous countries entered into an economical slow down and sometimes even in recession. The anticipation of a most probable reduction of the worldwide consumption and of the correlated demand for energy resources immediately impacted the oil price which significantly decreased from a top level of USD150 mid 2008 to below USD40 the barrel mid-December. In this context of uncertainty, in 2009, oil and gas companies did reduce their capital spending. This translated into significant reduction in volumes and prices, exaggerated on the short term by overcapacity in marine seismic vessels.

During 2009, seismic companies managed to be disciplined by removing from the market some old, low-capacity vessels and delaying new build, therefore reducing the overall capacity and breaking off the price drop.

In 2010, Exploration & Production investments have again increased significantly, leading to a strong growth of demand for seismic services. In parallel, a significant number of new vessels have entered marine seismic market. The "Deepwater Horizon" platform accident in April in Gulf of Mexico has severely reduced the demand for seismic studies in this part of the world and consequently maintained an unbalance on a worldwide basis between offer and demand all along the year. Conversely, seismic equipment market has experienced a substantial growth both for marine equipments (streamers for newbuilds and increased capacity of existing vessels) and for land equipments (denser acquisition grids).

CGGVeritas believes that on the mid-term, fundamentals for energy remain and that the need to discover new reserves to replace depleting reserves and to cope with long-term growth in energy demand, will materialize by a continued increase of Exploration and Production spending, leading to solid growth perspectives for the seismic market.

Outlook for CGGVeritas in 2011

Total backlog (Services and Equipment) amounted to USD1,453 million (USD1,232 million for Services and USD221 million for Equipment, excluding the Group's internal sales) on January 1, 2011. This backlog for Services has been secured during the second semester of 2010 at quite low prices overall.

In a recent survey made by Barclays Capital, Exploration and Production spending should increase by 11% in 2011 at USD490 billion after the same increase of 11% in 2010. As a consequence, seismic market should recover after two years of decline. We nevertheless anticipate:

- In offshore contract acquisition, pressure on prices should remain in the first part of 2011, as newly built vessels will enter the market but should soften in the second part of the year as demand growth is expected to exceed offer;
- In onshore contract acquisition, demand for high-end seismic and productive surveys (in particular in Middle-East) as well as for Ocean Bottom Cable acquisition should remain high and will benefit to the high skilled seismic companies, such as CGGVeritas;
- In the Gulf of Mexico, many uncertainties remain concerning the changes of regulations and the next bid round, being delayed because of the "Deepwater Horizon" platform accident; despite that, the final delivery of our wide azimuth marine Multi-Client data processed with our most sophisticated algorithms should trigger a sustained demand, in particular as the bid round will get closer;
- Demand for our North American Multi-Client land acquisition data is correlated to the natural gas prices, whereas demand for non conventional gas (shale gas) should remain high;
- Processing and reservoir activities should continue to benefit from this environment as clients usually take opportunities to reprocess existing data with new high-end sophisticated algorithms, a market segment where CGGVeritas enjoys a leadership position;
- Sercel should in 2011 take advantage of an increasing demand for seafloor and land seismic equipment that should balance the expected weakening in marine equipments sales (lower level of seismic newbuilds).

Furthering a commercial strategy based on improved customer service

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

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

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

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

2011 outlook and technological developments at CGGVeritas

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

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

- Top-of-the-range innovative onshore and offshore acquisition services and systems;
- Imaging and reservoir services;
- Land, offshore and sea-bottom data acquisition equipment.

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

Furthering research programs based on improved imaging

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

Developing and improving land and offshore acquisition techniques

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

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

Sercel is continuing to pave the way for the future, by constantly improving its existing products but at the same time launching new products available every year and further conducting a proactive policy for developing future products.

To consolidate its leading position and maintain a high level of innovation and expertise in all its technological sectors, Sercel will maintain its R&D investments in 2011, which will therefore continue to increase.

11. SIGNIFICANT EVENTS BETWEEN 2010 CLOSING DATE AND THE DATE OF THIS REPORT

Norfield

The exchange of assets between certain subsidiaries of the Group and the Norwegian group Norfield was completed on January 13, 2011. As a result of this transaction, the Group acquired the Voyager vessel and sold the Venturer vessel to Norfield. The Group is no longer a shareholder of Norfield AS.

Issue of bonds convertible into and/or exchangeable for new or existing shares

On January 27, 2011, the Company issued 12,949,640 bonds convertible into and/or exchangeable for new or existing shares of the Company to be redeemed on January 1, 2016 (the "Bonds") for a total nominal amount of €359,999,992.

The net proceeds of the issuance will be used to actively manage CGGVeritas' indebtedness, in particular to repay part of its USD530 million 7.5% Senior Notes due May 2015, allowing the Group to reduce its cash interest expense.

The Bonds' nominal value has been set at €27.80 per Bond, representing an issue premium of 25 % of the CGGVeritas' reference share price⁴ on the regulated market of NYSE Euronext in Paris.

The Bonds will bear interest at a rate of 1.75 % payable semi-annually in arrear on 1st January and 1st July of each year (or on the following business day if either of these two dates is not a business day). The first interest payment made on July 1, 2011 (or on the following business day if such date is not a business day) will cover the period from January 27, 2011, the issue date of the Bonds, to June 30, 2011, inclusive, and will be calculated *pro rata temporis*; it will amount to approximately €0.21 per Bond.

The Bonds will entitle the holders to receive new and/or existing CGGVeritas shares at the ratio of one share per one Bond, subject to adjustments. Under certain conditions, the Bonds may be redeemed prior to maturity at the option of CGGVeritas.

The detailed terms and conditions of the Bonds are described in the Prospectus which was approved by the *Autorités des Marchés Financiers* on January 19, 2011.

Partial redemption of 7½% Senior Notes due 2015

On January 28, 2011, the Company sent a notice to the bondholders informing them that USD460 million out of its USD530 million 7½% Senior Notes due 2015 would be partially redeemed on March 1, 2011. The notes will be redeemed at 103.75% of their principal amount being USD1,037.50 per USD1,000.00 face amount.

Term sheet with PT Elnusa Tbk (Elnusa):

On February 11, 2011, a term sheet was signed with PT Elnusa Tbk (Elnusa) to create a 2D/3D marine joint venture to carry out 2D and 3D marine seismic surveys, in Asia Pacific Region, with main focus in Indonesia.

The joint venture will provide marine seismic data acquisition services for oil and gas clients operating locally in Indonesia and the region. CGGVeritas will contribute one 4-streamer, purpose built in Singapore, state-of-the-art vessel, to the joint venture.

⁴ *The reference share price is equal to the volume-weighted average share price of the CGGVeritas's shares on Euronext Paris from the opening of trading on 19 January 2011 until the determination of the final terms and conditions of the Bonds the same day.*

Sercel - ION litigation

The United States District Court for the Eastern District of Texas entered its final judgment and permanent injunction with regards to the patent lawsuit between Sercel and ION on February 16, 2011. Sercel has and will continue to challenge the verdict and any adverse judgment and injunction as well as any claim for damages by ION. This judgment will be appealed to the United States Federal Circuit Court of Appeals.

The injunction exclusively covers the Sercel digital sensor "DSU" technology and is limited to the territory of United States. It does not restrict Sercel to use, manufacture, sell or deliver the DSU products anywhere else in the world. It also does not relate to the Sercel 408UL and 428XL recording systems. Sercel can continue to promote, sell and deliver these systems in the United States.

Specifically, the injunction states that the offer to sell the DSU when the manufacture, sale and delivery occur outside the United States does not constitute an act of infringement or a violation of the injunction. Furthermore, the promotion or marketing of the DSU technology in the United States does not violate the injunction when the manufacture, sale and delivery occur outside of the United States.

Term sheet with JSC Geotech Holding (Geotech)

On February 23, 2011, a term sheet was signed with JSC Geotech Holding (Geotech) to create a joint venture to operate 2D and 3D marine seismic vessels, primarily in Russian and CIS waters.

The joint venture will provide marine seismic data acquisition and processing services for the oil and gas clients operating locally in Russia and CIS. CGGVeritas will make available one 2D ice class vessel and one 3D ice class vessel, to the joint venture.

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

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

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

12.1 Consequences of the Company's business on labor

12.1.1. Employment

12.1.1.1 International

As of December 31, 2010, the CGGVeritas Group included 7,264 permanent employees of more than 90 different nationalities in more than 70 locations worldwide. These numbers are to be compared with a total of 7,509 permanent employees as per December 31st, 2009.

As of December 31, 2010, the workforce was divided by types of activities and geographic areas as follows:

	Equipment	Services	Geomarkets / Support Functions	Total
EUROPE	963	1,471	378	2,812
MIDDLE-EAST / AFRICA	30	745	9	784
ASIA PACIFIC	579	702	48	1,329
NORTH AMERICA	597	1,307	108	2,012
LATIN AMERICA	0	265	62	327
Total	2,169	4,490	605	7,264

In 2010, 629 new employees joined the CGGVeritas Group worldwide and 874 left. These numbers correspond to actual hires. The higher departure rate is explained by the implementation in 2009 of a three-year cost reduction plan for the support functions, as well as the impact of the reduction of the global Marine business. Such reduction is impacting more specifically the International, USA, Canada, and Norway headcounts.

12.1.1.2 France

The CGGVeritas Group employs 1,792 employees in France including 1,772 on a permanent basis (CDI) and 20 on a temporary basis (CDD). Among these employees, 57 are expatriates. CGGVeritas SA employs 37 permanent employees and 2 on a temporary basis, CGGVeritas Services SA employs 905 permanent employees and 11 on a temporary basis, and Sercel employs 830 permanent employees and 7 employees on a temporary basis.

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

	Employees as of December 31, 2010 Services	Employees as of December 31, 2010 Equipment
Executives and engineers	80 %	37%
Technicians	5.5 %	32%
Workers/employees	14.5 %	31%

In France, 85 new employees were recruited, including 6 hired by CGGVeritas SA, 58 hired by CGGVeritas Services SA and 21 hired by Sercel on a permanent basis. Temporary assignments have been used strictly to compensate absences over a certain duration and temporary workload.

At the end of 2010, the number of persons who left the CGGVeritas Group amounted to 124 in France, including 9 in CGGVeritas SA, 75 in CGGVeritas Services SA and 40 in Sercel.

12.1.1.3 Recruitment

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

This voluntarist approach exists at an early pre-employment stage in the form of a dynamic policy for internships (work-study programs, CIFRE contracts, etc.). In this scope, 45 interns carried out internship periods exceeding four months in the different branches of the Group.

Respecting diversity and promoting non-discrimination when hiring is a permanent concern for CGGVeritas. Our principles in this respect are formalized in the Group Code of Ethics, Code of Business Conduct, and Sustainable Development policy. A campaign aimed at raising awareness of the subject and providing trade-specific training has also been pursued in order to better formalize and improve what already existed elsewhere in the Group. Hence the topic of non-discrimination has been included in the Human Resources Seminars and the "Governance and Performance" training organized by CGGVeritas University for the senior management. This awareness campaign will be continued in 2011.

In addition, a recruitment campaign targeting very talented and high potential young staff, implemented in 2007, was continued and led in 2010 to the hiring of additional persons. These managers, strong from a solid international experience and having demonstrated in the past their aptitude to manage businesses, will help us, after an initial one-year period of induction and training, to strengthen our succession plans.

12.1.2. Work Conditions

In France, CGGVeritas is governed by a specific collective bargaining agreement agreed upon with the worker representatives. This agreement is common to CGGVeritas Services SA and CGGVeritas Services SA within the UES (*unité économique et sociale*). Sercel, which is excluded from the agreement, is governed by the collective bargaining agreement of the steel industry.

Duration of workdays is governed by an agreement to reduce working hours, signed on August 27, 1999, and implemented on an annual basis by the agreement of February 17, 2000.

A specific time-off account (CET or *compte épargne temps*) was simultaneously put in place in order to allow employees to save into such account the vacation days to which they are entitled as a result of the implementation of the 35-hour work week. Similar processes related to the reform of working hours were implemented in Sercel on its French sites.

A total of 36 persons (of which 17 in the UES) work part-time on a basis of 17,50 hours to 33,72 hours per week. At Sercel, 14 people work on a part-time basis.

In 2010 absenteeism amounted to:

- CGGVeritas SA and CGGVeritas Services SA combined: 3.91% (excluding maternity leaves), including 2.82% for absences over 100 days.
- Sercel: 2.21% (excluding maternity leaves), including 0.43% for absences over 100 days.

12.1.3 Gender Distribution

As of December 31, 2010, out of a total 1,792 employees in France, the CGGVeritas Group employed 21% women and 79% men. At the worldwide level, 25% of the personnel is female.

In France, gender distribution is as follows:

- CGGVeritas SA: 18 women out of 37 employees
- CGGVeritas Services SA: 198 women out of 905 employees
- Sercel: 191 women out of 830 employees

12.1.4. Remuneration

The CGGVeritas Group intends to promote a global salary policy linked to the evolution of its results.

Salary Revision in 2010

Salary negotiations with worker representatives in 2010, in the scope of the UES, did not result in an agreement between CGGVeritas and the trade unions. Salary increase in 2010 amounted to 2.27% of the concerned gross salary mass including 1.5% granted on a general and individual basis according to the socio-professional categories with a retroactive effect as of January 1, 2010 plus a specific envelope of 0.79% dedicated to promotions.

In addition to these general and individual increases, two specific mechanisms were incorporated:

- an increase in salaries for sedentary personnel in technical trades,
- an increase in salaries within the framework of the gender equality mechanism, corresponding to 0.1% of the total salaries which applies to all women employees with a minimum of five years of service (as per Gender Equality Agreement dated January 19th, 2007)

In Sercel, parallel salary negotiations led to an agreement signed with the trade unions on March 18, 2010 according to which managers in France would be revised by an amount of 2.2% of the total gross salary mass to be distributed on individual merit. For technicians and workers, this agreement set a general increase of 2 % of the total gross salary mass for the concerned population. The salary increase resulting from this agreement corresponds to an overall increase of 2.1% of the total gross salary with a retroactive effect as of January 1, 2010.

For the fifth consecutive year, a bonus linked to performance was paid to all employees of the Services segment in March 2010. This bonus is deployed homogeneously within all the Group entities in two ways: on one side a common program for all support and managerial entities (GPIP, Global Performance Incentive Plan) based for half on collective financial performance and half on individual performance against objectives, on the other side a program adapted to each production entity based on specific objectives. Profit-sharing mechanisms are also in place in the same way in the Sercel entities.

The three-year profit-sharing agreement signed on June 30, 2007 between worker representatives and the companies of the UES was no longer effective in 2010. No other profit-sharing agreement was signed in 2010.

The derogatory incentive agreement signed on June 30, 2007 having been applied and given the financial results, it was not necessary to generate a provision with respect to profit-sharing in 2010.

In 2010 the agreements in force in Sercel continued to generate payments in respect to the profit-sharing and incentive agreement.

The additional company savings plan (PEE) and collective retirement savings plan (PERCO) implemented in 2006 and renewed for a similar period in January 2009 within the UES (CGGVeritas SA and CGGVeritas Services SA) and in 2005 within Sercel were normally enforced in 2010.

At the end of 2010, within CGGVeritas SA and CGGVeritas Services SA, 495 employees subscribed to the PEE and 470 to the PERCO. In Sercel, 592 employees subscribed to the PEE and 500 employees to the PERCO.

12.1.5. Professional relationships

In order to encourage information and dialogue, the UES (CGGVeritas SA and CGGVeritas Services SA) and Sercel have put in place, in France, representatives committees with which various formal meetings are held (employee representative committee, worker representative committee, CHSCT, various commissions), some of which having resulted in the signature of certain agreements. Within the UES (CGGVeritas SA and CGGVeritas Services SA), the rights of the employees are guaranteed by a collective bargaining agreement which was signed on December 21, 2007.

Following the steps initiated in 2008 in order to revise and publish the final version of the Code of Business Conduct and put in place an employee reporting line, these two systems have been released in 2010. The employee reporting line, compliant with the SOX act (July 31st, 2002, article 301-4) and compliant with the specifications of the U.S. Safe Harbor Act, was submitted for approval to the CNIL (*Commission Nationale de l'Informatique et des Libertés*). No call falling within the scope of such system was reported since its opening to the public mid-2009.

12.1.6. Training

Training policy, which takes into consideration individual development and professionalization of the employees, is a key structural driver of the Group. In line with the Group orientations, CGGVeritas University joined efforts for the deployment of new Technology Centers in Calgary, Al-Khobar, and Luanda.

CGGVeritas University has followed up with our integration policy for new hires through the GeoRise program aimed at providing training with respect to the Company's techniques and assisting new talents at the beginning of their careers. Since the launch of the program in September 2006, twelve sessions have been organized in the three main training centers (Massy, Houston, and Singapore). In the meantime, CGGVeritas University implemented new training programs for the deployment of *geovation*, our new processing software that will be used throughout the Group in the future.

Technical programs are a key part of CGGVeritas University offer and ten geophysical lectures were organized in the training centers. The training kits required for the software convergence plan have been finalized in December 2010.

Management programs offered by CGGVeritas University evolved at several levels. The modules for managers were strengthened so as to better integrate the Group's vision and leadership model, while supporting the personal development programs for individuals across the Group. Priority was also given to specific mandatory programs that address the subjects of Financial Security, QHSE, and Management training.

The concept of "Learning for Development" has been formalized and developed on the basis of a reaffirmed and shared vision. This idea meets both the need for training and the desire to train employees on an ongoing basis, with respect to both technological and organizational changes. CGGVeritas University team continues to develop programs in the areas of training and learning that have been developed internally in various branches of the Group over the past few years in order to spread best practices and success models through learning throughout the Group.

A total of 7,161 training days were offered within CGGVeritas University in 2010, including 1,017 training days dedicated to management programs, 5,325 training days dedicated to technical programs including 719 days for external clients and 819 training days dedicated to specific health, safety, and environment programs.

In France, the annual socio-economic report (*bilan social*) cites 5,519 training days including 4,041 for CGGVeritas SA and CGGVeritas Services SA and 1,478 for Sercel.

12.1.7. Health and Safety

Assessment and management of the risks is a key factor on work premises. All teams and premises are subject to rules issued by the Company and subject to frequent controls. In 2010, 43 internal audits, more than 50 external audits, and several thousands of inspections have thus been carried out, resulting in specific action plans.

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

In France, member companies of the UES organized four ordinary meetings of the Hygiene, Safety and Work Conditions Committee ("CHSCT") in 2010 and six extraordinary meetings dedicated to:

- The appointment of an expert for the investigation of an accident that occurred in Indonesia and resulted in the Permanent Partial Disability of the victim and submittal of the related report;
- The review of the 2009 Annual HSE report and 2009 annual report of the Workplace Medical Service;
- Information communicated by the Workplace Medical Service concerning personal stress endured by the Services employees during the structural reorganization;
- Information session and formal opinion concerning the building move for the Massy sites and their regrouping in a single building, the Galileo building in Massy;
- Information session and formal opinion on the interior fitting-up of the Galileo building;
- Information session and formal opinion concerning the building move for CGGVeritas University to the Carnot Plaza building in Massy.

The implementation of the Group Non-Smoking policy continued in 2010 through awareness campaigns and ongoing efforts to assist voluntary employees to stop smoking. Additionally campaigns promoting wellness and general hygiene were also carried out. Ergonomics and workplace wellness awareness programs were conducted on several sites.

The GoCare program for regular medical checkups was also implemented for CGGVeritas International employees. Thanks to this program, each employee of CGGVeritas International now has access to recognized medical centers worldwide, as well as a centralized tracking of his/her medical records through an internationally recognized partner.

12.1.8. Sustainable Development and Social Responsibility - PRISM

Principles

To respond to the sustainable development challenges, CGGVeritas adheres to the United Nations Global Compact, and is committed to filing a report of its progress in this domain each year.

Additionally, the Company explicitly agrees through its Code of Ethics, Code of Business Conduct, Sustainable Development policy, and Safety policy, to comply with the labor conditions imposed by the international regulations (International Labor Organization), the convention relative to the respect of local populations and voluntary principles concerning safety and human rights.

The different entities of the Group are committed to respecting local legislation, protecting the environment, and contributing to the local development in all countries where they work.

Organization

The CGGVeritas Sustainable Development policy is posted in all of its sites and on all land and marine crews.

To implement the fundamental principles of this policy, the Group Executive Committee sets annual Sustainable Development and Social Responsibility objectives. Their realization is steered and followed up by the Group Sustainable Development Committee that issues progress reports to the Executive Committee and the Board of Directors.

In 2010, a network of Sustainable Development contacts was implemented in the main CGGVeritas locations to facilitate follow-up and sharing of initiatives.

Actions and processes implemented in 2010

- **Evaluation and follow-up of social impact**

CGGVeritas has developed a guide entitled, "Community Relations Management Plan". This guideline establishes the internal best practices in this domain and contains methodologies to identify and discuss with the local stakeholders to evaluate the (positive and negative) social impact and implement corrective measures each time that it is seen as necessary. This document also identifies the key performance indicators to evaluate during an operation to evaluate the state of relations with the local communities affected by CGGVeritas activities.

- **Reinforce social involvement**

CGGVeritas has been particularly careful in contributing toward local development through its involvement with surrounding communities where crews and centers are established. In this context CGGVeritas has sponsored in 2010 several projects from associations and institutions for education, health issues, international solidarity, social integration, and environmental protection.

In order to improve follow-up on the progress of these local actions, and insure the coherence of the priorities set out by CGGVeritas, an internal procedure to validate initiatives and a monthly reporting system have been implemented worldwide.

In the course of 2010, CGGVeritas pursued its patronage in the principal domains of social integration, education, and international solidarity.

- **Protect the environment**

Various initiatives aiming at protecting the environment have been launched in 2010; they are detailed further in the chapter on Environment of this report.

- **Involve employees and increase awareness**

CGGVeritas considers that answering the challenges of sustainable development is as much an individual issue as a collective one, and necessitates the involvement and the responsibility of each and every of its employees, whatever their activity.

Throughout 2010, CGGVeritas therefore increased employee awareness by publishing articles on sustainable development and social responsibility topics covering: the sharing of experience and best practices of the various entities, initiatives launched by the different sites, and informing about specific themes such as the need for companies to respect human rights or the individual ecological footprint.

Particular emphasis was placed on the individual ecological footprint in the workplace. An awareness campaign was recently launched at the Group level between July 2010 and January 2011. Various articles and a guide for ecological habits to adopt at work were published electronically, and a drawing contest for employees' children was launched on this same theme.

Specific sites were distinguished by their green or ecological initiatives. For example at the Crawley (U.K.) site, CGGVeritas was awarded the « Carbon Trust Certification » by the government in recognition of the efforts accomplished to measure, manage, and reduce carbon emissions.

The Massy (France) site has joined as a partner in the PDIE (Inter-Company Transportation Plan) in order to implement alternative transportation solutions, other than the personal car, to reduce greenhouse gas emissions and traffic volume in the region.

- **Favor the recruitment of local employees**

As in the past years, CGGVeritas employs, whenever possible, local employees recruited for the duration of operations, in accordance with local and international regulations. CGGVeritas trains these employees, especially on hygiene and safety matters, in accordance with its own internal standards, even though they might be more stringent than local regulations.

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

- **Favor local sources of supply**

In parallel with the local employment policy, CGGVeritas has tried as much as possible to purchase local goods in order to contribute to the economical growth of the area.

Results and indicators

In line with its commitment toward the principles of the United Nations Global Compact, CGGVeritas has published in September 2010 the second report on "Communication on Progress", listing its actions with regard to principles N° 1 and N° 2 (related to human rights), N° 3 and N° 6 (related to international work rights), N° 7, N° 8 and N° 9 (related to environment) and N° 10 (fight against corruption).

This report details the organization of sustainable development within CGGVeritas, the actions in the realms of social engagement and patronage that are pursued throughout the year, and the social and environmental key indicators.

In 2011, CGGVeritas will continue to deploy this reporting by reinforcing the number of indicators on specific subjects and increasing the follow-up of environmental indicators on our permanent sites and installations. The indicators selected by CGGVeritas are in conformity with those recommended by the GRI (Global Reporting Initiative).

The efforts in terms of sustainable development undertaken by CGGVeritas have been recognized in 2010 by the specialists in terms of Socially Responsible Investing; and we have been selected for inclusion in two investor indices, labeled Sustainable Development: the ASPI (Advanced Sustainable Performance Indices) Eurozone Index and the Ethibel Excellence Index. These indices evaluate according to their specific criteria the policies, performance, and social, economic, and environmental information published by the companies.

12.1.9. Sub-contracting

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

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

12.2. Consequences of the Company's business on environment

CGGVeritas, as a global participant in the oilfield services industry, considers that concern for the environment and quality of life is an integral part of the way in which we conduct our business. Our public commitment, defined within our environmental policy, means that we are committed to reduce our environmental footprint and to strive to continually improve our environmental performance.

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

« Green office » initiatives have been taken locally by site managers and their personnel. Our Crawley site in UK has been distinguished by the local authorities with the Carbon Trust Certification as a result of their commendable efforts to measure, control and reduce greenhouse gas ("GHG") emissions and road traffic in its region.

CGGVeritas sites in France and Europe, in the Services activity, are mostly administrative buildings and do not generate any specific environmental risks.

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

Manufacturing or repair sites located abroad (USA, Canada, Singapore, United Kingdom, China, Russia, Norway) ensure that time frames set forth by local regulations are complied with.

Sercel Optoplan site in Trondheim (Norway) has been certified under OHSAS 18001 standard.

Carbon Footprint computation has been carried out for all Sercel manufacturing sites and Green IT awareness campaigns were rolled out across the Equipment Division.

Sercel also offers to our customers recycling or disposal capabilities for their Marine and Land used equipment by giving them access to a selected & referenced specialized company network in the country in which we operate.

Our seismic data acquisition operations are segmented into two distinct activities:

Marine Acquisition

During 2010 our maritime fleet operated in diverse waters such as the Gulf of Mexico, the Santos basin, the Caribbean, offshore Greenland, the North Sea, the South Atlantic, the Mediterranean, the Gulf of Guinea, the Red Sea, the Arabian Persian and the Oman Gulf, offshore East Africa, the Mozambique Channel, the Indian Ocean, the Bay of Bengal, the north west shelf of Australia, the South China Sea, the Gulf of Thailand and offshore Indonesia and Malaysia.

Land and Shallow water Acquisition

Our Land activities were focused in Canada, USA, Alaska, Brazil, Peru, Colombia, France, Spain, Gabon, Tunisia, Algeria, South Africa, Egypt, Oman, Saudi Arabia, Qatar, Thailand, Bangladesh, Papua New Guinea and Indonesia.

Our shallow water and transition zone data acquisition activities were carried out in Qatar, Indonesia and Saudi Arabia.

We continuously monitor and accurately report environmental impacts, however slight, of our activities.

12.2.1. Water, raw materials and energy consumption

Data reporting changes

During 2009, CGGVeritas completed its transition to PRISM; the sole integrated reporting tool for its land and marine operations. PRISM is replacing the remaining legacy reporting tools (CGG, Veritas and Wavefield Inseis ASA) and has been fully deployed across our Land and Marine Divisions from the start of 2010, delivering a greater data accuracy.

In Land operations, starting in 2009 and continued in 2010, the estimation of GHG gas emission was made on actual fuel consumption (previously estimated based on distance driven).

Included in this year report is the land crews' semi permanent installations (generators, etc.) emissions tracking which should help to better evaluate our actual carbon footprint for Land operations.

Reporting Aspect

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

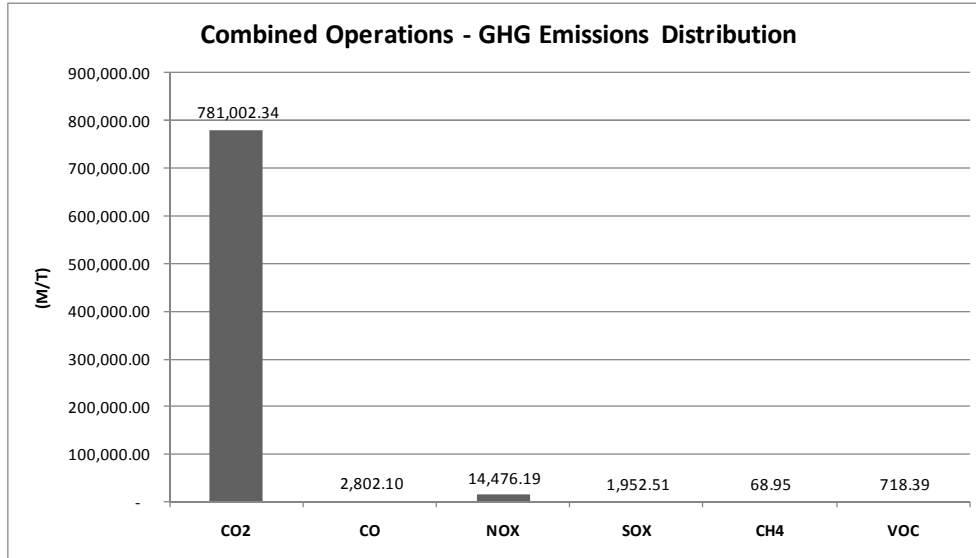
CGGVeritas reporting of the quantity of CO₂e⁵ emissions will encompass our onshore and offshore operations combined. Emissions are reported in metric ton (M/T). The quantities submitted are direct emissions on a global scale.

⁵ ***Carbon dioxide equivalent, CO₂e***, is an internationally accepted measure that expresses the amount of global warming of greenhouse gases (GHGs) in terms of the amount of carbon dioxide (CO₂) that would have the same global warming potential. Examples of such GHGs are methane, perfluorocarbons and nitrous oxide.

Greenhouse Gas Emissions ("GHG")

In 2010 the total quantity of CO₂e emissions represented 781,002.34 M/T. Marine operations accounted for 80.63% of the total emissions while land operations represented 19.37%. Whereas the reporting of emissions from Marine have now reached a satisfactory consistency (+4% in 2010 vs. 2009), significant over reporting was detected into 2009 data from Land operations (gasoline used mostly in North America). Comparison between years is still not relevant; 2010 data should anyhow provide us with the robust baseline we need for future benchmarking.

GHG direct emissions of Marine and Land acquisition combined



Total Combined GHG emissions			Year 2010
Total GHG emissions			801,020.48 M/T
GHG	Qty (M/T)	GHG	Qty (M/T)
CO ₂	781,002.34	SO _x	1,952.51
CO	2,802.10	CH ₄	68.95
NO _x	14,476.19	VOC	718.39

GHG emissions sources - Combined operations

Marine – Emission sources					
Vessels using MDO fuel	170,069.88	(M/T)	Vessels using HFO fuel	25,750.14	(M/T)
Incinerator	2,098.53	(M/T)			

The percentage of Heavy Fuel Oil used by the fleet has remained stable in 2010 (13% vs. 11% in 2009).

Land – Emission sources					
Land transport diesel fuel	24,851.17	(M/T)	Land transport gasoline fuel	2,089.70	(M/T)
Other diesel fuel used	5,536.16	(M/T)	Other gasoline fuel	1,011.61	(M/T)
Small watercraft fuel diesel	91.07	(M/T)	Aircraft fuel	1,297.47	(M/T)
Incinerator	2,346.44	(M/T)			

Marine acquisition - GHG emissions

Marine operations				Period	Year 2010
CHG	Total Qty (M/T)	Vessels	Emission factor	Incinerators	Emission factor
CO ₂	629,704.70	626,624.06	3.2	3,080.64	1.468
CO	1,574.26	1,566.56	0.008	7.70	0.00367
NO _x	12,119.98	11,553.38	0.059	566.60	0.27
SO _x	1,574.26	1,566.56	0.008	7.70	0.00367
CH ₄	55.53	52.87	0.00027	2.66	0.001268
VOC	472.28	469.97	0.0024	2.31	0.0011

Land acquisition - GHG emissions

Land operations				Period	Year 2010
CHG	Total Qty (MT)	Transportation	Emission factor	Incinerators	Emission factor
CO ₂	151,297.64	147,853.06	3.2	3,444.58	1.468
CO	1,227.84	1,219.23	0.027	8.61	0.00367
NO _x	2,356.21	1,722.67	0.038	633.54	0.27
SO _x	378.24	369.63	0.027	8.61	0.00367
CH ₄	13.42	10.44	0.00023	2.98	0.001268
VOC	246.11	243.53	0.0054	2.58	0.0011

Water consumption

The water consumption for the land crews which have operated in isolated locations (desert, jungle...) amounts to 180,131.53 m³ (30% increase from 2009, corresponding to a high level of activity in the Middle East). Data relating to crews operating in urban areas are not included in this report.

For the offshore operations, water consumptions tracking falls under the responsibility of vessel maritime crews and are not consolidated in this report.

Management of black and grey waters

On land, black and grey waters generated by the land crews are treated by specialized subcontractors and disposed offsite (78%) or when operating in isolated locations are treated and disposed onsite (22%). In marine, since vessels are equipped with onboard permanent water treatment units, most used waters is treated/disposed onsite (77%) and occasionally treated in offsite facilities (23%).

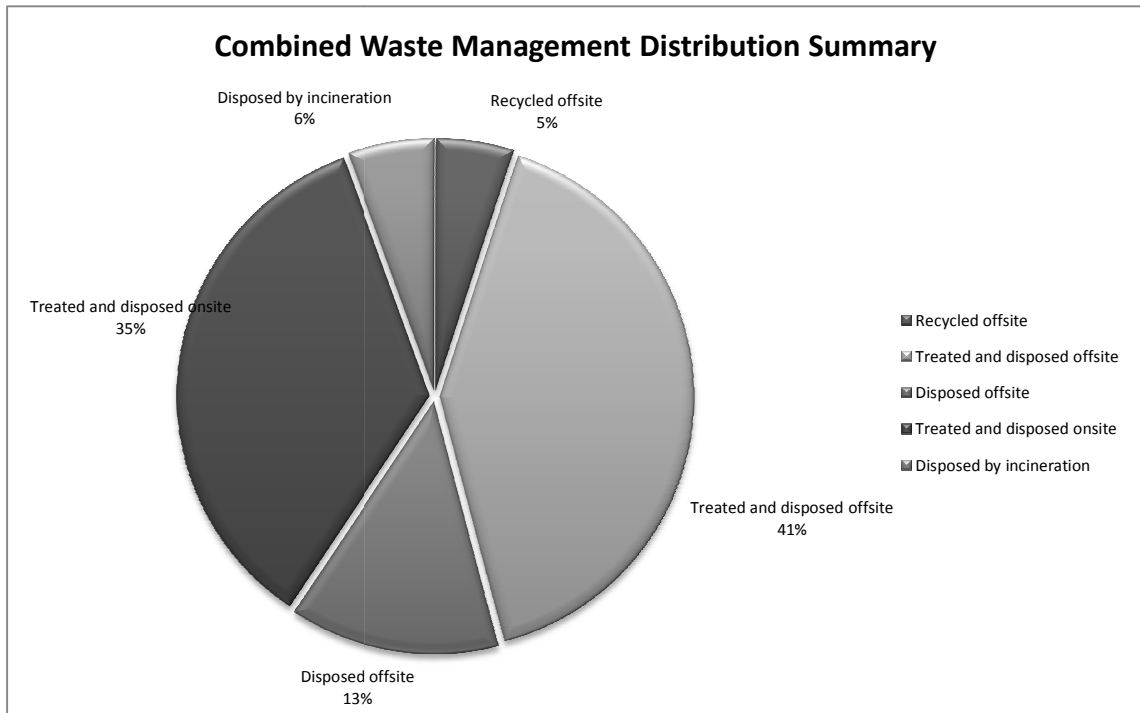
Management of used waters	Qty (m ³)	
onsite treatment/Disposal	49,011.46	(64%)
offsite treatment (facilities)	27,044.67	(36%)

Waste Management

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

Waste management distribution

Overall operations Waste Management Distribution			Year 2010
			M/T
Recycled offsite	3,988.25	Treated and disposed onsite	28,303.24
Treated and disposed offsite	33,003.38	Disposed by incineration	4,444.97
Disposed offsite	10,802.70		



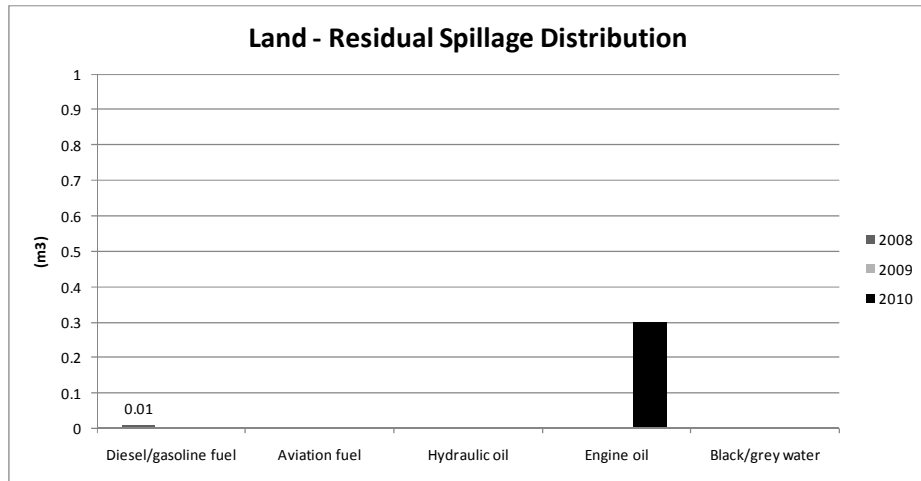
Incidents and Residual Spills

Land acquisition

In our Ocean Bottom Cable (OBC) operations, one minor recordable spillage occurred in 2010. One of the vessels used on the project experienced a small oil leak from a damaged seal. While containment efforts were immediately deployed, 300 liters of oil were anyhow spilled in open sea.

On land, no recordable fuel spill occurred. As part of our standard practices, we are committed to clean up 100% of our spillage by sending contaminated ground to offsite facilities for proper treatment and disposal.

Land Acquisition Spill Distribution (m3)			Total:	0.3 (m ³)
Diesel fuel	-	Engine oil		0.3
Aviation fuel	-	Hydraulic oil		-
Antifreeze	-			

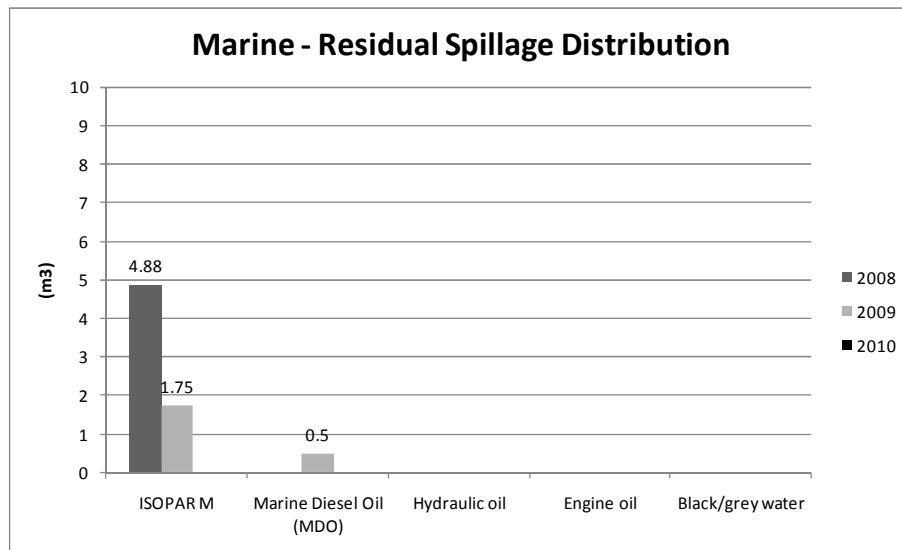


During our winter campaign in Alaska, one tundra scuff generated a recordable environmental disturbance. The location was revisited the following summer by regulator agency and native inspectors to better assess the environmental impact. Upon inspections, no reclamation effort was necessary and no further action was required.

Marine Acquisition

In marine, our environmental incidents were all negligible. The further deployment of the solid streamer technology on our fleet helped achieve this positive result.

Marine Acquisition Spill Distribution (m ³)			Total:	0.00 (m ³)
Marine Diesel Oil (MDO)	0	Grey Water		0
Hydraulic oil	0	ISOPAR M		0
Engine oil	0			



Following the plan designed in 2009, normalized metrics were evaluated in 2010, aiming at setting quantified performance targets in 2011. Marine Acquisition and Processing and Imaging activities were targeted as being better standardized activities than Land Acquisition.

The Fuel Consumption Efficiency, measuring the quantity of linear seismic data acquired per cubic meter of fuel consumed (HFO + MDO) was chosen for Marine Acquisition (CMP km / m3), with a 2010 performance of 45.33, showing an improvement over 2009 (31.8). A target of 50 was set up for 2011.

The Power Usage Effectiveness (Total Facility Power/ IT Equipment Power), being a widely recognized metric, was chosen for data Processing and Imaging. This indicator has been followed up for our major centers in 2010 and will be extended to most of our other centers in 2011.

12.2.2. Measures taken to limit impacts on natural environment, protected animal and plant species

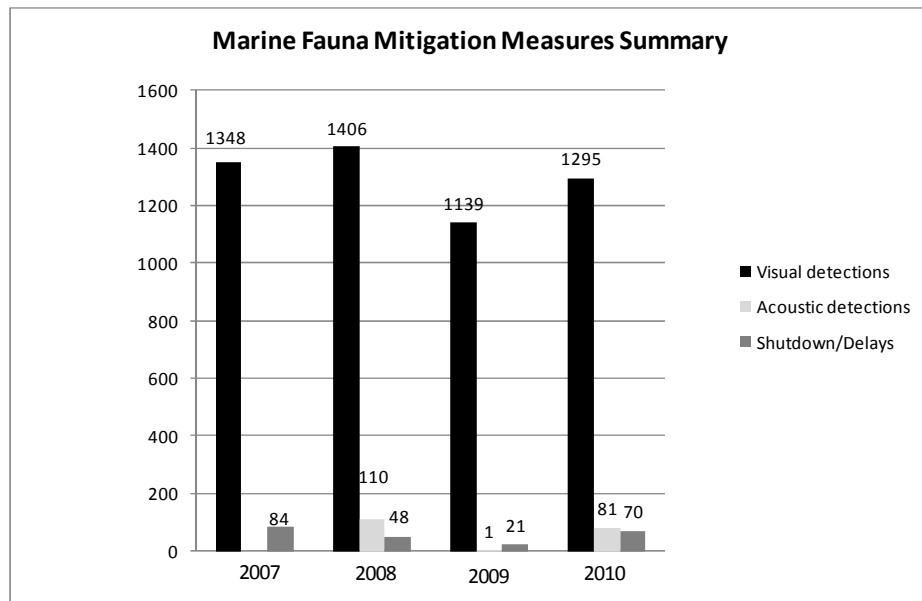
Biodiversity loss due to competing land use or marine ecosystems disturbance is a global environmental challenge our society is facing today. We recognize the importance of protecting biodiversity, especially when operating in sensitive environments. Since 2007, CGGVeritas is part of the International Petroleum Industry Environmental Conservation Association Biodiversity Working Group (IPIECA - BDWG) to collectively engage with our clients in developing tools to better assess and manage biodiversity in our operations. In Marine Acquisition for example, monitoring protected species is part of our daily duties. Onboard dedicated marine fauna observers insure compliance with applicable regulations stipulated by the country or specific region our vessels operate. In 2010, 1,295 marine mammal and sea turtle visual detections were recorded during our seismic survey acquisitions around the world. The visual and acoustic detections generated respectively 67 and 3 delayed energy source ramp-ups and shutdowns as part of required mitigation measures. These measures allow sufficient time for the animals to leave the immediate vicinity of our operation. It must be noted that ramp-up procedures, also called soft-start, are used as a standard practice to warn marine mammals and sea turtles of our presence before seismic surveying can begin. The number of acoustic detections rose sharply from 2009 figure (81 vs. 1), as a result of the extended use of Passive Acoustic Monitoring techniques during our operations.

Marine fauna mitigation measures summary		Year 2010
Total detections (Visual and acoustic)		1,295
Total Visual detections		1,214
Total acoustic detections		81

Operational downtime		
Total operational downtime		258 hours 58 minutes

Visual downtime			
Delay ram-up and shutdown	67	Operational downtime	256 hours 35 minutes

Acoustic downtime			
Delay ram-up and shutdown	3	Operational downtime	2 hours 23 minutes



Operating Best Practices

Scientific research continues to improve our understanding of climate change and how it responds to human activities. One major emerging environmental challenge faced by society is the reduction of greenhouse gas (GHG) emissions. As a good corporate citizen, CGGVeritas continually looks for innovative ways to minimize emissions through better operating practices and technological innovations.

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

Offshore our fleet of 19 vessels is composed of 15 high capacity 3D and 4 mid-capacity 3D/small 3D/2D acquisition vessels. Together with our fleet managers, the Company has implemented a control process to ensure full compliance of our fleet with MARPOL Annex VI of the international convention on the prevention of pollution from ships which regulates NO_x, SO and CO₂ for new vessels built or modified beginning in 2000.

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

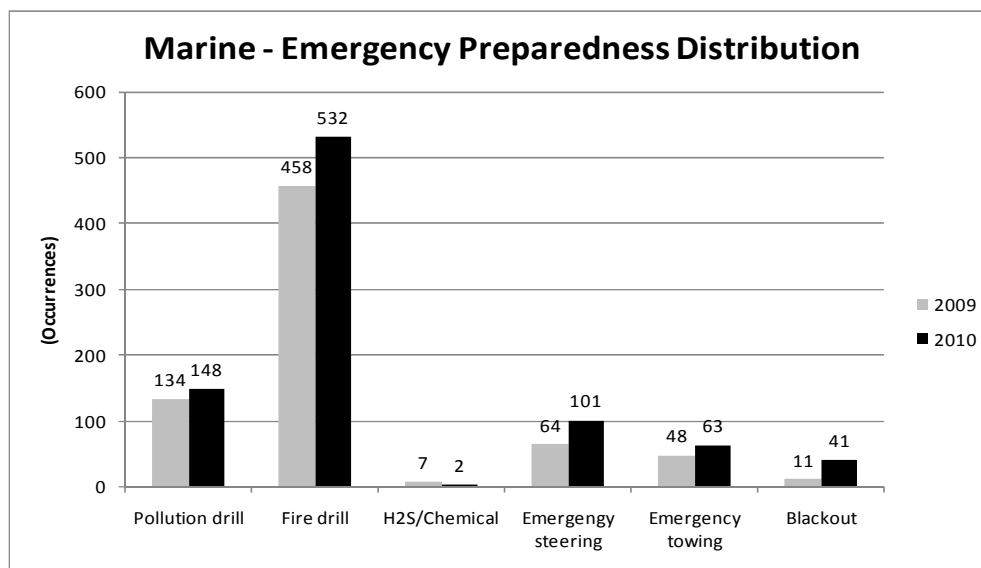
Bunkering activities (fuel transfer)

In 2010, our marine fleet successfully completed 295 bunkering at sea and 1,480 bunkering in port for a total of 136,261.48 m³ of fuel transferred without an incident.

Emergency Preparedness and Response

In line with our integrated QHSE management system, all of our operational sites have Emergency Response Plans (ERP) in place to deal with a wide range of possible emergency scenarios, such as; oil spill, fire and helicopter emergency landing. These plans are tested periodically in drills to ensure their effectiveness throughout the duration of each project. For example, on average every three days a pollution drill is conducted on one of our nineteen vessels.

Marine Operations - Emergency Preparedness		Year 2010	
Pollution drills	148	Emergency steering	101
Fire drills	532	Emergency towing	63
H2S/Chemical	2	Blackout	41



Technological initiatives

Currently 79% of our marine fleet is equipped with solid streamer technology, while the remaining vessels use fluid filled streamers containing ISOPAR M. This is the highest percentage of solid streamers within industry, and keeps steadily increasing in line with CGGVeritas efforts to improve environmental performance. We plan to increase our solid streamer fleet capacity. All high capacity 3D vessels should be equipped with solid streamers by 2011.

12.2.3. Steps taken for an evaluation and certification of the Group regarding environment

The process for certifying our Crawley and Redhill (UK) Processing and Imaging centers under ISO 14000 family of norms was launched formally, aiming at completion before the end of 2011. This certification is aimed as a pilot within the Company, providing key learning for further certifications; however our operations are compliant with ISO 14001 standards.

Sercel Optoplan facility in Trondheim (Norway) is certified under OHSAS 18001 standard.

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

The majority of our operations are subject to an impact assessment carried out by our customers in accordance with local regulations before our work starts. Experts representing local authorities visit our sites when we are operating. Finally, when operations are over, our sites are restored.

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

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

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

Technological Innovations

We have engaged into a fleet renewal program with new vessels of the X Box design compliant with the most stringent requirements related to environment protection. These vessels, one of which has been launched in 2010 as "Oceanic Vega", comply with the Det Norske Veritas "Clean Design" Class with specific requirements for emissions to air from energy producers, cargo handling systems and service systems on the ship, requirements for discharge to sea from energy producers, waste/sewage systems, antifouling systems, ballast water systems, handling systems and hydraulics.

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

The Group has a dedicated HSE organization with a centralized pool and dedicated HSE resources for Divisions. A full-time Environment manager is dedicated to the implementation and development of the CGGVeritas Environment Policy.

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

In this perspective, certain experimental actions are currently being carried out by the Company in order to continue reducing the impact of its activities on environment.

2010 Passive Acoustic Monitoring (PAM) field trial in a multi vessel operation (phase 2)

Because the potential effect of anthropogenic sounds on marine ecosystems has been an area of increasing concern, Passive Acoustic Monitoring (PAM) has been used in recent years as a supplemental component for mitigation; however, as technology improves, PAM is becoming an increasingly accepted mitigation tool used to successfully reduce potential impacts from human activities on marine mammals.

To that end, CGGVeritas, in collaboration with its clients, conducted a nine months extensive multi vessel PAM field trial. It was the largest deployment of PAM on any commercial seismic program in the US waters of the Gulf of Mexico. This field trial was made possible with the permission and supports of the US regulators - Bureau of Ocean Energy Management, Regulation, and Enforcement (BOEMRE), formally known as Mineral Management Services (MMS).

The objective of the PAM experiment is to determine the effectiveness of PAM on multiple vessels utilizing existing telemetry technology in a wide azimuth environment where more than one vessel is used in the acquisition program.

Project Highlights:

- Largest deployment of PAM and PAMGUARD on a commercial seismic program in the Gulf of Mexico;
- Utilization of centralized PAM monitoring from real-time computer displays, both video and audio from remote PAM systems using data sent over a telemetry link;
- First successful telemetry link network using the wide azimuth production's telemetry network;
- Concurrent monitoring of acoustics from PAM system on the bridge of select source vessels through use of networked data transferred from instrument room to bridge;
- First Gulf of Mexico evaluation of a dual in-line array PAM hydrophone cable for refined/improved localization abilities;
- Demonstrated the reliability and stability of the industry developed and funded *PAMGUARD* software over a nine-month period;
- Reduction in total survey time by using PAM to soft start when operations would otherwise not have been permitted to restart. Approximately 209 hours and 56 minutes (~8 days) of production time (start of line to end of line) was saved through the use of PAM;
- An additional 30 hours 15 minutes of mobilization time was also saved by using PAM to conduct airgun array testing during periods of low visibility.

Experts from CGGVeritas contributed in the following research projects:

- ***Sound and marine life research initiatives***

In 2010, CGGVeritas remained an active participant of the International Association of Oil and Gas Producers Joint Industry Program (OGP JIP) - E&P Sound and Marine Life Program. *"The overarching objective of the joint industry program is to identify specific, operationally focused questions that relate to the effects of sound generated by the offshore E&P industry on marine life and to pursue a research program that will test scientific hypotheses and produce the data needed to address these questions". (OGP JIP website)*

The program objective consists of four parts:

1. Afford a more comprehensive understanding of the potential environmental risk(s) from oil and gas operations;
2. Inform and update public decision makers, and regulatory development processes that affect our operations globally;
3. Determine the basis for mitigation measures that are protective of marine life, cost effective, and credible with outside stakeholders,; and
4. Feed into planning for efficient and environmentally protective E & P project development.

- ***BRAHSS project (Behavioral Response of Australian Humpback whales to Seismic Surveys)***

The study is one the largest and most comprehensive studies on the effects of noise on whales ever undertaken. It is scheduled to last until 2014. This project aims at providing information that will reduce the uncertainty in evaluating impacts of seismic surveys on humpback whales. It will also assess the effectiveness of ramp-up as a mitigation measure, and the potential to improve design of ramp-up.

The broad objectives are:

- (a) To determine the response of humpback whales to a typical commercial seismic survey in terms of the variables affecting the response, such as the received sound level, relative movements of seismic array and whales and distance between them, behavioral state and social category of the whales, and environmental variables.
- (b) To determine the response of humpback whales to soft start or ramp-up and its components, to assess the effectiveness of ramp-up as a mitigation measure in seismic surveys and the potential for improving the effectiveness.

12.2.7. Provision for environmental risks - indemnification paid in 2010 as a consequence of a court decision on environmental matters

A non material provision was accrued by CGG Veritas Brazil to cover a fine for not complying with a technical opinion issued by the Ministry of Environment. The fine is currently disputed by CGGVeritas. No other specific provision for environmental risks has been created by CGGVeritas or its subsidiaries and no other judicial or administrative procedure have been registered in this respect. No indemnification had to be paid in 2010 by CGGVeritas pursuant to a court decision on environmental matters.

12.2.8. Objectives assigned by the company to its foreign subsidiaries with respect to the items listed above

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

13. BOARD OF DIRECTORS AND GENERAL MANAGEMENT

13.1. Board of Directors

13.1.1. *Members of the Board of Directors as of the date of this report*

Name	Age	Positions	Initially appointed	Term expires ^(***)
Robert BRUNCK ^{(2)(4)(*)} Nationality : French	61	Chairman of the Board of Directors	May 20, 1999 (Director since September 9, 1998)	2012 General Meeting
Yves LESAGE ⁽¹⁾⁽⁴⁾ Nationality : French	73	Honorary Chairman and Director	September 29, 1988	2013 General Meeting
Olivier APPERT ⁽²⁾⁽³⁾ Nationality : French	61	Director	May 15, 2003	2012 General Meeting
Loren CARROLL ⁽¹⁾ <i>(independent Director)</i> Nationality: American	67	Director	January 12, 2007	2013 General Meeting
Rémi DORVAL ⁽¹⁾⁽³⁾ <i>(independent Director)</i> Nationality : French	60	Director	March 8, 2005	2014 General Meeting
Jean DUNAND ⁽¹⁾ <i>(independent Director)</i> Nationality : French	71	Director	September 8, 1999	2013 General Meeting
Anders FARESTVEIT ⁽⁴⁾ Nationality : Norwegian	72	Director	April 29, 2009	2013 General Meeting
Denis RANQUE ⁽²⁾⁽⁵⁾ Nationality : French	59	Director	May 5, 2010	2014 General Meeting
Robert F. SEMMENS ^{(2)(3)(**)} <i>(independent Director)</i> Nationality: American	53	Director	December 13, 1999	2011 General Meeting
Kathleen SENDALL ⁽⁴⁾⁽⁵⁾ <i>(independent Director)</i> Nationality : Canadian	58	Director	May 5, 2010	2014 General Meeting
Daniel VALOT ⁽¹⁾ <i>(independent Director)</i> Nationality : French	66	Director	March 14, 2001	2012 General Meeting
David WORK ⁽³⁾⁽⁵⁾ <i>(independent Director)</i> Nationality: American	65	Director	January 12, 2007	2013 General Meeting
Terence YOUNG ⁽⁴⁾⁽⁵⁾ <i>(independent Director)</i> Nationality: American	64	Director	January 12, 2007	2013 General Meeting

⁽¹⁾ Member of the Audit Committee

⁽²⁾ Member of the Strategic Committee

⁽³⁾ Member of the Appointment & Remuneration Committee

⁽⁴⁾ Member of the Technology Committee

⁽⁵⁾ Member of the Health, Safety, Environment and Sustainable Development Committee

^(*) The split of the duties of Chairman of the Board of Directors and Chief Executive Officer has been decided by the Board of Directors on June 30th, 2010. Since then, Mr. Robert BRUNCK has remained Chairman of the Board of Directors.

^(**) The renewal of this office will be submitted to the approval of general meeting of shareholders of May 4th, 2011.

^(***) Since the General Meeting held to approve the 2007 financial statements, the Directors are appointed for a four-year term. However, the terms of Directors that are currently in force remain as initially set until expiration of their term.

The conditions of preparation and organization of the meeting of the Board of Directors and its Committees are detailed in the report of the Chairman on Board of Directors' composition, preparation and organization of the Board of Directors' work, on internal control and risks management, appended to the present annual management report.

13.1.2. Other positions held by the Directors on December 31, 2010

Mr. Robert Brunck (number of securities owned: 172,890 shares)
Chairman of the Board of Directors

Positions within the Group: None

Positions held in other companies:

French institutions and companies:

Centre Européen d'Education Permanente (CEDEP)	Director
Association pour la Recherche et le développement des Méthodes et Processus industriels (ARMINES)	Chairman
Ecole Nationale Supérieure de Géologie (ENSG)	Director
Bureau de Recherches Géologiques et Minières (BRGM)	Director
Groupement des Entreprises Parapétrolières et Paragazières (GEP)	Director

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

Positions within the Group: None

Positions held in other companies: None

Mr. Olivier Appert (number of securities owned: 1,518 shares)
Director

Positions within the Group: None

Positions held in other companies:

French companies:

IFP Energies Nouvelles	Chairman and Chief Executive Officer
Technip (<i>company listed on Euronext Paris</i>)	Director
Institut de Physique du Globe de Paris (IPGP)	Director
Storengy	Director

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

Positions within the Group: None

Positions held in other companies:

French companies:

Solétanche Freyssinet	Director
-----------------------	----------

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

Director

Positions within the Group: None

Positions held in other companies: None

Mr. Anders Farestveit (number of securities owned: 167,428 shares)

Director

Positions within the Group: None

Positions held in other companies:

Foreign companies:

Anfar Invest AS (Norway)	Chairman of the Board
Groener Stiftelsen (Norway)	Director
Nordic Energy AS (Norway)	Director

Mr. Robert F. Semmens (number of securities owned: 11,895 shares and 1,025 ADS)

Director

Positions within the Group: None

Positions held in other companies :

Foreign institutions and companies:

MicroPharma Limited (Canada)	Director
Sense Networks, Inc. (USA)	Member of the Advisory Board
Bronco Holdings, LLC. (USA)	Director
Leonard N. Stern School of Business, New York University	Adjunct Professor of Finance

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

Director

Positions within the Group: None

Positions held in other companies:

French companies:

SCOR <i>(company listed on Euronext Paris)</i>	Director
Dietswell	Director

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

Director

Positions within the Group: None

Positions held in other companies:

Foreign companies:

Forest Oil Corporation (USA) <i>(company listed on the New York Stock Exchange)</i>	Director
KBR Inc. (USA) <i>(company listed on the New York Stock Exchange)</i>	Director

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

Director

Positions within the Group: None

Positions held in other companies:

Foreign companies:

Cody Resources LLC. (USA)

Director

CrystaTech Inc. (USA)

Chairman of the Board and Director

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

Director

Positions within the Group: None

Positions held in other companies: None

Mr. Denis RANQUE (number of securities owned: 500 shares)

Director

Positions within the Group: None

Positions held in other companies:

French institutions and companies:

Technicolor

Chairman and Chief Executive Officer

(company listed on Euronext Paris and on the New York Stock Exchange)

Saint Gobain

Director

(company listed on Euronext Paris)

CMA-CGM

Director

SCILAB-Entreprises SAS

Chairman

Ecole Nationale Supérieure des Mines de Paris

Chairman

Cercle de l'Industrie

Chairman

Centre National de la Recherche Scientifique (CNRS)

Director

Mrs. Kathleen SENDALL (number of securities owned: 500 ADS)

Director

Positions within the Group: None

Positions held in other companies:

Foreign institutions and companies:

Alberta Innovates – Energy & Environment Solutions (Canada)

Director

University of Calgary (Canada)

Vice-President

13.2. Chief Executive Officer

Nom	Age	Position	Date of appointment	Term expires
Jean-Georges MALCOR	55	Chief Executive Officer	June 30 th , 2010	2012 General meeting

Other positions held by the Chief Executive Officer on December 31, 2010:

Mr. Jean-Georges MALCOR (number of securities owned: None)
Chief Executive Officer

Positions within the Group:

French companies:

CGGVeritas Services S.A.	Chairman and Chief Executive Officer
Sercel Holding S.A.	Chairman of the Supervisory Board

Positions held in other companies:

French institutions and companies:

Ecole Centrale de Paris	Director, Board secretary
Anciens élèves de l'Ecole Centrale de Paris –	Director
Association des Centraliens (alumni association)	Vice-President in charge of communication

13.3. Directors' fees

In January 2011, the Company paid an aggregate amount of € 640,000 to the members of the Board for fiscal year 2010. This amount is divided into a fixed and variable component on the basis of two-thirds of the basic amount for function and one-third for presence as described hereafter. The basic amount is set at € 490,000 plus a lump sum, amounting to € 150,000 allocated as described hereafter.

Allocation of the basic amount:

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

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

Allocation of the lump sum:

In addition, a lump sum is allocated as follows:

- € 20,000 for each Director residing abroad, i.e. a global amount of € 120,000;
- € 10,000 for the Chairman of the Audit Committee;
- € 5,000 for each other Audit Committee's member, i.e. a global amount of € 20,000.

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

Directors	Amounts paid for fiscal year 2009	Amounts paid for fiscal year 2010
Olivier APPERT		
Director's fees	€ 48,220.94	€ 44,770.31
Other remunerations	N/A	N/A
Loren CARROLL		
Director's fees	€ 62,019.57 ⁽¹⁾	€ 57,871.57 ⁽¹⁾
	€ 15,000 ⁽²⁾	€ 15,000 ⁽²⁾
Other remunerations	N/A	N/A
Rémi DORVAL		
Director's fees	€ 55,127.48 ⁽¹⁾	€ 48,409.20 ⁽¹⁾
	€ 15,000 ⁽²⁾	€ 15,000 ⁽²⁾
Other remunerations	N/A	N/A
Jean DUNAND		
Director's fees	€ 48,290.59	€ 48,996.57
Other remunerations	N/A	N/A
Yves LESAGE		
Director's fees	€ 53,220.94	€ 49,316.61
Other remunerations	N/A	N/A
Anders FARESTVEIT		
Director's fees	€ 42,150.87	€ 50,603.05
Other remunerations	N/A	N/A
Christian MARBACH⁽⁴⁾		
Director's fees	€ 30,664.43	€ 9,882.04
Other remunerations	N/A	N/A
Thierry PILENKO⁽⁴⁾		
Director's fees	€ 29,393.40	€ 8,974.63
Other remunerations	N/A	N/A
Denis RANQUE⁽⁵⁾		
Director's fees	N/A	€ 19,813.60
Other remunerations	N/A	N/A

Directors	Amounts paid for fiscal year 2009	Amounts paid for fiscal year 2010
Robert SEMMENS		
Director's fees	€ 71,716.27 ⁽¹⁾	€ 69,534.20 ⁽¹⁾
	€ 15,000 ⁽³⁾	€ 15,000 ⁽³⁾
Other remunerations	N/A	N/A
Kathleen SENDALL⁽⁵⁾		
Director's fees	N/A	€ 40,721.01
Other remunerations	N/A	N/A
Daniel VALOT		
Director's fees	€ 39,477.51 ⁽¹⁾	€ 38,778.97 ⁽¹⁾
	€ 15,000 ⁽²⁾	€ 15,000 ⁽²⁾
Other remunerations	N/A	N/A
David WORK		
Director's fees	€55,748.54	€ 54,232.68
Other remunerations	N/A	N/A
Terence YOUNG		
Director's fees	€53,206.48	€ 50,149.34
Other remunerations	N/A	N/A

⁽¹⁾ Director's fees paid by CGG Veritas as Board member

⁽²⁾ Director's fees paid by CGGVeritas Services Holding B.V. as member of the Supervisory Board. Messrs. Loren CARROLL, Rémi DORVAL and Daniel VALOT resigned from their position as of September 1, 2010. Within CGGVeritas Services Holding B.V., only non-executive directors receive directors' fees in the form of an annual lump sum of €15,000.

⁽³⁾ Director's fees paid by Sercel Holding as Supervisory Board member. Mr. Robert SEMMENS resigned from his position as of July 22, 2010. Within Sercel Holding, only non-executive directors receive directors' fees in the form of a lump sum of €15,000.

⁽⁴⁾ Resigned from his duties of Board member of the Company on May 5, 2010.

⁽⁵⁾ Appointed as Director of the Company on May 5, 2010.

Pursuant to applicable law, Directors (except the Chairman), are not entitled to be allocated stock-options and/or performance shares of the Company.

14. COMPENSATION OF THE CHAIRMAN OF THE BOARD OF DIRECTORS AND OF THE CHIEF EXECUTIVE OFFICER

14.1. Compensation

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

For fiscal year 2010, the variable part is based on the achievement of personal objectives (representing one third of the bonus) and financial objectives (representing two thirds of the bonus). The financial objectives are related to the consolidated EBIT (weighted 35% of the total financial objectives), EBITDAS less capital expenditures (weighted 35%) and EBI of the Group (weighted 30%). These financial objectives are not met for 2010 and the variable part will be limited to the achievement of individual objectives.

14.1.1. *Compensation of Robert Brunck, Chairman of the Board*

The gross fixed and variable compensation earned by and paid by the Company and its subsidiaries to Mr. Robert BRUNCK, Chairman of the Board of Directors, for fiscal years 2009 and 2010 is set forth below:

	2009		2010	
Robert BRUNCK Chairman of the Board of Directors⁽¹⁾	Amounts earned	Amounts paid	Amounts earned	Amounts paid
Fixed compensation	€520,000.00	€520,000.00	€447,500.00	€447,500.00
Variable compensation	€0.00 ⁽²⁾	€687,230.00 ⁽³⁾	€139,738.00 ⁽⁶⁾	€0.00 ⁽²⁾
Exceptional compensation	N/A	N/A	N/A	N/A
Retirement indemnity	N/A	N/A	N/A	€370,450.00
Director' fees⁽⁴⁾	€50,762.99	€49,100.18 ⁽⁵⁾	€47,946.24	€50,762.99 ⁽⁷⁾
Benefits in kind (company car)	€6,840.00	€6,840.00	€6,840.00	€6,840.00
TOTAL	€577,602.99	€1,263,170.18	€642,024.24	€875,552.99

⁽¹⁾ The positions of Chairman of the Board and Chief Executive Officer were split on June 30, 2010. Since then, Mr. Robert BRUNCK has remained Chairman of the Board of Directors.

⁽²⁾ The Executive Officers ("mandataires sociaux") and the other members of the Executive Committee have decided to forego payment of their 2009 bonus.

⁽³⁾ Paid in March 2009 for fiscal year 2008.

⁽⁴⁾ Mr. Robert BRUNCK did not receive any compensation as member of the Supervisory Board of Sercel Holding or as Chairman of the Board of Directors of CGG Americas. On December 31, 2010, Mr. Robert BRUNCK no longer held these positions.

⁽⁵⁾ Paid at the beginning of 2009 for fiscal year 2008.

⁽⁶⁾ To be paid in March 2011 for fiscal year 2010.

⁽⁷⁾ Paid at the beginning of 2010 for fiscal year 2009.

During the 2010 fiscal year, Mr. Robert BRUNCK's compensation changed from one semester to the other. It was set at €520,000.00, on an annual basis, for the first semester, and reduced to €375,000.00, on an annual basis, for the second semester.

For the first half of the year, this compensation corresponds to his position as Chairman and Chief Executive Officer, held until June 30, 2010. Since July 1, 2010, his fixed compensation has been reduced, and the related variable part is now linked to the achievement of individual objectives corresponding to the missions described below, assigned to him by the Board of Directors in addition to those assigned to him by the applicable law.

While assisting his successor during the transition period, the Chairman is in charge of the following missions in close coordination with the Chief Executive Officer:

- To plan effectively strategic matters, and to ensure that the Board shares and agrees the corporate strategy proposed by the Chief Executive Officer, and thereafter monitors the implementation of that strategy.
- To represent the Company as a figure head at the highest level, and maintain a positive ongoing dialogue with key clients, governments, regulatory authorities, medias, shareholders, investors and general public, contributing to the success of the Group.
- To foster effective communication with major stakeholders (oil companies, important partnerships, key suppliers etc), and ensure that their views are communicated and understood by the Board with integrity, probity and in a timely manner.
- To team up very closely with the Chief Executive Officer to ensure a close and trusting partnership between the Board and the Chief Executive Officer.
- To provide support, mentoring, advice and coaching to the Chief Executive Officer as appropriate and ensure effective liaison and continuity of communication on developments occurring between formal Board meetings.
- To provide support to the Chief Executive Officer in the selection of the key members of the executive team and ensure that succession plans are in place for all key executives.

14.1.2. Compensation of Jean-Georges MALCOR, Chief Executive Officer

The gross fixed and variable compensations paid by the Company and its subsidiaries to Mr. Jean-Georges MALCOR, Chief Executive Officer, in fiscal year 2010 are set forth below:

	2010	
	Amounts earned	Amounts paid
Jean-Georges MALCOR Chief Executive Officer⁽¹⁾		
Fixed compensation	€500,000.00	€500,000.00
Variable compensation	€169,850.00 ⁽²⁾	N/A
Indemnity paid upon termination of the employment agreement	€22,500.00 ⁽³⁾	€22,500.00 ⁽³⁾
Exceptional compensation	N/A	N/A
Director' fees	N/A	N/A
Benefits in kind (company car)	€6,270.00	€6,270.00
TOTAL	€698,620.00	€528,770.00

⁽¹⁾ Mr. Jean-Georges MALCOR joined the Group on January 1, 2010. He was appointed Chief Executive Officer on June 30th, 2010.

⁽²⁾ To be paid in March 2011 for fiscal year 2010.

⁽³⁾ This amount to be paid upon termination of the employment agreement covers the indemnity due for vacation days and a prorata payment of the 13th month of salary.

Pursuant to the AFEP-MEDEF Code on corporate governance for French listed companies, the employment agreement of Mr. Jean-Georges MALCOR was terminated on June 30, 2010 when he was appointed as Chief Executive Officer of the company.

14.2. Stock-options and performance shares

Pursuant to article L.225-102-1 of the French Commercial Code, the stock-options and performance shares allocated to the Executive Officers (*“mandataires sociaux”*), for the last two years and each subject to performance conditions, are set forth below. Stock-options and performance shares are granted each year, in March, after the financial statements of the previous fiscal year are publicly disclosed.

14.2.1. Stock-options

Name of the Executive Officer	Date of the Plan	Number of options allocated during fiscal year⁽¹⁾	Valuation of options pursuant to the method used for consolidated financial statements (€)	Subscription price⁽¹⁾	Exercise period
Robert BRUNCK	03/22/2010	200,000 ⁽²⁾	1,515,000	€19.44	From 03/23/2010 to 03/22/2018 inclusive
Robert BRUNCK	03/16/2009	200,000 ⁽²⁾	510,000	€8.82	From 03/17/2009 to 03/15/2017 inclusive
Jean-Georges MALCOR ⁽³⁾	03/22/2010	162,500	1,641,250	€19.44	From 03/23/2010 to 03/22/2018 inclusive
Jean-Georges MALCOR ⁽³⁾	01/06/2010	220,000	1,810,600	€14.71	From 01/07/2010 to 01/06/2018 inclusive

⁽¹⁾ The subscription price corresponds to the average of the opening share prices of the share on the last twenty trading days prior to the meeting of the Board of Directors granting the options.

⁽²⁾ Subject to the performance conditions described below.

⁽³⁾ As of the date of this plan, Mr. Jean-Georges MALCOR was not yet an Executive Officer (*“mandataire social”*) of the Company. Therefore, the stock-options allocated to him in 2010 are not subject to performance conditions.

Stock-options are allocated without any possible discount. The conditions of the plans applying to Mr. Robert BRUNCK are those of the general plans, plus those described below. Regarding the plan of March 22, 2010, these conditions are only applicable to Mr. Robert BRUNCK. As Mr. Jean-Georges MALCOR was not an Executive Officer (*“mandataire social”*) on March 22, 2010, he benefits from the general plan applicable to the other senior managers and employees of the Group (see paragraph 17.1).

Performance conditions:

The Board of Directors decided, in accordance with the provisions of the AFEP-MEDEF code that, for the first three years of the plans dated March 16, 2009 and March 22, 2010, the acquisition of options is subject to performance conditions based on the achievement of one of the three objectives stated below:

- a share price performance objective relative to the SBF 120 index;
- a share price performance objective relative to the PHLX Oil Service SectorSM (OSXSM);
- a financial indicator objective of EBIT (for the plan dated March 16, 2009) or EBITDAS (for the plan dated March 22, 2010) denominated in USD and related to the target for the annual variable part of the compensation of the Executive Officers (“*mandataires sociaux*”).

Obligation to keep stock-options under the registered form:

In compliance with the provisions of article L.225-185 of the French commercial code, the Board of Directors decided that the number of shares resulting from the exercise of stock-options that Mr. Robert BRUNCK will have to keep under the registered form until the end of his term shall account for 20% of the amount of the gain on the purchase price realized when exercising the options granted by the Board of Directors on March 16, 2009 and on March 22, 2010.

14.2.2. Performance shares

Name	Date of the Board of Directors' meeting	Maximum number of shares allocated during fiscal year	Valuation of shares (€)	Final allocation Date	Date of availability	Performance conditions
Robert BRUNCK	03/22/2010	27,500	550,825	03/22/2012	03/22/2014	EBIT EBITDAS
Robert BRUNCK	03/16/2009	27,500	255,475	03/16/2011	03/16/2013	Net earning per share and Operating income
Jean-Georges MALCOR ⁽¹⁾	03/22/2010	22,500	450,675	03/22/2012	03/22/2014	EBIT EBITDAS

⁽¹⁾ As of the date of this plan, Mr. Jean-Georges MALCOR was not yet an Executive Officer (“*mandataire social*”) of the Company.

Plans dated March 16, 2009 and March 22, 2010:

Pursuant to article L.225-197-1 of the French Commercial Code, the Board of Directors decided that the number of performance shares thus allocated to Mr. Robert BRUNCK with respect to the plans dated March 16, 2009 and March 22, 2010 will be set at 10% of such allocation, which Mr. Robert BRUNCK will have to keep under the registered form until the end of his term.

In accordance with the AFEP-MEDEF code, the Board of Directors held on March 16, 2009 and March 22, 2010 also decided to set the number of additional shares that Mr. Robert BRUNCK is required to purchase at the end of the allocation period of the performance shares thus granted by the 2009 and 2010 plans at one (1) share for twenty (20) allocated shares. Mr. Robert BRUNCK was the only Executive Officer (*"mandataire social"*) of the Company when performance shares were allocated on March 22, 2010. None of the above conditions applies to Mr. Jean-Georges MALCOR

The Board of Directors acknowledged, on February 24, 2011, that the performance conditions of the plan dated March 16, 2009 were not met. Therefore, no shares will be allocated to Mr. Robert BRUNCK pursuant to this plan.

Plan dated March 14, 2008:

The Board of Directors held on February 24, 2010 confirmed that the performance conditions for the plan implemented on March 14, 2008 were only very partially met. As a result, no shares were be allocated under such plan to Mr. Robert BRUNCK who was the sole Executive Officer (*"mandataire social"*) of the Company benefiting from this plan.

14.3. Protection letters

The advantages granted to Mr. Jean-Georges MALCOR in case of termination of his functions as Executive Officer (*"mandataire social"*) are the following:

Mr. Jean-Georges MALCOR does not benefit from any contractual termination indemnity, except in case of a forced departure relating to a change of control or a change of strategy. Such indemnity shall be equal to the difference between:

(i) a gross amount of 200% of the gross fixed compensation paid by the Company to Mr. Jean-Georges MALCOR during the twelve-month period preceding his departure date, to which is added the annual average of the variable compensation paid by the Company to Mr. Jean-Georges MALCOR (i) over the thirty-six-month period preceding his departure date or (ii) over the full years of presence in the Company starting as from January 1, 2010, in case he leaves the Group less than thirty-six months after he joined the Company, (hereinafter *"the Reference Annual Compensation"*) and

(ii) any sum to which Mr. Jean-Georges MALCOR may be entitled as a result of such termination, including any sums to be paid further to the application of his non-competition commitment.

The indemnity global amount shall not exceed 200% of the Reference Annual Compensation.

Pursuant to article L.225-42-1 of the Commercial Code, the payment of the special termination indemnity referred to hereinabove shall remain subject to the achievement of the following performance conditions, related to the Company's performance:

- The average, over the sixty trading days preceding the departure date, of the ratio between the CGGVeritas ADS price over the PHLX Oil Service SectorSM (OSXSM) index shall equal at least two-third of the same average ratio over the same sixty-day period (i) four years before the date on which Mr. MALCOR leaves the Group or (ii) as of January 1, 2010 in case Mr. Jean-Georges MALCOR leaves the Group before reaching a four-year seniority;
- The average, over the sixty trading days preceding the departure date, of the ratio between the CGGVeritas share price over SBF 120 index shall equal at least two-third of the same average ratio over the same sixty-day period (i) four years before the date on which Mr. MALCOR leaves the Group or (ii) as of January 1, 2010 in case Mr. Jean-Georges MALCOR leaves the Group before reaching a four-year seniority;

- The average margin rate of the Group EBITDAS (i) over the four years preceding the date on which Mr. MALCOR leaves the Group or (ii) over a period starting as from January 1, 2010 in case Mr. Jean-Georges MALCOR leaves the Group before reaching a four-year seniority, shall be at least 25%.

Payment of the full amount of the special termination indemnity is subject to the fulfillment of two conditions out of three. In case only one condition is fulfilled, then Mr. Jean-Georges MALCOR will be entitled to receive only 50% of the said special termination indemnity.

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

Mr. Robert BRUNCK does not benefit of any protection letter.

14.4. Non-compete agreement

In addition, on June 30, 2010, the Board of Directors approved, in accordance with procedures applicable to related party agreements and provided for by section L.225-38 et seq. of the French Commercial Code, the signature of a non-compete agreement between the Company and Mr. Jean-Georges MALCOR.

This non-compete agreement applies to any geophysical data acquisition, processing or interpretation services or the provision of equipment or products designed for the acquisition, processing or interpretation of geophysical data. Mr. Jean-Georges MALCOR has agreed that he will not contribute to projects or activities in the same field as those in which he was involved at CGGVeritas for period of eighteen months starting on the date on which he leaves the Group.

In consideration for this undertaking, Mr. Jean-Georges MALCOR will be entitled to receive compensation corresponding to 100% of his annual reference compensation as defined in the protection letters described upon leaving the Group.

14.5. General benefits plan

On June 30, 2010, the Board of Directors approved, in accordance with procedures applicable to related party agreements and provided for by section L.225-38 et seq. of the French Commercial Code, the extension to Mr. Robert BRUNCK and Mr. Jean-Georges MALCOR of the benefit of the Group's general benefits plan applicable to all employees.

14.6. Individual benefits plan

On June 30, 2010, the Board of Directors approved, in accordance with procedures applicable to related party agreements and provided for by section L.225-38 et seq. of the French Commercial Code, the execution of a supplementary individual benefits plan benefiting to Mr. Jean-Georges MALCOR between the Company and the company SPHERIA Vie. In this respect, the Company paid to SPHERIA Vie an amount of €43,000 in one go in January 2011. This plan will be executed in 2011 and will take effect in September 2011, for a period ending on December 31, 2014.

14.7. Individual insurance covering loss of employment

Pursuant to the procedure applicable to related-parties agreement set forth by section L. 225-38 and seq. of the French Commercial Code, the Board of Directors authorized, on June 30, 2010, the Company to subscribe with GSC Gan, as from July 1, 2010, an individual insurance policy covering loss of employment, in favor of Mr. Jean-Georges MALCOR. The annual subscription fee payable by the Company amounts to € 10,000. This insurance provides for the payment of a maximum of 21% of his 2010 compensation (corresponding to €155,549.00), for a duration of twelve (12) months and after the expiry of a twelve-month waiting period.

14.8. Supplemental Pension and Retirement Plan

A supplemental retirement plan for the members of the Executive Committee and the Management Board of Sercel Holding (whom we refer to here as the “Beneficiaries”) was implemented on January 1, 2005. The Chairman of the Board and the Chief Executive Officer benefit from this plan. It is an additive defined benefit plan with a double cap. Accruals are acquired per year of services, with a ceiling of twenty years.

On December 31, 2010, the Company’s commitment under the Supplementary Pension Plan correspond for the Chairman of the Board to an annual pension equal to 33.39% of his annual 2010 target compensation, and for the Chief Executive Officer to an annual pension equal to 19.03% of his annual 2010 target compensation received.

The aggregate present benefit value of this supplemental plan as of December 31, 2010 was €15,342,310 of which €1,478,569 has been recorded as an expense for fiscal year 2010. Of such present benefit value, the portions relating to the Chairman of the Board and Chief Executive Officer are €7,391,235 and €644,979 respectively. The expense relating to the Company’s commitment for the Chairman of the Board is recorded for the last time since he retired during 2010.

15. IDENTITY OF SHAREHOLDERS HOLDING MORE THAN 5% OF THE SHARES AND/OR VOTING RIGHTS OF THE COMPANY – CHANGES IN THE SHARE CAPITAL DURING 2010

15.1. Changes in the share capital during fiscal year 2010

<u>Transactions</u>	<u>Nominal value</u>	<u>Number of options created</u>	<u>Amount of the share premium</u>	<u>Amount of the capital variation</u>	<u>Successive amounts of the share capital</u>
Exercize of stock options as of December 31, 2010	€0.40	89,483	€389,095.36	€35,793.20	€60,602,443
Exercize of stock options as of September 30, 2010	€0.40	7,015	€17,607.65	€2,806	€60,566,650
Exercize of stock options as of June 30, 2010	€0.40	1,000	€ 2,510	€400	€60,563,844
Exercize of stock options as of May 21, 2010	€0.40	92,599	€576,037.78	€37,039.60	€60,563,444
Performance shares allocation as of May 5, 2010	€0.40	20,138	N/A	€8,055.20	€60,526,404
Exercize of stock options as of March 31, 2010	€0.40	149,280	€950,491.15	€59,712	€60,518,349

As at December 31, 2010, the only dilutive instruments issued were stock-options and performance shares. As of this date, there was a respective balance of 6,428,504 outstanding stock-options and 1 026 175 performance shares not yet issued representing a dilution percentage of 4.24 % and 0.68 %, respectively.

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

	December 31, 2010		December 31, 2009		December 31, 2008	
	% of shares	% of voting rights	% of shares	% of voting rights	% of shares	% of voting rights
Jupiter Asset Management Limited	-	-	3.87	3.69	4.55	4.35
IFP Energies Nouvelles (formerly named « Institut Français du Pétrole »)	4.19	8.03	4.33	8.26	4.34	8.30
Fonds Stratégique d'Investissement (« FSI »)	6.00	5.75	-	-	-	-
Manning & Napier ⁽¹⁾	6.17	5.91	-	-	-	-
Black Rock Inc. ⁽²⁾	5.40	5.17	-	-	-	-
FCPE "CGG Actionnariat"	0.05	0.10	0.05	0.10	0.05	0.11
Stock Treasury	0.53	0	0,40	0	0.57	0
Floating	77.66	75.04	91.35	87.95	90.49	87.24
Total	<u>100%</u>	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>
Number of outstanding shares and voting rights	151,506,109	185,132,659	151,146,594	158,398,080	150,617,709	157,605,029

⁽¹⁾ Calculated on the basis of the number of shares owned by Manning & Nappier as indicated in the notice of threshold crossing dated November 26, 2010.

⁽²⁾ Calculated on the basis of the number of shares owned by Black Rock, Inc.. as indicated in the notice of threshold crossing dated November 16, 2010.

16. EMPLOYEES SHAREHOLDING

Pursuant to article L.225-102 of the French Commercial Code, we inform you that on December 31, 2010 the number of shares held by the employees of the Group, through the Group Employee Savings Plan instituted during fiscal 1997, amounted to 75,753 shares corresponding to 0.05 % of the share capital 0.10 % of the voting rights.

17. STOCK OPTIONS AND PERFORMANCE SHARES

In accordance with sections L. 225-184 and L. 225-197-4 of the French Commercial Code, the plans currently in force are described in separate special reports of the Board of Directors.

17.1. Stock-options plans

Individual information on stock-options allocated to the Executive Officers (“mandataires sociaux”) is set forth in paragraph 14.2.1.

The table below summarizes the evolution, during fiscal year 2010, of the stock-options plans put in place by virtue of the authorizations granted by the General Meetings of May 15, 2002, May 15, 2003, May 11, 2006, May 10, 2007 and April 29, 2008 respectively.

	2002 Plan	2003 Plan	2006 Plan	2007 Plan	2008 Plan	2009 Plan	2010 Plans			Total
Date of the Board of Directors' meeting	05/15/2002	05/15/2003	05/11/2006	03/23/2007	03/14/2008	03/16/2009	01/06/2010	03/22/2010	10/21/2010	
Number of beneficiaries	172	176	171	145	130	149	1	339	3	
Total number of shares ⁽¹⁾ that can be subscribed,	751,796	924,910	1,012,500	1,308,750	1,188,500	1,327,000	220,000	1,548,150	120,000	8,401,606
Out of which the number can be exercised by:										
<i>Executive Officers :</i>										
<i>Robert Brunck</i>	108,880	119,765	150,000	200,000	200,000	200,000	0	200,000	0	1,178,645
<i>Jean-Georges Malcor</i>	—	—	—	—	—	—	220,000	162,500	0	382,500
Start date of options exercise	05/16/2005	05/16/2006	05/12/2007	03/24/2008	03/15/2009	03/17/2010	01/07/2010	03/23/2011	10/22/2011	
Expiration date	05/15/2010	05/15/2011	05/10/2014	03/23/2015	03/14/2016	03/16/2017	01/06/2018	03/22/2018	10/21/2018	
Subscription price (in €) ⁽¹⁾⁽²⁾	7.99	2.91	26.26	30.4	32.57	8.82	14.71	19.44	16.887	
Exercise rules (when the plan provides for several batches of options)	- Options accrue rights by fifth every year during the first five years; - three year freeze period; - prohibition to sell or transfer shares before May 15, 2006.	- Options accrue rights by fourth every year during the first four years; - three year freeze period; - prohibition to sell or transfer shares before May 16, 2007.	- Options accrue rights by fourth every year during the first four years; - prohibition to sell or transfer shares before May 12, 2010.	- Options accrue rights by third every year during the first three years; - prohibition to sell or transfer his shares before March 24, 2011 for French tax residents.	- Options accrue rights by third every year during the first three years; - prohibition to sell or transfer his shares before March 15, 2012 for French tax residents.	- Options accrue rights by third every year during the first three years; - prohibition to sell or transfer his shares before March 17, 2013 for French tax residents.	- Options accrue rights by half immediately and by fourth every year during the two following years; - prohibition to sell or transfer his shares before January 7, 2014.	- Options accrue rights by third every year during the first three years; - prohibition to sell or transfer his shares before March 23, 2014 for French tax residents.	- Options accrue rights by third every year during the first three years; - prohibition to sell or transfer his shares before October 21, 2014 for French tax residents.	
Number of shares subscribed as at December 31, 2010 ⁽³⁾	206,680	202,283	2,500	2,000	0	121,797	0	0	0	535,260
Cumulated number of stock-options which were cancelled or lapsed ⁽³⁾	22,928	5,584	15,111	72,550	84,660	62,669	0	13,800	0	277,302
Remaining stock-options at the end of fiscal of year ⁽¹⁾	0	174,935	951,845	1,181,000	1,103,840	1,142,534	220,000	1,534,350	120,000	6,428,504
Out of which the remaining number is held by:										
<i>Executive officers</i>										
<i>Robert Brunck</i>	0	38,765	150,000	200,000	200,000	200,000	0	200,000	0	988,765
<i>Jean-Georges Malcor</i>	—	—	—	—	—	—	220,000	162,500	0	382,500

⁽¹⁾ Considering the adjustments done, both on the subscription price and on the number of shares underlying further to the capital increase of December 2005 and to the five-for-one stock split effective as of June 3, 2008.

⁽²⁾ The subscription price corresponds to the average of the opening share prices of the share on the last twenty trading days prior to the meeting of the Board of Directors granting the options.

⁽³⁾ Without taking into account the various adjustments that have occurred after the implementation of the plans.

Upon the date of this report, the exercise price for the plans implemented in 2006, 2007 and 2008 exceeds CGGVeritas share market price.

17.2. Performance shares plans

Individual information on performance shares allocated to the Executive Officers (“*mandataires sociaux*”) is set forth in paragraph 14.2.2.

For your information, the terms and conditions of the plans dated March 16, 2009 and March 20, 2010 are summarized in the chart below:

	<u>March 16, 2009 Plan</u>	<u>March 22, 2010 Plan</u>
Number of shares initially allocated	516,250	509,925
Number of beneficiaries	293	332
Date of the shareholders’ meeting having authorized the allocation	April 29, 2008	April 29, 2008
Allocation date	March 16, 2009	March 22, 2010
Number of shares finally allocated upon expiry of the acquisition period	37,000 ^(*)	N/A
Final allocation date	March 16, 2011	March 22, 2012
Retention period	March 16, 2013	March 22, 2014
Performance conditions	Net earning per share Operating income	Operating income EBITDAS
Validation of achievement of performance conditions	Board of Directors	Board of Directors

^(*)The Board of Directors held on February 24, 2011 confirmed that the performance conditions for the plan implemented on March 16, 2009 were only partially met. Therefore, only a maximum number of 37,000 shares will be allocated after the General Meeting to be held in order to approve the 2010 financial statements.

18. **SHARE BUYBACK PROGRAM**

The Ordinary General Meeting held on May 5, 2010 authorized the Board of Directors to carry out transactions on the Company shares for an eighteen-month period following the date of such meeting with the following objectives:

- to support liquidity of our shares through a liquidity contract entered into with an investment service provider in compliance with the Code of Practice of the *Association Française des Marchés Financiers* (formerly known as *Association Française des Entreprises d’Investissement*),
- to deliver shares in the scope of securities giving access, immediately or in the future, to shares by

redemption, conversion, exchange, presentation of a warrant or by any other means,

- to deliver, immediately or in the future, shares in exchange in the scope of external growth, within 5 % of capital,
- to allocate shares to employees and officers of the Company or affiliated companies within the meaning of article L.225-180 of the French Commercial Code, especially in the scope of options to purchase shares of the Company,
- to allocate free shares to employees or Executive Officers (*“mandataires sociaux”*) pursuant to articles L. 225-197-1 and seq. of the French Commercial Code,
- cancel the shares through a capital reduction, subject to a decision of, or an authorization, by the extraordinary general meeting.

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

The maximum purchase price per share approved by the General Meeting was € 40.

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

This authorization canceled and replaced the authorization granted to the Board of Directors by the General Meeting held on April 29, 2009.

In 2010 the Company implemented the share repurchase plan authorized by its shareholders in April 2009 and in May 2010 with the principal aim to support the liquidity of the shares through a liquidity contract entered into with the company Credit Agricole Cheuvreux in July 4, 2007.

On October 8, 2010, the Company terminated this liquidity contract.

Within the scope of this liquidity contract, between January 1, 2010 and October 8, 2010, the Company acquired 4,049,013 shares with a weighted average price of €17.65 and sold 4,649,013 shares with a weighted average price of €17.79.

Otherwise, the Company acquired 800,000 of its own shares between October 5, 2010 and October 8, 2010, with a weighted average price of €17.21.

As of December 31, 2010, the Company still held 800,000 of its own shares.

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

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

Executive Officers (*"mandataires sociaux"*), Directors and members of the Executive Committee are forbidden to carry out any transaction on the Company shares, whatever its nature, including the exercise of stock options:

- (i) during the thirty calendar days preceding the publication of quarterly, semi-annual or annual results;
- (ii) In case they hold any information which could have a sight influence on the share value in case of public disclosure.

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

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

Capital structure of the Company:

Notice of crossing of a statutory threshold:

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

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

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

Double voting right:

As from May 22 1997, a double voting right is allocated to all registered and fully paid-up shares registered in the name of the same holder for at least two years.

Statutory restrictions concerning the exercise of voting rights and share transfers or clauses of agreements which the Company is aware of, in compliance with article L.233-11 of the French Commercial Code:

There is no statutory restriction to the exercise of voting right and share transfers. The Company is not aware of any agreement in compliance with article L.233-11 of the French Commercial Code.

List of holders of any security with special control rights and related description:

There is no holder of securities with special rights.

Control mechanism included in a potential system of employees share ownership, when control rights are not exercised by them:

Not applicable

Agreements between shareholders which the Company is aware of and which are likely to restrict share transfers and the exercise of voting rights:

The Company is not aware of any agreement between shareholders likely to restrict share transfers and the exercise voting rights.

Rules applicable to the appointment and replacement of members of the Board of Directors or Supervisory Board as well as the modification of bylaws:

The rules applicable to the appointment and replacement of Board of Directors' members are described in article 14 of the by-laws. The rules applicable to the modification of by-laws are described in article L.225-96 of the French Commercial Code.

None of these rules is likely to have an influence in the event of a take-over bid.

Powers of the Board of Directors, in particular the issuance or re-purchase of shares:

The Board of Directors does not have any specific power likely to have an influence in the event of a take-over bid. The delegations of competence currently in force cannot be used by the Board of Directors in the event of a take-over bid.

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

The indentures governing our outstanding senior notes and certain of our credit facilities provide for an early redemption of the loans, at the option of the lenders, in the event of a change of control, pursuant to the terms specified in each agreement.

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

In addition to the agreements referred to in paragraph 14.3 with respect to the Company's Executive Officers ("*mandataires sociaux*"), we inform you that certain executives of the Group benefit from a protection letter providing for the payment of a severance payment in the event of dismissal or change of control. The amount of such severance payment depends upon the positions and classifications of each concerned persons.

The Board of Directors

**SUMMARY OF THE FINANCIAL DELEGATIONS AND AUTHORIZATIONS SUBMITTED FOR SHAREHOLDERS' APPROVAL
AT THE COMBINED GENERAL MEETING OF MAY 4, 2011 AND THE USE OF THOSE IN FORCE DURING 2010 FISCAL YEAR**

Share capital increases

	Authorizations in force during 2010 fiscal year				Authorizations submitted for shareholders' approval at the Combined General Meeting of May 4, 2011		
	Resolution number - GM	Period	Maximum authorized amount	Use of the authorization of December 31, 2010	Resolution number	Period	Maximum amount
Increase of share capital through the issue of shares, or any other securities giving access to the share capital, with preferential subscription rights in favor of holders of existing shares	11 th - 2009	26 months	€ 30 million ⁽¹⁾	None	13 th (2)	26 months	€ 30 million ⁽¹⁾
	10 th - 2010 ⁽²⁾	26 months	€ 30 million ⁽¹⁾	None			
Increase of share capital through the issue of shares, or other securities, without preferential subscription rights in favor of the holders of existing shares through a public offer	12 th - 2009	26 months	€ 9 million ⁽³⁾	None	14 th (2)	26 months	€ 9 million ⁽³⁾
	11 th - 2010 ⁽²⁾	26 months	€ 9 million ⁽³⁾	None			
Increase of share capital through the issue of shares, or other securities, without preferential subscription rights in favor of the holders of existing shares made by private placement	12 th - 2010	26 months	€ 9 million ^{(3) (*)}	None	15 th (2)	26 months	€ 9 million ⁽³⁾
Increase of the number of shares issued pursuant to the three resolutions listed above	14 th - 2009	26 months	15% of the initial issue	None	17 th (2)	26 months	15% of the initial issue
	14 th - 2010 ⁽²⁾	26 months	15% of the initial issue	None			

	Authorizations in force during 2010 fiscal year				Authorizations submitted for shareholders' approval at the Combined General Meeting of May 4, 2011		
	Resolution number - GM	Period	Maximum authorized amount	Use of the authorization of December 31, 2010	Resolution number	Period	Maximum amount
Increase of share capital by incorporation of reserves, profits or premiums	15 th - 2009	26 months	€ 10 million ⁽³⁾	None	18 th ⁽²⁾	26 months	€ 10 million ⁽³⁾
	15 th - 2010 ⁽²⁾	26 months	€ 10 million ⁽³⁾	None			
Increase of capital in order to compensate for contributions in kind	16 th - 2009	26 months	10% of the share capital as of the date of the Board of Directors' decision	None	19 th ⁽²⁾	26 months	10% of the share capital as of the date of the Board of Directors' decision
	16 th - 2010 ⁽²⁾	26 months	10% of the share capital as of the date of the Board of Directors' decision	None			
Issuance of securities giving right to debt securities	19 th - 2009	26 months	€ 600 million	None	26 th ⁽²⁾	26 months	€ 1,2 billion
	22 nd - 2010 ⁽²⁾	26 months	€ 1,2 billion	None			
Increase of capital, reserving the subscription of the shares to be issued to members of a Company Savings Plan ("Plan d'Épargne Entreprise")	17 th - 2009	26 months	€ 2.5 million ⁽³⁾	None	20 th ⁽²⁾	26 months	€ 2.5 million ⁽³⁾
	17 th - 2010 ⁽²⁾	26 months	€ 2.5 million ⁽³⁾	None			

⁽¹⁾ Aggregate ceiling for share capital increases, any operations considered, to the exception of stock-options and performance shares allocations

⁽²⁾ Cancels and replaces, for the non used portion, the resolutions voted in this respect during the previous General Meetings

⁽³⁾ Within the limit of the aggregate ceiling of € 30 million

⁽⁴⁾ On January 27, 2011, issuance of bonds convertible into and/or exchangeable for new or existing shares for a minimum global amount of € 359,999,992. The maturity date of the loan is January 1, 2016.

Stock-options, performance shares and free shares

	Authorizations in force during 2010 fiscal year				Authorizations submitted for shareholders' approval at the Combined General Meeting of May 4, 2011		
	Resolution number - GM	Period	Maximum authorized amount	Number of options/ performance shares granted as of December 31, 2010	Resolution number	Period	Maximum amount
Stock-options	18 th - 2008	38 months	5% of the share capital as of the date the Board of Directors' decision. No discount.	Allocation of 1,327,000 options on March 16, 2009 + Allocation of : . 220,000 options on January 6, 2010 . 1,548,150 options on March 22, 2010 . 120,000 options on October 21, 2010	<i>Stock-options granted to the employees (excluding the Chief Executive Officer and the members of the Executive Committee):</i> 21 st (2)	26 months	0,81% of the share capital as of the date the Board of Directors' decision. No discount.
					<i>Stock-options granted to the Chief Executive Officer and the members of the Executive Committee:</i> 22 nd (2)	26 months	1,2% of the share capital as of the date the Board of Directors' decision. No discount.
Performance shares	19 th - 2008	38 months	1% of the share capital as of the date the Board of Directors' decision.	Allocation of 516,250 performance shares on March 16, 2009 + Allocation of 509,925 performance shares on March 22, 2010	<i>Performance shares granted to the employees (excluding the Chief Executive Officer and the members of the Executive Committee):</i> 23 rd (2)	26 months	0,53% of the share capital as of the date the Board of Directors' decision.
					<i>Performance shares granted to the Chief Executive Officer and the members of the Executive Committee:</i> 24 th (2)	26 months	0,14% of the share capital as of the date the Board of Directors' decision.
Free shares	20 th - 2010	38 months	0,5% of the share capital as of the date the Board of Directors' decision.	None	N/A	N/A	N/A

(2) Cancels and replaces, for the non used portion, the resolutions voted in this respect during the previous General Meetings

Share buy-back program

	Authorization in force during 2010 fiscal year				Authorization submitted for shareholders' approval at the Combined General Meeting of May 4, 2011		
	Resolution number - GM	Period	Maximum authorized amount	Use of the authorization of December 31, 2010	Resolution number	Period	Maximum amount
Share repurchase	7 th - 2009	18 months	Limit provided by law. Maximum purchase price : € 40	Implementation through the liquidity contract with CA Cheuvreux	9 th (2)	18 months	Limit provided by law. Maximum purchase price : € 40
	8 th - 2010 ⁽²⁾	18 months	Limit provided by law. Maximum purchase price : € 40	Implementation through the liquidity contract with CA Cheuvreux + Purchase of 800,000 shares or options			

⁽²⁾ Cancels and replaces, for the non used portion, the resolutions voted in this respect during the previous General Meetings

Capital reduction by canceling shares

	Authorization in force during fiscal year 2010				Authorization submitted for shareholders' approval at the Combined General Meeting of May 4, 2011		
	Resolution number - GM	Period	Maximum authorized amount	Use of the authorization of December 31, 2010	Resolution number	Period	Maximum amount
Share cancellation	18 th - 2009	26 months	10% of the share capital	None	25 th (2)	18 months	10% of the share capital
	21 st - 2010 ⁽²⁾	18 months	10% of the share capital	None			

⁽²⁾ Cancels and replaces, for the non used portion, the resolutions voted in this respect during the previous General Meetings

Annex B

**TRANSACTIONS CARRIED OUT ON THE COMPANY'S SHARES BY EXECUTIVES
AND THEIR CLOSE RELATIVES IN 2010**

Name	Type of transaction	Date	Unit price	Amount of the transaction
Robert BRUNCK Chairman of the Board	Transfer of shares	May 17, 2010	€ 20.7767	€ 150,859.61
	Transfer of shares	December 20, 2010	€ 20.90	€ 893,245.10
	Shares purchase	December 20, 2010	€ 2.91	€ 116,400
Olivier APPERT Director	Shares purchase	January 27, 2010	€ 17.425	€ 5,069.07
	Shares purchase	June 7, 2010	€ 16.50	€ 5,021.32
G�rard CHAMBOVET Executive Vice President, General Secretary	Subscription to shares	March 2, 2010	€ 7.99 €	€ 15,980
	Transfer of shares	March 2, 2010	€ 18.9050 €	€ 37,810
	Subscription to shares	March 16, 2010	€ 2.91	€ 101,850
Fernando AGUILAR President Geophysical Services for the Americas	Subscription to shares	March 17, 2010	€ 8.82	€ 117,597.06
	Transfer of shares	March 17, 2010	€ 20	€ 266,660
Denis RANQUE Director	Shares purchase	May 18, 2010	€ 20.42	€ 10,211
Lionel LHOMMET Executive Vice President, Geomarkets & Global Marketing	Subscription to shares	September 20, 2010	€ 2.91	€ 1,949.70
	Transfer of shares	September 20, 2010	€ 17.05	€ 11,423.50
Kathleen SENDALL Director	ADS purchase	August 12, 2010	\$ 17.947	\$ 3,589.4
	ADS purchase	August 12, 2010	\$ 17.91	\$ 1,791
	ADS purchase	August 12, 2010	\$ 17.90	\$ 3,580