CGG VERITAS
Form 6-K
November 09, 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
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 þ 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 o No þ

(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.

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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 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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Item 1: FINANCIAL STATEMENTS

COMPAGNIE GÉNÉRALE DE GÉOPHYSIQUE-VERITAS, S.A.
CONSOLIDATED BALANCE SHEETS

amounts in millions of	September 30, 2010 (unaudited)	US$ (1)	December 31, 2009	US$ (2)
ASSETS				
Cash and cash equivalents	255.7	349.0	480.3	691.9
Trade accounts and notes receivable, net	609.9	832.4	564.1	812.7
Inventories and work-in-progress, net	257.5	351.4	223.8	322.4
Income tax assets	54.8	74.8	66.3	95.5
Other current assets, net	119.7	163.3	89.5	129.0
Assets held for sale, net	74.5	101.7	13.3	19.1
Total current assets	**1,372.1**	**1,872.6**	**1,437.3**	**2,070.6**
Deferred tax assets	113.7	155.2	74.3	107.0
Investments and other financial assets, net	33.2	45.4	35.9	51.7
Investments in companies under equity method	71.7	97.9	99.0	142.7
Property, plant and equipment, net	701.8	957.9	677.7	976.3
Intangible assets, net	816.4	1,114.2	728.9	1,050.1
Goodwill	1,970.6	2,689.4	1,868.1	2,691.2
Total non-current assets	**3,707.4**	**5,060.0**	**3,483.9**	**5,019.0**
TOTAL ASSETS	**5,079.5**	**6,932.6**	**4,921.2**	**7,089.6**
LIABILITIES AND EQUITY				
Bank overdrafts	2.2	3.0	2.7	3.9
Current portion of financial debt	67.2	91.7	113.5	163.5
Trade accounts and notes payable	264.9	361.6	179.8	259.0
Accrued payroll costs	105.6	144.1	118.5	170.7
Income taxes liability	23.8	32.5	42.5	61.2
Advance billings to customers	19.1	26.0	23.8	34.3
Provisions current portion	16.0	21.8	40.2	58.0
Other current liabilities	157.2	214.6	158.7	228.5
Total current liabilities	**656.0**	**895.3**	**679.7**	**979.2**
Deferred tax liabilities	143.2	195.5	120.7	173.9
Provisions non-current portion	84.9	115.9	104.6	150.7
Financial debt	1,333.9	1,820.5	1,282.8	1,848.0
Other non-current liabilities	32.7	44.6	31.9	46.0
Total non-current liabilities	**1,594.7**	**2,176.5**	**1,540.0**	**2,218.6**
Common stock 228,050,011 shares authorized and 151,416,626 shares with a 0.40 nominal value issued and outstanding at September 30, 2010 and 151,146,594 at December 31, 2009	60.6	82.7	60.5	87.1
Additional paid-in capital	1,967.5	2,685.2	1,965.9	2,832.1
Retained earnings	882.3	1,204.2	1,136.0	1,636.5
Treasury shares	(16.5)	(22.5)	(13.5)	(19.4)
Net income (loss) for the period attributable to owners of CGGVeritas SA	(27.0)	(36.9)	(264.3)	(380.7)
Income and expense recognized directly in equity	(2.6)	(3.5)	0.9	1.2

Cumulative translation adjustment	(83.4)	(113.8)	(224.2)	(323.0)
Equity attributable to owners of CGGVeritas SA	**2,780.9**	**3,795.4**	**2,661.3**	**3,833.8**
Non-controlling interests, presented within equity	47.9	65.4	40.2	58.0
Total equity	**2,828.8**	**3,860.8**	**2,701.5**	**3,891.8**
TOTAL LIABILITIES AND EQUITY	**5,079.5**	**6,932.6**	**4,921.2**	**7,089.6**

(1) Dollar amounts represent euro amounts converted at the exchange rate of US$1.365 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 September 30,			
except per share data, amounts in millions of	2010		2009	
		US$ (1)		US$ (1)
Operating revenues	**517.7**	**656.3**	**512.2**	**731.4**
Other income from ordinary activities	0.9	1.2	5.1	7.0
Total income from ordinary activities	**518.6**	**657.5**	**517.3**	**738.4**
Cost of operations	(436.8)	(555.1)	(412.8)	(587.4)
Gross profit	**81.8**	**102.4**	**104.5**	**151.0**
Research and development expenses, net	(16.4)	(20.8)	(15.1)	(21.5)
General and administrative expenses	(35.6)	(44.3)	(36.4)	(52.3)
Marketing and selling expenses	(15.1)	(19.1)	(16.5)	(23.2)
Other revenues (expenses), net	6.4	8.3	4.2	3.7
Operating income	**21.1**	**26.5**	**40.7**	**57.7**
Expenses related to financial debt	(29.0)	(36.9)	(26.9)	(38.1)
Income provided by cash and cash equivalents	0.5	0.6	0.3	0.5
Cost of financial debt, net	**(28.5)**	**(36.3)**	**(26.6)**	**(37.6)**
Other financial income (loss)	(6.5)	(9.1)	(6.9)	(9.5)
Income of consolidated companies before income taxes	**(13.9)**	**(18.9)**	**7.2**	**10.6**
Deferred taxes on currency translation	0.5	0.9	2.6	3.7
Other income taxes	(10.0)	(13.0)	(4.3)	(6.1)
Total income taxes	**(9.5)**	**(12.1)**	**(1.7)**	**(2.4)**
Net income from consolidated companies	**(23.4)**	**(31.0)**	**5.5**	**8.2**
Equity in income of investees	(1.2)	(1.5)	2.9	4.0
Net income (loss)	**(24.6)**	**(32.5)**	**8.4**	**12.2**
Attributable to :				
Owners of CGGVeritas SA	(26.6)	(35.0)	7.7	11.2
Non-controlling interests	2.0	2.5	0.7	1.0
Weighted average number of shares outstanding	151,412,779	151,412,779	150,629,662	150,629,662
Dilutive potential shares from stock-options	331,736	331,736	366,871	366,871
Dilutive potential shares from free shares	314,773	314,773	243,000	243,000
Adjusted weighted average number of shares and assumed option exercises when dilutive	152,059,288	152,059,288	151,239,533	151,239,533
Net income (loss) per share attributable to owners of CGGVeritas SA				
Basic	(0.18)	(0.23)	0.05	0.07
Diluted	(0.18)	(0.23)	0.05	0.07

(1) Corresponding to the nine months ended September 30 in US dollars less the six months ended June in US dollars.

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

	Nine months ended September 30,			
except per share data, amounts in millions of	**2010**		**2009**	
		US$ (1)		**US$ (2)**
Operating revenues	**1,513.7**	**1,999.3**	**1,733.3**	**2,361.4**
Other income from ordinary activities	2.5	3.3	6.7	9.1
Total income from ordinary activities	**1,516.2**	**2,002.6**	**1,740.0**	**2,370.5**
Cost of operations	(1,228.6)	(1,622.8)	(1,320.6)	(1,799.2)
Gross profit	**287.6**	**379.8**	**419.4**	**571.3**
Research and development expenses, net	(45.2)	(59.6)	(45.1)	(61.5)
General and administrative expenses	(132.1)	(174.5)	(135.1)	(184.1)
Marketing and selling expenses	(45.1)	(59.6)	(45.4)	(61.9)
Other revenues (expenses), net	10.7	14.2	(69.3)	(94.4)
Operating income	**75.9**	**100.3**	**124.5**	**169.4**
Expenses related to financial debt	(80.7)	(106.6)	(79.6)	(108.5)
Income provided by cash and cash equivalents	1.9	2.5	1.7	2.3
Cost of financial debt, net	**(78.8)**	**(104.1)**	**(77.9)**	**(106.2)**
Other financial income (loss)	8.8	11.6	(9.9)	(13.2)
Income of consolidated companies before income taxes	**5.9**	**7.8**	**36.7**	**50.0**
Deferred taxes on currency translation	(1.9)	(2.5)	8.3	11.3
Other income taxes	(18.7)	(24.7)	(13.3)	(18.2)
Total income taxes	**(20.6)**	**(27.2)**	**(5.0)**	**(6.9)**
Net income from consolidated companies	**(14.7)**	**(19.4)**	**31.7**	**43.1**
Equity in income of investees	(3.3)	(4.3)	5.3	7.3
Net income (loss)	**(18.0)**	**(23.7)**	**37.0**	**50.4**
Attributable to :				
Owners of CGGVeritas SA	(27.0)	(35.6)	32.6	44.4
Non-controlling interests	9.0	11.9	4.4	6.0
Weighted average number of shares outstanding	151,314,859	151,314,859	150,797,818	150,797,818
Dilutive potential shares from stock-options	386,508	386,508	320,760	320,760
Dilutive potential shares from free shares	314,773	314,773	243,000	243,000
Adjusted weighted average number of shares and assumed option exercises when dilutive	152,016,140	152,016,140	151,361,578	151,361,578
Net income (loss) per share attributable to owners of CGGVeritas SA				
Basic	(0.18)	(0.24)	0.22	0.29
Diluted	(0.18)	(0.24)	0.22	0.29

(1) Dollar amounts represent euro amounts converted at the average exchange rate for the period of US$1.321 per .

(2) Dollar amounts represent euro amounts converted at the average exchange rate for the period of US$1.362 per .

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

	Nine months ended September 30,	
Amounts in millions of	**2010**	**2009**
Net income from statements of operations	**(18.0)**	**37.0**
Gain (loss) on cash flow hedges	0.3	8.9
Income taxes	(0.1)	(3.1)
Net gain (loss) on cash flow hedges	**0.2**	**5.8**
Gain (loss) on available-for-sale investments		
Income taxes		
Net gain (loss) on available-for-sale investments		
Gain (loss) on actuarial changes on pension plan		
Income taxes		
Net gain (loss) on actuarial changes on pension plan		
Exchange differences on foreign currency translation	**142.0**	**(104.8)**
Other comprehensive income (loss) for the period, net of taxes, in companies consolidated under equity method	**(3.7)**	
Other comprehensive income (loss) for the period, net of taxes	**138.5**	**(99.0)**
Total net comprehensive income (loss) for the period	**120.5**	**(62.0)**
Attributable to :		
Owners of CGGVeritas SA	110.3	(63.3)
Non-controlling interests	10.2	1.3

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

	Nine months ended September 30,			
amounts in millions of	**2010**		**2009**	
		US$ (1)		**US$ (2)**
OPERATING				
Net income (loss)	(18.0)	(23.7)	37.0	50.4
Depreciation and amortization	164.7	217.5	222.4	303.0
Multi-client surveys amortization	126.0	166.4	150.0	204.4
Variance on provisions	(55.5)	(73.3)	34.1	46.5
Expense & income calculated on stock-option	11.0	14.5	9.0	12.3
Net gain on disposal of fixed assets	(0.4)	(0.5)	3.6	4.9
Equity in income of affiliates	3.3	4.4	(5.3)	(7.3)
Dividends received from affiliates	2.4	3.2		
Other non-cash items	(13.8)	(18.3)	(2.8)	(3.8)
Net cash including net cost of financial debt and income taxes	**219.7**	**290.2**	**448.0**	**610.4**
Less net cost of financial debt	78.8	104.1	77.9	106.2
Less income taxes expenses	20.6	27.2	5.0	6.9
Net cash excluding net cost of financial debt and income taxes	**319.1**	**421.5**	**530.9**	**723.5**
Income taxes paid	(49.3)	(65.1)	(60.5)	(82.4)
Net cash before changes in working capital	**269.8**	**356.4**	**470.4**	**641.1**
- change in trade accounts and notes receivables	(31.1)	(41.1)	73.3	99.8
- change in inventories and work-in-progress	(24.2)	(32.0)	65.1	88.7
- change in other currents assets	(26.2)	(34.6)	20.8	28.4
- change in trade accounts and notes payable	51.7	68.3	(84.0)	(114.4)
- change in other current liabilities	(19.1)	(25.2)	(59.0)	(80.4)
Impact of changes in exchange rate	17.5	23.1	(14.4)	(19.8)
Net cash provided by operating activities	**238.4**	**314.9**	**472.2**	**643.4**
INVESTING				
Total purchases of tangible and intangible assets (including variation of fixed assets suppliers)	(165.2)	(218.2)	(130.1)	(177.3)
Increase in multi-client surveys	(177.4)	(234.3)	(191.8)	(261.3)
Proceeds from disposals of tangible and intangible	4.5	5.9	1.5	2.0
Total net proceeds from financial assets	2.0	2.6		
Total net acquisition of investments	(1.2)	(1.6)	(65.8)	(89.6)
Impact of changes in consolidation scope			(2.0)	(2.8)
Variation in loans granted	1.4	1.8	(4.0)	(5.4)
Variation in subsidies for capital expenditures	0.1	0.1	(0.1)	(0.1)
Variation in other financial assets	0.9	1.2	(1.0)	(1.5)
Net cash used in investing activities	**(334.9)**	**(442.3)**	**(393.3)**	**(536.0)**
FINANCING				
Repayment of long-term debts	(47.4)	(62.6)	(177.6)	(242.0)
Total issuance of long-term debts	2.2	3.0	243.5	331.8
Reimbursement on leasing	(50.8)	(67.1)	(22.3)	(30.4)
Change in short-term loans	(0.7)	(0.9)	(1.6)	(2.2)
Financial interest paid (3)	(57.2)	(75.5)	(65.3)	(89.0)

Net proceeds from capital increase				
- from shareholders	1.7	2.2	0.3	0.4
- from non-controlling interest of consolidated companies				
Disposal (acquisition) of treasury shares	(3.0)	(4.0)	4.9	6.7
Dividend paid to non-controlling interest	(3.0)	(4.0)	(2.6)	(3.5)
Net cash provided by (used in) financing activities	**(158.2)**	**(208.9)**	**(20.7)**	**(28.2)**
Effects of exchange rate changes on cash	30.1	(6.6)	(15.6)	20.7
Net increase (decrease) in cash and cash equivalents	**(224.6)**	**(342.9)**	**42.6**	**99.9**
Cash and cash equivalents at beginning of year	**480.3**	**691.9**	**516.9**	**719.4**
Cash and cash equivalents at end of period	**255.7**	**349.0**	**559.5**	**819.3**

(1) Dollar amounts represent euro amounts converted at the average exchange rate for the period of US$1.321 per (except cash and cash equivalents balances converted at the closing exchange rate of US$1.365 per at September 30, 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$1.362 per (except cash and cash equivalents balances converted at the closing exchange rate of US$1.464 per at September 30, 2009 and of US$1.392 per at December 31, 2008).

(3) Includes US$4.5 million related to issuing fees in the nine months ended September 30, 2010 (amendment of Term Loan B), and US$13.6 million in the nine months ended September 30, 2009 (amendment of Term Loan B and issuance of senior notes due 2016).

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

nts in millions of euros, except share data)	Number of Shares issued	Share capital	Additional paid-in capital	Retained earnings	Treasury shares	Income and expense Recognized directly in equity	Cumulative translation adjustment	Equity attributable to owners of CGGVeritas SA	Non controlling interests	T e
ce 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**
increase	*375,760*	0.2	0.1					0.3		
ome				32.6				32.6	4.4	
f share-based payment				9.0				9.0	(2.6)	
ions on treasury shares					4.9			4.9		
in (loss) on actuarial changes on pension)										
***in (loss) on cash flow hedges** (2)*						5.8		5.8		
***nge differences on foreign currency tion**(3).*							(101.7)	(101.7)	(3.1)	(
comprehensive income(1)+(2)+(3)						5.8	(101.7)	(95.9)	(3.1)	
es in consolidation scope and other				(3.9)				(3.9)		
ce at September 30, 2009	***150,993,469***	**60.4**	**1,964.8**	**1,169.9**	**(13.2)**	**3.3**	**(278.1)**	**2,907.1**	**37.2**	**2**

unts in millions of euros, except share data)	Number of Shares issued	Share capital	Additional paid-in capital	Retained earnings	Treasury shares	Income and expense Recognized directly in equity	Cumulative translation adjustment	Equity attributable to owners of CGGVeritas SA	Non controlling interests	To eq
ce 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**	**2,7**
l increase	*270,032*	0.1	1.6					1.7		
come				(27.0)				(27.0)	9.0	
f share-based payment				11.0				11.0	(3.0)	
tions on treasury shares					(3.0)			(3.0)		
in (loss) on actuarial changes on pension 1)										
***in (loss) on cash flow hedges** (2)*						*(3.5)*		*(3.5)*		
							140.8	140.8	*1.2*	1

***nge differences on foreign currency ation** (3)*										
comprehensive income(1)+(2)+(3)						(3.5)	140.8	137.3	1.2	1
es in consolidation scope and other				(0.4)				(0.4)	0.5	
ce at September 30, 2010	***151,416,626***	**60.6**	**1,967.5**	**855.3**	**(16.5)**	**(2.6)**	**(83.4)**	**2,780.9**	**49.7**	**2,8**

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COMPAGNIE GÉNÉRALE DE GÉOPHYSIQUE-VERITAS, S.A.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Note 1 Summary of significant accounting policies

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

Given that the Company is listed on Euronext Paris and pursuant to European regulation n°1606/2002 dated July 19, 2002, the accompanying interim condensed consolidated financial statements have been prepared in accordance with International 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 November 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 interim condensed consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities that have been measured at fair value.

Critical accounting policies

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group s annual financial statements as of and for the year ended December 31, 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, and applicable on January 1, 2010

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

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

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

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

2006-2008 annual improvements to IFRS 5 adopted by the European Union in 2009, and 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.

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

- IFRS9 Financial instruments: Recognition and Measurement of financial assets

- 2008-2010 annual improvements to IFRS

- Amendment to IAS32 Classification of rights issues- adopted by the European Union in December 2009, and applicable as of January 1, 2011.

- IAS24 Related Party Disclosures adopted by the European Union in July 2010, and applicable as of January 1, 2011.

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

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

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, and

- 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-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 straight-line basis over the contract period.

Other geophysical services

Revenues from our other geophysical 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. 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.

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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 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*.

On June 30, 2010, we entered into an agreement with Norfield AS providing for us to acquire full ownership of the seismic vessel *Voyager* in exchange for certain assets as part of the restructuring of Norfield AS. As a result of such agreement, 63.4 million of assets to be transferred were classified as held for sale on our balance sheet as of September 30, 2010. This agreement is still subject to certain conditions precedent.

On July 1, 2010, we took delivery of the *Oceanic Vega*, our new seismic vessel. Eidesvik Seismic Vessel AS, owner of the *Oceanic Vega* is accounted for under the equity method since December 31, 2009 in our financial statements.

Note 3 Financial debt

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

On July 15, 2010, we amended our US senior facilities agreement. This amendment extended the maturity of U.S.$348 million out of the total U.S.$515 million outstanding as of June 30, 2010 from January 2014 to January 2016 and increased the Company s headroom under its financial covenants.

In consideration of such amendment, the applicable margin for all borrowings under the US senior facilities increased by 1.0% for the amounts whose maturity was extended.

The tranche whose maturity was extended to 2016 will have its maturity accelerate to February 2015 if our senior notes due May 2015 are not refinanced by February 2015.

As amended, the financial covenants in the senior facilities agreement include:

a maximum ratio of total net financial debt to EBITDAS (2.75:1 for any relevant period expiring in the rolling 12-month period ending September 30 and December 31, 2010, and March 31, June 30, September 30 and December 31, 2011, 2.50:1 for any relevant period expiring in the rolling 12-month period ending March 31, June 30, September 30 and December 31, 2012, 2.25:1 for any relevant period expiring in the rolling 12-month period ending March 31, June 30, September 30 and December 31, 2013 and 2.00:1 for any relevant period expiring in the rolling 12-month period ending March 31, June 30, September 30 and December 31, 2014, and 1.75:1 for any relevant period expiring in the rolling 12-month period ending March 31, June 30, September 30 and December 31, 2015, respectively)

and a minimum ratio of EBITDAS to total interest costs (3.50:1 for any relevant period expiring in the rolling 12-month periods-ending September 30 and December 31, 2010, and March 31, June 30, September 30 and December 31, 2011, and March 31, June 30, September 30 and December 31, 2012, 4.00:1 for any relevant period expiring in the rolling 12-month period ending March 31, June 30, September 30 and December 31, 2013, 4.50:1 for any relevant period expiring in the rolling 12-month period ending March 31, June 30, September 30 and December 31, 2014, and 5.00:1 for any relevant period expiring in the rolling 12-month period ending March 31, June 30, September 30 and December 31, 2015, respectively).

Our net financial debt amounted to 1,147.6 million at September 30, 2010 compared to 918.7 at December 31, 2009.

As of September 30, 2010 the Group had 6 million available in unused short-term credit lines and overdraft facilities and 245 million in unused long-term credit lines.

All covenants were complied with as of September 30, 2010.

Note 4 Common stock and stock options plans

As of September 30, 2010 the Company s share capital consisted of 151,416,626 shares, each with a nominal value of 0.40.

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 22, 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 Sector^{sm} (OSX^{sm}) index; or

A financial indicator in the form of an 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 5 Analysis by operating segment and geographic area

Beginning July 1, 2010, our Group has been organized in five divisions and currently 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 and Imaging: 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.

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.

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.

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Identifiable assets are those used in the operations of each industry segment. Unallocated and corporate assets consist primarily of financial assets, including cash and cash equivalents.
Due to the constant changes in work locations, the Group does not track its assets based on country of origin or ownership.
The following tables present revenues, operating income and identifiable assets by operating segment, and operating revenues by geographic area (by location of customers).
Analysis by operating segment

	Three months ended September 30,							
	2010				**2009**			
(Unaudited)			**Eliminations and**	**Consolidated**	**Services**		**Eliminations and Adjustments**	**Consolidated**
(in millions of euros)	**Services**	**Equipment**	**Adjustments**	**Total**	**(a)**	**Equipment**	**(a)**	**Total**
Revenues from unaffiliated customers	363.7	154.0		517.7	400.0	112.2		512.2
Inter-segment revenues	0.3	40.3	(40.6)			30.4	(30.4)	
Operating revenues	**364.0**	**194.3**	**(40.6)**	**517.7**	**400.0**	**142.6**	**(30.4)**	**512.2**
Other income from ordinary activities		0.9		0.9	4.1	1.0		5.1
Total income from ordinary activities	**364.0**	**195.2**	**(40.6)**	**518.6**	**404.1**	**143.6**	**(30.4)**	**517.3**
Operating income (loss)	**(12.2)**	**57.9**	**(24.6)** [(b)]	**21.1**	**29.0**	**25.2**	**(13.5)** [(b)]	**40.7**
Equity in income (loss) of investees	(1.4)	0.2		(1.2)	2.9			2.9
Capital expenditures [(c)]	118.1	6.8	7.5	132.4	85.7	17.6	0.2	103.5
Depreciation and amortization [(d)]	(89.7)	(9.1)	(0.3)	(99.1)	162.6	7.3	(46.2)	123.7
Investments in companies under equity method								

(a) The segment information related to our Services segment for the three months ended September 30, 2009 was restated to reflect the change in our internal financial reporting in 2010: (i) Operating income for our Services segment is presented after elimination of amortization expense corresponding to past inter-company capital expenditures between our Equipment segment and Services segment; (ii) Capital expenditures for our Services segment are presented after elimination of inter-segment margin. These eliminations were previously presented in Eliminations and Adjustments".

(b) Includes general corporate expenses of 8.1 million for the three months ended September 30, 2010 and 7.6 million for the comparable period in 2009.

(c) Includes (i) investments in multi-client surveys of 49.4 million for the three months ended September 30, 2010 and 47.3 million for the three months ended September 30, 2009 (ii) equipment acquired under capital leases for 9.9 million for the three months ended September 30, 2010 and none for the comparable period of 2009, (iii) and capitalized development costs of 8.9 million for the three months ended September 30, 2010 and 2.8 million for

the comparable period of 2009, in the Services segment. Capitalized development costs in the Equipment segment were 0.6 million for the three months ended September 30, 2010 and 0.2 million for the comparable period of 2009.

(d) Includes multi-client survey amortization of 45.8 million for the three months ended September 30, 2010 and 61.0 million for the comparable period of 2009.

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	Three months ended September 30,							
	2010 (1)				2009 (1)			
(in millions of US$)	Services	Equipment	Eliminations and Adjustments	Consolidated Total	Services	Equipment	Eliminations and Adjustments	Consolidated Total
Revenues from unaffiliated customers	460.6	195.7		656.3	570.9	160.5		731.4
Inter-segment revenues	0.5	51.2	(51.7)			42.8	(42.8)	
Operating revenues	**461.1**	**246.9**	**(51.7)**	**656.3**	**570.9**	**203.3**	**(42.8)**	**731.4**
Other income from ordinary activities		1.2		1.2	5.7	1.3		7.0
Total income from ordinary activities	**461.1**	**248.1**	**(51.7)**	**657.5**	**576.6**	**204.6**	**(42.8)**	**738.4**
Operating income (loss)	**(16.5)**	**74.0**	**(31.0)**	**26.5**	**40.7**	**36.5**	**(19.5)**	**57.7**

(1) Corresponding to the nine months ended September 30 in US dollars less the six month ended June 30 in US dollars.

	Nine months ended September 30,							
	2010				2009			
(Unaudited) (in millions of euros)	Services	Equipment	Eliminations and Adjustments	Consolidated Total	Services (a)	Equipment	Eliminations and Adjustments (a)	Consolidated Total
Revenues from unaffiliated customers	1,082.5	431.2		1,513.7	1,333.6	399.7		1,733.3
Inter-segment revenues	0.6	112.6	(113.2)		0.5	72.1	(72.6)	-
Operating revenues	**1,083.1**	**543.8**	**(113.2)**	**1,513.7**	**1,334.1**	**471.8**	**(72.6)**	**1,733.3**
Other income from ordinary activities		2.5		2.5	4.2	2.5		6.7
Total income from ordinary activities	**1,083.1**	**546.3**	**(113.2)**	**1,516.2**	**1,338.3**	**474.3**	**(72.6)**	**1,740.0**
Operating income (loss)	**2.0**	**143.9**	**(70.0)**(b)	**75.9**	**70.4**	**108.2**	**(54.1)**(b)	**124.5**
Equity in income (loss) of investees	(3.5)	0.2		(3.3)	5.3			5.3
Capital expenditures (c)	329.8	19.1	7.5	356.4	317.7	26.4	0.6	344.7
Depreciation and amortization (d)	263.4	26.2	1.1	290.7	350.1	21.0	1.3	372.4
						4.0		4.0

Investments in companies under equity method								
Identifiable assets	**4,202.2**	**805.4**	**(260.5)**	**4,747.1**	**4,152.6**	**728.8**	**(243.6)**	**4,637.8**
Unallocated and corporate assets				**332.4**				**643.7**
Total Assets				**5,079.5**				**5,281.5**

(a) The segment information related to our Services segment for the nine months ended September 30, 2009 was restated to reflect the change in our internal financial reporting in 2010: (i) Operating income for our Services segment is presented after elimination of amortization expense corresponding to past inter-company capital expenditures between our Equipment segment and Services segment; (ii) Capital expenditures for our Services segment are presented after elimination of inter-segment margin. These eliminations were previously presented in Eliminations and Adjustments .

(b) Includes general corporate expenses of 29.7million for the nine months ended September 30, 2010 and 27.9 million for the comparable period in 2009.

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(c) Includes (i) investments in multi-client surveys of 177.4 million for the nine months ended September 30, 2010 and 191.8 million for the nine months ended September 30, 2009, (ii) equipment acquired under capital leases for 9.9 million for the nine months ended September 30, 2010 and 22.7 for the comparable period of 2009, (iii) capitalized development costs of 15.7 million for the nine months ended September 30, 2010 and 9.2 million for the comparable period of 2009 in the Services segment. Capitalized development costs in the Equipment segment were 2.0 million for the nine months ended September 30, 2010 and 1.2 million for the comparable period of 2009.

(d) Includes multi-client survey amortization of 126.0 million for the nine months ended September 30, 2010 and 150.0 million for the comparable period of 2009.

	Nine months ended September 30,							
	2010				2009(1)			
(Unaudited) (in millions of US$)	Services (1)	Equipment(2)	Eliminations and Adjustments	Consolidated Total (3)	Services	Equipment	Eliminations and Adjustments	Consolidated Total
Revenues from unaffiliated customers	1,431.6	567.7		1,999.3	1,816.6	544.8		2,361.4
Inter-segment revenues	0.7	148.2	(148.9)		0.7	98.3	(99.0)	
Operating revenues	**1,432.3**	**715.9**	**(148.9)**	**1,999.3**	**1,817.3**	**643.1**	**(99.0)**	**2,361.4**
Other income from ordinary activities		3.3		3.3	5.7	3.4		9.1
Total income from ordinary activities	**1,432.3**	**719.2**	**(148.9)**	**2,002.6**	**1,823.0**	**646.5**	**(99.0)**	**2,370.5**
Operating income (loss)	**2.7**	**189.4**	**(91.8)**	**100.3**	**96.0**	**147.5**	**(74.1)**	**169.4**

(1) Dollar amounts represent euro amounts converted at the average exchange rate for the period of US$1.323 per in 2010 and of US$1.362 per in 2009.

(2) Dollar amounts were converted at the average rate of US$1.317 per for the Equipment segment.

(3) Dollar amounts for the Consolidated total were converted at the rate of US$1.321 per , corresponding to the weighted average based on each segment s operating revenues.

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:

	Three months ended September 30,					
	2010			2009		
Except percentages, in millions of			**US$ (1)**			**US$ (1)**
North America	137.0	27%	174.0	105.8	21%	150.8
Central and South Americas	54.2	10%	68.4	55.2	11%	77.1

Europe, Africa and Middle East	232.3	45%	295.4	243.6	47%	346.9
Asia Pacific	94.2	18%	118.5	107.6	21%	156.6
Total	**517.7**	**100%**	**656.3**	**512.2**	**100%**	**731.4**

(1) Corresponding to the nine months ended September 30 in US dollars less the six month ended June 30 in US dollars.

	Nine months ended September 30,					
	2010			2009		
Except percentages, in millions of			**US$ (1)**			**US$ (1)**
North America	389.8	26%	514.8	348.6	21%	474.9
Central and South Americas	169.9	11%	224.4	126.9	7%	172.9
Europe, Africa and Middle East	645.6	43%	852.8	786.4	45%	1,071.4
Asia Pacific	308.4	20%	407.3	471.4	27%	642.2
Total	**1,513.7**	**100%**	**1,999.3**	**1,733.3**	**100%**	**2,361.4**

(1) Dollar amounts represent euro amounts converted at the average exchange rate for the period of US$1.321 per in 2010 and of US$1.362 per in 2009.

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Note 6 Other revenues (expenses)

Marine restructuring plan

During the nine months ended September 30, 2010, we paid approximately U.S.$30 million related to our 2009 marine restructuring plan, which was offset by the use of the corresponding provisions.

Note 7 Commitments and contingencies

Capital expenditures, other commitments and contingencies

On March 5, 2010, we extended the charter period for our seismic vessel *Vanquish* until November 2020. Either two five-year-extension options or a purchase option (U.S.$44 million) can be exercised thereafter.

On June 17, 2010, we extended the bareboat charter period for our seismic vessel *Endeavour* until March 2018, for an additional commitment of approximately U.S.$30 million, with two additional five-year extension options.

Litigation and other risks

On January 29, 2010, a Texarkana, Texas jury found that Sercel Inc. infringed United States Patent No. 5,852,242 and that patent-holder ION Geophysical Corporation was entitled to U.S.$25.2 million in lost profits. On September 16, 2010 the Federal District Court in Texarkana overturned the jury s verdict with respect to one theory of infringement claimed by ION. The court also sustained the jury s verdict on another theory of infringement and the validity of the patent. The court reduced the damages award to U.S.$10.7 million. The parties are expecting the court s final judgment 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 its products do not infringe any valid claims of the patent in question.

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

Note 8 Subsequent events

On October 1, 2010, we took delivery of our new Galileo headquarters building in Massy pursuant to a 12 year lease contract with a purchase option exercisable from the end of the sixth year until the end of the lease agreement.

On October 21, 2010, the Board of Directors allocated 120,000 stock options to three beneficiaries pursuant to a shareholders resolution. The exercise price of the stock options is 16.88. The plan expires on October 21, 2018. Rights to these options vest by one-third during each of the first three years of the plan.

On November 4, 2010, we amended our U.S.$200 million French revolving facility, dated February 7, 2007, in order to align covenant levels with our amended senior U.S. facilities and extend the maturity by two years, from February 2012 to February 2014. Total Leverage Ratio covenant levels increased from 2.25 to 2.75 in 2010 declining thereafter to 2.0 in 2014; and EBITDAS to total interest cost covenant levels decreased from 4.00 to 3.50 in 2010 increasing thereafter to 4.50 in 2014.

In consideration of the amendment, interest rates increased from Libor + 300bps to Libor + 325bps (initially), and will then be adjusted based on the CGGVeritas corporate ratings.

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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

Beginning July 1, 2010, our Group has been organized in five divisions and currently 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 and Imaging: processing and imaging as well as interpretation of geophysical data, data management and reservoir studies for clients, and
  - Multi-client land and marine: seismic data acquisition undertaken by us and licensed to a number of clients on a non-exclusive basis;
- Geophysical equipment segment, which we conduct through Sercel Holding S.A. and its subsidiaries, comprises our manufacturing and sales activities for seismic equipment used for data acquisition, both on land and marine.

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

Factors Affecting Results of Operations

Geophysical market environment

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

The geophysical market has historically been extremely cyclical. We believe many factors contribute to the volatility of this market, such as the geopolitical uncertainties that can harm the confidence and visibility that are essential to our clients long-term decision-making processes and the expected balance in the mid to long term between supply and demand for hydrocarbons. In the fourth quarter of 2009, we recognized an impairment loss on goodwill of 216 million on our marine division as a result of market conditions.

Demand for seismic equipment in 2010 has been driven by technological requirements, with a premium for differentiating technology. In geophysical services, commercial activity is increasingly supported by new opportunities in most regions, especially for high-end advanced solutions, work in challenging environments and unconventional plays. Overall geophysical services in 2010 will be shaped by multi-client sales at the end of the year, while contract market conditions both land and marine remain difficult.

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 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 period. The exchange rates as of December 31, 2009 and September 30, 2010 were U.S.$1.441, and U.S.$1.365 respectively, per euro, and the average exchange rates for the nine-month periods ended September, 2009 and 2010 were U.S.$1.362 and U.S.$1.321, 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, we 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*.

On June 30, 2010, we entered into an agreement with Norfield AS providing for us to acquire full ownership of the seismic vessel *Voyager* in exchange for certain assets as part of the restructuring of Norfield AS. As a result of such agreement, 63.4 million of assets to be transferred were classified as held for sale on our balance sheet as of September 30, 2010. This agreement is still subject to certain conditions precedent.

On July 1, 2010, we took delivery of the *Oceanic Vega*, our new seismic vessel.

On October 1, 2010, we took delivery of our new headquarter building in Massy pursuant to a 12 year lease contract with a purchase option exercisable from the end of the sixth year until the end of the lease agreement.

Indebtedness

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

On July 15, 2010, we amended our US senior facilities agreement. This amendment extended the maturity of U.S.$348 million out of the total U.S.$513 million outstanding as of September 30, 2010 from January 2014 to January 2016 and increased the Company s headroom under its financial covenants.

In consideration of such amendment, the applicable margin for all borrowings under the US senior facilities increased by 1.0% for the amounts whose maturity was extended.

The tranche whose maturity was extended to 2016 will have its maturity accelerate to February 2015 if our senior notes due May 2015 are not refinanced by February 2015.

As amended, the financial covenants in the senior facilities agreement include:

a maximum ratio of total net financial debt to EBITDAS (2.75:1 for any relevant period expiring in the rolling 12-month period ending September 30 and December 31, 2010, and March 31, June 30, September 30 and December 31, 2011, 2.50:1 for any relevant period expiring in the rolling 12-month period ending March 31, June 30, September 30 and December 31, 2012, 2.25:1 for any relevant period expiring in the rolling 12-month period ending March 31, June 30, September 30 and December 31, 2013 and 2.00:1 for any relevant period expiring in the rolling 12-month period ending March 31, June 30, September 30 and December 31, 2014, and 1.75:1 for any relevant period expiring in the rolling 12-month period ending March 31, June 30, September 30 and December 31, 2015, respectively)

and a minimum ratio of EBITDAS to total interest costs (3.50:1 for any relevant period expiring in the rolling 12-month periods-ending September 30 and December 31, 2010, and March 31, June 30, September 30 and December 31, 2011, and March 31, June 30, September 30 and December 31, 2012, 4.00:1 for any relevant period expiring in the rolling 12-month period ending March 31, June 30, September 30 and December 31, 2013, 4.50:1 for any relevant period expiring in the rolling 12-month period ending March 31, June 30, September 30 and December 31, 2014, and 5.00:1 for any relevant period expiring in the rolling 12-month period ending March 31, June 30, September 30 and December 31, 2015, respectively).

On November 4, 2010, we amended our U.S.$200 million French revolving facility, dated February 7, 2007, in order to align covenant levels with our amended senior U.S. facilities and extend the maturity by two years, from February 2012 to February 2014. Total Leverage Ratio covenant levels increased from 2.25 to 2.75 in 2010 declining thereafter to 2.0 in 2014; and EBITDAS to total interest cost covenant levels decreased from 4.00 to 3.50 in 2010 increasing thereafter to 4.50 in 2014.

In consideration of the amendment, interest rates increased from Libor + 300bps to Libor + 325bps (initially), and will then be adjusted based on the CGGVeritas corporate ratings.

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 Sector^{sm} (OSX^{sm}) 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, 2018 inclusive, except in limited cases listed in the plan regulation

On October 21, 2010, the Board of Directors allocated 120,000 stock options to three beneficiaries pursuant to a shareholders resolution. The exercise price of the stock options is 16.88. The plan expires on October 21, 2018. Rights to these options vest by one-third during each of the first three years of the plan.

Legal proceedings, claims and other contingencies

On January 29, 2010, a Texarkana, Texas jury found that Sercel Inc. infringed United States Patent No. 5,852,242 and that patent-holder ION Geophysical Corporation was entitled to U.S.$25.2 million in lost profits. On September 16, 2010 the Federal District Court in Texarkana overturned the jury s verdict with respect to one theory of infringement claimed by ION. The court also sustained the jury s verdict on another theory of infringement and the validity of the patent. The court reduced the damages award to U.S.$10.7 million. The parties are expecting the court s final judgment 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 its products do not infringe any valid claims of the patent in question.

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

Backlog

Our backlog as of October 1, 2010 was U.S.$1.6 billion. Contracts for services are occasionally modified by mutual consent and in certain instances are cancelable by the customer on short notice without penalty. Consequently, backlog as of any particular date may not be indicative of actual operating results for any succeeding period.

Three months ended September 30, 2010 compared to three months ended September 30, 2009

Operating revenues

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

	Three months ended September 30,					
Except percentages, in millions of		**2010**			**2009**	
		U.S.$[1]	**%**		**U.S.$[1]**	**%**
Marine contract	136.8	172.6	26%	189.0	270.8	37%
Land contract	65.2	82.2	13%	59.3	85.3	11%
Processing & Imaging	73.7	93.5	14%	70.7	100.7	14%
Multi-client	88.0	112.4	17%	80.8	114.1	16%
Total Services	363.7	460.7	70%	400.0	570.9	78%
Equipment	154.0	195.6	30%	112.2	160.5	22%
Total	**517.7**	**656.3**	**100%**	**512.2**	**731.4**	**100%**

(1) Calculated as the nine months ended September 30, in U.S.$, less the six months ended June 30, in U.S.$.

Our consolidated operating revenues for the three months ended September 30, 2010 increased 1% to 517.7 million from 512.2 million for the comparable period of 2009. Expressed in U.S dollars, our consolidated operating revenues decreased 10% to U.S.$656.3 million in the three months ended September 30, 2009 from U.S.$731.4 million for the comparable period of 2009. This decrease was due to our Services segment, while revenues from our Equipment segment increased significantly.

Services

Operating revenues for our Services segment (excluding intra-group sales) decreased 9% to 363.7 million for the three months ended September 30, 2010 from 400.0 million for the comparable period of 2009. In U.S. dollar terms, operating revenues for our Services segment decreased 19%, mainly as a result of our vessel reduction plans and lower vessel utilization rates in challenging marine and North America land market conditions.

Marine contract

Operating revenues from our Marine contract division for the three months ended September 30, 2010 decreased 28% to 136.8 million from 189.0 million for the comparable period of 2009 (and decreased 36% in U.S. dollar terms) principally due to the decommissioning of our lower-end vessels as part of our marine restructuring plan begun in 2009 and lower vessel utilization rates. The fleet availability and production rates were both at 87% for the three months ended September 30, 2010 compared to 90% and 93% respectively for the three months ended September 30, 2009. 90% of our high end 3D fleet operated on contract during the three months ended September 30, 2010 and 86% for the comparable period of 2009. During the three months ended September 30, 2010, the seismic vessel *Oceanic Vega* was delivered and completed its first survey in the Barents Sea, before mobilizing to Mexico to acquire a large wide-azimuth dual vessel survey with the *Vanquish*, which was upgraded to 12 Sentinel streamers in August.

Land contract

Operating revenues from our Land contract division increased 10% to 65.2 million for the three months ended September 30, 2010 from 59.3 million for the comparable period of 2009, and decreased 4% in U.S. dollar terms mainly due to challenging market conditions in North America. Activity remained high in the Middle East.

Processing & Imaging

Operating revenues from our Processing & Imaging division increased 4% to 73.7 million for the three months ended September 30, 2010 from 70.7 million for the comparable period of 2009 (and decreased 7% in US dollar terms). Demand remained strong for our advanced capabilities, such as our RTM 3D gather depth processing technology and our reservoir solutions, particularly for shale gaz. We now operate 12 dedicated centers and continued

to develop our leadership with a three year extension

contract for one center in Aberdeen.

Multi-client

Operating revenues from our Multi-client division for the three months ended September 30, 2010 increased 9% to 88.0 million from 80.8 million for the comparable period of 2009 (and decreased 1% in U.S. dollar terms).

Multi-client marine data library revenues increased 13% to 60.4 million for the three months ended September 30, 2010 from 53.8 million for the comparable period of 2009 (and was stable U.S. dollar terms) principally due to good level of after-sales. Prefunding decreased 26% to 28.0 million for the three months ended September 30, 2010 from 38.0 million for the comparable period of 2009 (and decreased 34% in U.S. dollar terms), with a high prefunding rate of 102%. After-sales worldwide doubled to 32.5 million for the three months ended September 30, 2010 from 15.8 million for the comparable period of 2009 (and increased 82% in U.S. dollar terms).

Multi-client land data library revenues increased 2% to 27.6 million for the three months ended September 30, 2010 from 27.1 million for the comparable period of 2009 (and decreased 6% in U.S. dollar terms). In addition to the ongoing survey in the Haynesville basin, in September we began the acquisition of a multi-phase program in the Marcellus basin. Prefunding decreased 6% to 16.9 million for the three months ended September 30, 2010 from 18.0 million for the comparable period of 2009 (and decreased 12% in U.S. dollar terms) due to a lower prefunding rate of 81%. The decrease of prefunding was offset by higher revenues from after-sales, which increased 19% to 10.7 million for the three months ended September 30, 2010 from 9.0 million for the comparable period of 2009.

Equipment

Operating revenues for our Equipment segment, including intra-group sales, increased 36% to 194.3 million for the three months ended September 30, 2010 from 142.6 million for the comparable period of 2009. In U.S. dollar terms, revenues increased 21% to U.S.$246.9 million for the three months ended September 30, 2010 from U.S.$203.3 million for the comparable period of 2009. Strong demand for increasing channel counts for high density surveys and regional activity drove growth in land equipment this quarter. Sentinel solid streamer sales, along with increased technology take-up of SeaRay OBC systems, kept marine sales at a good level.

Operating revenues for our Equipment segment, excluding intra-group sales, increased 37% to 154.0 million for the three months ended September 30, 2010 from 112.2 million for the comparable period in 2009 (and increased 22% in U.S. dollar terms).

Operating Expenses

Cost of operations, including depreciation and amortization, increased 6% to 436.8 million for the three months ended September 30, 2010 from 412.8 million for the comparable period of 2009, and decreased 5% in U.S. dollar terms mainly due to lower activity in marine contract. As a percentage of operating revenues, cost of operations increased to 84% for the three months ended September 30, 2010 from 80% for the comparable period of 2009. Gross profit decreased 22% to 81.8 million for the three months ended September 30, 2010 from 104.5 million for the comparable period of 2009, representing 16% and 20% of operating revenues, respectively.

Research and development expenditures increased 9% to 16.4 million for the three months ended September 30, 2010, from 15.1 million for the comparable period of 2009, representing 3% of operating revenues for both periods.

General and administrative expenses decreased 2% to 35.6 million for the three months ended September 30, 2010 from 36.4 million for the comparable period of 2009 (and decreased 15% in U.S. dollar terms), as a result of cost saving measures. As a percentage of operating revenues, general and administrative costs decreased to 6% for the three months ended September 30, 2010 from 7% for the comparable period of 2009.

Selling and marketing expenses decreased 8% to 15.1 million for the three months ended September 30, 2010 from 16.5 million for the comparable period of 2009 (and decreased 18% in U.S. dollar terms).

Other revenues amounted to 6.4 million for the three months ended September 30, 2010 compared to 4.2 million for three months ended September 30, 2009.

Operating Income (Loss)

Our operating income was 21.1 million for the three months ended September 30, 2010 compared to operating income of 40.7 million for the three months ended September 30, 2009 as a result of the factors described above.

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Operating loss for our Services segment was 12.2 million for the three months ended September 30, 2010 compared to operating income of 29.0 million for the three months ended September 30, 2009.

Operating income from our Equipment segment increased 130% to 57.9 million for three months ended September 30, 2010 from 25.2 million for the comparable period of 2009.

Financial Income and Expenses

Cost of net financial debt increased 7% to 28.5 million for the three months ended September 30, 2009 from 26.6 million for the comparable period of 2009, and decreased 3% in U.S. dollar terms, mainly due to lower interest rates on our floating rate debt.

Other financial expense was 6.5 million for the three months ended September 30, 2010 compared to 6.9 million for the three months ended September 30, 2009, due to currency fluctuations.

Income Taxes

Income taxes increased to 9.5 million for the three months ended September 30, 2010 from 1.7 million for the three months ended September 30, 2009, mainly due to foreign deemed and U.S. taxation.

Equity in Income (Loss) of Affiliates

Loss from investments accounted for under the equity method was 1.2 million for the three months ended September 30, 2010 from an income of 2.9 million for the comparable period of 2009. The decrease is mainly attributable to our share in the income of Argas and Eidesvik Seismic Vessel AS *(Oceanic Vega)*, our joint ventures in Saudi Arabia and in Norway, respectively.

Net Income (Loss)

Net loss was 24.6 million for the three months ended September 30, 2010 compared to net income of 8.4 million for the three months ended September 30, 2009 as a result of the factors discussed above.

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Nine months ended September 30, 2010 compared to nine months ended September 30, 2009

Operating revenues

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

	Nine months ended September 30,					
Except percentages, in millions of		**2010**			**2009**	
		U.S.$[(1)]	**%**		**U.S.$[(1)]**	**%**
Marine contract	431.4	570.7	29%	664.2	904.8	38%
Land contract	208.4	275.6	14%	220.6	300.5	13%
Processing & Imaging	212.4	280.9	14%	219.7	299.2	13%
Multi-client	230.3	304.5	15%	229.1	312.1	15%
Total Services	1,082.5	1,431.7	72%	1,333.6	1,816.6	77%
Equipment	431.2	567.7	28%	399.7	544.8	23%
Total	**1,513.7**	**1,999.4**	**100%**	**1,733.3**	**2,361.4**	**100%**

(1) Dollar amounts represent euros amounts converted at the average exchange rates of U.S.$1.321, U.S.$1.323, and U.S.$1.317 for the Group, the Services segment and the Equipment segment, respectively, per in 2010; and U.S.$1.362, U.S.$1.362, and U.S.$1.363 for the Group, the Services segment and the Equipment segment, respectively, per in 2009.

Our consolidated operating revenues for the nine months ended September 30, 2010 decreased 13% to 1,513.7 million from 1,733.3 million for the comparable period of 2009. Expressed in U.S dollars, our consolidated operating revenues decreased 15% to U.S.$1,999.4 million in the nine months ended September 30, 2010 from U.S.$2,361.4 million for the comparable period of 2009. This decrease was mainly due to our Services segment.

Services

Operating revenues for our Services segment (excluding intra-group sales) decreased 19% to 1,082.5 million for the nine months ended September 30, 2010 from 1,333.6 million for the comparable period of 2009. Expressed in U.S dollars, operating revenues decreased 21%, reflecting our fleet capacity reduction program and low prices in the marine market.

Marine contract

Operating revenues from our Marine contract division for the nine months ended September 30, 2010 decreased 35% to 431.4 million from 664.2 million for the comparable period of 2009 (and decreased 37% in U.S. dollar terms) principally due to low prices in the marine market and the vessel reduction following our marine restructuring plan launched in 2009.

Land contract

Operating revenues from our Land contract division decreased 6% to 208.4 million for the nine months ended September 30, 2010 from 220.6 million for the comparable period of 2009 (and decreased 8% in U.S. dollar terms), as a result of reduced demand in North America.

Processing & Imaging

Operating revenues from our Processing & Imaging division decreased 3% to 212.4 million for the nine months ended September 30, 2010 from 219.7 million for the comparable period of 2009 (and decreased 6% in U.S. dollar terms).

Multi-client

Operating revenues from our Multi-client division for the nine months ended September 30, 2010 increased 1% to 230.3 million from 229.1 million for the comparable period of 2009, and decreased 2% in U.S. dollar terms.

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Multi-client marine data library revenues decreased 13% to 159.4 million for the nine months ended September 30, 2010 from 183.4 million for the comparable period of 2009 (and decreased 16% in U.S. dollar terms) principally due to reduced planned investments. Prefunding decreased 28% to 82.8 million for the nine months ended September 30, 2010 from 115.4 million for the comparable period of 2009 (and decreased 30% in U.S. dollar terms). After-sales increased 13% to 76.6 million for the nine months ended September 30, 2010 from 68.0 million for the comparable period of 2009 (and increased 9% in U.S. dollar terms), with a higher level of activity worldwide.

Multi-client land data library revenues increased 55% to 70.9 million for the nine months ended September 30, 2010 from 45.7 million for the comparable period of 2009 (and increased 51% in U.S. dollar terms). Prefunding increased significantly 82% to 40.9 million for the nine months ended September 30, 2010 from 22.5 million for the comparable period of 2009 (and increased 77% in U.S. dollar terms) due to strong interest for our seismic data in the U.S. After-sales increased 29% to 30.0 million for the nine months ended September 30, 2010 from 23.2 million for the comparable period of 2009 (and increased 25% in U.S. dollar terms).

Equipment

Operating revenues for our Equipment segment, including intra-group sales, increased 15% to 543.8 million for the nine months ended September 30, 2010 from 471.8 million for the comparable period of 2009. In U.S. dollar terms, revenues increased 11% to U.S.$715.9 million for the nine months ended September 30, 2010 from U.S.$643.1 million for the comparable period of 2009 as a result of increasing demand for marine equipment and sustained demand in land products for high channel counts crews and regional activity.

Operating revenues for our Equipment segment, excluding intra-group sales, increased 8% to 431.2 million for the nine months ended September 30, 2010 from 399.7 million for the comparable period in 2009 (and increased 4% in U.S. dollar terms).

Operating Expenses

Cost of operations, including depreciation and amortization, decreased 7% to 1,228.6 million for the nine months ended September 30, 2010 from 1,320.6 million for the comparable period of 2009, mainly due to lower activity in marine contract and the impact of our marine restructuring plan and certain reduction of liabilities. As a percentage of operating revenues, cost of operations increased to 81% for the nine months ended September 31, 2010 from 76% for the comparable period of 2009. Gross profit decreased 33% to 287.6 million for the nine months ended September 30, 2010 from 419.4 million for the comparable period of 2009, representing 19% and 24% of operating revenues, respectively.

Research and development expenditures were stable at 45.2 million for the nine months ended September 30, 2009 compared to the nine months ended September 30, 2009, representing 3% of operating revenues for both periods.

General and administrative expenses decreased 2% to 132.1 million for the nine months ended September 30, 2010 from 135.1 million for the comparable period of 2009 (and decreased 5% in U.S. dollar terms). As a percentage of operating revenues, general and administrative costs represented 9% for the nine months ended September 30, 2010 compared to 8% for the nine months ended September 30, 2009.

Selling and marketing expenses were stable at 45.1 million for the nine months ended September 30, 2010 compared to the nine months ended September 30, 2009.

Other revenues amounted to 10.7 million for the nine months ended September 30, 2010, mainly due to disposal of assets and asset fair value adjustments. Other expenses for the nine months ended September 30, 2009 amounted to 69.3 million, mainly due to the marine restructuring plan.

Operating Income (Loss)

Our operating income decreased 39% to 75.9 million for the nine months ended September 30, 2009 from 124.5 million for the comparable period of 2009, as a result of the factors described above.

Operating income from our Services segment decreased to 2.0 million for the nine months ended September 30, 2010 from 70.4 million for the comparable period of 2009.

Operating income from our Equipment segment increased 33% to 143.9 million for nine months ended September 30, 2010 from 108.2 million for the comparable period of 2009 (and increased 28% in U.S. dollar terms).

Financial Income and Expenses

Cost of net financial debt increased 1% to 78.8 million for the nine months ended September 30, 2010 from 77.9 million for the comparable period of 2009 (and decreased 2% in U.S. dollar terms).

Other financial income was 8.8 million for the nine months ended September 30, 2010 compared to financial expenses of 9.9 million for the nine months ended September 30, 2009, mainly due to currency fluctuations.

Income Taxes

Income taxes increased to 20.6 million for the nine months ended September 30, 2010 from 5.0 million for the comparable period of 2009. Before deferred taxes on currency translation, the effective tax rate was 317% for the nine months ended September 30, 2010 compared to 36% for the nine months ended September 30, 2009 notably due to foreign deemed and U.S. taxation.

Equity in Income (Loss) of Affiliates

Loss from investments accounted for under the equity method was 3.3 million for the nine months ended September 30, 2010 compared to an income of 5.3 million for the nine months ended September 30, 2009. The decrease was mainly attributable to our share in the income of Argas and Eidesvik Seismic Vessel AS *(Oceanic Vega)*, and our joint ventures in Saudi Arabia and in Norway, respectively.

Net Income (Loss)

Net loss was 18.0 million for the nine months ended September 30, 2010 compared to a net income of 37.0 million for the nine months ended September 30, 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 and acquisition of 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 U.S. facilities consist of a Term Loan B facility (U.S.$513 million outstanding as of September 30, 2010) maturing January 2014 (U.S.$166 million) and January 2016 (U.S.$347 million) and a $140 million U.S. revolving facility (undrawn as of September 30, 2010) maturing January 2012. The French facility consists of a U.S.$200 million senior secured revolving facility maturing February 2014, as amended on November 4, 2010.

We believe that we are not subject to near-term liquidity constraints, given our liquidity available as of September 30, 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 238.4 million for the nine months ended September 30, 2010 compared to 472.2 million for the comparable period of 2009. Before changes in working capital, net cash provided by operating activities for the nine months ended September 30, 2010 decreased to 269.8 million from 470.4 million for the comparable period for 2009 mainly due to the significant decrease in EBITDAS. Changes in working capital had an unfavorable impact on cash from operating activities of 31.4 million in the nine months ended September 30, 2010 compared to a positive impact of 1.8 million for the comparable period for 2009.

Investing activities

Net cash used in investing activities was 334.9 million in the nine months ended September 30, 2010 compared to 393.3 million for nine months ended September 30, 2009.

In the nine months ended September 30, 2010, we purchased tangible and intangible assets for 165.2 million mainly to equip our seismic vessels *Viking 2* and *Oceanic Vega* with Sentinel streamers compared to 130.1 million for the nine months ended September 30, 2009.

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We also invested 177.4 million in our multi-client library, mainly in the Gulf of Mexico and Brazil, compared to 191.8 million in the comparable period of 2009. As of September 30, 2010, the net book value of our multi-client data library was 545.6 million compared to 469.1 million as of December 31, 2009.

During the nine months ended September 30, 2009, we acquired the remaining 30% of Wavefield for 62 million as part of the mandatory offer launched in December 30, 2008 and the squeeze-out process closed on February 16, 2009.

Financing activities

Net cash used in financing activities during the nine months ended September 30, 2010 was 158.2 million compared to 20.7 million for nine months ended September 30, 2009.

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

On June 9, 2009, we issued US$350 million principal amount of 9 1/2 % senior notes due 2016. The senior notes were issued at a price of 97.0% of their principal amount, resulting in a yield of 10 %. The senior notes will mature on May 15, 2016.

Net debt

Net financial debt as of September 30, 2010 was 1,147.6 million compared to 918.7 million as of December 31, 2009. The ratio of net financial debt to equity increased to 41% as of September 30, 2010 from 35% as of 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 financial debt to financing items of the balance sheet at September 30, 2010 and December 31, 2009:

(in millions of euros)	**September 30, 2010**	**December 31, 2009**
Bank overdrafts	2.2	2.7
Current portion of long-term debt	67.2	113.5
Long-term debt	1,333.9	1,282.8
Gross financial debt	**1,403.3**	**1,399.0**
Less : cash and cash equivalents	(255.7)	(480.3)
Net financial debt	**1,147.6**	**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 nine months ended September 30, 2010 was 377.6 million compared to 505.9 million for the comparable period of 2009, representing 25% and 29% of operating revenues, respectively.

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

operating performance or any other measures of performance derived in accordance with IFRS.

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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:

	Nine months ended September 30,	
(in millions of euros)	**2010**	**2009**
EBITDAS	**377.6**	**505.9**
Other financial income (loss)	8.8	(9.9)
Variance on provisions	(55.5)	34.1
Net gain on disposal of assets	(0.4)	3.6
Dividends received from affiliates	2.4	
Other non cash items	(13.8)	(2.8)
Income taxes paid	(49.3)	(60.5)
Change in trade accounts receivable	(31.1)	73.3
Change in inventories	(24.2)	65.1
Change in other current assets	(26.2)	20.8
Change in trade accounts payable	51.7	(84.0)
Change in other current liabilities	(19.1)	(59.0)
Impact of changes in exchange rate	17.5	(14.4)
Net cash provided by operating activities	**238.4**	**472.2**

Contractual obligations

The following table sets forth our future cash obligations as of September 30, 2010:

	Payments Due by Period				
(in millions of euros)	**Less than 1 year**	**2-3 years**	**4-5 years**	**More than 5 years**	**Total**
Financial Debt	14.1	25.8	512.8	746.2	1,298.9
Capital Lease Obligations (not discounted)	31.9	46.8	26.6	80.1	185.4
Operating Leases	180.4	259.2	169.8	240.9	850.3
Other Long-Term Obligations (bond interest)	98.2	188.9	166.0	54.5	507.6
Total Contractual Cash Obligations	**324.6**	**520.7**	**875.2**	**1,121.7**	**2,842.2**

Reconciliation of EBITDAS to U.S. GAAP

Summary of differences between IFRS and u.s. gaap with respect to EBITDAS

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

Pension plan

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

Under IFRS, in accordance with IAS 19 Revised, actuarial gains or losses are recognized in the statement of recognized income and expense (SORIE) attributable to shareholders.
Under U.S. GAAP, we apply Statement 158 Employers Accounting for Defined Benefit Pension and Other Postretirement Plan, an amendment of FASB Statements No. 87, 88, 106, and 132(R) , effective for fiscal years ending after December 15, 2006.
Gains or losses are amortized over the remaining service period of employees expected to receive benefits under the plan, and therefore recognized in the income statement.

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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**	**Nine months ended September 30,** **2010**	 **2009**
EBITDAS as reported	**377.6**	**505.9**
Actuarial gains (losses) on pension plan	(0.2)	(0.2)
Cancellation of IFRS capitalization of development costs	(11.3)	(10.4)
Derivative instruments		(2.1)
Cancellation of redundancy provision		27.7
EBITDAS according to U.S. GAAP	**366.1**	**520.9**

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
Compagnie Générale de Géophysique Veritas
(Registrant)

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

Date: November 9, 2010