

CGG VERITAS
Form 6-K
May 05, 2010

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FORM 6-K
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
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 2010

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

(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;
- difficulties and delays in achieving synergies and cost savings;
- 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;
- difficulties in temporarily or permanently reducing the capacity of our fleet;
- 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.

Certain of these risks are described in our annual report on Form 20-F for the year ended December 31, 2009 that we filed with the SEC on April 23, 2010. Our annual report on Form 20-F is available on our website at www.cggveritas.com or on the website

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maintained by the SEC at 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 or 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**

amounts in millions of	March 31, 2010 (unaudited)		December 31, 2009	
		US\$ (1)		US\$ (2)
ASSETS				
Cash and cash equivalents	439.7	592.7	480.3	691.9
Trade accounts and notes receivable, net	550.6	742.2	564.1	812.7
Inventories and work-in-progress, net	233.1	314.2	223.8	322.4
Income tax assets	64.5	87.0	66.3	95.5
Other current assets, net	116.1	156.5	89.5	129.0
Assets held for sale, net	13.1	17.7	13.3	19.1
Total current assets	1,417.1	1,910.3	1,437.3	2,070.6
Deferred tax assets	80.4	108.4	74.3	107.0
Investments and other financial assets, net	39.2	52.8	35.9	51.7
Investments in companies under equity method	101.1	136.3	99.0	142.7
Property, plant and equipment, net	715.8	964.8	677.7	976.3
Intangible assets, net	796.6	1,073.7	728.9	1,050.1
Goodwill	1,992.8	2,686.1	1,868.1	2,691.2
Total non-current assets	3,725.9	5,022.1	3,483.9	5,019.0
TOTAL ASSETS	5,143.0	6,932.4	4,921.2	7,089.6
LIABILITIES AND SHAREHOLDERS EQUITY				
Bank overdrafts	3.1	4.2	2.7	3.9
Current portion of financial debt	70.0	94.4	113.5	163.5
Trade accounts and notes payable	245.0	330.3	179.8	259.0
Accrued payroll costs	105.8	142.6	118.5	170.7
Income taxes liability	38.8	52.2	42.5	61.2
Advance billings to customers	12.6	16.9	23.8	34.3
Provisions current portion	28.2	38.0	40.2	58.0
Other current liabilities	142.2	191.8	158.7	228.5
Total current liabilities	645.7	870.4	679.7	979.2
Deferred tax liabilities	115.7	156.0	120.7	173.9
Provisions non-current portion	106.5	143.5	104.6	150.7
Financial debt	1,363.1	1,837.3	1,282.8	1,848.0
Other non-current liabilities	33.1	44.7	31.9	46.0
Total non-current liabilities	1,618.4	2,181.5	1,540.0	2,218.6
Common stock 214,844,092 shares authorized and 151,295,874 shares with a 0.40 nominal value issued and outstanding at March 31, 2010 and 151,146,594 at December 31, 2009	60.5	81.6	60.5	87.1
Additional paid-in capital	1,966.9	2,651.2	1,965.9	2,832.1
Retained earnings	874.6	1,178.8	1,136.0	1,636.5
Treasury shares	(8.4)	(11.3)	(13.5)	(19.4)

Net income (loss) for the period	Attributable to the Group	(2.5)	(3.4)	(264.3)	(380.7)
Income and expense recognized directly in equity		(2.2)	(2.9)	0.9	1.2
Cumulative translation adjustment		(55.4)	(74.7)	(224.2)	(323.0)
Total shareholders equity attributable to owners of CGGVeritas SA		2,833.5	3,819.3	2,661.3	3,833.8
Minority interests		45.4	61.2	40.2	58.0
Total shareholders equity and minority interests		2,878.9	3,880.5	2,701.5	3,891.8
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY		5,143.0	6,932.4	4,921.2	7,089.6

(1) Dollar amounts represent euro amounts converted at the exchange rate of US\$1.348 per on the balance sheet date.

(2) Dollar amounts represent euro amounts converted at the exchange rate of US\$1.441 per on the balance sheet date.

See notes to Interim Consolidated Financial Statements

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

Three months ended March 31,

except per share data, amounts in millions of	2010	US\$ (1)		2009	US\$ (2)
Operating revenues	498.0	696.1	648.5	851.2	
Other income from ordinary activities	0.8	1.2	0.8	1.0	
Total income from ordinary activities	498.8	697.3	649.3	852.2	
Cost of operations	(392.9)	(549.3)	(454.0)	(595.9)	
Gross profit	105.9	148.0	195.3	256.3	
Research and development expenses, net	(13.3)	(18.6)	(16.1)	(21.2)	
Selling, general and administrative expenses	(66.0)	(92.2)	(66.7)	(87.6)	
Other revenues (expenses), net	(0.3)	(0.4)	(12.2)	(16.0)	
Operating income	26.3	36.8	100.3	131.5	
Expenses related to financial debt	(25.2)	(35.2)	(27.1)	(35.5)	
Income provided by cash and cash equivalents	0.7	1.0	0.9	1.2	
Cost of financial debt, net	(24.5)	(34.2)	(26.2)	(34.3)	
Other financial income (loss)	7.4	10.3	2.4	3.1	
Income of consolidated companies before income taxes	9.2	12.9	76.5	100.3	
Deferred taxes on currency translation	(2.7)	(3.8)	0.3	0.4	
Other income taxes	(6.4)	(8.9)	(23.2)	(30.5)	
Total income taxes	(9.1)	(12.7)	(22.9)	(30.1)	
Net income from consolidated companies	0.1	0.2	53.6	70.2	
Equity in income of investees	0.2	0.3	0.4	0.5	
Net income	0.4	0.5	54.0	70.7	
<i>Attributable to :</i>					
<i>Shareholders</i>	(2.5)	(3.5)	52.7	69.1	
<i>Minority interest</i>	2.9	4.0	1.3	1.6	
Weighted average number of shares outstanding	151,270,379	151,270,379	150,617,709	150,617,709	
Dilutive potential shares from stock-options	445,790	445,790	281,467	281,467	
Dilutive potential shares from free shares	334,214	334,214	806,500	806,500	
Adjusted weighted average number of shares and assumed option	152,050,383	152,050,383	151,705,676	151,705,676	

exercises when dilutive

**Net earning per share attributable
to shareholders**

Basic	(0.2)	(0.2)	0.35	0.46
Diluted	(0.2)	(0.2)	0.35	0.46

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

(2) Dollar amounts represent euro amounts converted at the average exchange rate for the period of US\$1.313 per .

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

amounts in millions of	Three months ended March 31,			
	2010		2009	
		US\$(1)		US\$(2)
OPERATING				
Net income (loss)	0.4	0.6	54.0	70.7
Depreciation and amortization	55.7	77.9	67.6	88.7
Multi-client surveys amortization	39.9	55.8	40.4	53.0
Variance on provisions	(18.7)	(26.1)	(3.7)	(4.9)
Expense & income calculated on stock-option	3.7	5.2	6.9	9.1
Net gain on disposal of fixed assets	(0.8)	(1.1)	1.3	1.6
Equity in income of affiliates	(0.2)	(0.3)	(0.4)	(0.5)
Dividends received from affiliates	2.2	3.1		
Other non-cash items	(3.1)	(4.3)	3.9	5.4
Net cash including net cost of financial debt and income taxes	79.1	110.6	170.0	223.1
Less net cost of financial debt	24.5	34.2	26.2	34.3
Less income taxes	9.1	12.7	22.9	30.1
Net cash excluding net cost of financial debt and income taxes	112.7	157.5	219.1	287.5
Income taxes paid	(21.1)	(29.5)	(36.0)	(47.4)
Net cash before changes in working capital	91.6	128.0	183.1	240.1
- change in trade accounts and notes receivables	15.0	21.0	(6.6)	(8.7)
- change in inventories and work-in-progress	(1.9)	(2.7)	13.3	17.4
- change in other current assets	(15.6)	(21.8)	(13.9)	(18.2)
- change in trade accounts and notes payable	36.2	50.6	(41.9)	(55.1)
- change in other current liabilities	(20.7)	(28.9)	(29.9)	(39.2)
Impact of changes in exchange rate	3.4	4.8	(10.7)	(14.0)
Net cash provided by operating activities	108.0	151.0	93.4	122.3
INVESTING				
Total purchases of tangible and intangible assets (including variation of fixed assets suppliers)	(37.7)	(52.7)	(40.6)	(53.3)
Increase in multi-client surveys	(62.2)	(86.9)	(69.5)	(91.2)
Proceeds from disposals of tangible and intangible	3.0	4.2	0.3	0.4
Total net proceeds from financial assets				
Total net acquisition of investments			(59.5)	(78.1)
Impact of changes in consolidation scope			(2.0)	(2.6)
Variation in loans granted	(0.6)	(0.8)	1.8	2.4
Variation in subsidies for capital expenditures				
Variation in other financial assets	(1.5)	(2.1)		
Net cash used in investing activities	(99.0)	(138.3)	(169.5)	(222.4)
FINANCING				
Repayment of long-term debts	(38.3)	(53.5)	(24.3)	(31.9)
Total issuance of long-term debts			0.2	0.3
Reimbursement on leasing	(37.5)	(52.4)	(7.3)	(9.6)
Change in short-term loans	0.4	0.6	1.2	1.6

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Financial interest paid	(3.6)	(5.0)	(11.3)	(14.8)
<i>Net proceeds from capital increase</i>				
- from shareholders	1.0	1.4		
- from minority interest of integrated companies				
Buying & sales of own shares	5.1	7.1	(0.3)	(0.4)
Dividend paid to minority interest				
Net cash used in financial activities	(72.9)	(101.9)	(41.8)	(54.8)
Effects of exchange rate changes on cash	23.3	(10.0)	19.1	(8.1)
Net increase (decrease) in cash and cash equivalents	(40.6)	(99.2)	(98.8)	(163.0)
Cash and cash equivalents at beginning of year	480.3	691.9	516.9	719.4
Cash and cash equivalents at end of period	439.7	592.7	418.1	556.4

(1) 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 US\$1.348 per at March 31, 2010 and of US\$1.441 per at December 31, 2009).

(2) Dollar amounts represent euro amounts converted at the average exchange rate for the period of US\$1.313 per (except cash and cash equivalent balances converted at the closing rate of US\$1.331 per at March 31, 2009 and of US\$1.392 per at December 31, 2008).

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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,	
	2010	2009
Net income from statements of operations	0.4	54.0
Gain (loss) on cash flow hedges	(1.7)	5.9
Income taxes	0.6	(1.8)
Net gain (loss) on cash flow hedges	(1.1)	4.1
Gain (loss) on actuarial changes on pension plan	(0.3)	(0.1)
Income taxes	0.1	0.0
Net gain (loss) on actuarial changes on pension plan	(0.2)	(0.1)
Exchange differences on foreign currency translation	170.7	112.9
Other comprehensive income (loss) for the period, net of taxes, in companies consolidated under the equity method	(1.8)	
Other comprehensive income (loss) for the period, net of taxes	167.5	116.9
Total net comprehensive income for the period	167.9	170.9
<i>Attributable to:</i>		
<i>Shareholders</i>	<i>163.1</i>	<i>167.5</i>
<i>Minority interest</i>	<i>4.8</i>	<i>3.4</i>

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

	Number of Shares issued	Share capital	Additional paid-in capital	Retained earnings	Treasury shares	Income and expenses		Total shareholder equity	Minority interest	Total equity
						Recognized directly in equity	Cumulative translation adjustment			
Amounts in millions of euros, except share data)										
Balance at January 1, 2009	150,617,709	60.2	1,964.7	1,132.2	(18.1)	(2.5)	(176.4)	2,960.1	38.5	2,998.6
Net increase										
Comprehensive income				52.7				52.7	1.3	53.9
Share-based payment				6.9				6.9		6.9
Transactions on treasury shares					(0.3)			(0.3)		(0.3)
Gain (loss) on actuarial changes on pension						(0.1)		(0.1)		(0.1)
Gain (loss) on cash flow hedges (2)						4.1		4.1		4.1
Exchange differences on foreign currency translation(3)							110.8	110.8	2.1	112.9
Comprehensive income(1)+(2)+(3)						4.0	110.8	114.8	2.1	116.9
Changes in consolidation scope and other				(0.5)				(0.5)		(0.5)
Balance at March 31, 2009	150,617,709	60.2	1,964.7	1,191.3	(18.4)	1.5	(65.6)	3,133.7	41.9	3,175.6

	Number of Shares issued	Share capital	Additional paid-in capital	Retained earnings	Treasury shares	Income and expenses		Total shareholder equity	Minority interest	Total equity
						Recognized directly in equity	Cumulative translation adjustment			
Amounts in millions of euros, except share data)										
Balance at January 1, 2010	151,146,594	60.5	1,965.9	871.7	(13.5)	0.9	(224.2)	2,661.3	40.2	2,701.5
Net increase	149,280		1.0					1.0		1.0
Comprehensive income				(2.5)				(2.5)	2.9	0.4
Share-based payment				3.7				3.7		3.7
Transactions on treasury shares					5.1			5.1		5.1
Gain (loss) on actuarial changes on pension						(0.2)		(0.2)		(0.2)
Gain (loss) on cash flow hedges (2)						(2.9)		(2.9)		(2.9)

<i>Change differences on foreign currency translation (3)</i>							168.8	168.8	1.9	1
comprehensive income(1)+(2)+(3)					(3.1)		168.8	165.7	1.9	1
Changes in consolidation scope and other				(0.8)				(0.8)	0.4	
Balance at March 31, 2010	151,295,874	60.5	1,966.9	872.1	(8.4)	(2.2)	(55.4)	2,833.5	45.4	2,833.5

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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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations as issued by the International Accounting Standards Board (IASB). These interim consolidated financial statements are also in accordance with IFRS adopted by the European Union as of March 31, 2010 which are available on the following web site http://ec.europa.eu/internal_market/accounting/ias_en.htm#adopted-commission.

These interim consolidated financial statements have been authorized by the Board of Directors for issue on May 5, 2010.

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 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 for the three months ended March 31, 2010 have been prepared in accordance with IAS 34 Interim Financial Reporting.

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, 2009 included in its report on Form 20-F for the year 2009 filed with the SEC on April 23, 2010.

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, 2009, except for the adoption of the following new Standards and Interpretations:

IFRIC 12 Service Concession Arrangements adopted by the European Union in June 2009 and applicable on January 1, 2010

IFRIC 16 Hedges of a Net Investment in a Foreign Operation adopted by the European Union in June 2009 and applicable on January 1, 2010

IAS 27 Amendment Consolidated and Separate Financial Statements adopted by the European Union in June 2009 but applicable on January 1, 2010

IFRS 3R Business Combinations adopted by the European Union in June 2009 but applicable on January 1, 2010

IFRIC 15 Agreements for the Construction of Real Estate adopted by the European Union in July 2009 but applicable on January 1, 2010

Amendment to IAS 39: Eligible Hedged Items Combinations reclassification of financial assets adopted by the European Union in September 2009 but applicable as of January 1, 2010

Amendment to IAS 39 and IFRS 7: Reclassification of assets adopted by the European Union in September 2009

IFRIC 17 Distributions of Non-cash Assets to Owners adopted by the European Union in November 2009 but applicable as of January 1, 2010

IFRIC 18 Transfers of assets from customers adopted by the European Union in December 2009 but applicable as of January 1, 2010

Amendment to IFRS7 Improving disclosures about financial instruments adopted by the European Union in November 2009 but applicable as of January 1, 2010.

Amendment to IAS32 Classification of rights issues adopted by the European Union in December 2009 but applicable as of

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January 1, 2010.

Amendments to IFRIC 9 and IAS 39 Embedded derivatives adopted by the European Union in December 2009 but applicable as of January 1, 2010
2007-2009 annual improvements to IFRS adopted by the European Union in March 2010, and applicable as of January 1, 2010.

Amendment to IFRS2 Group cash-settled share-based payment transactions adopted by the European Union in March 2010, and applicable as of January 1, 2010.

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:

IAS24 Related Party Disclosures

IFRS9 Financial instruments: Recognition and Measurement of financial assets

Amendment to IFRIC 14 Prepayments of a Minimum Funding Requirement

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

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 estimates

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

Amortization of multi-client data library,

Depreciation and, if applicable, impairment of tangible and intangible assets, including goodwill,

Development costs,

Valuation of investments,

Recoverability of goodwill and intangible assets,

Income taxes, and

Employee benefit plans.

Judgments

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

Collectibility of accounts receivable,

Recoverability of deferred tax assets,

Fair value of assets and liabilities as part of the different purchase price allocations,

Provision for contingencies, claims and litigations.

Operating revenues

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

realized or are considered realizable. For contracts where the percentage of completion method of accounting is being applied, revenues are only recognized when the costs incurred for the transaction and the cost to complete the transaction can be measured reliably and such revenues are considered earned and realizable.

Multi-client surveys

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

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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 is begun based on the physical progress of the project.

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

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

Exclusive surveys

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

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. 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.

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 findings are applied to a plan or design for the production of new or substantially improved products and processes, are capitalized if:

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

the product or process is technically and commercially feasible,

we have sufficient resources to complete development, and

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

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

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

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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

On January 22, 2010, we sold our seismic vessel *Harmattan* for U.S.\$3.4 million.

On February 9, 2010 we early exercised our purchase option for the seismic vessel *Geo Challenger* for NOK250 million. We also sent a termination notice for our time charter on the *Pacific Titan*.

Note 3 Common stock and stock options plans

As of March 31, 2010, our share capital consisted of 151,295,874 shares, each with a par value of 0.4.

On January 6, 2010, the Board of Directors allocated 220,000 stock options to one beneficiary pursuant to a shareholders' resolution. The exercise price of the stock options is 14.71. The stock options expire on January 6, 2018. 110,000 of these stock options vest immediately, 55,000 will vest as of January 7, 2011 and 55,000 will vest as of January 7, 2012.

On March 22, 2010, the Board of Directors allocated:

1,348,150 stock options to 338 beneficiaries pursuant to a shareholders' resolution. The exercise price of the stock options is 19.44. The stock options expire on March 15, 2018. Rights to these options vest by one-third during each of the first three years of the plan;

509,925 performance shares to 332 beneficiaries pursuant to a shareholders' resolution, including 73,125 performance shares that were allocated to executive officers who were members of the Executive Committee (excluding the Chairman and the Chief Executive Officer);

200,000 stock options to the Chairman and Chief Executive Officer. Their exercise price is 19.44. 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 the following objectives:

A share price performance objective relative to the share price considering the SBF 120 index;

A share price performance objective relative to the ADS price considering the PHLX Oil Services Sectorsm (OSXsm) index; or

A financial indicator of EBITDAS objective expressed in U.S.\$ and related to the target for the annual variable part of compensation of the Chairman and Chief Executive Officer.

The options have an eight-year duration subject to the requirement, for all French residents, to hold the resulting shares in registered form from their purchase date until March 22, 2014 inclusive, except in limited cases listed in the plan regulation.

Note 4 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 to manage and measure the performance of CGG Veritas. We divide our business into two operating segments, geophysical services and geophysical equipment.

Our geophysical services segment comprises:

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

Multi-client land: seismic data acquisition licensed to a number of clients on a non-exclusive basis;

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

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

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

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Our equipment segment, which we conduct through Sercel Holding S.A. and its subsidiaries, handles 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 in the column "Eliminations and Adjustments" in the tables that follow.

Operating income of an industry segment represents operating revenues and other income from ordinary activities less expenses of that 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).

Analysis by operating segment

(Unaudited) (in millions of euros)	Three months ended March 31, 2010				2009			
	Services	Equipment	Adjustments	Total	Services (a)	Equipment	Adjustments (a)	Total
Revenues from unaffiliated customers	365.5	132.5		498.0	524.3	124.2		648.5
Inter-segment revenues	0.2	26.4	(26.6)		0.4	29.6	(30.0)	
Operating revenues	365.7	158.9	(26.6)	498.0	524.7	153.8	(30.0)	648.5
Other income from ordinary activities		0.8		0.8		0.8		0.8
Total income from ordinary activities	365.7	159.7	(26.6)	498.8	524.7	154.6	(30.0)	649.3
Operating income (loss)	10.1	35.5	(19.3) ^(b)	26.3	80.7	41.2	(21.6) ^(b)	100.3
Equity in income (loss) of investees	0.2			0.2	0.4			0.4
Capital expenditures ^(c)	98.8	2.7		101.5	128.1	5.1	0.2	133.4
Depreciation and amortization ^(d)	87.0	8.3	0.3	95.6	100.8	6.8	0.3	107.9
Investments in companies under equity method						4.0		4.0

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- (a) The segment information related to our Services segment for the three months ended March 31, 2009 was restated to reflect the change in our internal financial reporting occurred in 2010: (i) Operating income for our Services segment is presented after elimination of amortization expense corresponding to past inter-company capital expenditure between our Equipment segment and Services segment; (ii) Capital expenditures for our Services segment are presented after elimination of inter-segment margin. Those eliminations were previously presented in *Eliminations and Adjustments*.

- (b) Includes general corporate expenses of 11.2 million for the three months ended March 31, 2010 and 8.8 million for the comparable period in 2009.
- (c) Includes investments in multi-client surveys of 62.2 million for the three months ended March 31, 2010 and 69.5 million for the three months ended March 31, 2009 and capitalized development costs of 3.2 million for the three months ended March 31, 2010 and 3.3 million for the comparable period of 2009, in the Services segment. Capitalized development costs in the Equipment segment were 0.7 million for the three months ended March 31, 2010 and 0.6 million for the comparable period of 2009.

- (d) Includes multi-client survey amortization of 39.9 million for the three months ended March 31, 2010 and 40.4 million for the comparable period of 2009.

(in millions of U.S.\$)	Three months ended March 31, 2010 (1)				2009 (1)			
	Services	Equipment	Adjustments	Total	Services	Equipment	Adjustments	Total
Revenues from unaffiliated customers	511.1	185.0		696.1	688.2	160.7	2.3	851.2
Inter-segment revenues	0.2	36.9	(37.1)		0.5	40.4	(40.9)	
Operating revenues	511.3	221.9	(37.1)	696.1	688.7	201.1	(38.6)	851.2
Other income from ordinary activities		1.2		1.2		1.0		1.0
Total income from ordinary activities	511.3	223.1	(37.1)	697.3	688.7	202.1	(38.6)	852.2
Operating income (loss)	14.1	49.6	(26.9)	36.8	106.0	54.3	(28.8)	131.5

- (1) Dollar amounts represent euro amounts converted at the average exchange rate for the period of US\$1.398 per in 2010, of US\$1.313 per in 2009.

- (2) Dollar amounts for the Equipment segment

reflected the management reporting figures. The exchange difference between management reporting in US dollars and consolidated financial statements translated into US dollars was reported in the Eliminations and Adjustments column.

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,					
	2010			2009		
			US\$ (1)			US\$ (1)
North America	126.5	25%	176.8	129.6	20%	170.1
Central and South Americas	73.8	15%	103.2	36.1	6%	47.4
Europe, Africa and Middle East	189.0	38%	264.1	275.1	42%	361.0
Asia Pacific	108.7	22%	152.0	207.7	32%	272.7
Total	498.0	100%	696.2	648.5	100%	851.2

(1) Dollar amounts represent euro amounts converted at the average exchange rate for the period of US\$1.398 per in 2010 and of US\$1.313 per in 2009.

Note 5 Other revenues (expenses)

Marine restructuring plan

During the three months ended March 31, 2010, we paid approximately U.S.\$16 million related to our 2009 marine restructuring plan that was offset by the use of the corresponding provisions.

Note 6 Commitments and contingencies

Litigation and other risks

On January 29, 2010, a Texarkana jury found that Sercel Inc. infringed United States Patent No. 5,852,242 and that ION was entitled to \$25.2 million in lost profits. Sercel Inc. will ask the Court to overturn the jury's finding on several grounds, including ION's failure to prove by a preponderance of the evidence that the patent was infringed by Sercel Inc. and the invalidity of the patent due to ION's failure to disclose in the patent the best way of making the invention. The parties are expecting now the final judgment to be entered into from the Court prior to any further action. The Court had previously found the product claims of the patent invalid, and one of the claims for a method of manufacturing not infringed. Sercel is confident that the products do not infringe any valid claims of the patent at in question.

We do not believe this litigation will eventually have a material adverse effect on our financial position or profitability. Thus, no provision was recorded in the consolidated financial statements, except for the fees related to prepare the defense.

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

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. We divide our business into two operating segments, geophysical services and geophysical equipment.

Our geophysical services segment comprises:

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

Multi-client land: seismic data acquisition licensed to a number of clients on a non-exclusive basis;

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

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

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

Our 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.

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 the fourth quarter of 2009, we recognized an impairment loss on goodwill of 216 million on our marine business line as a result of market conditions.

See Item 4: Information on the Company - Industry conditions of our annual report on Form 20-F for the year ended December 31, 2009 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, 2009.

Unless otherwise indicated, balance sheet data expressed in U.S. dollars have been converted from euros at the exchange rate on

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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, 2009 and March 31, 2010 were U.S.\$1.441, and U.S.\$1.348 respectively, per euro, and the average exchange rates for the three-month periods ended March 31, 2009 and 2010 were U.S.\$1.313 and U.S.\$1.398, respectively, per euro.

Acquisitions and divestitures

On January 22, 2010, we sold our seismic vessel *Harmattan* for U.S.\$3.4 million.

On February 9, 2010 we early exercised our purchase option for the seismic vessel *Geo Challenger* for NOK250 million. We also sent a termination notice for our time charter on the *Pacific Titan*.

Indebtedness

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

New stock-option plans and performance shares allocation plan

On January 6, 2010, the Board of Directors allocated 220,000 stock options to one beneficiary pursuant to a shareholders' resolution. The exercise price of the stock options is 14.71. The stock options expire on January 6, 2018. 110,000 of these stock options vest immediately, 55,000 will vest as of January 7, 2011 and 55,000 will vest as of January 7, 2012.

On March 22, 2010, the Board of Directors allocated:

1,348,150 stock options to 338 beneficiaries pursuant to a shareholders' resolution. The exercise price of the stock options is 19.44. The stock options expire on March 15, 2018. Rights to these options vest by one-third during each of the first three years of the plan;

509,925 performance shares to 332 beneficiaries pursuant to a shareholders' resolution, including 73,125 performance shares that were allocated to executive officers who were members of the Executive Committee (excluding the Chairman and the Chief Executive Officer);

200,000 stock options to the Chairman and Chief Executive Officer. Their exercise price is 19.44. 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 the following objectives:

A share price performance objective relative to the share price considering the SBF 120 index;

A share price performance objective relative to the ADS price considering the PHLX Oil Services SectorSM (OSXSM) index; or

A financial indicator of EBITDAS objective expressed in U.S.\$ and related to the target for the annual variable part of compensation of the Chairman and Chief Executive Officer.

The options have an eight-year duration subject to the requirement, for all French residents, to hold the resulting shares in the registered form from their purchase date until March 22, 2014 inclusive, except in limited cases listed in the plan regulation.

Legal proceedings, claims and other contingencies

On January 29, 2010, a Texarkana jury found that Sercel Inc. infringed United States Patent No. 5,852,242 and that ION was entitled to \$25.2 million in lost profits. Sercel Inc. will ask the Court to overturn the jury's finding on several grounds, including ION's failure to prove by a preponderance of the evidence that the patent was infringed by Sercel Inc. and the invalidity of the patent due to ION's failure to disclose in the patent the best way of making the invention. The parties are expecting now the final judgment to be entered into from the Court prior to any further action. The Court had previously found the product claims of the patent invalid, and one of the claims for a method of manufacturing not infringed. Sercel is confident that the products do not infringe any valid claims of the patent at in question.

We do not believe this litigation will eventually have a material adverse effect on our financial position or profitability. Thus, no provision was recorded in the consolidated financial statements, except for the fees related to prepare the defense.

Backlog

Our backlog as of April 1, 2010 was U.S.\$1.5 billion. Contracts for services are occasionally modified by mutual consent and in

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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, 2010 compared to three months ended March 31, 2009**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,					
		2010 U.S.\$ ⁽¹⁾			2009 U.S.\$ ⁽¹⁾	
Land	100.5	140.4	20%	109.9	144.2	17%
Marine	198.2	277.1	40%	337.4	442.9	52%
Processing & Imaging	66.8	93.5	13%	77.1	101.2	12%
Total Services	365.5	511.0	73%	524.3	688.3	81%
Equipment	132.5	185.1	27%	124.2	162.9	19%
Total	498.0	696.1	100%	648.5	851.2	100%

(1) Dollar amounts represent euro amounts converted at the average exchange rate for the period of U.S.\$1.398 per in 2010, and of U.S.\$1.313 per in 2009.

Our consolidated operating revenues for the three months ended March 31, 2010 decreased 23% to 498.0 million from 648.5 million for the comparable period of 2009. Expressed in U.S. dollars, our consolidated operating revenues decreased 18% to U.S.\$696.1 million in the three months ended March 31, 2010 from U.S.\$851.2 million for the comparable period of 2009. This decrease is attributable to our Services segment, while operating revenues for our Equipment segment increased.

Services

Operating revenues for our Services segment (excluding intra-group sales) decreased 30% to 365.5 million for the three months ended March 31, 2010 from 524.3 million for the comparable period of 2009 (and decreased 26% in U.S. dollar terms) mainly due to the effect on our Marine activity of lower-priced backlog and a reduced fleet following the 2009 marine restructuring plan.

Marine

Operating revenues from our Marine business line for the three months ended March 31, 2010 decreased 41% to 198.2 million from 337.4 million for the comparable period of 2009 (and decreased 37% in U.S. dollar terms).

Contract revenues decreased 49% to 145.3 million for the three months ended March 31, 2010 from 284.0 million for the comparable period of 2009 (and decreased 46% in U.S. dollar terms) principally due to lower priced backlog and volume, as we operated 27 seismic vessels during the three months ended March 31, 2009 after the acquisition of Wavefield compared to 21 vessels during the three months ended March 31, 2010. During the first three months ended March 31, 2010, 79% of our 3D fleet operated on contract compared to 82% for the three months ended March 31,

2009. The fleet availability and production rate was 90% and 92%, respectively, for the three months ended March 31, 2010. Contract revenues accounted for 73% of marine revenues for the three months ended March 31, 2010 compared to 84% for the comparable period of 2009.

Multi-client marine data library revenues were stable at 52.9 million for the three months ended March 31, 2010 compared to 53.4 million for the three months ended March 31, 2009 and increased 6% in U.S. dollar terms, supported by after-sales. With a rate of 44%, prefunding decreased 46% to 22.8 million for the three months ended March 31, 2010 from 42.1 million for the comparable period of 2009 (and decreased 42% in U.S. dollar terms) as some prefundings were delayed. After-sales increased 166% to 30.1 million for the three months ended March 31, 2010 from 11.3 million for the comparable period of 2009 (and increased 184% in U.S. dollar terms).

Land

Operating revenues from our Land business line decreased 9% to 100.5 million for the three months ended March 31, 2010, from 109.9 million for the comparable period of 2009 (and decreased 3% in U.S. dollar terms).

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Contract revenues decreased 19% to 81.5 million for the three months ended March 31, 2010 from 100.7 million for the comparable period of 2009 (and decreased 14% in U.S. dollar terms) as activity in Artic was reduced significantly. We operated 18 crews worldwide during the three months ended March 31, 2010 compared to 17 for the comparable period of 2009. Contract revenues accounted for 81% of land revenues for the three months ended March 31, 2010 compared to 92% for the comparable period of 2009.

Prefunding, with a rate of 115%, increased 250% to 12.1 million for the three months ended March 31, 2010 from 3.5 million for the comparable period of 2009 (and increased 273% in U.S. dollar terms) mainly due to the strong interest in our Haynesville shale gas program. After-sales increased 19% to 6.8 million for the three months ended March 31, 2010 from 5.7 million for the comparable period of 2009 (and decreased 24% in U.S. dollar terms).

Processing & Imaging

Operating revenues from our Processing & Imaging business line decreased 13% to 66.8 million for the three months ended March 31, 2010 from 77.1 million for the comparable period of 2009 (and decreased 8% in US\$ terms) due to a lower activity level outside the Americas.

Equipment

Operating revenues for our Equipment segment increased 3% to 158.9 million for the three months ended March 31, 2010 from 153.8 million for the comparable period of 2009. In U.S. dollar terms, revenues increased 10% to U.S.\$222.0 million for the three months ended March 31, 2010 from U.S.\$201.1 million for the comparable period of 2009 as a result of increasing demand in marine and take-up of new higher-end technology.

Operating revenues for our Equipment segment (excluding intra-group sales) increased 7% to 132.5 million for the three months ended March 31, 2010 from 124.2 million for the comparable period in 2009 (and increased 15% in U.S. dollar terms).

Operating Expenses

Cost of operations, including depreciation and amortization, decreased 13% to 392.9 million for the three months ended March 31, 2010 from 454.0 million for the comparable period of 2009 mainly due to a lower activity in marine. As a percentage of operating revenues, cost of operations increased to 79% for the three months ended March 31, 2010 from 70% for the comparable period of 2009. Gross profit decreased 46% to 105.9 million for the three months ended March 31, 2010 from 195.3 million for the comparable period of 2009, representing 21% and 30% of operating revenues, respectively.

Research and development expenditures decreased 17% to 13.3 million for the three months ended March 31, 2010, from 16.1 million for the comparable period of 2009, representing 2.7% and 2.5% of operating revenues, respectively.

Selling, general and administrative expenses, excluding share-based compensation, increased 4% to 62.3 million for the three months ended March 31, 2010 from 59.8 million for the comparable period of 2009, mainly due to a lower average U.S.\$/ exchange rate. Share-based compensation expense decreased to 3.7 for the three months ended March 31, 2010 from 6.9 for the comparable period of 2009.

As a percentage of operating revenues, selling, general and administrative costs increased to 13% for the three months ended March 31, 2010 from 10% for the comparable period of 2009.

Other expenses amounted to 0.3 million for the three months ended March 31, 2010. We paid approximately U.S.\$16 million related to the 2009 marine restructuring plan that was offset by the use of the corresponding provisions.

Other expenses, which included primarily gains on foreign exchange hedging activities, amounted to 12.1 million for the three months ended March 31, 2009.

Operating Income (Loss)

Our operating income decreased 74% to 26.3 million for the three months ended March 31, 2010, from 100.3 million for the comparable period of 2009 (and decreased 72% in U.S. dollar terms) as a result of the factors described above.

Operating income for our Services segment decreased 87% to 10.1 million for the three months ended March 31, 2010 from 80.7 million for the comparable period of 2009 (and decreased 87% in U.S. dollar terms). The segment information related to our Services segment for the three months ended March 31, 2009 was restated to reflect the

change in our internal financial reporting occurred in 2010. Operating income for our Services segment is presented after elimination of amortization expense corresponding to past inter-company capital expenditure between our Equipment segment and Services segment.

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Operating income from our Equipment segment decreased 14% to 35.5 million for three months ended March 31, 2010 from 41.2 million for the comparable period of 2009 (and decreased 9% in U.S. dollar terms).

Financial Income and Expenses

Cost of net financial debt decreased 6% to 24.5 million for the three months ended March 31, 2010 from 26.1 million for the comparable period of 2009 and was stable in U.S. dollar terms.

Other financial income was 7.4 million for the three months ended March 31, 2010 compared to 2.4 million for the three months ended March 31, 2009 due to currency fluctuations.

Income Taxes

Income tax expenses decreased to 9.1 million for the three months ended March 31, 2010 from 22.9 million for the comparable period of 2009. The effective tax rate, before deferred taxes on currency translation, for the three months ended March 31, 2010 was 69% compared to 30% for the comparable period of 2009.

Equity in Income (Losses) of Affiliates

Income from investments accounted for under the equity method decreased to 0.2 million for the three months ended March 31, 2010 from 0.4 million for the comparable period of 2009. Our share in the income of Argas, our joint venture in Saudi Arabia, was partially offset by our share in the loss of other Services entities.

Net Income

Net income was 0.4 million for the three months ended March 31, 2010 compared to 54.0 million for the comparable period of 2009 as a result of the factors discussed above.

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 (such as Veritas in 2007 and Wavefield in 2008).

We intend to fund our liquidity needs through cash generated by operations, senior notes and borrowings under our U.S. and French facilities. Our senior facilities consist of a term loan B facility (U.S.\$518 million outstanding as of March 31, 2010) maturing January 2014 and a \$140 million U.S. revolving facility (undrawn as of March 31, 2010) maturing January 2012. The French revolving facility consists of a U.S.\$200 million senior secured revolving facility (undrawn as of March 31, 2010) maturing January 2012.

We believe that we are not subject to near-term liquidity constraints, given our liquidity available as of March 31, 2010, 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 108.0 million for the three months ended March 31, 2010 compared to 93.4 million for the comparable period of 2009. Before changes in working capital, net cash provided by operating activities for the three months ended March 31, 2010 was 91.6 million compared to 183.1 million for the comparable period for 2009 due mostly to reduced net income in the later period. Changes in working capital had a positive impact on cash from operating activities of 16.4 million in the three months ended March 31, 2010 compared to a negative impact of 89.7 million for the comparable period for 2009.

Investing activities

Net cash used in investing activities was 99.0 million in the three months ended March 31, 2010 compared to 169.5 million for the three months ended March 31, 2009.

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During the three months ended March 31, 2010, we incurred purchases of tangible assets of 37.7 million mainly due to equipping our seismic vessel *Viking 2* with Sentinel streamers, compared to 40.6 million for the three months ended March 31, 2009.

We also invested 62.2 million in our multi-client library, mainly in the Gulf of Mexico and Brazil, compared to 69.5 million in the comparable period of 2009. As of March 31, 2010, the net book value of our multi-client data library was 526.2 million compared to 469.1 million as of December 31, 2009.

During the three months ended March 31, 2009, we acquired the remaining 30% of Wavefield for 59.5 million as part of the mandatory offer launched on December 30, 2008 and the squeeze-out process closed on February 16, 2009.

Financing activities

Net cash used in financing activities during the three months ended March 31, 2010 was 72.9 million compared to 41.8 million for the three months ended March 31, 2009.

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

As part of the amendment of our senior credit facilities signed on December 12, 2008, we repaid U.S.\$25.0 million of our senior facilities during the three months ended March 31, 2009.

Net Financial debt

Net financial debt as of March 31, 2010 was 996.5 million compared to 918.7 million at December 31, 2009. The ratio of net financial debt to equity was stable at 35% as of March 31, 2010 and December 31, 2009.

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, 2010 and December 31, 2009:

(in millions of euros)	March 31, 2010	December 31, 2009
Bank overdrafts	3.1	2.7
Current portion of long-term debt	70.0	113.5
Financial debt	1,363.1	1,282.8
Gross financial debt	1,436.2	1,399.0
Less : cash and cash equivalents	439.7	(480.3)
Net financial debt	996.5	918.7

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, 2009.

EBITDAS

EBITDAS for the three months ended March 31, 2010 was 125.7 million compared to 215.2 million for the comparable period of 2009, representing 25% and 33% 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

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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	
	2010	March 31, 2009
EBITDAS	125.7	215.2
Other financial income (loss)	7.4	2.4
Variance on Provisions	(18.7)	(3.7)
Net gain on disposal of fixed assets	(0.8)	1.3
Dividends received from affiliates	2.2	
Other non-cash items	(3.1)	3.9
Income taxes paid	(21.1)	(36.0)
Change in trade accounts receivables	15.0	(6.6)
Change in inventories	(1.9)	13.3
Change in other current assets	(15.6)	(13.9)
Change in trade accounts payables	36.2	(41.9)
Change on other current liabilities	(20.7)	(29.9)
Impact of changes in exchange rate	3.4	(10.7)
Net cash provided by operating activity	108.0	93.4

Contractual obligations

The following table sets forth our future cash obligations as of March 31, 2010:

(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	14.3	26.2	357.4	923.4	1,321.3
Capital Lease Obligations (in operation)	26.2	45.1	13.5	3.2	88.0
Operating Leases (in operation)	155.6	212.9	148.7	54.3	571.5
Other Long-Term Obligations (interest)	90.4	180.1	164.2	80.3	515.0
Total Contractual Cash Obligations	286.5	464.3	683.8	1,061.2	2,495.8

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.

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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.

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 In millions of euros	Three months ended March	
	2010	31, 2009
EBITDAS as reported	125.7	215.2
Actuarial gains (losses) on pension plan	(0.1)	(0.1)
Cancellation of IFRS capitalization of development costs	(3.9)	(3.8)
Derivative instruments		(1.5)
EBITDAS according to U.S. GAAP	121.7	209.8

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.333-158684 AND NO.333-166250 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
Stéphane-Paul Frydman
Compagnie Générale de Géophysique
Veritas (Registrant)

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

Date: May 5, 2010

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