

Risk Factors

Risks related to our business

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.

Since late 2008, global market and economic conditions have been 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. 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.

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 that experience 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 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.

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.

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 €1,868.1 million on our balance sheet as of December 31, 2009. Goodwill is allocated to cash generating units ("CGUs") (as described in note 11 to our consolidated financial statements for the year ended December 31, 2009). 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. In the fourth quarter of 2009, we recognized an impairment loss on goodwill of €216 million on our marine cash generating unit.

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 2009, we recorded an impairment loss of €64 million on the legacy Veritas multi-client surveys acquired before 2007.

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 reais, 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 US\$0.10 in the exchange rate between the U.S. dollar and the euro would reduce our operating income and our shareholders' equity by approximately US\$40 million. As of December 31, 2009 we and our subsidiaries whose functional currency is the euro had dollar-denominated assets and liabilities of U.S.\$2,185.9 million and U.S.\$2,165.3 million, respectively. Our net balance sheet exchange rate exposure was thus U.S.\$20.6 million before hedging and U.S.\$(41.2) million after taking into account hedging arrangements of U.S.\$(61.8) 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 an asset is not the same as the currency used for taxation purposes. This is the case for several Norwegian subsidiaries that own offshore assets (vessels and equipment) for which the functional currency is the U.S. dollar, whereas the taxable currency is the Norwegian kroner. We estimate that as of the date of this annual report, a decrease of NOK 1 in the value of the Norwegian kroner relative to the U.S. dollar would increase our deferred tax liability by approximately US\$8 million.

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.

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.

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.

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, ice floes and high seas. These types of events could result in loss from business interruption, delay, equipment damage or other liability. We carry insurance against damage to or the destruction of our seismic equipment and against business interruption for our Services data processing centers and Sercel production centers in amounts we consider appropriate in accordance with industry practice. However, our insurance coverage may not be adequate in all circumstances or against all hazards, and we may not be able to maintain adequate insurance coverage in the future at commercially reasonable rates or on acceptable terms.

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

Our results of operations depend in part upon our proprietary technology. We rely on a combination of patents, trademarks and trade secret laws to establish and protect our proprietary technology. We currently hold or have applied for 205 patents in various countries for products and processes. These 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 are not currently involved in any material litigation regarding our intellectual property rights or the possible infringement of intellectual property rights of others, such litigation may be brought in the future. In addition, the laws of certain foreign countries do not protect proprietary rights to the same extent as either the laws of France or the laws of the United States, which may limit our ability to pursue third parties that misappropriate our proprietary technology.

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.

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, we recorded a net loss attributable to shareholders of €264.3 million. There is therefore no assurance as to our profitability for the future.

Risks related to our industry:

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.

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 option of the oil or gas client without payment of significant cancellation costs to the service provider.

As a result, even if contracts are not recorded in backlog unless they represent a firm commitment by the client, there can be no assurance that such contracts will be wholly executed by 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.

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 to 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.

As a result of current conditions in the seismic market, we have taken significant measures to reduce our fleet of vessels and we may take temporary additional measures to further reduce our fleet capacity in the future if called for by the situation in the seismic market.

In order to adjust to the conditions in the seismic market and to reposition our fleet toward high capacity vessels, we decided in 2009 to reduce our fleet capacity on a permanent basis to 18 vessels, by decommissioning nine vessels. As of December 31, 2009, six of these vessels had been decommissioned and the three remaining vessels are scheduled to be decommissioned in 2010. In the future, economic conditions in the seismic market could

lead us to further adjust our marine acquisition capacity on a temporary basis, for example by cold stacking certain of our vessels. Reductions in capacity can generate additional operating costs.

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.

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.

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.

In particular, 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.

Risks related to our indebtedness

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, 2009, our net debt, total assets and shareholders' equity were €918.7 million, € 4,921.2 million and €2,661.3 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.

As of December 31, 2009, our financial debt consisted primarily of:

- US\$530 million outstanding principal amount of our 7¹/₂% Senior Notes due 2015, US\$350 million outstanding principal amount of our 9¹/₂% Senior Notes due 2016 and US\$400 million outstanding principal amount of our 7³/₄% Senior Notes due 2017 (our "senior notes");
- US\$544 million outstanding under our senior credit facilities dated January 12, 2007;
- €35 million drawn under our US\$200 million French revolving facility dated February 7, 2007; and
- a total of €115 drawn under various credit lines held by several of our subsidiaries.

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.

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 senior notes and the agreements governing our senior credit facilities and our 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, notably, in the case of our senior facilities, (i) a minimum ratio of EBITDA to total interest costs of 4.00:1 for the 12-month testing period ended December 31, 2009 (the actual ratio as of December 31, 2009 was 7.2:1) and (ii) a maximum ratio of total net debt to EBITDA of 2.25:1 for the 12-month testing period ended December 31, 2009 (the actual ratio as of December 31, 2009 was 1.3:1). 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, 2009. 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.

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.

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, 2009, we had drawn €35 million under our existing revolving credit facilities and long-term confirmed and undrawn credit lines amounted to €185 million.

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

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.

Increases in interest rates could adversely affect our results of operations

A significant 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. However, drawings under our credit facilities incur interest at variable rates that are reset at each interest period (generally between one and 12 months). As a result, our interest expenses on this debt 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. As a result, our interest expenses may increase significantly if short-term interest rates increase. Based on our borrowings outstanding as of December 31, 2009, each 50 basis point increase in the U.S. dollar LIBOR would increase our interest expense by US\$3 million per year.

Item 4: INFORMATION ON THE COMPANY**Introduction**

We are a global participant in the geophysical seismic industry, as both a manufacturer of geophysical equipment and a provider of a wide range of services (including seismic data acquisition and related processing and interpretation software) principally to clients in the oil and gas exploration and production industry. Our operations are organized into two segments: Services and Equipment, in accordance with our internal reporting system, which we use to manage and measure our performance.

Our geophysical Equipment segment operates through our subsidiary Sercel, the market leader in the development and production of seismic acquisition systems and specialized equipment in the land and marine seismic markets.

The geophysical Services segment is composed of the following activities:

- land contract: seismic data acquisition for land, transition zones and shallow water on behalf of a specific client;
- multi-client land: seismic data acquisition for land, transition zones and shallow water licensed to a number of clients on a non-exclusive basis;
- marine contract: seismic data acquisition marine on behalf of a specific client;