

VERITAS DGC INC
Form 425
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Cautionary Statement Regarding Forward-Looking Information

Certain statements herein contained are forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements are based on management's current expectations and beliefs and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. The forward-looking statements contained herein include statements about future financial and operating results of the combined company, including the accretiveness and estimated cost savings of the transaction, the financial position of the combined company after completion of the transaction, and the timing and other benefits of the transaction. These statements are not guarantees of future performance, involve certain risks, uncertainties, and assumptions that are difficult to predict, and are based upon assumptions as to future events that may not prove accurate.

Therefore, actual outcomes and results may differ materially from what is expressed herein. In any forward-looking statement in which PGS or Veritas expresses an expectation or belief as to future results, such expectation or belief is expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the statement or expectation or belief will result or be achieved or accomplished. The following factors, among others, could cause actual results to differ materially from those described in the forward-looking statements: the risk that PGS and Veritas businesses will not be integrated successfully; costs related to the proposed transaction; failure of Veritas stockholders to approve the proposed transaction; failure of a sufficient number of PGS shareholders to exchange their shares for the new holding company's shares; failure of other closing conditions to be satisfied and other economic, business, competitive and/or regulatory factors affecting PGS and Veritas businesses generally, including prices of oil and natural gas and expectations about future prices, as set forth in PGS and Veritas filings with the SEC, including their most recent Annual Reports on Form 20-F (PGS) or Form 10-K (Veritas), especially in the Management's Discussion and Analysis section, PGS most recent Reports on Form 6-K and Veritas most recent Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. PGS and Veritas are under no obligation to (and expressly disclaim any such obligation to) update or alter their forward-looking statements whether as a result of new information, future events or otherwise.

Additional Information

In connection with the proposed merger of Veritas and a subsidiary of the new Cayman Islands holding company (Caymanco), Veritas and Caymanco will file a proxy statement/prospectus with the Securities and Exchange Commission (the SEC), and with respect to the proposed exchange offer for PGS shares, Veritas and Caymanco will file a Tender Offer Statement on Schedule TO, which will include a related prospectus, and PGS will file a Solicitation/ Recommendation Statement on Schedule 14D-9. ***Investors and security holders are urged to read these documents, when they become available, because they will contain important information.*** Investors and security holders may obtain a free copy of these documents (when they are available) and other documents filed by PGS, Veritas and Caymanco with the SEC at the SEC 's web site at www.sec.gov. The proxy statement/prospectus, the tender offer statement and solicitation / recommendation statement (when they are available) and these other documents may also be obtained for free from PGS or Veritas by calling PGS at (281) 589-7935, or by calling Veritas at (832) 351-8300.

The following documents are filed herewith pursuant to Rule 425 under the Securities Act of 1933:

Slide presentation.

Transcript of prepared remarks of joint PGS/Veritas conference call on November 27, 2001.

Message sent to Veritas employees on November 26, 2001.

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ON AND FROM TIME TO TIME AFTER NOVEMBER 28, 2001, VERITAS DGC INC. INTENDS TO USE THE FOLLOWING SLIDE PRESENTATION MATERIALS IN ANALYST AND INVESTOR MEETINGS. THESE MATERIALS WILL ALSO BE POSTED ON VERITAS' WEB SITE AT WWW.VERITASDGC.COM.

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THE FOLLOWING IS A TRANSCRIPT OF PREPARED REMARKS OF VERITAS AND PGS AT A CONFERENCE CALL ON NOVEMBER 27, 2001. THIS TRANSCRIPT WILL ALSO BE POSTED ON VERITAS WEB SITE AT WWW.VERITASDGC.COM.

Operator:

Good morning ladies and gentleman. My name is Ken and I will be your conference facilitator. At this time I would like to welcome everyone to the PGS / Veritas analyst teleconference. With us to today, we have Reidar Michaelsen, Chairman and Chief Executive Officer of PGS, and Dave Robson, Chairman and Chief Executive Officer of Veritas.

After the speakers remarks there will be a question and answer period. If you do have a question at that time you will need to press the 1 followed by the 4 on your push-button phone.

This call is intended for analysts and investors only.

This call is recorded. Your participation implies consent to our recording this call. If you do not agree to these terms, simply drop off the line.

Now, I would like to turn the conference over to Dave Robson. Please go ahead Sir....

Dave Robson, Veritas:

Thank you and welcome to all of our investors, employees, customers and others who may be on this conference call. Our normal earnings release conference call will occur as a separate call immediately following this call. Today, Reidar Michaelsen and I are very pleased to be discussing with you the fact that the boards of Petroleum Geo-Services and Veritas have unanimously approved the signing of a definitive merger agreement. This is a conference call to deal specifically with the merger while our normal earnings call will follow shortly.

Before Reidar and I provide our respective thoughts on the merger, I would like to briefly outline the terms of the transaction. The combined company's board of directors will be composed of 10 directors, 4 from PGS, including Reidar, 4 from Veritas, including myself, and 2 newly appointed independent directors. The new company, which has not yet been named, will be domiciled in the Cayman Islands, headquartered in Houston and will maintain a significant operating presence in Norway.

PGS shareholders will receive 0.47 shares of common stock for each PGS share they own. And Veritas shareholders will receive one share of common stock of the new holding company for each

share of Veritas they own. At inception, PGS shareholders will own approximately 60 percent of the new company and Veritas shareholders will own 40 percent.

The transaction is conditioned, among other things, upon the approval of a majority of Veritas shareholders, as well as customary U.S. and European regulatory approvals. Our merger also requires 90 percent of PGS shareholders to exchange their PGS shares for common stock of the new holding company. The transaction is expected to be tax-free to Veritas shareholders.

At this time I'd like to introduce Larry Worden, the Vice President, General Counsel and Secretary for Veritas DGC who will read the forward-looking statement.

Larry Worden, Veritas DGC:

Before we start the substantive part of the conference call, I'd like to mention that the comments made on this call may contain projections or other forward-looking statements regarding the future of the combined companies. We would caution you that such statements are only predictions and actual events or results may differ materially. We refer you to the recent filings of both companies with the SEC, copies of which may be accessed through the Securities and Exchange Commission's Web site at www.sec.gov. These documents contain important factors that could cause actual results to differ materially from those contained in the company's projections or forward-looking statements. We also refer you to the future filings of an exchange offer on Forms S-4 and F-4, which will be submitted for regulatory approval by PGS and Veritas.

Investors are urged to read the Exchange Offer and other relevant documents regarding the merger agreement when they become available because they will contain important information related to PGS, Veritas and the transaction. Investors will be able to obtain these documents, when they become available, as well as other documents filed by PGS and Veritas through the SEC's web site. These documents will also be made available without charge to all shareholders of both companies by contacting the information agents for the Exchange Offer, as will be designated in the documents that will be distributed to shareholders of both companies.

I'll now turn the call over to Reidar Michaelsen, Chairman and CEO of PGS, who will serve as chairman and co-CEO of the combined company, with primary responsibility for the production

business. We will then hear from Dave Robson, Chairman and CEO of Veritas, who will become vice-chairman and co-CEO of the combined company, with primary responsibility for the geophysical business. We will then have a question-and-answer session.

Reidar Michaelsen, PGS:

Thank you, Larry. And welcome to all of you joining us today. First of all, on behalf of PGS and its board of directors, I would like to say that it is a real pleasure to announce that our boards of directors have unanimously approved a definitive merger agreement to combine our two companies in a merger of equals. The combination will create the second-largest company in the geophysical services industry with an equity market capitalization of approximately \$1.0 billion and a total enterprise value of approximately \$3.5 billion. The transaction is anticipated to be immediately accretive to the combined company's earnings and cash flow per share.

We think the timing is exactly right, given not only the changes that are occurring within the geophysical industry but also among our customers. We believe that to leverage our future opportunities requires a stronger, expanded and more global presence than our two companies can offer individually. This merger will provide the means to compete more effectively now and in the future because the combined size and resources of the new company will enable us to be more flexible, deploy assets more quickly to take advantage of market opportunities and provide customers a stronger, and more able competitor.

PGS has been an innovator changing the face of the 3D marine acquisition with the introduction of the Ramform technology and developing new business models, such as Spinnaker, to extract greater value from its assets. In some cases, PGS has been ahead of its time in introducing innovations into the market place. Veritas enjoyed success by being very focused on its core business complemented by a strong financial discipline but needing a new catalyst for future growth. This combination brings together the best of each.

So what will this combined, stronger company look like? In terms of service capabilities, it will have:

The largest, newest and most geographically diverse seismic library with over 400,000 square kilometers of modern 3D data.

A more flexible, technologically advanced and efficient seismic fleet with 21 marine crews.

It will also have 83,000 channels capable of fielding between 25 and 30 land seismic crews.

It will have significant leading-edge data processing interpretation and reservoir technologies, including 27 processing centers and 8 data visualization centers.

Four high-technology, harsh environment floating production, storage and offloading vessels.

From the standpoint of financial position and performance, the new company, will have:

Approximately \$1.5 billion in revenues with a more stable and diversified cash flow stream. More predictable, less-cyclical FPSO revenues will offset the fluctuations of the seismic business.

Expected cost savings of at least \$35 million annually from the elimination of duplicative operating and G&A functions and by optimizing R&D efforts.

Improved liquidity and enhanced financial flexibility.

Of the approximately \$1.5 billion in pro forma annual revenues of the combined company, approximately one-third will be derived from floating production operations. These operations consist of:

four FPSOs, or floating production, storage and offloading vessels, and

contract production services, such as management and maintenance of process facilities and assets, facilities engineering, and information management systems.

PGS currently has contracts on over 26 production installations, primarily in the North Sea. We believe there are significant growth opportunities in our FPSO business. The recent trend in the mobile offshore production unit fleet has been toward FPSOs as opposed to semi-submersible and jackup production systems. In fact, the FPSO fleet, which now stands at about 70 vessels

worldwide, has grown significantly since the early 1990s and is projected to continue to grow as new markets open up, particularly the Gulf of Mexico. A number of smaller FPSO independents have emerged as outsourcing has grown in favor, and this may lead to further growth opportunities.

The FPSO business has proved to be a stable, less cyclical business for PGS and we believe it is one of the elements that will make this merger a successful one.

I'll now turn the call over to Dave, who will provide his perspective on our merger.

Dave Robson:

Thanks Reidar.

For some time there has been significant discussion about the need for consolidation in this industry. In my discussions with Reidar, it became apparent that we shared a similar philosophy on the challenges facing our industry and a similar vision for the opportunities we would have as a combined company to make a significant impact for the benefit of our customers, our employees and our shareholders.

To capitalize on such an opportunity there must be both a need and a willingness to change. The geophysical industry needs more consolidation to meet the challenges of investing large sums of capital in research and development, in data library, and a never ending series of new technological advances in acquisition and processing technologies and capabilities. At the same time we need to deliver more value to our customers and provide a reasonable return for the total capital entrusted to us.

Veritas enjoys an excellent financial position and a strong focus on selected markets worldwide. But we do not have the critical mass required to optimize our business on a global basis as our customers become larger and more global in their scope of operations. PGS faced the challenge of a highly levered balance sheet but enjoyed the diversification provided by a growing FPSO business to offset the historically cyclical and capital intensive seismic business.

Combined we will have some 10,000+ employees who will be focused on meeting these challenges. Reidar, myself, our boards and our

senior management teams are excited about the prospects of making a significant difference in our industry.

This merger will make the company the second largest integrated geophysical provider with an unparalleled ability to serve a global market place. Reidar summarized what we think is an impressive list of our combined operating assets. There are several reasons why these combined capabilities will vastly improve our competitive posture globally:

One: We will be able to optimize the deployment of more assets in more regions. This will reduce mobilization costs, allow us to focus the right assets, the right people on the right jobs and give us the ability to tackle increasingly complex challenges for our customers.

Number two: Combining our respective asset bases will give us the opportunity to focus our capital expenditures and ensure full utilization of all of our assets in a global market.

Number three: While maintaining our investment in R&D, we can broaden the scope for new technological innovations that have made each of PGS and Veritas leaders in providing better solutions to our customers.

Four: Together we have the largest database in the world of modern 3D seismic data totaling over 400,000 square kilometers. Our customers will benefit from the integration of these datasets and making them available to them on a worldwide basis.

And lastly: Capitalizing on the synergies between the FPSO business and the seismic business. Seismic technology and our reservoir knowledge can help exploit reserves in and around marginal fields produced by FPSOs while the FPSOs provide more stable and predictable cash flow streams to offset the traditionally more volatile seismic business.

Let s take a more detailed look at some of these combined geophysical assets:

The marine geophysical fleet of the new company will consist of:

six Ramform Class, 12-streamer 3D vessels with capacity for up to 20 streamers,

three Viking Class, 8-streamer 3D vessels with capacity for up to 12 streamers,

nine other 3D vessels capable of pulling between 4 and 8 streamers,

three 2D vessels, and

two seafloor seismic multi-component crews.

Together, that adds up to a deployment capability of more than 150 streamers.

We mentioned the [8,300] channels which will support 25 to 30 3D land crews. The combined land organization will add some geographic regions. Currently, our only common areas of operation are the U.S. and Alaska. PGS will add a presence in Mexico, Kazakhstan and Saudi Arabia, and Veritas will bring Canada, South America and Oman to the combination.

The expanded capabilities also include over 20 processing centers around the globe. With processing capabilities located near our customers, the combination will give us adequate and instant resources to support our broader contract and multi-client activities.

In summary, we believe strongly that this merger will have four basic results:

Firstly, a world class Geophysical Company.

Secondly, a significant FPSO provider with growth opportunities.

Thirdly, an industry-leading Production Company.

And fourthly, a technology driven Reservoir Company.

And now, we'd be glad to take your questions.

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THE FOLLOWING MESSAGE WAS SENT BY E-MAIL ON NOVEMBER 26, 2001, FROM DAVID B. ROBSON, CHAIRMAN AND CHIEF EXECUTIVE OFFICER OF VERITAS, TO THE EMPLOYEES OF VERITAS:

Dear fellow employees:

I am pleased to announce an exciting event that will be very important to our future and to our long-term success. The Boards of Directors of Veritas and PGS have today approved a definitive agreement to combine the two companies in a merger of equals. The press release that provides more details is available on the Veritas Bulletin Board, the Internet and our website and will be posted at all of our operating locations. Please review it carefully.

The Transaction

The combined company will be the second largest geophysical contractor in the world. In addition, the Floating Production, Storage and Offloading (FPSO) business owned by PGS will add significantly to the new company's profits and cash flow. We will be a much larger company in the oilfield service area with total sales in excess of \$1.5 billion, offices in over 30 countries and about 10,000 employees. About 7000 of these employees will work in the combined geophysical operation. Operationally, we will have 21 marine vessels, capacity for more than 20 land crews, 27 processing centers and 36 locations.

We are planning to rename the company which involve assuming a

new name, creating a new logo and developing a branding/advertising program with new graphics, etc. The reason for the new name is to create a spirit of cooperation within the new entity.

The company will be more global in nature and better equipped to service our customers. We can be more cost efficient because we can spread our overhead over a larger revenue base. We will have significantly enhanced research and development efforts in areas like data processing and acquisition technology to improve our technology to even higher levels. When you look at the combined strengths of the two companies, we are leading the industry in most areas of operational excellence and technology.

The company will be organized into two areas, Production Services (FPSO s) and Geophysical. I will be Co-CEO responsible for the Geophysical Division and Reidar Michaelson will be Co-CEO responsible for Production Services.

The Board of Directors will be composed of four current members of both Veritas and PGS s Boards along with two new independent members to be selected. The Company will be listed on the New York Stock Exchange and the Toronto Stock Exchange. The head office will be in Houston, Texas and will be located at 10300 Town Park, the current headquarters for the Veritas company, and this will happen as soon as practical. Organizational plans beyond this point have not been solidified at this time. We will keep you informed as we proceed.

We are estimating consolidation savings of \$35 million as a result of the merger. Due to the many steps and procedures required for a merger of this size, we do not expect to complete the deal until April 2002. In the meantime, we have to operate separately. However, extensive due diligence will commence and organizational planning will start in earnest immediately.

Why are we doing this

The geophysical industry currently is not a growth industry. The only way to achieve our goal of providing opportunities for our employees to grow and for our shareholders to have a decent return on their investment is to consolidate. We have been having discussion with others, but clearly PGS was the most interested in such a plan. To capitalize on such an opportunity, there must be both a need and a willingness to change. The geophysical industry needs more consolidation to meet the challenges of investing large sums of capital in research and development, in multi-client data libraries and in a never-ending series of new technological advances in acquisition and processing capabilities. The geophysical industry is now expected to provide leadership in many areas of geophysical technology which were traditionally the domain of our customers, the oil companies. At the same time, we need to deliver more value to our customers and provide a reasonable return on the total capital entrusted to us. The following are some of the reasons that this transaction makes sense;

One. We will be able to optimize the deployment of more assets in more combined areas. This will reduce mobilization costs, allow us to focus the right assets and the right people on the right jobs and give us the ability to tackle increasingly complex challenges for our customers.

Two. Combining our respective asset bases will give us the opportunity to focus our capital expenditures and ensure full utilization of all of our assets in a global market.

Three. While maintaining our investment in R&D, we can broaden the scope for new technological innovations that have made PGS and Veritas leaders in providing better solutions to our customers.

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Four. Together, we have the largest database in the world of modern 3D seismic data, totaling over 400,000 square kilometers. Our customers will benefit from our integration of these datasets and our making them available to a worldwide market.

Five. We will capitalize on the synergies between the FPSO business and the seismic business. Seismic technology and our combined reservoir knowledge can help exploit reserves in and around marginal fields produced by FPSOs while the FPSOs provide more stable and predictable cash flow streams to offset the traditional more volatile seismic business.

What this means to you

Over the next couple of years, we will be consolidating operations that are duplicative to the new company. There may be some disruption to you if you are in one of these areas. Obviously, one of the advantages to a merger like this is to eliminate duplication. However, we do not have significant overlap in general and therefore layoffs will be minimal. Notice, that we are not making any public announcements regarding the number of jobs lost for these reasons. Most everyone in the new company is an essential employee. In other words, if a hand on the back deck of a boat is not working, we can't deploy our cables, if a data processor isn't working, we can't produce sections for our customers. Our job is to produce product for our customers. That activity must go on uninterrupted. Therefore, if you are doing a good job, you should have little cause for concern.

We will be communicating with you on a regular basis as this transaction evolves. Later this week, a Lotus Notes database (Operations Advantage) will be available so that you may post issues and concerns and view the

answers to frequently asked questions. In addition, the senior management of the company and of your division has been briefed to the extent that we can. We will try to see as many of you in person as is practical between now and the end of the year. In the meantime, video conferencing meetings are scheduled this week to many different locations.

Finally, in situations like this, gossip and rumors tend to take a little information and expand upon it significantly. Please visit with your supervisors and senior management to seek further information. In the short term, they may not be more informed than you are, but the presidents of all of the divisions have been briefed to the extent that we have clear information. Please show professionalism as you deal with limited information and please do not share any information with the geophysical community if it is not factual.