

CGG VERITAS
Form 6-K
May 11, 2007

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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
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

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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

(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 level of oil and gas company spending, specially exploration spending;

changes in international economic and political conditions, and in particular in oil and gas prices;

technological advances to image the subsurface and technological obsolescence;

competition in our industry;

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

the ability to finance operations on acceptable terms;

possible difficulties and delays in achieving synergies and cost savings in connection with merger with Veritas DGC Inc.;

exposure to the credit risk of customers;

the complexity of products sold;

changes to existing regulations or technical standards;

existing and future litigation;

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

revenue fluctuations that are beyond our control;

the costs and risks associated with pension and post-retirement benefit obligations;

compliance with environmental, health and safety laws; and

our ability to attract and retain key employees.

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.

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

| | March 31, 2007 (unaudited) euros | March 31, 2007 (unaudited) U.S.\$ (1) | December 31, 2006 euros | December 31, 2006 U.S.\$ (2) |
|--|---|--|----------------------------------|---------------------------------------|
| Historical data | | | | |
| amounts in millions of | | | | |
| ASSETS | | | | |
| Cash and cash equivalents | 382.8 | 509.8 | 251.8 | 331.6 |
| Trade accounts and notes receivable, net | 554.3 | 738.2 | 301.1 | 396.6 |
| Inventories and work-in-progress, net | 223.4 | 297.5 | 188.7 | 248.5 |
| Income tax assets | 18.0 | 24.0 | 18.0 | 23.7 |
| Other current assets, net | 83.7 | 111.5 | 63.1 | 83.1 |
| Assets held for sale | | | 0.4 | 0.5 |
| Total current assets | 1,262.2 | 1,681.0 | 823.1 | 1,084.0 |
| Deferred tax assets | 102.0 | 135.8 | 43.4 | 57.2 |
| Investments and other financial assets, net | 32.9 | 43.8 | 19.2 | 25.2 |
| Investments in companies under equity method | 41.3 | 55.0 | 46.2 | 60.9 |
| Property, plant and equipment, net | 658.8 | 877.4 | 455.2 | 599.5 |
| Intangible assets, net | 665.6 | 886.5 | 127.6 | 168.1 |
| Goodwill | 2,083.0 | 2,774.2 | 267.4 | 352.2 |
| Total non-current assets | 3,583.6 | 4,772.7 | 959.0 | 1,263.1 |
| TOTAL ASSETS | 4,845.8 | 6,453.7 | 1,782.1 | 2,347.1 |
| LIABILITIES AND SHAREHOLDERS | | | | |
| EQUITY | | | | |
| Bank overdrafts | 21.8 | 29.0 | 6.5 | 8.6 |
| Current portion of financial debt | 55.7 | 74.2 | 38.1 | 50.2 |
| Trade accounts and notes payable | 263.6 | 351.1 | 161.2 | 212.4 |
| Accrued payroll costs | 96.6 | 128.7 | 74.4 | 97.9 |
| Income taxes liability | 57.8 | 77.0 | 37.7 | 49.7 |
| Advance billings to customers | 54.2 | 72.1 | 45.9 | 60.4 |
| Provisions current portion | 9.8 | 13.1 | 10.4 | 13.7 |
| Other current liabilities | 87.1 | 115.9 | 31.3 | 41.2 |
| Total current liabilities | 646.6 | 861.1 | 405.5 | 534.1 |
| Deferred tax liabilities | 182.3 | 242.8 | 66.5 | 87.6 |
| Provisions non-current portion | 42.8 | 57.0 | 25.5 | 33.6 |
| Financial debt | 1,517.8 | 2,021.4 | 361.0 | 475.5 |
| Other non-current liabilities | 24.9 | 33.2 | 23.7 | 31.2 |
| Total non-current liabilities | 1,767.8 | 2,354.4 | 476.7 | 627.9 |
| Common stock, 46 371 386 shares authorized 27,253,172 shares with a 2 nominal value issued and outstanding at March 31, 2007; 17,597,888 at December 31, 2006 | 54.5 | 72.6 | 35.2 | 46.4 |
| Additional paid-in capital | 1,814.3 | 2,416.4 | 394.9 | 520.0 |
| Retained earnings | 530.0 | 705.8 | 320.6 | 422.4 |

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| | | | | |
|--|----------------|----------------|----------------|----------------|
| Treasury shares | (0.8) | (1.2) | 3.0 | 3.9 |
| Net income (loss) for the period Attributable to the Group | 67.4 | 89.8 | 157.1 | 206.8 |
| Income and expense recognized directly in equity | 3.2 | 4.4 | 4.8 | 6.3 |
| Cumulative translation adjustment | (61.4) | (81.8) | (38.6) | (50.8) |
| Total shareholders equity | 2,407.2 | 3,206.0 | 877.0 | 1,155.0 |
| Minority interests | 24.2 | 32.2 | 22.9 | 30.1 |
| Total shareholders equity and minority interests | 2,431.4 | 3,238.2 | 899.9 | 1,185.1 |
| TOTAL LIABILITIES AND SHAREHOLDERS EQUITY | 4,845.8 | 6,453.7 | 1,782.1 | 2,347.1 |

(1) Conversion at the closing exchange rate of 1.332 U.S. dollar per euro

(2) Conversion at the closing exchange rate of 1.317 U.S. dollar per euro

See notes to Consolidated Financial Statements

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COMPAGNIE GÉNÉRALE DE GÉOPHYSIQUE VERITAS, S.A.
UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

In order to provide comparable information including Veritas operations, proforma financial information is presented for 2006, as if Veritas was acquired on January 1, 2006. The merger of CGG and Veritas was completed on January 12, 2007.

| | Three months ended March 31, | | | | | |
|--|--|--|--|--|--|--|
| | 2007 (unaudited) euros Historical data | 2007 (unaudited) U.S. \$ (1) Historical data | 2006 (unaudited) euros Historical data | 2006 (unaudited) U.S. \$ (2) Historical data | 2006 (unaudited) euros Proforma data | 2006 (unaudited) U.S. \$ (2) Proforma data |
| except per share data, amounts in millions of | | | | | | |
| Operating revenues | 592.2 | 777.3 | 322.1 | 384.1 | 536.1 | 639.4 |
| Other income from ordinary activities | 0.2 | 0.3 | 0.4 | 0.5 | 0.4 | 0.4 |
| Total income from ordinary activities | 592.4 | 777.6 | 322.5 | 384.6 | 536.5 | 639.8 |
| Cost of operations | (386.0) | (506.7) | (202.1) | (241.0) | (369.2) | (440.3) |
| Gross profit | 206.4 | 270.9 | 120.4 | 143.6 | 167.3 | 199.5 |
| Research and development expenses net | (14.8) | (19.4) | (8.8) | (10.5) | (12.1) | (14.4) |
| Selling, general and administrative expenses | (51.7) | (68.0) | (28.6) | (34.1) | (42.7) | (50.9) |
| Other revenues (expenses) net | 3.6 | 4.8 | 1.5 | 1.9 | 1.4 | 1.6 |
| Operating income | 143.5 | 188.3 | 84.5 | 100.8 | 113.9 | 135.8 |
| Expenses related to financial debt | (38.2) | (50.2) | (8.3) | (9.9) | (36.0) | (42.9) |
| Income provided by cash and cash equivalents | 4.4 | 5.8 | 1.3 | 1.5 | 3.6 | 4.3 |
| Cost of financial debt, net | (33.8) | (44.4) | (7.0) | (8.4) | (32.4) | (38.6) |
| Variance on derivative on convertible bonds | | | (12.4) | (14.8) | (12.4) | (14.8) |
| Other financial income (loss) | (0.2) | (0.2) | (1.7) | (2.0) | (1.4) | (1.6) |
| Income (loss) of consolidated companies before income taxes | 109.5 | 143.7 | 63.4 | 75.6 | 67.7 | 80.8 |
| Income taxes | (41.0) | (53.8) | (19.6) | (23.3) | (44.0) | (52.5) |
| Net income from consolidated companies | 68.5 | 89.9 | 43.8 | 52.2 | 23.8 | 28.3 |
| Equity in income (losses) of investees | 0.5 | 0.6 | 2.7 | 3.3 | 2.7 | 3.3 |
| Net income (loss) | 69.0 | 90.5 | 46.5 | 55.5 | 26.5 | 31.6 |

Attributable to :

| | | | | | | |
|--------------------------|------|------|------|------|------|------|
| <i>Shareholders</i> | 67.4 | 88.5 | 46.2 | 55.1 | 26.2 | 31.2 |
| <i>Minority interest</i> | 1.6 | 2.0 | 0.3 | 0.4 | 0.3 | 0.4 |

| | | | | | | |
|--|------------|------------|------------|------------|------------|------------|
| Weighted average number of shares outstanding | 25,494,720 | 25,494,720 | 17,118,524 | 17,118,524 | 25,139,986 | 25,139,986 |
| Dilutive potential shares from stock-options | 312,855 | 312,855 | 359,122 | 359,122 | 359,122 | 359,122 |
| Dilutive potential shares from free shares | 110,813 | 110,813 | | | | |
| Dilutive potential shares from convertible bonds (3) | | | 252,500 | 252,500 | 252,500 | 252,500 |
| Adjusted weighted average number of shares and assumed option exercises when dilutive (3) | 25,918,388 | 25,918,388 | 17,477,646 | 17,477,646 | 25,499,108 | 25,499,108 |

Net earning per share attributable to shareholders

| | | | | | | |
|---------|------|------|------|------|------|------|
| Basic | 2.65 | 3.47 | 2.70 | 3.22 | 1.04 | 1.24 |
| Diluted | 2.60 | 3.41 | 2.64 | 3.11 | 1.02 | 1.21 |

(1) Conversion at the average exchange rate of 1.313 U.S. dollar per euro

(2) Conversion at the average exchange rate of 1.193 U.S. dollar per euro

(3) For the period ended March 31, 2006, the effect of convertible bonds was anti-dilutive.

See notes to Consolidated Financial Statements

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COMPAGNIE GÉNÉRALE DE GÉOPHYSIQUE VERITAS, S.A.
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

| Historical data amounts in millions of euros | Three months ended March 31, | | | |
|--|---------------------------------------|--|---------------------------------------|--|
| | 2007 (unaudited) euros | 2007 (unaudited) U.S.\$ (1) | 2006 (unaudited) euros | 2006 (unaudited) U.S.\$ (2) |
| OPERATING | | | | |
| Net income (loss) | 69.0 | 90.6 | 46.5 | 55.5 |
| Depreciation and amortization | 42.7 | 56.0 | 24.1 | 28.8 |
| Multi-client surveys amortization | 68.9 | 90.4 | 19.0 | 22.7 |
| Variance on provisions | 3.1 | 4.1 | 3.3 | 3.9 |
| Expense & income calculated on stock-option | 2.8 | 3.7 | 0.1 | 0.1 |
| Net gain on disposal of fixed assets | 0.4 | 0.5 | (1.5) | (1.8) |
| Equity in income of affiliates | (0.5) | (0.7) | (2.7) | (3.2) |
| Dividends received from affiliates | 5.2 | 6.8 | 4.1 | 4.9 |
| Other non-cash items | 6.8 | 8.9 | 13.1 | 15.6 |
| Net cash including net cost of financial debt and income taxes | 198.4 | 260.4 | 106.0 | 126.5 |
| Less net cost of financial debt | 33.8 | 44.4 | 7.0 | 8.4 |
| Less income taxes expenses | 41.0 | 53.8 | 19.6 | 23.4 |
| Net cash excluding net cost of financial debt and income taxes | 273.2 | 358.6 | 132.6 | 158.2 |
| Income taxes paid | (24.2) | (31.8) | (16.1) | (19.2) |
| Net cash before changes in working capital | 249.0 | 326.8 | 116.5 | 139.0 |
| change in trade accounts and notes receivables | (63.5) | (83.3) | 0.3 | 0.4 |
| change in inventories and work-in-progress | (15.4) | (20.2) | (16.0) | (19.1) |
| change in other current assets | (8.2) | (10.8) | 3.8 | 4.5 |
| change in trade accounts and notes payable | (28.0) | (36.8) | (30.0) | (35.8) |
| change in other current liabilities | (0.7) | (0.9) | 10.8 | 12.9 |
| Impact of changes in exchange rate | (1.2) | (1.6) | (3.2) | (3.8) |
| Net cash provided by operating activity | 132.0 | 173.3 | 82.2 | 98.1 |
| INVESTING | | | | |
| Total purchases of tangible and intangible assets (included variation of fixed assets suppliers)) | (71.9) | (94.4) | (56.0) | (66.8) |
| Increase in multi-client surveys | (61.8) | (81.1) | (10.4) | (12.4) |
| Proceeds from disposals tangible and intangible | 22.1 | 29.0 | 5.4 | 6.4 |
| Total net acquisition of Investments | (2,504.7) | (3,287.5) | | |
| Variation in subsidies for capital expenditures | (0.2) | (0.3) | | |
| Variation in other financial assets | 12.0 | 15.8 | 0.1 | 0.1 |
| Net cash from investing activities | (2,604.5) | (3,418.4) | (60.9) | (72.7) |
| FINANCING | | | | |
| Repayment of long-term debts | (549.2) | (720.8) | (120.0) | (143.0) |
| Total issuance of long-term debts | 1,756.8 | 2,305.8 | 139.8 | 166.8 |
| Reimbursement on leasing | (3.6) | (4.7) | (10.1) | (12.0) |
| Change in short-term loans | 15.2 | 20.0 | 3.0 | 3.6 |
| Financial interest paid | (45.5) | (59.7) | (1.1) | (1.3) |
| <i>Net proceeds from capital increase</i> from shareholders | 1,438.8 | 1,888.4 | 3.8 | 4.5 |

| | | | | |
|---|----------------|----------------|--------------|--------------|
| Buying & sales of own shares | (3.8) | (5.0) | 3.1 | 3.7 |
| Net cash provided by financial activities | 2,608.7 | 3,424.0 | 18.6 | 22.2 |
| Effects of exchange rate changes on cash | (5.2) | (6.8) | (2.5) | (3.0) |
| Net increase (decrease) in cash and cash equivalents | 131.0 | 171.9 | 37.4 | 44.6 |
| Cash and cash equivalents at beginning of year | 251.8 | 330.5 | 112.4 | 134.1 |
| Cash and cash equivalents at end of period | 382.8 | 502.4 | 149.8 | 178.7 |

(1) Conversion at the average exchange rate of 1.313 U.S. dollar per euro

(2) Conversion at the average exchange rate of 1.193 U.S. dollar per euro

See notes to Consolidated Financial Statements

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COMPAGNIE GÉNÉRALE DE GÉOPHYSIQUE VERITAS, S.A.
CONSOLIDATED STATEMENTS OF CHANGES
IN UNAUDITED CONSOLIDATED SHAREHOLDERS' EQUITY
(UNAUDITED)

| | Number of shares issued | Share capital | Additional paid-in capital | Retained earnings | Treasury shares | Income and expense recognized directly in translation adjustment | Cumulative Total shareholders' equity | Minority interest | Total shareholders' equity and minority interest | |
|---|-------------------------------|------------------|----------------------------------|----------------------|--------------------|--|--|----------------------|---|--------------|
| (amounts in millions of euros, except share data) | | | | | | | | | | |
| Balance at January 01, 2006 | 17,081,680 | 34.2 | 372.3 | 283.2 | (1.1) | (1.4) | 11.3 | 698.5 | 11.7 | 710.2 |
| Capital increase | 241,294 | 0.5 | 11.9 | | | | | 12.4 | | 12.4 |
| Conversion of convertible bonds | 274,914 | 0.5 | 10.7 | 31.0 | | | | 42.2 | | 42.2 |
| Net income | | | | 157.1 | | | | 157.1 | 1.6 | 158.7 |
| Cost of share-based payment | | | | 7.4 | | | | 7.4 | (0.3) | 7.1 |
| Operations on treasury shares | | | | | 4.1 | | | 4.1 | | 4.1 |
| <i>Actuarial gains and losses of pension plans (1) (a)</i> | | | | (1.0) | | | | (1.0) | | (1.0) |
| <i>Financial instruments: change in fair value and transfer to income statement(2) (a)</i> | | | | | | 6.2 | | 6.2 | | 6.2 |
| <i>Foreign currency translation: change in fair value and transfer to income statement(3) (a)</i> | | | | | | | (49.9) | (49.9) | (1.6) | (51.5) |
| Income and expense recognized directly in equity (1) + (2) + (3) | | | | (1.0) | | 6.2 | (49.9) | (44.7) | (1.6) | (46.3) |
| Changes in consolidation scope | | | | | | | | | 11.5 | 11.5 |
| Balance at December 31, 2006 | 17,597,888 | 35.2 | 394.9 | 477.7 | 3.0 | 4.8 | (38.6) | 877.0 | 22.9 | 899.9 |
| Capital increase | 9,655,284 | 19.3 | 1,419.4 | 50.3 | | | | 1,489.0 | | 1,489.0 |
| Net income | | | | 67.4 | | | | 67.4 | 1.5 | 68.9 |
| Cost of share-based payment | | | | 2.8 | | | | 2.8 | | 2.8 |
| Operations on treasury shares | | | | | (3.8) | | | (3.8) | | (3.8) |
| <i>Actuarial gains and losses of pension plans (1) (a)</i> | | | | (0.8) | | | | (0.8) | | (0.8) |
| <i>Financial instruments: change in fair value and transfer to income statement(2) (a)</i> | | | | | | (1.6) | | (1.6) | | (1.6) |
| <i>Change In Fair value and transfer to income statement(3) (a)</i> | | | | | | | (22.8) | (22.8) | (0.2) | (23.0) |
| Income and expense recognized directly in equity (1) + (2) + (3) | | | | (0.8) | | (1.6) | (22.8) | (25.2) | (0.2) | (25.4) |

Changes in consolidation scope

| | | | | | | | | | | |
|----------------------------------|-------------------|-------------|----------------|--------------|--------------|------------|---------------|----------------|-------------|----------------|
| Balance at March 31, 2007 | 27,253,172 | 54.5 | 1,814.3 | 597.4 | (0.8) | 3.2 | (61.4) | 2,407.2 | 24.2 | 2,431.4 |
|----------------------------------|-------------------|-------------|----------------|--------------|--------------|------------|---------------|----------------|-------------|----------------|

(a) net of deferred
tax

See notes to Consolidated Financial Statements

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| | March 31, | |
|--|---|-------------|
| | 2007 | 2006 |
| | (amounts in millions of euros) | |
| Net income (loss) | 67.4 | 46.2 |
| Change in actuarial gains and losses on pension plan | (0.8) | |
| Change in fair value of available-for-sale investments | | |
| Change in fair value of hedging instruments | (1.6) | 3.3 |
| Change in foreign currency translation adjustment | (22.8) | (11.2) |
| Incomes and expenses recognized directly in equity for the period | 42.2 | 38.3 |

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COMPAGNIE GÉNÉRALE DE GÉOPHYSIQUE VERITAS, S.A.
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 seismic industry, as a manufacturer of geophysical equipment and providing a wide range of services : seismic data acquisition and related processing and interpretation software principally to clients in the oil and gas exploration and production business.

Given that the Company is listed on the Eurolist of Euronext Paris and pursuant to European regulation n°1606/2002 dated July 19, 2002, the accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB) and the European Union at March 31, 2007.

International Financial Reporting Standards differ in certain significant respects from accounting principles generally accepted in the United States (U.S. GAAP). Note 4 describes the principal differences between IFRS and U.S. GAAP as they relate to the Group, and EBITDA to U.S. GAAP for the period ended March 31, 2006 and for the period ended March 31, 2007.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Our significant accounting policies are described in Item 2 Management s discussion and analysis of financial conditions and results of operations .

Note 2 Acquisitions and disposals

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

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

33,004,041 of the shares, or 81.7%, had elected to receive cash,

5,788,701 of the shares, or 14.3%, had elected to receive CGG ADSs; and

1,627,741 of the shares, or 4.0%, did not make a valid election.

Stockholders electing cash received, on average, 0.9446 CGV ADSs and \$45.32 in cash per share of Veritas common stock. Stockholders electing ADSs and stockholders making no valid election received 2.0097 CGV ADSs per share of Veritas common stock. In aggregate, approximately \$1.5 billion and approximately 46.1 million shares of CGV ADSs were paid to Veritas stockholders as merger consideration. Based on a valuation of CGGV s ADS at U.S.\$40.50 on January 12, 2007, the total consideration of the merger amounted to approximately U.S.\$3.5 billion.

Total direct transaction costs related to the merger (including advisory fees and attorneys fees) amounted to 26 million (U.S.\$33 million).

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

March 31, 2007

| (in millions) | | US\$ |
|--|--------------|--------------|
| Net book value of assets acquired | 628 | 810 |
| Preliminary Fair Value Adjustments | | |
| Trade name (indefinite life) | 23 | 30 |
| Technology (useful life of 5 years) | 32 | 41 |
| Customer relationship (useful life of 20 years) | 128 | 165 |
| Multi-client seismic library (maximum life of 5 years) | 74 | 96 |
| Favorable contracts (weighted average remaining life of 5 years) | 53 | 68 |
| Fixed Assets (weighted average remaining life of 3 years) | 26 | 33 |
| Other intangible asset | 22 | 28 |
| Contingent liabilities | (16) | (21) |
| Other liabilities | (8) | (10) |
| Deferred taxes on the above adjustments | (115) | (148) |
| Preliminary goodwill | 1,878 | 2,421 |
| Purchase Price | 2,725 | 3,513 |

The amount allocated to goodwill represents the excess of the purchase price over the fair value of the net assets acquired. This preliminary allocation may be subject to modifications within the next 12 months.

Technology, Customer relationships and other intangible assets

Amortization expense related to technology and customer relationships acquired was approximately U.S.\$3.5 million for the first quarter ended March 31, 2007 and is expected to be U.S.\$16.5 million per year. Other intangible asset relates to exploration and appraisal licences in the U.K. North Sea that were sold in February 2007 for a net amount of U.S.\$27.5 million. Neither an amortization expense nor a gain was recognized in the period.

Favorable contracts and fixed assets

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

Amortization expense related to favorable contracts acquired was U.S.\$3.5 million for the first quarter ended March 31, 2007 and is expected to be U.S.\$16.2 million per year.

In determining the fair value of the fixed assets, it was considered that the remaining useful life of the fixed assets acquired exceeded the estimated useful life currently being used for amortization expense. Therefore, the combined effect of the fair value adjustments and the change in estimate of the useful life of the assets resulted in a net reduction of depreciation cost of U.S.\$2.6 million for the first quarter ended March 31, 2007.

Multi-client data library

After consideration of the estimated number of future years that revenues are expected to be generated from the completed surveys of the multiclient data library at the time of the transaction, CGG Veritas concluded that the remaining life of the completed surveys was a maximum of 5 years, from the end of the 12 month-revision period for the purchase price assessment. The fair value of these surveys was determined by projecting the expected future revenues over the estimated remaining life of the surveys at the date of acquisition.

Therefore, the U.S.\$285 million of capitalized multi-client data costs, including a U.S.\$96 million adjustment, will be amortized over this 5 year-period pro rata the percentage of revenues generated and a minimum straight-line depreciation of 5 years as described in our critical accounting policies. CGG Veritas currently considers that, as the majority of revenues to be generated by sales of new surveys are achieved within a 5 year period, under no circumstance will an individual survey carry a net book value greater than a 5-year straight-line amortized value for all surveys added to the library after this transaction.

The net impact of the U.S. \$96 million fair value adjustment combined with the estimated remaining life of the surveys resulted in an additional amortization expense of U.S.\$11.2 million for the first quarter ended March 31, 2007.

Contingent Liabilities

Due to the merger and the change of control of Veritas, contractual obligations related to a portion of severance costs for certain Veritas employees have been recognized for an amount of U.S.\$21 million (16 million).

Note 3 Analysis by operating segment and geographic area

Our business is to provide seismic data for the oil and gas and mining industries. We divide our businesses into two industry segments:

geophysical services (the acquisition of raw data): (i) land and shallow water data acquisition, (ii) data acquisition offshore, and (iii) processing and interpretation of geophysical data, data management and reservoir studies, and geophysical equipment (manufacture and sales of seismic equipment such as recording and transmission equipment and vibrators used to acquire data and produced by our Sercel subsidiaries)

Our geophysical services business is organized into two geographical areas: the Western Hemisphere, which includes the Americas and the Eastern Hemisphere, which includes Europe, the Middle East, Africa and Asia-Pacific.

The following tables present operating revenues by business lines and by geographic area based on the location of the customer, and operating income and identifiable assets by operating segment.

Revenues by Business line

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; Veritas figures have been incorporated as of January 12th, 2007 at the time the merger was effective. For the purpose of providing the best understanding of our performance, the Q1 2007 results will be compared to pro forma Q1 2006 figures including Veritas operations for 2006, as if Veritas were acquired on January 1, 2006:

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| Except percentages, in millions of | Three months ended March 31, | | | | | | | | | | | |
|------------------------------------|------------------------------|-------------|-----------------|-------------|---------------|-------------|---------------|-------------|-----------------|-------------|-----------------|-------------|
| | 2007 | | | | 2006 | | | | 2006 | | | |
| | Historical data | | Historical data | | Proforma data | | Proforma data | | Historical data | | Historical data | |
| | euros | U.S.\$ (1) | U.S.\$ (1) | euros | U.S.\$ (1) | U.S.\$ (1) | U.S.\$ (1) | euros | U.S.\$ (1) | U.S.\$ (1) | U.S.\$ (1) | |
| Land | 124.9 | 21% | 163.9 | 21% | 101.7 | 19% | 121.2 | 19% | 33.4 | 10% | 39.8 | 10% |
| Offshore | 249.6 | 42% | 327.6 | 42% | 283.4 | 53% | 338.0 | 53% | 161.5 | 50% | 192.7 | 50% |
| Processing & Reservoir | 68.4 | 12% | 89.6 | 12% | 62.6 | 12% | 74.7 | 12% | 34.7 | 11% | 41.4 | 11% |
| Merger adjustment (2) | (17.2) | (3)% | (22.6) | (3)% | | | | | | | | |
| Total Services | 425.7 | 72% | 558.7 | 72% | 447.7 | 84% | 533.9 | 84% | 229.6 | 71% | 273.8 | 71% |
| Equipment | 166.5 | 28% | 218.6 | 28% | 88.4 | 16% | 105.5 | 16% | 92.5 | 29% | 110.3 | 29% |
| Total | 592.2 | 100% | 777.3 | 100% | 536.1 | 100% | 639.4 | 100% | 322.1 | 100% | 384.1 | 100% |

(1) Conversion at the average exchange rate of 1.313 U.S. dollar per euro in 2007, of 1.193 in 2006.

(2) Elimination of January 1 to January 12, 2007 operating revenues since the merger with Veritas was effective on January 12, 2007

Table of Contents**COMPAGNIE GÉNÉRALE DE GÉOPHYSIQUE VERITAS, S.A.****Revenues by geographic area**

The following table sets forth our consolidated operating revenues by geographic area, and the percentage of total consolidated operating revenues represented thereby, during each of the periods stated; for the purpose of providing the best understanding of our performance, proforma information is presented for 2006, as if Veritas were acquired on January 1, 2006:

Analysis of operating revenues by geographic origin

| Except percentages, in millions of | Three months ended March 31, | | | | | | | | | | | |
|---------------------------------------|------------------------------|-------------|-----------------|-------------|---------------|-------------|---------------|-------------|-----------------|-------------|-----------------|-------------|
| | 2007 | | | | 2006 | | | | 2006 | | | |
| | Historical data | | Historical data | | Proforma data | | Proforma data | | Historical data | | Historical data | |
| | euros | | U.S.\$ (1) | | euros | | U.S.\$ (1) | | euros | | U.S.\$ (1) | |
| France | 121.5 | 21% | 159.4 | 21% | 73.1 | 14% | 87.2 | 14% | 73.0 | 23% | 87.1 | 23% |
| Rest of Europe | 35.7 | 6% | 46.8 | 6% | 44.3 | 8% | 52.8 | 8% | 19.1 | 6% | 22.8 | 6% |
| Asia-Pacific/Middle | | | | | | | | | | | | |
| East | 124.2 | 21% | 163.0 | 21% | 124.4 | 23% | 148.3 | 23% | 96.2 | 30% | 114.7 | 30% |
| Africa | 36.4 | 6% | 47.8 | 6% | 19.1 | 4% | 22.8 | 4% | 19.0 | 6% | 22.7 | 6% |
| Americas | 274.4 | 46% | 360.3 | 46% | 275.2 | 51% | 328.3 | 51% | 114.8 | 35% | 136.8 | 35% |
| Total | 592.2 | 100% | 777.3 | 100% | 536.1 | 100% | 639.4 | 100% | 322.1 | 100% | 384.1 | 100% |

(1) Conversion at the average exchange rate of 1.313 U.S. dollar per euro in 2007, of 1.193 in 2006.

Analysis of operating revenues by location of customers

| Except percentages, in millions of | Three months ended March 31, | | | | | | | | | | | |
|---------------------------------------|------------------------------|-------------|-----------------|-------------|---------------|-------------|---------------|-------------|-----------------|-------------|-----------------|-------------|
| | 2007 | | | | 2006 | | | | 2006 | | | |
| | Historical data | | Historical data | | Proforma data | | Proforma data | | Historical data | | Historical data | |
| | euros | | U.S.\$ (1) | | euros | | U.S.\$ (1) | | euros | | U.S.\$ (1) | |
| France | 5.5 | 1% | 7.2 | 1% | 2.3 | 0% | 2.7 | 0% | 2.2 | 1% | 2.6 | 1% |
| Rest of Europe | 69.9 | 12% | 91.7 | 12% | 53.2 | 10% | 63.5 | 10% | 44.4 | 14% | 53.0 | 14% |
| Asia-Pacific/Middle | | | | | | | | | | | | |
| East | 203.5 | 34% | 267.1 | 34% | 162.3 | 31% | 193.5 | 31% | 133.3 | 41% | 159.0 | 41% |
| Africa | 47.4 | 8% | 62.2 | 8% | 32.3 | 6% | 38.5 | 6% | 27.7 | 9% | 33.0 | 9% |
| Americas | 265.9 | 45% | 349.1 | 45% | 286.0 | 53% | 341.2 | 53% | 114.5 | 35% | 136.5 | 35% |
| Total | 592.2 | 100% | 777.3 | 100% | 536.1 | 100% | 639.4 | 100% | 322.1 | 100% | 384.1 | 100% |

(1) Conversion at the average exchange rate of 1.313 U.S.

dollar per euro
in 2007, of
1.193 in 2006.

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Table of Contents**COMPAGNIE GÉNÉRALE DE GÉOPHYSIQUE VERITAS, S.A.***Analysis by operating segment*

| Historical data | 2007 (unaudited) | | | | Three months ended March 31, | | | Consolidated Total |
|--|---|--------------|------------------------------|------------------------|--|--------------|-----------------------------|--------------------|
| | Services | Equipment | Adjustments | and Consolidated Total | Services | Equipment | Adjustments | |
| | Eliminations and Consolidated (in millions) | | | | 2006 historical (unaudited) Eliminations and Adjustments (in millions) | | | |
| Revenues from unaffiliated customers | 425.7 | 166.5 | | 592.2 | 229.6 | 92.5 | | 322.1 |
| Inter-segment revenues | | 37.9 | (37.9) | | 0.2 | 29.0 | (29.2) | |
| Operating revenues | 425.7 | 204.4 | (37.9) | 592.2 | 229.8 | 121.5 | (29.2) | 322.1 |
| Other income from ordinary activities | 0.2 | | | 0.2 | 0.4 | | | 0.4 |
| Total income from ordinary activities | 425.9 | 204.4 | (37.9) | 592.4 | 230.2 | 121.5 | (29.2) | 322.5 |
| Operating income (loss) | 101.3 | 69.0 | (26.8) ^(a) | 143.5 | 62.0 | 29.3 | (6.8) ^(a) | 84.5 |
| Equity in income (loss) of investees | 0.5 | | | 0.5 | 2.7 | | | 2.7 |
| Capital expenditures ^(b) | 145.8 | 3.3 | (14.0) | 135.1 | 66.6 | 4.2 | (4.4) | 66.4 |
| Depreciation and amortization ^(c) | 109.0 | 4.8 | (2.2) | 111.6 | 40.9 | 4.3 | (2.1) | 43.1 |
| Investments in companies under equity method | | | | | | | | |
| Identifiable assets | 4,053.3 | 624.3 | (264.7) | 4,412.9 | 1,120.7 | 437.1 | (127.5) | 1,430.3 |
| Unallocated and corporate assets | | | | 432.9 | | | | 195.4 |

| | | |
|---------------------|----------------|----------------|
| Total Assets | 4,845.8 | 1,625.7 |
|---------------------|----------------|----------------|

- (a) Includes general corporate expenses of 9.8 million for the three months ended March 31, 2007 and 4.8 million for the comparable period in 2006.
- (b) Includes investments in multi-client surveys of 61.8 million for the first three months ended March 31, 2007 and 10.4 million for the first three months ended March 31, 2006, equipment acquired under capital leases of 0.0 million for the first three months ended March 31, 2007 and 0.1 million for the first three months ended March 31, 2006, and development costs capitalized for 1.3 million for the first three months ended March 31, 2007 and 1.2 million

for the
comparable
period of 2006,
in the Services
segment.

Capitalized
development
costs in the
Products
segment were

0.9 million for
the three months
ended March
31, 2007 and

0.9 million for
the comparable
period of 2006.

- (c) Includes
multi-client
survey
amortization of
68.9 million for
the first three
months ended
March 31, 2007
and 19.0 million
for the
comparable
period of 2006.

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COMPAGNIE GÉNÉRALE DE GÉOPHYSIQUE VERITAS, S.A.

Note 4 Reconciliation to u.s. gaap

A Summary of differences between accounting principles followed by the group and u.s. gaap

The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union, which differ in certain significant respects from U.S. GAAP. These differences relate primarily to the following items, and the necessary adjustments are shown in the tables in section B below.

Goodwill

Under IFRS, we no longer amortize goodwill beginning January 1, 2004.

Under US GAAP, we no longer amortize goodwill beginning January 1, 2002.

Deferred taxes

Under IFRS, deferred tax assets or liabilities, related to non-monetary assets or liabilities that are remeasured from the local currency into the functional currency using historical exchange rates and that result from changes in exchange rates, are recognized.