

CGG VERITAS  
Form 6-K  
May 04, 2011  
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**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 6-K**

**REPORT OF FOREIGN PRIVATE ISSUER**

**PURSUANT TO RULE 13a-16 OR 15d-16 OF**

**THE SECURITIES EXCHANGE ACT OF 1934**

**For the month of May 2011**

**Commission File Number 001-14622**

**Compagnie Générale de Géophysique-Veritas**

*(Exact name of registrant as specified in its charter)*

**CGG Veritas**

*(Translation of registrant's name into English)*

**Republic of France**

**Tour Maine Montparnasse**

**33, avenue du Maine**

**75015 Paris**

**France**

**(33) 1 64 47 45 00**

*(Address of principal executive offices)*

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F ☒ Form 40-F

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(Indicate by check mark whether the registrant by furnishing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.)

Yes ☐ No ☒

(If ☒ Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82 -

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**FORWARD-LOOKING STATEMENTS**

This document includes forward-looking statements . We have based these forward-looking statements on our current views and assumptions about future events.

These forward-looking statements involve certain risks and uncertainties. Factors that could cause actual results to differ materially from those contemplated by the forward-looking statements include, among others, the following factors:

the impact of the current economic and credit environment;

exposure to the credit risk of customers;

the social, political and economic risks of our global operations;

our ability to integrate successfully the businesses or assets we acquire;

any write-downs of goodwill on our balance sheet;

our ability to sell our seismic data library;

exposure to foreign exchange rate risk;

our ability to finance our operations on acceptable terms;

the timely development and acceptance of our new products and services;

ongoing operational risks and our ability to have adequate insurance against such risks;

difficulties and costs in protecting intellectual property rights and exposure to infringement claims by others;

the level of capital expenditures by the oil and gas industry and changes in demand for seismic products and services;

our clients' ability to unilaterally terminate certain contracts in our backlog;

the effects of competition;

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difficulties in adapting our fleet to changes in the seismic market;

the seasonal nature of our revenues;

the costs of compliance with governmental regulation, including environmental, health and safety laws;

our substantial indebtedness and the restrictive covenants in our debt agreements;

our ability to access the debt and equity markets during the periods covered by the forward-looking statements, which will depend on general market conditions and on our credit ratings for our debt obligations;

exposure to interest rate risk; and

our success at managing the foregoing risks.

We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this document might not occur.

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Certain of these risks are described in our annual report on Form 20-F for the year ended December 31, 2010 that we filed with the SEC on April 21, 2011. Our annual report on Form 20-F is available on our website at [www.cggveritas.com](http://www.cggveritas.com) or on the website maintained by the SEC at [www.sec.gov](http://www.sec.gov). You may request a copy of our annual report on Form 20-F, which includes our complete audited financial statements, at no charge, by calling our investor relations department at + 33 1 6447 3831, sending an electronic message to [invrelparis@cggveritas.com](mailto:invrelparis@cggveritas.com) or [invrelhouston@cggveritas.com](mailto:invrelhouston@cggveritas.com) or writing to CGG Veritas Investor Relations Department, Tour Maine Montparnasse 33, avenue du Maine 75015 Paris, France.

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**Table of Contents****Item 1: FINANCIAL STATEMENTS****COMPAGNIE GÉNÉRALE DE GÉOPHYSIQUE-VERITAS, S.A.****CONSOLIDATED BALANCE SHEETS**

|                                                                                           | March 31, 2011 |                | December 31, 2010 |                |
|-------------------------------------------------------------------------------------------|----------------|----------------|-------------------|----------------|
| amounts in millions of                                                                    | (unaudited)    |                |                   |                |
|                                                                                           | US\$ (1)       |                | US\$ (2)          |                |
| <b>ASSETS</b>                                                                             |                |                |                   |                |
| Cash and cash equivalents                                                                 | 360.1          | 511.6          | 335.9             | 448.8          |
| Trade accounts and notes receivable, net                                                  | 586.3          | 832.9          | 694.9             | 928.5          |
| Inventories and work-in-progress, net                                                     | 273.6          | 388.8          | 264.5             | 353.4          |
| Income tax assets                                                                         | 94.5           | 134.3          | 85.1              | 113.7          |
| Other current assets, net                                                                 | 133.8          | 190.1          | 121.1             | 161.8          |
| Assets held for sale, net                                                                 | 12.9           | 18.3           | 72.5              | 97.0           |
| <b>Total current assets</b>                                                               | <b>1,461.2</b> | <b>2,076.0</b> | <b>1,574.0</b>    | <b>2,103.2</b> |
| Deferred tax assets                                                                       | 117.3          | 166.6          | 135.4             | 180.9          |
| Investments and other financial assets, net                                               | 29.2           | 41.5           | 26.5              | 35.4           |
| Investments in companies under equity method                                              | 71.2           | 101.1          | 73.4              | 98.0           |
| Property, plant and equipment, net                                                        | 830.1          | 1,179.4        | 781.7             | 1,044.5        |
| Intangible assets, net                                                                    | 674.3          | 958.0          | 721.4             | 963.9          |
| Goodwill, net                                                                             | 1,897.4        | 2,695.6        | 2,012.0           | 2,688.5        |
| <b>Total non-current assets</b>                                                           | <b>3,619.5</b> | <b>5,142.2</b> | <b>3,750.4</b>    | <b>5,011.2</b> |
| <b>TOTAL ASSETS</b>                                                                       | <b>5,080.7</b> | <b>7,218.2</b> | <b>5,324.4</b>    | <b>7,114.4</b> |
| <b>LIABILITIES AND EQUITY</b>                                                             |                |                |                   |                |
| Bank overdrafts                                                                           | 1.8            | 2.6            | 4.5               | 6.1            |
| Current portion of financial debt                                                         | 79.6           | 113.1          | 74.5              | 99.5           |
| Trade accounts and notes payable                                                          | 275.0          | 390.6          | 295.5             | 394.8          |
| Accrued payroll costs                                                                     | 102.4          | 145.5          | 109.3             | 146.0          |
| Income taxes liability payable                                                            | 77.6           | 110.3          | 62.1              | 82.9           |
| Advance billings to customers                                                             | 26.8           | 38.1           | 24.8              | 33.2           |
| Provisions – current portion                                                              | 35.9           | 51.0           | 41.8              | 55.8           |
| Other current liabilities                                                                 | 218.8          | 310.9          | 196.4             | 262.5          |
| <b>Total current liabilities</b>                                                          | <b>817.9</b>   | <b>1,162.1</b> | <b>808.9</b>      | <b>1,080.8</b> |
| Deferred tax liabilities                                                                  | 114.6          | 162.8          | 116.7             | 155.9          |
| Provisions – non-current portion                                                          | 75.7           | 107.6          | 87.7              | 117.2          |
| Financial debt                                                                            | 1,294.9        | 1,839.6        | 1,406.6           | 1,879.5        |
| Other non-current liabilities                                                             | 36.1           | 51.3           | 34.6              | 46.3           |
| <b>Total non-current liabilities</b>                                                      | <b>1,521.3</b> | <b>2,161.3</b> | <b>1,645.6</b>    | <b>2,198.9</b> |
| Common stock 214,545,220 shares authorized and                                            |                |                |                   |                |
| 151,753,275 shares with a 0.40 nominal value issued and outstanding at March 31, 2011 and |                |                |                   |                |
| 151,506,109 at December 31, 2010                                                          | 60.7           | 86.2           | 60.6              | 81.0           |
| Additional paid-in capital                                                                | 1,969.6        | 2,798.2        | 1,967.9           | 2,629.5        |
| Retained earnings                                                                         | 888.7          | 1,262.6        | 880.5             | 1,776.5        |
| Treasury shares                                                                           | (13.8)         | (19.6)         | (13.8)            | (18.4)         |
| Net income (loss) for the period attributable to the owners of CGGVeritas SA              | (29.8)         | (42.3)         | (54.6)            | (72.9)         |
| Cumulative income and expense recognized directly in equity                               |                |                | (3.4)             | (4.6)          |
| Cumulative translation adjustment                                                         | (190.4)        | (270.5)        | (25.1)            | (33.6)         |
| <b>Equity attributable to owners of CGGVeritas SA</b>                                     | <b>2,685.0</b> | <b>3,814.6</b> | <b>2,812.1</b>    | <b>3,757.5</b> |
| Non-controlling interests                                                                 | 56.5           | 80.2           | 57.8              | 77.2           |
| <b>Total equity</b>                                                                       | <b>2,741.5</b> | <b>3,894.8</b> | <b>2,869.9</b>    | <b>3,834.7</b> |
| <b>TOTAL LIABILITIES AND EQUITY</b>                                                       | <b>5,080.7</b> | <b>7,218.2</b> | <b>5,324.4</b>    | <b>7,114.4</b> |

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- (1) Dollar amounts represent euro amounts converted at the exchange rate of US\$1.421 per on the balance sheet date.
  - (2) Dollar amounts represent euro amounts converted at the exchange rate of US\$1.336 per on the balance sheet date.
- See notes to Interim Consolidated Financial Statements

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**Table of Contents****COMPAGNIE GÉNÉRALE DE GÉOPHYSIQUE-VERITAS, S.A.****UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS**

|                                                                               | 151,561,798                  | 151,561,798   | 151,561,798   | 151,561,798   |
|-------------------------------------------------------------------------------|------------------------------|---------------|---------------|---------------|
|                                                                               | Three months ended March 31, |               |               |               |
|                                                                               | 2011                         | 2010          | 2010          | 2010          |
| except per share data, amounts in millions of                                 |                              | US\$ (1)      |               | US\$ (2)      |
| <b>Operating revenues</b>                                                     | <b>534.3</b>                 | <b>728.2</b>  | <b>498.0</b>  | <b>696.1</b>  |
| Other income from ordinary activities                                         | 0.7                          | 0.9           | 0.8           | 1.2           |
| <b>Total income from ordinary activities</b>                                  | <b>535.0</b>                 | <b>729.1</b>  | <b>498.8</b>  | <b>697.3</b>  |
| Cost of operations                                                            | (464.0)                      | (632.5)       | (392.9)       | (549.3)       |
| <b>Gross profit</b>                                                           | <b>71.0</b>                  | <b>96.6</b>   | <b>105.9</b>  | <b>148.0</b>  |
| Research and development expenses, net                                        | (14.8)                       | (20.1)        | (13.3)        | (18.6)        |
| Marketing and selling expenses                                                | (13.6)                       | (18.5)        | (16.6)        | (23.3)        |
| General and administrative expenses                                           | (34.5)                       | (47.0)        | (49.4)        | (68.9)        |
| Other revenues (expenses), net                                                | 8.9                          | 12.1          | (0.3)         | (0.4)         |
| <b>Operating income</b>                                                       | <b>17.0</b>                  | <b>23.1</b>   | <b>26.3</b>   | <b>36.8</b>   |
| Expenses related to financial debt                                            | (32.9)                       | (44.9)        | (25.2)        | (35.2)        |
| Income provided by cash and cash equivalents                                  | 0.4                          | 0.5           | 0.7           | 1.0           |
| <b>Cost of financial debt, net</b>                                            | <b>(32.5)</b>                | <b>(44.4)</b> | <b>(24.5)</b> | <b>(34.2)</b> |
| Other financial income (loss)                                                 | (10.8)                       | (14.7)        | 7.4           | 10.3          |
| <b>Income (loss) of consolidated companies before income taxes</b>            | <b>(26.3)</b>                | <b>(36.0)</b> | <b>9.2</b>    | <b>12.9</b>   |
| Deferred taxes on currency translation                                        | 3.8                          | 5.2           | (2.7)         | (3.8)         |
| Other income taxes                                                            | (5.9)                        | (8.1)         | (6.4)         | (8.9)         |
| <b>Total income taxes</b>                                                     | <b>(2.1)</b>                 | <b>(2.9)</b>  | <b>(9.1)</b>  | <b>(12.7)</b> |
| <b>Net income (loss) from consolidated companies</b>                          | <b>(28.4)</b>                | <b>(38.9)</b> | <b>0.1</b>    | <b>0.2</b>    |
| Share of income (loss) in companies accounted for under equity method         | 1.4                          | 2.0           | 0.2           | 0.3           |
| <b>Net income (loss)</b>                                                      | <b>(27.0)</b>                | <b>(36.9)</b> | <b>0.4</b>    | <b>0.5</b>    |
| <i>Attributable to :</i>                                                      |                              |               |               |               |
| <i>Owners of CGGVeritas SA</i>                                                | (29.7)                       | (40.5)        | (2.5)         | (3.5)         |
| <i>Non-controlling interests</i>                                              | 2.7                          | 3.6           | 2.9           | 4.0           |
| Weighted average number of shares outstanding                                 | 151,561,798                  |               | 151,270,379   | 151,270,379   |
| Dilutive potential shares from stock-options                                  | (3)                          | (3)           | (3)           | (3)           |
| Dilutive potential shares from performance share plan                         | (3)                          | (3)           | (3)           | (3)           |
| Dilutive weighted average number of shares outstanding adjusted when dilutive | 151,561,798                  |               | 151,270,379   | 151,270,379   |
| <b>Net income (loss) per share</b>                                            |                              |               |               |               |
| Basic                                                                         | (0.2)                        | (0.3)         | (0.2)         | (0.2)         |
| Diluted                                                                       | (0.2)                        | (0.3)         | (0.2)         | (0.2)         |

- (1) Dollar amounts represent euro amounts converted at the average exchange rate for the period of US\$1.363 per .
- (2) Dollar amounts represent euro amounts converted at the average exchange rate for the period of US\$1.398 per .
- (3) Stock-options and performance shares plans have an anti-dilutive effect at March 31, 2011 and 2010; as a consequence, potential shares linked to those instruments are not taken into account in the dilutive weighted average number of shares, nor in the calculation of diluted loss per share.

**Table of Contents****COMPAGNIE GÉNÉRALE DE GÉOPHYSIQUE-VERITAS, S.A.****UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)****COMPAGNIE GÉNÉRALE DE GÉOPHYSIQUE-VERITAS, S.A.**

| Amounts in millions of                                                                                                    | March 31,      |              |
|---------------------------------------------------------------------------------------------------------------------------|----------------|--------------|
|                                                                                                                           | 2011           | 2010         |
| <b>Net income (loss) from statements of operations</b>                                                                    | <b>(27.0)</b>  | <b>0.4</b>   |
| Gain (loss) on cash flow hedges                                                                                           | 0.6            | (1.7)        |
| Income taxes                                                                                                              | (0.2)          | 0.6          |
| <b>Net gain (loss) on cash flow hedges</b>                                                                                | <b>0.4</b>     | <b>(1.1)</b> |
| Gain (loss) on actuarial changes on pension plan                                                                          | 0.9            | (0.3)        |
| Income taxes                                                                                                              | (0.3)          | 0.1          |
| <b>Net gain (loss) on actuarial changes on pension plan</b>                                                               | <b>0.6</b>     | <b>(0.2)</b> |
| <b>Exchange differences on translation of foreign operations</b>                                                          | <b>(169.1)</b> | <b>170.7</b> |
| <b>Other comprehensive income (loss) for the period, net of taxes, in companies accounted for under the equity method</b> | <b>3.0</b>     | <b>(1.8)</b> |
| <b>Total other comprehensive income (loss) for the period, net of taxes</b>                                               | <b>(165.1)</b> | <b>167.5</b> |
| <b>Total comprehensive income (loss) for the period</b>                                                                   | <b>(192.1)</b> | <b>167.9</b> |
| <i>Attributable to :</i>                                                                                                  |                |              |
| <i>Owners of CGGVeritas SA</i>                                                                                            | <i>(191.0)</i> | <i>163.1</i> |
| <i>Non-controlling interests</i>                                                                                          | <i>(1.1)</i>   | <i>4.8</i>   |

**Table of Contents****COMPAGNIE GÉNÉRALE DE GÉOPHYSIQUE-VERITAS, S.A.****UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

| (amounts in millions of euros,<br>except share data)                   | Number of<br>Shares issued | Share<br>capital | Additional<br>paid-in<br>capital | Retained<br>earnings | Treasury<br>shares | Income<br>and<br>expense<br>Recognized<br>directly<br>in<br>equity | Cumulative<br>translation<br>adjustment | Total<br>shareholders<br>equity | Minority<br>interest | Total<br>shareholders<br>equity<br>and<br>minority<br>interest |
|------------------------------------------------------------------------|----------------------------|------------------|----------------------------------|----------------------|--------------------|--------------------------------------------------------------------|-----------------------------------------|---------------------------------|----------------------|----------------------------------------------------------------|
| <b>Balance at January 1 2010</b>                                       | <b>151,146,594</b>         | <b>60.5</b>      | <b>1,965.9</b>                   | <b>871.7</b>         | <b>(13.5)</b>      | <b>0.9</b>                                                         | <b>(224.2)</b>                          | <b>2,661.3</b>                  | <b>40.2</b>          | <b>2,701.5</b>                                                 |
| Capital increase                                                       | 149,280                    |                  | 1.0                              |                      |                    |                                                                    |                                         | 1.0                             |                      | 1.0                                                            |
| Net income                                                             |                            |                  |                                  | (2.5)                |                    |                                                                    |                                         | (2.5)                           | 2.9                  | 0.4                                                            |
| Cost of share-based payment                                            |                            |                  |                                  | 3.7                  |                    |                                                                    |                                         | 3.7                             |                      | 3.7                                                            |
| Operations on treasury shares                                          |                            |                  |                                  |                      | 5.1                |                                                                    |                                         | 5.1                             |                      | 5.1                                                            |
| <i>Net gain (loss) on actuarial<br/>changes on pension plan (1)</i>    |                            |                  |                                  |                      |                    | (0.2)                                                              |                                         | (0.2)                           |                      | (0.2)                                                          |
| <i>Net gain (loss) on cash flow<br/>hedges (2)</i>                     |                            |                  |                                  |                      |                    | (2.9)                                                              |                                         | (2.9)                           |                      | (2.9)                                                          |
| <i>Exchange differences on<br/>foreign currency<br/>translation(3)</i> |                            |                  |                                  |                      |                    |                                                                    | 168.8                                   | 168.8                           | 1.9                  | 170.7                                                          |
| Other comprehensive<br>income(1)+(2)+(3)                               |                            |                  |                                  |                      |                    | (3.1)                                                              | 168.8                                   | 165.7                           | 1.9                  | 167.5                                                          |
| Changes in consolidation scope<br>and other                            |                            |                  |                                  | (0.8)                |                    |                                                                    |                                         | (0.8)                           | 0.4                  | (0.4)                                                          |
| <b>Balance at March 31, 2010</b>                                       | <b>151,295,874</b>         | <b>60.5</b>      | <b>1,966.9</b>                   | <b>872.1</b>         | <b>(8.4)</b>       | <b>(2.2)</b>                                                       | <b>(55.4)</b>                           | <b>2,833.5</b>                  | <b>45.4</b>          | <b>2,878.9</b>                                                 |

| (amounts in millions of euros,<br>except share data)                | Number of<br>Shares issued | Share<br>capital | Additional<br>paid-in<br>capital | Retained<br>earnings | Treasury<br>shares | Income<br>and<br>expense<br>Recognized<br>directly<br>in<br>equity | Cumulative<br>translation<br>adjustment | Total<br>shareholders<br>equity | Minority<br>interest | Total<br>shareholders<br>equity<br>and<br>minority<br>interest |
|---------------------------------------------------------------------|----------------------------|------------------|----------------------------------|----------------------|--------------------|--------------------------------------------------------------------|-----------------------------------------|---------------------------------|----------------------|----------------------------------------------------------------|
| <b>Balance at January 1, 2011</b>                                   | <b>151,506,109</b>         | <b>60.6</b>      | <b>1,967.9</b>                   | <b>825.9</b>         | <b>(13.8)</b>      | <b>(3.4)</b>                                                       | <b>(25.1)</b>                           | <b>2,812.1</b>                  | <b>57.8</b>          | <b>2,869.9</b>                                                 |
| Capital increase                                                    | 247,166                    | 0.1              | 1.7                              |                      |                    |                                                                    |                                         | 1.8                             |                      | 1.8                                                            |
| Net income                                                          |                            |                  |                                  | (29.7)               |                    |                                                                    |                                         | (29.7)                          | 2.7                  | (27.0)                                                         |
| Cost of share-based payment                                         |                            |                  |                                  | 3.8                  |                    |                                                                    |                                         | 3.8                             |                      | 3.8                                                            |
| Operations on treasury shares                                       |                            |                  |                                  |                      |                    |                                                                    |                                         |                                 |                      |                                                                |
| <i>Net gain (loss) on actuarial<br/>changes on pension plan (1)</i> |                            |                  |                                  | 0.6                  |                    |                                                                    |                                         | 0.6                             |                      | 0.6                                                            |
| <i>Net gain (loss) on cash flow<br/>hedges (2)</i>                  |                            |                  |                                  |                      |                    | 3.4                                                                |                                         | 3.4                             |                      | 3.4                                                            |
|                                                                     |                            |                  |                                  |                      |                    |                                                                    | (165.3)                                 | (165.3)                         | (3.8)                | (169.1)                                                        |

*Exchange differences on  
foreign currency  
translation (3)*

|                                                      |                    |             |                |              |               |                |                |             |                |
|------------------------------------------------------|--------------------|-------------|----------------|--------------|---------------|----------------|----------------|-------------|----------------|
| Other comprehensive income(1)+(2)+(3)                |                    |             |                |              | 3.4           | (165.3)        | (161.3)        | (3.8)       | <b>(165.1)</b> |
| Issuance of convertible bonds, net of deferred taxes |                    |             | 59.1           |              |               |                | 59.1           |             | 59.1           |
| Changes in consolidation scope and other             |                    |             | (0.8)          |              |               |                | (0.8)          | (0.2)       | <b>(1.0)</b>   |
| <b>Balance at March 31, 2011</b>                     | <b>151,753,275</b> | <b>60.7</b> | <b>1,969.6</b> | <b>858.9</b> | <b>(13.8)</b> | <b>(190.4)</b> | <b>2,685.0</b> | <b>56.5</b> | <b>2,741.5</b> |

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**Table of Contents****COMPAGNIE GÉNÉRALE DE GÉOPHYSIQUE-VERITAS, S.A.****UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**

| amounts in millions of                                                                                     | Three months ended March 31, |                |               |                |
|------------------------------------------------------------------------------------------------------------|------------------------------|----------------|---------------|----------------|
|                                                                                                            | 2011                         | 2010           |               |                |
|                                                                                                            | US\$ (1)                     | US\$ (1)       | US\$ (2)      |                |
| <b>OPERATING</b>                                                                                           |                              |                |               |                |
| Net income (loss)                                                                                          | (27.0)                       | (36.9)         | 0.4           | 0.6            |
| Depreciation and amortization                                                                              | 61.8                         | 84.3           | 55.7          | 77.9           |
| Multi-client surveys depreciation and amortization                                                         | 34.6                         | 47.1           | 39.9          | 55.8           |
| Variance on provisions                                                                                     | (8.5)                        | (11.6)         | (18.7)        | (26.1)         |
| Stock based compensation expenses                                                                          | 3.8                          | 5.2            | 3.7           | 5.2            |
| Net gain (loss) on disposal of fixed assets                                                                | (8.5)                        | (11.6)         | (0.8)         | (1.1)          |
| Equity income (loss) of investees                                                                          | (1.4)                        | (2.0)          | (0.2)         | (0.3)          |
| Dividends received from affiliates                                                                         |                              |                | 2.2           | 3.1            |
| Other non-cash items                                                                                       | 4.0                          | 5.5            | (3.1)         | (4.3)          |
| <b>Net cash including net cost of financial debt and income tax</b>                                        | <b>58.8</b>                  | <b>80.0</b>    | <b>79.1</b>   | <b>110.6</b>   |
| Less net cost of financial debt                                                                            | 32.5                         | 44.4           | 24.5          | 34.2           |
| Less income tax expense                                                                                    | 2.1                          | 2.9            | 9.1           | 12.7           |
| <b>Net cash excluding net cost of financial debt and income tax</b>                                        | <b>93.4</b>                  | <b>127.3</b>   | <b>112.7</b>  | <b>157.5</b>   |
| Income tax paid                                                                                            | (3.4)                        | (4.6)          | (21.1)        | (29.5)         |
| <b>Net cash before changes in working capital</b>                                                          | <b>90.0</b>                  | <b>122.7</b>   | <b>91.6</b>   | <b>128.0</b>   |
| - change in trade accounts and notes receivables                                                           | 117.0                        | 159.5          | 15.0          | 21.0           |
| - change in inventories and work-in-progress                                                               | (15.4)                       | (21.0)         | (1.9)         | (2.7)          |
| - change in other currents assets                                                                          | (39.5)                       | (53.8)         | (15.6)        | (21.8)         |
| - change in trade accounts and notes payable                                                               | (29.8)                       | (40.6)         | 36.2          | 50.6           |
| - change in other current liabilities                                                                      | 12.0                         | 16.2           | (20.7)        | (28.9)         |
| Impact of changes in exchange rate on financial items                                                      | 14.2                         | 19.4           | 3.4           | 4.8            |
| <b>Net cash provided by operating activities</b>                                                           | <b>148.5</b>                 | <b>202.4</b>   | <b>108.0</b>  | <b>151.0</b>   |
| <b>INVESTING</b>                                                                                           |                              |                |               |                |
| Total capital expenditures (including variation of fixed assets suppliers, excluding multi-client surveys) | (54.3)                       | (74.0)         | (37.7)        | (52.7)         |
| Investments in multi-client surveys                                                                        | (32.6)                       | (44.4)         | (62.2)        | (86.9)         |
| Proceeds from disposals of tangible and intangible assets                                                  | 1.5                          | 2.0            | 3.0           | 4.2            |
| Total net proceeds from financial assets                                                                   | 3.2                          | 4.4            |               |                |
| Acquisition of investments, net of cash and cash equivalents acquired                                      | (0.5)                        | (0.7)          |               |                |
| Impact of changes in consolidation scope                                                                   |                              |                |               |                |
| Variation in loans granted                                                                                 | 0.6                          | 0.8            | (0.6)         | (0.8)          |
| Variation in subsidies for capital expenditures                                                            | (0.1)                        | (0.1)          |               |                |
| Variation in other non-current financial assets                                                            | (3.6)                        | (4.9)          | (1.5)         | (2.1)          |
| <b>Net cash used in investing activities</b>                                                               | <b>(85.8)</b>                | <b>(116.9)</b> | <b>(99.0)</b> | <b>(138.3)</b> |
| <b>FINANCING</b>                                                                                           |                              |                |               |                |
| Repayment of long-term debts                                                                               | (366.4)                      | (499.4)        | (38.3)        | (53.5)         |
| Total issuance of long-term debts                                                                          | 374.3                        | 510.3          |               |                |
| Lease repayments                                                                                           | (15.0)                       | (20.4)         | (37.5)        | (52.4)         |
| Change in short-term loans                                                                                 | (2.5)                        | (3.4)          | 0.4           | 0.6            |
| Financial expenses paid                                                                                    | (14.1)                       | (19.2)         | (3.6)         | (5.0)          |
| <i>Net proceeds from capital increase</i>                                                                  |                              |                |               |                |
| - from shareholders                                                                                        | 1.8                          | 2.5            | 1.0           | 1.4            |
| - from non-controlling interests of integrated companies                                                   |                              |                |               |                |
| <i>Dividends paid and share capital reimbursements</i>                                                     |                              |                |               |                |
| - to shareholders                                                                                          |                              |                |               |                |
| - to non-controlling interests of integrated companies                                                     |                              |                |               |                |
| Acquisition/disposal from treasury shares                                                                  |                              |                | 5.1           | 7.1            |
| <b>Net cash provided by (used in) financing activities</b>                                                 | <b>(21.9)</b>                | <b>(29.7)</b>  | <b>(72.9)</b> | <b>(101.9)</b> |
| Effects of exchange rates on cash                                                                          | (16.6)                       | 7.0            | 23.3          | (10.0)         |
| <b>Net increase (decrease) in cash and cash equivalents</b>                                                | <b>24.2</b>                  | <b>62.8</b>    | <b>(40.6)</b> | <b>(99.2)</b>  |
| <b>Cash and cash equivalents at beginning of year</b>                                                      | <b>335.9</b>                 | <b>448.8</b>   | <b>480.3</b>  | <b>691.9</b>   |
| <b>Cash and cash equivalents at end of period</b>                                                          | <b>360.1</b>                 | <b>511.6</b>   | <b>439.7</b>  | <b>592.7</b>   |

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- (1) Dollar amounts represent euro amounts converted at the average exchange rate for the period of US\$1.363 per (except cash and cash equivalent balances converted at the closing rate of U.S.\$ 1.421 per at March 31, 2011 and U.S.\$ 1.336 at December 31, 2010).
- (2) Dollar amounts represent euro amounts converted at the average exchange rate for the period of US\$1.398 per (except cash and cash equivalent balances converted at the closing rate of U.S.\$ 1.348 per at March 31, 2010 and U.S.\$ 1.441 at December 31, 2009).

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(UNAUDITED)**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

Given that the Company is listed on Euronext Paris and pursuant to European regulation n°1606/2002 dated July 19, 2002, the accompanying interim condensed consolidated financial statements have been prepared in accordance with International IAS 34 as issued by the International Accounting Standards Board ( IASB ) and adopted by the European Union.

These interim condensed consolidated financial statements have been authorized by the Audit Committee for issue on May 3, 2011.

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

The interim condensed consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities that have been measured at fair value.

**Critical accounting policies**

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as of and for the year ended December 31, 2010 included in its report on Form 20-F for the year 2010 filed with the SEC on April 21, 2011.

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2010, except for the adoption of the following new Standards and Interpretations:

IAS 24 - Related Party Disclosures adopted by the European Union in July 2010, and applicable as of January 1, 2011

Amendment to IAS 32 - Classification of rights issues- adopted by the European Union in December 2009, and applicable as of January 1, 2011

Amendment to IFRIC 14 - Prepayments of a Minimum Funding Requirement adopted by the European Union in July 2010, and applicable as of January 1, 2011

IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments adopted by the European Union in July 2010, and applicable as of January 1, 2011

2008-2010 annual improvements to IFRS adopted by the European Union in February 2011 and applicable as of January 1, 2011

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The adoption of these new standards and interpretations did not have any material impact on the Group's interim financial statements.

At the date of issuance of these financial statements, the following Standards and Interpretations were issued but not yet adopted by the European Union:

IFRS 9 - Financial instruments: Recognition and Measurement of financial assets

IFRS 7 Amendment - Financial instruments disclosures about transfers of financial assets

IAS 12 Amendment - Income taxes: Recovery of underlying assets

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The Group has not opted for the early adoption of these Standards, Amendments and Interpretations and it is currently reviewing them to measure the potential impact on the interim condensed consolidated financial statements. At this stage, we do not anticipate any significant impact.

### *Use of judgment and estimates*

Key judgments and estimates used in the financial statements are summarized in the following table:

| <b>Judgments and estimates</b>                                                  | <b>Key assumptions</b>                                                                                                 |
|---------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------|
| Fair value of assets and liabilities acquired through purchase price allocation | Pattern used to determine the fair value of assets and liabilities                                                     |
| Recoverability of client receivables                                            | Assessment of clients' credit default risk                                                                             |
| Valuation of investments                                                        | Financial assets fair value                                                                                            |
| Amortization and impairment of Multi-clients surveys                            | Under equity method companies fair value<br>Expected margin rate for each category of surveys                          |
| Depreciation and Amortization of tangible and intangible assets                 | Expected useful life of Multi-Client Surveys                                                                           |
| Recoverable value of Goodwill and intangible assets                             | Assets useful lives<br>Expected geophysical market trends from 2011 to 2013                                            |
| Post employment benefits                                                        | Discount rate (WACC)<br>Discount rate<br><br>Participation rate to post employment benefit plans                       |
| Provisions for risks, claims and litigations                                    | Inflation rate<br>Return rate on plan assets<br>Assessment of risks considering court's ruling and attorneys positions |
| Revenue Recognition                                                             | Contracts completion rates<br><br>Assessment of fair value of customers loyalty programs                               |
| Development costs                                                               | Assessment of fair value of contracts identifiable parts                                                               |
| Deferred tax assets                                                             | Assessment of future benefits of each project                                                                          |
| <b>Operating revenues</b>                                                       | Hypothesis supporting the achievement of future taxable benefits                                                       |

Operating revenues are recognized when they can be measured reliably, and when it is likely that the economic benefits associated with the transaction will flow to the entity, which is at the point that such revenues have been realized or are considered realizable.

### *Multi-client surveys*

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

**Pre-commitments** Generally, we obtain commitments from a limited number of customers before a seismic project is completed. These pre-commitments cover part or all of the survey area blocks. In return for the commitment, the customer typically gains the right to direct or influence the project specifications, advance access to data as it is being acquired, and favorable pricing. We record payments that it receives during periods of mobilization as advance billing in the balance sheet in the line item "Advance billings to customers".

We recognize pre-commitments as revenue when production has started based on the physical progress of the project, as services are rendered.

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

In case after sales agreements contain multiple deliverable elements, the revenue is allocated to the various elements based on specific objective evidence of fair value, regardless of any separate allocations stated within the contract for each element. Each element is appropriately accounted for under the applicable accounting standard.

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

### *Exclusive surveys*

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

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

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

### *Equipment sales*

We recognize revenues on equipment sales upon delivery to the customer when risks and rewards are fully transferred. Any advance billings to customers are recorded in current liabilities.

### *Software and hardware sales*

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

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

If the software arrangement provides for multiple deliverables (e.g. upgrades or enhancements, post-contract customer support such as maintenance, or services), the revenue is allocated to the various elements based on specific objective evidence of fair value, regardless of any separate allocations stated within the contract for each element. Each element is appropriately accounted for under the applicable accounting standard.

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

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### *Other geophysical sales/ services*

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

### *Customer loyalty programs*

We may grant award credits to our main clients. These award credits are contractually based on cumulative services provided during the calendar year and attributable to future services.

These credits are considered as a separate component of the initial sale and measured at their fair value by reference to the contractual rates and the forecasted cumulative revenues for the calendar year. These proceeds are recognized as revenue only when the obligation has been fulfilled.

IFRIC 13 Customers Loyalty Programs issued by the IASB in June 2007 has been applied from December 31, 2008 with the accumulated impact, net of tax, on previous periods recorded in equity as of December 31, 2008. The impact was not material.

### *Multi-client surveys*

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

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

In this respect, we use five amortization rates 50%, 65%, 75%, 80% or 83.3% of revenues depending on the category of the surveys. Multi-client surveys are classified into a same category when they are located in the same area with the same estimated sales ratio, such estimates generally relying on the historical patterns. The 65% amortization rate is applied to the surveys acquired as a result of our acquisition of Veritas.

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

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

### *Development costs*

Expenditures on research activities undertaken with the prospect of gaining new scientific or technological knowledge and understanding are recognized in the income statement as expenses as incurred and are presented as Research and development expenses net. Expenditures on development activities, whereby research finding are applied to a plan or design for the production of new or substantially improved products and processes, are capitalized if:

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

the product or process is technically and commercially feasible,

we have sufficient resources to complete development, and

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

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

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

We amortize capitalized developments costs over 5 years.

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

### **NOTE 2 ACQUISITIONS AND DIVESTITURES**

#### *Norfield*

On January 13, 2011, the exchange of assets between certain subsidiaries of CGGVeritas and the Norwegian group Norfield was completed. As a result of this transaction, we acquired Voyager AS (to be renamed Exploration Vessel Resources II AS), owner of the seismic vessel *Voyager*, and sold the seismic vessel *Venturer* to Norfield. CGGVeritas is no longer a shareholder of Norfield AS. The gain arising from the disposal of our assets in relation with this transaction amounted to 7.8 million and was recorded in the line item Other revenues (expenses) in our statement of operations.

At the date of its acquisition by CGGVeritas, Voyager AS entered into a U.S.\$45 million credit facility secured by a pledge over the vessel, subject to substantially the same covenants as the Term Loan B.

#### *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.

#### *Petrodata*

On March 17, 2011, we acquired for \$2.5 million Petrodata Consulting LLC, a Moscow-based company offering static and dynamic reservoir modeling, reserve estimation and risking, and field development services to the international oil and gas industry.

### **NOTE 3 COMMON STOCK AND STOCK OPTIONS PLANS**

As of March 31, 2011, our share capital consisted of 151,753,275 shares, each with a par value of 0.4.

On March 24, 2011, the Board of Directors allocated:

964,263 stock-options to certain officers and employees. Their exercise price is 25.48. Rights to these options vest by one-third during each of the first three years of the plan. The options have an eight-year duration.

66,667 stock options to the Chairman and 133,333 options to the Chief Executive Officer. Their exercise price is 25.48. Rights to these options vest by one-third during each of the first three years of the plan. Such vesting is subject to performance conditions based on the fulfillment of one of three objectives. The options have an eight-year duration.

488,886 performance shares including 13,750 performance shares to the Chairman and 27,500 performance shares to the Chief Executive Officer. These performance shares will be allocated on the later of either March 24, 2013 or the date of the shareholders meeting convened to approve the financial statements for fiscal year 2012, provided that the Board of Directors decides that the performance conditions set forth in the plan regulation are fulfilled. These performance conditions are based on the achievement of

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certain objectives related to operating income and EBITDAS over fiscal years 2011 and 2012.

### **NOTE 4 FINANCIAL DEBT**

Out net financial debt amounted to 1,016.2 million as of March 31, 2011.

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

On January 27, 2011 CGGVeritas S.A. issued 12,949,640 bonds convertible into and/or exchangeable for new or existing shares of our company to be redeemed on January 1, 2016 for a total nominal amount of 360 million. We recognized a convertible debt of 267 million and an equity component net of deferred taxes of 59 million.

We used the net proceeds of the issuance to redeem part of our U.S.\$530 million 7.5% Senior Notes due May 2015, allowing us to reduce our 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 price on the regulated market of NYSE Euronext in Paris.

The Bonds bear interest at a rate of 1.75% payable semi-annually in arrear on 1st January and 1st July of each year.

The Bonds 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 our option.

### *Partial redemption of 7 1/2% Senior Notes due 2015*

On March 1, 2011, we redeemed U.S.\$460 million aggregate principal amount of our U.S.\$530 million 7 1/2% Senior Notes due 2015. The notes were redeemed at a price of 103.75% of their principal amount plus accrued interest.

### *Norfield*

The net impact of the Norfield transaction on our net financial debt was an increase of 35 million (U.S.\$48 million).

## **NOTE 5 ANALYSIS BY OPERATING SEGMENT AND GEOGRAPHIC AREA**

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

Since July 1, 2010, our Group has been organized in five divisions and operates in two industry segments:

Geophysical services segment, which comprises:

Marine contract: seismic data acquisition offshore undertaken by us on behalf of a specific client;

Land contract: seismic data acquisition for land, transition zones and shallow water undertaken by us on behalf of a specific client;

Processing, Imaging and Reservoir: processing and imaging as well as interpretation of geophysical data, data management and reservoir studies for clients, and

Multi-client land and marine: seismic data acquisition undertaken by us and licensed to a number of clients on a non-exclusive basis;

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

Inter-company sales between the two segments are made at prices approximating market prices and relate primarily to equipment sales made by the geophysical equipment segment to the geophysical services segment. These inter-segment sales and the related operating income recognized by the geophysical equipment segment are eliminated in consolidation and presented as follows in the tables that follow: (i) Operating income for our Services segment is presented after elimination of amortization expense corresponding to capital expenditures between our Equipment segment and Services segment; (ii) Capital expenditures for our Services segment are presented after elimination of inter-segment margin.

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

The following tables present revenues, operating income by operating segment, and operating revenues by geographic area (by location of customers).

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**Table of Contents***Analysis by operating segment*

(Unaudited)

| (in millions of euros)                       | Three months ended March 31, |              |                              |                    | 2010         |              |                              |                    |
|----------------------------------------------|------------------------------|--------------|------------------------------|--------------------|--------------|--------------|------------------------------|--------------------|
|                                              | 2011                         |              | Eliminations                 |                    | 2010         |              | Eliminations                 |                    |
|                                              | Services                     | Equipment    | and Adjustments              | Consolidated Total | Services     | Equipment    | and Adjustments              | Consolidated Total |
| Revenues from unaffiliated customers         | 391.0                        | 143.3        |                              | 534.3              | 365.5        | 132.5        |                              | 498.0              |
| Inter-segment revenues                       |                              | 58.3         | (58.3)                       |                    | 0.2          | 26.4         | (26.6)                       |                    |
| <b>Operating revenues</b>                    | <b>391.0</b>                 | <b>201.6</b> | <b>(58.3)</b>                | <b>534.3</b>       | <b>365.7</b> | <b>158.9</b> | <b>(26.6)</b>                | <b>498.0</b>       |
| Other income from ordinary activities        |                              | 0.7          |                              | 0.7                |              | 0.8          |                              | 0.8                |
| <b>Total income from ordinary activities</b> | <b>391.0</b>                 | <b>202.3</b> | <b>(58.3)</b>                | <b>535.0</b>       | <b>365.7</b> | <b>159.7</b> | <b>(26.6)</b>                | <b>498.8</b>       |
| <b>Operating income (loss)</b>               | <b>(19.1)</b>                | <b>69.3</b>  | <b>(33.2) <sup>(a)</sup></b> | <b>17.0</b>        | <b>10.1</b>  | <b>35.5</b>  | <b>(19.3) <sup>(a)</sup></b> | <b>26.3</b>        |
| Equity in income (loss) of investees         | 1.4                          |              |                              | 1.4                | 0.2          |              |                              | 0.2                |
| Capital expenditures <sup>(b)</sup>          | 86.8                         | 4.0          |                              | 90.9               | 98.8         | 2.7          |                              | 101.5              |
| Depreciation and amortization <sup>(c)</sup> | 87.3                         | 9.5          | (0.4)                        | 96.4               | 87.0         | 8.3          | 0.3                          | 95.6               |

- (a) Includes general corporate expenses of 10.4 million for the three months ended March 31, 2011 and 11.2 million for the comparable period in 2010.
- (b) Includes (i) investments in multi-client surveys of 32.6 million for the three months ended March 31, 2011 and 62.2 million for the three months ended March 31, 2010, (ii) 2.3 million equipment acquired under finance lease for the three months ended March 31, 2011 and none for the comparable period of 2010, (iii) capitalized development costs of 2.9 million for the three months ended March 31, 2011 and 3.2 million for the comparable period of 2010, in the Services segment. Capitalized development costs in the Equipment segment were 0.9 million for the three months ended March 31, 2011 and 0.7 million for the comparable period of 2010.
- (c) Includes multi-client survey amortization of 34.6 million for the three months ended March 31, 2011 and 39.9 million for the comparable period of 2010.

| (in millions of U.S.\$)                      | Three months ended March 31, |              |                 |                    | 2010 (1)     |              |                 |                    |
|----------------------------------------------|------------------------------|--------------|-----------------|--------------------|--------------|--------------|-----------------|--------------------|
|                                              | 2011 (1)                     |              | Eliminations    |                    | 2010 (1)     |              | Eliminations    |                    |
|                                              | Services                     | Equipment    | and Adjustments | Consolidated Total | Services     | Equipment    | and Adjustments | Consolidated Total |
| Revenues from unaffiliated customers         | 532.9                        | 195.3        |                 | 728.2              | 511.1        | 185.0        |                 | 696.1              |
| Inter-segment revenues                       |                              | 79.5         | (79.5)          |                    | 0.2          | 36.9         | (37.1)          |                    |
| <b>Operating revenues</b>                    | <b>532.9</b>                 | <b>274.8</b> | <b>(79.5)</b>   | <b>728.2</b>       | <b>511.3</b> | <b>221.9</b> | <b>(37.1)</b>   | <b>696.1</b>       |
| Other income from ordinary activities        |                              | 0.9          |                 | 0.9                |              | 1.2          |                 | 1.2                |
| <b>Total income from ordinary activities</b> | <b>532.9</b>                 | <b>275.7</b> | <b>(79.5)</b>   | <b>729.1</b>       | <b>511.3</b> | <b>223.1</b> | <b>(37.1)</b>   | <b>697.3</b>       |
| <b>Operating income (loss)</b>               | <b>(26.0)</b>                | <b>94.6</b>  | <b>(45.5)</b>   | <b>23.1</b>        | <b>14.1</b>  | <b>49.6</b>  | <b>(26.9)</b>   | <b>36.8</b>        |

- (1) Dollar amounts represent euro amounts converted at the average exchange rate for the period of US\$1.363 per in 2011, of US\$1.398 per in 2010.

**Table of Contents****Revenues by geographic area**

The following table sets forth our consolidated operating revenues by location of customers, and the percentage of total consolidated operating revenues represented thereby:

| Except percentages, in millions of | Three months ended March 31, |              |             |                  |              |             |
|------------------------------------|------------------------------|--------------|-------------|------------------|--------------|-------------|
|                                    | 2011<br>US\$ (1)             |              |             | 2010<br>US\$ (1) |              |             |
| North America                      | 150.6                        | 205.3        | 28%         | 126.5            | 176.8        | 25%         |
| Central and South Americas         | 83.5                         | 113.7        | 16%         | 73.8             | 103.2        | 15%         |
| Europe, Africa and Middle East     | 184.2                        | 251.1        | 34%         | 189.0            | 264.2        | 38%         |
| Asia Pacific                       | 116.0                        | 158.1        | 22%         | 108.7            | 152.0        | 22%         |
| <b>Total</b>                       | <b>534.3</b>                 | <b>728.2</b> | <b>100%</b> | <b>498.0</b>     | <b>696.2</b> | <b>100%</b> |

(1) Dollar amounts represent euro amounts converted at the average exchange rate for the period of US\$1.363 per in 2011 and of US\$1.398 per in 2010.

**NOTE 6 COMMITMENTS AND CONTINGENCIES****Commitments**

On January 13, 2011, the exchange of assets between certain subsidiaries of CGGVeritas and the Norwegian group Norfield was completed. As a result of this transaction,

The Group acquired the seismic vessel *Voyager*, previously operated by the Group under a time charter contract;

The Group sold the seismic vessel *Venturer* to Norfield. A bareboat contract for this vessel was signed until December 2012;

We extended the contract for our seismic vessel *Champion* for 5 years until December 2019. The previous time charter contract was replaced by a bareboat contract;

We extended the time charter contract for our seismic vessel *Bergen Surveyor* until December 2012. This transaction resulted in a reduction of approximately 30 million of our operating leases cash-obligations.

On March 26, 2011 the seismic vessel *Pacific Finder* was delivered. The time charter contract applies for eight years until April 2019.

**Litigation and other risks**

On February 16, 2011, 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. The injunction prohibits us from selling Sercel digital sensor DSU technology in the United States. The injunction covers only this DSU technology and is limited to the territory of United States. It does not restrict Sercel's ability 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.

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Specifically, the injunction states that when the manufacture, sale and delivery occur outside the United States, the offer to sell the DSU 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.

On March 8, 2011, we posted the bond amounting to U.S.\$12.8 million corresponding to the total damages award plus 20% interest and we filed the notice of appeal.

The Company does not expect this claim to have any material impact on the Group's results of operation, financial position, or cash flows. Thus, no provision was recorded in the consolidated financial statements.

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**NOTE 7 SUBSEQUENT EVENTS**

No significant subsequent event occurred.

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**COMPAGNIE GÉNÉRALE DE GÉOPHYSIQUE-VERITAS, S.A.**

**Item 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**  
**Group organization**

Since July 1, 2010, our group has been organized in five divisions and operates in two industry segments:

Geophysical services segment, which comprises:

Marine contract: seismic data acquisition offshore undertaken by us on behalf of a specific client;

Land contract: seismic data acquisition for land, transition zones and shallow water undertaken by us on behalf of a specific client;

Processing, imaging and reservoir: processing and imaging, as well as interpretation of geophysical data, data management and reservoir studies for clients; and

Multi-client land and marine: seismic data acquisition undertaken by us and licensed to a number of clients on a non-exclusive basis;

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

We report financial information by operating segment in accordance with our internal reporting system and the internal segment information that is used to manage and measure our performance.

**Factors Affecting Results of Operations**

***Geophysical market environment***

Overall demand for geophysical services and equipment is dependent on spending by oil and gas companies for exploration, development and production and field management activities. We believe the level of spending of such companies depends on their assessment of their ability to efficiently supply the oil and gas market in the future and the current balance of hydrocarbon supply and demand.

The geophysical market has historically been extremely cyclical. We believe many factors contribute to the volatility of this market, such as the geopolitical uncertainties that can harm the confidence and visibility that are essential to our clients' long-term decision-making processes and the expected balance in the mid to long term between supply and demand for hydrocarbons.

In this context, oil and gas companies, especially the large international oil companies, have budgeted an overall 15% to 20% increase in exploration and production spending in 2011, with a special focus on exploration. We expect that this will drive the progressive recovery of demand in our seismic services divisions, especially marine. We also expect that Sercel will continue to reap the benefit of its large installed base and the sustained demand for technological intensity.

See Item 4: Information on the Company - Industry Conditions of our annual report on Form 20-F for the year ended December 31, 2010 for a discussion of developments in the geophysical industry.

*Foreign exchange fluctuations*

As a company that derives a substantial amount of its revenue from sales internationally, our results of operations are affected by fluctuations in currency exchange rates. Movements between the U.S. dollar and euro or other currencies may adversely affect our business by negatively impacting our revenues and income.

As certain trends in our business may be obscured by currency fluctuations, we have translated certain euro amounts in this Management's Discussion and Analysis of Financial Conditions and Results of Operations into U.S. dollars. See Item 5: Operating and Financial Review and Prospects Trend Information Currency Fluctuations of our annual report on Form 20-F for the year ended December 31, 2010.

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Unless otherwise indicated, balance sheet data expressed in U.S. dollars have been converted from euros at the exchange rate on the relevant balance sheet date, and income statement data in U.S. dollars have been converted from euros at the average exchange rate for the relevant year. The exchange rates as of December 31, 2010 and March 31, 2011 were U.S.\$1.336 and U.S.\$1.421 respectively, per euro, and the average exchange rates for the three-month periods ended March 31, 2011 and 2010 were U.S.\$1.398 and U.S.\$1.363, respectively, per euro.

### ***Acquisitions and divestitures***

On January 13, 2011, the exchange of assets between certain subsidiaries of CGGVeritas and the Norwegian group Norfield was completed. As a result of this transaction, we acquired Voyager AS (to be renamed Exploration Vessel II AS), owner of the seismic vessel *Voyager*, and sold the seismic vessel *Venturer* to Norfield. CGGVeritas is no longer a shareholder of Norfield AS.

At the date of its acquisition by CGGVeritas, Voyager AS entered into a U.S.\$45 million credit facility secured by a pledge over the vessel, subject to substantially the same covenants as our term loan B.

### ***Indebtedness***

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

On January 27, 2011 CGGVeritas S.A. issued 12,949,640 bonds convertible into and/or exchangeable for new or existing shares of our company to be redeemed on January 1, 2016 for a total nominal amount of 360 million.

We used the net proceeds of the issuance to partially redeem our U.S.\$530 million 7.5% Senior Notes due May 2015, allowing us to reduce our cash interest expense.

The bonds' nominal value was set at 27.80 per bond, representing an issue premium of 25% of the CGGVeritas' reference share price on the regulated market of NYSE Euronext in Paris.

The Bonds bear interest at a rate of 1.75% payable semi-annually in arrears on 1 January and 1 July of each year.

The bonds 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 our option.

#### ***Partial redemption of 7 1/2% Senior Notes due 2015***

On March 1, 2011, we redeemed U.S.\$460 million aggregate principal amount of our U.S.\$530 million 7 1/2% Senior Notes due 2015. The notes were redeemed at a price of 103.75% of their principal amount plus accrued interest.

### ***Norfield***

The net impact of the Norfield transaction on our net financial debt was an increase of 35 million (U.S.\$48 million).

### ***New stock-option plans and performance shares allocation plan***

On March 24, 2011, the Board of Directors allocated:

964,263 stock options to certain officers and employees. Their exercise price is 25.48. Rights to these options vest by one-third during each of the first three years of the plan. The options have an eight-year duration.

66,667 stock options to the Chairman and 133,333 options to the Chief Executive Officer. Their exercise price is 25.48. Rights to these options vest by one-third during each of the first three years of the plan. Such vesting is subject to performance conditions based on the fulfillment of one of three objectives. The options have an eight-year duration.

488,886 performance shares including 13,750 performance shares to the Chairman and 27,500 performance shares to the Chief Executive Officer. These performance shares will be allocated on the later of either March 24, 2013 or the date of the shareholders meeting convened to approve the financial statements for fiscal year 2012, provided that the Board of Directors decides that the performance conditions set forth in the plan regulation are fulfilled. These performance conditions are based on the achievement of certain objectives related to operating income and EBITDAS over fiscal years 2011 and 2012.

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**Table of Contents****Legal proceedings, claims and other contingencies**

On February 16, 2011, 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. The injunction prohibits us from selling Sercel digital sensor DSU technology in the United States. The injunction covers only this DSU technology and is limited to the territory of United States. It does not restrict Sercel's ability 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 when the manufacture, sale and delivery occur outside the United States, the offer to sell the DSU 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.

On March 8, 2011, we posted the bond amounting to U.S.\$12.8 million corresponding to the total damages award plus 20% interest and we filed the notice of appeal.

***Backlog***

Our backlog as of April 1, 2011 was U.S.\$1.2 billion. Contracts for services are occasionally modified by mutual consent and in certain instances are cancelable by the customer on short notice without penalty. Consequently, backlog as of any particular date may not be indicative of actual operating results for any succeeding period.

**Three months ended March 31, 2011 compared to three months ended March 31, 2010*****Operating revenues***

The following table sets forth our consolidated operating revenues by business line, and the percentage of total consolidated operating revenues represented thereby, during each of the periods stated:

| Except percentages, in millions of | Three months ended March 31, |                               |             |                               |              |             |
|------------------------------------|------------------------------|-------------------------------|-------------|-------------------------------|--------------|-------------|
|                                    |                              | 2011<br>U.S.\$ <sup>(1)</sup> |             | 2010<br>U.S.\$ <sup>(1)</sup> |              |             |
| Land contract                      | 117.1                        | 159.6                         | 22%         | 81.5                          | 114.0        | 16%         |
| Marine contract                    | 146.0                        | 199.0                         | 27%         | 145.3                         | 203.0        | 29%         |
| Processing, Imaging & Reservoir    | 72.9                         | 99.4                          | 14%         | 66.8                          | 93.5         | 14%         |
| Multi-client                       | 55.0                         | 74.9                          | 10%         | 71.9                          | 100.5        | 14%         |
| Total Services                     | 391.0                        | 532.9                         | 73%         | 365.5                         | 511.0        | 73%         |
| Equipment                          | 143.3                        | 195.3                         | 27%         | 132.5                         | 185.1        | 27%         |
| <b>Total</b>                       | <b>534.3</b>                 | <b>728.2</b>                  | <b>100%</b> | <b>498.0</b>                  | <b>696.1</b> | <b>100%</b> |

(1) Dollar amounts represent euro amounts converted at the average exchange rate for the period of U.S.\$1.363 per in 2011, and of U.S.\$1.398 per in 2010.

Our consolidated operating revenues for the three months ended March 31, 2011 increased 7% to 534.3 million from 498.0 million for the comparable period of 2010. Expressed in U.S. dollars, our consolidated operating revenues increased 5% to U.S.\$728.2 million in the three months ended March 31, 2011 from U.S.\$696.1 million for the comparable period of 2010 with robust Equipment sales and a notable increase in Land contract revenues while fleet utilization and multi-client sales were low.

**Services**

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Operating revenues for our Services segment (excluding intra-group sales) increased 7% to 391.0 million for the three months ended March 31, 2011 from 365.5 million for the comparable period of 2010 (and increased 4% in U.S. dollar terms) due to strong Land performance and despite a lower fleet utilization rate and multi-client activity.

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### *Marine contract*

Operating revenues from our Marine contract division for the three months ended March 31, 2011 increased 1% to 146.0 million from 145.3 million for the comparable period of 2010 (and decreased 2% in U.S. dollar terms).

The fleet availability and production rate was 81% and 80%, respectively, for the three months ended March 31, 2011 compared to 90% and 92%, respectively, for the three months ended March 31, 2010 due to the impact of planned upgrades of our seismic vessels *Master* (now named *Oceanic Phoenix*) and *Geowave Endeavour* (now named *Oceanic Endeavour*) and higher than usual operational interruptions, including exceptional adverse weather conditions, and the mitigation of piracy risks in the Indian Ocean. During the three months ended March 31, 2011, 94% of our 3D fleet operated on contract compared to 79% for the three months ended March 31, 2010.

### *Land contract*

Operating revenues from our Land contract division increased 44% to 117.1 million for the three months ended March 31, 2011, from 81.5 million for the comparable period of 2010 (and increased 40% in U.S. dollar terms) due to a very strong winter campaign in North America, particularly in Alaska, a trend we expect will extend into the 2011 and 2012 winter season. With the unrest in the Middle East and North Africa, operations in Tunisia, Egypt and Oman slowed and the startup of one Egyptian crew was delayed.

### *Processing, Imaging & Reservoir*

Operating revenues from our Processing, Imaging & Reservoir division increased 9% to 72.9 million for the three months ended March 31, 2011 from 66.8 million for the comparable period of 2010 (and increased 6% in U.S. dollar terms). Demand remained high, particularly for our high-end imaging, despite the disruptions of our processing centers in Tripoli, Tunis and Cairo.

### *Multi-client*

Operating revenues from our Multi-client division for the three months ended March 31, 2011 decreased 24% to 55.0 million from 71.9 million for the comparable period of 2010 (and decreased 25% in U.S. dollar terms) mainly due to lower Gulf of Mexico marine sales, seasonality and reduced multi-client spending by oil and gas companies.

Multi-client marine data library revenues decreased 38% to 32.7 million for the three months ended March 31, 2011 from 52.9 million for the three months ended March 31, 2010 (and decreased 40% in U.S. dollar terms). With a rate of 89%, prefunding decreased 41% to 13.4 million for the three months ended March 31, 2011 from 22.8 million for the comparable period of 2010 (and decreased 43% in U.S. dollar terms). After-sales decreased 36% to 19.2 million for the three months ended March 31, 2011 from 30.1 million for the comparable period of 2010 (and decreased 38% in U.S. dollar terms), mainly due to declines in the Gulf of Mexico, where the seasonality of the fourth quarter of 2010 was particularly high.

Multi-client land data library revenues increased 16% to 21.7 million for the three months ended March 31, 2011 from 18.9 million for the comparable period of 2009 (and increased 13% in U.S. dollar terms).

Prefunding, with a rate of 88%, increased 32% to 16.0 million for the three months ended March 31, 2011 from 12.1 million for the comparable period of 2010 (and increased 29% in U.S. dollar terms) mainly due to our 1.800 km<sup>2</sup> Marcellus program in the U.S.A. After-sales decreased 15% to 5.8 million for the three months ended March 31, 2011 from 6.8 million for the comparable period of 2010 (and decreased 18% in U.S. dollar terms).

### Equipment

Operating revenues for our Equipment segment, including intra-group sales, increased 27% to 201.6 million for the three months ended March 31, 2011 from 158.9 million for the comparable period of 2010. In U.S. dollar terms, revenues increased 24% to U.S.\$274.8 million for the three months ended March 31, 2011 from U.S.\$ 221.9 million for the comparable period of 2010. Sales were supported by continued robust demand for both high-end land and marine equipment, including increased new technology sales of Unite wireless and DSU digital sensors in land. Unrest in North Africa partially impacted land sales with expected deliveries postponed in Libya. Intra-group sales represented 26% of operating revenue in the Equipment segment as Sentinel and Nautilus systems were delivered for installation on our *Pacific Finder* and *Master* vessels.

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Operating revenues for our Equipment segment, excluding intra-group sales, increased 8% to 143.3 million for the three months ended March 31, 2011 from 132.5 million for the comparable period in 2010 (and increased 6% in U.S. dollar terms).

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### ***Operating Expenses***

Cost of operations, including depreciation and amortization, increased 18% to 464.0 million for the three months ended March 31, 2011 from 392.9 million for the comparable period of 2010 mainly due to increased activity, particularly in our Land and Equipment divisions, and the negative effect of the U.S.\$/ exchange rate. As a percentage of operating revenues, cost of operations increased to 87% for the three months ended March 31, 2011 from 79% for the comparable period of 2010. Gross profit decreased 33% to 70.9 million for the three months ended March 31, 2011 from 105.9 million for the comparable period of 2010, representing 13% and 21% of operating revenues, respectively.

Research and development expenditures increased 11% to 14.8 million for the three months ended March 31, 2011, from 13.3 million for the comparable period of 2010, representing 2.8% and 2.7% of operating revenues, respectively.

Selling and marketing expenses decreased 18% to 13.6 million for the three months ended March 31, 2011 from 16.6 million for the comparable period of 2009 (and decreased 21% in U.S. dollar terms).

General and administrative expenses decreased 30% to 34.5 million for the three months ended March 31, 2011 from 49.3 million for the comparable period of 2010 mainly due to cost savings measures. As a percentage of operating revenues, general and administrative costs decreased to 6% for the three months ended March 31, 2011 from 10% for the comparable period of 2010.

Other revenues amounted to 8.9 million for the three months ended March 31, 2011 mainly due to a 7.8 million gain on sale of assets in relation with the Norfield transaction completed on January 13, 2011. Other expenses amounted to 0.3 million for the three months ended March 31, 2010.

### ***Operating Income (Loss)***

Our operating income decreased 35% to 17.0 million for the three months ended March 31, 2011, from 26.3 million for the comparable period of 2010 (and decreased 37% in U.S. dollar terms) as a result of the factors described above.

Operating loss for our Services segment was 19.1 million for the three months ended March 31, 2011 compared to an operating income of 10.1 million for the three months ended March 31, 2010.

Operating income from our Equipment segment increased 95% to 69.3 million for three months ended March 31, 2011 from 35.5 million for the comparable period of 2010 (and increased 91% in U.S. dollar terms).

### ***Financial Income and Expenses***

Cost of net financial debt increased 33% to €32.5 million for the three months ended March 31, 2011 from €24.5 million for the comparable period of 2010 mainly due to (i) the accelerated amortization of issuing fees for U.S.\$5.2 million related to the repayment, on March 1, 2011, of U.S.\$460 million in aggregate principal amount of our U.S.\$530 million 7 <sup>1</sup>/<sub>2</sub>% Senior Notes due 2015 and, (ii) and U.S.\$2.8 million interests still paid between the issuance, on January 27, 2011, of our convertible bonds to be redeemed on January 1, 2016 for a total nominal amount of €360 million and the 7 <sup>1</sup>/<sub>2</sub>% Senior Notes repayment (notice period).

Other financial expenses were 10.8 million for the three months ended March 31, 2011 as a result of a U.S.\$17 million premium paid for the partial early redemption of our 7 <sup>1</sup>/<sub>2</sub>% Senior Notes due 2015 described above, compared to financial income of 7.4 million for the three months ended March 31, 2010 due to currency fluctuations.

### ***Income Taxes***

Income tax expenses decreased to 2.1 million for the three months ended March 31, 2011 from 9.1 million for the comparable period of 2010.

### ***Equity in Income (Losses) of Affiliates***

Income from investments accounted for under the equity method increased to 1.4 million for the three months ended March 31, 2011 from 0.2 million for the comparable period of 2010. The contribution of Argas, our joint-venture in Saudi Arabia, was 0.9 million for the three months ended March 31, 2011 the same as during the comparable period of 2010.

***Net Income***

Net loss was 27.0 million for the three months ended March 31, 2011 compared to 0.4 million for the comparable period of 2010 as a result of the factors discussed above.

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### **Liquidity and Capital Resources**

Our principal capital needs are for the funding of ongoing operations, capital expenditures (particularly repairs and improvements to our seismic vessels), investments in our multi-client data library and acquisitions.

We intend to fund our liquidity needs through cash generated by operations, senior notes and borrowings under our U.S. and French facilities. Our senior facilities consist of a term loan B facility with U.S.\$507 million outstanding as of March 31, 2011 maturing in January 2014 (with respect to U.S.\$164 million) and January 2016 (with respect to the remaining U.S.\$343 million) and a U.S.\$140 million U.S. revolving facility (U.S.\$135 million undrawn as of March 31, 2011) maturing in January 2012. We also have a U.S.\$200 million senior secured revolving facility in France (U.S.\$172 undrawn as of March 31, 2011) maturing in January 2014. We have also from time to time in the past raised funds through issuances of shares and convertible bonds and may do so in the future.

We believe that we are not subject to near-term liquidity constraints, given our liquidity available as of March 31, 2011, our cash flow generation capability and prospects, and our near-to mid-term debt repayment schedule.

### **Cash Flows**

#### ***Operations***

Net cash provided by operating activities was 148.5 million for the three months ended March 31, 2011 compared to 108.0 million for the comparable period of 2010. Before changes in working capital, net cash provided by operating activities for the three months ended March 31, 2011 was 90.0 million compared to 91.6 million for the comparable period for 2010. Changes in working capital had a positive impact on cash from operating activities of 58.5 million in the three months ended March 31, 2011 compared to 16.4 million for the comparable period for 2010 mainly due to payments from customers following strong revenues in multi-clients sales in the fourth quarter of 2010.

#### ***Investing activities***

Net cash used in investing activities was 85.8 million in the three months ended March 31, 2011 compared to 99.0 million for the three months ended March 31, 2010.

During the three months ended March 31, 2011, we incurred purchases of tangible assets of 54.3 million essentially for the upgrade of the seismic vessels *Geowave Master* (now named *Oceanic Phoenix*) and *Geowave Endeavour* (now named *Oceanic Endeavour*) compared to 37.7 million for the three months ended March 31, 2010.

We also invested 32.6 million in our multi-client library compared to 62.2 million in the comparable period of 2010. As of March 31, 2011, the net book value of our multi-client data library was 423.1 million compared to 451.2 million as of December 31, 2010.

#### ***Financing activities***

Net cash used in financing activities during the three months ended March 31, 2011 was 21.9 million compared to 72.9 million for the three months ended March 31, 2010.

On January 13, 2011, Voyager AS entered into a U.S.\$45 million credit facility secured by a pledge over the vessel *Voyager*, subject to substantially the same covenants as the Term Loan B.

On January 27, 2011, we issued 360 million aggregate principal amount of bonds convertible into and/or exchangeable for new or existing shares of our company to be redeemed on January 1, 2016.

On March 1, 2011, with the proceeds of the convertible bonds, we repaid U.S.\$460 million aggregate principal amount of our U.S.\$530 million 7<sup>1/2</sup> % Senior Notes due 2015. The notes were redeemed at 103.75% of their principal amount plus accrued interest.

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

### **Net Financial debt**

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Net financial debt as of March 31, 2011 was 1,016.2 million compared to 1,149.7 million as of December 31, 2010. The ratio of net financial debt to equity was 38% as of March 31, 2011 compared to 41% as of December 31, 2010.

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The net financial debt as of March 31, 2010 included a convertible bond liability of 268 million. The equity component related to the convertible bond net of deferred taxes amounted to 56 million.

Gross financial debt is the amount of bank overdrafts, plus current portion of financial debt, plus financial debt, and net financial debt is gross financial debt less cash and cash equivalents. Net financial debt is presented as additional information because we understand that certain investors believe that netting cash against debt provides a clearer picture of the financial liability exposure. However, other companies may present net financial debt differently than we do. Net financial debt is not a measure of financial performance under IFRS and should not be considered as an alternative to any other measures of performance derived in accordance with IFRS.

The following table presents a reconciliation of net debt to financing items of the balance sheet at March 31, 2011 and December 31, 2010:

| (in millions of euros)            | March 31,<br>2011 | December 31,<br>2010 |
|-----------------------------------|-------------------|----------------------|
| Bank overdrafts                   | 1.8               | 4.5                  |
| Current portion of long-term debt | 79.6              | 74.5                 |
| Financial debt                    | 1,294.9           | 1,406.6              |
| <b>Gross financial debt</b>       | <b>1,376.3</b>    | <b>1,485.6</b>       |
| Less : cash and cash equivalents  | (360.1)           | (335.9)              |
| <b>Net financial debt</b>         | <b>1,016.2</b>    | <b>1,149.7</b>       |

For a more detailed description of our financing activities, see Liquidity and Capital Resources in our annual report on Form 20-F for the year ended December 31, 2010.

**EBITDAS**

EBITDAS for the three months ended March 31, 2011 was 117.2 million compared to 125.7 million for the comparable period of 2010, representing 22% and 25% of operating revenues, respectively.

We define EBITDAS as earnings before interest, tax, depreciation, amortization and share-based compensation cost. Share-based compensation includes both stock options and shares issued under our performance share allocation plans. EBITDAS is presented as additional information because we understand that it is a measure used by certain investors to determine our operating cash flow and historical ability to meet debt service and capital expenditure requirements. However, other companies may present EBITDAS and related measures differently than we do. EBITDAS is not a measure of financial performance under IFRS and should not be considered as an alternative to cash flow from operating activities or as a measure of liquidity or an alternative to net income as indicators of our operating performance or any other measures of performance derived in accordance with IFRS.

The following table presents a reconciliation of EBITDAS to Net cash provided by operating activity, according to our cash-flow statement, for the periods indicated:

| (in millions of euros)               | Three months ended<br>March 31, |              |
|--------------------------------------|---------------------------------|--------------|
|                                      | 2011                            | 2010         |
| <b>EBITDAS</b>                       | <b>117.2</b>                    | <b>125.7</b> |
| Other financial income (expense)     | (10.8)                          | 7.4          |
| Variance on Provisions               | (8.5)                           | (18.7)       |
| Net gain on disposal of fixed assets | (8.5)                           | (0.8)        |
| Dividends received from affiliates   |                                 | 2.2          |
| Other non-cash items                 | 4.0                             | (3.1)        |
| Income taxes paid                    | (3.4)                           | (21.1)       |

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|                                                |              |              |
|------------------------------------------------|--------------|--------------|
| Change in trade accounts receivables           | 117.0        | 15.0         |
| Change in inventories                          | (15.4)       | (1.9)        |
| Change in other current assets                 | (39.5)       | (15.6)       |
| Change in trade accounts payables              | (29.8)       | 36.2         |
| Change in other current liabilities            | 12.0         | (20.7)       |
| Impact of changes in exchange rate             | 14.2         | 3.4          |
| <b>Net cash provided by operating activity</b> | <b>148.5</b> | <b>108.0</b> |

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**Table of Contents****Contractual obligations**

The following table sets forth our future cash obligations as of March 31, 2011:

| (in millions of euros)                        | Payments Due by Period |              |              |                   | Total          |
|-----------------------------------------------|------------------------|--------------|--------------|-------------------|----------------|
|                                               | Less than 1 year       | 2-3 years    | 4-5 years    | More than 5 years |                |
| Financial Debt                                | 38.8                   | 142.1        | 548.1        | 513.0             | 1,242.0        |
| Finance Lease Obligations (not discounted)    | 24.0                   | 29.3         | 15.5         | 48.3              | 117.1          |
| Operating Leases (a)                          | 137.6                  | 200.1        | 151.1        | 343.0             | 831.8          |
| - Bareboat agreements                         | 65.2                   | 130.7        | 121.0        | 279.7             | 596.5          |
| - Other operating lease agreement             | 72.4                   | 69.4         | 30.1         | 63.3              | 235.3          |
| Other Long-Term Obligations (interests)       | 74.5                   | 146.0        | 127.4        | 27.5              | 375.4          |
| <b>Total Contractual Cash Obligations (b)</b> | <b>274.9</b>           | <b>517.5</b> | <b>842.1</b> | <b>931.8</b>      | <b>2,566.3</b> |

(a) Includes the time charter agreements for the seismic vessels *Oceanic Sirius* and *Pacific Finder*

(b) Payments in foreign currencies are converted in euro at March 31, 2011 exchange rates.

**Reconciliation of EBITDAS to U.S. GAAP****Summary of differences between IFRS and U.S. GAAP with respect to EBITDAS**

The principal differences between IFRS and U.S. GAAP as they relate to our EBITDAS relate to the treatment of pension plans, development costs and derivative instruments and hedging activities.

***Pension plan***

Pursuant to an exemption provided by IFRS 1 First-time adoption of IFRS, we have elected to record unrecognized actuarial gains and losses as of January 1, 2004 to retained earnings. Under U.S. GAAP, this exemption is not applicable, which generates a difference resulting from the amortization of actuarial gains and losses recognized in statement of income.

Under IFRS, in accordance with IAS 19 Revised, actuarial gains or losses are recognized in the statement of recognized income and expense (SORIE) attributable to shareholders.

Under U.S. GAAP, we apply Statement 158 Employers Accounting for Defined Benefit Pension and Other Postretirement Plan, an amendment of FASB Statements No. 87, 88, 106, and 132(R), effective for fiscal years ending after December 15, 2006.

Gains or losses are amortized over the remaining service period of employees expected to receive benefits under the plan, and therefore recognized in the income statement.

***Development costs***

Under IFRS, expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalized if:

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

the product or process is technically and commercially feasible,

the Group has sufficient resources to complete development, and

the intangible asset is likely to generate future economic benefits.

Under U.S. GAAP, all expenditures related to research and development are recognized as an expense in the income statement.

***Derivative instruments and hedging activity***

Under IFRS, long-term contracts in foreign currencies (primarily U.S. dollar) are not considered to include embedded derivatives when such contracts are routinely denominated in this currency (primarily U.S. dollar) in the industry.

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Under U.S. GAAP, such an exemption does not exist and embedded derivatives in long-term contracts in foreign currencies (primarily U.S. dollar) are recorded in the balance sheet at fair value and revenues and expenses with a non-U.S. client or supplier are recognized at the forward exchange rate negotiated at the beginning of the contract. The variation of fair market value of the embedded derivative foreign exchange contracts is recognized in the income statement in the line item *Other financial income (loss)* .

***Provision for marine redundancy plan***

Under IFRS, a provision for redundancy plan should be recognized when the entity has a detailed formal plan for the restructuring, and has raised a valid expectation for those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Under U.S. GAAP, termination benefits can be recognized only when those affected have rendered all services required to receive benefits.

| Unaudited<br>In millions of euros                        | Three months ended March 31, |              |
|----------------------------------------------------------|------------------------------|--------------|
|                                                          | 2011                         | 2010         |
| <b>EBITDAS as reported</b>                               | <b>117.2</b>                 | <b>125.7</b> |
| Actuarial gains (losses) on pension plan                 | (0.1)                        | (0.1)        |
| Cancellation of IFRS capitalization of development costs | (3.8)                        | (3.9)        |
| <b>EBITDAS according to U.S. GAAP</b>                    | <b>113.3</b>                 | <b>121.7</b> |

**Item 3: CONTROLS AND PROCEDURES**

There has been no change in our internal control over financial reporting during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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THIS FORM 6-K REPORT IS HEREBY INCORPORATED BY REFERENCE INTO THE PROSPECTUS CONTAINED IN CGG VERITAS REGISTRATION STATEMENTS ON FORM S-8 (REGISTRATION STATEMENT NO. 333-150384, NO. 333-166250 AND NO.333-158684) AND SHALL BE A PART THEREOF FROM THE DATE ON WHICH THIS REPORT IS FURNISHED, TO THE EXTENT NOT SUPERSEDED BY DOCUMENTS OR REPORTS SUBSEQUENTLY FILED OR FURNISHED.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, CGGVeritas has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

/s/ Stéphane-Paul Frydman  
Compagnie Générale de Géophysique Veritas

(Registrant)

/s/ Stéphane-Paul Frydman  
Stéphane-Paul Frydman  
Group Chief Financial Officer

Date: May 4, 2011