CGG VERITAS
Form 6-K
July 31, 2008

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 6-K
REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16 OF THE SECURITIES EXCHANGE ACT OF 1934
Compagnie Générale de Géophysique-Veritas
(Exact name of registrant as specified in its charter)
CGG Veritas
(Translation of registrant s name into English)
Republic of France
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 o
(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:

- developments affecting our international operations;
- difficulties and delays in achieving synergies and cost savings;
- our substantial indebtedness;
- changes in international economic and political conditions and, in particular, in oil and gas prices;
- exposure to credit risk of customers;
- exposure to the interest rate risk;
- exposure to the foreign exchange rate risk;
- exposure to credit risk and counter-party risk;
- our ability to finance our operations on acceptable terms;
- the timely development and acceptance of our new products and services;
- the complexity of products sold;
- changes in demand for seismic products and services;
- the effects of competition;
- the social, political and economic risks of our global operations;
- the costs and risks associated with pension and post-retirement benefits obligations;
- changes to existing regulations or technical standards;
- existing or future litigation;
- difficulties and costs in protecting intellectual property rights and exposure to infringement claims by others;
- the costs of compliance with environmental, health and safety laws;
- the timing and extent of changes in currency exchange rates and interest rates;
- the accuracy of our assessment of risks related to acquisitions, projects and contracts and whether these risks materialize;

- our ability to integrate successfully the businesses or assets we acquire, including Veritas;
- our ability to monitor existing and targeted partnerships;
- our ability to sell our seismic data library;
- 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; and
- our success at managing the risks of the foregoing.

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

Certain of these risks can be found in our annual report on Form 20-F for the year ended December 31, 2007 that we filed with the SEC on April 23, 2008. 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

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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

CONSOLIDATED BALANCE SHEETS

amounts in millions of	June 30, 2008 (unaudited)	June 30, 2008 (unaudited) U.S.$ (1)	December 31, 2007	December 31, 2007 U.S.$ (2)
ASSETS				
Cash and cash equivalents	209.9	330.9	254.3	374.4
Trade accounts and notes receivable, net	588.3	927.2	601.9	886.1
Inventories and work-in-progress, net	263.4	415.0	240.2	353.6
Income tax assets	51.7	81.4	34.6	50.9
Other current assets, net	104.4	164.6	89.6	131.9
Assets held for sale	11.1	17.5		
Total current assets	**1,228.8**	**1,936.6**	**1,220.6**	**1,796.9**
Deferred tax assets	85.7	135.1	81.4	119.8
Investments and other financial assets, net	28.1	44.3	32.0	47.1
Investments in companies under equity method	44.4	70.0	44.5	65.5
Property, plant and equipment, net	604.2	952.4	660.0	971.6
Intangible assets, net	709.5	1,118.4	680.5	1,001.8
Goodwill	1,822.8	2,873.5	1,928.0	2,838.2
Total non-current assets	**3,294.7**	**5,193.7**	**3,426.4**	**5,044.0**
TOTAL ASSETS	**4,523.5**	**7,130.3**	**4,647.0**	**6,840.9**
LIABILITIES AND SHAREHOLDERS EQUITY				
Bank overdrafts	8.3	13.1	17.5	25.8
Current portion of financial debt	37.6	59.2	44.7	65.8
Trade accounts and notes payable	278.8	439.4	256.4	377.4
Accrued payroll costs	109.0	171.8	113.2	166.4
Income taxes liability	60.2	94.8	59.1	87.1
Advance billings to customers	44.4	70.0	51.9	76.4
Provisions current portion	9.4	14.8	9.6	14.2
Other current liabilities	108.5	171.0	109.0	160.5
Total current liabilities	**656.2**	**1,034.1**	**661.4**	**973.6**
Deferred tax liabilities	165.7	261.2	157.7	232.2
Provisions non-current portion	77.5	122.2	76.5	112.7
Financial debt	1,202.1	1,895.0	1,298.8	1,912.0
Other non-current liabilities	25.7	40.5	27.0	39.7
Total non-current liabilities	**1,471.0**	**2,318.9**	**1,560.0**	**2,296.6**
Common stock: 275,558,130 shares authorized 137,685,250 shares with a 0.40 nominal value issued and outstanding at June 30, 2008; 137,253,790 at December 31, 2007 (3)	55.1	86.8	54.9	80.8
Additional paid-in capital	1,822.3	2,872.6	1,820.0	2,679.2
Retained earnings	796.4	1,255.5	538.6	792.9

Treasury shares	(10.8)	(17.0)	(3.9)	(5.7)
Net income (loss) for the period Attributable to the Group	111.5	175.6	245.5	360.8
Income and expense recognized directly in equity	(15.5)	(24.4)	(5.1)	(7.5)
Cumulative translation adjustment	(393.5)	(620.3)	(248.4)	(365.1)
Total shareholders equity	**2,365.5**	**3,728.8**	**2,401.6**	**3,535.4**
Minority interests	30.8	48.5	24.0	35.3
Total shareholders equity and minority interests	**2,396.3**	**3,777.3**	**2,425.6**	**3,570.7**
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	**4,523.5**	**7,130.3**	**4,647.0**	**6,840.9**

(1) Dollars amounts represent euro amounts converted at the exchange rate of U.S.$1.576 per on the balance sheet date

(2) Dollars amounts represent euro amounts converted at the exchange rate of U.S.$1.472 per on the balance sheet date

(3) Number of shares at December 31, 2007 have been restated to reflect the five-for-one stock split on June 3, 2008 (see note 4)

See notes to Consolidated Financial Statements

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Compagnie générale de géophysique veritas, S.A.

CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three months ended June 30,			
	2008	**2008**	**2007**	**2007**
except per share data, amounts in millions of		**U.S.$ (1)**		**U.S.$ (1)**
Operating revenues	**559.0**	**874.1**	**571.1**	**768.7**
Other income from ordinary activities	0.1	0.2	0.2	0.3
Total income from ordinary activities	**559.1**	**874.3**	**571.3**	**769.0**
Cost of operations	(403.3)	(629.3)	(396.3)	(533.1)
Gross profit	**155.8**	**245.0**	**174.9**	**235.9**
Research and development expenses, net	(7.7)	(12.4)	(15.9)	(21.4)
Selling, general and administrative expenses	(60.2)	(94.1)	(64.3)	(86.3)
Other revenues (expenses), net	8.2	12.6	5.8	7.7
Operating income	**96.1**	**151.1**	**100.5**	**135.9**
Expenses related to financial debt	(20.4)	(32.0)	(29.9)	(40.3)
Income provided by cash and cash equivalents	2.0	3.2	3.7	5.0
Cost of financial debt, net	**(18.4)**	**(28.8)**	**(26.2)**	**(35.3)**
Other financial income (loss)	0.1	0.2	0.6	0.7
Income of consolidated companies before income taxes	**77.8**	**122.5**	**74.9**	**101.3**
Deferred taxes on currency translation	(1.6)	(2.4)	2.2	2.9
Other income taxes	(24.6)	(39.0)	(33.2)	(44.8)
Total income taxes	**(26.2)**	**(41.4)**	**(31.0)**	**(41.9)**
Net income from consolidated companies	**51.6**	**81.1**	**43.9**	**59.4**
Equity in income of investees	0.2	0.4	0.7	1.0
Net income	**51.8**	**81.5**	**44.6**	**60.4**
Attributable to :				
Shareholders	48.8	76.8	42.5	57.6
Minority interests	3.0	4.7	2.1	2.8
Weighted average number of shares outstanding	137,511,725	137,511,725	136,608,920	136,608,920
Dilutive potential shares from stock-options	607,380	607,380	1,074,884	1,074,884
Dilutive potential shares from performance shares	619,188	619,188	554,063	554,063
Adjusted weighted average number of shares and assumed option exercises when dilutive	138,738,293	138,738,293	138,237,867	138,237,867
Net earning per share attributable to shareholders	0.35	0.56	0.31	0.42
Basic				
Diluted	0.34	0.55	0.30	0.41

(1) Corresponding to the half-year in US dollars less the first quarter in US

dollars

See notes to Consolidated Financial Statements

Compagnie générale de géophysique veritas, S.A.

CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

Financial data for the six months ended June 30, 2007 include Veritas results beginning January 12, 2007, the date of the merger between CGG and Veritas.

	Six months ended June 30,			
	2008	**2008**	**2007**	**2007**
except per share data, amounts in millions of		**U.S.$ (1)**		**U.S.$ (2)**
Operating revenues	**1,144.0**	**1,746.9**	**1,163.3**	**1,546.0**
Other income from ordinary activities	0.4	0.7	0.4	0.6
Total income from ordinary activities	**1,144.4**	**1,747.6**	**1,163.7**	**1,546.6**
Cost of operations	(788.2)	(1,203.6)	(782.4)	(1 039.8)
Gross profit	**356.2**	**544.0**	**381.3**	**506.8**
Research and development expenses, net	(24.2)	(36.9)	(30.7)	(40.8)
Selling, general and administrative expenses	(123.0)	(187.9)	(116.1)	(154.3)
Other revenues (expenses), net	10.5	16.0	9.4	12.5
Operating income	**219.5**	**335.2**	**244.0**	**324.3**
Expenses related to financial debt	(45.3)	(69.2)	(68.1)	(90.5)
Income provided by cash and cash equivalents	4.1	6.2	8.1	10.8
Cost of financial debt, net	**(41.2)**	**(63.0)**	**(60.0)**	**(79.7)**
Other financial income (loss)	(1.1)	(1.7)	0.3	0.4
Income of consolidated companies before income taxes	**177.2**	**270.5**	**184.3**	**245.0**
Deferred taxes on currency translation			2.8	3.8
Other income taxes	(64.3)	(98.2)	(74.8)	(99.5)
Total income taxes	**(64.3)**	**(98.2)**	**(72.0)**	**(95.7)**
Net income from consolidated companies	**112.9**	**172.3**	**112.4**	**149.3**
Equity in income of investees	3.0	4.6	1.2	1.7
Net income	**115.9**	**176.9**	**113.6**	**151.0**
Attributable to :				
Shareholders	111.5	170.2	110.0	146.2
Minority interests	4.4	6.7	3.6	4.8
Weighted average number of shares outstanding	137,490,623	137,490,623	132,041,260	132,041,260
Dilutive potential shares from stock-options	777,378	777,378	1,036,827	1,036,827
Dilutive potential shares from performance shares	619,188	619,188	554,063	554,063
Adjusted weighted average number of shares and assumed option exercises when dilutive	138,887,189	138,887,189	133,632,150	133,632,150
Net earning per share attributable to shareholders	0.81	1.24	0,83	1,11
Basic				
Diluted	0.80	1.22	0,82	1,09

(1) Dollars amounts represent euro amounts

converted at the average exchange rate for the period of U.S.$1.527 per

(2) Dollars amounts represent euro amounts converted at the average exchange rate for the period of U.S.$1.329 per

See notes to Consolidated Financial Statements

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Compagnie générale de géophysique veritas, S.A.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

Financial data for the six months ended June 30, 2007 include Veritas results beginning January 12, 2007, the date of the merger between CGG and Veritas.

	Six months ended June 30,			
amounts in millions of	**2008**	**2008 U.S.$ (1)**	**2007**	**2007 U.S.$ (2)**
OPERATING				
Net income (loss)	115.9	176.9	113.6	151.0
Depreciation and amortization	103.1	157.5	86.7	115.2
Multi-client surveys amortization	112.3	171.5	128.6	170.9
Variance on provisions	1.1	1.7	(0.6)	(0.8)
Expense & income calculated on stock-option	11.9	18.2	8.9	11.8
Net gain on disposal of fixed assets	(1.6)	(2.4)	0.1	0.1
Equity in income of affiliates	(3.0)	(4.6)	(1.2)	(1.6)
Dividends received from affiliates	1.1	1.7	5.2	6.9
Other non-cash items	3.0	4.5	(4.3)	(5.7)
Net cash including net cost of financial debt and income taxes	**343.8**	**525.0**	**336.9**	**447.7**
Less net cost of financial debt	41.2	62.9	60.0	79.7
Less income taxes expenses	64.3	98.2	72.0	95.7
Net cash excluding net cost of financial debt and income taxes	**449.3**	**686.1**	**468.9**	**623.2**
Income taxes paid	(73.3)	(111.9)	(82.1)	(109.1)
Net cash before changes in working capital	**376.0**	**574.2**	**386.8**	**514.1**
- change in trade accounts and notes receivables	(10.0)	(15.3)	(84.7)	(112.6)
- change in inventories and work-in-progress	(27.6)	(42.1)	(20.5)	(27.2)
- change in other currents assets	(1.8)	(2.7)	(3.4)	(4.5)
- change in trade accounts and notes payable	12.8	19.5	(28.8)	(38.3)
- change in other current liabilities	(4.2)	(6.4)	(1.6)	(2.1)
Impact of changes in exchange rate	(10.6)	(16.2)	0.2	0.3
Net cash provided by operating activity	**334.6**	**511.0**	**247.6**	**329.1**
INVESTING				
Total purchases of tangible and intangible assets (included variation of fixed assets suppliers)	(85.1)	(129.9)	(119.2)	(158.4)
Increase in multi-client surveys	(188.5)	(287.8)	(144.4)	(191.9)
Proceeds from disposals tangible and intangible	0.6	0.9	25.0	33.2
Proceeds from disposals of investments	8.8	13.4		
Acquisition of investments, net of cash & cash equivalents acquired (3)	(21.4)	(32.7)	(1,049.0)	(1,394.1)
Variation in loans granted	(5.5)	(8.4)	(0.6)	(0.8)
Variation in subsidies for capital expenditures	(0.1)	(0.2)	(0.2)	(0.3)
Variation in other financial assets	(2.9)	(4.4)	5.3	7.0
Net cash from investing activities	**(294.1)**	**(449.1)**	**(1,283.1)**	**(1,705.3)**
FINANCING				
Repayment of long-term debts	(13.6)	(20.8)	(641.8)	(852.9)

Total issuance of long-term debts			1,760.5	2,339.7
Reimbursement on leasing	(3.8)	(5.8)	(5.8)	(7.7)
Change in short-term loans	(8.6)	(13.1)	24.3	32.3
Financial interest paid	(40.9)	(62.5)	(79.0)	(105.0)
Net proceeds from capital increase				
- from shareholders (3)	2.3	3.5	6,1	8,1
- from minority interest of integrated companies				
Dividends paid and share capital reimbursements				
- from shareholders				
- from minority interest of integrated companies	(1.4)	(2.1)	(0.8)	(1.1)
Buying & sales of own shares	(6.9)	(10.5)	0.6	0.8
Net cash provided by financial activities	**(72.9)**	**(111.3)**	**1,064.1**	**1,414.2**
Effects of exchange rate changes on cash	(12.0)	5.9	(6.6)	0.1
Net increase (decrease) in cash and cash equivalents	**(44.4)**	**(43.5)**	**22.0**	**38.1**
Cash and cash equivalents at beginning of year	**254.3**	**374.4**	**251.8**	**331.6**
Cash and cash equivalents at end of period	**209.9**	**330.9**	**273.8**	**369.8**

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(1) Dollar amounts represent euro amounts converted at the average exchange rate for the period of U.S.$1.527 per (except cash and cash equivalents balances converted at the closing exchange rate of U.S.$1.576 per at June 30, 2008 and of U.S.$1.472 per at December 31, 2007).

(2) Dollar amounts represent euro amounts converted at the average exchange rate for the period of U.S.$1.329 per (except cash and cash equivalents balances converted at the closing exchange rate of U.S.$1.351 per at June 30, 2007 and of U.S.$1.317 per at December 31, 2006).

(3) At June 30, 2007, the capital increase related to the acquisition of

Veritas has been reclassified from Net proceeds from capital increase to Total net acquisition of Investments to harmonize the presentation of the cash flow statement with our annual report Form 20-F for the year ended December 31, 2007.

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Statement of income and expenses attributable to shareholders

	June 30, 2008	June 30, 2007
	(amounts in millions of euros)	
Net income (loss) attributable to shareholders	111.5	110.0
Change in actuarial gains and losses on pension plan	0.4	(0.4)
Change in fair value of available-for-sale investments	(11.3)	
Change in fair value of hedging instruments	0.9	(3.5)
Change in foreign currency translation adjustment	(145.1)	(37.8)
Income and expenses recognized directly in equity for the period	**(43.6)**	**68.3**

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

Note 1 Summary of significant accounting policies

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

Given that the Company is listed on the Eurolist of Euronext Paris and pursuant to European regulation n°1606/2002 dated July 19, 2002, the accompanying interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations as issued by the International Accounting Standards Board (IASB). These interim consolidated financial statements are also in accordance with IFRS adopted by the European Union at June 30, 2008 and are available on the following web site http://ec.europa.eu/internal_market/accounting/ias_en.htm#adopted-commission.

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

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

Critical accounting policies

The interim condensed consolidated financial statements for the six months ended June 30, 2008 have been prepared in accordance with IAS 34 Interim Financial Reporting.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group s annual financial statements as at and for the year ended December 31, 2007 included in its report on Form 20-F for the year 2007 filed with the SEC on April 23, 2008.

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, 2007, except for the following adoption of new Standards and Interpretations: IFRIC11.

These principles do not differ from IFRS issued by the IASB as long as the adoption of the interpretations listed below, effective since January 1, 2008 but not yet adopted by the European Union, has no significant impact on the Group interim condensed consolidated financial statements:

IFRIC 12 Service concession arrangements

IFRIC 14 The limit on a defined benefit asset, minimum funding requirements and their interaction

At the date of issuance of these financial statements, the following Standards and Interpretations were issued but not yet effective:

IAS 1 revised Presentation of Financial Statements

IAS 23 revised Borrowing costs

IFRS 8 Operating segments

IFRIC 13 Customer Loyalty Programs

IFRS 3 revised Business Combinations

IAS 27 amended Cost of an investment in a subsidiary, jointly controlled entity or associate

IFRS 2 amended	Vesting conditions and cancellations
IAS 32 amended	Puttable Financial Instruments and Obligations arising on liquidation

We have not opted for the early adoption of these Standards, Amendments and Interpretations and we are currently reviewing them to measure the potential impact on our interim condensed consolidated financial statements. At this stage, we do not anticipate any significant impact.

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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

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 multiclient surveys. 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 of our independent surveys on an ongoing basis.

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. The Company records payments that it receives during periods of mobilization as advance billing in the balance sheet in the line item Advance billings to customers .

The Company recognizes 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. We believe this ratio to be generally consistent with the physical progress of the project.

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, the Company is required to meet certain milestones. The Company defers 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.

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.

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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.

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 of our independent surveys on an ongoing basis.

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 four amortization rates: 50%, 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 pattern.

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.

From January 12, 2007 to October 1, 2007, we applied an amortization rate of 66.6% of revenues instead of 50% for a certain category of surveys. The impact of this change of estimates applied from October 1, 2007 was a reduction in depreciation expenses of 3.1 million for the year ended December 31, 2007.

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

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

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

Capitalized development expenditures are stated at cost less accumulated amortization and impairment losses. We amortize capitalized developments costs over 5 years.

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

Note 2 Acquisitions and divestitures

On May 26, 2008, Sercel acquired Metrolog, a privately held company, for 25.7 million paid in cash (including advisory and legal fees). Metrolog is a leading provider of high pressure, high temperature gauges and other downhole instruments to the oil and gas industry. The acquisition is expected to be accretive to Sercel and to CGGVeritas earnings per share (EPS) in 2008. The purchase price allocation resulted in a preliminary goodwill of 14.3 million.

On June 25, 2008, in conjunction with the Oman business transfer to Ardiseis FZCO from Veritas DGC Ltd, CGG Veritas SA subscribed to the increase of 805 shares in the capital of its subsidiary Ardiseis FZCO, and sold 407 Ardiseis FZCO shares to Industrialization & Energy Services Company (TAQA) for a total consideration of U.S.$11.8 million. At the end of this transaction the Group s percentage interest in Ardiseis remains unchanged at 51%.

On June 16, 2008, a new subsidiary, CGGVeritas Technology Services (Beijing) Co. Ltd., fully owned by the Group, was created in China. This high profile technology centre will encompass the following activities: research & development and relationships with Chinese scientific organizations, high end processing services, Geopromote and GSS / Hardware and Software Support Services.

Note 3 Financial debt

There has been no significant movement in our net financial debt during the six months ended June 30, 2008. Our net financial debt amounted to 1,038.1 million at June 30, 2008 compared to 1,106.7 at December 31, 2007.

At June 30, 2008 the Group had 11.0 million available in unused short-term credit lines and overdraft facilities and 210.0 million in unused long-term credit lines with a maturity date less than one year away.

Note 4 Common stock and stock option plans

As of June 30, 2008, the Company s share capital consisted of 137,685,250 shares, each with a nominal value of 0.40.

Five-for-one stock split

On June 3, 2008 at the opening of the Paris stock exchange, CGGVeritas implemented a five-for-one stock split. As a consequence:

- the market price of CGGVeritas shares listed on Euronext Paris was divided by 5;
- the number of outstanding shares was multiplied by 5;
- the par value of each share decreased from 2.00 to 0.40; and
- an ADS listed on the NYSE has one-to-one parity with an ordinary share listed on Euronext Paris.

This transaction did not require any specific formalities from CGGVeritas shareholders and did not induce additional costs.

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Statement of changes in equity

(Unaudited)	Number of shares issued (b)	Share capital	Additional paid-in capital	Retained earnings	Treasury shares	Income and expense recognized directly in equity	Cumulative translation adjustment	Total shareholders equity	Minority interest	Total shareholders equity and minority interest
	(amounts in million of euros, except share data)									
Balance at January 1, 2007	**87,989,440**	**35.2**	**394.9**	**477.7**	**3.0**	**4.8**	**(38.6)**	**877.0**	**22.9**	**899.9**
Capital increase	49,264,350	19.7	1,425.1	44.1				1,488.9		1,488.9
Net income				245.5				245.5	4.1	249.6
Cost of share-based payment				20.6				20.6		20.6
Operations on treasury shares					(6.9)			(6.9)		(6.9)
Actuarial gains and losses of pension plans (1) (a)				*(3.8)*				*(3.8)*		*(3.8)*
Financial instruments: change in fair value and transfer to income statement(2) (a)						*(9.9)*		*(9.9)*		*(9.9)*
Foreign currency translation: change in fair value and transfer to income statement(3)							*(209.8)*	*(209.8)*	*(2.5)*	*(212.3)*
Income and expense recognized directly in equity (1) + (2) + (3)				(3.8)		(9.9)	(209.8)	(223.5)	(2.5)	(226.0)
Changes in consolidation scope									(0.5)	(0.5)

Balance at December 31, 2007	**137,253,790**	**54.9**	**1,820.0**	**784.1**	**(3.9)**	**(5.1)**	**(248.4)**	**2,401.6**	**24.0**	**2,425.6**
Capital increase	431,460	0.2	2.3					2.5		2.5
Net income				111.5				111.5	4.4	115.9
Cost of share-based payment				11.9				11.9	(1.4)	10.5
Operations on treasury shares					(6.9)			(6.9)		(6.9)
Actuarial gains and losses of pension plans (1) (a)				*0.4*				*0.4*		*0.4*
Financial instruments: change in fair value and transfer to income statement(2) (a)						*(10.4)*		*(10.4)*		*(10.4)*
Foreign currency translation: change in fair value and transfer to income statement(3) (a)							*(145.1)*	*(145.1)*	*(1.4)*	*(146.5)*
Income and expense recognized directly in equity (1) + (2) + (3)				0.4		(10.4)	(145.1)	(155.1)	(1.4)	(156.5)
Others									5.2	5.2
Balance at June 30, 2008	**137,685,250**	**55.1**	**1,822.3**	**907.9**	**(10.8)**	**(15.5)**	**(393.5)**	**2,365.5**	**30.8**	**2,396.3**

(a) Net of deferred tax

(b) Number of shares as at January 1, 2007 and December 31, 2007 has been restated to reflect the five-for-one stock split

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Stock options
In addition to the existing stock-options plans, on March 14, 2008, the Board of directors decided to allocate 1,188,500 stock-options to senior executives and other employees of the Group. The subscription price was set at 32.57. These options have an eight-year duration. They are vested by one-third each year over a three-year period and can be exercised at any time. However, French tax residents must keep the shares they receive as a result of the options exercised in registered form from the exercise date until March 14, 2012. Except in limited circumstances set forth in the plan regulations, employees leaving the Group will lose their vested unexercised options if they are not exercised before the end of the notice period.
Information relating to options outstanding at June 30, 2008 is summarized below:

Date of Board of Directors Resolution	Options granted	Options outstanding at June 30, 2008	Exercise price per share	Fair value per share at the grant date	Expiration date
March 14, 2001	1,280,000	268,450	13.08	(a)	March 13, 2009
May 15, 2002	690,500	251,085	7.99	(a)	May 14, 2010
May 15, 2003	849,500	355,615	2.91	2.23(b)	May 14, 2011
May 11, 2006	1,012,500	955,835	26.26	14.97(c)	May 10, 2014
March 23, 2007	1,308,750	1,239,750	30.40	12.65(d)	March 22, 2015
March 14, 2008	1,188,500	1,183,500	32.57	12.06(e)	March 14, 2016
Total	**6,329,750**	**4,254,235**			

(a) Application of IFRS2 is prospective for options granted from November 7, 2002.

(b) Based on a volatility of 57% and a risk-free rate of 3.9%.

(c) Based on a volatility of 35% and a risk-free rate of 3.8%

(d) Based on a volatility of 36% and a risk-free rate of 3.95%

(e) Based on a volatility of 39% and a risk-free rate of 3.47%

The exercise price for each option is the average fair market value of the common stock during the 20 trading days ending on the trading day next preceding the date the option is granted.

According to IFRS 2, fair value of stock-options plans granted since November 7, 2002 (in the May 2003, May 2006, March 2007 and March 2008 plans) was recognized as an expense over the life of the plan, which represented a 5.8 million expense for the six month period ended June 30, 2007 (of which 3.0 million was for the executive managers of the Group), and a 6.9 million expense for the six months ended June 30, 2008 (of which 3.8 million was for the executive managers of the Group).

A summary of the Company s stock option transactions and related information follows:

	June 30, 2008		**June 30, 2007**	
	Number of options	**Weighted average exercise price in**	**Number of options**	**Weighted average exercise price in**
Outstanding-beginning of period	3,306,000	21.84	3,253,985	16.59
Granted	1,188,500	32.57	1,308,750	30.40
Exercised	(193,960)	11.93	(834,305)	7.32
Forfeited	(46,305)	15.60	(13,405)	15.43
Outstanding-end of period	**4,254,235**	**25.36**	**3,715,025**	**20.91**

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Performance shares

In addition to our 2006 and 2007 performance share allocation plans, on March 14, 2008, the Board of Directors decided to allocate a maximum amount of 459,250 performance shares to senior executives and certain other employees of the Group. These shares will be allocated at the end of a two-year allocation period expiring on the later of March 14, 2010 or the date of the shareholders meeting convened to approve the 2009 financial statements. Such allocation will be final provided (i) the Board resolves that the performance conditions provided for by the plan regulations, i.e. the achievement in fiscal years 2008 and 2009 of a minimum average consolidated net earning per share and an average operating income of either the Group, the Services segment or the Equipment segment, depending upon the segment to which each beneficiary belongs, and (ii) the beneficiary is still an employee or officer of the Group upon final allocation of the shares. The allocated shares will have to be kept in registered form for a two-period as from the allocation date before they can be sold.

The Board of Directors meeting held on April 29, 2008 resolved that the performance conditions set forth by the general regulations of the plan dated May 11, 2006 had been fulfilled and, as a result, finally allocated the performance shares to those beneficiaries that were employees or officers of the company or one of its subsidiaries at the time of the final allocation, i.e. May 12, 2008. 45,700 shares were thus allocated.

According to IFRS 2, the fair value of the performance share allocation plan (in the May 2006, March 2007 and March 2008 plans) was recognized as an expense over the life of the plan, which represented a 3.1 million expense for the six months ended June 30, 2007 (of which 0.7 million was for the executive managers of the Group) and a 5.0 million expense for the six months ended June 30, 2008 (of which 0.8 million was for the executive managers of the Group).

Note 5 Analysis by operating segment and geographic area

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

Our geophysical services segment comprises:

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

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

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

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

Our geophysical equipment segment, which we conduct through Sercel Holding S.A. and its subsidiaries, is our manufacturing and sales activities for seismic equipment used for data acquisition, both on land and offshore. Inter-company sales between the two segments are made at prices approximating market prices and relate primarily to equipment sales made by the equipment segment to the services segment. These inter-segment sales, the related operating income recognized by the equipment segment, and the related impact on capital expenditures and depreciation expense of the services segment are eliminated in consolidation and presented in the column Eliminations and Adjustments in the tables that follow.

Operating income represents operating revenues and other operating income less expenses of the operating 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 monitored by the operating management, financing and investing being mainly managed at the corporate level.

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.

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Due to the constant changes in work locations, the Group does not track its assets based on country of origin or ownership.

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Analysis by operating segment

	Three months ended June 30, 2008				Three months ended June 30, 2007			
(in millions of euros)	Services	Equipment	Eliminations and Adjustments	Consolidated Total	Services	Equipment	Eliminations and Adjustments	Consolidated Total
Revenues from unaffiliated customers	**391.6**	**167.4**		**559.0**	**389.9**	**181.2**		**571.1**
Inter-segment revenues		12.5	(12.5)		0.2	15.0	(15.2)	
Operating revenues	**391.6**	**179.9**	**(12.5)**	**559.0**	**390.1**	**196.2**	**(15.2)**	**571.1**
Other income from ordinary activities	(0.1)	0.2		0.1	0.2			0.2
Total income from ordinary activities	**391.5**	**180.1**	**(12.5)**	**559.1**	**390.3**	**196.2**	**(15.2)**	**571.3**
Operating income (loss)	**52.7**	**53.9**	**(10.5)**(a)	**96.1**	**45.5**	**67.3**	**(12.3)**(a)	**100.5**
Equity income (loss) of investees	(0.1)	0.3		0.2	0.7			0.7
Capital expenditures [b]	128.9	5.5	(4.6)	129.8	135.6	3.3	(8.2)	130.7
Depreciation and amortization [c]	116.8	5.5	(7.6)	114.7	101.6	4.8	(2.7)	103.7
Investments in companies under equity method					1.0			1.0

(a) Includes corporate expenses of 10.1 million for the three months ended June 30, 2008 and of 15.3 million for the three months ended June 30, 2007.

(b) Includes (i) investments in multi-client surveys of 91.2 million for the three months ended June 30, 2008 and 82.6 million for the three months ended June 30, 2007, (ii) no equipment acquired under capital lease for the three months ended June 30, 2008 and the three months ended June 30, 2007, (iii) and development costs capitalized in the Services segment of 2.4 million for the three months ended June 30, 2008 and of 1.8 million for the three months ended June 30, 2007, and (iv) development costs capitalized in the Equipment segment of 0.7 million for the three months ended June 30, 2008 and of 0.7 million for the three months ended June 30, 2007

(c) Includes multi-client amortization of 46.3 million for the three months ended June 30, 2008 and of 59.7 million for the three months ended June 30, 2007.

	Three months ended June 30, 2008				Three months ended June 30, 2007			
(in millions of U.S.$)	**Services**	**Equipment**	**Eliminations and Adjustments**	**Consolidated Total**	**Services**	**Equipment**	**Eliminations and Adjustments**	**Consolidated Total**

Revenues from unaffiliated customers	**613.2**	**260.9**		**874.1**	525.1	243.6		768.7
Inter-segment revenues	(0.1)	20.4	(20.3)		0.3	20.4	(20.7)	
Operating revenues	**613.1**	**281.3**	**(20.3)**	**874.1**	**525.4**	**263.5**	**(20.7)**	**768.7**
Other income from ordinary activities	(0.2)	0.4		0.2	0.3			0.3
Total income from ordinary activities	**612.9**	**281.7**	**(20.3)**	**874.3**	**525.7**	**263.5**	**(20.2)**	**769.0**
Operating income (loss)	**83.6**	**84.5**	**(17.0)**	**151.1**	**62.0**	**90.5**	**(16.6)**	**135.9**

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(in millions of euros)	Six months ended June 30, 2008 Services	Equipment	Eliminations and Adjustments	Consolidated Total	Six months ended June 30, 2007 Services	Equipment	Eliminations and Adjustments	Consolidated Total
Revenues from unaffiliated customers	**824.9**	**319.1**		**1,144.0**	**815.5**	**347.8**		**1,163.3**
Inter-segment revenues		49.6	(49.6)		0.2	52.8	(53.0)	
Operating revenues	**824.9**	**368.7**	**(49.6)**	**1,144.0**	**815.7**	**400.6**	**(53.0)**	**1,163.3**
Other income from ordinary activities	(0.2)	0.6		0.4	0.4			0.4
Total income from ordinary activities	**824.7**	**369.3**	**(49.6)**	**1,144.4**	**816.1**	**400.6**	**(53.0)**	**1,163.7**
Operating income (loss)	**141.8**	**114.0**	**(36.3)**(a)	**219.5**	**146.7**	**136.3**	**(39.0)**(a)	**244.0**
Equity income (loss) of investees	2.7	0.3						