



Q1 2023 Financial Results Conference Call

Wednesday, 3rd May 2023

Operator: Ladies and gentlemen, thank you for standing by and welcome to CGG Q1 2023 Financial Results. At this time, all participants are in a listen-only mode. After the speaker presentation there will be a question-and-answer session. To ask a question, you will need to press star one-one on your telephone. I would now like to turn the conference over to the CGG team, please go ahead.

Christophe: Thank you. Good morning and good afternoon, ladies and gentlemen, welcome to the presentation of CGG's Q1 2023 results. The call today is hosted from Paris, where Mrs Sophie Zurquiyah, our Chief Executive Officer, and Mr Jérôme Serve, our Group CFO, will provide an overview of the quarter results as well provide comments on our outlook. Let me remind you that some of the information contains forward-looking statements subject to risk and uncertainties that may change at any time, and therefore future results may differ materially from those that were expected.

Following the overview of the quarter, we will be pleased to take your questions and now I will turn the call over to Sophie.

Q1 2023 Overview

Sophie Zurquiyah

Chief Executive Officer, CGG

Welcome

Thank you, Christophe. Good morning and good afternoon, ladies and gentlemen and thank you for participating in this Q1 2023 conference call.

Key segment financial highlights

We move now to slide 5. Let me start with some general comments on the evolution of our businesses and market environment during the quarter. Overall commercial activity was strong across all our businesses and geographic locations this quarter. Exploration activities are picking up as clients are increasingly looking for new advantage reserves with lower break-even prices and lower [inaudible], including high IFCs[?] which we haven't seen much of in 2022.

To respond to projected supply-demand balance, our clients are also continuing to accelerate their field development programmes. Many of our clients today are starting to face lack of resource challenges after downsizing the organisations and losing geoscientists to low carbon divisions.

Increased activities

We have seen the strongest increase of activity in the Gulf of Mexico, Norway and the Middle East, which all have been very active. And we also started to see increases in other parts of the world, including Asia Pacific.

Offshore increase in activity

Offshore, particular offshore deep water is attracting a larger share of E&P investment and, as such, high [inaudible] is increasingly required to de-risk sub-surfaces and operational risk. We are well positioned to support our clients with our high-end technology and integrated capabilities.

Operational review

Looking at CGG in Q1, I am pleased to report that our core business and technology development efforts as well as our investments in our Beyond the Core business initiatives have paid off. We saw the recent award of three very large integrated imaging projects for NOCs and also achieved our first signature for a commercial HPC and Cloud Solutions services contract, outside of the energy industry and carbon[?] [inaudible] world, which is a real milestone in the establishment of this new business.

We also delivered our first Gulf Coast, CUS, CCUS screening study during the quarter.

Geoscience

Overall, Q1 was a solid start to the year, with improving performance across three business lines. Geoscience revenue was \$79 million, up 5% year on year on external revenue. The level of order intake at the end of the quarter was up 31% year on year, and this doesn't include the large integrated projects that we were awarded in April.

Earth Data

Earth Data had a good quarter thanks to stable aftersales at \$13 million and high performing at \$35 million. On a pro forma basis, adjusting for the sale of our US land library, after sales were up 36%.

Sensing and Monitoring

Sensing and Monitoring had a better quarter, thanks to the early delivery of the set of streamers in a market environment that tends to be lumpy and still driven by significant one-off orders.

Large standard in the Middle East and North Africa for land and OBN equipment are positive signals for active Q2 and Q3 quarters.

Overall, our Q1 revenue reached \$210 million, up 37% year on year. Segment EBITDA was \$66 million, a 31% margin and up 71% year on year. Net cash flow was \$1 million.

DDE key financial indicators

Now on slide 7. DDE segment revenue was solid this quarter at \$144 million, up 21% year on year, with growth in both Geoscience and Earth Data. Profitability was impacted by our compensation for under-utilisation of vessels.

Geoscience financials

Moving onto Geoscience in slide 8. Geoscience external revenue was \$79 million in Q1, up 5% with growth coming from all regions. The market is strengthening with the high level of bids submitted worldwide. Backlog is up 22% year on year, thanks to order intake value being up

31% from Q1 last year tracking back to 2019 levels. As mentioned, this increase in backlog doesn't include the three large multi-year integrated projects that were recently awarded to CGG by three different national oil companies. Overall, we see the size and content of projects significantly increasing, with more demand for advanced imaging technologies, together with integrated Geoscience services.

Service trends

Historically, NOCs have asked for higher levels of integrated services in their projects, but we are starting to see a similar trend with independents and IOCs who are short of resources and just a highly data driven product.

Production per head KPI

The total production per head KPI continues to strengthen and is now above 2019 levels. Whilst we also are looking to increase our head count to respond to higher demand for our services, we have gained in efficiencies and are increasingly using advanced AI driven algorithms to perform some of the previously people-intensive tasks.

Geoscience Q1 operational highlights

Moving on to slide 9. In Geoscience CGG has always pioneered new and disruptive technologies, like today with our unique elastic full-waveform inversion. It is interesting to realise that today demand for these technologies is utilised more fully by all customer profiles and across all locations, such as offshore, advanced technologies have been most required, but also now more and more in shallow water and even on land where precision matters.

Technological advances

These advance algorithms enable our clients to significantly improve their understanding of the sub-surfaces, reduce risk and increase their general success. The image you see here from Southern Mexico is a clear example of improvements that technology can bring. The image offers a seamless view of the sub-surface from shallow waters to transition zone and land, with many critical details.

The project includes both onshore and offshore areas, covered by multiple ocean bottom table and land surface and transition zone with full-wave form inversion is very challenging digital imitation of input data. This is where CGG excels with our advanced technology and expertise. The finest image provides significant uplift over the 2021 legacy data set.

Beyond the Core CCUS

In Beyond the Core CCUS screening and monitoring design are two areas with increasing demand, and we just completed the study in the Gulf of Mexico, which again, as mentioned earlier, so first CCUS in Q1. I am particularly pleased with the signature of our contracts with Biosimulytics. Biotechnology is one of our target verticals for offering our specialised HPC and Cloud services solutions. I will comment more on a later slide.

OBN Surveys

Now going onto slide 10. In UAE during the quarter, we completed nearly all the processing of the largest ever OBN acquisition programme. This OBN acquisition project covered a total area of more than 26,000 km²; more than 2 million sensors were deployed, resulting in approximately 700 billion recorded seismic traces. This was a technological challenge that we

stepped up to and addressed thanks to our outstanding people and technology, supported by the largest HPC capacity in the industry.

The project led to CGG winning another challenging imaging project, which entails the processing of the densest multi-component survey required in the world.

Biosimulytics

Exclusive partnership

On slide 11, back to our new contract with Biosimulytics. CGG will be the exclusive HPC Cloud partner of Biosimulytics, a Pharma software company that uses artificial intelligence to accelerate drug development. CGG will be providing Biosimulytics with a fully customised Cloud HPC solution.

Expansion into health and life science market opportunities

Thanks to our experience of designing, developing, hosting and optimising scientific workflows on specialised HPCs at an industrial scale, we are very well-positioned and have the unique expertise to optimise the required IT infrastructure and software to run more efficiently, allowing Biosimulytics to scale up faster as well as increase their focus on their expertise, while not being distracted by HPC optimisation.

We have other similar opportunities in that pathway in biotechnology, directive AI and with industrial companies faced with new or increasing HPC requirements.

Earth Data key business indicators

Moving on to slide 12 now with Earth Data. Earth Data cash CAPEX was \$28 million this quarter, down 15% year on year. In Brazil we partnered with TGS in the Foz do Amazonas basin. In the US GoM our re-imaging projects continue to draw increased interest and pre-funding and we continued the reprocessing of our stack[?] size programme.

Pre-funding revenue was solid at \$35 million and came mainly from our Norway and Brazil projects. After sales were \$30 million this quarter, stable year on year, even with the divestiture of our US land library in Q4 2022 and were mainly driven by the US Gulf of Mexico.

Gulf of Mexico

The Gulf of Mexico is clearly attracting interest from an increasing number of clients, including the deeper and more complex areas that have been quite slow in the last few years. The basin does offer a secure and reasonably stable environment with a relatively lower admission profile and a clear route to market and hence why it remains a priority for many of our clients.

Earth Data Q1 operational highlights

Guyana and Suriname

Going on to slide 13 now. The Earth Data team had a very active quarter with a few very high-profile business initiatives, including the 2-D Guyana reprocessing project, which is fully pre-funded by clients. The Suriname project, which we completed this quarter and is filling a data gap in the [inaudible] area. And preparing for the start of our North Viking Gap and East-West acquisition projects, the continuation of this successful programme.

Heimdal Terrace OBN project

We also started preparations for the highly funded Heimdal Terrace OBN project.

Comprehensive Wells database

On slide 14. In the context of extending our Earth Data library, our teams are building a unique comprehensive database of wealth covering offshore Guyana, Suriname and the Equatorial margins, 30 wells offshore Brazil, 70 wells offshore French Guyana, 17 wells offshore Guyana are including in this programme as shown on this map.

Data production

Thanks to our expertise and business best practices, data rights have been agreed with the local [inaudible] from each country and then cleaned, processed, interpreted and integrated. This type of product has been welcomed by our clients as they do not have the resources to secure the data, clean it comprehensively and then analyse it with advanced ML and Geoscience technologies. But this is key for their interpreters to gain the most accurate understanding of the new basin.

A Guyana/Suriname Geowells database is part of the global programme to gather relevant world data from around the globe to complement our geology and geophysical products and continue to build expertise for our integrated projects.

Sensing and Monitoring key financial indicators

We'll move to Sensing and Monitoring on slide 15. The Sensing and Monitoring segment revenue was stronger this quarter at \$66 million, up 95% year on year. This was mainly supported by marine sales at \$34 million, which were higher than previous quarters as we delivered a set of streamers to a research vessel in the Asia Pacific. Sales from Beyond the Core, which includes Geocom and the active defence sector, were also up at \$12 million, mainly driven by our structural health monitoring business. At this level of sales EBITDA of the Sensing and Monitoring business was break-even.

Sensing and Monitoring operational highlights

Slide 16, during the quarter inland, we delivered seismic equipment in North Africa, West Africa and Asia. We see significant potential for our GPR 300 node, especially in the Middle East where demands from marine systems and high-end processing continues to accelerate.

Acquisition of Morphosense

During the quarter we also acquired a small French start-up, Morphosense, which complements the structuring health monitoring product portfolio of SMO with a cabled system as a digital twin offering.

Let me now give the floor to Jérôme for financial comments.

Financial Review

Jérôme Serve

Group Chief Financial Officer, CGG

Income statement

Thank you, Sophie. Good morning and good afternoon, ladies and gentlemen. I will now commence our Q1 2023 financial results. Let me start with the overall Q1 activities.

As mentioned by Sophie, our segment revenue was up 37% year on year at \$210 million, driven by higher SMO sales. You may remember the SMO sales for this record [inaudible] in Q1, as well as higher EDA sales coming from solid performing revenues from Norway and Brazil. Overall, the [inaudible] sales contribution from the Earth businesses were 38% from Geoscience, 31% from DDE, resulting in 69% overall in these segments. And 31% from the SMO segment. SMO representing last year only 22% of our Q1 revenue.

Segments, DDE was \$66 million, of 31% margin. This is up 71% year on year. However, not that, as expected [inaudible] through from increased revenue stream EBITDA was negatively impacted by the revenue mix, higher SMO sales[?] bringing[?] lower EBITDA margin than with DDE. EBITDA was also negatively impacted by a higher compensation for under-utilisation of vessels versus last year in DDE.

Regarding segments operating income, Q1 was \$30 million off 6% margin. After EFX[?] 15% adjustment, Q1 operating income was \$7 million. Finally, net income was negative at \$16 million this quarter.

Simplified cash flow

We move on to our cash flow. Q1 '23 segment free cash flow was \$2 million after a negative change in working capital of \$4 million and CAPEX of \$52 million. Versus last year, working capital was impacted by lower predictions of Q4 revenues as well as higher end of the quarter sales to be collected in Q2.

CAPEX was \$52 million, plus \$10 million versus last year, or 23% year on year, mainly from higher industrial CAPEX, related to the construction of the new HPC data centre in the UK of \$18 million. Research and development capitalised costs were \$6 million, almost stable versus last year, and multi-client cash CAPEX was \$28 million, with a pre-funding ratio of 126%.

The other segment, free cash flow, main cash item included plus \$14 million of asset financing from the new UK data centre, minus \$12 million of lease repayments and minus \$6 million of cash costs into the Shearwater idle vessel compensation.

Operator: Sorry for the interruption, we are just having connection problems, we will be back shortly, thank you.

[BREAK IN AUDIO]

You are now back online, please go ahead.

Sophie Zurquiyah: Where did you leave us?

Jérôme Serve: [French - 0:18:40]

Operator: Yes, sir. You were, we are now facing again connection problem, we will be back shortly.

Sophie Zurquiyah: When were we disconnected?

Operator: You are now live, sir.

Jérôme Serve: Okay. Hello, can you hear us?

Operator: Yes, sir, we can hear you.

Sophie Zurquiyah: When did we get disconnected?

Jérôme Serve: It's okay, I will – I will – I guess we – I will start back with the cash flow maybe?

Male: Yes, yes, start from the cash flow, yes.

Jérôme Serve: So, Q1 2023, segment free cash flow was \$2 million after a negative change in working capital of \$4 million and CAPEX of \$52 million. Versus last year, working capital was impacted by lower predictions of Q4 revenues as well as higher end of the quarter sales to be collected in Q2.

CAPEX was \$52 million, up \$10 million, or 23% year on year. This is mainly from higher industrial CAPEX, related to the construction of the new HPC data centre in the UK for \$18 million. Research and development which were capitalised were \$6 million, almost stable versus last year, and multi-client cash CAPEX was \$28 million, with a pre-funding ratio of 126%.

The other segment free cash flow, the three main cash items were \$14 million of asset financing from the new UK data centre, minus \$12 million of lease repayments and minus \$6 million of cash costs into the Shearwater idle vessel compensation. Overall, we ended Q1 with a net cash flow at plus \$1 million.

Balance sheet

Moving on to the group balance sheet, the group liquidity amounted to \$301 million at the end of March, excluding \$95 million of undrawn RCF. Before IFRS 16 gross debt was \$1.2 billion and net debt was \$905 million. After IFRS 16, net debt was \$994 million. At the end of March 2023, the segment leverage ratio of net debt to EBITDA was 2.4 times.

I will now hand the floor back to Sophie for an outlook of 2023.

2023 Outlook

Sophie Zurquiyah

Chief Executive Officer, CGG

Financial objectives

Thank you, Jérôme, and we are now on slide 22 with business trends. In Q1 2023 it became clear that the oil and gas industry's multi-year upcycle was starting to reach CGG's markets. Until recently it was not certain whether exploration would benefit from increased industry spending.

The latest research numbers for offshore exploration now show that exploration spend will increase both in absolute value of the number, above 20% and as a proportion of the total E&P spend, which is the first since 2015.

IOC's, although more modestly, are starting to increase their exploration spend and, in general, are being limited by resource availability to ramp up work. With the highest end technology, combining with the largest Geoscience workforce across the industry, including a broad range of disciplines and our leading imaging technology, CGG is the best positioned as the partner of choice to our clients.

Recent fluctuations in oil price is not expected to impact this favourable cycle, especially after years of significant under-investment. Our clients have all lowered their break-even oil price, which allows them to take a longer-term view.

After the GoM that was the first to pick up, we see substantial increase in activity in Norway and, more recently in the Middle East.

National oil companies have deployed ambitious seismic acquisition projects amongst the most advanced in the world, and look for best in class technology to extract the most value from their investments, which CGG can provide.

Geoscience activity is trending towards 2019 levels, with higher demand for advanced technologies, OBN processing and large integrated projects. Demand for our Earth Data should continue to be solid, sustained by a big ramp in clients looking to secure new positions as well as demand for our new portfolio as we continue to expand our CCUS library.

The Sensing and Monitoring business should grow significantly in 2023, driven by solid demand for land equipment, nodes systems and the promising Beyond the Core SHM business. I am very pleased with the progress of our Beyond the Core initiative, especially CCUS and SHM and also by the continued development of our HPC and Cloud provision business and the recent award of the HPC contract with Biosimulytics.

In this context, I am confident in our ability to deliver our 2023 financial objectives and I am increasingly positive in the longer-term outlook for CGG.

Thank you for your interest and we are now ready to take your questions.

Q&A

Operator: Ladies and gentlemen, we now begin the question-and-answer session. As a reminder, if you wish to ask a question, please press star one-one on your telephone. If you wish to cancel your request, please press star one-one again. We are now taking the first question so please stand by. And the first question is from Jean-Luc Romain from CIC. Please go ahead, your line is open.

Jean-Luc Romain (CIC): Hi, good afternoon. I have two questions if it is possible. The first is on SMO, when do you think the start of the interest in deliveries for land for that to the big Middle East land surveys will start in Q2, or is it more a second half story? That's the first question.

And the second question is [inaudible] data investment[?] in carbon capture, would you accept to isolate[?] what was indicated to the investment, which was dedicated to CCS characterisation, and how do you see it evolving as we are seeing large companies purchase a lot of rights, specialised, especially for this [inaudible] in recent months?

Sophie Zurquiyah: Well, good evening, Jean-Luc. So, first the question on SMO in terms of the Middle East land surveys. I think you are referring to the Saudi tenders, which still haven't been awarded. And right now our provisions are for equipment deliveries to be between Q2 and Q3. But, if you remember, there are two land crews and three OBN crews to be delivered. And, of course, you know, we will be competing on some of those with the big competitors, but we have right now planning for deliveries in Q2 and Q3, but it should have been awarded by now and it is still getting delayed.

On the Earth Data side, in terms of CCUS investment, call it a single digit, right. It's in the million dollars. It is not hugely significant. And also keep in mind that we can sell our data, our seismic data as is, and this is what we did last year. Most of our sales last year were really relative to existing seismic data we had. So, for now, we're constructing data packages with data that we already have, and that's really a single digit number in terms of million dollars.

Jean-Luc Romain: Thank you very much.

Operator: Thank you for your question. We are now taking the next question. Please stand by. The next question comes from Kevin Roger from Kepler Cheuvreux. Please go ahead. Your line is open.

Kevin Roger (Kepler Cheuvreux): Yes, good evening, thanks for taking the question. Sorry if I missed it but I joined the call late, would you be able to provide me the backlog that you have maybe at the end of the quarter, or maybe sooner, at the end of April, and maybe some value idea on each, how much of this backlog will be converted into revenue in 2023, with the values of commitment that you have currently on your multi-client CAPEX plan? So, any colour on that side?

And you concluded the conference call saying that you are more and more optimistic about the next year, so the earnings for VN[?], basically the Q1 are much better – is much better than what you guided, you were expecting to be in line with Q1 last year and you arrived well above that. So, does it change a bit, not to become too optimistic, but a bit your expectation for the full year, meaning that you will now expect to arrive at the high end of the range that you were providing us before? So, any colour as to expectations for the full year, please?

Sophie Zurquiyah: Yeah, thank you, Kevin, for your question. I'll take the second question and then I'll give the first question on the backlog to Jérôme. I think it's really too early, a quarter, as you've seen, remember last year, we were quite volatile from quarter to quarter. So, we had a slow quarter and then followed by a good quarter, and that's related to the lumpiness of the business, which is now actually in SMO and Earth Data. So, we've got two of our businesses tend to be lumpy now. So, I wouldn't draw conclusions just on the first quarter, and that's why we are reiterating our guidance. I think it's a bit too early to really draw a conclusion and make a trend. But definitely, in terms of the longer, mid- to longer-term view, I'm getting more confident.

As I was saying, the IOCs are definitely resuming more exploration, which was a bit of a question mark even a year ago. So, there are some positive trends that we're seeing in our market that finally the cycle seems to be coming our way. And, unlike previous cycles we're starting with exploration, this is a different cycle where our clients have been more cautious around exploration. So, it's coming our way. A bit early to draw conclusions. I would say, let's wait till Q2 to have a better view. For now, we're sticking to our full year.

Kevin Roger: Okay. Thanks.

Jérôme Serve: Kevin, regarding the backlog, at the end of March, we are \$420 million, which is 33% increase year on year. And I would say obviously from that \$420 million, about \$300 million should convert into revenues by the end of the year.

Kevin Roger: Okay, that's the basically what must be the first [inaudible] equipment without the megacruise[?] [inaudible] in Saudi Arabia that you are still expecting in terms of final investment this year from the client, and the commitments for [inaudible] on investments, right?

Jérôme Serve: This is the overall CGG backlog that I gave you, which does not include the after-sales, obviously. And indeed, the backlog does not take into account the megacruise, because it has not been awarded yet, as Sophie said.

Sophie Zurquiyah: So, what's not in there – and the three large projects that we won from IOCs that are not signed, that came into April. We had orders as well that came into April, so, of course, that's not into it. But, yeah, that's at the end of March. And keep in mind that the – as much as I think the – on Geoscience, the backlog is really a good indicator on how the US is turning out, and that's why we're publishing it and it's definitely up and it's tracking to 2019 levels.

In SMO, typically, we don't have a long visibility in backlog, we have about three or four months, and then Earth Data is a little bit the same story. It is a little bit lumpy. So, it's difficult to predict. But, in general, we're certainly seeing some of the highest levels of backlog that we've had in many years.

Kevin Roger: Okay, thanks for that.

Operator: Thank you for your question. We are now taking the next question. Please stand by. And the next question is come from the line of Guillaume Delaby from SG. Please go ahead, your line is open.

Guillaume Delaby (SG): Good afternoon. Maybe, I would like to come back on your comments regarding exploration spending. Basically, during the Q1 call from SLB, they mentioned that what was new versus just a few months ago that exploration was basically recovering. Could you maybe – because I missed some of the data points you provide, and also if you can maybe give some colour and maybe one or two, let's say, maybe clients' anecdotes that struck you, I would say, over the last maybe few months or few weeks, which basically confirm what you are saying on exploration? Thank you.

Sophie Zurquiyah: Yes, good evening, Guillaume. Yes, I have been, of course, watching and listening to SLB comments carefully. I remember they made a comment in Q2 last year as well, and I remember my response was, oh well, we're not really seeing the same thing. And keep in mind that they have a much broader exposure to the oilfield service than we have.

And, as I suspected last year, investments starting in the drilling. So, clients started to drill their exploration wells because they wanted to keep their commitments and make sure they were able to keep their blocks. So, that's how exploration started. And, by the way, the numbers I was mentioning come from Reichsrat. And Reichsrat have been increasing their view on exploration spend offshore pretty much every month between January, February, March of this year because they weren't even three months ago acknowledging the increase. So, that's good news.

So, in terms of why we think it is coming our way finally, one of the indicators is the percentage, the mix in our Earth Data sales. So, this is something we've been monitoring since the COVID, because definitely our mix of clients has changed. We had a [inaudible] but when you look at numbers it was quite striking. Without giving the precise numbers, the IOCs were divided by two in our cost mix. So, basically it was NOCs, it was independents, we were losing by half, you know, the IOCs. Now, I wouldn't say they've come back to that same proportion, but they are definitely up somewhere halfway to where they were. So, divided by two, so they've increased a significant portion in the mix of our data sales. I suspect the same would be true with RPUs.

Another one that perhaps you would see is the activity in the Gulf of Mexico. So, there was that big ramp in March, a lot more active, high-end bids that we find, definitely another sign in how much companies were moving and the kind of blocks that they took. And then the other one as well is the, another one, which is some clients that haven't been active in years in the Gulf of Mexico, for example, are coming back.

And another final data point is we are seeing more interest in our more frontier data from IOCs and clients in general. So, we have data in [Inaudible], in Mozambique, and we haven't had much requests and now we're starting to see requests and might be making deals[?] over there.

Guillaume Delaby: Yes, merci, Sophie.

Operator: Thank you for your question. We are now taking the next question. Please stand by. The next question from Daniel Thompson, from BNP Paribas. Please go ahead, your line is open.

Daniel Thompson (BNP Paribas): Hi, good evening. Yeah, I just wanted to confirm your Shearwater charge during the quarter and what that charge is expected to be for the full year? And then just the downturn in net debt quarter-on-quarter as well. I just wasn't quite clear, given the net cash flow, what was relatively neutral, why is was being a bit of an increase in net debt for the quarter? Thank you.

Sophie Zurquiyah: Thank you everybody, so sorry. We are waiting to see if we can reconnect.

Operator: You are live, ma'am. Can you hear us?

Jérôme Serve: Hi, can you hear me?

Operator: At the moment they are not able to hear us. We are now back with the call, please stand by.

Jérôme Serve: Hello?

Operator: Hello, yes, we are now live. Please [inaudible]

Jérôme Serve: Thank you for reconnecting.

Sophie Zurquiyah: Did you say when we got disconnected? Did you hear my full response?

Operator: No, ma'am, we just heard you say that you were unable to hear us. We have – we have the answer.

Sophie Zurquiyah: Okay, good.

Operator: We now have Mr Thompson from BNP Paribas. Please go ahead.

Daniel Thompson (BNP Paribas): Hi, good evening. Can you hear me now?

Sophie Zurquiyah: Yes.

Jérôme Serve: Yes.

Daniel Thompson (BNP Paribas): Perfect, okay. Yeah, I just wanted to confirm on the call what the charge was for the Shearwater agreement first quarter and the expectation of that charge for the full year? And then, just what was going into the increase in the net debt quarter-on-quarter given the net cash flow was kind of neutral? Just a bit of colour on that please?

Jérôme Serve: Well, the Shearwater for the quarter between the penalty and the compensation for idle vessels is about \$20 million.

Daniel Thompson: Okay. And the expectations for the full year?

Jérôme Serve: The expectation for the full year is more around \$50 million.

Daniel Thompson: Okay. Thank you.

Jérôme Serve: But the cash impact, huh? Daniel, this is the total cash impact, including \$201 million for IVC, idle vessel compensation, which is already been provided for at the time of the deal, so will not impact on the next income. And then the \$30 million cash costs which are in the operation of cash costs of the business lines.

Daniel Thompson: And then the EBITDA issue, which you talk here around the profit and loss.

Sophie Zurquiyah: Yes, so Daniel, this is what we're planning on, but obviously we're going to do everything to not have to spend money. So, we're working actively on projects and balancing whether we can find a good project to avoid paying the penalty. Idle vessel compensation is a number that is there and it's going to be there until the end of the contract in about a year and a half, and that's been provisioned for. And then we have to deal with the idle – it's the penalty for not using the 24-vessel month, depending on the quality of the projects that we're looking at.

Daniel Thompson: Thank you.

Jérôme Serve: Regarding the net debt, it was only created by the asset financing that we have for the construction of our new data centre in the UK. So, off the top of my line, it is around \$27 million.

Daniel Thompson: Okay, thank you.

Operator: Thank you for your question. We are now taking the next question. Please stand by. The next question is from Baptiste Lebaq from Oddo. Please go ahead. Your line is open.

Baptiste Lebaq (Oddo): Yes, thank you, good evening. I have two questions. The first one is regarding the pre-funding rates which was very impressive in the first quarter, what could be the best bet or guess for Q2 and the rest of the year? I try the question. And the second one is regarding your investments for the UK HPC data centre. You had \$19 million of CAPEX, initial CAPEX in Q1, can you give us an idea regarding when this data centre will be on start-up mode, and are you still comfortable with your industrial CAPEX budget of \$70 million for 2023? Thank you.

Sophie Zurquiyah: Okay, good evening. Thank you for the question. So, the pre-funding rates, it's very difficult to look at on a quarter-to-quarter basis, so really it has to be a full year. And if you remember, we always said you need 70-75% budget-wise is what we're targeting. And, of course, we are trying to get as much as we can, and typically we've been getting 80-plus percent, and that would be our ambition. But in terms of commitment, we are saying we want to reach that 75% pre-funding. And we are taking this year a bit more cautious approach in terms of quality of the project and pre-funding, and that's why you are seeing our CAPEX a little lower on the Q1 and really pushing hard on the pre-funding.

On the UK HPC data centre, the project is pretty much going to plan. So, there isn't any surprises on that project, and we are looking at a go-live in September. So, it is very advanced. I actually have visited it in January, it looks very impressive, and it can add for us about 100 petaflops, remember we are in 350 petaflops, so yeah, no surprises on the budget, so we'll stick to our budget numbers.

Then there is another number, was there another question on how much, or –

Baptiste Lebaq: \$70 million with your – confirmed, yeah.

Sophie Zurquiyah: Confirmed, yeah, it's within the envelope that's planned. And it is – it is a very large infrastructure investment and the kind of investment that you do every 20 years. And we hadn't done any such investment actually during my time. So, we've been living of really aging infrastructure and pushing it hard. So, infrastructure is different from actually the compute- [inaudible] itself and so what we're investing in is an infrastructure that will allow us to grow significantly our computing power.

Baptiste Lebaq: Okay, thank you very much.

Operator: Thank you for your question. We are now taking the next question. Please stand by. The next question from Daniel Thompson from BNP Paribas. Please go ahead, your line is open.

Daniel Thompson (BNP Paribas): Hi again, sorry, I just throw in another one here. On your sort of recovery and demand that we spoke about in terms of data from the IOCs and your other clients, is there any sort of shape to late sales that we should anticipate going through the rest of the year? I know 4Q is normally a high point, you know, should we be assuming a gradual increase over 2Q and 3Q with 4Q the high point again? Thanks.

Sophie Zurquiyah: Yes, thanks for that question. I guess this is what you are asking – the question you are asking is the most difficult one to predict. If I look back at Q1, even some of those late sales appeared literally a few days before the end of the quarter and a lot of it was

driven by the Gulf of Mexico activity. So, it really depends on where we or where the data is and where the clients' interest is. Now, at the micro level I would expect that the clients will spend more money on after-sales overall. Now, where does the money go? It will depend a little bit on the areas of interest from the client. I think we'll get our fair share of it because of our footprint and our position in some of the key basins where the clients were currently[?] invest. So, at the micro level, over the full year, I would expect that we will see a good outcome.

You have to – if you are going to look at year on year growth, at least the way we look at it, last year there was a bit of exception associated with transit fee. And in the specific case of CGG, we had land, and the land was about \$18 million of after-sales, right. But, within that, you know, to kind of[?] correct for some of the exceptional and land, you know, we definitely should see some growth.

And the other data point I can give you is, typically historically DDE used to be tracking more or less into CAPEX dynamics. So, we would be sort of the two of them together would kind of tend to follow ENP[?] CAPEX dynamics, and I see no reason it should be different.

But the quarterly view is actually very difficult to predict. And right now, I don't have, for example, visibility on Q2 after-sales. I have the visibility on pre-funding because there is a certain level of backlog. And possibly we will get more pre-funding through the quarter on some of our ongoing projects, but typically the after-sales are much more difficult to predict.

Daniel Thompson: Yeah, no, I appreciate that. Thanks for providing what you can. Thanks.

Operator: Thank you for your question. There are no further questions at the moment, but if you wish to ask a question, please press star one-one on your telephone. There are no further questions, I will hand back the conference to the CGG team for closing remarks.

Sophie Zurquiyah: Yes, thank you very much, thank you for attending. Apologies for the diversities, the difficulties we had with the connection, I hope we haven't missed too much of our talk. But yes, and I look forward to seeing you one-on-one and thank you for attending and have a good evening. Thank you, or a good rest of your day if you're not in Europe, thank you.

Jérôme Serve: Cheers.

Operator: That concludes the conference for today. Thank –

[END OF TRANSCRIPT]