

CGG VERITAS  
Form 6-K  
May 10, 2012  
Table of Contents

# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

## FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER  
PURSUANT TO RULE 13a-16 OR 15d-16 OF  
THE SECURITIES EXCHANGE ACT OF 1934

For the month of May 2012

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

Edgar Filing: CGG VERITAS - Form 6-K

**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

---

**Table of Contents**

**TABLE OF CONTENTS**

<u>FORWARD-LOOKING STATEMENTS</u>	3
Item 1 <u>FINANCIAL STATEMENTS</u>	4
<u>Unaudited Interim Consolidated Statements of Operations for the three months ended March 31, 2012 and 2011</u>	4
<u>Unaudited Interim Consolidated Statements of Comprehensive Income (loss) for the three months ended March 31, 2012 and 2011</u>	5
<u>Interim Consolidated Balance Sheets as of March 31, 2012 (unaudited) and December 31, 2011</u>	6
<u>Unaudited Interim Consolidated Statements of Cash Flows for the three months ended March 31, 2012 and 2011</u>	7
<u>Unaudited Interim Consolidated Statements of Changes in Equity for the three months ended March 31, 2012 and 2011</u>	8
<u>Notes to Unaudited Interim Consolidated Financial Statements</u>	9
Item 2 <u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	16
Item 3 <u>CONTROLS AND PROCEDURES</u>	22

**Table of Contents**

**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, including on our customers and suppliers;

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

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

any write-downs of goodwill on our balance sheet;

our ability to sell our seismic data library;

exposure to foreign exchange rate risk;

our ability to finance our operations on acceptable terms;

the impact of fluctuations in fuel costs on our marine acquisition business;

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

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

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

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;

## Edgar Filing: CGG VERITAS - Form 6-K

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

the seasonal nature of our revenues;

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

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

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

exposure to interest rate risk; and

our success at managing the foregoing risks.

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

Certain of these risks are described in our annual report on Form 20-F for the year ended December 31, 2011 that we filed with the SEC on April 20, 2012. Our annual report on Form 20-F is available on our website at [www.cggveritas.com](http://www.cggveritas.com) or on the website maintained by the SEC at [www.sec.gov](http://www.sec.gov). You may request a copy of our annual report on Form 20-F, which includes our complete audited financial statements, at no charge, by calling our investor relations department at + 33 1 6447 3831, sending an electronic message to [invrelparis@cggveritas.com](mailto:invrelparis@cggveritas.com) or [invrelhouston@cggveritas.com](mailto:invrelhouston@cggveritas.com) or writing to CGG Veritas – Investor Relations Department, Tour Maine Montparnasse – 33, avenue du Maine 75015 Paris, France.

**Table of Contents****Item 1: FINANCIAL STATEMENTS****COMPAGNIE GÉNÉRALE DE GÉOPHYSIQUE-VERITAS, S.A.****UNAUDITED INTERIM CONSOLIDATED STATEMENT OF OPERATIONS**

Amounts in millions of U.S.\$, except per share data or unless indicated	Three months ended March 31,	
	2012	2011 (restated)
<b>Operating revenues</b>	<b>786.6</b>	<b>728.6</b>
Other income from ordinary activities	1.2	0.9
<b>Total income from ordinary activities</b>	<b>787.8</b>	<b>729.5</b>
Cost of operations	(649.2)	(632.9)
<b>Gross profit</b>	<b>138.6</b>	<b>96.6</b>
Research and development expenses, net	(21.8)	(20.1)
Marketing and selling expenses	(22.0)	(18.5)
General and administrative expenses	(47.1)	(47.0)
Other revenues (expenses), net	6.1	12.1
<b>Operating income</b>	<b>53.8</b>	<b>23.1</b>
Expenses related to financial debt	(39.5)	(44.9)
Income provided by cash and cash equivalents	0.9	0.5
<b>Cost of financial debt, net</b>	<b>(38.6)</b>	<b>(44.4)</b>
Other financial income (loss)	(3.3)	(14.7)
<b>Income (loss) of consolidated companies before income taxes</b>	<b>11.9</b>	<b>(36.0)</b>
Deferred taxes on currency translation	2.8	5.2
Other income taxes	(21.8)	(8.1)
<b>Total income taxes</b>	<b>(19.0)</b>	<b>(2.9)</b>
<b>Net income (loss) from consolidated companies</b>	<b>(7.1)</b>	<b>(38.9)</b>
Share of income (loss) in companies accounted for under equity method	3.6	2.0
<b>Net income (loss)</b>	<b>(3.5)</b>	<b>(36.9)</b>
Attributable to:		
<i>Owners of CGGVeritas</i>	\$ (8.7)	(40.5)
<i>Owners of CGGVeritas</i> <sup>(1)</sup>	(6.6)	(29.7)
<i>Non-controlling interests</i>	\$ 5.2	3.6
Weighted average number of shares outstanding	151,864,165	151,561,798
Dilutive potential shares from stock-options <sup>(2)</sup>		
Dilutive potential shares from performance share plan <sup>(2)</sup>		
Dilutive potential shares from convertible bonds <sup>(2)</sup>		
Dilutive weighted average number of shares outstanding adjusted when dilutive	151,864,165	151,561,798
<b>Net income (loss) per share</b>		
Basic	\$ (0.06)	(0.27)
Basic <sup>(1)</sup>	(0.04)	(0.20)
Diluted <sup>(2)</sup>	\$ (0.06)	(0.27)
Diluted <sup>(1)(2)</sup>	(0.04)	(0.20)

(1) Converted at the average exchange rate of U.S.\$1.318 and U.S.\$1.363 per for the periods ended March 31, 2012 and 2011, respectively

(2) As our net result is a loss, stock-options, performance shares plans and convertible bonds have an accretive effect (increase of our earning per share); as a consequence, potential shares linked to those instruments are not taken into account in the dilutive weighted average number of shares, or in the calculation of diluted loss per share.

See notes to Interim Consolidated Financial Statements



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

	March 31, 2011	
	2012	(restated)
<b>Amounts in millions of U.S.\$</b>		
<b>Net income (loss) from statements of operations</b>	<b>(3.5)</b>	<b>(36.9)</b>
Gain (loss) on cash flow hedges	5.5	0.9
Income taxes	(2.0)	(0.3)
<b>Net gain (loss) on cash flow hedges</b>	<b>3.5</b>	<b>0.6</b>
Gain (loss) on actuarial changes on pension plan		1.2
Income taxes		(0.4)
<b>Net gain (loss) on actuarial changes on pension plan</b>		<b>0.8</b>
<b>Exchange differences on translation of foreign operations</b>	<b>34.7</b>	<b>34.9</b>
<b>Other comprehensive income (loss) for the period, net of taxes, in companies accounted for under the equity method</b>	<b>1.5</b>	<b>4.1</b>
<b>Total other comprehensive income (loss) for the period, net of taxes</b>	<b>39.7</b>	<b>40.4</b>
<b>Total comprehensive income (loss) for the period</b>	<b>36.2</b>	<b>3.5</b>
<i>Attributable to:</i>		
<i>Owners of CGGVeritas</i>	<i>31.0</i>	<i>(0.3)</i>
<i>Non-controlling interests</i>	<i>5.2</i>	<i>3.8</i>

The components recognized in other comprehensive income are not reclassified to profit or loss in subsequent periods.



**Table of Contents****COMPAGNIE GÉNÉRALE DE GÉOPHYSIQUE-VERITAS, S.A.****CONSOLIDATED BALANCE SHEET**

	March 31, 2012 (unaudited)	December 31, 2011 (restated)
<b>Amounts in millions of U.S.\$, unless indicated</b>		
<b>ASSETS</b>		
Cash and cash equivalents	462.3	531.4
Trade accounts and notes receivable, net	848.1	876.0
Inventories and work-in-progress, net	386.5	361.5
Income tax assets	115.2	119.4
Other current assets, net	198.8	157.0
Assets held for sale, net	23.4	64.5
<b>Total current assets</b>	<b>2,034.3</b>	<b>2,109.8</b>
Deferred tax assets	186.8	188.8
Investments and other financial assets, net	52.0	24.7
Investments in companies under equity method	158.8	131.7
Property, plant and equipment, net	1,217.3	1,183.2
Intangible assets, net	914.6	865.1
Goodwill, net	2,716.1	2,688.2
<b>Total non-current assets</b>	<b>5,245.6</b>	<b>5,081.7</b>
<b>TOTAL ASSETS</b>	<b>7,279.9</b>	<b>7,191.5</b>
<b>LIABILITIES AND EQUITY</b>		
Bank overdrafts	6.0	6.0
Current portion of financial debt	81.5	64.5
Trade accounts and notes payable	475.5	386.4
Accrued payroll costs	163.7	185.7
Income taxes liability payable	103.0	159.7
Advance billings to customers	45.2	51.0
Provisions – current portion	36.8	34.6
Other current liabilities	288.5	272.3
<b>Total current liabilities</b>	<b>1,200.2</b>	<b>1,160.2</b>
Deferred tax liabilities	104.3	110.8
Provisions – non-current portion	106.0	106.7
Financial debt	1,887.1	1,871.6
Other non-current liabilities	51.9	49.8
<b>Total non-current liabilities</b>	<b>2,149.3</b>	<b>2,138.9</b>
Common stock 252,090,578 shares authorized and 151,871,998 shares with a 0.40 nominal value issued and outstanding at March 31, 2012 and 151,861,932 at December 31, 2011	79.8	79.8
Additional paid-in capital	2,669.5	2,669.3
Retained earnings	1,139.1	1,161.1
Other reserves	(21.6)	(17.0)
Treasury shares	(20.6)	(20.6)
Net income (loss) for the period attributable to the owners of CGGVeritas	(8.7)	(28.2)
Cumulative income and expense recognized directly in equity	(6.5)	(11.5)
Cumulative translation adjustment	7.1	(27.6)
<b>Equity attributable to owners of CGGVeritas SA</b>	<b>3,838.1</b>	<b>3,805.3</b>
Non-controlling interests	92.3	87.1
<b>Total equity</b>	<b>3,930.4</b>	<b>3,892.4</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>7,279.9</b>	<b>7,191.5</b>

See notes to Interim Consolidated Financial Statements



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

Amounts in millions of U.S.\$	Three months ended March 31,	
	2012	2011 (restated)
<b>OPERATING</b>		
Net income (loss)	(3.5)	(36.9)
Depreciation and amortization	84.0	84.3
Multi-client surveys depreciation and amortization	81.2	47.1
Depreciation and amortization capitalized to multi-client surveys	(13.2)	(3.9)
Variance on provisions	1.2	(11.6)
Stock based compensation expenses	6.2	5.2
Net gain (loss) on disposal of fixed assets	(5.5)	(11.6)
Equity income (loss) of investees	(3.6)	(2.0)
Dividends received from affiliates		
Other non-cash items	1.8	5.5
<b>Net cash including net cost of financial debt and income tax</b>	<b>148.6</b>	<b>76.1</b>
Less net cost of financial debt	38.6	44.4
Less income tax expense	19.0	2.9
<b>Net cash excluding net cost of financial debt and income tax</b>	<b>206.2</b>	<b>123.4</b>
Income tax paid	(47.0)	(4.6)
<b>Net cash before changes in working capital</b>	<b>159.2</b>	<b>118.8</b>
change in trade accounts and notes receivables	43.2	159.4
change in inventories and work-in-progress	1.9	(21.0)
change in other current assets	(58.0)	(53.8)
change in trade accounts and notes payable	60.4	(40.6)
change in other current liabilities	(28.4)	16.2
Impact of changes in exchange rate on financial items	14.2	19.4
<b>Net cash provided by operating activities</b>	<b>192.5</b>	<b>198.4</b>
<b>INVESTING</b>		
Capital expenditures (including variation of fixed assets suppliers, excluding multi-client surveys)	(117.3)	(74.0)
Investment in multi-client surveys, net cash	(75.5)	(40.5)
Proceeds from disposals of tangible and intangible assets	1.0	2.0
Total net proceeds from financial assets		4.4
Acquisition of investments, net of cash and cash equivalents acquired	(49.7)	(0.7)
Impact of changes in consolidation scope		
Variation in loans granted	0.7	0.8
Variation in subsidies for capital expenditures	(1.2)	(0.1)
Variation in other non-current financial assets	(1.6)	(4.9)
<b>Net cash used in investing activities</b>	<b>(243.6)</b>	<b>(113.0)</b>
<b>FINANCING</b>		
Repayment of long-term debts	(3.4)	(499.4)
Total issuance of long-term debts		510.3
Lease repayments	(10.6)	(20.4)
Change in short-term loans		(3.4)
Financial expenses paid	(6.9)	(19.2)
<i>Net proceeds from capital increase</i>		
from shareholders	0.2	2.5
from non-controlling interests of integrated companies		
<i>Dividends paid and share capital reimbursements</i>		
to shareholders		
to non-controlling interests of integrated companies		
Acquisition/disposal from treasury shares		

Edgar Filing: CGG VERITAS - Form 6-K

<b>Net cash provided by (used in) financing activities</b>	<b>(20.7)</b>	<b>(29.6)</b>
Effects of exchange rates on cash	2.7	7.0
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(69.1)</b>	<b>62.8</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>531.4</b>	<b>448.8</b>
<b>Cash and cash equivalents at end of period</b>	<b>462.3</b>	<b>511.6</b>

See notes to Interim Consolidated Financial Statements

- 7 -

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

Amounts in millions of U.S.\$, except share data	Number of Shares issued	Share capital	Additional paid-in capital	Retained earnings	Other reserves	Treasury shares	Income and expense Recognized directly in equity	Cumulative translation adjustment	Equity attributable to owners of CGGVeritas	Non-controlling interests	Total equity
<b>Balance at January 1, 2011 (restated)</b>	<b>151,506,109</b>	<b>79.6</b>	<b>2,666.3</b>	<b>1,052.6</b>	<b>(21.4)</b>	<b>(20.6)</b>	<b>(4.7)</b>	<b>6.2</b>	<b>3,758.0</b>	<b>77.1</b>	<b>3,835.1</b>
Capital increase	247,166	0.1	2.3						2.4		2.4
Net income				(40.7)					(40.7)	3.8	(36.9)
Cost of share-based payment				5.8						5.8	5.8
Operations on treasury shares											
Net gain (loss) on actuarial changes on pension plan <sup>(1)</sup>				0.8						0.8	0.8
Net gain (loss) on cash flow hedges <sup>(2)</sup>							4.7		4.7		4.7
Exchange differences on foreign currency translation <sup>(3)</sup>								34.9	34.9		34.9
<b>Other comprehensive income <sup>(1)+(2)+(3)</sup></b>				<b>0.8</b>			<b>4.7</b>	<b>34.9</b>	<b>40.4</b>		<b>40.4</b>
Issuance of convertible bonds, net of deferred taxes				80.5					80.5		80.5
Exchange differences on foreign currency translation generated by the mother company					(31.9)				(31.9)		(31.9)
Changes in consolidation scope and other											
<b>Balance at March 31, 2011 (restated)</b>	<b>151,753,275</b>	<b>79.7</b>	<b>2,668.6</b>	<b>1,100.0</b>	<b>(53.3)</b>	<b>(20.6)</b>		<b>41.1</b>	<b>3,814.5</b>	<b>80.9</b>	<b>3,895.4</b>

Amounts in millions of U.S.\$, except share data	Number of Shares issued	Share capital	Additional paid-in capital	Retained earnings	Other reserves	Treasury shares	Income and expense Recognized directly in equity	Cumulative translation adjustment	Equity attributable to owners of CGG	Non-controlling interests	Total equity
<b>Balance at January 1, 2012 (restated)</b>	<i>151,861,932</i>	<b>79.8</b>	<b>2,669.3</b>	<b>1,132.9</b>	<b>(17.0)</b>	<b>(20.6)</b>	<b>(11.5)</b>	<b>(27.6)</b>	<b>3,805.3</b>	<b>87.1</b>	<b>3,892.4</b>
Capital increase	<i>10,066</i>		0.2						0.2		<b>0.2</b>
Net income				(8.7)					(8.7)	5.2	<b>(3.5)</b>
Cost of share-based payment				6.2					6.2		<b>6.2</b>
Operations on treasury shares											
Net gain (loss) on actuarial changes on pension plan <sup>(1)</sup>											
Net gain (loss) on cash flow hedges <sup>(2)</sup>							5.0		5.0		<b>5.0</b>
Exchange differences on foreign currency translation <sup>(3)</sup>								34.7	34.7		<b>34.7</b>
<b>Other comprehensive income <sup>(1)+(2)+(3)</sup></b>							<b>5.0</b>	<b>34.7</b>	<b>39.7</b>		<b>39.7</b>
Issuance of convertible bonds, net of deferred taxes											
Exchange differences on foreign currency translation generated by the mother company					(4.6)				(4.6)		<b>(4.6)</b>
Changes in consolidation scope and other											
<b>Balance at March 31, 2012</b>	<i>151,871,998</i>	<b>79.8</b>	<b>2,669.5</b>	<b>1,130.4</b>	<b>(21.6)</b>	<b>(20.6)</b>	<b>(6.5)</b>	<b>7.1</b>	<b>3,838.1</b>	<b>92.3</b>	<b>3,930.4</b>

**Table of Contents****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****(UNAUDITED)**

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

Given that the Company is listed on Euronext Paris and pursuant to European regulation n° 1606/2002 dated July 19, 2002, the accompanying interim condensed consolidated financial statements have been prepared in accordance with IAS34 as issued by the International Accounting Standards Board ( IASB ) and adopted by the European Union.

These interim condensed consolidated financial statements have been authorized by the Audit Committee for issue on May 9, 2012.

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

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

**Change in reporting currency**

Effective January 1, 2012, we changed the presentation currency of our consolidated financial statements from the euro to the U.S. dollar to better reflect the profile of our revenues, costs and cash-flows, which are primarily generated in U.S. dollars, and hence, to better present the financial performance of the Group. As a change in presentation currency is a change of accounting policy, all comparative financial information has been restated into U.S. dollars.

The currency translation adjustment was set to nil as of January 1, 2004 on transition to IFRS and has been re-presented on the basis that the Group has reported in U.S dollars since that date.

The functional currency of the parent company remains the euro. The currency translation adjustment resulting from the parent company is presented in other reserves.

Main restatements related to the change in the presentation currency from euro to U.S. dollar are as follows (in millions):

	Historical consolidated financial statements as of Dec.31, 2011 in euros	Historical consolidated financial statements of Dec.31, 2011 converted into dollar U.S. (1)	Restatements (2)	Restated consolidated financial statements as of Dec.31, 2011 to U.S. dollar
Common stock, additional paid-in capital, retained earnings and other	2,883.1	3,730.5	+102.4	3,832.9
Cumulative translation adjustment	55.8	72.2	(99.8)	(27.6)
<b>Equity attributable to owners of CGGVeritas</b>	<b>2,938.9</b>	<b>3,802.7</b>	<b>+2.6</b>	<b>3,805.3</b>

## Edgar Filing: CGG VERITAS - Form 6-K

- (1) *Converted at the closing exchange rate of 1.2939 U.S.\$ per euro*
- (2) *Differences between historical currency exchange rates and the closing rate of 1.2939 U.S.\$ per 1 euro, including U.S.\$(17) million translation adjustments from the mother company presented in other reserves.*

### **Critical accounting policies**

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as of and for the year ended December 31, 2011 included in its report on Form 20-F for the year 2011 filed with the SEC on April 20, 2012.

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, 2011, except for the adoption of the following new Standards and Interpretations:

Amendment to IFRS7 Disclosures Transfer of Financial Assets, adopted by the European Union in November 2011 and applicable as of January 1, 2012

The adoption of this new standard and interpretation did not have any material impact on the Group's interim financial statements.

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

Amendment to IAS12 Deferred tax : Recovery of Underlying Assets

IFRS9 Financial Instruments classification and valuation of financial assets

IFRS10 Consolidated Financial Statements

IFRS11 Joint arrangements

IFRS12 Disclosures of Interests in other entities

IFRS13 Fair value measurement

Amendment to IAS28 Investments in associates and joint ventures



**Table of Contents**

Amendment to IAS19 Employee benefits

Amendment IAS1 Presentation of financial statements presentation of items of other comprehensive income

Amendment to IAS32 and IFRS7 Offsetting financial assets and financial liabilities We are currently reviewing these standards and interpretations to measure their potential impact on our consolidated financial statements.

**Use of judgment and estimates**

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

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

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

**Multi-client surveys**

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

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

## Edgar Filing: CGG VERITAS - Form 6-K

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

*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.

- 10 -

## **Table of Contents**

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

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

### *Exclusive surveys*

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

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

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

### *Equipment sales*

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

### *Software and hardware sales*

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

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

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

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

### *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.

---

## **Table of Contents**

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 an amortization rate applied to recognized revenues.

Multi-client surveys are classified in a same category when they are located in the same area with the same estimated sales ratio, with such estimates generally relying on the historical patterns.

Depending on the category of the survey, we generally use amortization rates of 50%, 65%, 75%, 80% or 83.3% corresponding to the ratio of total estimated costs over total estimated revenues, unless specific indications lead to apply a different rate.

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

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

### ***Development costs***

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

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

the product or process is technically and commercially feasible,

we have sufficient resources to complete development, and

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.

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**

*Acquisition of GRC*

On January 17, 2012, Sercel acquired the assets of Geophysical Research Company, LLC ( GRC ). Headquartered in Tulsa, Oklahoma (USA), and established in 1925 by Amerada Petroleum Corporation, GRC is a leading provider of downhole sensors and gauges for the oil and gas industry. The purchase price amounted to U.S.\$67 million, including an earn-out of U.S.\$17 million, and after allocation of the purchase price, we recorded a preliminary goodwill of U.S.\$24 million.

---

**Table of Contents**

*PTSC CGGVeritas Geophysical Survey Company Limited*

On March 27, 2012, we contributed the seismic vessel *Amadeus*, a high capacity 3D seismic vessel, to our newly established joint-venture PTSC CGGVeritas Geophysical Survey Company Limited. The joint-venture is 51% owned by PTSC and 49% owned by CGGVeritas. The company has been accounted for under the equity method in our financial statements since this date.

**NOTE 3 ANALYSIS BY OPERATING SEGMENT AND GEOGRAPHIC AREA**

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

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

Geophysical services segment, which comprises:

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

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

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

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

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

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

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

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

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

In millions of U.S.\$	Three months ended March 31,				2011 (restated)			
	Services	Equipment	2012 Eliminations and Adjustments	Consolidated Total	Services	Equipment	Eliminations and Adjustments	Consolidated Total
Revenues from unaffiliated customers	531.1	255.5		786.6	532.9	195.7		728.6
Inter-segment revenues		92.3	(92.3)			79.3	(79.3)	
<b>Operating revenues</b>	<b>531.1</b>	<b>347.8</b>	<b>(92.3)</b>	<b>786.6</b>	<b>532.9</b>	<b>275.0</b>	<b>(79.3)</b>	<b>728.6</b>
Depreciation and amortization (excluding multi-clients survey)	(73.5)	(10.5)		(84.0)	(72.9)	(12.1)	0.7	(84.3)
Depreciation and amortization of multi-client surveys	(81.2)			(81.2)	(47.1)			(47.1)
<b>Operating income</b>	<b>(7.7)</b>	<b>115.5</b>	<b>(54.0)<sup>(a)</sup></b>	<b>53.8</b>	<b>(26.0)</b>	<b>94.6</b>	<b>(45.5)<sup>(a)</sup></b>	<b>23.1</b>
Share of income in companies accounted for under equity method <sup>(b)</sup>	3.6			3.6	2.0			2.0
Capital expenditures (excluding multi-client surveys) <sup>(c)</sup>	<b>121.9</b>	<b>5.2</b>		<b>127.1</b>	<b>73.9</b>	<b>5.5</b>		<b>79.4</b>
Investments in multi-clients survey	<b>88.7</b>			<b>88.7</b>	<b>44.4</b>			<b>44.4</b>

- (a) Includes general corporate expenses of U.S.\$14.0 million and U.S.\$14.2 million for the three months ended March 31, 2012 and 2011, respectively.
- (b) Of which U.S.\$7.2 million and U.S.\$2.0 million relate to operational results for the three months ended March 31, 2012 and 2011, respectively.
- (c) Includes (i) equipment acquired under finance leases of U.S.\$3.1 million for the three months ended March 31, 2011 (ii) capitalized development costs of U.S.\$4.6 million and U.S.\$3.9 million for the three months ended March 31, 2012 and 2011, respectively, in the Services segment; capitalized development costs of U.S.\$2.6 million and U.S.\$1.2 million for the three months ended March 31, 2012 and 2011, respectively, in the Equipment segment.

*Analysis 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:

In millions of U.S.\$, except percentages	Three months ended March 31,			
	2012		2011 (restated)	
North America	195.5	25%	205.3	28%
Central and South Americas	129.3	16%	113.8	16%
Europe, Africa and Middle East	259.9	33%	251.3	34%
Asia Pacific	201.9	26%	158.2	22%
<b>Total</b>	<b>786.6</b>	<b>100%</b>	<b>728.6</b>	<b>100%</b>



**Table of Contents**

**NOTE 4 COMMITMENTS AND CONTINGENCIES**

*Litigation and other risks*

*ION litigation*

On February 17, 2012, the United States Federal Circuit Court of Appeals affirmed the judgment of the United States District Court for the Eastern District of Texas dated February 16, 2011 with regards to the lawsuit between Sercel and Ion Geophysical (« ION ») on the US patent N°5 852 242. A provision amounting to U.S.\$12.8 million was recorded in our consolidated financial statements as of December 31, 2011 to cover the U.S.\$10.7 million judgment plus pre- and post-judgment interest to be paid to ION. The parties will return to trial court to determine the amount of additional damages related to Sercel SeaRays systems manufactured in Houston.

*Indian tax litigation*

In January 2012, the Delhi Income Tax Appellate Tribunal (ITAT) issued an unfavorable decision, based on assumptions which we do not believe correspond to the Company's actual situation. The Group intends to challenge the ITAT order through a miscellaneous application and will appeal the same decision to the Nainital High Court. The Group does not expect any material impact on its financial position or results of operations.

**NOTE 5 SUBSEQUENT EVENTS**

No significant subsequent event occurred.

**Table of Contents**

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

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

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

The Geophysical services segment, which comprises:

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

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

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

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

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

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

**Factors Affecting Results of Operations**

***Geophysical market environment***

Overall demand for geophysical services and equipment is dependent on spending by oil and gas companies for exploration, production, development and field management activities. This spending depends in part on present and expected future oil and gas prices and the ability of our customers, particularly the small independent oil and gas companies, to secure financing for their projects. On the seismic supply side, decisions for capacity adjustments are based on estimates of demand for seismic services in the coming months (for land crews) or in the next two to three years (for marine seismic vessels). As a result, the supply and demand balance in seismic services is affected by decisions that were made up to three years earlier based on projected demand and from actual exploration expense levels of oil and gas companies.

We believe that the short-term outlook for the geophysical services sector, particularly the marine segment, is characterized by a continuing recovery in demand that will eventually satisfy the current market overcapacity and trigger price increases in 2012.

See Item 4: Information on the Company Industry Conditions of our annual report on Form 20-F for the year ended December 31, 2011 for a discussion of developments in the geophysical industry.

***Acquisitions and divestitures***

## Edgar Filing: CGG VERITAS - Form 6-K

On January 17, 2012, Sercel acquired the assets of Geophysical Research Company, LLC ( GRC ). Headquartered in Tulsa, Oklahoma (USA), and established in 1925 by Amerada Petroleum Corporation, GRC is a leading provider of downhole sensors and gauges for the oil and gas industry. The purchase price amounted to U.S.\$67 million, including an earn-out of U.S.\$17 million, and after allocation of the purchase price, we recorded a preliminary goodwill of U.S.\$24 million.

On March 27, 2012, we contributed the seismic vessel *Amadeus*, a high capacity 3D seismic vessel, to our newly established joint-venture PTSC CGGVeritas Geophysical Survey Company Limited. The joint-venture is 51% owned by PTSC and 49% owned by CGGVeritas.

### ***Backlog***

Our backlog as of April 1, 2012 was U.S. \$1.57 billion. Contracts for services are occasionally modified by mutual consent and in certain instances are cancelable by the customer on short notice without penalty. Consequently, backlog as of any particular date may not be indicative of actual operating results for any succeeding period.

- 16 -

**Table of Contents****Three months ended March 31, 2012 compared to three months ended March 31, 2011***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:

In millions of U.S.\$, except percentages	Three months ended March 31,			
	2012		2011	
Marine contract	188.9	24%	199.0	27%
Land contract	122.9	16%	159.6	22%
Processing, Imaging & Reservoir	105.5	13%	99.4	14%
Multi-client	113.8	15%	74.9	10%
Total Services	531.1	68%	532.9	73%
Equipment	255.5	32%	195.7	27%
<b>Total</b>	<b>786.6</b>	<b>100%</b>	<b>728.6</b>	<b>100%</b>

Our consolidated operating revenues for the three months ended March 31, 2012 increased 8% to U.S.\$786.6 million from U.S.\$728.6 million for the comparable period of 2011, mainly driven by record high equipment sales.

*Services*

Operating revenues for our Services segment (excluding intra-group sales) decreased slightly to U.S.\$531.1 million for the three months ended March 31, 2012 from U.S.\$532.9 million for the comparable period of 2011.

*Marine contract*

Operating revenues from our Marine contract division for the three months ended March 31, 2012 decreased 5% to U.S.\$188.9 million from U.S.\$199.0 million for the comparable period of 2011 due to the larger proportion of our fleet dedicated to multi-client programs. During the three months ended March 31, 2012, 77% of our fleet operated on contract compared to 94% for the three months ended March 31, 2011.

The fleet availability and production rates were 84% and 92%, respectively, for the three months ended March 31, 2012 compared to 81% and 80%, respectively, for the three months ended March 31, 2011, as a result of our strengthening operational performance. The *Oceanic Champion*, the last of our vessels with a planned performance upgrade, left the shipyard on March 31, 2012.

*Land contract*

Operating revenues from our Land contract division amounted to U.S.\$122.9 million for the three months ended March 31, 2012, compared to U.S.\$159.6 million for the three months ended March 31, 2011. This 23% decrease was mainly due to an exceptionally strong first quarter last year. Worldwide demand for shallow water and OBC operations continues to be strong.

*Processing, Imaging & Reservoir*

Operating revenues from our Processing, Imaging & Reservoir division increased 6% to U.S.\$105.5 million for the three months ended March 31, 2012 from U.S.\$99.4 million for the comparable period of 2011. Demand for high end processing remained at high levels, especially in our major centers.

*Multi-client*

Operating revenues from our Multi-client division for the three months ended March 31, 2012 increased 52% to U.S.\$113.8 million from U.S.\$74.9 million for the comparable period of 2011 mainly due to strong after-sales in the Gulf of Mexico and the North Sea.



---

## **Table of Contents**

Multi-client marine data library revenues increased 95% to U.S.\$86.7 million for the three months ended March 31, 2012 from U.S.\$44.5 million for the three months ended March 31, 2011. Prefunding, with a rate of 42% (as some prefunding was postponed to the second quarter of 2012), increased 19% to U.S.\$21.7 million for the three months ended March 31, 2012 from U.S.\$18.3 million for the comparable period of 2011. After-sales more than doubled to U.S. \$65.1 million for the three months ended March 31, 2012 from U.S.\$26.2 million for the comparable period of 2011, essentially due to our offshore seismic data in the North Sea and Gulf of Mexico, ahead of leases sales.

Multi-client land data library revenues decreased 9% to U.S.\$27.1 million for the three months ended March 31, 2012 from U.S.\$29.8 million for the comparable period of 2011. Prefunding, with a rate of 87%, decreased to U.S.\$20.9 million for the three months ended March 31, 2012 from U.S.\$21.9 million for the comparable period of 2011. After-sales decreased to U.S.\$6.2 million for the three months ended March 31, 2012 from U.S.\$7.9 million for the comparable period of 2011.

### *Equipment*

Operating revenues for our Equipment segment, including intra-group sales, increased 26% to U.S.\$347.8 million for the three months ended March 31, 2012 from U.S.\$275.0 million for the comparable period of 2011. This particularly high level of sales was mainly related to the first land equipment deliveries for a high channel count survey in the Middle East and also to sustained marine streamer sales. Internal sales represented 27% of our equipment segment revenues as Sentinel streamers and Nautilus devices were delivered to our seismic vessel *Oceanic Champion*.

Operating revenues for our Equipment segment, excluding intra-group sales, increased 31% to U.S.\$255.5 million for the three months ended March 31, 2012 from U.S.\$195.7 million for the comparable period of 2011.

### *Operating Expenses*

Cost of operations, including depreciation and amortization, increased 3% to U.S.\$649.2 million for the three months ended March 31, 2012 from U.S.\$632.9 million for the comparable period of 2011, mainly due to increased activity. As a percentage of operating revenues, cost of operations decreased to 82% for the three months ended March 31, 2012 from 87% for the comparable period of 2011. Gross profit increased 43% to U.S.\$138.6 million for the three months ended March 31, 2012 from U.S.\$96.6 million for the comparable period of 2011, representing 18% and 13% of operating revenues, respectively.

Research and development expenditures increased 8% to U.S.\$21.8 million for the three months ended March 31, 2012, from U.S.\$20.1 million for the comparable period of 2011, representing 3% of operating revenues during both periods.

Marketing and selling expenses increased 19% to U.S.\$22.0 million for the three months ended March 31, 2012 from U.S.\$18.5 million for the comparable period of 2011.

General and administrative expenses were stable at U.S.\$47.1 million for the three months ended March 31, 2012 and the comparable period in 2011. As a percentage of operating revenues, general and administrative expenses decreased to 6% for the three months ended March 31, 2012 compared to 6.5% for the three months ended March 31, 2011.

Other revenues amounted to U.S.\$6.1 million for the three months ended March 31, 2012, including the impact of the contribution of the seismic vessel *Amadeus* to our Vietnamese joint-venture. Other revenues U.S.\$12.1 million for the three months ended March 31, 2011 were mainly due to the gain on sale of assets in relation with the Norfield transaction.

### *Operating Income (Loss)*

Our operating income increased to U.S.\$53.8 million for the three months ended March 31, 2012, from U.S.\$23.1 million for the comparable period of 2011 as a result of the factors described above.

Operating loss for our Services segment was U.S.\$7.7 million for the three months ended March 31, 2012 compared to U.S.\$26.0 million for the three months ended March 31, 2011.

Operating income from our Equipment segment increased 22% to U.S.\$115.5 million for three months ended March 31, 2012 from U.S.\$94.7 million for the comparable period of 2011.

*Financial Income and Expenses*

Cost of net financial debt decreased 13% to U.S.\$38.6 million for the three months ended March 31, 2012 from U.S.\$44.4 million for the comparable period of 2011, which included the amortization of issuing fees for U.S.\$5.2 million related to the repayment in part in March 2011, and in full in May 2011, of our U.S.\$530 million Senior Notes due 2015.

## **Table of Contents**

Other financial expenses amounted to U.S.\$3.3 million for the three months ended March 31, 2012 due to currency fluctuations compared to U.S.\$14.7 million for the three months ended March 31, 2011. During the three months ended March 31, 2011, we paid a U.S.\$17.0 million premium for the partial early redemption of our Senior Notes described above.

### ***Income Taxes***

Income taxes increased to U.S.\$19.0 million for the three months ended March 31, 2012 from U.S.\$2.8 million for the comparable period of 2011 mainly due to the increase of our profit before tax.

### ***Equity in Income of Affiliates***

Income from investments accounted for under the equity method increased to U.S.\$3.6 million for the three months ended March 31, 2012 from U.S.\$2.0 million for the comparable period of 2011 mainly due to the contribution of Argas, our joint-venture in Saudi Arabia, and Spectrum.

### ***Net Income***

Net loss was U.S.\$3.5 million for the three months ended March 31, 2012 compared to U.S.\$36.9 million for the comparable period of 2011 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.

We intend to fund ongoing operations and debt service requirements through cash generated by operations. Our ability to make scheduled payments of principal, or to pay the interest or additional amounts, if any, on, or to refinance our indebtedness, or to fund planned capital expenditures will depend on our future performance, which, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. Based upon the current level of operations and our near-to mid-term debt repayment schedule, we believe that cash flow from operations, available cash and cash equivalents, together with liquidity available under the U.S. revolving facility (U.S.\$79 million) and the French revolving facility (U.S.\$200 million) will be adequate to meet our liquidity needs for the next twelve months.

## **Cash Flows**

### ***Operations***

Net cash provided by operating activities was U.S.\$192.5 million for the three months ended March 31, 2012 compared to U.S.\$198.4 million for the comparable period of 2011. Before changes in working capital, net cash provided by operating activities for the three months ended March 31, 2012 was U.S.\$159.2 million compared to U.S.\$118.8 million for the comparable period for 2011. Changes in working capital had a positive impact on cash from operating activities of U.S.\$33.3 million in the three months ended March 31, 2012 compared to U.S.\$79.6 million for the comparable period for 2011 mainly due to payments from customers after the seasonality effect of strong multi-client sales during the fourth quarter of 2011 and 2010.

### ***Investing activities***

Net cash used in investing activities was U.S.\$243.6 million in the three months ended March 31, 2012 compared to U.S.\$113.0 million for the three months ended March 31, 2011. On January 17, 2012, Sercel acquired the assets of Geophysical Research Company, LLC with a net investment of U.S.\$49.7 million.

During the three months ended March 31, 2012, our capital expenditures of U.S.\$117.3 million were mainly related to the upgrade of the seismic vessel *Oceanic Champion* and the purchases of land equipments. During the three months ended March 31, 2011, we incurred purchases of tangible assets of U.S.\$74.0 million essentially for the upgrade of the seismic vessels *Oceanic Phoenix* and *Oceanic Endeavour*.

During the three months ended March 31, 2012, we invested U.S.\$75.5 million in multi-client data, primarily offshore Brazil and onshore U.S., compared to U.S.\$44.4 for the three months ended March 31, 2011.



## Edgar Filing: CGG VERITAS - Form 6-K

As of March 31, 2012, the net book value of our multi-client data library was U.S.\$535.5 million compared to U.S.\$526.5 million as of December 31, 2011.

- 19 -

**Table of Contents****Financing activities**

Net cash used in financing activities during the three months ended March 31, 2012 was U.S.\$20.7 million compared to U.S.\$29.6 million for the three months ended March 31, 2011.

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

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

**Net Financial debt**

Net financial debt as of March 31, 2012 was U.S.\$1,512.3 million compared to U.S.\$1,410.7 million as of December 31, 2011. The ratio of net financial debt to equity was 38% as of March 31, 2012 compared to 36% as of December 31, 2011. Our net financial debt as of March 31, 2012 included a convertible bond liability of U.S.\$380 million. The equity component related to the convertible bond net of deferred taxes was U.S.\$86 million.

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

The following table presents a reconciliation of net debt to financing items of the balance sheet at March 31, 2012 and December 31, 2011:

In millions of U.S.\$	March 31, 2012	December 31, 2011
Bank overdrafts	6.0	6.0
Current portion of long-term debt	81.5	64.5
Financial debt	1,887.1	1,871.6
<b>Gross financial debt</b>	<b>1,974.6</b>	<b>1,942.1</b>
Less: cash and cash equivalents	(462.3)	(531.4)
<b>Net financial debt</b>	<b>1,512.3</b>	<b>1,410.7</b>

For a more detailed description of our financing activities, see Liquidity and Capital Resources in our annual report on Form 20-F for the year ended December 31, 2011.

**EBITDAS**

EBITDAS for the three months ended March 31, 2012 was U.S.\$212.0 million compared to U.S.\$155.8 million for the comparable period of 2011, representing 27% and 21% of operating revenues, respectively.

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



**Table of Contents**

The following table presents a reconciliation of EBITDAS to net cash provided by operating activities, from our cash-flow statement, for the periods indicated:

In millions of U.S.\$	Three months ended March 31,	
	2012	2011
<b>EBITDAS</b>	<b>212.0</b>	<b>155.8</b>
Other financial income (expense)	(3.3)	(14.7)
Variance on provisions	1.2	(11.6)
Net gain on disposal of fixed assets	(5.5)	(11.6)
Dividends received from affiliates		
Other non-cash items	1.8	5.5
Income taxes paid	(47.0)	(4.6)
Change in trade accounts receivables	43.2	159.4
Change in inventories	1.9	(21.0)
Change in other current assets	(58.0)	(53.8)
Change in trade accounts payables	60.4	(40.6)
Change in other current liabilities	(28.4)	16.2
Impact of changes in exchange rate	14.2	19.4
<b>Net cash provided by operating activities</b>	<b>192.5</b>	<b>198.4</b>

**Contractual obligations**

The following table sets forth our future cash obligations as of March 31, 2012:

In millions of U.S.\$	Payments Due by Period				Total
	Less than 1 year	2-3 years	4-5 years	More than 5 years	
Financial debt	15.9	25.2	821.0	1,010.4	1,872.5
Finance lease obligations (not discounted)	33.3	30.9	27.9	68.9	161.0
Operating leases <sup>(a)</sup>	183.4	301.8	262.2	382.1	1,129.5
Bareboat agreements	132.7	227.7	209.9	308.1	878.4
Other operating lease agreement	50.7	74.1	52.3	74.0	251.1
Other long-term obligations (interests)	116.4	231.4	205.1	205.6	758.6
<b>Total contractual cash obligations <sup>(b)</sup></b>	<b>349.5</b>	<b>591.1</b>	<b>1,314.8</b>	<b>1,666.3</b>	<b>3,921.7</b>

(a) Includes the five-year marine charter agreement signed with Bourbon for six new support vessels.

(b) Payments in foreign currencies are converted into U.S. dollars at March 31, 2012 exchange rates.

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

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

**Pension plan**

## Edgar Filing: CGG VERITAS - Form 6-K

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

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

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

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

**Table of Contents*****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.

<b>Unaudited</b> <b>In millions of U.S.\$</b>	<b>Three months ended March 31,</b>	
	<b>2012</b>	<b>2011</b>
<b>EBITDAS as reported</b>	<b>212.0</b>	<b>155.8</b>
Actuarial gains (losses) on pension plan		(0.1)
Cancellation of IFRS capitalization of development costs	(7.2)	(4.8)
<b>EBITDAS according to U.S. GAAP</b>	<b>204,8</b>	<b>150.9</b>

**Item 3: CONTROLS AND PROCEDURES**

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

**Table of Contents**

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

**SIGNATURES**

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

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

(Registrant)

/s/ Stéphane-Paul Frydman  
Stéphane-Paul Frydman

Chief Financial Officer

Date: May 10, 2012