CORE LABORATORIES N.V.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH IAS 34, "INTERIM FINANCIAL REPORTING"

Semi-Annual Report for June 30, 2017

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The Netherlands

CORE LABORATORIES N.V.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
SEMI-ANNUAL REPORT FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2017

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Semi-Annual Report of the Directors

Currency - United States Dollars (“$”)

Business review

Core Laboratories N.V. is a limited liability company incorporated in the Netherlands. It was established in 1936 and is one of the world's leading providers of proprietary and patented reservoir description and production enhancement services and products to the oil and gas industry. These services and products can enable our clients to improve reservoir performance and increase oil and gas recovery from their producing fields. Core Laboratories N.V. has over 70 offices in more than 50 countries and employs approximately 4,400 people worldwide.

References to "Core Lab", "we", "our", the "Company" and similar phrases are used throughout this Semi-Annual Report and relate collectively to Core Laboratories N.V. and its consolidated affiliates.

Core Lab's continuing efforts to streamline its business has led to a simplification of its reporting structure and as of January 1, 2017, the Company presents its operating results in two reporting segments: Reservoir Description and Production Enhancement. These complementary segments provide different services and products and utilize different technologies for improving reservoir performance and increasing oil and gas recovery from new and existing fields.

- *Reservoir Description:* Encompasses the characterization of petroleum reservoir rock, fluid and gas samples to increase production and improve recovery of oil and gas from our clients' reservoirs. We provide laboratory based analytical and field services to characterize properties of crude oil and petroleum products to the oil and gas industry. We also provide proprietary and joint industry studies based on these types of analysis.
- *Production Enhancement:* Includes services and products relating to reservoir well completions, perforations, stimulations and production. We provide integrated diagnostic services to evaluate and monitor the effectiveness of well completions and to develop solutions aimed at increasing the effectiveness of enhanced oil recovery projects.

Financial Review

Revenue

<u>Service Revenue</u>

For the six months ended June 30, 2017, service revenue decreased 1% to $238.2 million as compared to $240.9 million for the same period of 2016. We continue to focus on large-scale core analyses and reservoir fluids characterization studies in the U.S. Permian basin, offshore West and East Africa, offshore South America, and the Middle East, including Kuwait, Saudi Arabia and the United Arab Emirates. Additionally, we have client interest in our existing multi-client reservoir studies such as the *Tight Oil Reservoirs of the Midland Basin* study and the *Deepwater Gulf of Mexico ("GOM") Phase II* as well as several major enhanced oil recovery ("EOR") projects for unconventional reservoirs underway in various stages in the laboratory.

<u>Product Sales Revenue</u>

For the six months ended June 30, 2017, product sales revenue increased 37% to $83.5 million as compared to $60.8 million for the same period of 2016. Our product sales revenue is primarily driven by completions of wells in the North American market and, more specifically, the activity associated with the completion of each stage in a wellbore. We continue to benefit from increasing completion activity in the U.S. as revenue from U.S. land-based completions increased 69% for the six months ended June 30, 2017 compared to the same period in 2016. This outpaced the 31% increase in U.S. land-based well completions during the same periods, indicating increased market penetration of our newly introduced HERO® PerFRAC technology.

Operating expenses

<u>Cost of Services</u>

Cost of services expressed as a percentage of service revenue at 72% is an improvement from 73% for the six months ended June 30, 2017 and June 30, 2016, respectively.

Cost of Product Sales

Cost of product sales expressed as a percentage of product sales revenue improved to 85% for the six months ended June 30, 2017, compared to 94% for the same period in 2016. The improvement in cost of product sales as a percentage of revenue was primarily due to the improved absorption of our fixed costs as a result of increased revenue and activity.

Operating margin

Operating margin for the six month period ended June 30, 2017 increased to 17.0%, compared to 14.4% for the same period of 2016, primarily due to our fixed-cost structure being absorbed on higher revenue in 2017 when compared to 2016.

Cash Flow

The following table summarizes cash flows (in thousands):

	Six Months Ended June 30,		
	2017	**2016**	**% Change**
Cash provided by/(used in):			
Operating activities	$ 48,473	$ 73,499	(34)%
Investing activities	(9,913)	(5,802)	(71)%
Financing activities	(39,006)	(75,413)	48 %
Net change in cash and cash equivalents	$ (446)	$ (7,716)	(94)%

Cash flows from operating activities for the first six months of 2017 compared to the same period in 2016 decreased primarily due to changes in working capital.

The increase in cash flows used in investing activities during the first six months of 2017 compared to the same period in 2016 was primarily attributable to increased capital expenditures in 2017.

Cash flows used in financing activities decreased for the first six months of 2017 compared to the same period in 2016. During the first six months of 2017, we increased our debt by $17 million, as compared to decreasing it by $225 million during the first six months of 2016. In the first six months of 2016, we issued 1,696,250 shares of our common stock with net proceeds of $197.2 million after deducting underwriting discounts and offering expenses. In the first six months of 2017, we repurchased 69,428 shares of our common stock for an aggregate purchase price of $7.4 million compared to the repurchase of 10,164 shares for an aggregate purchase price of $1.1 million during the same period in 2016.

Equity

During the six months ended June 30, 2017, we repurchased 69,428 of our common shares for $7.4 million; included in this total were rights to 14,428 shares valued at $1.7 million surrendered to us pursuant to the terms of a stock-based compensation plan in consideration of the participants' tax burdens that may result from the issuance of common shares under that plan. Such common shares, unless canceled, may be reissued for a variety of purposes such as future acquisitions, non-employee director stock awards or employee stock awards. We distributed 46,402 treasury shares upon vesting of stock-based awards during the six months ended June 30, 2017.

In February, May and August, 2017, we paid quarterly dividends of $0.55 per share of common stock.

Segment Analysis

Core Laboratories has taken steps to streamline its business by realigning its reporting structure into two reporting segments: Reservoir Description and Production Enhancement. These complementary segments provide different services and products and utilize different technologies for improving reservoir performance and increasing oil and gas recovery from new and existing fields. The following tables summarize our results by segment (in thousands):

	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016	% Change
Revenue:			
Reservoir Description	$ 209,208	$ 215,702	(3)%
Production Enhancement	112,502	86,014	31 %
Consolidated	$ 321,710	$ 301,716	7 %
Operating income (loss):			
Reservoir Description	$ 35,364	$ 38,529	(8)%
Production Enhancement	18,890	4,579	313 %
Corporate and Other (1)	559	479	17 %
Consolidated	$ 54,813	$ 43,587	26 %

(1) "Corporate and Other" represents those items that are not directly related to a particular segment

Reservoir Description

For the six months ended June 30, 2017, revenue decreased $6.5 million to $209.2 million, compared to the same period in 2016. This segment's operations continue to work on large-scale, long-term crude-oil projects with an emphasis on international markets. We continue to focus on large-scale core analyses and reservoir fluids characterization studies offshore West and East Africa, offshore South America and in the Middle East, including Kuwait and the United Arab Emirates. Crude oil characterization, distillation, and fractionation studies increased during the first half of 2017, as oil company clients continued to investigate ways to maximize yields through the refining process. We are still focused on our joint industry projects, including the Utica, Duvernay, Montney, Wilrich, Mississippi Lime and Central Atlantic studies and the Marcellus, Niobrara, Wolfcamp, Eaglebine and Eagle Ford plays. Additionally, we currently have several major EOR projects for unconventional reservoirs underway in various stages in the laboratory and have initiated the *GOM Deepwater Phase II* joint industry project.

Operating income for the six months ended June 30, 2017 decreased to $35.4 million compared to $38.5 million for the same period in 2016 primarily due to lower revenue.

Production Enhancement

Revenue increased 31% to $112.5 million for the six months ended June 30, 2017 compared to $86.0 million for the same period in 2016 as the average number of U.S. land-based completions for the first six months of 2017 increased 31% from the same period in 2016.

Operating income in the six months ended June 30, 2017 was $18.9 million, a 313% increase from $4.6 million during the same period of 2016. The increased profitability was related to increased revenue and the benefits of our cost reduction program that was implemented in prior periods.

Outlook

As part of our long-term growth strategy, we continue our long-term efforts to expand our market presence by opening or expanding facilities in strategic areas and realizing synergies within our business lines subject to client demand and market conditions. We believe our market presence provides us a unique opportunity to service clients who have global operations whether they are international oil companies, national oil companies, or independent oil companies.

The volatility and significant reduction in the average price of crude oil during 2015 and 2016 resulted in a significant decrease in the activities associated with both the exploration and production of oil during 2015 and throughout most of 2016. Although the average price of oil and gas decreased in 2016, prices showed some signs of improvement in the second half of the year and remained more stable during the first half of 2017.

In the U.S., the land-based rig count decreased 39% during the first half of 2016, which greatly impacted both service and product sales to this market. The third quarter of 2016 marked the beginning of a recovery in onshore U.S. drilling activity that continued through the first half of 2017. According to Baker Hughes, the U.S. land-based rig count increased 44% during the first half of 2017. We believe this increase is in response to the improved pricing of crude oil in the first quarter, where the average oil price increased almost 10%, although prices have been more volatile in the second quarter while trending down as the quarter progressed. We believe that further increases in the U.S. land-based rig count will begin to slow in the second half of 2017 and may flatten by the end of the year.

International and offshore activities associated with the exploration for and production of oil and natural gas also decreased during 2016, although not as significantly as the U.S. land-based activities. Our clients' activities relating to capital projects in the international and deepwater markets remained depressed throughout 2016 as well as the first half of 2017. Although several final investment decisions ("FID") have been recently announced by oil and gas companies, activities relating to those fields are not expected to materially increase in 2017 as the operators are currently developing their project plans and should begin to implement them in 2018.

Cautionary Statement Regarding Forward-Looking Statements

This Semi-Annual Report contains forward-looking statements. In addition, from time to time, we may publish forward-looking statements relating to such matters as anticipated financial performance, business prospects, technological developments, new products, research and development activities and similar matters. Forward-looking statements can be identified by the use of forward-looking terminology such as "may", "will", "believe", "expect", "anticipate", "estimate", "continue", or other similar words, including statements as to the intent, belief, or current expectations of our directors, officers, and management with respect to our future operations, performance, or positions or which contain other forward-looking information. These forward-looking statements are based on our current expectations and beliefs concerning future developments and their potential effect on us. While management believes that these forward-looking statements are reasonable as and when made, no assurances can be given that the future results indicated, whether expressed or implied, will be achieved. While we believe that these statements are and will be accurate, our actual results and experience may differ materially from the anticipated results or other expectations expressed in our statements due to a variety of risks and uncertainties.

Statement of Directors' Responsibilities

In accordance with the Dutch Financial Markets Supervision Act (Wet op het financieel toezicht), section 5:25d, paragraph 2 sub c, we confirm that, to the best of our knowledge:

- the condensed consolidated interim financial statements for the six months ended June 30, 2017 have been prepared in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union and give a true and fair view of the assets, the liabilities, the financial position and the profits or the loss of Core Laboratories N.V. and its consolidated companies; and

- the interim management report for the six months ended June 30, 2017 gives a true and fair view of the information required pursuant to section 5:25d, subsection 8 and, as far as applicable, subsection 9 of the Dutch Act on Financial Supervision.

Amsterdam, The Netherlands,
August 25, 2017

/s/ Richard L. Bergmark

Richard L. Bergmark
Executive Vice President, Chief Financial
Officer, and Supervisory Director

CORE LABORATORIES N.V.
INTERIM BALANCE SHEET
(In thousands of USD, except share data)

	Ref.	June 30, 2017		December 31, 2016	
ASSETS		(Unaudited)			
NON-CURRENT ASSETS					
Property, plant and equipment, net		$	125,746	$	129,882
Intangible assets, net	5		235,330		235,561
Investment in associates			3,400		3,225
Deferred tax assets, net			35,023		42,085
Other financial assets	7		41,173		39,076
Other assets			4,737		4,840
TOTAL NON-CURRENT ASSETS		$	445,409	$	454,669
CURRENT ASSETS					
Inventories	9	$	35,598	$	33,720
Prepaid expenses and other current assets			39,922		38,887
Income taxes receivable			9,067		6,426
Accounts receivable			128,983		114,329
Cash and cash equivalents			14,318		14,764
TOTAL CURRENT ASSETS			227,888		208,126
TOTAL ASSETS		$	673,297	$	662,795
SHAREHOLDERS' EQUITY					
Common shares, EUR 0.02 par value in 2017 and in 2016; 200,000,000 shares authorized, 44,796,252 issued and 44,128,235 outstanding at 2017 and 44,796,252 issued and 44,151,261 outstanding at 2016	10	$	1,148	$	1,148
Additional paid-in capital	10		59,192		54,576
Retained earnings			262,800		269,370
Other reserves			(14,600)		(15,231)
Treasury shares (at cost), 668,017 at 2017 and 644,991 at 2016	10		(82,708)		(80,773)
TOTAL SHAREHOLDERS' EQUITY			225,832		229,090
Non-controlling interest			3,959		3,943
TOTAL EQUITY		$	229,791	$	233,033
LIABILITIES					
NON-CURRENT LIABILITIES					
Borrowings	11	$	233,739	$	216,488
Income taxes payable			14,262		14,262
Deferred tax liabilities, net			18,199		18,330
Post-employment benefit plans	7, 13		73,976		71,648
Derivative financial instruments	8		936		1,046
Provisions	12		5,201		7,556
TOTAL NON-CURRENT LIABILITIES		$	346,313	$	329,330
CURRENT LIABILITIES					
Accounts payable		$	41,607	$	33,720
Income taxes payable			1,225		15,999
Other taxes payable			6,368		4,868
Payroll and social security contributions			23,174		19,787
Unearned revenue			17,346		15,990
Other accrued expenses			7,473		10,068
TOTAL CURRENT LIABILITIES			97,193		100,432
TOTAL LIABILITIES			443,506		429,762
TOTAL EQUITY AND LIABILITIES		$	673,297	$	662,795

The accompanying notes are an integral part of these Consolidated Interim Financial Statements.

CORE LABORATORIES N.V.
INTERIM INCOME STATEMENT
(In thousands of USD, except share and per share data)

	Ref.	Six Months Ended June 30, 2017	2016
		(Unaudited)	
REVENUES:			
Services		$ 238,175	$ 240,942
Product sales		83,535	60,774
TOTAL REVENUES:		321,710	301,716
OPERATING EXPENSES:			
Cost of services		172,488	177,077
Cost of product sales		70,854	57,341
TOTAL OPERATING EXPENSES:		243,342	234,418
GROSS PROFIT		78,368	67,298
General and administrative expenses		23,238	23,406
Other (income) expense, net		317	305
OPERATING PROFIT		54,813	43,587
Finance income		(3)	(30)
Finance costs		5,308	6,455
Finance costs, net		5,305	6,425
Share of profit (loss) of associates		175	324
PROFIT (LOSS) BEFORE INCOME TAX EXPENSE		49,683	37,486
Income tax expense	14	7,536	3,929
PROFIT (LOSS) FOR THE PERIOD		$ 42,147	$ 33,557
Attributable to:			
Equity holders of the parent		$ 42,104	$ 33,611
Non-controlling interest		43	(54)
		$ 42,147	$ 33,557
EARNINGS PER SHARE INFORMATION:			
Basic earnings (loss) per share	15	$ 0.95	$ 0.78
Diluted earnings (loss) per share	15	$ 0.95	$ 0.78
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING (in thousands):			
Basic	15	44,162	42,839
Diluted	15	44,360	43,008

The accompanying notes are an integral part of these Consolidated Interim Financial Statements.

CORE LABORATORIES N.V.
INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME
(In thousands of USD)

	Ref.	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
		(Unaudited)	
Profit (loss) for the period		$ 42,147	$ 33,557
Items that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations	13	747	(562)
Income taxes on post-employment benefit obligations	13	(187)	133
Items that may be subsequently reclassified to profit or loss			
Cash flow hedges	8	110	(1,996)
Income taxes on cash flow hedges	8	(39)	735
Net income (loss) recognized directly in equity		631	(1,690)
Total comprehensive income (loss) for the period		$ 42,778	$ 31,867
Attributable to:			
Equity holders of the parent		$ 42,735	$ 31,921
Non-controlling interest		43	(54)
		$ 42,778	$ 31,867

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CORE LABORATORIES N.V.
INTERIM STATEMENTS OF CHANGES IN EQUITY
(In thousands of USD, except share data)

(Unaudited)	Ref.	Number of Shares Outstanding	Common Shares	Additional Paid-In Capital	Retained Earnings	Other Reserves	Treasury Stock	Non-controlling Interest	Total Equity
BALANCE, January 1, 2016		42,375,905	$ 1,142	$ —	$ 295,898	$ (16,984)	$ (238,875)	$ 5,365	$ 46,546
Comprehensive income:									
Profit (loss) for the period		—	—	—	33,611	—	—	(54)	33,557
Other comprehensive income:									
Pension remeasurement	14					(429)			(429)
Cash flow hedges	9					(1,261)			(1,261)
Total other comprehensive income (loss)									(1,690)
Total comprehensive income									31,867
Transactions with owners:									
Stock-based awards issued	11	33,892	—	5,247	—	—	4,599	—	9,846
Tax benefit related to stock-based awards		—	—	(284)	—	—	—	—	(284)
Repurchases of common shares	11	(10,164)	—	—		—	(1,112)	—	(1,112)
Issuance of common shares		1,696,250	38	197,173	—	—	—	—	197,211
Non-controlling interest - dividend		—	—	—	—	—	—	(211)	(211)
Dividends paid	11	—	—	—	(46,624)	—	—	—	(46,624)
BALANCE, June 30, 2016		44,095,883	$ 1,180	$ 202,136	$ 282,885	$ (18,674)	$ (235,388)	$ 5,100	$ 237,239

(Unaudited)	Ref.	Number of Shares Outstanding	Common Shares	Additional Paid-In Capital	Retained Earnings	Other Reserves	Treasury Stock	Non-controlling Interest	Total Equity
BALANCE, January 1, 2017		44,151,261	$ 1,148	$ 54,576	$ 269,370	$ (15,231)	$ (80,773)	$ 3,943	$ 233,033
Comprehensive income:									
Profit (loss) for the period		—	—	—	42,104	—	—	43	42,147
Other comprehensive income:									
Pension remeasurement	13					560			560
Cash flow hedges	8					71			71
Total other comprehensive income (loss)									631
Total comprehensive income									42,778
Transactions with owners:									
Stock-based compensation	10	—	—	(5,453)	—	—	5,453	—	—
Stock-based awards issued	10	46,402	—	9,985	—	—	—	—	9,985
Adoption of ASU 2016-09		—	—	84	(84)	—	—	—	—
Repurchases of common shares	10	(69,428)	—	—		—	(7,388)	—	(7,388)
Non-controlling interest - dividend		—	—	—	—	—	—	(27)	(27)
Dividends paid	10	—	—	—	(48,590)	—	—	—	(48,590)
BALANCE, June 30, 2017		44,128,235	$ 1,148	$ 59,192	$ 262,800	$ (14,600)	$ (82,708)	$ 3,959	$ 229,791

The accompanying notes are an integral part of these Consolidated Interim Financial Statements.

CORE LABORATORIES N.V.
INTERIM STATEMENT OF CASH FLOWS
(In thousands of USD)

	Ref.	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
		(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit (loss) before income tax expense		$ 49,683	$ 37,486
Adjustments to reconcile income to net cash provided by operating activities:			
Depreciation		12,294	13,158
Amortization		435	440
Equity in (earnings) loss of associates		(175)	(324)
Stock-based compensation		9,985	9,846
Finance costs		5,305	6,425
(Gain) loss on sale of assets		135	(488)
Fair value (gains)/losses on other financial assets	13	(2,399)	(927)
Changes in assets and liabilities:			
Accounts receivable		(14,653)	33,938
Inventories	9	(1,877)	1,088
Other assets		(1,848)	1,275
Accounts payable		8,443	(3,826)
Accrued expenses		(3,001)	(7,300)
Other long-term liabilities		(67)	281
Cash provided by operating activities		62,260	91,072
Interest paid		(5,150)	(6,381)
Income tax paid		(8,637)	(11,192)
Net cash provided by operating activities		$ 48,473	$ 73,499
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures		$ (9,362)	$ (5,302)
Patents and other intangibles		(203)	(99)
Acquisitions, net of cash acquired	5	—	—
Proceeds from sale of assets		511	539
Interest received		3	30
Premiums on life insurance		(862)	(970)
Net cash used in investing activities		$ (9,913)	$ (5,802)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of debt borrowings	11	$ (67,000)	$ (258,676)
Proceeds from debt borrowings	11	84,000	34,000
Repurchase of common shares	10	(7,388)	(1,112)
Issuance of common shares		—	197,211
Dividends paid	10	(48,591)	(46,625)
Non-controlling interest - (dividends)/capital contributions		(27)	(211)
Net cash used in financing activities		(39,006)	(75,413)
NET CHANGE IN CASH AND CASH EQUIVALENTS		(446)	(7,716)
CASH AND CASH EQUIVALENTS, beginning of period		14,764	22,494
CASH AND CASH EQUIVALENTS, end of period		$ 14,318	$ 14,778

The accompanying notes are an integral part of these Consolidated Interim Financial Statements.

CORE LABORATORIES N.V.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
PREPARED IN ACCORDANCE WITH IAS 34
JUNE 30, 2017

1. DESCRIPTION OF BUSINESS

Core Laboratories N.V. ("Core Laboratories", the "Company", "we", "our" or "us") is a limited liability company incorporated and domiciled in the Netherlands. The address of the registered office is Strawinskylaan 913, Tower A, Level 9, 1077 XX Amsterdam, The Netherlands. We were established in 1936 and are one of the world's leading providers of proprietary and patented reservoir description and production enhancement services and products to the oil and gas industry. These services and products are directed toward enabling our clients to improve reservoir performance and increase oil and gas recovery from their producing fields. We have over 70 offices in more than 50 countries and had approximately 4,400 employees at June 30, 2017 and 2016. We are listed on the New York Stock Exchange ("NYSE") and on the Euronext Amsterdam Stock Exchange.

Core Lab's continuing efforts to streamline its business has led to a simplification of its reporting structure and as of January 1, 2017, the Company presents its operating results in two reporting segments: Reservoir Description and Production Enhancement. These complementary segments provide different services and products and utilize different technologies for improving reservoir performance and increasing oil and gas recovery from new and existing fields.

- *Reservoir Description:* Encompasses the characterization of petroleum reservoir rock, fluid and gas samples to increase production and improve recovery of oil and gas from our clients' reservoirs. We provide laboratory based analytical and field services to characterize properties of crude oil and petroleum products to the oil and gas industry. We also provide proprietary and joint industry studies based on these types of analysis.
- *Production Enhancement:* Includes services and products relating to reservoir well completions, perforations, stimulations and production. We provide integrated diagnostic services to evaluate and monitor the effectiveness of well completions and to develop solutions aimed at increasing the effectiveness of enhanced oil recovery projects.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these condensed consolidated interim financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated and are consistent with those of the previous financial year.

Basis of Preparation

Our condensed consolidated interim financial statements for the six months ended June 30, 2017 have been prepared in accordance with IAS 34, "Interim Financial Reporting" ("IAS 34"). The condensed consolidated interim financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss. The condensed consolidated interim financial statements have not been audited and should be read in conjunction with the annual financial statements for the year ended December 31, 2016, which were prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") and with Part 9 Book 2 of the Netherlands Civil Code.

The accounting policies adopted are consistent with those of the previous financial year except as described below.

Estimates

The preparation of financial statements in conformity with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying our accounting policies. The significant judgments made by management in applying our accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2016, with the exception of changes in estimates that are required in determining the provision for income taxes.

Current and Deferred Income Taxes

Income tax expense is recognized based on management's estimate of the weighted average annual income tax rate expected for the full financial year. See Note 14 - *Income Taxes*.

New and Amended Standards

There are no new standards, amendments, or interpretations to existing standards which are effective for accounting periods beginning on or after January 1, 2017 that have been applied in preparing these consolidated financial statements.

3. FINANCIAL RISKS AND RISK MANAGEMENT

The condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with our annual financial statements as of December 31, 2016.

4. SEASONALITY OF OPERATIONS

Our operations are only slightly impacted by seasonality effects from period to period.

5. ACQUISITIONS

We had no significant acquisitions during the six months ended June 30, 2017.

6. SEGMENT REPORTING

Core Lab's continuing efforts to streamline its business has led to a simplification of its reporting structure and as of January 1, 2017, the Company presents its operating results in two reporting segments: Reservoir Description and Production Enhancement. These complementary segments provide different services and products and utilize different technologies for improving reservoir performance and increasing oil and gas recovery from new and existing fields.

- *Reservoir Description:* Encompasses the characterization of petroleum reservoir rock, fluid and gas samples to increase production and improve recovery of oil and gas from our clients' reservoirs. We provide laboratory based analytical and field services to characterize properties of crude oil and petroleum products to the oil and gas industry. We also provide proprietary and joint industry studies based on these types of analysis.
- *Production Enhancement:* Includes services and products relating to reservoir well completions, perforations, stimulations and production. We provide integrated diagnostic services to evaluate and monitor the effectiveness of well completions and to develop solutions aimed at increasing the effectiveness of enhanced oil recovery projects.

Results for these business segments are presented below. We use the same accounting policies to prepare our business segment results as are used to prepare our condensed consolidated interim financial statements. We evaluate performance based on income or loss from continuing operations before income tax, interest and other non-operating income (expense).

Summarized financial information concerning our segments is shown in the following table (in thousands):

	Reservoir Description	Production Enhancement	Corporate & Other [(1)]	Consolidated
Six Months Ended June 30, 2017				
Revenues from unaffiliated customers	$ 209,208	$ 112,502	$ —	$ 321,710
Inter-segment revenues	221	450	(671)	—
Segment income (loss)	35,364	18,890	559	54,813
Finance costs	—	—	5,305	5,305
Share of profit (loss) of associates	175	—	—	175
Total assets (at end of period)	387,278	222,684	63,335	673,297
Capital expenditures	4,675	3,789	898	9,362
Intangible asset expenditures	14	179	10	203
Depreciation and amortization	9,148	2,542	1,039	12,729
Six Months Ended June 30, 2016				
Revenues from unaffiliated customers	$ 215,702	$ 86,014	$ —	$ 301,716
Inter-segment revenues	1,046	604	(1,650)	—
Segment income (loss)	38,529	4,579	479	43,587
Finance costs	—	—	6,425	6,425
Share of profit (loss) of associates	324	—	—	324
Total assets (at end of period)	364,877	220,110	62,467	647,454
Capital expenditures	4,356	538	408	5,302
Intangible asset expenditures	30	65	5	100
Depreciation and amortization	9,267	3,089	1,242	13,598

(1)"Corporate and other" represents those items that are not directly related to a particular segment and eliminations.

Inter-segment transfers or transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties.

Segment assets consist primarily of cash and cash equivalents, trade and other receivables, inventories, property, plant and equipment and intangible assets. Unallocated assets in Corporate and Other is comprised of deferred taxation and miscellaneous assets related to the corporate function.

Capital expenditures comprise additions to property, plant and equipment.

Our general and administrative costs are allocated to the segments on a proportional basis relative to each segment's costs of sales.

7. OTHER FINANCIAL ASSETS

The Company's only financial assets relate to certain aspects of the Company's employee benefit plans, such as the fair value of life insurance policies, and our derivative instruments. The fair value of the life insurance policies increased by $1.1 million during the six months ended June 30, 2017.

We use the market approach to value certain assets and liabilities at fair value using significant other observable inputs (Level 2) with the assistance of a third party specialist. We do not have any assets or liabilities measured at fair value on a recurring basis using quoted prices in an active market (Level 1) or significant unobservable inputs (Level 3). Gains and losses related to the fair value changes in the deferred compensation assets and liabilities are recorded in General and administrative expense in the Income Statement. Gains and losses related to the fair value of the interest rate swaps are recorded in Other comprehensive income (loss). The following table summarizes the fair value balances (in thousands):

		Fair Value Measurement at June 30, 2017		
	Total	Level 1	Level 2	Level 3
Assets:				
Deferred compensation trust assets (1)	$ 26,788	$ —	$ 26,788	$ —
Liabilities:				
Benefit plans	$ 33,963	$ —	$ 33,963	$ —
5 year interest rate swap	103	—	103	—
10 year interest rate swap	833	—	833	—
	$ 34,899	$ —	$ 34,899	$ —

		Fair Value Measurement at December 31, 2016		
	Total	Level 1	Level 2	Level 3
Assets:				
Deferred compensation trust assets (1)	$ 25,701	$ —	$ 25,701	$ —
Liabilities:				
Benefit plans	$ 31,672	$ —	$ 31,672	$ —
5 year interest rate swap	211	—	211	—
10 year interest rate swap	835	—	835	—
	$ 32,718	$ —	$ 32,718	$ —

(1) Trust assets consist of the cash surrender value of life insurance policies intended to assist in the funding of the deferred compensation plans and are included in Other assets in the Balance Sheet.

8. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

We are exposed to market risks relating to fluctuations in interest rates. To mitigate these risks, we utilize derivative instruments in the form of interest rate swaps. We do not enter into derivative transactions for speculative purposes.

Interest Rate Risk

Our Credit Facility bears interest at variable rates from LIBOR plus 1.25% to a maximum of LIBOR plus 2.00%. As a result of two interest rate swap agreements, we are subject to interest rate risk on debt in excess of $50 million drawn on our Credit Facility.

In 2014, we entered into two interest rate swap agreements for a total notional amount of $50 million to hedge changes in the variable rate interest expense on $50 million of our existing or replacement LIBOR-priced debt. Under the first swap agreement of $25 million, we have fixed the LIBOR portion of the interest rate at 1.73% through August 29, 2019, and under the second swap agreement of $25 million, we have fixed the LIBOR portion of the interest rate at 2.5% through August 29, 2024. Each swap is measured at fair value and recorded in our Consolidated Balance Sheet as a liability. They are designated and qualify as cash flow hedging instruments. Unrealized losses are deferred to shareholders' equity as a component of accumulated other comprehensive loss (AOCL) and are recognized in income as an increase to interest expense in the period in which the related cash flows being hedged are recognized in expense.

At June 30, 2017, we had fixed rate long-term debt aggregating $200 million and variable rate long-term debt aggregating $35 million, after taking into account the effect of the swaps.

The fair values of outstanding derivative instruments are as follows (in thousands):

	Fair Value of Derivatives		
	June 30, 2017	December 31, 2016	Balance Sheet Classification
Derivatives designated as hedges:			
5 year interest rate swap	$ 103	$ 211	Other long-term liabilities
10 year interest rate swap	833	835	Other long-term liabilities
	$ 936	$ 1,046	

The fair value of all outstanding derivatives was determined using a model with inputs that are observable in the market (Level 2) or can be derived from or corroborated by observable data.

The effect of the interest rate swaps on the Consolidated Statement of Operations was as follows (in thousands):

	Six Months Ended		
	June 30, 2017	June 30, 2016	Income Statement Classification
Derivatives designated as hedges:			
5 year interest rate swap	$ 105	$ 163	Increase to interest expense
10 year interest rate swap	202	261	Increase to interest expense
	$ 307	$ 424	

9. INVENTORIES

Inventories consisted of the following (in thousands):

	June 30, 2017	December 31, 2016
Finished goods	$ 22,506	$ 21,635
Parts and materials	11,762	11,185
Work in progress	1,330	900
Inventories, net	$ 35,598	$ 33,720

The balances above are net of valuation reserves of $3.4 million and $2.9 million at June 30, 2017 and December 31, 2016, respectively.

10. EQUITY

Share capital

The authorized share capital of the Company at June 30, 2017 amounts to EUR 4 million and consists of 200,000,000 ordinary shares with a par value of EUR 0.02 each.

Issued and paid in share capital is $60.3 million and consists of 44,796,252 issued ordinary shares with a par value of EUR 0.02 each. Repurchased ordinary shares amounts to $82.7 million and consists of 668,017 ordinary shares with a par value of EUR 0.02 each.

The movements in the number of shares are as follows:

	Ordinary Shares	Repurchased Ordinary Shares	Shares Outstanding
Balance at January 1, 2017	44,796,252	(644,991)	44,151,261
Issuance of treasury shares	—	46,402	46,402
New issuance of ordinary shares	—	—	—
Repurchased own shares	—	(69,428)	(69,428)
Balance at June 30, 2017	44,796,252	(668,017)	44,128,235

	Ordinary Shares	Repurchased Ordinary Shares	Shares Outstanding
Balance at January 1, 2016	44,350,002	(1,974,097)	42,375,905
Issue of ordinary shares for stock based-awards	—	33,892	33,892
New Issuance of treasury shares	1,696,250	—	1,696,250
Repurchased own shares	—	(10,164)	(10,164)
Balance at June 30, 2016	46,046,252	(1,950,369)	44,095,883

Treasury Shares

During the six months ended June 30, 2017, we repurchased 69,428 of our common shares for $7.4 million; included in this total were rights to 14,428 shares valued at $1.7 million surrendered to us pursuant to the terms of a stock-based compensation plan in consideration of the participants' tax burdens that may result from the issuance of common shares under that plan. Such common shares, unless canceled, may be reissued for a variety of purposes such as future acquisitions, non-employee director stock awards or employee stock awards. We distributed 46,402 treasury shares upon vesting of stock-based awards during the six months ended June 30, 2017.

Dividends

In February, May and August 2017, we paid quarterly dividends of $0.55 per share of common stock.

11. BORROWINGS

We have two series of senior notes outstanding with an aggregate principal amount of $150 million ("Senior Notes") issued in a private placement transaction. Series A consists of $75 million in aggregate principal amount of notes that bear interest at a fixed rate of 4.01% and are due in full on September 30, 2021. Series B consists of $75 million in aggregate principal amount of notes that bear interest at a fixed rate of 4.11% and are due in full on September 30, 2023. Interest on each series of the Senior Notes is payable semi-annually on March 30 and September 30.

We maintain a revolving credit facility ("Credit Facility") that allows for an aggregate borrowing capacity of $400 million. The Credit Facility also provides an option to increase the commitment under the Credit Facility by an additional $50 million to bring the total borrowings available to $450 million if certain prescribed conditions are met by the Company. The Credit Facility bears interest at variable rates from LIBOR plus 1.25% to a maximum of LIBOR plus 2.00%. Any outstanding balance under the Credit Facility is due August 29, 2019, when the Credit Facility matures. Our available capacity at any point in time is reduced by borrowings outstanding at the time and outstanding letters of credit which totaled $21.7 million at June 30, 2017, resulting in an available borrowing capacity under the Credit Facility of $293.3 million. In addition to those items under the Credit Facility, we had $13.4 million of outstanding letters of credit and performance guarantees and bonds from other sources as of June 30, 2017.

The estimated fair value of total debt at June 30, 2017 and December 31, 2016 approximated the book value of total debt. The fair value was estimated using Level 2 inputs by calculating the sum of the discounted future interest and principal payments through the date of maturity.

Debt at is summarized in the following table (in thousands):

	June 30, 2017	December 31, 2016
Senior notes	$ 150,000	$ 150,000
Credit facility	85,000	68,000
Deferred debt acquisition costs	(1,261)	(1,512)
Total borrowings	233,739	216,488
Less - current maturities	—	—
Borrowings, net	$ 233,739	$ 216,488

In 2014, we entered into two interest rate swap agreements for a total notional amount of $50 million. See Note 8 - *Derivative Instruments and Hedging Activities*.

The terms of the Credit Facility and Senior Notes require us to meet certain covenants, including, but not limited to, an interest coverage ratio (consolidated EBITDA divided by interest expense) and a leverage ratio (consolidated net indebtedness divided by consolidated EBITDA), where consolidated EBITDA (as defined in each agreement) and interest expense are calculated using the most recent four fiscal quarters. The Credit Facility has the more restrictive covenants with a minimum interest coverage ratio of 3.0 to 1.0 and a maximum leverage ratio of 2.5 to 1.0. We believe that we are in compliance with all such covenants contained in our credit agreements. Certain of our material, wholly-owned subsidiaries are guarantors or co-borrowers under the Credit Facility and Senior Notes.

We do not have any exposure to sub-prime lending or collateralized debt obligations. We believe our future cash flows from operating activities, supplemented, if necessary, by our borrowing capacity under existing facilities and our ability to issue additional equity should be sufficient to meet our contractual obligations, capital expenditures, working capital needs and to finance future acquisitions.

12. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

Provisions consist of accrued amounts related to claims from clients, and amounts due under certain service agreements and contractual commitments.

Claims from clients occur from disputes that may arise from the providing of services. These are investigated and resolved once a determination is made. The timing of any potential settlement varies for each claim.

The movement of provisions is as follows (in thousands):

Balance at January 1, 2017	$ 7,556
Charged/ (credited) to the income statement:	
Additional provisions	480
Reclassed to short-term	154
Used during the year	(2,989)
Balance at June 30, 2017	$ 5,201

13. PENSIONS AND OTHER POSTRETIREMENT BENEFIT PLANS

	June 30, 2017	December 31, 2016
Balance sheet obligations for:		
Post-employment benefits - Dutch Defined Benefit Plan	$ 9,949	$ 9,949
Post-employment benefits - SERP	16,600	16,948
Post-employment benefits - Deferred Compensation Plan	33,963	31,672
Post-employment benefits - Employee Severance	13,464	13,079
Liability on the balance sheet	$ 73,976	$ 71,648

Supplemental Executive Retirement Plan (SERP) Benefits

SERP benefits represent an accrual for future payouts guaranteed to employees upon departure from the Company. In 1998, we entered into employment agreements with our senior executive officers that provided for severance benefits. The value of the long-term liability for the benefits due upon severing the employment of these employees is $10.1 million at June 30, 2017. The remaining $6.5 million balance is for the non-executive employees of the Company.

Deferred Compensation

Deferred Compensation relates to additional retirement liabilities for certain employees of the Company. The benefits under these contracts are fully vested and payment of benefits generally commences as of the last day of the month following the termination of services except that the payment of benefits for select executives generally commences on the first working day following a six month waiting period following the date of termination.

Employee Severance

Employee severance relates to payments to be made to certain employees upon departure from the Company. Some of the severance payments are guaranteed in employment contracts totaling approximately $8.3 million at June 30, 2017. The remaining $5.2 million balance is for severance payments to employees required by certain local jurisdictions.

Defined Benefit Plan

The components of net periodic pension cost under this plan included (in thousands):

	Six Months Ended June 30,	
	2017	2016
Service cost	$ 741	$ 733
Interest cost	543	699
Expected return on plan assets	(460)	(562)
Net periodic pension cost	$ 824	$ 870

The net periodic pension cost of $0.8 million and $0.9 million for the six months ended June 30, 2017 and 2016, respectively was recognized in Cost of Services in the consolidated income statement.

14. INCOME TAXES

The effective tax rates for the six months ended June 30, 2017 and 2016 were 15.2% and 10.5%, respectively.

15. EARNINGS PER SHARE

The following table summarizes the calculation of weighted average common shares outstanding used in the computation of diluted earnings per share (in thousands):

	Six Months Ended June 30,	
	2017	2016
Weighted average basic common shares outstanding	44,162	42,839
Effect of dilutive securities:		
Contingent shares	143	105
Restricted stock and other	55	64
Weighted average diluted common and potential common shares outstanding	44,360	43,008

16. COMMITMENTS AND CONTINGENCIES

We have been and may from time to time be named as a defendant in legal actions that arise in the ordinary course of business. These include, but are not limited to, employment-related claims and contractual disputes or claims for personal injury or property damage which occur in connection with the provision of our services and products. Management does not currently believe that any of our pending contractual, employment-related, personal injury or property damage claims and disputes will have a material effect on our future results of operations, financial position or cash flow.

We do not maintain any off-balance sheet debt or other similar financing arrangements nor have we formed any special purpose entities for the purpose of maintaining off-balance sheet debt.

17. RELATED PARTIES

During the six months ended June 30, 2017, we repurchased 69,428 of our common shares for $7.4 million; included in this total were rights to 14,428 shares valued at $1.7 million surrendered to us pursuant to the terms of a stock-based compensation plan in consideration of the participants' tax burdens that may result from the issuance of common shares under that plan. These shares were surrendered at the then current market price on the date of settlement.

In 2016, we granted 1,335 shares of our common stock to each of our non-employee Directors. These shares will vest without performance obligations on March 31, 2019.

In 2017, we granted 1,299 shares of our common stock to each of our non-employee Directors. These shares will vest without performance obligations on and March 31, 2019.

We had no other significant related party transactions for the six month period ended June 30, 2017.

18. SUBSEQUENT EVENTS

On July 6, 2017, we declared a quarterly dividend of $0.55 per share of common stock which will be paid on August 14, 2017 to shareholders of record on July 17, 2017.