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# CONDENSED INTERIM FINANCIAL REPORT

## First semester 2023 Results

July 27, 2023

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## STATEMENT BY THE PERSONS RESPONSIBLE FOR THE HALF-YEAR FINANCIAL REPORT

We hereby certify that, to the best of our knowledge, the condensed interim consolidated financial statements were prepared in accordance with the applicable accounting standards, and that they give a true and fair view of the assets, financial position and results of the Company and of all companies within its scope of consolidation, and that the half-year business report on pages 29 to 36 presents a fair view of the significant events occurring during the first six months of the year, their impact on the financial statements, the main related-party transactions and that it describes the main risks and uncertainties for the remaining six months of the year.

July 27, 2023.

| | |
|---|---|
| **Sophie ZURQUIYAH** | **Jérôme SERVE** |
| Chief Executive Officer | Group Chief Financial Officer |

# STATUTORY AUDITOR'S REPORT ON THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting and in accordance with the requirements of Article L. 451-1-2 III of the French Monetary and Financial Code ("Code monétaire et financier"), we hereby report to you on:

- the review of the accompanying condensed half-yearly consolidated financial statements of CGG, for the period from January 1 to June 30, 2023;
- the verification of the information presented in the half-yearly management report.

These condensed half-yearly consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

## 1. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-yearly consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 – standard of the IFRSs as adopted by the European Union applicable to interim financial information.

## 2. Specific verification

We have also verified the information presented in the half-yearly management report on the condensed half-yearly consolidated financial statements subject to our review.

We have no matters to report as to its fair presentation and consistency with the condensed half-yearly consolidated financial statements.

Courbevoie and Paris-La-Défense, July 27, 2023

The Statutory Auditors

| MAZARS | | ERNST & YOUNG et Autres |
|---|---|---|
| Daniel Escudeiro | Alexandre de Belleville | Claire Cesari-Walch |

## 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 risk factors:

**Risks related to our Business and Strategy**

- Demand for our products and services largely depends on the oil and gas industry activity, and lower capital expenditures by our clients or by the oil and gas industry in general could materially impact our business
- We operate in a highly competitive environment and unanticipated changes relating to competitive factors in our industry may impact our results of operation
- We are seeing inflationary pressure coming from goods, services and wages. Our failure to pass these costs on to our clients and to increase prices would result in reduced margins
- We are subject to risks related to our international operations and to global economic and geopolitical volatility
- The failure of our strategic partners to perform their obligations in accordance with our expectations may have an adverse impact on our financial condition and results of operations
- The performance of our business is subject to demand for, and continued exploration, development and production of oil and gas; the reduction in the consumption of carbon-based energy products could significantly impair our business and reduce demand for our products and services
- We are subject to the risk that the global community, governments, stakeholders and their carbon neutral commitments, impose increased pressures on the regulatory bodies, investors, bankers, insurers and other players, including but not limited to our clients and suppliers to distance themselves from O&G related companies.

**Risks related to our Operations**

- We are subject to loss or destruction of key assets, including physical infrastructure such as data centers and factories
- We may need to impair goodwill or the carrying value of other assets and liabilities on our balance sheet
- We rely on third party suppliers and are subject to disruptions outside our control and especially to shortages of electronic components that renders us dependent on the supply
- We are subject to a risk of obsolescence of our existing technology, products and services
- Our proprietary technology could be rendered obsolete or misappropriated by third parties
- The use of our intellectual property and other proprietary information and know-how by an unauthorized third party could reduce or eliminate any competitive advantage that has been developed and consequently cause us to lose market share or otherwise adversely affect our business, operating results or financial condition.

**Risks related to Information Technology, Information Security and Intellectual Property**

- We are subject to risks related to our information technology, including cyber security risks and risks of hardware and software failures

**Risks related to our People**

- Our business is dependent on key people and key expertise such as highly skilled scientists, engineers and technicians, and our inability to retain, recruit and develop these resources may impact our results of operation

**Risks related to Economy and Finance**

- We face risks related to our liquidity needs and substantial indebtedness
- We are exposed to exchange rate fluctuations

**Legal & Regulatory Risks**

- We are subject to the risk of regulatory changes in the countries in which we operate
- Our business is subject to complex laws and governmental regulations, including permits and other licensing requirements, in the various jurisdictions in which we operate, and our failure to comply with them may subject us to legal proceedings in these jurisdictions
- Our failure to comply with the restrictions and covenants in our current and future debt agreements may trigger cross-acceleration or cross-default provisions; our assets might not be sufficient to repay in full all of our outstanding indebtedness and we may be unable to find alternative financing
- We have been and expect to continue to be subject to different types of attempted fraud, both internal, i.e. perpetrated against the Company by an employee, and external, i.e. third party attempt to defraud the Company, which could subject us to penalties and reputational damage.

We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Certain of these risks are described in our Universal Registration Document for the year ended December 31, 2022; the French version of which we filed with the AMF on March 16, 2023. Our Universal Registration Document is available in French and English on our website at www.cgg.com or on the website maintained by the AMF (French only) at www.amf-france.org. You may request a copy of our Universal Registration Document, which includes our complete audited financial statements, at no charge, by calling our investor relations department at + 33 1 6447 3811, sending an electronic message to investor.relations@cgg.com or writing to CGG – Investor Relations Department – 27, avenue Carnot – 91341 Massy, France.

## Unaudited Interim Consolidated statement of operations – Year-To-Date

| *(In millions of US$, except per share data)* | Notes | Six months ended June 30, 2023 | Six months ended June 30, 2022 |
|---|---|---|---|
| Operating revenues | 8 | **517.1** | **403.6** |
| Other income from ordinary activities | | 0.2 | 0.4 |
| **Total income from ordinary activities** | | **517.3** | **404.0** |
| Cost of operations | | (361.0) | (279.1) |
| **Gross profit** | | **156.3** | **124.9** |
| Research and development expenses - net | | (13.9) | (7.7) |
| Marketing and selling expenses | | (17.7) | (14.2) |
| General and administrative expenses | | (34.3) | (34.9) |
| Other revenues (expenses) - net | 10 | (2.2) | 1.5 |
| **Operating income (loss)** | **8** | **88.2** | **69.6** |
| Cost of financial debt - gross | | (53.0) | (51.0) |
| Income provided by cash and cash equivalents | | 3.3 | 0.7 |
| **Cost of financial debt, net** | | **(49.7)** | **(50.3)** |
| Other financial income (loss) | 11 | 3.3 | 3.2 |
| **Income (loss) before incomes taxes and share of income (loss) from companies accounted for under the equity method** | | **41.8** | **22.5** |
| Income taxes | | (20.5) | (22.9) |
| **Net income (loss) before share of income (loss) from companies accounted for under the equity method** | | **21.3** | **(0.4)** |
| Net income (loss) from companies accounted for under the equity method | | (0.2) | - |
| **Net income (loss) from continuing operations** | | **21.1** | **(0.4)** |
| Net income (loss) from discontinued operations | 3 | 1.9 | (2.0) |
| **Consolidated net income (loss)** | | **23.0** | **(2.4)** |
| *Attributable to :* | | | |
| *Owners of CGG S.A* | $ | 20.3 | (1.8) |
| *Non-controlling interests* | $ | **2.7** | **(0.6)** |
| **Net income (loss) per share [(a)]** | | | |
| Basic | $ | 0.03 | - |
| Diluted | $ | 0.03 | - |
| **Net income (loss) from continuing operations per share [(a)]** | | | |
| Basic | $ | 0.03 | - |
| Diluted | $ | 0.03 | - |
| **Net income (loss) from discontinued operations per share [(a)]** | | | |
| Basic | $ | - | - |
| Diluted | $ | - | - |

*(a) Earning per share is presented as nil being less than US$0.01.*

See the notes to the Unaudited Interim Consolidated Financial Statements

## Unaudited Interim Consolidated statement of operations – Quarter-To-Date

| *(In millions of US$, except per share data)* | Notes | Three months ended June 30, 2023 | 2022 |
|---|---|---|---|
| Operating revenues | | **339.0** | **228.2** |
| Other income from ordinary activities | | 0.1 | 0.2 |
| **Total income from ordinary activities** | | **339.1** | **228.4** |
| Cost of operations | | (222.8) | (142.2) |
| **Gross profit** | | **116.3** | **86.2** |
| Research and development expenses - net | | (7.0) | (4.5) |
| Marketing and selling expenses | | (8.7) | (6.9) |
| General and administrative expenses | | (17.8) | (18.6) |
| Other revenues (expenses) - net | | (1.2) | 2.3 |
| **Operating income (loss)** | | **81.6** | **58.5** |
| Cost of financial debt - gross | | (27.2) | (25.0) |
| Income provided by cash and cash equivalents | | 1.3 | 0.4 |
| **Cost of financial debt, net** | | **(25.9)** | **(24.6)** |
| Other financial income (loss) | | 0.5 | (3.7) |
| **Income (loss) before incomes taxes and share of income (loss) from companies accounted for under the equity method** | | **56.2** | **30.2** |
| Income taxes | | (19.1) | (14.3) |
| **Net income (loss) from consolidated companies before share of income (loss) in companies accounted for under the equity method** | | **37.1** | **15.9** |
| Net income (loss) from companies accounted for under the equity method | | (0.3) | - |
| **Net income (loss) from continuing operations** | | **36.8** | **15.9** |
| Net income (loss) from discontinued operations | | 2.1 | 0.2 |
| **Consolidated net income (loss)** | | **38.9** | **16.1** |
| *Attributable to :* | | | |
| *Owners of CGG S.A* | $ | 35.9 | 15.7 |
| *Non-controlling interests* | $ | 3.0 | 0.4 |
| **Net income (loss) per share** | | | |
| Basic | $ | 0.05 | 0.02 |
| Diluted | $ | 0.05 | 0.02 |
| **Net income (loss) from continuing operations per share** | | | |
| Basic | $ | 0.05 | 0.02 |
| Diluted | $ | 0.05 | 0.02 |
| **Net income (loss) from discontinued operations per share** | | | |
| Basic | $ | - | - |
| Diluted | $ | - | - |

See the notes to the Unaudited Interim Consolidated Financial Statements

## Unaudited Interim Consolidated statement of comprehensive income (loss) – Year-To-Date

| *(In millions of US$)* | Notes | Six months ended June 30, 2023 [a] | Six months ended June 30, 2022 [a] |
|---|---|---|---|
| **Net income (loss) from statements of operations** | | **23.0** | **(2.4)** |
| Net gain (loss) on cash flow hedges | | 0.8 | (2.3) |
| Variation in translation adjustments | | (39.6) | (30.6) |
| **Net other comprehensive income (loss) to be reclassified in profit (loss) in subsequent period (1)** | | **(38.8)** | **(32.9)** |
| Net gain (loss) on actuarial changes on pension plan | | (0.6) | 2.2 |
| **Net other comprehensive income (loss) not to be reclassified in profit (loss) in subsequent period (2)** | | **(0.6)** | **2.2** |
| **Total other comprehensive income (loss) for the period, net of taxes (1) + (2)** | | **(39.4)** | **(30.7)** |
| **Total comprehensive income (loss) for the period** | | **(16.4)** | **(33.1)** |
| *Attributable to :* | | | |
| *Owners of CGG S.A.* | | *(17.6)* | *(30.3)* |
| *Non-controlling interests* | | *1.2* | *(2.8)* |

*(a) Including other comprehensive income related to the discontinued operations, which is not material.*

## Unaudited Interim Consolidated statement of comprehensive income (loss) – Quarter-To-Date

| *(In millions of US$)* | Notes | Three months ended June 30, 2023 [a] | Three months ended June 30, 2022 [a] |
|---|---|---|---|
| **Net income (loss) from statements of operations** | | **38.9** | **16.1** |
| Net gain (loss) on cash flow hedges | | 0.8 | 2.0 |
| Variation in translation adjustments | | (45.4) | (26.2) |
| **Net other comprehensive income (loss) to be reclassified in profit (loss) in subsequent period (1)** | | **(44.6)** | **(24.2)** |
| Net gain (loss) on actuarial changes on pension plan | | (0.6) | 2.6 |
| **Net other comprehensive income (loss) not to be reclassified in profit (loss) in subsequent period (2)** | | **(0.6)** | **2.6** |
| **Total other comprehensive income (loss) for the period, net of taxes (1) + (2)** | | **(45.2)** | **(21.6)** |
| **Total comprehensive income (loss) for the period** | | **(6.3)** | **(5.5)** |
| *Attributable to :* | | | |
| *Owners of CGG S.A.* | | *(7.2)* | *(3.5)* |
| *Non-controlling interests* | | *0.9* | *(2.0)* |

*(a) Including other comprehensive income related to the discontinued operations, which is not material.*

## Unaudited Interim Consolidated statement of financial position

| *(In millions of US$)* | Notes | June 30, 2023 | December 31, 2022 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | | 220.0 | 298.0 |
| Trade accounts and notes receivable, net | | 311.6 | 308.3 |
| Inventories and work-in-progress, net | | 271.4 | 257.2 |
| Income tax assets | | 45.8 | 53.4 |
| Other current financial assets, net | | - | 0.1 |
| Other current assets, net | | 134.1 | 99.9 |
| **Total current assets** | | **982.9** | **1,016.9** |
| Deferred tax assets | | 17.9 | 24.2 |
| Other non-current assets, net | | 11.9 | 8.2 |
| Investments and other financial assets, net | | 17.3 | 18.4 |
| Investments in companies under the equity method | | 10.4 | 10.8 |
| Property, plant and equipment, net | 4 | 185.0 | 167.3 |
| Intangible assets, net | | 591.4 | 554.2 |
| Goodwill, net | | 1,094.5 | 1,089.4 |
| **Total non-current assets** | | **1,928.4** | **1,872.5** |
| **TOTAL ASSETS** | | **2,911.3** | **2,889.4** |
| **LIABILITIES AND EQUITY** | | | |
| Financial debt – current portion | 5 | 72.6 | 60.4 |
| Trade accounts and notes payables | | 111.5 | 92.0 |
| Accrued payroll costs | | 72.0 | 85.6 |
| Income taxes payable | | 25.0 | 27.2 |
| Advance billings to customers | | 28.5 | 29.4 |
| Provisions — current portion | | 16.1 | 17.6 |
| Other current financial liabilities | | 20.7 | 20.0 |
| Other current liabilities | | 198.1 | 222.1 |
| **Total current liabilities** | | **544.5** | **554.3** |
| Deferred tax liabilities | | 26.6 | 18.7 |
| Provisions — non-current portion | | 30.2 | 28.6 |
| Financial debt – non-current portion | 5 | 1,210.1 | 1,188.8 |
| Other non-current financial liabilities | | 11.3 | 21.8 |
| Other non-current liabilities | | 11.1 | 18.4 |
| **Total non-current liabilities** | | **1,289.3** | **1,276.3** |
| Common stock: 1,098,322,743 shares authorized and 713,676,258 shares with a €0.01 nominal value outstanding at June 30, 2023 | | 8.7 | 8.7 |
| Additional paid-in capital | | 118.7 | 118.6 |
| Retained earnings | | 988.5 | 967.9 |
| Other Reserves | | 85.1 | 50.0 |
| Treasury shares | | (20.1) | (20.1) |
| Cumulative income and expense recognized directly in equity | | (2.6) | (3.4) |
| Cumulative translation adjustment | | (140.5) | (102.4) |
| **Equity attributable to owners of CGG S.A.** | | **1,037.8** | 1,019.3 |
| Non-controlling interests | | 39.7 | 39.5 |
| **Total equity** | | **1,077.5** | **1,058.8** |
| **TOTAL LIABILITIES AND EQUITY** | | **2,911.3** | **2,889.4** |

See the notes to the Unaudited Interim Consolidated Financial Statements

## Unaudited Interim Consolidated statement of cash flows

| *(In millions of US$)* | Notes | Six months ended June 30, 2023 | 2022 |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Consolidated net income (loss) | | 23.0 | (2.4) |
| Less: Net income (loss) from discontinued operations | 3 | (1.9) | 2.0 |
| **Net income (loss) from continuing operations** | | **21.1** | **(0.4)** |
| Depreciation, amortization and impairment | 8 | 42.2 | 43.9 |
| Earth Data surveys impairment and amortization | 8 | 65.3 | 68.1 |
| Depreciation and amortization capitalized in Earth Data surveys | | (7.8) | (7.9) |
| Variance on provisions | | (0.9) | 3.1 |
| Share-based compensation expenses | | 0.9 | 1.3 |
| Net (gain) loss on disposal of fixed and financial assets | | 0.1 | (4.8) |
| Share of (income) loss in companies recognized under equity method | | 0.2 | - |
| Other non-cash items | | (2.3) | (3.2) |
| **Net cash-flow including net cost of financial debt and income tax** | | **118.8** | **100.1** |
| Less : Cost of financial debt | | 49.7 | 50.3 |
| Less : Income tax expense (gain) | | 20.5 | 22.9 |
| **Net cash-flow excluding net cost of financial debt and income tax** | | **189.0** | **173.3** |
| Income tax paid [c] | | (9.7) | (1.7) |
| **Net cash-flow before changes in working capital** | | **179.3** | **171.6** |
| **Changes in working capital** | | **(67.0)** | **34.1** |
| - change in trade accounts and notes receivable | | (34.9) | 113.7 |
| - change in inventories and work-in-progress | | (12.2) | (56.6) |
| - change in other current assets | | (13.6) | (4.9) |
| - change in trade accounts and notes payable | | 21.4 | 14.9 |
| - change in other current liabilities | | (27.7) | (33.0) |
| -Impact of changes in exchange rate on financial items | | 0.0 | |
| **Net cash-flow from operating activities** | | **112.3** | **205.7** |
| **INVESTING ACTIVITIES** | | | |
| Total capital expenditures (tangible and intangible assets) net of variation of fixed assets suppliers, excluding Earth Data surveys) | 4 | (38.7) | (19.4) |
| Investment in Earth Data surveys | | (92.0) | (107.7) |
| Proceeds from disposals of tangible and intangible assets [a] | | - | 33.6 |
| Proceeds from divestment of activities and sale of financial assets | | - | 0.5 |
| Acquisition of investments, net of cash and cash equivalents acquired [b] | | (0.1) | (17.4) |
| Variation in subsidies for capital expenditures | | - | (0.1) |
| Variation in other non-current financial assets | | 0.5 | (3.2) |
| **Net cash-flow used in investing activities** | | **(130.3)** | **(113.7)** |

(a) *Sale and leaseback of CGG headquarters in 2022*
(b) *Includes the acquisition of Geocomp Corporation in 2022*
(c) *Includes settlement of tax audit Mexico for US$ 5,1 milllion which was accrued on December 2022*

| *(In millions of US$)* | Notes | Six months ended June 30, 2023 | 2022 |
|---|---|---|---|
| **FINANCING ACTIVITIES** | | | |
| Repayment of long-term debt | 5 | (0.8) | - |
| Total issuance of long-term debt | 5 | 21.2 | - |
| Lease repayments | 5 | (25.3) | (25.0) |
| Financial expenses paid | 5 | (44.6) | (47.0) |
| Loan granted | | - | 1.7 |
| Net proceeds from capital increase: | | - | 0.4 |
| — from Owner of CGG | | - | 0.4 |
| — from non-controlling interests of integrated companies | | - | - |
| Dividends paid and share capital reimbursements: | | | |
| — to owners of CGG | | - | - |
| — to non-controlling interests of integrated companies | | (0.8) | (0.9) |
| **Net cash-flow provided by (used in) financing activities** | | **(50.3)** | **(70.8)** |
| Effects of exchange rates on cash | | (0.1) | (13.1) |
| **Net cash flows incurred by discontinued operations** | 3 | **(9.6)** | **(10.4)** |
| **Net increase (decrease) in cash and cash equivalents** | | **(78.0)** | **(2.3)** |
| Cash and cash equivalents at beginning of year | | 298.0 | 319.2 |
| **Cash and cash equivalents at end of period** | | **220.0** | **316.9** |

See the notes to the Unaudited Interim Consolidated Financial Statements

## Unaudited Interim Consolidated statements of changes in equity

| *Amounts in millions of US$, except share data* | Number of Shares issued | Share capital | Additional paid-in capital | Retained earnings | Other reserves | Treasury shares | Income and expense recognized directly in equity | Cumulative translation adjustment (a) | Equity attributable to owners of CGG S.A. | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at January 1, 2022** | **711,663,925** | **8.7** | **464.1** | **570.0** | **5.0** | **(20.1)** | **(0.8)** | **(64.2)** | **962.7** | **43.7** | **1,006.4** |
| Net gain (loss) on actuarial changes on pension plan (1) | - | - | - | 2.2 | - | - | - | - | 2.2 | - | 2.2 |
| Net gain (loss) on cash flow hedges (2) | - | - | - | - | - | - | (2.3) | - | (2.3) | - | (2.3) |
| Net gain (loss) on translation adjustments (3) | - | - | - | - | - | - | - | (28.4) | (28.4) | (2.2) | (30.6) |
| **Other comprehensive income (1)+(2)+(3)** | **0** | **0.0** | **0.0** | **2.2** | **0.0** | **0.0** | **(2.3)** | **(28.4)** | **(28.5)** | **(2.2)** | **(30.7)** |
| Net income (loss) (4) | - | - | - | (1.8) | - | - | - | - | (1.8) | (0.6) | (2.4) |
| **Comprehensive income (1)+(2)+(3)+(4)** | **0** | **0.0** | **0.0** | **0.4** | **0.0** | **0.0** | **(2.3)** | **(28.4)** | **(30.3)** | **(2.8)** | **(33.1)** |
| Exercise of warrants | 122,182 | - | 0.5 | - | - | - | - | - | 0.5 | - | 0.5 |
| Dividends | - | - | - | - | - | - | - | - | 0.0 | (0.9) | (0.9) |
| Cost of share-based payment | 571,118 | - | - | 1.2 | - | - | - | - | 1.2 | - | 1.2 |
| Transfer to retained earnings of the parent company | - | - | (346.0) | 346.0 | - | - | - | - | 0.0 | - | 0.0 |
| Variation in translation adjustments generated by the parent company | - | - | - | - | 49.9 | - | - | - | 49.9 | - | 49.9 |
| Changes in consolidation scope and other | - | - | - | (0.1) | - | - | - | - | (0.1) | 0.1 | 0.0 |
| **Balance at June 30, 2022** | **712,357,225** | **8.7** | **118.6** | **917.5** | **54.9** | **(20.1)** | **(3.1)** | **(92.6)** | **983.9** | **40.1** | **1,024.0** |

*(a) Mainly due to depreciation of the Euro against the US dollar and, to a lesser extent, against the British pound sterling and the Chinese renminbi, slightly offset by the Russian rouble being strenghtened against the US dollar on the first semester 2022.*

| *Amounts in millions of US$, except share data* | Number of Shares issued | Share capital | Additional paid-in capital | Retained earnings (b) | Other reserves | Treasury shares | Income and expense recognized directly in equity | Cumulative translation adjustment (a) | Equity attributable to owners of CGG S.A. | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at January 1, 2023** (a) | **712,357,321** | **8.7** | **118.6** | **967.9** | **50.0** | **(20.1)** | **(3.4)** | **(102.4)** | **1,019.3** | **39.5** | **1,058.8** |
| Net gain (loss) on actuarial changes on pension plan (1) | **-** | **-** | **-** | **(0.6)** | **-** | **-** | **-** | **-** | **(0.6)** | **-** | **(0.6)** |
| Net gain (loss) on cash flow hedges (2) | **-** | **-** | **-** | **-** | **-** | **-** | **0.8** | **-** | **0.8** | **-** | **0.8** |
| Net gain (loss) on translation adjustments (3) | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(38.1)** | **(38.1)** | **(1.5)** | **(39.6)** |
| **Other comprehensive income (1)+(2)+(3)** | **-** | **-** | **-** | **(0.6)** | **-** | **-** | **0.8** | **(38.1)** | **(37.9)** | **(1.5)** | **(39.4)** |
| Net income (loss) (4) | **-** | **-** | **-** | **20.3** | **-** | **-** | **-** | **-** | **20.3** | **2.7** | **23.0** |
| **Comprehensive income (1)+(2)+(3)+(4)** | **-** | **-** | **-** | **19.7** | **-** | **-** | **0.8** | **(38.1)** | **(17.6)** | **1.2** | **(16.4)** |
| Exercise of warrants | **23,794** | **-** | **0.1** | **-** | **-** | **-** | **-** | **-** | **0.1** | **-** | **0.1** |
| Dividends | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(1.0)** | **(1.0)** |
| Cost of share-based payment | **1,295,143** | **-** | **-** | **0.9** | **-** | **-** | **-** | **-** | **0.9** | **-** | **0.9** |
| Transfer to retained earnings of the parent company | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| Variation in translation adjustments generated by the parent company | **-** | **-** | **-** | **-** | **35.1** | **-** | **-** | **-** | **35.1** | **-** | **35.1** |
| Changes in consolidation scope and other | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Balance at June 30, 2023** | **713,676,258** | **8.7** | **118.7** | **988.5** | **85.1** | **(20.1)** | **(2.6)** | **(140.5)** | **1,037.8** | **39.7** | **1,077.5** |

*(a) Mainly due to depreciation of the Euro against the US dollar*

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CGG S.A. ("the Company"), along with its subsidiaries (together, the "Group") is a global geoscience technology and scientific High Performance Computing (HPC) leader. Employing around 3,400 people worldwide, CGG provides data, products, services and solutions in Earth science, data science, sensing and monitoring. The Group unique portfolio supports its clients in efficiently and responsibly solving complex digital, energy transition, natural resource, environmental, and infrastructure challenges for a more sustainable future.

Given that the Company is listed on a European Stock Exchange and pursuant to European regulation n°1606/2002 dated July 19, 2002, the accompanying condensed interim consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting, as issued by the *International Accounting Standards Board* (IASB) and adopted by the European Union as at June 30, 2023.

The Board of Directors has authorized these condensed interim consolidated financial statements on July 27, 2023.

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

### 1.1 - Critical accounting policies

The condensed interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as of and for the year ended December 31, 2022 included in its Universal Registration Document for the year 2022 filed with the AMF on March 16, 2023 and approved by the General Meeting on May 4, 2023.

The accounting policies adopted in the preparation of the condensed interim consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2022.

In addition, the Group has adopted the following new Standards, Amendments, and Interpretations applicable since January 1, 2023:

- Amendments to IAS 1 "Presentation of Financial Statements" and IFRS Practice Statement 2: Disclosure of Accounting policies
- Amendments to IAS 8 "Accounting policies, Changes in Accounting Estimates and Errors": Definition of Accounting Estimates
- Amendments to IAS 12 "Income Taxes": Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The adoption of the new Standards, Amendments, and Interpretations had no significant impact on the Group's condensed interim consolidated financial statements.

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

- Amendments to IAS 1 "Presentation of Financial Statements": Classification of Liabilities as Current or Non-Current
- Amendment to IFRS 16 "Leases": Lease liability arising from a sale and leaseback (issued on 22 September 2022)
- Amendments to IAS 12 "Income taxes": International Tax Reform – Pillar Two Model Rules (issued 23 May 2023)
- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements

The review of the amendments IAS 1 and IFRS 16 is ongoing to assess the potential impacts on our consolidated financial statements and no significant impact is expected at this date.

As the application of IAS 12 to Pillar Two income taxes is unclear and before the amendment to IAS 12 is endorsed, we applied our judgment and concluded that not accounting for deferred taxes is the most reliable accounting policy as of June 30, 2023. The assessment of the Pillar Two exposure is ongoing.

## 1.2 - Use of judgment and estimates

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

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

| Note | Judgments and estimates | Key assumptions |
|---|---|---|
| | Recoverable amount of goodwill and intangible assets | Trajectory and recovery outlook of E&P spending<br>New businesses growth dynamic<br>Discount rate (WACC) |
| | Recoverable value of Earth Data surveys | Expected sales for each survey |
| | Idle Vessels Compensation (Capacity Agreement) | Shearwater fleet utilization assumptions over the commitment period |
| | Off-Market Component (Capacity Agreement) | Market rate over the commitment period as estimated at the "Marine Closing" date |
| | Valuation of investments in companies accounted for under the equity method | Estimated recoverable value |
| Note 8 | Revenue recognition | Estimated Geoscience Contract completion rates |
| | Income tax liabilities – Uncertain tax positions | Estimate of most likely tax amount |
| | Deferred tax assets | Assumptions supporting the achievement of future taxable profits |
| | Provisions for restructuring | Assessment of future costs related to restructuring plans |
| Notes 4 and 5 | Discount rate IFRS 16 | Assessment of incremental borrowing rate |
| | Recoverability of client receivables | Assessment of clients' credit default risk |
| Note 4 | Depreciation and amortization of tangible and intangible assets | Useful life of assets |
| Note 4 | Development costs | Assessment of future benefits from each project |
| | Post-employment benefits | Discount rate<br>Enrollment rate in post-employment benefit plans<br>Inflation rate |
| | Provisions for risks, claims and litigations | Assessment of risks considering court rulings and attorney's positions |

## NOTE 2 SIGNIFICANT EVENTS

There is no significant event during the first semester.

## NOTE 3 DISCONTINUED OPERATIONS

### Net income (loss) from discontinued operations

| (In millions of US$) | Six months ended June 30, 2023 | 2022 |
|---|---|---|
| Operating revenues | - | - |
| Operating income (loss) | 2.3 | (0.9) |
| **Net income (loss) from discontinued operations** | **1.9** | **(2.0)** |

Net income from discontinued operations amounts to US$1.9 million in Q2 2023 including :

- US$(1.1) million of discounting impact on financial expenses related to the Idle Vessel Compensation,
- US$1.8 million of unused reversal of legal costs provision following the litigation settlement with Fugro,
- US$0.9 million of tax provision reversal linked to statute of limitation.

Net loss from discontinued operations amounted to US$(2.0) million in the first semester 2022 including US$(1.5) million of financial expenses in relation with the discount of the Idle Vessel Compensation.

### Net cash flows incurred by discontinued operations are as follows

The following table presents the net cash flow from discontinued operations for each of the periods stated:

| (In millions of US$) | Six months ended June 30, 2023 | 2022 |
|---|---|---|
| **Net cash-flow from discontinued operations** | **(9.6)** | **(10.4)** |

In 2023, the net cash flow generated by discontinued operations includes US$(10.9) million cash outflows related to Idle Vessel Compensation.

In 2022, the net cash flow generated by discontinued operations notably included US$(10.9) million cash outflows related to Idle Vessel Compensation and US$1.0 million of research tax credit cash inflow.

## NOTE 4 PROPERTY, PLANT AND EQUIPMENT

| (in millions of US$) | June 30, 2023 | | | December 31, 2022 | | |
|---|---|---|---|---|---|---|
| | Gross | Accumulated depreciation | Net | Gross | Accumulated depreciation | Net |
| Land | 4.6 | 0.0 | 4.6 | 4.7 | - | 4.7 |
| Buildings | 128.3 | (104.8) | 23.5 | 126.8 | (102.1) | 24.7 |
| Machinery & Equipment | 271.3 | (238.7) | 32.6 | 269.4 | (234.5) | 35.0 |
| Other tangible assets | 153.5 | (102.4) | 51.1 | 132.8 | (100.7) | 32.1 |
| Right-of-use assets | 186.5 | (113.3) | 73.2 | 179.2 | (108.4) | 70.8 |
| - Property | *121.5* | *(83.4)* | *38.1* | 115.2 | (77.1) | 38.2 |
| - Machinery & Equipment | *64.9* | *(29.9)* | *35.0* | 64.0 | (31.3) | 32.6 |
| **TOTAL PROPERTY, PLANT and EQUIPMENT** | **744.2** | **(559.2)** | **185.0** | **712.9** | **(545.7)** | **167.3** |

### Short-term leases and leases of low-value assets

As allowed by IFRS 16, the Group decided to use exemptions for short-term leases (<12 months) and leases of low-value assets (<US$5,000), which were not material at June 30, 2023 and at December 31, 2022.

### Revenues from subleases

The Group signed arrangements with third parties to sublease leased real estate assets. The income generated by these sublease agreements, which are classified as operating leases, was not material at June 30, 2023 and at December 31, 2022.

### Variation over the period

| *(In millions of US$)* | June 30, 2023 | December 31, 2022 |
|---|---|---|
| **Balance at beginning of period** | **167.3** | **212.1** |
| Acquisitions (a) | 50.9 | 62.3 |
| Depreciation (b) | (29.2) | (59.7) |
| Disposals | (3.9) | (0.1) |
| Sale and leaseback (c) | - | (42.2) |
| Translation adjustments | (0.2) | (7.8) |
| Change in consolidation scope | 0.3 | 6.9 |
| Impairment of assets (d) | - | (1.6) |
| Other | (0.2) | (2.6) |
| **BALANCE AT END OF PERIOD** | **185.0** | **167.3** |

*(a) Including US$21.3 million additional right-of use assets during the first semester 2023, compared to US$30.2 million in 2022.*

*(b) Including US$18.6 million depreciations of right-of-use assets during the first semester 2023, compared to US$34.5 million in 2022.*

*(c) Relates to CGG headquarters sale and leaseback, including US$11.9 million of right-of-use asset and US$(54.1) million for the disposal of assets in 2022.*

*(d) Including US$1.6 million depreciations related to impairment of right-of-use assets in 2022.*

### Reconciliation of acquisitions with the consolidated statements of cash flows and capital expenditures

| *(In millions of US$)* | June 30, 2023 | December 31, 2022 |
|---|---|---|
| Acquisitions of tangible assets, excluding leases | 29.6 | 32.1 |
| Capitalized development costs | 9.1 | 21.3 |
| Acquisitions of other intangible assets, excluding Earth Data surveys | 0.1 | 0.4 |
| Change in fixed asset suppliers | (0.1) | 0.7 |
| Reclassification of tangible assets in "Assets held for sale" | - | - |
| **TOTAL PURCHASES OF TANGIBLE AND INTANGIBLE ASSETS ACCORDING TO CASH FLOW STATEMENT ("CAPITAL EXPENDITURES")** | **38.7** | **54.5** |

## NOTE 5 FINANCIAL DEBT

Gross financial debt as of June 30, 2023 was US$1,282.7 million compared to US$1,249.2 million as of December 31, 2022.

The breakdow of our gross debt is as follows :

| *(In millions of US$)* | June 30, 2023 | | | December 31, 2022 |
|---|---|---|---|---|
| | Current | Non-current | Total | Total |
| 2027 Notes | - | 1,135.7 | 1,135.7 | 1,124.0 |
| Bank loans and other loans | 12.6 | 20.7 | 33.3 | 12.8 |
| Lease liabilities | 40.3 | 53.7 | 94.0 | 92.7 |
| **Sub-total** | **52.9** | **1,210.1** | **1,263.0** | **1,229.5** |
| Accrued interests | 19.7 | - | 19.7 | 19.7 |
| **Financial debt** | **72.6** | **1,210.1** | **1,282.7** | **1,249.2** |
| **TOTAL** | **72.6** | **1,210.1** | **1,282.7** | **1,249.2** |

### Changes in liabilities arising from financing activities

| *(In millions of US$)* | June 30, 2023 | December 31, 2022 |
|---|---|---|
| **Balance at beginning of period** | **1,249.2** | **1,308.4** |
| Decrease in long term debts | (0.8) | (0.1) |
| Increase in long-term debts[(a)] | 21.2 | 10.7 |
| Lease repayments | (25.3) | (48.4) |
| Sale and leaseback [(b)] | - | (29.0) |
| Financial interests paid | (44.6) | (92.4) |
| **Total Cash flows** | **(49.5)** | **(159.2)** |
| Cost of financial debt, net | 49.7 | 98.5 |
| Increase in lease liabilities [(c)] | 21.3 | 43.9 |
| Change in consolidation scope [(d)] | 0.2 | 4.1 |
| Translation adjustments [(e)] | 11.8 | (46.5) |
| **BALANCE AT END OF PERIOD** | **1,282.7** | **1,249.2** |

*(a) Related to the new asset financing to expand our HPC and Cloud solutions capabilities.*
*(b) Purchase option exercised for CGG headquarters sale and leaseback for US$(30.3) million in December 2022.*
*(c) Including lease liability from CGG headquarters sale and leaseback for $14.3 million in December 2022.*
*(d) Relates to Geocomp acquisition in December 2022*
*(e) Mainly EUR/USD exchange rate fluctuation on 2027 Notes tranche EUR*

### Financial debt by financing sources

Our gross debt before accrued interests and bank overdrafts as of June 30, 2023 breaks down by financing sources as follows:

| | Issuing date | Maturity | Nominal amount June 30, 2023 *(in millions of currency)* | Net balance June 30, 2023 *(In US$m)* | Interest rates |
|---|---|---|---|---|---|
| 2027 Notes tranche USD | 2021 | 2027 | US$500.0 | 500.0 | 8,75% |
| 2027 Notes tranche EUR | 2021 | 2027 | €585.0 | 635.7 | 7,75% |
| **Sub-total 2027 Notes** | | | | **1,135.7** | |
| Other loans | | | | 33.4 | |
| **Sub-total bank loans and other loans** | | | | **1,169.1** | |
| Lease liabilities | | | | 93.9 | |
| **TOTAL FINANCIAL DEBT, EXCLUDING ACCRUED INTERESTS AND BANK OVERDRAFTS** | | | | **1,263.0** | |

### Financial debt by currency

Our gross debt before accrued interests and bank overdrafts as of June 30, 2023 breaks down by currency as follows:

| *(In millions of US$)* | June 30, 2023 | December 31, 2022 |
|---|---|---|
| USD | 583.0 | 564.8 |
| EUR | 656.7 | 646.4 |
| GBP | 14.6 | 7.7 |
| AUD | 1.3 | 1.9 |
| CAD | 3.6 | 3.9 |
| NOK | 0.5 | 0.9 |
| SGD | 2.3 | 2.5 |
| Other | 1.0 | 1.4 |
| **TOTAL** | **1,263.0** | **1,229.5** |

### Financial debt by interest rate

| *(In millions of US$)* | June 30, 2023 | December 31, 2022 |
|---|---|---|
| Variable rates (average effective rate June 30, 2023 : nil, December 31, 2022: nil) | - | - |
| Fixed rates[(a)] (average effective rate at June 30, 2023 : 7.80%, December 31, 2022: 8,05%) | 1,263.0 | 1,229.5 |
| **TOTAL FINANICAL DEBT, EXCLUDING ACCRUED INTERESTS AND BANK OVERDRAFTS** | **1,263.0** | **1,229.5** |

*(a) Including IFRS 16 cost of debt rate*

Variable interest rates are generally based on inter-bank offered rates of the related currency.

### High Yield Bonds (US$500 million of 8.75 % and €585 million of 7.75 %, Senior Notes, maturity 2027)

On April 1, 2021, CGG issued US$500 million in aggregate principal amount of 8.75% Senior Secured Notes due 2027 and €585 million in aggregate principal amount of 7.75% Senior Secured Notes due 2027 (together, the "2027 Notes").

These notes are listed on the Euro MTF of the Luxembourg Stock Exchange and are guaranteed on a senior secured basis by certain subsidiaries of CGG SA. The fair value measurement of the 2027 Notes is categorized within Level 1 of the fair value hierarchy.

The 2027 Notes do not include any financial "maintenance covenant". Nevertheless, they include limitations on incurrence of additional indebtedness, pledges, asset sales, issuances and sales of equity instruments, investments in minority owned companies and dividend payments.

The 2027 Notes were issued at a price of 100% of their principal amount.

The 2027 Notes and the revolving credit facility share the same security package encompassing notably the US Earth Data Library, the shares of the main Sercel entities (Sercel SAS and Sercel Inc.), the shares of significant DDE operating entities, and certain intercompany loans.

### US$ 100 million Revolving Credit Facility

| *(In millions of US$)* | Date | Maturity | Authorized amount | Used amount | Ancillary amount | Available amount |
|---|---|---|---|---|---|---|
| Revolving Credit Facility | 2021 | 2025 | 100.0 | - | 5.0 | 95.0 |

On April 1, 2021 CGG entered into a US$100 million Super Senior Revolving Credit Facility Agreement with a 4.5 year maturity and secured by the same security package as the 2027 Notes. An ancillary facility of $5m was signed in February 2023 for the issuance of bonds, guarantees and letter of credit reducing the available commitment under RCF to $95m. Interest rate is calculated according to SOFR rate increased by a 5% margin, downward revisable depending Group rating and greenhouse gas emission reduction targets.

Pursuant to the RCF agreement, if the drawing exceeds 40% of the facility, the Group is required to quarterly comply with a maximum ratio of total "Consolidated Senior Secured Net Leverage" to "Consolidated EBITDA" of 3.50:1 for each rolling 12- months period. These terms are defined in the aforementioned RCF agreement as follows:

- "Consolidated Senior Secured Net Leverage" is defined as Senior Secured Indebtedness less cash and cash equivalents
- "Consolidated EBITDA" is computed on Segment figures and is defined as net income before interest, tax, depreciation, amortization and non-recurring items.

The revolving credit facility include some limitations on additional indebtedness subscriptions, pledges arrangements, asset sale, issuance and sale of equity instruments, investment in minority owned companies and dividends payments.

The 2027 Notes and RCF share the same security package encompassing notably the US assets, the shares of the main Sercel entities (Sercle SAS and Sercel Inc.), the shares of significant DDE operating entities, and certain intercompany loans.

### Other loans

In September 2022, CGG has entered into an asset financing arrangement to further develop its HPC and Cloud solutions capabilities. Under this agreement, the financial institution agreed to pay on CGG's behalf and upon CGG instructions some selected supplier's invoices. In return CGG is committed to repay this loan under a repayment schedule previously agreed upon. Each invoice being considered in this agreement is treated as a separate loan with specific repayment schedule. The financing arrangement is accounted as a financial debt and is not considered as payables. It amounts to US$30.9 million as of June 30,2023 including a long term portion for US$18.9 million. The cash flows are presented as financing activities in the consolidated statement of cash flows.

## NOTE 6 LONG TERM INCENTIVE PLANS

### New stock option plans and performance shares allocation plan

On June 22, 2023, the Board of Directors allocated:

- 430,000 stock options to the Chief Executive Officer. Their exercise price is €0.68. The options vest in one batch, in June 2026. Such vesting is subject to performance conditions related to the CGG share price, internal performances conditions of Ebitda and ESG metrics. The options have an eight-year duration.
- 1,270,000 stock options to the Executive Leadership members. Their exercise price is €0.68. The options vest in one batch, in June 2026. Such vesting is subject to performance conditions related to the CGG share price, internal performances conditions of Ebitda and ESG metrics. The options have an eight-year duration.
- 1,692,560 stock options to certain employees. Their exercise price is €0.68. The options vest in two batches, in June 2025 (for 50% of the options allocated) and June 2026 (for 50% of the options allocated). The options have an eight-year duration.
- 430,000 performance shares to the Chief Executive Officer. The performance shares vest in one batch in June 2026 and are subject to performance conditions related to internal performances conditions of Ebitda and ESG metrics.
- 1,270,000 performance shares to the Executive Leadership members. The performance shares vest in one batch in June 2026 and are subject to performance conditions related to internal performances conditions of Ebitda and ESG metrics.
- 890,040 performance shares to certain employees. The performance shares vest in two batches, in June 2025 (for 50% of the shares allocated) and June 2026 (for 50% of the shares allocated) and are subject to performance conditions related to internal performances conditions of Ebitda and ESG metrics.
- 841,500 restricted shares subject to presence condition to certain employees. The restricted shares subject to presence conditions vest in two batches, in June 2025 (for 50% of the shares allocated) and June 2026 (for 50% of the shares allocated).

The main assumptions related to the June 22, 2023 stock options, performance share and restricted share plans are as follows:

- CGG share price as of June 22, 2023: €0.64
- Volatility over 2 years: 54.26%
- Volatility over 3 years: 55.95%
- Risk-free rate: 3.32% (over 2 years) and 3.13% (over 3 years).

The aforementioned stock options, performance shares and restricted shares allocation plans have been valued at €2.6 million. Due to the allocation date, the cost recognized over the period is not significant.

## NOTE 7 CONTRACTUAL OBLIGATIONS, COMMITMENTS AND CONTINGENCIES

### Contractual obligations

| *(In millions of US$)* | June 30, 2023 | December 31, 2022 |
|---|---|---|
| Long-term debt obligations | 1,546.5 | 1,555.3 |
| Lease obligations | 115.4 | 106.9 |
| **TOTAL** | **1,661.9** | **1,662.2** |

The following table sets forth our future cash obligations (not discounted) on our contractual obligations and commitments as of June 30, 2023:

| *(In millions of US$)* | Payments due by period | | | | |
|---|---|---|---|---|---|
| | Less than 1 year | 2-3 years | 4-5 years | After 5 years | Total |
| Financial debt | 12.3 | 19.8 | 1,136.3 | - | 1,168.4 |
| Other long-term obligations (cash interest) | 98.3 | 190.4 | 89.4 | - | 378.1 |
| **Total Long-term debt obligations** | **110.6** | **210.2** | **1,225.7** | **-** | **1,546.5** |
| Lease obligations | 47.2 | 36.9 | 12.0 | 19.3 | 115.4 |
| **Total Contractual Obligations (a) (b)** | **157.8** | **247.1** | **1,237.7** | **19.3** | **1,661.9** |

(a) *Payments in other currencies are converted into US dollars at June 30, 2022 exchange rates.*

(b) *These amounts are principal amounts and do not include any accrued interests.*

### Capacity Agreement and Idle Vessel Compensation

CGG and Shearwater signed a Capacity Agreement on January 8, 2020, a marine data acquisition service contract, under the terms of which CGG is committed to using Shearwater's vessel capacity in its Earth Data business over a five-year period, at an average of 730 days per year.

The Capacity Agreement provides compensation of Shearwater for days when more than one of its high-end seismic vessels are idle, up to a maximum of three vessels.

The maximum Idle Vessel Compensation amount for a full year came to US$(21.9) million.

At June 30, 2023, the residual commitment (discounted) in respect of Idle Vessel Compensation through to the end of the five-year period was US$(32) million.

On June 30, 2023, effective on July 1st, 2023, CGG and Shearwater signed an amendment to the Capacity Agreement, which sets a Fixed Activity Rate, and cancel the variable market rate mechanism. The amendment had no effect on the related balance sheet liability. The Idle Vessel Compensation is also fixed to its maximum full year amount of US$21.9 million until the end of the Capacity Agreement on January 8, 2025.

### Step-In Agreement

Following of our strategic partnership with Shearwater in Marine Data Acquisition and our exit from of seismic vessel operations, Shearwater CharterCo AS has entered into five-year bareboat charter agreements with the GSS subsidiaries, guaranteed by Shearwater, for the five high-end vessels equipped with streamers. As part of the Step-In Agreement, CGG has agreed to substitute itself for Shearwater CharterCo AS as charterer of GSS subsidiaries' five high-end seismic vessels (equipped with streamers) in the event of a payment default under the charter party between the GSS subsidiaries and Shearwater CharterCo AS. In accordance with the Payment Instruction Agreement, the payments of the payables in relation with the Capacity Agreement and due by Shearwater CharterCo AS to the subsidiaries of GSS, under the Shearwater bareboat charters, are made directly by CGG.

Were the Step-in Agreements to be triggered:

- CGG would be entitled to terminate the Capacity Agreement;
- CGG would become the charterer of the five high-end seismic vessels equipped with streamers under bareboat charter agreements; and
- CGG would be entitled, through pledge in its favor, to acquire all the share capital of GSS, knowing that GSS and its subsidiaries' principal assets would be the vessels and streamers and its principal liabilities would be the external debt associated with the vessels.

The Step-In Agreements will not impact the statement of financial position unless a trigger, as described above, occurs. In such circumstances, the obligations under the Capacity Agreement should be terminated and replaced by the obligations under the Step-In Agreements, representing a lower amount of commitment compared to the Capacity Agreement.

## NOTE 8 ANALYSIS BY OPERATING SEGMENT

### Segment presentation and discontinued operations

The financial information by segment is reported in accordance with our internal reporting system and provides internal segment information that is used by the chief operating decision maker to manage and measure performance.

The 2021 strategic roadmap announced in November 2018 aimed at implementing an asset light business model by reducing CGG's exposure to the contractual data acquisition business. As a result of the strategic announcements and actions undertaken subsequently, we presented our contractual data acquisition operations and the costs of implementation of the related measures, referred to as the CGG 2021 Plan, in accordance with IFRS 5, as discontinued operations and assets held for sale.

**Data, Digital & Energy Transition (DDE)**

This operating segment comprises the Geoscience business lines (processing and imaging of geophysical data, reservoir characterization, geophysical consulting and geoscience software sales and services) and the Earth Data (ex multi-client) business line (development and management of a seismic and geological data library that we undertake and license to a number of clients on a non-exclusive basis). Both activities regularly combine their offerings, generating overall synergies between their respective activities.

Beyond the core, CGG is leveraging on its technologies and expertise to address the fast-growing markets of Digital Sciences and Energy Transition.

In Digital Sciences, we focused on our long-standing leadership in digital technology, especially as applied to geoscience, to develop an integrated expert solution including the hardware platform, middleware and software services that are required to cost effectively support advanced cloud-based High-Performance Computing (HPC) workflows and data transformation services. In this platform, we notably propose data, algorithm and software as a service (DaaS/SaaS) on our CGG cloud.

In the Energy Transition, we propose services and technologies dedicated to Carbon Capture Utilization and Storage (CCUS), Geothermal, Environmental Sciences and Minerals and Mining. CCUS, which represents a substantial submarket, is one of the key enablers to reduce carbon footprint. Many energy companies are planning significant CCUS projects and increasingly incorporate this technology in their development. Low carbon energy, such as hydrogen, will also require long term storage and monitoring. To be successful, these new businesses require a detailed understanding of the subsurface, domain where CGG excels, through its advanced geoscience and digital science technologies and its global earth data library.

**Sensing & Monitoring (SMO)**

This operating segment comprises manufacturing and sales activities for land, marine and OBN geophysical equipment used for data seismic acquisition. Additionally, its unique portfolio of industry leading sensor technology allows to bring the benefits of its advanced sensor technology to the fast-growing Monitoring and Observation market, from structural health monitoring (SHM) to monitoring solutions for energy transition (CCUS notably) and environment. The SMO segment carries out its activities through our subsidiary Sercel.

### Internal reporting and segment presentation

Before the implementation of IFRS 15, the Group applied the percentage of completion method for recognizing Earth Data prefunding revenues. Following the implementation of IFRS 15, the Group recognizes Earth Data prefunding revenues upon delivery of processed data (when performance obligation is fullfilled).

Although IFRS fairly presents the Group's statement of financial position, for internal reporting purposes CGG's management continues to apply the pre-IFRS 15 revenue recognition principles, with Earth Data prefunding revenues recorded based on percentage of completion. CGG's management believes this method aligns revenues closely with the activities and resources used to generate it and provides useful information as to the progress made on Earth Data surveys, while also allowing for useful comparison across time periods.

CGG therefore presents the Group's results of operations in two ways:

- the "Reported" or "IFRS" figures, prepared in accordance with IFRS, with Earth Data prefunding revenues recognized upon delivery of the data (when performance obligation is fullfilled); and
- the "Segment" figures, for purposes of internal management reporting, prepared in accordance with the Group's previous method for recognizing Earth Data prefunding revenues.

Other companies may present segment and related measures differently than we do. Segment figures are not a measure of financial performance under IFRS and should not be considered as indicators of our operating performance or an alternative to other measures of performance in accordance with IFRS

### Alternative performance measures

As a complement to Operating Income, EBIT may be used by management as a performance measure for segments because it captures the contribution to our results of the significant businesses that are managed through our joint ventures. We define EBIT as Operating Income plus our share of income in companies accounted for under the equity method.

We define EBITDAs as earnings before interest, tax, income from equity affiliates, depreciation, amortization net of amortization expense capitalized to Earth Data, and cost of share-based compensation. Share-based compensation includes both stock options and shares issued under our share allocation plans. EBITDAs is presented as additional information because we understand that it is a measure used by certain investors to determine our operating cash flow and historical ability to meet debt service and capital expenditure requirements.

Inter-segment transactions are made at arm's length prices. These inter-segment revenues and the related earnings are eliminated in consolidation in the tables that follow under the column "Eliminations and other".

Operating Income, EBITDAs and EBIT may include non-recurring or restructuring items. General corporate expenses, which include Group management, financing, and legal activities, have been included in the column "Eliminations and other" in the tables that follow. The Group does not disclose financial expenses or financial revenues by segment because they are managed at the Group level.

Identifiable assets are those used in the operations of each segment. The group does not track its assets based on country of origin.

Capital employed is defined as "total assets" excluding "Cash and cash equivalents" less (i) "Current liabilities" excluding "Bank overdrafts" and "Current portion of financial debt" and (ii) noncurrent liabilities excluding "Financial debt".

### Analysis by segment (continuing operations)

| | Six months ended June 30, 2023 | | | | | |
|---|---|---|---|---|---|---|
| *Amounts in millions of US$, except for assets and capital employed in billions of US$* | **DDE** | **SMO** | **Eliminations and other** | **Segment figures** | **IFRS 15 adjustments** | **Consolidated Total / As reported** |
| Revenues from unaffiliated customers | 286.2 | 212.0 | - | 498.2 | 18.9 | 517.1 |
| Inter-segment revenues | - | - | - | - | - | - |
| **Operating revenues** | **286.2** | **212.0** | **-** | **498.2** | **18.9** | **517.1** |
| Depreciation and amortization (excluding Earth Data surveys) | (26.6) | (14.9) | (0.7) | (42.2) | - | (42.2) |
| Depreciation and amortization of Earth Data surveys | (44.7) | - | - | (44.7) | (20.6) | (65.3) |
| **Operating income** [(a)] | **81.6** | **20.6** | **(12.3)** | **89.9** | **(1.7)** | **88.2** |
| **EBITDAs** | **145.7** | **35.4** | **(11.2)** | **169.9** | **18.9** | **188.8** |
| Share of income in companies accounted for under the equity method | - | - | (0.2) | (0.2) | | **(0.2)** |
| **Earnings Before Interest and Tax** [(a)] | **81.6** | **20.6** | **(12.5)** | **89.7** | **(1.7)** | **88.0** |
| Capital expenditures (excluding Earth Data surveys) [(b)] | 29.5 | 9.2 | - | 38.7 | - | 38.7 |
| Investments in Earth Data surveys, net cash | 92.0 | - | - | 92.0 | - | 92.0 |
| **Capital employed** [(c)] | **1.5** | **0.6** | **-** | **2.1** | **-** | **2.1** |
| **Total identifiable assets** [(c)] | **1.9** | **0.8** | **-** | **2.7** | **-** | **2.7** |

*(a) Eliminations and other" corresponded mainly to general corporate expenses and elimination of the margin arising from the sale of Sercel equipment to Argas for the share held by CGG.*

*(b) Capital expenditures included capitalized development costs of US$(9.1) million for the six months ended June 30, 2023. "Eliminations and other" corresponded to the variance of suppliers of assets for the six months ended June 30, 2023.*

*(c) Capital employed and identifiable assets related to discontinued operations and our stake in Argas joint venture are included under the column "Eliminations and other".*

| *Amounts in millions of US$, except for assets and capital employed in billions of US$* | Six months ended June 30, 2022 | | | | | |
|---|---|---|---|---|---|---|
| | **DDE** | **SMO** | **Eliminations and other** | **Segment figures** | **IFRS 15 adjustments** | **Consolidated Total / As reported** |
| Revenues from unaffiliated customers | 313.6 | 79.2 | - | 392.8 | 10.8 | 403.6 |
| Inter-segment revenues | - | - | - | - | - | - |
| **Operating revenues** | **313.6** | **79.2** | **-** | **392.8** | **10.8** | **403.6** |
| Depreciation and amortization (excluding Earth Data surveys) | (28.5) | (14.6) | (0.8) | (43.9) | - | (43.9) |
| Depreciation and amortization of Earth Data surveys | (66.1) | - | - | (66.1) | (2.0) | (68.1) |
| **Operating income** [(a)] | **104.6** | **(34.0)** | **(9.8)** | **60.8** | **8.8** | **69.6** |
| **EBITDAs** | **191.7** | **(19.3)** | **(8.2)** | **164.2** | **10.8** | **175.0** |
| Share of income in companies accounted for under the equity method | - | - | - | - | - | - |
| **Earnings Before Interest and Tax** [(a)] | **104.6** | **(34.0)** | **(9.8)** | **60.8** | **8.8** | **69.6** |
| Capital expenditures (excluding Earth Data surveys) [(b)] | 8.3 | 10.9 | 0.2 | 19.4 | - | 19.4 |
| Investments in Earth Data surveys, net cash | 107.7 | - | - | 107.7 | - | 107.7 |
| **Capital employed** [(c)] | **1.4** | **0.6** | **(0.1)** | **1.9** | | **1.9** |
| **Total identifiable assets** [(c)] | **1.7** | **0.7** | **0.1** | **2.5** | | **2.5** |

*(a) "Eliminations and other" corresponded mainly to general corporate expenses and elimination of the margin arising from the sale of Sercel equipment to Argas for the share held by CGG.*

*(b) Capital expenditures included capitalized development costs of US$(10.6) million for the six months ended June 30, 2022. "Eliminations and other" corresponded to the variance of suppliers of assets for the six months ended June 30, 2022.*

*(c) Capital employed and identifiable assets related to discontinued operations and our stake in Argas joint venture are included under the column "Eliminations and other".*

The following table disaggregates our operating revenues by major sources for the period:

| *(En millions de dollars US)* | Six months ended June 30, 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | **DDE** | **SMO** | **Consolidated Total / As reported** | **DDE** | **SMO** | **Consolidated Total / As reported** |
| Earth Data prefunding | 96.0 | - | 96.0 | 60.6 | - | 60.6 |
| Earth Data after sales | 49.9 | - | 49.9 | 118.2 | - | 118.2 |
| **Total Earth Data** | **145.9** | **-** | **145.9** | **178.8** | **-** | **178.8** |
| **Geoscience** | **159.2** | **-** | **159.2** | **145.6** | **-** | **145.6** |
| **SMO** | **-** | **212.0** | **212.0** | **-** | **79.2** | **79.2** |
| **Internal revenues** | **-** | **-** | **0.0** | **-** | **-** | **0.0** |
| **Total operating revenues** | **305.1** | **212.0** | **517.1** | **324.4** | **79.2** | **403.6** |

## NOTE 9 RELATED PARTY TRANSACTIONS

CGG Joint Ventures and Associates are mainly related to Land Data Acquisition.

The following table presents the transactions with our joint ventures and associates.

| | Six months ended June 30, 2023 | | | Six months ended June 30, 2022 | | |
|---|---|---|---|---|---|---|
| *En millions de dollars US* | **Joint ventures** | **Associates** | **Total** | **Joint ventures** | **Associates** | **Total** |
| Sales of geophysical equipment | - | 0.5 | 0.5 | - | 0.2 | 0.2 |
| Equipment rentals and services rendered | - | 0.2 | 0.2 | - | 1.0 | 1.0 |
| **Operating Revenue** | - | **0.7** | **0.7** | - | **1.2** | **1.2** |
| Costs of services rendered | - | - | - | - | - | - |
| **Cost of operations** | - | - | - | - | **1.2** | **1.2** |
| **Financial expenses** | **2.2** | - | **2.2** | - | - | - |
| Trade accounts and notes payable, including agency arrangements (net amount) | 13.5 | 1.1 | 14.6 | 1.6 | 0.8 | 2.4 |
| **Receivables and assets** | **13.5** | **1.1** | **14.6** | **1.6** | **0.8** | **2.4** |
| Trade accounts and notes payable, including agency arrangements | - | - | - | - | - | - |
| **Payables and liabilities** | - | - | - | - | - | - |

No credit facility or loan was granted to the Company by shareholders during the last two years.

## NOTE 10 OTHER REVENUES AND EXPENSES

The other revenue (expenses) for the first semester of 2023 amounted to US$(2.2) million mainly including:

- US$(0.9) million loss on hedging instruments; and
- US$(0.8) million provision on stock related to a fire brokeout in SMO subcontractor warehouse; and
- US$(0.4) million of restructuring costs corresponding mainly to Data Digital Energy Transition (DDE) severance costs.

The Purchase Price Allocation related to Morphosense acquisition is ongoing and is likely to be reviewed within the end of the year. It has no material impact as of June 30, 2023.

The other revenues and expenses of the first semester 2022 amounted to US$1.5 million mainly comprising:

- US$5.5 million of net proceed from CGG headquarters sale and leaseback ; and
- US$(1.6) million of restructuring costs corresponding mainly to Data Digital Energy Transition (DDE) severance costs; and
- US$(1.6) million loss on hedging instruments; and
- US$(0.8) million in relation of the GeoSftware and Smart Data Solutions divestments.

## NOTE 11 OTHER FINANCIAL INCOME (LOSS)

| | Six months ended June 30 | |
|---|---|---|
| *(In millions of US$)* | 2023 | 2022 |
| Exchange gains (losses), net | 2.7 | 2.3 |
| Other financial income (loss), net | 0.6 | 0.9 |
| **OTHER FINANCIAL INCOME (LOSS)** | **3.3** | **3.2** |

As of June 30, 2023, the Other Financial Income (Loss) was a US$3.3 million gain, including:

- US$2.7 million foreign exchange gain driven by the Euro and the Brazilian real that have strengthened during the first semester 2023 against the US dollar hence triggering a positive impact of US$1.4 million.

As of June 30, 2022, the Other Financial Income (Loss) was a US$3.2 million gain, including:

- US$2.3 million foreign exchange gain mainly driven by the Brazilian real, the Norwegian krone and the Canadian dollar exposures

## NOTE 12 SUBSEQUENT EVENTS

There is no subsequent event as of June 30, 2023.

## Group organization

### Segment presentation and discontinued operations

The financial information by segment is reported in accordance with our internal reporting system and provides internal segment information that is used by the chief operating decision maker to manage and measure performance.

To reflect the evolution of the Group into a Technology company, new segment reporting names were designed and used from the first quarter 2022 financial reporting.

The Group continues to present its financial information under two reporting segments, Data, Digital & Energy Transition (DDE) and Sensing & Monitoring (SMO) as described in Note 19 to our 2022 consolidated financial statements.

### Internal reporting and segment presentation

For internal reporting purposes CGG's management continues to apply the pre-IFRS 15 revenue recognition principles, with Earth Data prefunding revenues recorded based on percentage of completion method, in accordance with the Group's previous method.

*For further details on the segment figure definition, please refer to note 8 of this document*

For the six months ended June 30, 2023 please refer to the table below for the reconciliation between segment and reported figures.

| *(In millions of US dollars)* | **Six months ended June 30, 2023** | | |
|---|---|---|---|
| | **Segment Figures** | **IFRS 15 adjustment** | **As reported** |
| **Operating revenues** | **498.2** | **18.9** | **517.1** |
| *of which* | | | |
| *Earth Data Prefunding revenues* | 77.1 | 18.9 | 96.0 |
| Operating expenses | (408.3) | (20.6) | (428.9) |
| *Of which* | | | |
| *Earth Data prefunding surveys amortization* | (44.7) | (20.6) | (65.3) |
| **Operating Income** | **89.9** | **(1.7)** | **88.2** |
| **Net Income** | **22.8** | **(1.7)** | **21.1** |

Earth Data prefunding revenue is reported to US$96 million in first semester 2023 following the completion of surveys offshore Brazil and Norway. We recognized US$77 million of segment revenues related to programs offshore Latin America and North Sea. The Earth Data prefunding surveys amortization based on data delivery amounted to US$65 million, compared to a segment amortization of US$45 million. According to IFRS 15 standards, we recorded a positive adjustment of the operating revenue for US$19 million, and a negative adjustment of US$21 million on the amorization costs. A negative net impact of US$2 million was booked at the net income level.

## Impairment, non-recurring and restructuring items

To adjust to the volatile market environment, the Group may have to incur non-recurring or restructuring costs as well as impairment losses or write-offs due to events or changes in circumstances that reduce the fair value of an asset below its book value.

In the first semester of 2023, the implementation of restructuring measures in continuing operations were non-significant.

## Accounting policies

This operating and financial review and prospects should be read in conjunction with our consolidated interim financial statements and the notes thereto.
*Our significant accounting policies are fully described in note 1 to our 2022 consolidated annual financial statements.*

## Significant events

*No major event occurred during the first semester 2023.*

## Market environment and Outlook

Overall, commercial activity was solid across all our businesses and geographic locations this quarter, with a strong rebound of our SMO business sustained by increased land and OBN seismic project especially for the NOC's.

Fundamentals for exploration remain strong with persistent energy security and reliability concerns. The priority of our clients is to bring short-cycle oil & gas to production while increasingly looking for new potential reserves, especially offshore.

This trend is translating into a continued focus in mature basin and driving demand for high-end imaging and more OBN data acquisition surveys. The backdrop is favorable to CGG and we are particularly well positioned to support our clients with our 3 main core businesses.

Commenting on Q2 Results, Sophie Zurquiyah, CGG's CEO said :

*"CGG delivered good performance in Q2. Our Geoscience business is back to pre-covid levels, driven by technology differentiation and the increasing adoption of advanced acquisition technologies, such as nodes, where clients strongly prefer our leading imaging capabilities. Sensing and Monitoring confirmed its expected rebound, with high quarterly revenue. Earth Data was impacted by the timing of late sales.*

*Increased SMO activity in Q2 drove working capital higher, which is expected to translate into significant positive cash-flow in H2.*

*The market remains active, with clients strengthening their offshore activity worldwide. This together with our $510m backlog, which is at the highest level since early 2020, gives us confidence in delivering our 2023 targets"*

## Six months ended June 30, 2023 compared to six months ended June 30, 2022

*Unless otherwise specified, comparisons made in this section are between the six months ended June 30, 2023 and the six months ended June 30, 2022. References to 2023 correspond to the six months ended June 30, 2023 and references to 2022 correspond to the six months ended June 30, 2022.*

### Operating revenues

The following table sets forth our operating revenues by division for each of the periods stated:

| *(In millions of US dollars)* | Six months ended June 30, | | | | | | Increase/(Decrease) | |
|---|---|---|---|---|---|---|---|---|
| | 2023 | | | 2022 | | | 2023 vs. 2022 | |
| | Segment Figures | IFRS 15 adjustment | As reported | Segment Figures | IFRS 15 adjustment | As reported | Segment Figures | As reported |
| Geoscience | 159.2 | - | 159.2 | 145.6 | - | 145.6 | 9% | 9% |
| Earth Data | 127.0 | 18.9 | 145.9 | 168.0 | 10.8 | 178.8 | (24)% | (18)% |
| **DDE Revenues** | **286.2** | **18.9** | **305.1** | **313.6** | **10.8** | **324.4** | **(9)%** | **(6)%** |
| **SMO Revenues** | **212.0** | **-** | **212.0** | **79.2** | **-** | **79.2** | **168%** | **168%** |
| **TOTAL OPERATING REVENUES** | **498.2** | **18.9** | **517.1** | **392.8** | **10.8** | **403.6** | **27%** | **28%** |

Our consolidated operating revenues as reported, following the application of IFRS 15, increased by 28% to US$517 million in 2023 from US$404 million in 2022. Before IFRS 15 adjustments, our consolidated operating revenues increased by 27% to US$498 million in 2023 from US$393 million in 2022. The respective contributions from the Group's businesses to our segment operating revenues were 57% from DDE and 43% from SMO.

#### Data, Digital & Energy Transition (DDE)

Operating revenues as reported from our DDE segment decreased by 6% to US$305 million in 2023 compared to US$324 million in 2022. Before IFRS 15 adjustments, DDE segment revenues decreased by 9% to US$286 million from US$314 million in 2022. The main drivers regarding the change in operating revenues are detailed below.

#### Geoscience

Operating revenues as reported from Geoscience was up 9% year-on-year to US$159 million in 2023 from US$146 million in 2022. Our Geoscience business remains solid across all regions sustained by increasing demand worldwide for bottom nodes and higher resolution images.

#### Earth Data

Earth Data revenues as reported decreased by 18% to US$146 million in 2023 compared to US$179 million in 2022. Before IFRS 15 adjustments, Earth Data segment revenues show a similar decrease by 24% to US$127 million from US$168 million in 2022.

Prefunding revenues as reported strongly increased by 58% to US$96 million in 2023 from US$61 million in 2022. Excluding IFRS 15 adjustment, prefunding revenue of our Earth Data projects increased by 55% to US$77 million from US$50 million in 2022. The level in our Earth Data cash capex decreased by 15% in 2023 to US$92 million from US$108 million in 2022, with two marine streamer programs in offshore Norway and Brazil and data reprocessing surveys. The cash-prefunding rate was at 84% in 2023 from 46% in 2022.

After-sales revenues strongly decreased by 58% year-on-year to US$50 million in 2023 from US$118 million in 2022, or a 2% increase y-o-y when adjusted from US$70 million of transfer fees recorded in 2022.

#### Sensing & Monitoring (SMO)

SMO confirmed its expected rebound, with high semester revenue, driven by marine deliveries. Operating revenues were up 168% year-on-year to US$212 million in 2023 from US$79 million in 2022.

- Land equipment sales represented 28% of total revenues in 2023, compared to 41% in 2022, up 82% year-on-year with a high level of sales mainly for North Africa and Middle-East. Land equipment sales were US$60 million in 2023 from US$33 million in 2022.
- Marine equipment sales represented 56% of total revenues in 2023 compared to 36% in 2022, with an amount in sales of US$118 million in 2023 thanks to the delivery of OBN equipment and a set of streamers for oceanographic operations compared to US$28 million in 2022.
- Downhole equipment increased 28% to US$11 million in 2023 from US$8 million in 2022.
- Sales from Beyond the Core increased 140% year-on-year to US$23 million in 2023 from US$10 million in 2022, sustained mainly by the Structural Health Monitoring (SHM) dynamism enhanced by the acquisition of Geocomp in June 2022 associated with strong deliveries of ROV cables.

**Operating expenses**

The following table sets forth our operating expenses for each of the periods stated:

| *(In millions of US$)* | Six months ended June 30, | | | | Increase/(Decrease) | |
|---|---|---|---|---|---|---|
| | 2023 | | 2022 | | 2023 vs. 2022 | |
| | Segment Figures | As reported | Segment Figures | As Reported | Segment Figures | As reported |
| Operating revenues | 498.2 | 517.1 | 392.8 | 403.6 | *27%* | *28%* |
| Costs of Operations | (340.4) | (361.0) | (277.1) | (279.1) | *23%* | *29%* |
| *% of operating revenues* | *(68)%* | *(70)%* | *(71)%* | *(69)%* | | |
| **Gross Margin** | **158.0** | **156.3** | **116.1** | **124.9** | ***36%*** | ***25%*** |
| ***% of operating revenues*** | ***32%*** | ***30%*** | ***30%*** | ***31%*** | | |
| Research and Development | (13.9) | (13.9) | (7.7) | (7.7) | *81%* | *81%* |
| *% of operating revenues* | *(3)%* | *(3)%* | *(2)%* | *(2)%* | | |
| Marketing and Selling | (17.7) | (17.7) | (14.2) | (14.2) | *25%* | *25%* |
| *% of operating revenues* | *(4)%* | *(3)%* | *(4)%* | *(4)%* | | |
| General and Administrative | (34.3) | (34.3) | (34.9) | (34.9) | *(2)%* | *(2)%* |
| *% of operating revenues* | *(7)%* | *(7)%* | *(9)%* | *(9)%* | | |
| Other incomes (expenses) | (2.2) | (2.2) | 1.5 | 1.5 | - | - |
| **Operating income** | **89.9** | **88.2** | **60.8** | **69.6** | ***48%*** | ***27%*** |
| *% of operating revenues* | *18%* | *17%* | *15%* | *17%* | | |
| Net cost of financial debt | (49.7) | (49.7) | (50.3) | (50.3) | *(1)%* | *(1)%* |
| Other financial income (loss) | 3.3 | 3.3 | 3.2 | 3.2 | *3%* | *3%* |
| **Financial income and expenses** | (46.4) | (46.4) | (47.1) | (47.1) | *(1)%* | *(1)%* |
| Net income (loss) from equity affiliates | (0.2) | (0.2) | - | - | | |
| Income taxes | (20.5) | (20.5) | (22.9) | (22.9) | *(10)%* | *(10)%* |
| **Net income from continuing operations** | **22.8** | **21.1** | **(9.2)** | **(0.4)** | **-** | **-** |
| Net income from discontinuing operations | 1.9 | 1.9 | (2.0) | (2.0) | - | - |
| **NET INCOME** | **24.7** | **23.0** | **(11.2)** | **(2.4)** | **-** | **-** |

As a percentage of operating revenues as reported, cost of operations as reported remained stable at 70% in 2023 closed to 2022 figures. Excluding IFRS 15 adjustments, segment cost of operations, as a percentage of the segment operating revenues, was 68% in 2023 from 71% in 2022 due to the favorable impact of net book value adjustement following the completion of 3 large EDA surveys in an overall more favorable foreign exchange environment (the average exchange rate was set as US$1.08 per euro for the first semester 2023 compared to US$1.10 per euro in 2022).

Excluding impairment loss, the amortization cost of our Earth Data library as reported corresponded to 45% of the Earth Data revenues as reported in 2023 compared to 38% in 2022. Excluding impairment loss and IFRS 15 adjustments, the segment amortization cost of our Earth Data library decreased to 35% of the Earth Data segment revenues this semester compared to 39% in 2022.

Gross profit as reported increased 25% year-on-year to US$156 million in 2023 from US$125 million in 2022, representing 30% of operating revenues, as a result of the factors discussed above. Segment gross profit was US$158 million in 2023 from US$116 million in 2022 and representing 32% of segment operating revenues compared to 30% in previous year.

Research and development costs and Marketing and selling expenses increased in 2023 by 81% and 25% respectively compared to 2022, mainly as a consequence of the perimeter change within our SMO activity with the acquisitions of Geocomp and ION software during the second half of 2022.

General and administrative expenses remained stables year-on-year.

### Operating income

Operating income as reported amounted to a US88 million gain in 2023 as a result of the factors described above, compared to a US$70 million gain in 2022. Excluding IFRS 15 adjustments, segment operating income was a gain of US$90 million in 2023 compared to a gain of US$61 million in 2022.

Segment operating income from our DDE segment was a gain of US$82 million in 2023 from US$105 million recorded in 2022. The 22% decrease was mainly driven by Earth Data activity with some late sales delayed to early next quarter, when 2022 first semester had recorded a high level of transfer fees.

Segment operating income from our SMO segment was a gain of US$21 million in 2023, after a loss of US$34 million in 2022, which reflected the very low level of activity in the first semester of 2022.

### Financial income and expenses

Net cost of financial debt in 2023 remained stable at US$46 million, compared to US$47 million in 2022.

Other financial income and expenses amounted to a gain of US$3 million in 2023 as in 2022, mainly due to foreign exchange gain (Brasilian real, Canadian dollar and Norwegian krone).

### Income taxes

In 2023, income taxes as reported amounted to an expense of US$21 million which mainly include deferred tax expenses, compared to an expense of US$23 million recorded in 2022.

### Net income

Net income as reported was a gain of US$23 million in 2023 compared to a loss of US$2 million in 2022.

### Liquidity and capital resources

Our principal financing needs are the funding of ongoing operations and capital expenditures, investments in our Earth data library, the funding of the restructuring costs and other expenses of the “CGG 2021 Plan” as well as our debt service obligations.

With the refinancing completed on April 1, 2021, we do not have any major debt repayment scheduled before 2027, the maturity date of our new senior secured notes. We intend to fund our capital requirements through cash generated by operations and liquidity on hand.

Our ability to make scheduled payments of principal, or to pay the interest or additional amounts, if any, or to refinance our indebtedness, or to fund planned capital expenditures will depend on our future performance, which, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory, and other factors that are beyond our control

### Cash flows from continuing operations

#### Operating activities

The following table presents a summary of the net cash as reported related to operating activities for each of the periods stated:

| *(In millions of US dollars)* | Six months ended June 30, | |
|---|---|---|
| | 2023 | 2022 |
| Net cash before changes in working capital | 179.3 | 171.6 |
| Change in working capital | (67.0) | 34.1 |
| **NET CASH PROVIDED BY OPERATING ACTIVITIES** | **112.3** | **205.7** |

Net cash as reported before changes in working capital provided by operating activities in 2023 was US$179 million compared to US$172 million in 2022, mainly due to a solid activity of our businesses and a high level of sales in June 2023.

Changes in working capital had a negative impact on cash from operating activities of US$67 million in 2023 from a positive US$34 million in 2022 mainly related to the SMO business ahead of a solid second semester activity. Excluding IFRS 15 adjustments, changes in working capital had a negative impact on cash from operating activities of US$49 million.

Net cash provided by operating activities was US$112 million in 2023 compared to US$206 million in 2022.

### Investing activities

The following table presents the main items linked to investing activities for each of the periods stated:

| *(In millions of US dollars)* | Six months ended June 30, | |
|---|---|---|
| | 2023 | 2022 |
| **Net cash used in investing activities** | **130.3** | **113.7** |
| *Of which* | | |
| Industrial capital expenditures | 29.6 | 8.9 |
| Capitalized development costs | 9.1 | 10.6 |
| Earth Data surveys | 92.0 | 107.7 |
| Proceeds and Acquisitions | 0.1 | (16.7) |

The net cash used in investing activities increased to US$130 million in 2023 from US$114 million in 2022. EDA lower survey investment over the period was offset by the industrial capex increase associated with the building fit out in UK, while first 2022 semester was positively impacted by a net inflow of US$17 million from our headquarter building sale and lease back operation combined with the acquisition of Geocomp.

As of June 30, 2023, the net book value of our Earth data library as reported was US$459 million compared to US$419 million as of December 31, 2022. Excluding IFRS 15 adjustments, the segment net book value of our Earth Data library was US$364 million as of June 30, 2023, compared to US$304 million as of December 31, 2022.

### Financing activities

Net cash provided by financing activities was an outflows of US$50 million in 2023, mainly composed of lease payments and cash interest expenses offset by asset financing arrangement to further develop HPC and Cloud Solutions capabilities, compared to a outflows of US$71 million in 2022.

## Net cash flows from discontinued operations

The following table presents a summary of the cash flow of the discontinued operations for each of the periods stated:

| *(In millions of US dollars)* | Six months ended June 30, | |
|---|---|---|
| | 2023 | 2022 |
| **Net cash flow incurred by discontinued operations** | **(9.6)** | **(10.4)** |

*Please refer to note 3 for more information*

## Net financial debt

Net financial debt as of June 30, 2023 was US$1,063 million compared to US$951 million as of December 31, 2022. The ratio of net financial debt to equity was 102% as of June 30, 2023 compared to 93% as of December 31, 2022.

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

The following table presents a reconciliation of net financial debt to financing items of our statement of financial position at June 30, 2023 and December 31, 2022:

| *(In millions of US dollars)* | June 30, 2023 | December 31, 2022 |
|---|---|---|
| Bank overdrafts | - | - |
| Current portion of financial debt | 72.6 | 60.4 |
| Financial debt | 1,210.1 | 1,188.8 |
| **Gross financial debt** | **1,282.7** | **1,249.2** |
| Less cash and cash equivalents | (220.0) | (298.0) |
| **Net financial debt** | **1,062.7** | **951.2** |

## EBIT and EBITDAs (unaudited)

EBIT is defined as operating income plus our share of income in companies accounted for under the equity method. As a complement to operating income, EBIT may be used by management as a performance indicator because it captures the contribution to our results of the businesses that we manage through our joint ventures.

EBITDAs is defined as earnings before interest, tax, income from equity affiliates, depreciation, amortization net of amortization expense capitalized to Earth Data and share-based compensation cost. Share-based compensation includes both stock options and shares issued under our share allocation plans. EBITDAs is presented as additional information because we understand that it is one measure used by certain investors to determine our operating cash flow and historical ability to meet debt service and capital expenditure requirements.

However, other companies may present these indicators differently. EBIT and EBITDAs are not a measure of financial performance under IFRS and should not be considered as an alternative to cash flow from operating activities or as a measure of liquidity or an alternative to net income as indicators of our operating performance or any other measures of performance derived in accordance with IFRS.

The following table presents a reconciliation of EBITDAS and EBIT to net income for the periods indicated:

*In millions of US$*

| | Six months ended June 30, 2023 | | |
|---|---|---|---|
| | **Segment Figures** | **IFRS 15 adjustments** | **As reported** |
| **EBITDAs** | **169.9** | **18.9** | **188.8** |
| Depreciation and amortization | (42.2) | - | (42.2) |
| Earth Data surveys impairment and amortization | (44.7) | (20.6) | (65.3) |
| Depreciation and amortization capitalized to Earth Data surveys | 7.8 | - | 7.8 |
| Share-based compensation expenses | (0.9) | - | (0.9) |
| **Operating income** | **89.9** | **(1.7)** | **88.2** |
| Share of (income) loss in companies accounted for under equity method | (0.2) | - | (0.2) |
| **EBIT** | **89.7** | **(1.7)** | **88.0** |
| Cost of financial debt, net | (49.7) | - | (49.7) |
| Other financial income (loss) | 3.3 | - | 3.3 |
| Total income taxes | (20.5) | - | (20.5) |
| **NET INCOME FROM CONTINUING OPERATIONS** | **22.8** | **(1.7)** | **21.1** |

*In millions of US$*

| | Six months ended June 30, 2023 | | |
|---|---|---|---|
| | **Segment Figures** | **IFRS 15 adjustments** | **As reported** |
| DDE | 145.7 | 18.9 | 164.6 |
| SMO | 35.4 | | 35.4 |
| Eliminations and other | (11.2) | | (11.2) |
| **EBITDAs** | **169.9** | **18.9** | **188.8** |

## Net cash flow

"Net cash flow is defined as net cash flow provided by operating activities plus "proceeds from disposals of tangible and intangible assets and activities" less (i) "total capital expenditures including acquisitions of activities" and "cash investments in Earth Data surveys", as set out in the "Investing activities" section of the consolidated statement of cash flows, (ii) "interest expenses paid", as set out in the "Financing activities" section of the consolidated statement of cash flows, (iii) "lease repayments", as set out in the "Financing activities" section of the consolidated statement of cash flows, and (iv) "payments and/or proceeds net from asset financing transactions", included in the "Financing activities" section of the consolidated statement of cash flows. We present net cash flow as additional information because we understand that it is one measure used by certain investors to determine our operating cash flow and our historical ability to meet debt service and capital expenditure requirements. Net cash flow is not a measure of financial performance under IFRS and should not be considered as an alternative to cash flow from operating activities or any other measure of performance derived in accordance with IFRS.

| (In millions of US$) | Six months ended June 30, 2023 | 2022 |
|---|---|---|
| **Net cash flow provided by operating activities** | **112.3** | **205.7** |
| Total capital expenditures (including variation of fixed assets suppliers, excluding Earth Data surveys) | (38.7) | (19.4) |
| Investments in Earth Data surveys, net cash | (92.0) | (107.7) |
| Proceeds from disposals of tangible and intangible assets | - | 33.6 |
| Acquisition of investments, net of cash & cash equivalents acquired | - | (17.4) |
| Proceeds from divestment of activities and sale of financial assets | (0.1) | 0.5 |
| Variation in subsidies for capital expenditures | - | (0.1) |
| Lease repayments | (25.3) | (25.0) |
| Payments and/or proceeds net from asset financing transactions | 20.4 | - |
| Financial expenses paid | (44.6) | (47.0) |
| **Net cash flow incurred by continuing operations** | **(68.0)** | **23.2** |
| Net cash flows incurred by discontinued operations | (9.6) | (10.4) |
| **NET CASH FLOW** | **(77.6)** | **12.8** |

Net cash flow was a US$78 million outflows in 2023 compared to inflows of US$13 million in 2022. Net cash flow incurred by continuing operations represented outflows of US$68 million in 2023, compared to inflows of US$23 million in 2022.

## Contractual Obligations, commitments and contingencies

*Please refer to note 8 of this document for a discussion of contractual obligations, commitments and contingencies.*

## Currency fluctuations

As a company that derives a substantial amount of its revenue from sales internationally, we are subject to risks relating to fluctuations in currency exchange rates. Our revenues and expenses are mainly denominated in US dollars and euros, and to a significantly lesser extent, in Brazilian reais, Chinese yuan, Norwegian kroner, British pounds, Canadian dollars, and Australian dollars

As of December 31, 2022, we estimated our net annual recurring expenses in euros and in British pounds to be respectively €220 million and £60 million at the Group level and as a result, an unfavorable variation of US$0.10 in the average yearly exchange rate between the US dollar and the euro or the British pound would reduce our net income and our shareholders’ equity by approximately US$22 million and US$6 million respectively.

*For further details on the effect of fluctuations in the exchange rate upon our results of operations, please refer to note 14 to our 2022 consolidated annual financial statements*