CORE LABORATORIES N.V.

ANNUAL REPORT AND ACCOUNTS
December 31, 2019

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OVERVIEW

Our Company

Core Laboratories N.V. ("Core Laboratories", "Core Lab", the "Company", "we", "our" or "us") is a limited liability company incorporated in the Netherlands and publicly traded in the United States on the New York Stock Exchange ("NYSE") and in the Netherlands on the Euronext Amsterdam Stock Exchange ("Euronext Amsterdam"). Our consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") and with Part 9 Book 2 of the Dutch Civil Code ("Consolidated financial statements"). 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 continue to develop new technologies that complement our existing services and products, and we disseminate these technologies throughout our global network. As of 31 December 2019, we have over 70 offices in more than 50 countries and have approximately 4,300 employees.

During 2018, in a continuing effort to streamline our business and align our business strategy for further integration of services and products, the Company committed to divest a business offering a full range of permanent downhole monitoring systems and related services, which had been part of our Production Enhancement segment. All prior period statements of profit or loss have been adjusted to reclassify amounts related to this business to discontinued operations to conform to current period presentation. All disclosures on operating income and net income within these statements reflect the results from continuing operations for all periods presented. These reclassifications had no impact on the reported net income attributable to Core Laboratories N.V., financial position or cash flows for any of these prior periods.

Reservoir Description

To optimize the production and total recovery of hydrocarbons, oil companies must develop a more comprehensive understanding of the reservoir rocks and fluids present in their producing fields. Core Laboratories is the leading provider of services that characterize the porous reservoir rocks and all three reservoir fluids – natural gas, crude oil and water.

Production Enhancement

Includes services and products relating to reservoir well completions, perforations, stimulations and production. We provide services to evaluate the effectiveness of well completions and to develop solutions aimed at increasing the effectiveness of enhanced oil recovery projects. The products in this segment are associated with perforating systems used in the well completion process and other down-hole products to assist clients in their well completion activities.

Core Laboratories has taken extensive measures to ensure the services, products and data provided by all of our worldwide locations are of the highest quality and integrity. Our commitment to applying and developing new technologies to optimize reservoir performance is unsurpassed in the oilfield service industry. This commitment to technology which is aimed at assisting clients' improve their well performance and increase the return on investment is what makes Core Laboratories, The Reservoir Optimization Company™.

Our Stakeholders

Our stakeholders consist of four groups: clients, employees, shareholders, and communities we operate in around the globe.

Clients

Core Laboratories provides services and products to the world's major, national and independent oil companies.

Employees

Core Laboratories has a workforce of approximately 4,300 employees today in over 50 countries providing technology to enhance our client's production in major oil-producing provinces around the world.

Shareholders

Core Laboratories paid quarterly dividends since 2008. The insider ownership of Core Laboratories stock continues to be at a very high level for publicly traded oilfield service companies. Core Laboratories' management continues the highest standards of transparency in disclosing information about the Company and is closely aligned with independent shareholders, driving management and investment decisions that maximize shareholder value.

Communities

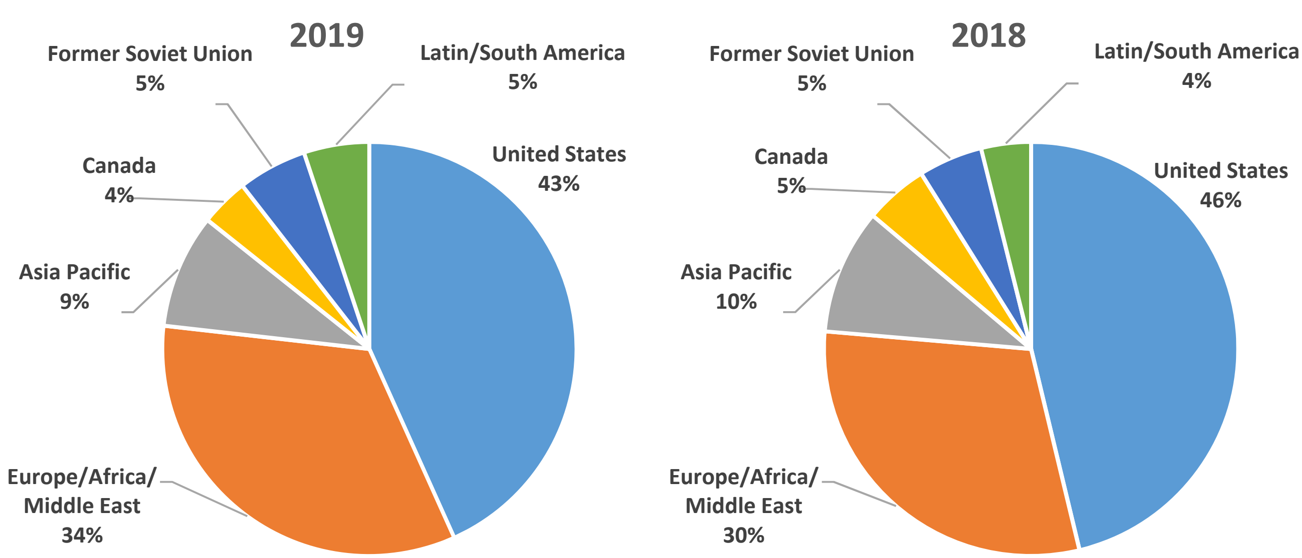
Core Laboratories supports local communities in the jurisdictions in which we operate through our contributions of resources and the involvement of our employees, particularly when we can leverage our technical capabilities to provide a higher level outcome for those that we are supporting. We prefer to support efforts aimed at improving education in science, technology and business. It is our way of giving back to the community, which we feel is very important, in order to improve career and social opportunities for young adults around the globe. Core Laboratories does not contribute or donate cash or any of its resources to any political parties or political candidates.

Global Presence. Global Impact.

International Operations

We operate facilities in more than 50 countries. Our non-U.S. operations accounted for 57% and 54% of our revenue from operations during the years ended 31 December 2019 and 2018, respectively. We attribute service revenue to the country in which the service was performed rather than where the reservoir or project is located while we attribute product sales revenue to the country where the product was shipped as we feel this gives a clearer view of our operations. We do, however, have significant levels of service revenue performed and recorded in the U.S. that are sourced from projects on non-U.S. oilfields.

The following graphs and table summarize our reported revenue by geographic region for the years ended 31 December 2019 and 2018:



	United States	Europe/Africa / Middle East	Asia Pacific	Canada	Former Soviet Union	Latin / South America	Consolidated
2019	$289,173	$223,988	$59,554	$25,240	$36,078	$34,177	$668,210
2018	$324,073	$211,081	$68,641	$34,633	$35,173	$27,245	$700,846

While we are subject to fluctuations and changes in currency exchange rates relating to our international operations, we attempt to limit our exposure to foreign currency fluctuations by limiting the amount in which our foreign contracts are denominated in a currency other than the U.S. dollar to an amount substantially equal to the expenses expected to be incurred in such foreign currency. However, the ultimate decision as to the proportion of the foreign currency component within a contract usually resides with our clients. We have not historically engaged in and are not currently engaged in any significant currency hedging or trading transactions designed to compensate for adverse currency fluctuations.

Business Model

Value Chain

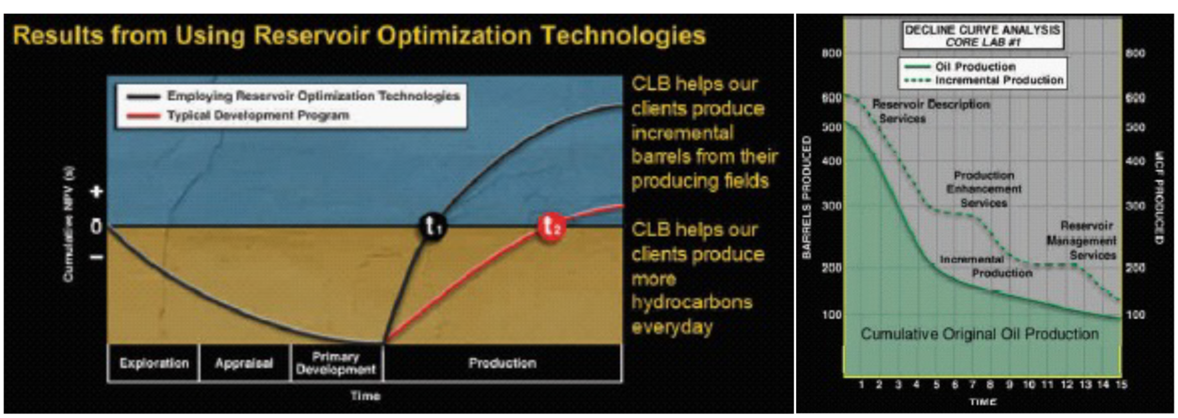
Core Laboratories' primary value is generated from our workforce and the intellectual property they preserve and develop on behalf of our Company and its clients. We primarily provide services to international, national and independent oil companies to help them produce more hydrocarbons each day from their reservoirs as well as increase the hydrocarbons they produce over the life of the reservoir (incremental barrels). Our clients which gain these incremental barrels from their existing investments and infrastructure are achieving superior return on their investment.

Our main category of suppliers are vendors which supply both services and materials used in the production of our products. Our primary service vendors include professional service providers, transportation and lodging support for business travel, software application services and IT support and organizations which assist the company with the acquisition of human capital including temporary and contract labor. Our primary manufacturing vendors provide us with raw materials, parts and freight and transportation services used in production and delivery of products.

Core Laboratories' operational focus remains on crude-oil field development projects, with growing emphasis on delivering technology to our clients to assist in their efforts in maximizing the return on investment from their conventional and unconventional developments, whether onshore or offshore.

Our Goal

Every day that an oilfield produces the dynamics of the reservoir changes. Our mission is to use patented and proprietary technology and decades of expertise to support and work with our clients in an effort to improve reservoir performance and increase the recovery of oil and gas from new developments and mature producing fields. Core Lab scientists use precise physically measured data and proprietary scientifically derived data from reservoir rock, fluid, and gas samples through analyses performed in our laboratories to evaluate the effectiveness of well completions and develop solutions aimed at increasing the well's ultimate recovery. Improving production and lessening the decline rate of a reservoir by just a few percentage points can generate a significant economic difference over the lifetime of the reservoir.



Technology Innovation

Core Laboratories provides proprietary and patented services and products through its two operating segments, which are used in the early stages, as well as over the entire life span of an oil and gas field. These services and products focus on optimizing daily production rates and greater ultimate hydrocarbon recovery from reservoirs to maximize our clients' return on their investments.

The Company's strategic choices are designed to create value for our stakeholders, a process which is based on careful and balanced decision-making.

Activities and Markets

Competition

The businesses in which we engage are competitive. Some of our competitors are divisions or subsidiaries of companies that are larger and have greater financial and other resources than we have. While no one company competes with us in all of our service and product lines, we face competition in these lines, primarily from independent regional companies and internal divisions of major integrated oil and gas companies. We compete in different service and product lines to various degrees on the basis of price, technical performance, availability, quality and technical support. Our ability to compete successfully depends on elements both within and outside of our control, including successful and timely development of new services and products, performance and quality, client service, pricing, industry trends and general economic trends.

Reliance on the Oil and Gas Industry

Our business and operations are substantially dependent upon the condition of the global oil and gas industry. Downturns in the oil and gas industry, or in the oilfield services business, may have a material adverse effect on our financial position, results of operations or cash flows.

The oil and gas industry is highly cyclical and has been subject to significant economic downturns at various times as a result of numerous factors affecting the supply of and demand for oil and natural gas, including the level of capital expenditures of the oil and gas industry, the level of drilling activity, the level of production activity, market prices of oil and gas, economic conditions existing in the world, interest rates and the cost of capital, environmental regulations, tax policies, political requirements of national governments, coordination by the Organization of Petroleum Exporting Countries ("OPEC"), cost of producing oil and natural gas, and technological advances.

Investments

Fixed assets are comprised of tangible fixed assets and intangible fixed assets. During 2019 and 2018, fixed asset additions were $23.2 million and $69.2 million, respectively. The decrease in additions of fixed assets in 2019 compared to 2018 was attributed to tangible and intangible fixed assets received from a business acquired in 2018. We expect our investment in capital expenditures to track client demand for our services and products. Given the uncertain trend in industry activity levels, we have not determined, at this time, the level of investment that will be made in 2020. We will, however, continue to invest and fund the consolidation of certain facilities to gain operational efficiencies, the purchase of instrumentation, tools and equipment along with expenditures to repair or replace worn-out instrumentation, tools and equipment to and to increase our presence where requested by our clients.

Industry Trends and Opportunities

Operations

We derive our revenue from services and product sales to clients primarily in the oil and gas industry.

We operate our business in two reporting segments. 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. Disclosure relating to the operations and financial information of these business segments is included in Note 5 – *Segmenting Reporting* of the Notes to Consolidated Financial Statements.

***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 analyses.

***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. The products in this segment are associated with perforating systems used in the well completion process and other down-hole products to assist clients in their well completion activities.

General Overview

We provide services and design and produce products which enable our clients to evaluate reservoir performance and increase oil and gas recovery from new and existing fields. These services and products are generally in higher demand when our clients are investing capital in their field development programs that are designed to increase productivity from existing fields or when exploring for new fields. Our clients' investment in capital expenditure programs tends to correlate over the longer term to oil and natural gas commodity prices. During periods of higher, stable prices, our clients generally invest more in capital expenditures and, during periods of lower or volatile commodity prices, they tend to invest less. Consequently, the level of capital expenditures and operational spending by our clients impacts the demand for our services and products.

The following table summarizes the annual average and year-end worldwide and U.S. rig counts for the years ended 31 December 2019, 2018 and 2017, as well as the annual average and year-end spot price of a barrel of WTI crude, Brent crude and an MMBtu of natural gas:

	2019	2018	2017
Baker Hughes Worldwide Average Rig Count (1)	2,177	2,211	2,029
Baker Hughes U.S. Average Rig Count (1)	944	1,032	875
Baker Hughes Worldwide Year-End Rig Count (2)	2,043	2,244	2,089
Baker Hughes U.S. Year-End Rig Count (2)	804	1,078	930
Average Crude Oil Price per Barrel WTI (3)	$56.98	$65.23	$50.80
Average Crude Oil Price per Barrel Brent (4)	$64.28	$71.34	$54.12
Average Natural Gas Price per MMBtu (5)	$2.56	$3.15	$2.99
Year-end Crude Oil Price per Barrel WTI (3)	$61.14	$45.15	$60.46
Year-end Crude Oil Price per Barrel Brent (4)	$67.77	$50.57	$66.73
Year-end Natural Gas Price per MMBtu (5)	$2.09	$3.25	$3.69

(1) Twelve month average rig count as reported by Baker Hughes - Worldwide Rig Count.
(2) Year-end rig count as reported by Baker Hughes - Worldwide Rig Count.
(3) Average daily and year-end West Texas Intermediate crude spot price as reported by the U.S. Energy Information Administration.
(4) Average daily and year-end Europe Brent crude spot price as reported by the U.S. Energy Information Administration.
(5) Average daily and year-end Henry Hub natural gas spot price as reported by the U.S. Energy Information Administration.

The prices for both WTI and Brent crude oil showed improvement during 2017 and continued to strengthen through most of 2018; however, they decreased significantly during the last quarter of 2018. In 2019, crude oil prices improved during the first few months, and became more stable during the second half of the year. The end result was the average price for crude oil in 2019 was approximately 10% lower than the average price for 2018. In general, activities associated with the exploration of oil and gas in the U.S. onshore market are more sensitive to changes in the crude-oil commodity prices, as opposed to larger international and offshore projects which take multiple years to plan and develop, and once announced and started, will continue through completion, despite changes in the current price of crude oil. The improvement in crude-oil prices in 2017 and most of 2018 led to elevated levels in U.S. onshore activities associated with both the exploration and production of crude oil. Additionally, during this time period, public announcements of investments in larger international and offshore projects were elevated and activity levels began to improve in 2018 and continued to improve into 2019. However, the continued volatility and lower level of crude-oil prices in the last quarter of 2018 and during 2019 did negatively impact the activity levels in the U.S. onshore market which decreased in 2019. Information published by the U.S. Energy Information Administration ("EIA"), shows that the inventory of wells drilled but uncompleted (a "DUC" well) was 6,566 as of 31 December 2017, increasing to a peak in February 2019 at approximately 8,500, and ending 2019 at 7,573. This data indicates that during the period of higher activity in 2018, operators were drilling wells but not completing them as the DUC inventory grew. However, as activity levels began to fall in late 2018 and into 2019, and operators began to drill fewer new wells, they were also completing some of the wells that had been previously drilled, which is reflected in the lower DUC inventory at December 2019.

In North America, the land-based rig count increased 45% during 2017 and another 19% during 2018, which had a positive impact for both services and product sales to this market over this time period. The build in levels of activities on development projects and producing fields in the U.S. unconventional reservoirs during 2017 continued to strengthen during most of 2018, until October 2018 when the commodity price weakened significantly and activity levels decreased. The lower commodity prices in 2019 led to a 10% decrease in the annual average land-based rig count and a decline in U.S. based activities in 2019.

Outside of North America, activities associated with the exploration and development of oil and gas fields decreased over the period from 2013 through 2017. In 2018, activities began to increase at a moderate level through 2019. However, the events occurring during first quarter of 2020 associated with the coronavirus disease 2019 ("COVID-19") pandemic and global government mandated shut-downs, home sheltering and social distancing policies have caused a significant decline in the demand for crude oil and associated products. The significant decline in demand has resulted in a significant decline in the price of crude oil, which has also resulted in a high degree of uncertainty about future demand and the future price for crude oil. As a result it is anticipated that the activity associated with these markets will remain low and the commodity prices will continue to be depressed and volatile for the remainder of 2020. OPEC nations, Russia and other oil producing nations continue to work together and negotiate potentially substantial reductions to current levels of oil being produced, if such negotiations are successful and executed, these actions could help to improve the balance of the supply with demand of crude oil both in the mid-term to longer-term.

Despite the negative impact to the price for crude oil due as a result of the outbreak of a global pandemic, COVID-19 virus, and the actions taken by governments across the globe to minimize the spread and impact of the virus, we expect to meet ongoing working capital needs, capital expenditure requirements and funding of our dividend and share repurchase programs from a combination of cash on hand, cash flow from operating activities and available borrowings under our revolving credit facility ("Credit Facility").

Net revenue for the years ended 31 December 2019 and 2018 were $668.2 million and $700.8 million, respectively. We offer our services worldwide through our global network of offices. Services accounted for 71% and 69% of our revenue from operations for the years ended 31 December 2019 and 2018, respectively.

We manufacture products primarily in five facilities for distribution on a global basis. Product sales, generated principally in our Production Enhancement segment, accounted for 29% and 31% of our revenue from operations for the years ended 31 December 2019 and 2018, respectively.

We recorded operating income of $101.2 million and $127.1 million for the years ended 31 December 2019 and 2018, respectively.

Group Strategy

Marketing and Sales

We market and sell our services and products through a combination of sales representatives, technical seminars, trade shows and print advertising. Direct sales and marketing are carried out by our sales force, technical experts and operating managers, as well as by sales representatives and distributors in various markets where we do not have offices. Our Business Development group manages a Large Account Management Program to better serve our largest and most active clients by meeting with key personnel within their organizations to ensure the quality of our services and products are meeting their expectations and we are addressing any issues or needs in a timely manner.

Research and Development

The market for our services and products is characterized by changing technology and frequent product introduction. As a result, our success is dependent upon our ability to develop or acquire new services and products on a cost-effective basis and to introduce them into the marketplace in a timely manner. Many of our acquisitions have allowed us to obtain the benefits of the acquired company's research and development projects without the significant costs that would have been incurred if we had attempted to develop the services and products ourselves. We incur costs as part of internal research and development and these costs are charged to expense as incurred. We intend to continue committing financial resources and effort to the development and acquisition of new services and products. Over the years, we have made a number of technological advances, including the development of key technologies utilized in our operations. Substantially all of the new technologies have resulted from requests and guidance from our clients, particularly major oil companies.

Patents and Trademarks

We believe our patents, trademarks, technology, trade secrets and other intellectual property rights are an important factor in maintaining our technological advantage, although no single one of these is considered essential to our success. Typically, we will seek to protect our intellectual property in all jurisdictions where we believe the cost of such protection is warranted. While we have patented some of our key technologies, we do not patent all of our proprietary technology even where regarded as patentable. We protect our intellectual property, including through the use of appropriate confidentiality agreements, legal enforcement proceedings and by other means.

Our Business Strategies

Our Mission

Core Laboratories is a leading provider of proprietary and patented Reservoir Description and Production Enhancement services and products. Core Laboratories is dedicated to providing the technology our clients need to enhance their production; maximizing the return of our shareholder’s investment in our company; and investing in our most valuable assets, our employees, by providing a safe business environment free of harassment and discrimination while being environmentally and socially responsible.

Our Unique Position

Core Lab is well positioned as the most technologically advanced, uniquely focused provider of technologies that optimize reservoir performance by altering the production decline curve throughout the life of an oil and natural gas field. Core Lab's technological leadership in helping oil companies produce incremental barrels positions the Company well for the challenges facing the industry.

Our Growth Strategies

We continue to keep our operational focus on crude-oil field development projects, with a growing emphasis on delivering technology-driven data and results to our clients to assist them in maximizing their returns on conventional and unconventional developments, whether onshore or offshore.

The following three strategies have been essential ingredients to our growth for more than two decades.

Develop New Reservoir-Optimizing Technologies

Core Laboratories’ technologies and services are essential to successful evaluation and production of oil and natural gas fields around the world. The knowledge of the reservoir we deliver makes it possible to optimize reservoir performance throughout the life of the field and to maximize the production of incremental barrels, the most economical production in the field.

Application of our patented and proprietary technologies enables alteration of the production decline curve to help our clients optimize or maximize:

- daily production
- ultimate hydrocarbon recovery
- cash flow
- net present asset value
- shareholder value

Leverage our International Office Network

Core Laboratories has over 70 offices in more than 50 countries and is located in every major oil-producing province in the world. Core Laboratories provides its services to the world’s major, national, and independent oil companies.

Acquire Complementary and Strategically Positioned Technologies

We continually review potential acquisitions to add key services and technologies, enhance market presence or complement existing businesses.

Our Financial Strategies

Core Lab continues to follow the three financial tenets that have led to our industry-leading total shareholder returns over the long term.

Maximize Free Cash Flow ("FCF") through Fiscal Discipline

Core Lab follows a strict discipline for allocating capital for investment in growing our business, which is focused on generating high returns and positive free cash flow ("FCF"). FCF is defined as net cash provided by operating activities less cash paid for capital expenditures. The quality of a company's earnings is typically supported with cash flow from operations, and value is created with the ability to generate cash flow in excess of what is required for capital investments to maintain and grow the business.

We believe measuring the ratio of FCF generated from revenue is an important metric for shareholders when comparing companies' financial results, particularly for those shareholders who utilize discounted cash flow models to assess valuations. This discipline towards capital investments produced a conversion rate of 10% of our Revenue into FCF during 2019 placing Core Lab at the top of our peer group. Core Lab will continue to demonstrate strict fiscal discipline in 2020 and beyond.

Maximize Return on Invested Capital

Core Lab's Board has initiated an incentive compensation program for the executive and senior management teams based on the Company achieving a leading relative Return On Invested Capital ("ROIC") performance compared with the oilfield service companies listed as the Company's Comp Group by Bloomberg Financial.

Core Lab's Board believes that stock price performance over time is directly related to ROIC. Based on Bloomberg's calculations using the latest comparable data available on 31 December 2019, our ROIC was the highest of the Bloomberg Oil and Gas Services Comp Group ("Comp Group"). Moreover, our ROIC exceeded the Comp Group average ROIC by approximately 22 percentage points (Core Lab ROIC was 20.2% and the Comp Group average was a negative 1.65%). Additionally, Core Lab's ROIC performance was almost 90% above the Comp Group member with the 2nd highest ROIC.

Core Lab strives to have the industry leading ROIC through capital discipline and continued execution of our three Growth Strategies.

We believe that our commitment to this approach will result in a continued dominance of long-term share price performance by the Company versus other oilfield service companies.

Return Excess Capital to Shareholders

Since October 2002, Core Laboratories has returned our excess capital to our shareholders in the form of share repurchases, warrant settlements, dividends, and special dividends, totaling $2.7 billion, or approximately $60.14 per share.

As the energy markets continue to mend, the Company will continue to return our excess capital to our shareholders via dividends, as well as possible share repurchases depending on the stability of the industry recovery.

Commitment to Sustainability

For over 80 years, we have provided advanced innovative technology to enhance our client's crude oil production. We have stayed committed to delivering on our three financial strategies: maximizing free cash flow, maximizing return on invested capital, and returning excess capital to our shareholders. Our business success is powered by our people and their commitment to achieving top results each and every day for Core's clients. As a leading technology service and product provider with a global presence and impact, together we strive to respect the communities and environments in which we do business. We continue to focus on optimizing our business which led to a simplification of our structure, representing our business into two reporting segments. We remained focused on generating maximum amounts of Free Cash Flow, which resulted in the highest revenue to free cash flow conversion ratio among comparable companies.

Environment, Safety and Integrity

We are committed and strive for a zero accident environment, which makes safety first in all of our locations and those of our clients. Throughout our longstanding history, Core Laboratories has built a solid and reliable reputation among our clients, communities, employees and investors. The principles of integrity and ethical conduct are paramount in everything we do and we take this responsibility very seriously. Our continued success depends on a culture of high integrity, ethical and safety standards to get results the right way.

Sustainable Recognition

At Core Lab, we are committed to advancing our environmental, social and governance performance. To demonstrate our continued focus, we have been recognized for the following:

ENVIRONMENT AND WORKPLACE SAFETY

ADVANCING WOMEN'S LEADERSHIP GLOBALLY

SOCIAL RESPONSIBILITY IN SECTOR

These are just a few of the ways in which we demonstrate our commitment to driving transparent and sustainable value. Core Laboratories will continue to maintain transparency with our stakeholders while remaining true to the strategies that have sustained us.

We describe many of the actions we are taking and policies we have adopted on our website, and specifically in our 2019 Annual Sustainability Report, under the "Corporate Responsibility" link at *http://www.corelab.com/cr/*.

United Nations Sustainable Development Goals

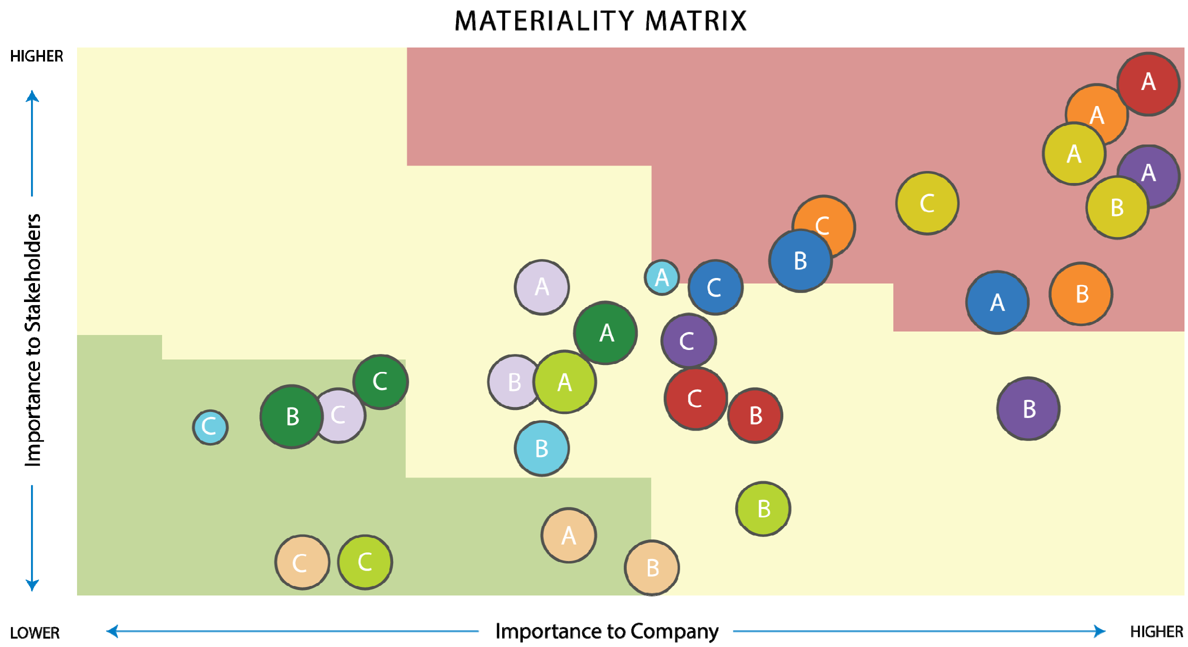
In 2019, Core Laboratories undertook an exercise to map our material sustainability topics and relevant metrics to the United Nations Sustainable Development Goals, adopted by the global community in 2014, in order to assess our alignment with the priorities of policymakers and other stakeholders.

Materiality-Based Value Creation

Material Issues for Core Lab

We selected a list of themes of varying importance to the Company and its sustainability. Alongside traditional priorities such as social and economic aspects, our stakeholders are increasingly interested in environmental aspects and innovation. The list of themes below represent a wide range of topics of interest, and were used to survey the Company's management team and employees to measure:

- Importance to Stakeholders,
- Importance to the Company
- Degree of Control Maintained by the Company.



HSE
A Health and Safety of Company Employees
B Company Security of its Property
C Workplace Violence

Financial
A Economic Performance
B Company Policy Compliance
C Investment Policy

Operations
A Customer Satisfaction
B Complaint Handling
C Risk Management

Governance
A Transparency
B Supervisory Board / Corporate
C Stakeholder Dialogue

Ethics
A Anti-Corruption
B Business Ethics
C Legislation and Regulation Compliance

Business Development
A Innovation of Products and Services
B Marketing and Communications
C Market Presence

Human Resources
A Workplace Discrimination
B Workplace Well-Being
C Workplace Balance

Community
A Financial Crisis
B Widely Available Education
C Political Instability

Suppliers
A Reliability of Supply
B Vendor Assessments
C Supply Chain Responsibility

Climate Change
A Energy Usage and CO2 Emissions From Operating Locations
B Energy Generation From Low Carbon Sources
C Climate Change Which Could Affect Business Locally and Globally

Company has low control
Company has medium control
Company has high control

FINANCIAL PERFORMANCE

Results of Continuing Operations

Segment Revenue

(dollars in thousands)	For the Years Ended December 31, 2019	% Change	2018
Reservoir Description	$ 420,897	1.9%	$ 413,082
Production Enhancement	247,313	(14.1)%	287,764
Total Revenue	$ 668,210	(4.7)%	$ 700,846

Segment Operating Income

(dollars in thousands)	For the Years Ended December 31, 2019	% Change	2018
Reservoir Description	$ 55,140	0.5%	$ 54,847
Production Enhancement	38,378	(39.1)%	63,039
Corporate and other (1)	3,166	330.2%	736
Adjustments from US GAAP to IFRS(2)	4,478	(47.4)%	8,513
Operating Income	$ 101,162	(20.4)%	$ 127,135

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

(2) Adjustment for difference in accounting treatments from U.S. GAAP to IFRS for stock compensation expense and post-employment benefits. See Note 5 - Segment Reporting for further details

"NM" means not meaningful.

Reservoir Description

Revenue for our Reservoir Description segment increased to $420.9 million in 2019 compared to $413.1 million in 2018. Reservoir Description's operations are heavily exposed to international and offshore project activity levels, with approximately 80% of its revenue sourced outside the U.S. Improvement in year-over-year financial performance in this segment is a result of increased international and offshore client activity, which was partially offset by the sale of businesses, located in the Asia-Pacific and South America regions, during 2019. We continue to focus on large-scale core analyses and reservoir fluids characterization studies in the Asia-Pacific areas, offshore Europe and Africa, offshore South America, North America, and the Middle East, as well as both newly developed fields and brownfield extensions in offshore areas such as Australia, Brazil, Guyana, the Gulf of Mexico, the Middle East and the North Sea. Analysis of crude oil derived products also occurs in every major producing region of the world.

Operating income increased to $55.1 million in 2019 from $54.8 million in 2018 primarily due to improved activity levels derived from large capital spending projects in international markets. However, the improved operating income for 2019 was partially offset by additional expenses associated with employee severance and other cost reduction initiatives of $4.0 million. Included in both 2019 and 2018 are additional stock compensation expense of $4.7 million in 2019 for retirement eligible employees compared to $6.3 million in 2018. See Note 14 - *Stock-Based Compensation* for further detail. Operating margins, excluding the severance, other cost reduction expenses and the additional stock compensation expense recorded in 2019 and 2018 were comparable at 15.3% in 2019 and 14.8% in 2018.

Production Enhancement

Revenue for our Production Enhancement segment of $247.3 million in 2019 decreased compared to $287.8 million in 2018. Although the U.S. land-based client activity increased for the first three quarters of 2018, the significant decrease in the crude-oil commodity price in the fourth quarter of 2018 resulted in a sharp decrease of drilling and well completion activities in the U.S. onshore market. This lower level of drilling and completion activity continued into 2019. However, our clients continue to seek technological solutions for increasing daily production and estimated ultimate recoveries from their reservoirs and we continue to benefit from our clients' acceptance of new services and products which were led by the HERO® PerFRAC, GoGun™, FLOWPROFILER EDS™ and ReFRAC technologies.

Operating income for Production Enhancement segment of $38.4 million in 2019 decreased from $63.0 million in 2018, primarily due to the decrease in U.S. onshore activity. Operating income in 2019 and 2018 was also negatively impacted by severance and cost reduction expenses of $1.5 million, additional stock compensation expense of $2.5 million recorded in 2019 for retirement eligible employees, and $3.7 million additional stock compensation expense recorded in 2018. See Note 14 - *Stock-Based Compensation* for further detail. Operating margins, excluding the employee severance, other cost reduction expenses and the additional stock compensation expenses recorded in 2019 and 2018, were 17.2% in 2019 down from 23.2% in 2018.

Corporate and Other

Operating (income) expenses for Corporate and Other are (income) expenses not directly related to a particular segment but pertain to the operation of all of the segments as a combined group.

ECONOMIC PERFORMANCE

Liquidity and Capital Resources

We have historically financed our activities through cash on hand, cash flows from operations, bank credit facilities, equity financing and the issuance of debt. Cash flows from operating activities provide the primary source of funds to finance operating needs, capital expenditures and our share repurchase and dividend programs. If necessary, we supplement this cash flow with borrowings under bank credit facilities to finance some capital expenditures and business acquisitions. As we are a holding company incorporated in the Netherlands, we conduct substantially all of our operations through subsidiaries. Our cash availability is largely dependent upon the ability of our subsidiaries to pay cash dividends or otherwise distribute or advance funds to us. There are no restrictions preventing any of our subsidiaries from repatriating earnings, and there are no restrictions or income taxes associated with distributing cash to the parent company through loans or advances. As of 31 December 2019, $8.9 million of our $11.1 million of cash was held by our foreign subsidiaries.

The following table summarizes cash flows from continuing operations for the years ended 31 December 2019 and 2018:

	For the Years Ended December 31, 2019	2018
Cash provided by (used in):		
Operating activities	$ 105,550	$ 110,577
Investing activities	(6,001)	(69,389)
Financing activities	(101,573)	(42,472)
Net change in cash and cash equivalents	$ (2,024)	$ (1,284)

The decrease in cash provided by operating activities in 2019 compared to 2018 was primarily due to decreased operating income as the activity levels for the U.S. onshore oil and gas markets declined.

Cash used in investing activities in 2019 decreased $65.0 million compared to 2018. Capital expenditures were comparable for 2019 and 2018 at approximately $22 million each year. However, 2018 included an acquisition increasing the cash used in investing activities by $48.9 million, and 2019 included proceeds from the divestiture of two businesses that decreased the cash used in investing activities by $17.8 million.

Cash used in financing activities in 2019 increased $43.4 million compared to 2018. During 2019, we used $3.3 million to repurchase our common shares, $97.6 million to pay dividends, and increased our debt balance by $15 million. During 2018, we used $7.5 million to repurchase our common shares, $97.3 million to pay dividends, and increased our debt balance by $64 million, primarily to fund the acquisition of a business in 2018 for $48.9 million.

During 2019, we repurchased 71,700 shares of our common stock for an aggregate amount of $3.3 million, or an average price of $46.14 per share. The repurchase of shares in the open market is at the discretion of management pursuant to shareholder authorization. We regard these treasury shares as a temporary investment which may be used to fund restricted shares that vest or to finance future acquisitions. Under Dutch law and subject to certain Dutch statutory provisions and shareholder approval, we can hold a maximum of 50% of our issued shares in treasury. We currently have shareholder approval to hold 10% of our issued share capital in treasury. On 23 May 2019 at our annual shareholders meeting, our shareholders authorized the extension of our share repurchase program until 23 November 2020 to purchase up to 10% of our issued share capital. We believe this share repurchase program has been beneficial to our shareholders. Our share price has increased from $4.03 per share in 2002, when we began to repurchase shares, to $37.67 per share on 31 December 2019, an increase of 835%.

We expect our investment in capital expenditures to track client demand for our services and products. Given the uncertain trend in industry activity levels, we have not determined, at this time, the level of investment that will be made in 2020, however capital investments are anticipated to be much lower, which could be 50% lower compared to 2019 levels. We will, however, continue to invest to fund the purchase of instrumentation, tools and equipment along with expenditures to replace obsolete or worn-out instrumentation, tools and equipment, to consolidate certain facilities to gain operational efficiencies, and to increase our presence where requested by our clients. In addition, we plan to continue to (i) repurchase our common shares on the open market through our share repurchase program, however this will be minimal and primarily associated with the repurchase of shares from employees for share awards that vest and the associated tax withholding obligations, (ii) pay a dividend, which was reduced to $0.25 per share for the first quarter of 2020, and further reduced to $0.01 per share per quarter for future dividends, (iii) reduce outstanding debt, which will be the primary focus and (iv) if available in the market at acceptable valuations, acquire complementary technologies. Our ability to continue these initiatives depends on, among other things, market conditions and our ability to generate free cash flow.

Our ability to maintain and increase our operating income and cash flows is largely dependent upon continued investing activities. Substantially all of our operations are conducted through subsidiaries. Consequently, our cash flow depends upon the ability of our subsidiaries to pay cash dividends or otherwise distribute or advance funds to us. We believe our future cash flows from operating activities, supplemented 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.

Due to the low inflationary rates in 2019 and 2018, the impact of inflation on our results of operations was insignificant.

CORE VALUES AND BUSINESS ETHICS

To ensure that Core Lab and its employees operate at the highest level of ethical conduct and behavior; we have established:

- Company-wide Ethics Program and Code of Ethics and Corporate Responsibility
- Full-time Compliance Officer
- Full-time (24/7) Helpline to the Compliance Officer available for reporting any suspected wrongdoing or for obtaining answers on ethical, technical or other questions
- Annual training and certification of compliance with the Code of Ethics and Corporate Responsibility
- Enforcing Company policy against retaliation
- Posters at each office with our Code of Ethics and Corporate Responsibility and Helpline access information
- Zero tolerance on unethical conduct, including termination
- Annual reporting of conflicts of interest and reportable transactions
- Employee review of the Law Departments' Anti-Bribery and Export Control Presentation on an annual basis

Core Compliance and Ethics

Our global Compliance and Ethics program is led by our Corporate Compliance Officer ("CCO") who reports to the General Counsel, Senior Vice President and Secretary. Our CCO provides regular updates to the audit committee of Core Laboratories' supervisory board of directors. The board of directors plays a critical and active role in overseeing the company's ethics and compliance program. Our compliance and ethics program is enforced by corporate management who send a clear message that misconduct is not tolerated. Our program is designed for maximum effectiveness in preventing and detecting wrongdoing. Our culture of ethics and integrity defines who we are as a company and how we treat each other, our clients, and our suppliers. Through effective, established policies and procedures, we have incorporated a culture of compliance into our day-to-day operations. We summarize our ethical principles in the company's Code of Ethics at *https//corelab.com/cr/core-values*.

Our global workforce is provided with resources to help them succeed and to promote and recognize ethical choices. We create awareness through annual and periodic training and communication. In addition to our annual training, we provide periodic presentations regarding the following topics:

- Anti-Corruption and Compliance
- Export Controls and Sanctions Compliance
- Code of Ethics

Employee Ethics Hotline

Core Lab has an efficient and trusted mechanism by which employees can anonymously or confidentially report allegations of a breach of the company's Code of Ethics, company policies, suspected or actual misconduct, fraud, or human rights violations. Our complaint handling process includes pro-active measures to create a workplace atmosphere without fear of retaliation, appropriate processes for the submission of complaints and processes to protect whistleblowers.

A hotline, email and mail are the primary means for employees to raise concerns. The CCO sorts, categorizes and routes complaints to proper personnel. All legal matters are reviewed and resolved by the Company's General Counsel. Face-to-face meetings with the company's General Counsel or CCO is also encouraged. Independent arbitration is also supported.

Investigation of Misconduct

Core Lab has processes in place to ensure company investigations of any allegations or suspicions of misconduct by the company or its employees, are properly scoped, independent, objective, appropriately conducted and properly documented. Applicable investigative findings are communicated to appropriate middle and senior management. The company's response to investigations is documented, including any disciplinary or remediation measures taken.

Code of Ethics

Core Laboratories maintains a corporate self-governance and compliance program that is specifically structured to ensure that the Company and its employees operate at the highest level of ethical conduct and behavior. Core Laboratories' Ethics Program has been recognized as a model for other private and regulatory organizations.

This Code of Ethics and Corporate Responsibility covers a wide range of ethical business practices and corporate social responsibility matters. It sets basic principles to guide all employees and all non-employee Management Board and Supervisory Directors.

Conduct Business in a Legal Manner

First and foremost, obey the law, both in letter and in spirit. This is the foundation on which the Company's ethical standards are built.

Respect for Others

Core Laboratories promotes a work environment that encourages trust, mutual respect, support, honesty, accountability and responsibility. This includes respecting all those we work with whether fellow employees, clients, vendors or the community.

Corporate Responsibility

Being a good corporate citizen extends beyond the walls of our workplace. Awareness of human rights, fair employment practices and protection of the environment are integrated into our business strategy and decision making.

People and Safety

We accept responsibility for the health and safety of our workforce. We are committed to conducting our business in compliance with all environmental and worker health and safety laws. Our goal is to drive an accident-free workplace through our various safety programs and initiatives. As a result of the coronavirus disease 2019 ("COVID-19") pandemic, the Company has implemented continuity plans across the global organization to protect the health of our employees while continuing to service our clients.

Conduct Business in an Ethical Manner

Through our exceptional technology offerings and hard-working talented employees, we strive to earn our clients' business through excellent service, products and fair dealing. This goes so far as to ensure that our suppliers and contractors also have policies and procedures in place that meet the Core Lab Standards.

Employee Reporting Process

To drive awareness and action to supporting the Code of Ethics and Corporate Responsibility within the company, all employees, no matter the level, are accountable for reporting any illegal or unethical behavior. Core Lab is committed to addressing and reporting any violations should they arise.

Safeguarding Information and Assets

Honesty and accuracy in data reporting is paramount in driving consistent record keeping. All employees are committed to protecting the company's assets including proprietary information and ensuring their efficient and proper use.

Fraud Prevention

Core Laboratories believes it promotes a positive workplace environment through the following:

- Background Investigations and Reference Checks - These investigations, which include verifying a candidate's education, employment history, criminal record, and professional references, are performed for all individuals being considered for employment.
- Delegation of Responsibility - Management has developed policies and procedures to ensure that employees to whom significant responsibility have been delegated have the necessary skills and experience.
- Effective Human Resources ("HR") – HR manages Company directives and related practices inclusive of training and regular performance evaluations.
- Management and Development - The Company has an HR department that promotes the management and development of effective human resources programs.

Presentations and training are provided throughout the Company during the year regarding the following topics: Anti-Bribery, Contract Governance, Export Controls, and Fraud Prevention.

Deterrence, Detection, & Remediation of Fraud

The Company's anti-fraud program and controls have been implemented throughout the Company and are considered an entity-level control which management relies upon to establish the Company's "tone at the top" relative to fraud and financial reporting.

The program and controls address each element of the *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) framework. Accordingly, it is tested at Corporate, at Level 1 locations, and Level 2 locations selected for entity-wide testing and through the use of internal controls. Evaluation of the design effectiveness of the anti-fraud program has been performed through a detailed analysis of specific organizational policies and procedures. Discussions with management identify documentation critical to establishing the Company's "tone at the top" (e.g., Code of Conduct, ethics hotline policy, etc.) and each item is compiled and reviewed for appropriateness and availability to appropriate personnel.

Conflict Minerals

The term “conflict minerals” refers to certain minerals being tin, tantalum, tungsten and gold, the metal ores from which these minerals are extracted, or their derivatives. The “conflict minerals” term originates from the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the “Act”) and associated rule issued by the U.S. Securities and Exchange Commission (“SEC”). The SEC rule and related parts of the Act were issued in response to violence and human rights violations in the mining of those minerals from the Democratic Republic of the Congo (“DRC”) and adjoining countries (the “Conflict Region”).

The SEC rule requires SEC registrants to disclose, on an annual basis, whether the products they manufacture or contract to manufacture contain conflict minerals that are “necessary to the functionality or production” of those products, and if so, certain information about the source of those conflict minerals.

Importance of Supply Chain

In response to the Act, we formed a multi-disciplinary task force early in 2014 to examine all products that we either directly manufacture or contract with third parties to manufacture to determine which of our products, if any, contain conflict minerals. The review of our supply chain associated with these conflict minerals is now included in our yearly routine review of supplies and the supply chain management policy and process. During this process, we evaluate 100% of the parts and materials necessary to the functionality or production of products, manufactured by us or contracted to be manufactured for us. In the yearly reviews since 2014, we have concluded that, while some of our products contain conflict minerals, the information we obtained shows that all of those conflict minerals came from countries outside of the Conflict Region.

Alignment to Vision

The ethical sourcing of minerals is an important part of our mission to ensure safe and fair working conditions in our supply chain. We strive to use only conflict-free minerals in our products.

Discrimination and Harassment Policy

Policy against workplace discrimination and harassment

At Core Laboratories, each and every employee, supervisor, manager and executive is responsible for preventing harassment by:

- Treating others with courtesy and respect in all work relationships.
- Eliminating harassing conduct, including unwanted touching, or comments or behavior that is sexual, sexist, racially or religiously based, or otherwise discriminatory.
- Reporting harassment to the HR Manager or generalist for their Business Unit, the Vice President of Human Resources, or to the Law Department via the Ethics Hotline at Ethics@corelab.com.

Core Laboratories recognizes that ascertaining whether a particular action or incident is purely a person, social relationship without a discriminatory employment effect will require a factual determination based on all facts in the case. Therefore, Core Laboratories diligently investigates every alleged harassment claim and effectively remedies them when an allegation is determined to be valid.

Core Lab's Code of Ethics and Corporate Responsibility includes an Equal Employment Opportunity Policy which states, in part:

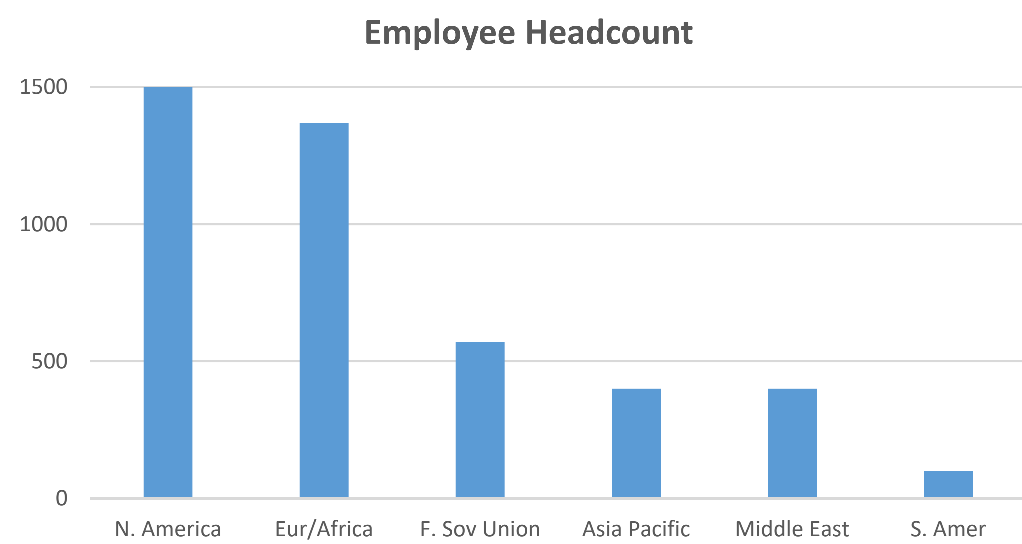
It is the policy of Core Lab to provide equal employment opportunity in conformance with all applicable laws and regulations to individuals who are qualified to perform job requirements.

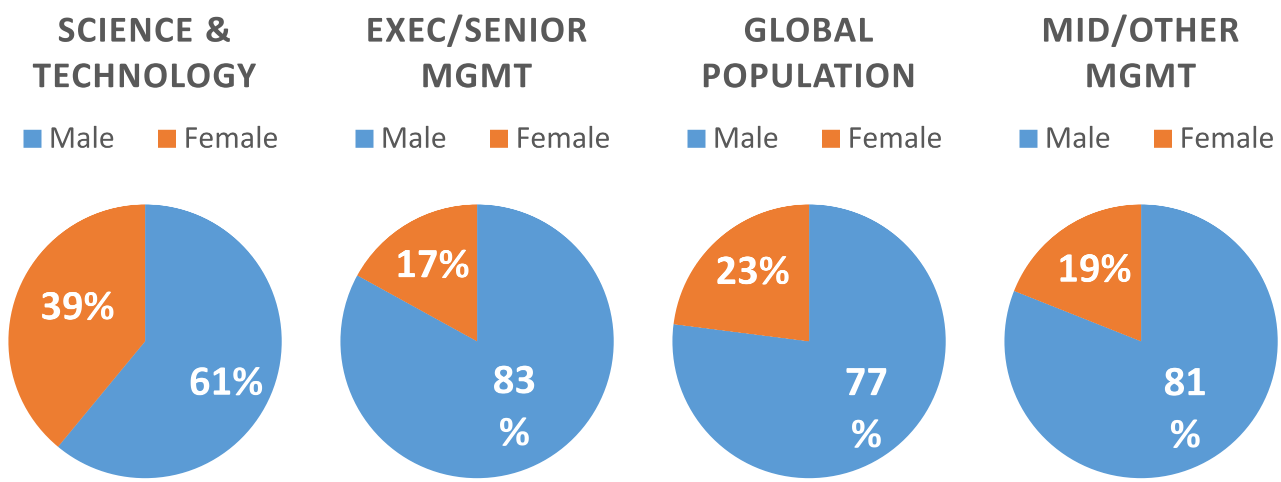
EMPOWERING PEOPLE

Our Global Workforce

Who We Are

Scientific innovation, industry leading technology, diversity of solutions – it is who we are. Our talented workforce is as diverse as our business presence. The Core Laboratories community is represented on six continents in more than 50 countries around the world. We have approximately 4,300 employees and speak over 30 languages. Each one of us is different; our talented people bring their own experiences, backgrounds and perspectives, which is paramount to our success.





Our Global Diversity & Inclusion Strategy

At Core Lab, we aspire to attract a diverse group of employees and create an inclusive work culture where differences are valued. We want our employees to feel supported and encouraged to collaborate, learn and grow because we recognize the unique perspectives and thoughts that all people bring to our environment stimulates innovation and generates out-of-the-box solutions that benefit our employees, clients, and industry.

Events:

- Participated as a guest speaker at the Greater Houston Women's Chamber of Commerce luncheon on Advancing Women in the Workplace
- Sponsored employee attendance at the Greater Houston Women's Chamber of Commerce luncheon on Advancing Women in the Workplace
- Sponsored employee attendance at a Houston Energy Evening Event on "Diversity of Thought"
- Hosted an internal Development Luncheon Roundtable to discuss advancing gender equality initiatives at Core Lab

Recognition:

- 2019 Bloomberg Gender Equality Index recognition measuring gender equality in the workplace
- 2019 20 by 20: Women on Boards recognition that women make up more than 20% of our Supervisory Board
- 2019 PAX elevate recognition for commitment to advancing women's leadership globally

Human Rights

Core Laboratories is committed to the optimum utilization of human resources. The Company is committed to providing positive, productive and supportive work environments throughout its global operations. The Company has established programs to attract, develop and retain a highly talented workforce that is representative of the regions in which it operates.

Our Approach

Core Lab is located and does business in various environments and diverse cultures. Wherever Core Lab operates, certain principles consistently apply to the Company's relationships with its employees and its expectations of conduct in the workplace.

Core Lab's Code of Ethics and Corporate Responsibility provides a worldwide framework for responsible operations and is consistent with the spirit and intent of the Fundamental Principles and Rights at Work of the 1998 International Labour Organization ("ILO") Declaration. The ILO Declaration sets an obligation on Member States to promote and realize the following principles:

- Freedom of Association and effective recognition of the right to collective bargaining
- Elimination of all forms of forced or compulsory labor
- Effective abolition of child labor
- Elimination of discrimination in respect of employment and occupation

Freedom of Association

Core Lab recognizes and respects its employees' right to join associations and choose representative organizations for the purpose of engaging in collective bargaining in a manner consistent with applicable laws, rules and regulations as well as local customs as appropriate.

As of 31 December 2019, less than 10% of our workforce had elected to be represented under collective bargaining agreements or similar-type labor arrangements, the majority of which are outside the United States.

Policy Against Compulsory Labor

Core Lab does not utilize forced or compulsory labor. Core Laboratories recruits its employees and provides working conditions and hours, including payment of wages and benefits that comply with applicable laws and regulations. Management will focus on reducing excessive overtime.

Policy Against Child Labor

Throughout Core Lab's worldwide operations, we prohibit the use of children in our workforce. All Core Laboratories employees are at or above the legal employment age in the country of their employment.

Corporate Citizenship

Global Support

Core Laboratories supports local communities all over the world through our contributions of resources and the involvement of our employees, particularly when we can leverage our technical capabilities to provide a higher level outcome for those that we are supporting.

Improving Worldwide Technology

We prefer to support efforts aimed at improving education in science, technology and business. It is our way of giving back to the community in order to improve career and social opportunities for young adults around the globe.

Helping Hands Program

The Helping Hands Program builds prosthetic hands that are donated to amputees who are victims of land-mines.

In 2019, a joint workshop was facilitated by Woodside Petroleum and 30 staff from Core Lab Malaysia. These volunteers helped build prosthetic hands while becoming more aware of how hand injuries can have a devastating effect on the livelihood of employees and their families.

SOS Children,s Villages

SOS Children's Villages International is a global federation working to protect and care for children who have lost parental care, or who stand at risk of losing it. They work with communities, partners, and states to ensure that the rights of children, in every society, are fulfilled.

Core Lab supports SOS Children's Villages International to ensure those children most in need can have a brighter future and ultimately help their communities lift themselves out of poverty.

Extern Program

Core Lab representatives from every business unit participate in hosting students interested in pursuing careers in the oil industry; this program provides insight and hands-on experience that will help them decide their future path.

Faces of Freedom

Freedom Service Dogs trains highly specialized service dogs for returning veterans in need. These dogs are trained to assist veterans with post-traumatic stress disorders, traumatic brain injuries, amputations, mobility constraints and other limitations, helping them find a new level of independence when transitioning back into society.

Since 2013, Core Lab has helped raise nearly $2 million. In 2019, Core Lab (along with EOG Resources) sponsored the Faces of Freedom Sporting Clay Tournament which raised $225,000. Core's monetary and fund raising contributions go directly to the training program that provides returning veterans in need with service dogs. Core Lab is committed to continue its support for this important program.

JAM – Joint Aid Management

Joint Aid Management ("JAM") is a South African based non-profit organization working in Mozambique since 1984. The JAM program seeks to empower communities and school children with agricultural skills and at the same time building resilient communities in food security programs.

Core Laboratories partnered with JAM to design, facilitate and sponsor the rehabilitation of the school dwelling and desks for the Mapihe Primary School of which 126 children will attend.

Political Neutrality

Core Laboratories does not contribute or donate cash or any of its resources to any political parties or political candidates.

Building a Talented Workforce

Core Lab's talented workforce is as diverse as our business presence. We respect the diversity within our global employee base because we believe this is what makes us stronger and gives us a cutting edge. To maintain and foster more diversity, Core Lab strives to ensure an equal employment opportunity workplace free of harassment and discrimination while creating a harmonious environment where our employees are encouraged to learn and grow from the different perspectives around them. Our priority is to ensure we have the ability to attract and retain a talented workforce without regard to race, ethnicity, color, national origin, religion, creed, gender, sexual orientation, marital status, ancestry, disability, age, political affiliation, or any other legally protected status.

Organizational and Employee Development

At Core Lab, we make a commitment to support our workforce in multiple ways to be proactive toward their personal development and their career. To assist in ensuring the programs we develop for our employees are accessible and executed with the highest quality standards and objectives, we utilize a Talent Management System which provides our employees an online suite of integrated tools designed to support the "Employee Life Cycle" in five key areas of talent management: Recruitment, Performance Management, Succession Management, Learning Management and Total Rewards. By creating visibility in these areas, we are driving consistency and clear expectation towards the execution of business strategies, goals and objectives.

Leadership Competencies

At the heart of our Employee Life Cycle is our framework of leadership competencies which provide a foundation for driving excellence. Each of our five defined leadership levels (Executive Leader, Business Leader, Operational Leader, Frontline Leader, and Individual Contributor) has relevant competencies assigned to it. In addition, there are four Core Competencies for all our employees that communicate the core values we share as a whole.

These competencies help us identify and describe the behaviors, skills, knowledge, attitudes and abilities that we use to promote our development culture while strengthening Core Lab's capability to meet future challenges and needs. We actively encourage competency development as essential towards professional and career development.

Performance Management and Career Development Planning

Core Lab's annual Performance Management cycle is an ongoing process that enables managers and employees to collaborate throughout the cycle to:

- Clarify expectations and set business goals and development objectives
- Track employee progress on goal completion, allowing managers to offer coaching and feedback along the way
- Conduct a final review of the employee's performance at the end of the year

This process is designed to help employees understand where they add value to the organization, provide focus on and discussion around career aspirations, and reward employees for high performance.

Employee Self Evaluations

During the Review portion of our performance cycle, employees had an opportunity to voluntarily complete a self-evaluation of their 2019 performance. This gave our employees a voice in the review of their accomplishments and completion of performance goals.

Twenty-nine hundred twenty-two employees completed a self-evaluation of their 2019 performance, illustrating our employee's commitment to their performance and the overall success of the organization.

Coaching and Feedback

Providing ongoing feedback and coaching is a prime driver for creating an environment where people have the clarity, engagement, and energy to deliver great results. At Core Lab, managers are actively encouraged to provide on-going coaching and feedback to their employees throughout the year to ensure a successful outcome for business and development goals. To help managers successfully implement and execute in this area, several training platforms are made available and are among our highest requested trainings.

Employee Development

Throughout the year, we actively encourage our employees to focus on their professional and career development needs. An on-line competency based development plan template is available and is designed to be an on-going plan that evolves with the employee as they continue their career with Core Lab. Employees and managers engage in discussions to create the plan, focusing not only on current development needs but also development needs for any possible future positions.

Succession Planning

Core Lab's commitment to building a strong pipeline of future leaders in our organization is stronger than ever. One way that we identify and develop the individuals capable of rising to higher levels is through our Succession Management Process.

The Process

The process begins following performance review, goal setting and development planning activities, enabling us to be proactive around strategic human capital planning and career development. We focus on assessing talent capabilities, identifying successors for critical positions, and ensuring candidate readiness in the organization. We currently have 1:1 coverage for 74% of our critical positions, meaning that a person identified as a successor for one role has not also been identified as a successor for another role. This allows us to focus the development of those individuals to the specific role he or she is in line to move into.

Talent Calibration Meetings are held throughout the organization to review key talent, agree on succession plans, and identify key talent, agree on succession plans, and identify key actions to prepare employees for their next positions. We make choices for successors based on consistent criteria, utilizing and linking to our competency model.

Targeted Development Plans

Targeted development plans are encouraged for all people included in the talent pool. The development plans tie to our Learning Management System where we can leverage the learning curriculum and assign training based on leadership level and needed development.

Learning and Development

Core Lab is committed to empowering our employees to continue their educational development in order to grow their career potential.

We believe our people are amongst the biggest assets contributing to the success of our organization. This hinges on the knowledge, skills and abilities these individuals bring into our organization as well as the knowledge, skills and abilities we help them develop over time. This is why Core Lab is committed to supporting and offering a wide range of technical and non-technical development opportunities to our employees.

Educational Assistance Program

This program provides employees with opportunities to earn a university degree that enhances their ability to perform in their current or future job responsibilities by reimbursing a portion of tuition costs.

Continuing Education Program

Much like the Educational Assistance Program, the Continuing Education Program is designed to assist employees in fulfilling their desire for continued growth and development. This program specifically focuses on technical competence and reimburses employees for the costs related to obtaining professional licensing and certifications.

Flagship Leadership Development Program

Core Leadership Essentials I

Introduces first time managers, supervisors, field and team leads to the essentials needed to build the foundation to manage and lead teams. Although we are continually revising material to ensure we are providing information to meet the needs of these new leaders, this 4-day program typically focuses on Behavioral Awareness, Communication, Delegation, Motivation, and Coaching.

Core Leadership Essentials II

The second installment in our Flagship Leadership Development Program is designed for mid-level managers. It focuses on the leadership skills needed to support their transformation from leading teams to leading managers and works to help build skills in the areas of Strategy, Change, Presentation Skills, and Adaptive Leadership..

Business Leadership Program

This program is reserved for our senior business leaders and is designed to build these leaders' capability to lead Core Laboratories into the future. Working in partnership with the University of Rotterdam Erasmus School of Management to deliver this program, we are able to provide information in the areas of Leadership, Strategy and Customer Focus, Financial Management and Change Management. The nineteen-day program is delivered over a nine-month period, providing the participants time to digest the information which will enable them to apply the newly learned skills in the work environment.

Learning Management System

Core Lab's Learning Management System allows our employees to manage their learning on-line through their personalized transcript. They are able to browse for relevant training opportunities, register for training, and complete course evaluations through the system.

In 2019, Core Lab further enhanced the learning offered through our Learning Management System by partnering with a provider of online training programs. Through this partnership we are now able to provide over 70 additional courses to our employees around the globe and in multiple languages including English, Dutch, Spanish, German, French and Italian.

Engaging Employees

Why It's Important

We are a people driven company and, as a result, our employees are our greatest asset. We are committed to engaging our employees on our progress and core values that define us as a company. We believe that the more our people feel engaged and aligned to our business and goals, the more likely they are to invest and contribute to our success. We would not be the company we are today without our talented network of employees, it is critical that we demonstrate to them the importance of their contributions and value.

myCORE Experience

To drive understanding of our employment culture, the Company connected with various employees and managers around the globe to understand the Core Lab experience from their perspective. The results created a snapshot of the employee experience. It defines who we are and is used within the Company and publicly to tell our story.

Core Lab LINKEDiN Page

Our vision is to attract, connect and engage in a meaningful way with clients, employees, the global community and future talent by sharing the Core Lab story through social media partnerships. We want to grow our following using social media as a medium to share all the great things we accomplish.

CoreConnect

A communication initiative to drive connection and engagement between employees and executive leadership has been established.

The initiative has been branded as "CoreConnect" and shares information in different forms with the goal of continuous engagement. For example, a CoreConnect newsletter goes out quarterly to the approximately 4,300 employees. In addition, a live event is held annually which allows employees to ask questions to the executives in person.

These communications – periodic emails, quarterly newsletters, quarterly reports, and annual live events – are well received by Core Lab employees and these communications greatly benefit the overall corporate culture.

Total Rewards

Core's Performance Management & total Rewards Approach

Performance Management

As part of our workforce engagement strategies, Core Laboratories has established a Performance Management process. The objective of this process is to provide:

- Timely and planned feedback regarding performance in relation to the requirements of the position
- A management tool designed to ensure that organizational requirements are met by measuring, tracking and improving employee productivity and development
- A structured opportunity for management and the employee to discuss individual capabilities, career interests and development
- An objective basis for salary change recommendations related to the annual merit process or promotion considerations
- Tools for attracting, motivating and retaining a talented workforce that can achieve business results
- Our benefits programs are country-specific enabling our compensation programs to be designed to deliver competitive base salaries

Total Rewards

At Core Lab, we use a Total Rewards approach which is aligned to our business strategy and country-specific market influences. The basic foundation of our Total Compensation model is hinged on our three financial tenets, which have consistently driven our business results throughout our Company's history. We offer competitive compensation and benefit programs in each country where we operate.

Total Rewards at Core Lab not only encompasses competitive compensation and benefits, but also personal and professional growth opportunities within a global performance culture.

ENVIRONMENT PERFORMANCE

To protect the environment and its natural resources; it is the goal of Core Laboratories to be recognized by our clients, employees, and community as a responsible business committed to reducing impact on the environment in all business activities. We will:

- Comply with all applicable local, state, and federal environmental laws and regulations
- Be responsible for protective environmental management
- Focus on research and development of products that minimize impact on the environment
- Educate all employees on their roles and responsibilities for protecting the environment

Minimizing Environmental Impact

We recognize the diversity of the communities and people where we operate. We commit that we will act responsibly and will obey all applicable laws, minimize the impact of our operations on the environment, protect the communities' safety and respect cultural backgrounds.

Environmental Performance

The UN Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labor, environment and anti-corruption. By doing so, business, as a primary driver of globalization, can help ensure that markets, commerce, technology and finance advance in ways that benefit economies and societies everywhere. This ever-increasing understanding is reflected in the Global Compact's rapid growth. With over 8,700 corporate participants and other stakeholders from over 130 countries, it is the largest voluntary corporate responsibility initiative in the world. The Global Compact is global and local; private and public; voluntary yet accountable.

The Global Compact incorporates a transparency and accountability policy known as the Communication on Progress ("COP") which is mandatory to communicate to our stakeholders. In 2002, certain operations within our Reservoir Description business segment joined the United Nations ("UN") Global Compact.

Alternate Energy Sources

The Company may choose responsible alternative sources of electricity when there are options available, in contribution to our efforts to reduce greenhouse gas ("GHG") emissions. For example, we may have the option to use electricity from a renewable source in place of electricity generated from a non-renewable source, such as coal. A second alternative may be an option to select electricity sourced from natural gas (reduced GHG emissions) compared with electricity sourced from coal. As natural gas continues to be one of the most environmentally friendly and cost efficient fossil fuel sources of electricity, this reduces our environmental footprint.

In 2017, approximately 15% of the electricity used in the Advanced Technology Centers ("ATC") was sourced from renewables, a significant improvement over the 1% sourced from renewables in 2016. In 2018, this increased slightly to 16% of the ATC's total combined electricity from renewable sources, as per previous years associated with both Aberdeen and Houston partially sourcing electricity from renewable sources. Market-based scope 2 emissions have decreased by 5.9% and 7.3% for location-based. Across all 22 sites, 8% of electricity is sourced from renewables.

Environmental Training

Core Laboratories provides guidance to managers and employees regarding environmental issues. The Company provides employee training and conducts audits to ensure compliance. Each employee will be responsible for performing his/her job function with constant consideration of Core Laboratories' commitment to this policy.

Managing Environmental Impact

We recognize the diversity of the communities and people where we operate. We will act responsibly, obey all applicable laws, minimize the impact of our operations on the environment, protect the communities' health and safety, and respect cultural backgrounds.

Environmental Policy

Consistent with the requirements of Global Compact membership, it is the policy of Core Laboratories to conduct its business in a manner consistent with applicable environmental regulations.

In areas where environmental regulations do not exist, Core Laboratories will exercise practical care in its efforts to protect employees and preserve the environment. Country managers will manage their business in a manner consistent with established Company policies and applicable laws and regulations.

Biodiversity - Natural Lands

Our impact on biodiversity and the ecosystem where we operate is limited as we do not have locations that are in a natural, rural environment. Our biodiversity protection efforts are focused on ensuring we comply with good international industry practice ("GIIP") as well as local laws and regulations. In the event we do choose to add to our existing facilities or open new locations, our senior operating managers consider local biodiversity issues to ensure we exceed GIIP where possible. This biodiversity assessment is then reviewed by senior management before final approval is given for the new location.

Our Locations

Although operations outside of our offices are conducted on our clients' property, we continue to follow our corporate policies regarding health, safety and the environment as well as our Code of Ethics and Corporate Responsibility. Before opening a new location, impact to the environment and community are considered.

In the event we do leave a particular location, we ensure that the land and building are properly returned to their agreed condition. We also take steps to ensure that any potential environmental conditions have been dealt with as required by local regulation and standards.

Footprint – TRUCOST Report

Our Footprint

To better understand the Company impact, we engaged Trucost, a sustainability data company. With their expertise, we are able to assess Core Lab's operational and value chain GHG emissions in line with the World Resource Institute ("WRI")/World Business Council for Sustainable Development ("WBCSD") Corporate Standard (Scope 1 and 2) and Corporate Value Chain (Scope 3) Guidelines ("GHG Protocol").

The assessment allows us to report Scope 1, 2 and 3 GHG emissions in annual accounts and in the Carbon Disclosure Project ("CDP") Climate Change Questionnaire. In 2018, our CDP score increased to B- from our initial score in 2014 of D.

We have already been reporting company-wide Scope 1 and 2 GHG emissions to the CDP since 2014. Engaging Trucost allows us to improve our operational (Scope 1 and 2) GHG emission quantification methodology by integrating primary data.

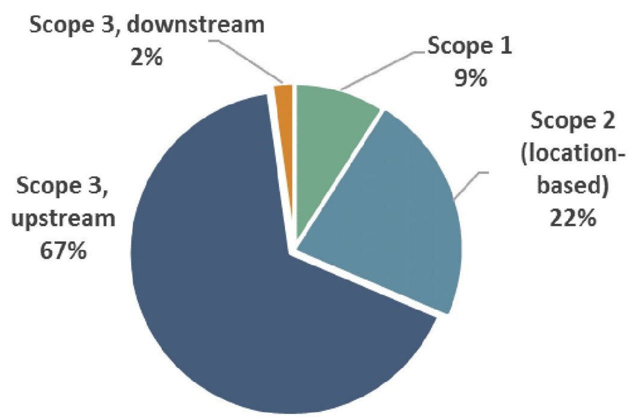
Furthermore, Trucost quantified Scope 3 GHG emissions according to the fifteen Scope 3 categories outlined in the Guidelines to help understand and disclose our Scope 3 emissions from a deep dive into our suppliers. In 2017, Core Laboratories increased our data collection boundary from the six ATCs to 22 locations worldwide. This increased collection has allowed Core Lab to begin carbon pricing and better understand our carbon impact thus better understand risk and opportunities as well. Finally, Trucost has helped us set science-based targets for our Scope 1 and 2 emissions. Science-based targets aim to help companies to work towards limiting the increase in global average temperatures to below 2°C, a limit agreed upon by leading climate scientists and governments to ensure long-term sustainability and profitability.

The charts below present the results and findings of the Trucost assessment of operational and value chain GHG emissions for the financial year of 2018.

Impact	Scope	FY2016	FY2017	FY2018	Change
Direct	Scope 1	2,122	2,277	2,869	26%
Indirect	Scope 2 (location-based)	7,013	6,564	4,551	-31%
Value Chain	Scope 3, upstream	9,716	11,516	10,429	-9%
	Scope 3, downstream	1081	611	937	53%
Total		**19,932**	**20,968**	**18,786**	**-10%**

2018 tCO_2e Emissions

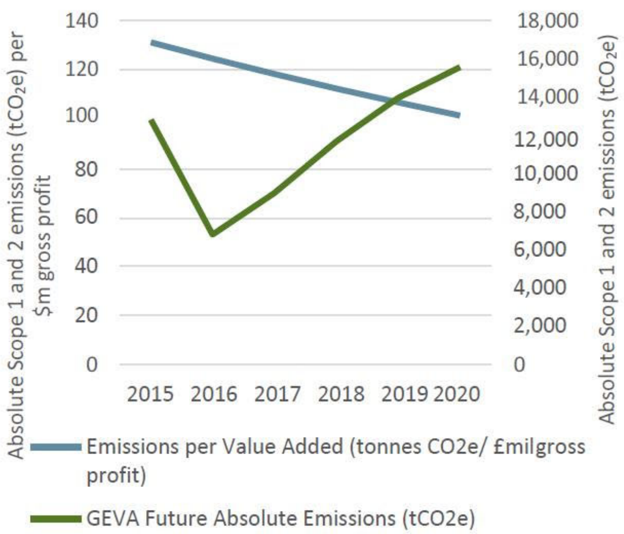
Scope 1: 2,869
Scope 2: 4,551
Scope 3: 11,336

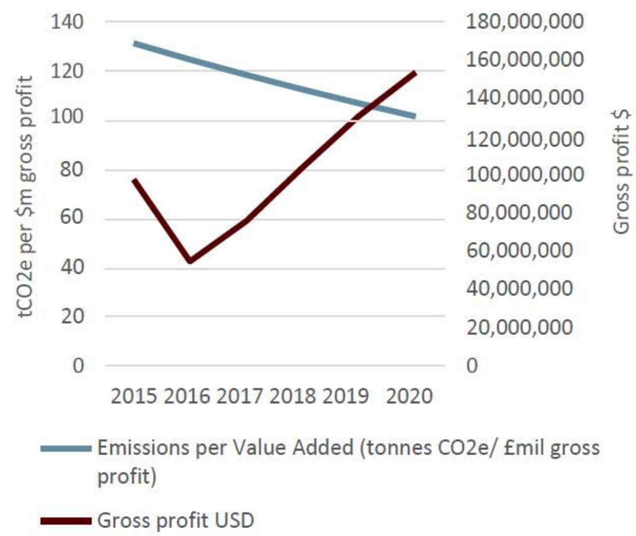


Science Based Target

According to Greenhouse gas emissions per unit of value added, "GEVA", until 2020 Core Lab's Scope 1 and 2 emissions can increase by 21% to 15,585 tCO_2e. The figures below show that the intensity (GHG emissions per $m gross profit) consistently decreases over the 5-year period the emissions increase are in line with the gross profit because the increase in gross profit is larger than the decline in emissions.

FIGURES 4 AND 5: GHG EMISSIONS (SCOPE 1 AND 2) AND GROSS PROFIT (GEVA, 2015 – 2020)





Impact	2015	2016	2017	2018	2019	2020
Scope 1 and 2 GHG emissions (tCO_2e)	12,853	9,135	8,841	7,420		
Emissions per Value Added (tCO_2e/ $m gross profit)	**131.23**	**125**	**118**	**113**	**107**	**102**
GEVA (1.7% reduction year on year)		-5.00%	-5.00%	-5.00%	-5.00%	-5.00%
GEVA Absolute Emission Reduction (tCO_2e)	**12,853**	**6,881**	**9,035**	**11,732**	**13,986**	**15,585**

Impact	Scope	Source	2015	2016	2017	2018
Direct	Scope 1	**Natural Gas Heating** (stationary energy)	1,968	1,549	1,093	1,206
		Vehicle Fuel Use (mobile transport)	44	128	426	426
		Refrigerants (fugitive emissions)	3,631	445	758	1,237
Indirect	Scope 2	**Electricity (location-based)**	7,211	7,013	6,564	4,551
		Electricity (market-based)	7,570	8,060	7,593	7,865
Total Operational Footprint(location-based)			**12,853**	**9,135**	**8,841**	**11,179**

Renewable Energy Procurement

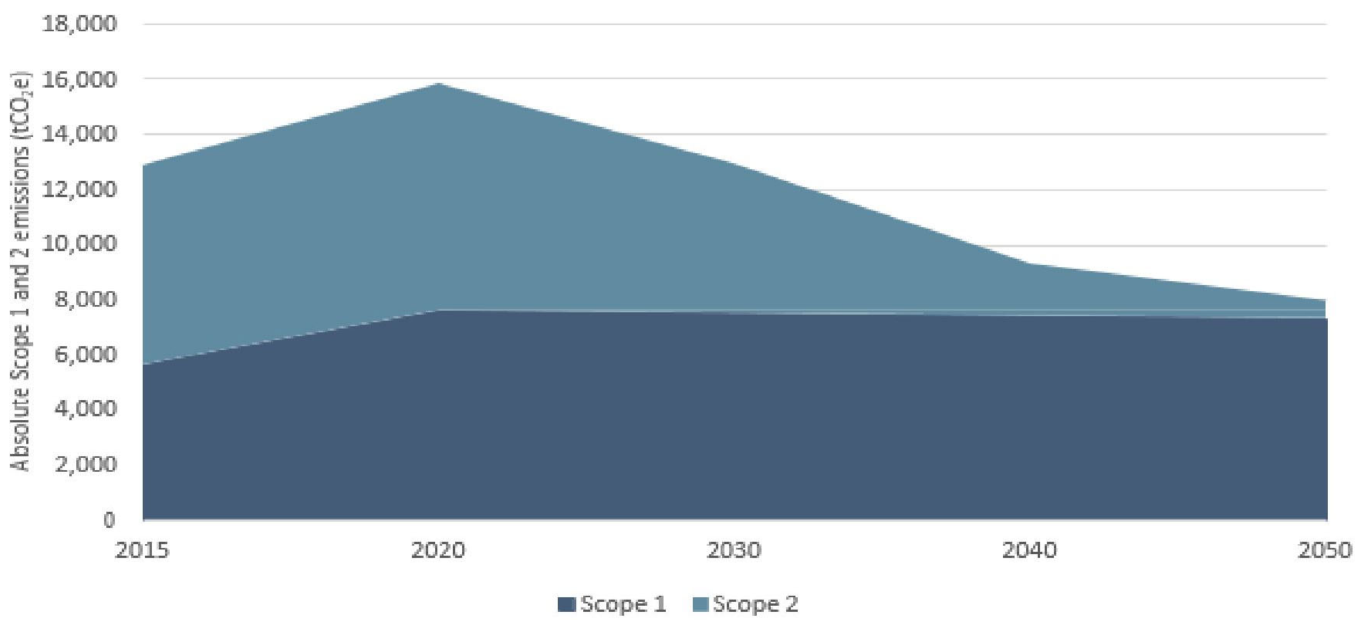
In 2016, only 1% of the electricity used was sourced from renewables. In 2017, Aberdeen increased this to almost half of its electricity procured. Moreover, Houston started sourcing from renewables resulting in 15% of the total combined electricity from renewable sources. Core Lab's transition towards renewable energy sourcing demonstrates significant contribution to emission reduction.

As the figure below shows, with an increase of emissions between 2015 and 2020, the decrease until 2050 must be larger, suggesting that gradually reducing the emissions from 2015 to 2050 would be a more efficient long-term strategy.

Both methods provide almost identical forecasts (with 1% difference) of absolute Scope 1 and 2 GHG emissions and show an increase in absolute Scope 1 and 2 emissions until 2020.

Changes in economic outlook, increased boundary collection and improved supplier data has indicated a need to update Science-Based Targets. Core Lab, with assistance from Trucost, will re-evaluate 2018 value chain footprint data to establish new 5-year targets in line with these changes.

Impact	Base Year	Target Year	% Increase
	2015	2020	
Scope 1 emissions (tCO2e)	5,642	7,598	35%
Scope 2 emissions (tCO2e)	7,211	8,207	14%
Scope 1+2 emissions (tCO2e)	12,853	15,806	23%



Value Chain GHG Emissions

In 2018, Core Lab's value chain (ATCs Scope 3) was responsible for the emissions of 11,366 metric tons of GHG emissions (tCO2e), about 60% of its total GHG inventory. The 2018 numbers will be available mid-2020. The majority of the value chain emissions came from upstream sources.

The table below presents a detailed breakdown of Core Lab's full value chain GHG emissions per Scope 3 category, highlighting the most relevant categories for Core Lab. The data represents the six ATC's for year-over-year comparison. Scope 3 data for all of the locations measured in 2017 and 2018 by Trucost are available in the Core Laboratories: Value Chain Footprint Financial Year 2018 Report, on our Environmental focus page.

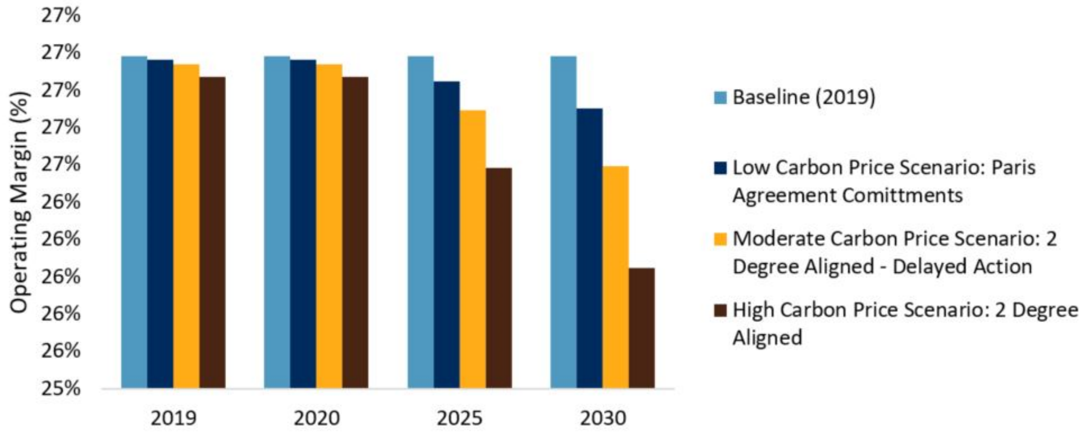
Value Chain Category (Scope 3)	2016 GHG Total tCO_2e	2017 GHG Total tCO_2e	Share %	2018 GHG Total tCO2e	Change %
Purchased goods and services	2,184	2,161	17.75%	2,542	18%
Capital goods	320	258	2.12%	327	27%
Fuel and energy related activities	2,856	3,615	29.69%	3,229	-11%
Upstream transportation and distribution	1,777	2,867	23.54%	2,477	-14%
Waste generated in operations	79	75	0.62%	67	-11%
Business travel	1,403	2,106	17.29%	1,386	-34%
Employee commuting	455	327	2.69%	322	-2%
Upstream leased assets	263	157	1.29%	78	-50%
Downstream transportation and distribution	N/A	N/A		N/A	0
Processing of sold products	N/A	N/A		N/A	0
Use of sold products	N/A	N/A		N/A	0
End of life treatment of sold products	N/A	N/A		N/A	0
Downstream leased assets	988	611	5.02%	N/A	53%
Franchises	N/A	N/A		937	0
Investment	N/A	N/A		N/A	0
Total	**10,325**	**12,087**		**11,366**	**-5.97%**

		2019			2020			2030		
Scenario		**Low**	**Moderate**	**High**	**Low**	**Moderate**	**High**	**Low**	**Moderate**	**High**
Total Carbon Pricing Cost Exposure	$US Million	$0.65	$1	$2	$0.65	$1	$2	$4	$7	$13
Total Carbon Pricing Risk	$US Million	$0.14	$0.30	$0.78	$0.14	$0.30	$0.78	$2	$4	$8
Forecast Operating Expenditure Multiplier	Ratio	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Forecast Change in Operating Margin	%	0%	0%	0%	0%	0%	0%	-1%	-2%	-4%

Scope: Scope 1, 2 & 3

Business Model Stress Test

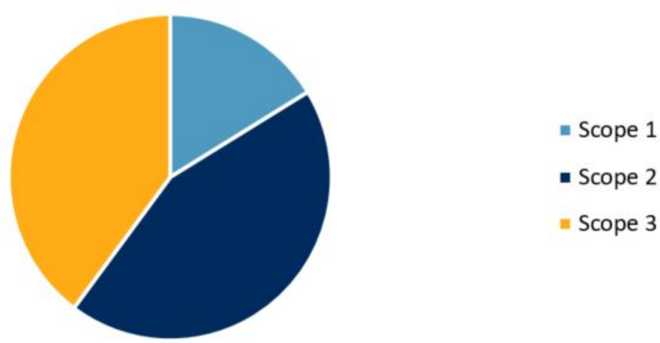
How could future carbon prices affect operating margins?



Scope: 1, 2 & 3

Carbon Pricing Risk Profile

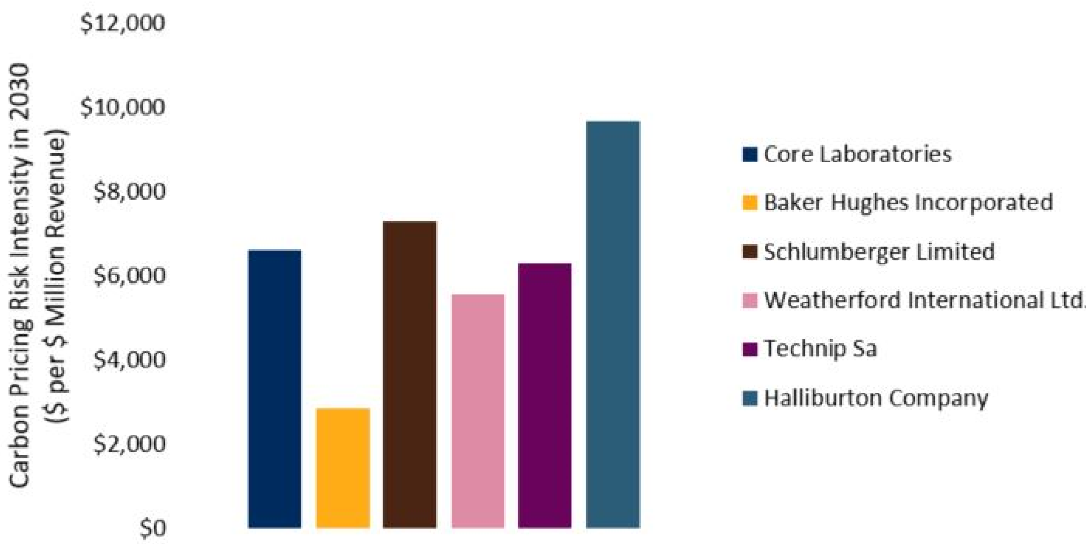
Which emissions scope could contribute most to carbon pricing risk in 2030?



Scenario: High Scope: 1, 2 & 3

Competitor Analysis

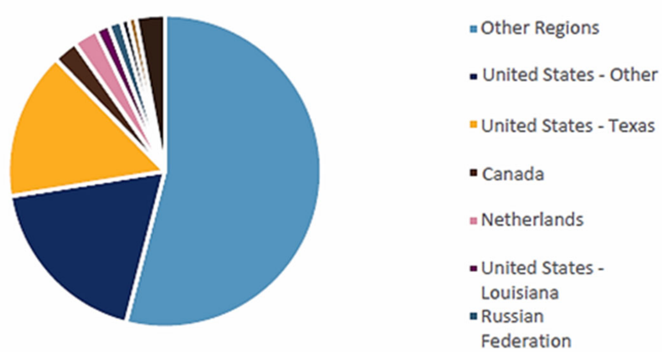
How does my 2030 carbon pricing risk compare to my competitors?



Scenario: High

Scope: Scope 1 & 2

Which emissions geographies could contribute most to carbon pricing risk in 2030?



Scenario: Moderate

Scope: Scope 1, 2 & 3

Benchmark Internal Carbon Price

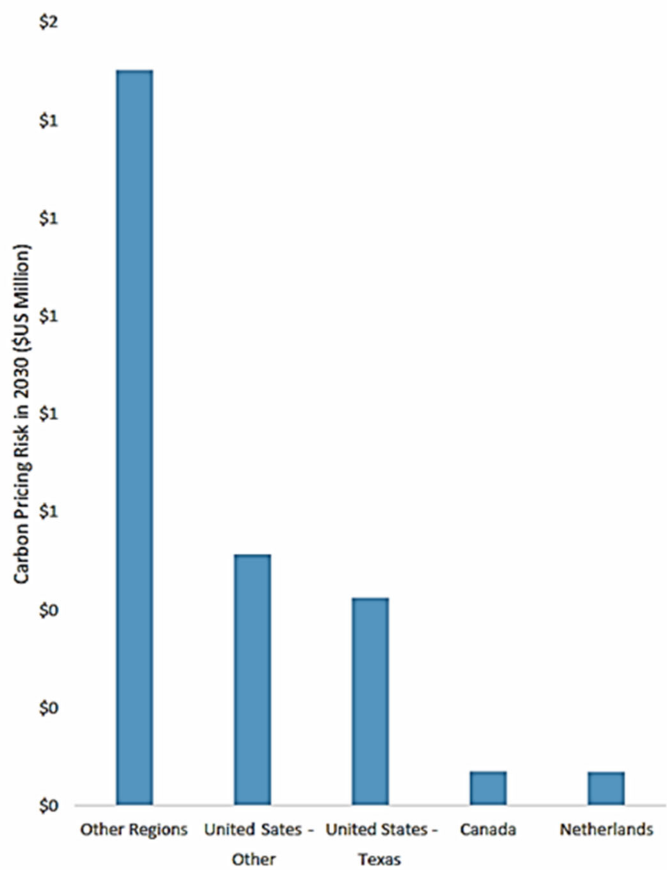
Benchmark internal carbon price designed to account for future potential increases in carbon pricing regulation across operating geographies

Scenario	Low	Moderate		High	
2020	$1	$3	-	$7	$/Tonne CO2e
2030	$18	$38	-	$72	$/Tonne CO2e
2040	$29	$59	-	$111	$/Tonne CO2e

Scope: Scope 1, 2 & 3

Top 5 Operating Geographies at Risk in 2030

Which operating geographies are at greatest potential risk due to rising carbon prices?



Scenario: Moderate

Scope: Scope 1 & 2

Our Changing Climate

Climate Change – Data Center Operation

Core Laboratories partners with Switch to operate our data platform 100% green. In 2018, Switch retired 178 Solar Renewable Energy Credits. Since 1 January 2016, Switch data centers have run on 100% renewable energy.

THIS CERTIFICATE IS PRESENTED TO

Core Lab
RESERVOIR OPTIMIZATION

Switch Sustainability Certificate

Core Laboratories LP is awarded this Sustainability Certificate for using 100% Renewable Energy within the Switch ecosystem. This certificate demonstrates that Switch retired 178 Solar Renewable Energy Credits in 2018 on behalf of Core Laboratories LP, making their energy consumption 100% Green at Switch's data center facilities.

These Renewable Energy Credits comply with Greenpeace's principles of locality, additionality, and sustainability, and were generated by Nevada solar farms in 2018.

Together, we can ensure that the data running our planet doesn't ruin the planet.

100%
RENEWABLE ENERGY
switch

Carbon Capture

Core Laboratories provides technologies to mitigate the risks of carbon emissions. Core Lab offers high-technology services that provide scientific data used when designing projects involving the injection of CO_2 into oil fields. In our laboratories, we study how CO_2 interacts with other fluids in the reservoir as well as how the CO_2 mobilizes residual oil within the reservoir. This provides two benefits which help our environmental eco-system: First, CO_2 can be captured from industrial complexes and injected into oil fields, effectively sequestering the CO_2 underground and reducing the amount of CO_2 emitted into the atmosphere. Second, the CO_2, once injected into the reservoir can improve the recovery rate of hydrocarbons from the reservoir – making the reservoir as efficient as possible by minimizing the amount of hydrocarbons trapped within that reservoir. Thus, the positive impact to the environment is not only the reduction of CO_2 in the atmosphere, but also the more energy-efficient and more environmentally friendly recovery from an existing reservoir.

SAFETY PERFORMANCE

To protect the health, lives and security of our employees, and those around us, we carefully assess and mitigate the risks of our business to make sure everyone is aware of the environment in which they operate. We will:

- Take a behavior based approach to Health and Safety
- Engineer better solutions and improvements on our existing services and products
- Empower employees to make smart decisions

To provide a safe work environment for all, safety does not just happen; it requires commitment by everyone from management to our field teams. Safety starts with a strong leadership team that is committed and accountable. It is our management's responsibility to set the tone and be the example. Core Laboratories' goal is to eliminate injuries from the work environment. We will:

- Continually provide training and education
- Achieve a zero accident culture
- Systematically identify risks, addressing them and follow up to closure

Executive Safety Summary

Safety Performance

Core Laboratories is committed and accountable for promoting a culture centric on the health and safety of our employees and the environment. We are pro-active towards identifying and managing risks through recognition, evaluation and education. We empower our employees by fostering a sense of responsibility for managing their own work environment through open communication and a management supported "zero accident" culture.

Core Laboratories is a leading service provider to oil and gas operations with a global presence and impact; we strive to respect the communities and environments in which we do business. We are committed and strive for a zero accident environment, which makes safety first in all of our locations and those of our clients.

In 2019, Core Lab recorded one of its best safety years having the lowest total recordable incident rate ("TRIR") ever recorded.

Most Importantly

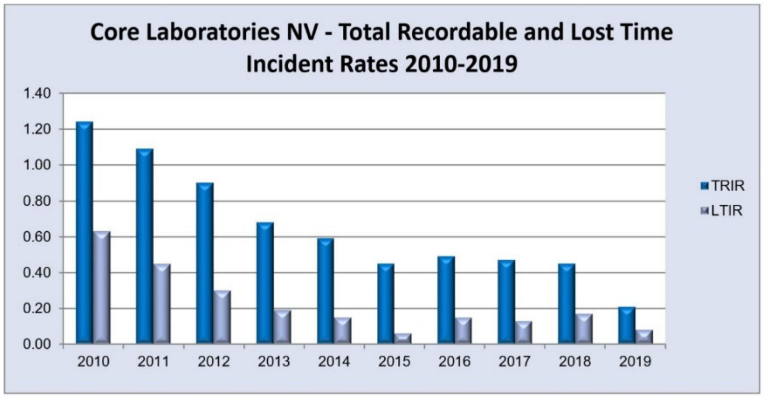
Core Lab recorded another year without a fatality. The number one goal of Core Laboratories is to prevent all incidents, but especially those with significant impact to the environment, our employees and their families.

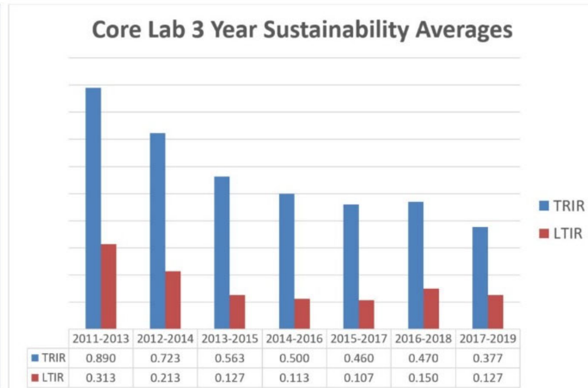
Safety Goals

Path to Zero

Core Laboratories will establish goals and targets based on 3-year averages. It is our view that sustainability of our safety program must be measured over longer periods of time and that high performance safety cultures display solid downward trends over time. Core Laboratories firmly believes trending of three-year averages best shows the sustainability of the safety program over time.

Trends for both lost time incident rates ("LTIR") and TRIR have showed movement towards growing sustainable safety cultures within all business units. Core Lab firmly believes trending of 3-year averages best shows the sustainability of the safety program over time by removing the short-term peaks and valleys. This provides a more stable and measurable TRIR or LTIR, avoiding safety expectations on performance based on just one good or bad year. Core Lab goals are set with the expectation of driving down these averages in 2020.





Other Safety Performance

For additional information concerning safety performance, please see Core Lab's 2019 Annual Sustainability Report at *https//corelab.com/cr/cms/docs/Core_Lab_Annual_Sustainability_Report_2019.pdf.*

REPORTING

Global Reporting Initiative

What We Report

Core Laboratories strives to provide transparent and meaningful information to shareholders, employees, clients and suppliers that reflect our continuing effort to decrease our use of limited resources while at the same time improving our productivity and sustainability.

We provide this information through the use of the latest Global Reporting Initiative format, currently G4 Guidelines. We also place internal resources on providing similar information to various Socially Responsible Investment ("SRI") rating firms located in the principal marketplaces around the globe. We report the information to the executive management and the Supervisory Board on a quarterly basis.

Our Approach

Given our smaller size compared to most other international service companies but with a significant number of locations in more than 50 countries, the effort to accumulate, distill, and report all of the requested SRI information can be a daunting task. Our approach is to report the most meaningful information that can be reliably determined from our locations that are of any significant size. While we have locations in 50 countries, we operate through six ATCs which make up the majority of our environmental footprint. Because our ATCs are representative of the Company as a whole, we have compiled their Environmental, Social and Governance data to be the basis for our reporting.

The Environmental Protection Agency

The Environmental Protection Agency ("EPA") has certain annual reporting requirements related to the quantities of petroleum fuels and blend stocks imported into or exported out of regulated areas. The EPA's regulation provides specific instructions regarding methods that can be used to determine quantities for imported and exported shipments. Core Laboratories will assist clients with these measurements used for their annual reporting.

Reporting requires petroleum product suppliers to use an appropriate method developed by a consensus-based standards organization, when such a standard exists, or industry standard practices to measure the shipment quantities.

In addition, suppliers of petroleum products must also ensure that equipment used to measure quantities of imported and exported fuel is calibrated and periodically re-calibrated according to the manufacturer's recommended procedures or by using an appropriate consensus-based industry standard method for calibration. Core Laboratories provides these approved measurement practices to ensure the proper reporting of greenhouse gases.

Non-Financial Performance Data

Performance Metric	Units	2019	2018	2017
LEADING INDICATORS				
HEALTH & SAFETY				
Total Observations(1)	#	1673	1327	1079
Total Stop Works(1)	#	235	168	131
Stop Work Significant Events	%	24	36	32
Near Accident Total	#	168	192	163
Near Accident: Recordable Incident Ratio	Ratio	3.52	4.11	3.59
Near Accident per Employee (NM/HC)	%	0.035	0.042	0.036
OHSAS 18001:2007 – Certified	#	3	4	4
ISO 17020 – Certified	#	9	8	8
ISA 17025 – Certified	#	44	40	3
ISO 9001:2015 – Certified	#	101	95	93
ISO 45001:2018 - Certified	#	25	15	0
ENVIRONMENTAL				
ISO 14001:2015 – Certified Sites	#	7	7	7
LAGGING INDICATORS				
HEALTH & SAFETY**				
Fatalities – Employees	#	0	0	0
Lost Time (LTIR)	Rate	0.08	0.17	0.13
Total Recordable (TRIR)	Rate	0.21	0.45	0.47
Days Away from Work Rate (DAFWCR)	Rate	0.19	0.32	0.32
Days Away from Work Cases	#	4	8	6
Restricted Duty/Days Cases	#	5	7	9
Medical Treatment Cases	#	1	7	7
Non-Recordable Cases	#	90	57	49
TRANSPORTATION				
Motor Vehicle Accident (MVA) Improved Reporting YOY	Count	74	45	39
ENVIRONMENTAL				
Spills				
Total Vol. of Spills – Oil and Chemicals	Barrels	None	None	None
Total No. of Spills – Oil and Chemicals	#	None	None	None
No. of Spills > 1 barrel (42G) (outside containment)	#	None	None	None
Volume of Spills > 1 barrel (42G) (outside containment)	Barrels	None	None	None
GHG Emissions				
Scope 1	Metric Ton CO2e	May-20	4541	3800
Scope 2	Metric Ton CO2e	May-20	11114	11984
Scope 3	Metric Ton CO2e	May-20	33174	34276
SOCIAL				
# of Employees at Year End				
% Women in Executive & Senior Management	%	17	16	11
% Women in Science & Technology	%	39	34	34
% Women in Middle/Other Management	%	19	19	23
% Women in Global Population	%	23	23	23
Local Content				
% Employees in US	%	32	30	27
% Employees International	%	68	70	73
Training				
Ethics and Compliance				
Global Anti-Corruption and Export Controls	%	97	96	88

Global Ethics Training Completion		%		93		92		91

(1)Increases in the recorded numbers contributed by the global roll-out and improvement of electronic reporting capability in 2018.

Environmental and Occupation Safety and Health Regulations

We are subject to stringent governmental laws and regulations, both in the United States and other countries, pertaining to protection of the environment and occupational safety and health. Compliance with environmental legal requirements in the United States at the federal, state or local levels may require acquiring permits to conduct regulated activities, incurring capital expenditures to limit or prevent emissions, discharges and any unauthorized releases, and complying with stringent practices to handle, recycle and dispose of certain wastes. Additionally, our operations in the United Sates are subject to stringent occupational safety and health laws and regulations, which are intended to protect worker health and safety. Foreign countries in which we conduct operations may also have analogous controls that regulate our environmental and worker safety-related activities, which controls may impose additional or more stringent requirements. Consistent with our quality assurance and control principles, we have established proactive environmental and worker safety policies in the United States and foreign countries for the management, handling, recycling or disposal of chemicals and gases and other materials and wastes resulting from our operations. Failure to comply with these laws and regulations may result in the assessment of administrative, civil and criminal penalties, the imposition of remedial or corrective obligations, the occurrence of delays or cancellations in the permitting or performance of projects and the issuance of injunctive relief in affected areas. Historically, our environmental and worker safety compliance costs have not had a material adverse effect on our results of operations; however, there can be no assurance that such costs will not be material in the future or that such future compliance will not have a material adverse effect on our business or results of operations.

New, modified or stricter enforcement of environmental laws and regulations could be adopted or implemented that significantly increase our compliance costs, pollution mitigation costs, or the cost of any remediation of environmental contamination that may become necessary, and these costs could be material. Our clients are also subject to most, if not all, of the same laws and regulations relating to environmental protection and occupational safety and health in the United States and in foreign countries where we operate. Consequently, to the extent these environmental compliance costs, pollution mitigation costs or remedial costs are incurred by our clients, those clients could elect to delay, restrict or cancel drilling, exploration or production programs, which could reduce demand for our products and services and, as a result, have a material adverse effect on our business, financial condition, results of operations, or cash flows.

Our and our clients' compliance with such existing, or any new or amended legal requirements that are placed into effect and applicable in areas where we or our clients conduct operations, could result in our or our clients incurring significant additional expense and operating restrictions. Our costs may not be fully recoverable from our clients and, thus, could reduce net income. To the extent any such existing or future legal requirements result in increased costs or restrictions or cancellation in the operation of our clients, to whom we provide our services, such developments could reduce demand for our products and services and have an indirect material adverse effect on our business.

Additionally, our analytical and manufacturing processes involve the handling and use of numerous chemicals and gases as well as the generation of wastes. Spills or other unauthorized releases of these chemicals, gases, and wastes at our facilities, whether by us or prior owners or operators, or at offsite locations where we transport them for recycling or disposal, could subject us to environmental liability, either from the applicable government agency or private landowners or other third parties. Such liabilities could be strict, joint and several, as is applicable in the United States under such laws as the federal Comprehensive Environmental Response, Compensation and Liability Act and the federal Resource Conservation and Recovery Act. This could also include costs of cleaning up chemicals and wastes released into the environment and for damages to persons, properties or natural resources. As a result of such actions, we could be required to remove previously disposed wastes (including wastes disposed of or released by prior owners or operators), remediate environmental contamination (including contaminated groundwater), and undertake measures to prevent future contamination. We may not be able to recover some or any of these remedial or corrective costs from insurance.

RISK MANAGEMENT

Our forward-looking statements are based on assumptions that we believe to be reasonable but that may not prove to be accurate. All of our forward-looking information is, therefore, subject to risks and uncertainties that could cause actual results to differ materially from the results expected. All known, material risks and uncertainties are discussed below.

Trends and Developments

Our business and operations are substantially dependent upon the condition of the global oil and gas industry. Future downturns in the oil and gas industry, or in the oilfield services business, may have a material adverse effect on our financial position, results of operations or cash flows.

Nature of Oil and Gas Industry

The oil and gas industry is highly cyclical and has been subject to significant economic downturns at various times as a result of numerous factors affecting the supply of and demand for oil and natural gas, including the level of capital expenditures of the oil and gas industry, the level of drilling activity, the level of production activity, market prices of oil and gas, economic conditions existing in the world, interest rates and the cost of capital, environmental regulations, tax policies, political requirement of national governments, coordination by the Organization of Petroleum Exporting Countries ("OPEC"), cost of producing oil and natural gas, and technological advances.

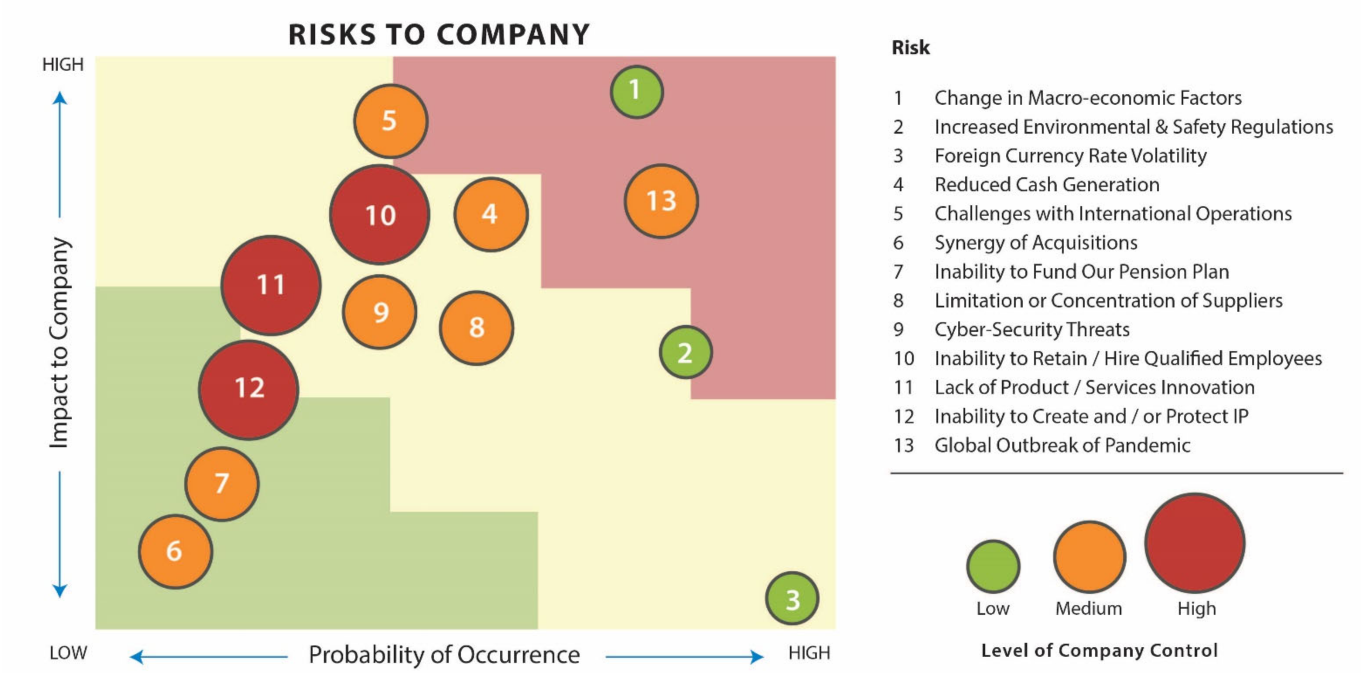
The events occurring during first quarter of 2020 associated with the novel coronavirus ("COVID-19") pandemic and global government mandated shut-downs, home sheltering and social distancing policies have caused a significant decline in the demand for crude oil, which has also resulted in a high degree of uncertainty about future demand and the future price for crude oil. The over-supply of oil resulting from reduced demand related to COVID-19 is compounded by the recent actions of foreign oil producers, such as Saudi Arabia and Russia. The OPEC nations, Russia and other oil producing nations continue to work towards negotiating and implementing potential reductions to current levels of oil production. If such negotiations are successful and executed, these actions could help to improve the balance of the supply with the demand of crude oil in the mid-term and longer-term. However, there can be no assurance that an agreement will be reached or that the reductions in production will be enough to significantly improve commodity prices. As a result, it is anticipated that the activity associated with the energy markets and our clients will remain low and the commodity price of crude oil will also continue to be depressed and volatile for the remainder of 2020.

Risk Management Approach and Financial Reporting Risks

Our Management Board is responsible for ensuring that the Company complies with all relevant legislation and regulations. It is responsible for proper financing of the Company and the management of the risks that the Company is facing. It reports on and accounts for internal risk management and control systems to the Supervisory Board and its Audit Committee. Within the Company, risk management forms an integral part of business management. The Company's risk and control policy is designed to provide reasonable assurance that strategic objectives are met by creating focus, by integrating management control over the Company's operations, by ensuring compliance with legal requirements and by safeguarding the reliability of the financial reporting and its disclosures. The Company's risk management approach is embedded in the periodic business planning and review cycle. With respect to financial reporting a structured self-assessment and monitoring process is used company-wide to assess, document, review and monitor compliance with internal control over financial reporting. On the basis of risk assessments, operating division and business management determines the risks related to the achievement of business objectives and appropriate risk responses in relation to business processes and objectives.

Our Management Board is responsible for internal control in the Company and has implemented a risk management and control system that is designed to ensure that significant risks are identified and to monitor the realization of operational and financial objectives of the Company. Furthermore, the system is designed to ensure compliance with relevant laws and regulations. The Company has designed its internal control system in accordance with the recommendations of the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), which recommendations are aimed at providing a reasonable level of assurance.

The Supervisory Board, through the Audit Committee, has performed oversight in the assessment of significant risks, internal controls and the effectiveness of disclosure controls and procedures of the Company.



Significant Risk Factors

Global pandemic caused by the spread of COVID-19 or future possibilities of similar pandemics

As of March 2020, the vast and accelerated spread of the COVID-19 virus has resulted in significant disruptions to the global economy. The retraction and, in some instances shutting-down of certain countries or regions has and will continue to have a very significant impact to both international and domestic organizations. Core Laboratories is considered an essential business associated with the energy industry, and thus operations have continued throughout the pandemic mitigation actions across the globe. The recent events and impact to the global economy associated with COVID-19 have resulted in an elevated level of risk for several of the topics described below. The following narrative is not meant to be an exhaustive list of all impacted aspects of our business, but a summary of some of the more significant aspects which have already been impacted and are more measurable at this current time.

Downturns in the oil and gas industry, or in the oilfield services business, may have a material adverse effect on our financial condition or results of operations.

The oil and gas industry is highly cyclical and demand for the majority of our oilfield services and products is substantially dependent on the level of expenditures by the oil and gas industry for the exploration, development and production of crude oil and natural gas reserves, which are sensitive to oil and natural gas prices and generally dependent on the industry's view of future oil and gas prices. There are numerous factors affecting the supply of and demand for our services and products, which are summarized as:

- general and economic business conditions, including market prices of oil and gas and expectations about future prices;
- the adoption of legal requirements or taxation;
- changes in existing laws, regulations or other governmental actions;

- cost of producing and the ability to deliver oil and natural gas;
- the level of drilling and production activity;
- financial condition of our client base and their ability to fund capital expenditures;
- coordination by the OPEC;
- weather conditions and the physical effects of climatic change;
- major outbreak of global pandemic and restricting mobilization of field personnel;
- civil unrest or political uncertainty in oil producing or consuming countries;
- level of consumption of oil, gas and petrochemicals by consumers;
- availability of services and materials for our clients to grow their capital expenditures and to deliver product to market; and
- availability of materials and equipment from key suppliers.

The oil and gas industry has historically experienced periodic downturns, which have been characterized by diminished demand for our oilfield services and products and downward pressure on the prices we charge. A significant downturn in the oil and gas industry could result in a reduction in demand for oilfield services and could adversely affect our operating results.

Changes in macro-economic factors impacting the oil and gas industry may negatively affect our ability to accurately predict client demand, which could cause us to hold excess or obsolete inventory and experience a reduction in gross margins and financial results.

We cannot accurately predict which or what level of our services and products our clients will need in the future. Orders are placed with our suppliers based on forecasts of client demand and, in some instances, we may establish buffer inventories to accommodate anticipated demand. Our forecasts of client demand are based on multiple assumptions, each of which may introduce errors into the estimates. In addition, many of our suppliers require a longer lead-time to provide products than our clients demand for delivery of our finished products. If we overestimate client demand, we may allocate resources to the purchase of materials or manufactured products that we may not be able to sell when we expect to, if at all. As a result, we could hold excess or obsolete inventory, which would reduce gross margin and adversely affect financial results. Conversely, if we underestimate client demand or if insufficient manufacturing capacity is available, we could miss revenue opportunities and potentially lose market share and damage our client relationships. In addition, any future significant cancellations or deferrals of service contracts or product orders could materially and adversely affect profit margins, increase product obsolescence and restrict our ability to fund our operations.

We depend on the results of our international operations, which expose us to risks inherent in doing business abroad.

We conduct our business in over 50 countries.

Our operations, and those of our clients, are subject to the various laws, regulations and other legal requirements of those respective countries as well as various risks peculiar to each country, which may include, but are not limited to:

- global economic conditions;
- political actions and requirements of national governments including trade restrictions, embargoes, seizure, detention, nationalization and expropriations of assets;
- interpretation of tax statutes and requirements of taxing authorities worldwide, including the United States, routine examination by taxing authorities and assessment of additional taxes, penalties and/or interest;
- trade and economic sanctions, tariffs or other restrictions imposed by the European Union, the United States or other countries;
- civil unrest;
- acts of terrorism;
- fluctuations and changes in currency exchange rates (see section below);
- the impact of inflation;
- difficulty in repatriating foreign currency received in excess of the local currency requirements; and

- current conditions in oil producing countries such as Venezuela, Nigeria, Libya, Iran and Iraq considering their potential impact on the world markets.

Historically, economic downturns and political events have resulted in lower demand for our services and products in certain markets. The continuing instability in the Middle East and North Africa and the potential for activity from terrorist groups that the U.S. government has cautioned against have further heightened our exposure to international risks. The global economy is highly influenced by public confidence in the geopolitical environment and the situation in the Middle East and North Africa continues to be highly fluid; therefore, we expect to experience heightened international risks.

Our results of operations may be significantly affected by foreign currency exchange rate risk.

We are exposed to risks due to fluctuations in currency exchange rates. By the nature of our business, we derive a substantial amount of our revenue from our international operations, subjecting us to risks relating to fluctuations in currency exchange rates. We attempt to limit our exposure to foreign currency fluctuations by limiting the amount in which our foreign contracts are denominated in a currency other than the U.S. dollar to an amount substantially equal to the expenses expected to be incurred in such foreign currency. However, the ultimate decision as to the proportion of the foreign currency component within a contract usually resides with our clients. We have not historically engaged in and are not currently engaged in any significant currency hedging or trading transactions designed to compensate for adverse currency fluctuations.

Our results of operations may be adversely affected because our efforts to comply with applicable anti-corruption laws such as the United States' Foreign Corrupt Practices Act (the "FCPA") and the United Kingdom's Anti-Bribery Act (the "ABA") could restrict our ability to do business in foreign markets relative to our competitors who are not subject to these laws.

We operate in many parts of the world that have experienced governmental corruption to some degree and, in certain circumstances, strict compliance with anti-bribery laws may conflict with local customs and practices. We may be subject to competitive disadvantages to the extent that our competitors are able to secure business, licenses or other preferential treatment by making payments to government officials and others in positions of influence or through other methods that we are prohibited from using.

We are subject to the regulations imposed by the FCPA and the ABA, which generally prohibits us and our intermediaries from making improper payments to foreign officials for the purpose of obtaining or keeping business. In particular, we may be held liable for actions taken by our strategic or local partners even though our partners are not subject to these laws. Any such violations could result in substantial civil and/or criminal penalties and might adversely affect our business, results of operations or financial condition. In addition, our ability to continue to work in these parts of the world discussed above could be adversely affected if we were found to have violated certain laws, including the FCPA and the ABA.

If we are not able to develop or acquire new products or our products become technologically obsolete, our results of operations may be adversely affected.

The market for our services and products is characterized by changing technology and product introduction. As a result, our success is dependent upon our ability to develop or acquire new services and products on a cost-effective basis and to introduce them into the marketplace in a timely manner. While we intend to continue committing substantial financial resources and effort to the development of new services and products, we may not be able to successfully differentiate our services and products from those of our competitors. Our clients may not consider our proposed services and products to be of value to them; or if the proposed services and products are of a competitive nature, our clients may not view them as superior to our competitors' services and products. In addition, we may not be able to adapt to evolving markets and technologies, develop new products, or achieve and maintain technological advantages.

If we are unable to continue developing competitive products in a timely manner in response to changes in technology, our businesses and operating results may be materially and adversely affected. In addition, continuing development of new products inherently carries the risk of inventory obsolescence with respect to our older products.

We are subject to the risk of supplier concentration.

Certain of our product lines depend on a limited number of third party suppliers and vendors available in the marketplace. As a result of this concentration in some of our supply chains, our business and operations could be negatively affected if our key suppliers were to experience significant disruptions affecting the price, quality, availability or timely delivery of their products. For example, we have a limited number of vendors for our manufactured product lines. The partial or complete loss of any one of our key suppliers, or a significant adverse change in the relationship with any of these suppliers, through consolidation or otherwise, would limit our ability to manufacture and sell certain of our products.

If we are unable to obtain patents, licenses and other intellectual property rights covering our services and products, our operating results may be adversely affected.

Our success depends, in part, on our ability to obtain patents, licenses and other intellectual property rights covering our services and products. To that end, we have obtained certain patents and intend to continue to seek patents on some of our inventions, services and products. While we have patented some of our key technologies, we do not patent all of our proprietary technology, even when regarded as patentable. The process of seeking patent protection can be long and expensive. There can be no assurance that patents will be issued from currently pending or future applications or that, if patents are issued, they will be of sufficient scope or strength to provide meaningful protection or any commercial advantage to us. In addition, effective copyright and trade secret protection may be unavailable or limited in certain countries. Litigation, which could demand significant financial and management resources, may be necessary to enforce our patents or other intellectual property rights. Also, there can be no assurance that we can obtain licenses or other rights to necessary intellectual property on acceptable terms.

There are risks relating to our acquisition strategy. If we are unable to successfully integrate and manage businesses that we have acquired and any businesses acquired in the future, our results of operations and financial condition could be adversely affected.

One of our key business strategies is to acquire technologies, operations and assets that are complementary to our existing businesses. There are financial, operational and legal risks inherent in any acquisition strategy, including:

- increased financial leverage;
- ability to obtain additional financing;
- increased interest expense; and
- difficulties involved in combining disparate company cultures and facilities.

The success of any completed acquisition will depend on our ability to effectively integrate the acquired business into our existing operations. The process of integrating acquired businesses may involve unforeseen difficulties and may require a disproportionate amount of our managerial and financial resources. In addition, possible future acquisitions may be larger and for purchase prices significantly higher than those paid for earlier acquisitions. No assurance can be given that we will be able to continue to identify additional suitable acquisition opportunities, negotiate acceptable terms, obtain financing for acquisitions on acceptable terms or successfully acquire identified targets. Our failure to achieve consolidation savings, to incorporate the acquired businesses and assets into our existing operations successfully or to minimize any unforeseen operational difficulties could have a material adverse effect on our financial condition and results of operation.

We are subject to a variety of environmental and occupational safety and health laws and regulations, which may result in increased costs and significant liability to our business.

We are subject to a variety of stringent governmental laws and regulations, both in the United States and foreign countries relating to protection of the environment, and occupational health and safety. Certain of these laws and regulations may impose joint and several, strict liability for environmental liabilities, such as the remediation of historical contamination or recent spills, and failure to comply with such laws and regulations could result in the assessment of damages, fines and penalties, the imposition of remedial or corrective action obligations, the occurrence of delays or cancellations in permitting or development of projects, or the suspension or cessation of some or all of our operations. These stringent laws and regulations could require us to acquire permits or other authorizations to conduct regulated activities, install and maintain costly equipment and pollution control technologies, impose specific safety and health standards addressing work protection, or to incur costs or liabilities to mitigate or remediate pollution conditions caused by our operations or attributable to former owners or operators.

Additionally, our clients are also subject to most, if not all, of the same laws and regulations relating to environmental protection and occupational safety and health in the United States and in foreign countries where we operate. To the extent existing environmental laws and regulations or any new or more stringently enforced environmental legal requirements significantly increase our clients' compliance costs, pollution mitigation costs or remedial costs, our clients could elect to delay, restrict or cancel drilling, exploration or production programs, which could reduce demand for our products and services and have a material adverse effect on our business, financial condition, results of operations, or cash flows. For example, hydraulic fracturing continues to attract considerable public and governmental attention, both in the United States and in foreign countries, resulting in various controls applied to fracturing activities.

Hydraulic fracturing is a process used by oil and gas exploration and production operators in the completion of certain oil and gas wells whereby water, sand or other proppants and chemical additives are injected under pressure into subsurface formations to stimulate gas and, to a lesser extent, oil production. Some countries outside the United States, such as Bulgaria, the Czech Republic and France, currently have imposed moratoria on hydraulic fracturing while other countries, such as the United Kingdom, allow fracturing activities but those activities are not as widely pursued as they are in the United States. In the United States, the fracturing process is typically regulated by state oil and gas commissions, but several federal agencies have asserted regulatory authority over certain aspects of the process. Additionally, a growing number of states have adopted, and other states are considering adopting, legal requirements that could impose more stringent disclosure, permitting and/or well construction requirements on hydraulic fracturing operations, and local governments may also seek to adopt ordinances within their jurisdictions regulating the time, place and manner of hydraulic fracturing activities.

If new or more stringent federal, state or local legal restrictions related to the hydraulic fracturing process are adopted in areas where our exploration and production clients' operate, those clients could incur potentially significant added costs to comply with such requirements and experience delays or curtailment in the pursuit of exploration, development or production activities, which could reduce demand for our products and services.

We may be unable to attract and retain skilled and technically knowledgeable employees, which could adversely affect our business.

Our success depends upon attracting and retaining highly skilled professionals and other technical personnel. A number of our employees are highly skilled engineers, geologists and highly trained technicians, and our failure to continue to attract and retain such individuals could adversely affect our ability to compete in the oilfield services industry. In periods of high utilization, there may be a shortage of skilled and technical personnel available in the market, potentially compounding the difficulty of attracting and retaining these employees. As a result, our business, results of operations and financial condition may be materially adversely affected.

The Company has established a program to attract, develop and retain a talented workforce. We actively encourage competency development as essential towards professional and career development for our employees.

We encourage share ownership by awarding various long-term equity incentive awards under the 2014 Long-Term Incentive Plan, consisting of the Performance Share Award Program and the Restricted Share Award Program. We believe that widespread common share ownership by key employees is an important means of encouraging superior performance and employee retention. Additionally, our equity-based compensation programs encourage performance and retention by providing additional incentives for employees to further our growth, development and financial success over a longer time horizon by personally benefiting through the ownership of our common shares and/or rights.

We require a significant amount of cash to service our indebtedness, make capital expenditures, fund our working capital requirements and pay our dividend, and our ability to generate cash may depend on factors beyond our control.

Our ability to make payments on and to refinance our indebtedness, to fund planned capital expenditures, and pay our dividend depends, in part, on our ability to generate cash in the future. This ability is, to a certain extent, subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control.

No assurance can be given that we will generate sufficient cash flow from operations or that future borrowings will be available to us in an amount sufficient to enable us to service and repay our indebtedness or to fund our other liquidity needs. If we are unable to satisfy our debt obligations, we may have to undertake alternative financing plans, such as refinancing or restructuring our indebtedness, selling assets, reducing or delaying capital investments or seeking to raise additional capital. We cannot assure that any refinancing or debt restructuring would be possible or, if possible, would be completed on favorable or acceptable terms, that any assets could be sold or that, if sold, the timing of the sales and the amount of proceeds realized from those sales would be favorable to us or that additional financing could be obtained on acceptable terms.

Disruptions in the capital and credit markets could adversely affect our ability to refinance our indebtedness, including our ability to borrow under our existing revolving credit facility ("Credit Facility"). Banks that are party to our existing Credit Facility may not be able to meet their funding commitments to us if they experience shortages of capital and liquidity or if they experience excessive volumes of borrowing requests from us and other borrowers within a short period of time.

Because we are a Netherlands company, it may be difficult for you to take legal action against our supervisory directors or us and it may not be possible to obtain or enforce judgments against us.

Although we are a Netherlands company, our assets are located in a variety of countries. In addition, not all members of our supervisory board of directors are residents of the same countries as other supervisory directors. As a result, it may not be possible for you to effect service of process within certain countries upon our supervisory directors, or to enforce against our supervisory directors or use judgments of courts of certain countries predicated upon civil liabilities under a country's federal securities laws. Because there is no treaty between certain countries and the Netherlands providing for the reciprocal recognition and enforcement of judgments, some countries' judgments are not automatically enforceable in the Netherlands or in the United States, where the principal market for our shares is located. In addition, there is doubt as to whether a court in one country would impose civil liability on us or on the members of our supervisory board of directors in an original action brought against us or our supervisory directors in a court of competent jurisdiction in another country and predicated solely upon the federal securities laws of that other country.

Our operations are subject to the risk of cyber-attacks that could have a material adverse effect on our consolidated results of operations and consolidated financial condition.

Our information technology systems are subject to possible breaches and other threats that could cause us harm. Although we devote significant resources to protect our systems, there can be no assurance that our systems will prevent or limit the effects of cyber-attacks or will be sufficient to prevent or detect, or to avoid a material adverse impact on our systems when such attacks do occur. If our systems for protecting against cyber-attacks prove not to be sufficient, we could be adversely affected by loss or damage of intellectual property, proprietary information, client data, our reputation, interruption of business operations, or additional costs to prevent, respond to, or mitigate cyber-attacks. These risks could have a material adverse effect on our business, consolidated results of operations, and consolidated financial condition.

Quantitative and Qualitative Disclosures about Risks

Market Risk

We are exposed to market risk, which is the potential loss arising from adverse changes in market prices and rates. We do not believe that our exposure to market risks, which are primarily related to interest rate changes, is material.

Interest Rate Risk

We maintain certain debt instruments at a fixed rate whose fair value will fluctuate based on changes in interest rates and market perception of our credit risk. The fair value of our debt at 31 December 2019 and 2018 approximated the book value.

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. One of the swap agreements with a value of $25 million expired in 2019. The remaining swap agreement fixes the LIBOR portion of the interest rate at 2.50% through 29 August 2024. This swap is measured at fair value and recorded in our consolidated Statement of Financial Position as an asset or liability. It is designated and qualifies as a cash flow hedging instrument and is highly effective. Unrealized gains and losses are deferred to shareholders' equity as a component of accumulated other comprehensive income (loss) and are recognized in the statement of financial position as an increase or decrease to interest expense in the period in which the related cash flows being hedged are recognized in expense.

From time to time, we are exposed to interest rate risk on our Credit Facility debt for amounts outstanding in excess of $25 million, which carries a variable interest rate. At 31 December 2019, we had an outstanding balance of $132 million. A 10% change in interest rates would not have a material impact on our results of operations or cash flows.

Foreign Currency Risk

We operate in a number of international areas which exposes us to foreign currency exchange rate risk. We do not currently hold or issue forward exchange contracts or other derivative instruments for hedging or speculative purposes (a foreign exchange contract is an agreement to exchange different currencies at a given date and at a specified rate). Foreign exchange gains and losses are the result of fluctuations in the U.S. dollar ("USD") against foreign currencies and are included in other (income) expense in the statements of operations. We recognized foreign exchange losses in countries where the USD weakened against the local currency and we had net monetary liabilities denominated in the local currency, as well as in countries where the USD strengthened against the local currency and we had net monetary assets denominated in the local currency. We recognized foreign exchange gains in countries where the USD strengthened against the local currency and we had net monetary liabilities denominated in the local currency, as well as in countries where the USD weakened against the local currency and we had net monetary assets denominated in the local currency.

Credit Risk

Our financial instruments that potentially subject us to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. Substantially all cash and cash equivalents are on deposit at commercial banks or investment firms. Our trade receivables are with a variety of domestic, international and national oil and gas companies. Management considers this credit risk to be limited due to the creditworthiness and financial resources of these financial institutions and companies.

GOVERNANCE

Management Board

The Company has a two-tier board structure consisting of a Management Board and a Supervisory Board, each of which must consist of at least one member under the Company's Articles of Association. Under Dutch law, the Supervisory Board's duties include supervising and advising the Management Board in performing its management tasks

The Management Board consists of one managing director, Core Laboratories International B.V. ("CLIBV"), an affiliate of the Company. As a Managing Director, CLIBV's duties include overseeing the management of the Company, consulting with the Supervisory Board on important matters and submitting certain important decisions to the Supervisory Board for its prior approval. CLIBV receives no remuneration for serving as the Company's Managing Director.

The Supervisory Board

The Supervisory Board currently consists of seven Directors that exercise oversight of management with the Company’s interests in mind. The Board is divided into three classes, with each class subject to re-election every third year by the shareholders at the annual meeting. Mr. David M. Demshur serves as the Company's Chief Executive Officer and as Chairman of the Supervisory Board ("Chairman of the Board"). Given the size of the Company, we believe our shareholders are well served by having Mr. Demshur hold the Chief Executive Officer role along with being Chairman of the Board; and that this is the most effective leadership structure for us at the present time. We also note that within our industry, the common practice is for the same person to hold both positions. We believe this structure has served us well for many years.

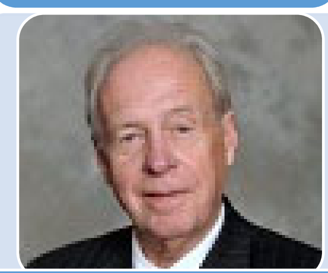
David M. Demshur
American, 64, Male
Chairman of the Board and Chief Executive Officer
Chief Executive Officer and Supervisory Director since our Initial Public Offering
Current Term expires in 2020

Lawrence V. Bruno
American, 60, Male
Director & Officer
President, Chief Operating Officer
Supervisory Director since 2018
Current Term expires 2021

Gregory B. Barnett
American, 58, Male
Member, Compensation Committee and NGCR Committee
Supervisory Director since 2019
Current Term expires 2022

Martha Z. Carnes
American, 59, Female
Chairman, Audit Committee
Supervisory Director since 2016
Current Term expires 2022

Margaret A. van Kempen
Dutch, 67, Female
Chairman, NGCR Committee
Member, Compensation Committee
Supervisory Director since 2012
Current Term expires 2021



Jan Willem Sodderland
Dutch, 78, Male
Lead Director since 2017
Member, Audit Committee
Supervisory Director since 2011
Current Term expires 2020

Michael Straughen
British, 69, Male
Chairman, Compensation Committee
Member, Audit Committee
Supervisory Director since 2016
Current Term expires 2022

The Lead Director

During sessions without the Chairman, Mr. Jan Willem Sodderland conducts the meetings of directors in the role of our Lead Director. The Lead Director has leadership authority and responsibilities and sets the agenda for, and leads, all executive sessions of the independent directors, providing consolidated feedback, as appropriate, from those meetings to the Chairman of the Board. Mr. Sodderland has served on the Supervisory Board since 2011 and as Lead Director since 2017. Prior to that, he served as a non-employee managing director of the Company's sole managing director, CLIBV. He is deemed to be independent from the Company (according to applicable regulatory standards, as well as by shareholder advisory services such as Institutional Shareholder Services ("ISS") and Glass-Lewis), due to the fact that he has never been an employee of the Company nor any of its affiliates and his service on the management board of the Company's sole management board is the equivalent of serving as a Supervisory Director.

The Board, Risk Management and Evaluation

In its role in the risk oversight of the Company, the Supervisory Board oversees our stockholders' interest in the long-term health and overall success of the Company and its financial strength. The Supervisory Board sets the highest standards to ensure policies and practices are well aligned with shareholder and stakeholder interests. The Supervisory Board oversees and guides the Company to oversee all areas of corporate governance, including ESG factors, risk management, financial performance and corporate citizenship. The Supervisory Board's three committees is composed solely of independent directors. Each of our Supervisory Board committees considers the risks within its areas of responsibilities. The Supervisory Board and each of our Supervisory Board committees regularly discuss the potential financial impact of risks and the steps we should take to manage them. Detailed information about the Supervisory Board and its three committees may be found on our website at https://www.corelab.com/cr/governance.

Each year, as outlined in the Nominating, Governance and Corporate Responsibility Committee's Charter, a review is conducted of the performance of the Supervisory Board, its committees and management. The annual review process is conducted for the purpose of helping to improve the effectiveness of both the Supervisory Board and the committees.

Independence

In connection with determining the independence of each Supervisory Director of the Company, the Supervisory Board inquired as to any transactions and relationships between each Supervisory Director and his or her immediate family and the Company and its affiliates, and reviewed and discussed the results of such inquiry. The purpose of this review was to determine whether any such relationships or transactions were material and, therefore, inconsistent with a determination that a Supervisory Director is independent, under the standards set forth by the NYSE and, to the extent consistent therewith, the Dutch Corporate Governance Code, as currently amended (the "Dutch Code"). Under the Dutch Code, the Supervisory Board is to be composed of members who are able to act critically and independently of each other and of the Management Board.

With regard to Messrs. Barnett and Straughen and Ms. Carnes and Mme. van Kempen, none have ever held any position with the Company or any of its affiliates apart from their service on the Supervisory Board and its committees and all qualify as independent under the NYSE Listed Company Manual section 303A.02. With regard to Mr. Sodderland, he served as a non-employee managing director of CLIBV, an affiliate of the Company, until his election to the Supervisory Board of the Company in May 2011, at which time he resigned from that position with CLIBV and his position as a non-employee director of other Dutch affiliates of the Company. He has qualified as independent under the NYSE Listed Company Manual section 303A.02 since 2014 and was deemed to be independent under the Dutch Code upon his re-appointment to the Supervisory Board in 2017.

As a result of this review, and after finding no material transactions or relationships among the following Supervisory Directors and the Company, the Supervisory Board affirmatively determined that each of Messrs. Barnett, Sodderland and Straughen as well as Ms. Carnes and Mme. van Kempen are independent under the applicable standards described above.

Meetings

The Supervisory Board held four meetings in 2019. All Supervisory Directors participated in 100% of the 2019 Supervisory Board meetings. All Supervisory Directors participated in 100% of the meetings in 2019 of all committees on which he or she serves. Under our Corporate Governance Guidelines, Supervisory Directors are expected to diligently fulfill their fiduciary duties to the Company, including preparing for, attending and participating in meetings of the Supervisory Board and the committees of which the Supervisory Director is a member. In 2019, all Supervisory Directors attended the annual shareholder meeting.

Our non-executive Supervisory Directors meet separately in executive session without any members of management present. The Lead Director is the presiding Supervisory Director at each such session. If any of our non-executive Supervisory Directors were to fail to meet the applicable criteria for independence, then our independent Supervisory Directors would meet separately at least once a year in accordance with the rules of the NYSE.

An overview of the attendance of Supervisor Board members per meeting is found in the following table.

Member	Supervisory Board Meeting	Audit Committee Meeting	Compensation Committee Meeting	NGCR Committee Meeting *
David Demshur	4/4			
Lawrence Bruno	4/4			
Jan Willem Sodderland	4/4	5/5		
Gregory Barnett (1)	3/4		1/3	2/3
Martha Carnes	4/4	5/5		
Michael Straughen	4/4	5/5	3/3	
Margaret A. van Kempen	4/4		3/3	3/3

**Nominating, Governance and Corporate Responsibility Committee*
(1) Mr. Barnett was elected to the Board of Supervisory Directors at the 2019 annual shareholder meeting.

The Company Secretary is also the secretary of the Supervisory Board and its sub-committees. The Management Board and the Company Secretary attended all meetings of the Supervisory Board.

Committees of the Supervisory Board

The Supervisory Board has three standing committees, the identities, memberships and functions of which are described below. Each Supervisory Director who is at the time "independent" and who has never served as a director of any affiliate of the Company may be considered for Committee assignment at any time during their term, as determined by the Supervisory Board. In accordance with the Dutch Code, any Supervisory Director who is at the time "independent", but who has previously served as a director of any affiliate of the Company, may be considered for Committee assignment, as determined by the Supervisory Board, at the earlier of: (a) five years after they last served as an affiliate director or (b) they are not classified as "non-independent" at the time of their nomination and election. The Committees report to the Supervisory Board during each of the board meetings.

Member	Audit Committee	Compensation Committee	NGCR Committee
Jan Willem Sodderland	✓		
Gregory Barnett		✓	✓
Martha Carnes	Chairman		
Michael Straughen	✓	Chairman	
Margaret A. van Kempen		✓	Chairman

Audit Committee

The current members of the Audit Committee are Ms. Martha Carnes (Chairman), Mr. Michael Straughen and Mr. Jan Willem Sodderland.

Each member of the Audit Committee is independent, as defined by Section 10A of the Exchange Act of 1934, as amended (the "Exchange Act") and by the corporate governance standards set forth by the NYSE and, to the extent consistent therewith, the Dutch Code. Ms. Carnes, the Chairman of the Audit Committee, is financially literate and qualifies as an audit committee financial expert under the rules promulgated pursuant to the Exchange Act.

The Audit Committee held five meetings in 2019. A copy of the Audit Committee's written charter may be found on the Company's website at *http://www.corelab.com/cr/governance.*

The Audit Committee's focus in 2019 was, among other things, overseeing the integrity and quality of our financial reporting and the effectiveness of the internal risk management and internal control systems. The Audit Committee reviewed the Company's annual and interim financial statements, including non-financial information, the quarterly results and the accompanying press releases as well as the outcomes of the year-end US GAAP and IFRS audits.

The Audit Committee extensively discussed the effectiveness of the internal control framework in accordance with the U.S. Sarbanes-Oxley Act. This included monitoring the scoping, framework updates, control execution and control assessments. The Audit Committee discussed management's assessment of the results from the test of design and test of effectiveness of internal controls over financial reporting. Internal Audit's charter was reviewed and approved by the Audit Committee. The Audit Committee engaged an independent third party to perform quality assessment and effectiveness review of the function. The most recent review performed completed in 2018 and concluded that the function is compliant with the Chartered Institute of Internal Auditors Standards in all material aspects.

Furthermore, the Audit Committee reviewed and approved the audit plans of the internal and external auditors, including scoping, materiality levels and the fees of the external auditor. The Audit Committee monitored the progress of the internal and external audit activities including review of observations identified as a result of the internal audit activities over each quarter, quarterly procedures performed by the external auditor, and the audit performed at year-end by the external auditor. The Audit Committee oversaw the follow-up by the Board on the recommendations made in the internal and external management letters. The Audit Committee also evaluated the performance of the external auditor at the end of 2019, including a review of their independence.

The Audit Committee closely monitored risk management and the risk-management process, including the timely follow-up of high-priority actions based on quarterly progress updates.

After each in-person meeting, the Audit Committee held one-to-one meetings with the internal and external auditors. The external auditor and the internal auditor attended all Audit Committee meetings.

With respect to the external auditor's communication over the 2019 financial year, the Audit Committee confirms that the communication contained no significant items that need to be mentioned in this Annual Report.

Compensation Committee

The current members of the Compensation Committee are Mr. Michael Straughen (Chairman), Ms. Margaret van Kempen, and Mr. Gregory Barnett. The Supervisory Board has determined that each of the members of the Compensation Committee is (i) independent under the NYSE's rules governing Compensation Committee membership; (ii) a "non-executive director" under Rule 16b-3 of the Exchange Act; and (iii) an "outside director" under Section 162(m) of the Internal Revenue Code of 1986, as amended (the "IRS Code").

The Compensation Committee's principal functions, which are discussed in detail in its charter, include: (i) a general review of our compensation and benefit plans to ensure that they are properly designed to meet corporate objectives, (ii) reviewing and approving the compensation of our Chief Executive Officer and our senior executive officers, (iii) granting of awards under our benefit plans and (iv) adopting and changing major compensation policies and practices. In addition to establishing the compensation for the chief Executive Officer, the Compensation Committee reports its recommendations to the whole Supervisory Board for approval. Pursuant to its charter, the Compensation Committee has the authority to delegate its responsibilities to other persons.

The Compensation Committee periodically retains a consultant to provide independent advice on executive compensation matters and to perform specific project-related work. The Compensation Committee engaged Pearl Meyer & Partners, LLC ("Pearl Meyer") to provide information on pay levels and program design for 2019. Pearl Meyer has reported to and acted at the direction of the Compensation Committee. In connection with its engagement of Pearl Meyer, based on the information presented to it, the Compensation Committee assessed the independence of Pearl Meyer pursuant to applicable SEC and NYSE rules and concluded that the firm's work for the Compensation Committee did not raise any conflict of interest for 2019.

The Compensation Committee held three meetings in 2019. A copy of the Compensation Committee charter may be found on the Company's website at *http://www.corelab.com/cr/governance.*

Nominating, Governance and Corporate Responsibilities Committee

The current members of the NGCR Committee are Ms. Margaret van Kempen (Chairman) and Mr. Gregory Barnett.

The NGCR Committee's principal functions, which are discussed in detail in its charter, include: (i) recommending candidates to the Supervisory Board for election or appointment as Supervisory Director, (ii) advising about, and recommending to the Supervisory Board, an appropriate set of corporate governance and social responsibility practices, (iii) reviewing and overseeing compliance with the Company's corporate governance and social responsibility policies; and (iv) leading the Supervisory Board in its annual review of the performance of the Supervisory Board, its committees and management. The NGCR Committee also regularly discusses a succession plan for senior executive management. Each member of the NGCR Committee is independent as defined by the corporate governance standards of the NYSE.

The NGCR Committee held three meetings in 2019. A copy of the NGCR Committee Charter may be found on the Company's website at *http://www.corelab.com/cr/governance.*

Qualifications of Supervisory Directors

The NGCR Committee has the responsibility to make recommendations to the Board of Supervisory Directors of candidates for the Supervisory Board that the NGCR Committee believes will perform well in that role and maximize shareholder and stakeholder value. In considering suitable candidates for that position, the NGCR Committee considers, among other factors, the person's reputation, knowledge, experience, integrity, independence, skills, expertise, business and governmental acumen and time commitments. In addition to considering these factors on an individual basis, the NGCR Committee considers how these factors contribute to the overall variety and mix of attributes of our Supervisory Board as a whole so that the members of our Supervisory Board collectively possess the diverse knowledge and complementary attributes necessary to oversee our business. Supervisory Directors should be excellent representatives of the Company and be able to provide a wide range of management and strategic advice and be someone that the Company can count on to devote the required time and attention needed from members of the Supervisory Board. In the case of current Supervisory Directors being considered for re-nomination, the NGCR Committee will also take into account the Supervisory Director's tenure as a member of our Supervisory Board; the Supervisory Director's history of attendance at meetings of the Supervisory Board and committees thereof; the Supervisory Director's preparation for and participation in all meetings; and the Supervisory Director's contributions and performance as a member of the Supervisory Board.

Dutch legislation that took effect on 1 January 2013 requires “large companies”, such as Core Laboratories, to have a balanced gender distribution whereby at least 30% of the seats of the Board are held by men and at least 30% of the seats of the Board are held by women. The Company is required to take the above allocation of seats into account upon the appointment, re-appointment, recommendation or nomination of Board members. The Company’s Supervisory Board is currently not in compliance with this legislation but will again be in compliance after the annual meeting of shareholders to be held 20 May 2020, if the nominees for the Board of Supervisory Directors are duly elected by the shareholders. The Company will continue to look for ways to nominate the best candidates available and to have a diverse, experienced and highly qualified Board.

Five of the seven members of the Supervisory Board are considered independent under applicable SEC, NYSE and Dutch Code standards. For this year's annual meeting and election, the NGCR Committee believes the candidates possess the characteristics outlined above and bring to the Supervisory Board valuable skills that enhance the Supervisory Board's ability to manage and guide the strategic affairs of the Company in the best interests of our shareholders and our other stakeholders.

Consistent with Dutch legislation that took effect on 1 January 2013, at the time of their election or re-election to the Supervisory Board, all members of the Supervisory Board will be serving on no more than five supervisory directorships in other “large companies” as defined under Dutch law, whereby a chairmanship in such company counts as two directorships.

Supervisory Director Nomination Process

The NGCR Committee, the Chairman of the Board, the Chief Executive Officer, or a Supervisory Director identifies a need to add a new Supervisory Board member that meets specific criteria or to fill a vacancy on the Supervisory Board. The NGCR Committee also reviews the candidacy of existing members of the Supervisory Board whose terms are expiring and who may be eligible for reelection to the Supervisory Board. The NGCR Committee also considers recommendations for nominees for directorships submitted by shareholders as provided below:

- If a new Supervisory Board member is to be considered, the NGCR Committee initiates a search by seeking input from other Supervisory Directors and senior management, and hiring a search firm, if necessary. An initial slate of candidates that will satisfy specific criteria and otherwise qualify for membership on the Supervisory Board are identified by or presented to the NGCR Committee, which ranks the candidates.

- Members of the NGCR Committee review the qualifications of prospective candidate(s), and the Chairman of the Board, the Chief Executive Officer, and all other Supervisory Board members have the opportunity to review the qualifications of prospective candidate(s);
- Shareholders seeking to recommend Supervisory Director candidates for consideration by the NGCR Committee may do so by writing to the Company's Secretary in care of Core Laboratories LP, 6316 Windfern Road, Houston, TX 77040, giving the recommended candidate's name, biographical data and qualifications. The NGCR Committee will consider all candidates submitted by shareholders no later than the 60th day before the date on which the 2020 annual meeting will be held. At this point, the Company anticipates conducting the 2020 annual meeting in May 2020;
- The NGCR Committee recommends to the Supervisory Board the nominee(s) from among the candidate(s), including existing members of the Supervisory Board whose terms are expiring and who may be eligible for reelection to the Supervisory Board, and new candidates, if any, identified as described above; and
- The nominee(s) are nominated by the Supervisory Board.

Related Person Transactions

Related person transactions have the potential to create actual or perceived conflicts of interest between the Company and its Supervisory Directors and key management personnel or their immediate family members. Under its charter, the Audit Committee is charged with the responsibility of reviewing with management and the independent registered public accountants (together and/or separately, as appropriate) insider and affiliated party transactions and potential conflicts of interest. The Audit Committee has delegated authority to review transactions involving employees, other than our key management personnel, to our general counsel. We identify such transactions by distributing questionnaires annually to each of our Supervisory Directors, officers and employees.

In deciding whether to approve a related person transaction, the following factors may be considered:

- information about the goods or services proposed to be or being provided by or to the related party or the nature of the transaction;
- the nature of the transaction and the costs to be incurred by the Company or payments made to the Company;
- an analysis of the costs and benefits associated with the transaction and a comparison of comparable or alternative goods or services that are available to the Company from unrelated parties;
- the business advantage the Company would gain by engaging in the transaction; and
- an analysis of the significance of the transaction to the Company and to the related person.

To receive approval, the related person transaction must be on terms that are fair and reasonable to the Company, and which are on terms as favorable to the Company as would be available from non-related entities in comparable transactions. The Audit Committee requires that there is a Company business interest supporting the transaction and the transaction meets the same Company standards that apply to comparable transactions with non-related entities. The Audit Committee has adopted a written policy that governs the approval of related person transactions.

There were no transactions that occurred during fiscal year 2019 in which, to our knowledge, the Company was or is a party, in which the amount involved exceeded $120,000, and in which any director, director nominee, key management personnel, holder of more than 5% of our common shares or any member of the immediate family of any of the foregoing persons had or will have a direct or indirect material interest.

Compensation Committee Interlocks and Insider Participation

During 2019, no executive officer served as:

- a member of the compensation committee (or other Supervisory Board committee performing equivalent functions or, in the absence of any such committee, the entire Supervisory Board of Directors) of another entity, one of whose named executive officers served on our Compensation Committee;
- a member of the compensation committee (or other Supervisory Board committee performing equivalent functions or, in the absence of any such committee, the entire Supervisory Board of Directors) of another entity, one of whose named executive officers served as one of our Supervisory Directors; or

- a director of another entity, one of whose named executive officers served on our Compensation Committee or the board of directors of one of our subsidiaries.

Communications with Directors; Website Access to Our Corporate Documents

Shareholders or other interested parties can contact any Supervisory Director or committee of the Board of Supervisory Directors by directing correspondence to them in care of Mark F. Elvig, Secretary, in care of Core Laboratories LP, 6316 Windfern Road, Houston, Texas 77040. Comments or complaints relating to the Company's accounting, internal controls or auditing matters will be referred to members of the Audit Committee.

Our Internet address is *www.corelab.com*. Our Corporate Governance Guidelines, Code of Ethics and Corporate Responsibility and the charters of our Supervisory Board committees are available on our website. We will also furnish printed copies of such information free of charge upon written request to our Investor Relations department (investor.relations@corelab.com).

Corporate Governance

Core Laboratories maintains a corporate governance page on its website that includes key information about corporate governance initiatives, including Corporate Governance Guidelines, a Code of Ethics and Corporate Responsibility, and Committee charters for the Audit, Compensation, and NGCR committees of the Supervisory Board. The corporate governance page can be found at *http://www.corelab.com/cr/governance*.

Core Laboratories' policies and practices reflect corporate governance initiatives that are designed to comply with SEC rules, the listing requirements of the NYSE and the Euronext Amsterdam, the corporate governance requirements of the Sarbanes-Oxley Act of 2002 and to the extent not inconsistent therewith, the Dutch Corporate Governance Code 2016, including:

- All non-executive Supervisory Board members are deemed independent under the NYSE rules;
- All members of the Audit Committee, Compensation Committee and NGCR Committee are non-executives and are independent;
- The charters of the Supervisory Board committees clearly establish their respective roles and responsibilities;
- The Board of Supervisory Directors has adopted corporate governance policies; and
- Core Laboratories has a code of ethics and corporate responsibility that applies to all employees and Supervisory Board members

Dutch Corporate Governance Code

The Company is subject to corporate governance requirements in the Netherlands. The Management Board and the Supervisory Board of Core Lab support the principles and best practice provisions of corporate governance set out in the Dutch Code as amended in December 2016 and effective as per 1 January 2017. In addition, as a listed company on the NYSE, we are also required to certify to the NYSE whether or not the Company is or has been acting in violation of NYSE Corporate Governance listing standards.

The Dutch Code contains principles of good corporate governance supported by "best practice" provisions. The Dutch Code emphasizes the principles of integrity, transparency and accountability as the primary means of achieving good corporate governance. Listed Dutch N.V. companies are required to disclose in their annual report and accounts how they intend to incorporate the principles of the Dutch Code or, where relevant, to explain why they do not. The Management Board and the Supervisory Board regularly monitor the Dutch Code and generally agree with its fundamental principles.

In view of the Company's U.S. listing, the Company has to comply with all the relevant requirements relating to corporate governance and disclosure under U.S. securities laws and NYSE rules. As a consequence, the Company's obligations under those rules and regulations may differ from a substantive point of view with some of the best practices of the Dutch Code. To the extent such difference exists, the Company's requirements under U.S. securities law or NYSE rules will prevail. For efficiency considerations, the Company wishes to prevent double compliance burdens with respect to the Dutch Code which may arise as a consequence of its dual listing where possible and as such, the Company deviates from certain best practices of the Dutch Code where the U.S. securities laws or the NYSE rules provide for or prescribe a different approach. The Company intends to continue to monitor the developments in corporate governance and shall take such steps as it considers appropriate to further implement the principles and best practice provisions of the Dutch Code. For the full text of the Dutch Code, see *http://www.mccg.nl*.

Compliance with the Dutch Corporate Governance Code

The Company applies the major part of the principles and provisions of the Dutch Code, in so far as they are applicable, with the exceptions listed hereafter.

Where reference is made in the Dutch Code to reports, profiles or other documents, such documentation may not exist; however, the principles of the Dutch Code are being followed - subject to deviations as explained below - and the information to be contained in such reports, profiles and other documentation is set-out in the Company's Proxy Statement, which is published on the Company's website at *http://www.corelab.com/investors/sec-filings* or *https://www.corelab.com/investors/cms/docs/proxy/2020_proxy_document.pdf*.

The corporate governance structure of the Company is not explained in a separate chapter of the consolidated financial information under IFRS in the annual report for 31 December 2019 ("Dutch annual report"). However, information about our corporate governance strategies and values and information about our Board of Supervisory Directors can be found in prior chapters of this report. The corporate governance structure of the Company is explained in the Corporate Governance Guidelines which the Company adopted pursuant to the Rule 303A.09 of the NYSE, and which are described in the Company's publicly available Proxy Statement. A copy of the Corporate Governance Guidelines is available on the Company's website at *http://www.corelab.com/cr/governance.*

Best practice provision 1.4.3

The Company's risk management and internal control system is designed to determine risks in relation to the achievement of operational and financial business objectives and appropriate risk responses. The Management Board believes that it is in compliance with the requirements of recommendations 1.4.3 of the Dutch Code, taking into account the recommendation of the Corporate Governance Code Monitoring Committee on the application thereof.

Principles 1.6 and 1.7 and the relevant Best practice provisions

The audit committee is responsible for the supervision of the independence of the auditors and does conduct an assessment of the functioning of the external auditor. In addition, the Company complies with Section 10A(m)(6) of the U.S. Exchange Act which requires the audit committee, in its capacity as a committee of the members of the Supervisory Board, to be directly responsible for the appointment, compensation, retention and oversight of the work of any registered public accounting firm engaged (including resolution of disagreements between management and the auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the listed issuer. The Company also complies with Rules 303A.06 and 303A.07 of the NYSE, which demands additional requirements regarding the composition and independence of the audit committee.

Best practice provision 1.7.6

The external auditor of the Company has a separate meeting with the audit committee shortly after or before the Supervisory Board meeting to discuss the report of the U.S. auditor, the Dutch auditor and to approve the financial statements. The Company does comply with Section 10A(m)(6) of the U.S. Exchange Act and the Dutch Civil Code.

Best practice provision 2.1.2

The information mentioned in this provision is or will be provided in the Company's publicly available Proxy Statement. A copy of the Proxy Statement is available on the Company's website at *http://www.corelab.com/investors/sec-filings* or *https://www.corelab.com/investors/cms/docs/proxy/2020_proxy_document.pdf*.

Best practice provisions 2.1.7, 2.1.8 and 2.1.9

In 2019, five of the seven Supervisory Board members met the criteria for independence as set forth in Best Practice 2.1.8 of the Dutch Code. The Supervisory Board members that are not considered independent under the standard set forth in Best

Practice 2.1.8 of the Dutch Code and served on the Supervisory Board for at least a portion of 2019 are David Demshur, Chief Executive Officer ("CEO"), and Lawrence Bruno, President and COO. Mr. Demshur has served on the Company's Supervisory Board of Directors since the Company's initial public offering in 1995 and subsequent listing on the NYSE in 1998 and Euronext Amsterdam in 2012. Given his experience and important contributions to the Company and its business, the Supervisory Board considers his service on the Supervisory Board to be valuable. Also, given the Company's size and its activities, the Supervisory Board considers that having two members of management serve as members of the Supervisory Board provides for the most efficient Supervisory Board leadership structure for the Company at the present time. Furthermore, it is noted that all five non-executive Supervisory Board members meet the standard for independence as set forth by the NYSE. The Company publishes a statement on the independence (using the SEC's definition thereof) of its members of the Supervisory Board in the Proxy Statement provided annually to its shareholders. Therefore, the Company does not include a statement in relation thereto in the Dutch annual report.

Principle 2.2.1 and the relevant Best practice provisions

The sole member of the Management Board of the Company is CLIBV. The composition of the management board of the latter company changes from time to time. Certain members of the management board of CLIBV have been in office for a longer period than four years in order to have a continuing overview with respect to the ongoing corporate formalities.

Best practice provision 2.2.4

In 2011, the non-executive members of the Supervisory Board who were serving at that point had served for an average of twelve years. In 2011, the Company instituted a Supervisory Board succession plan, which was completed in 2017, such that the average service term of the non-executive members on the Supervisory Board is now five and one-half years. In addition to bringing new members to the Supervisory Board, the succession plan brought increased diversity to the Board. The Company does not have a current retirement schedule for the Supervisory Board; however, the Supervisory Board consists of seven Supervisory Directors in three classes who serve three-year terms and the Company is committed to a more regular rotation of Board members while maintaining the diversity it has achieved.

Best practice provision 2.2.5

The NGCR Committee's principal functions, which are discussed in detail in its charter, include recommending candidates to the Supervisory Board for election or appointment as Supervisory Director and advising about, and recommending to the Supervisory Board, an appropriate set of corporate governance practices. Since CLIBV is the sole member of the Management Board in the Company's governance structure, the nominating and governance committee does not focus on drawing up selection criteria and appointment procedures for management board members or proposals for appointment or reappointment of such management board members. However, the nominating and governance committee does focus on the Company's policy regarding selection criteria and appointment procedures for the CEO and, together with the CEO, the other senior executive officers. A full overview of the NGCR Committee's duties is laid down in the committee's charter, which is available on the Company's website at *http://www.corelab.com/cr/governance.*

Best practice provision 2.3.1

The division of duties within the Supervisory Board and the rules of procedure of the Supervisory Board are not laid down in a separate set of Supervisory Board regulations, but instead are described in detail in the Company's Proxy Statement.

Best practice provision 2.3.5

The Company publishes a report of each of the Supervisory Board committees in the Proxy Statement provided annually to its shareholders, and the Remuneration Report on the Company's official website annually. Both reports included as a reference in its Dutch annual report.

Best practice provisions 2.3.6 and 2.3.7

As described in the Company's Corporate Governance Guidelines and Articles of Association, the Company does comply with this provision except for the duty of the Supervisory Board to elect a vice-chairman. We do, however, elect a Lead Director, whose function is the same as the vice-chairman. A copy of the Corporate Governance Guidelines is available on the Company's website at *http://www.corelab.com/cr/governance.*

Best practice provision 2.4.4

In respect of the administration concerning the attendance of the members of the Supervisory Board, under the Company's Corporate Governance Guidelines, Supervisory Board members are expected to diligently fulfill their fiduciary duties to shareholders, including preparing for, attending and participating in meetings of the Supervisory Board and the committees of which the Supervisory Director is a member. The Company does require its members of the Supervisory Board to attend annual meetings of shareholders. As required by Item 7(h)(3) of Schedule 14A of the U.S. Exchange Act, the Company discloses its Supervisory Board members' annual meeting attendance policy in its Proxy Statement.

Best practice provision 2.7.1

The Company does comply with this provision except where gifts are concerned; the Company's policy requires disclosure to the Company's compliance officer and to the General Counsel of the receipt of any substantial gift. The gift is then reviewed to determine if it compromises the decision making of the executive and if deemed to do so, the gift must be refused.

Best practice provision 2.7.2

The Company's Supervisory Board has drawn up policies concerning ownership of and transactions in Company securities by members of the Supervisory Board, but does not have a policy regarding ownership and transactions in securities issued by third party companies. To the extent that investments do constitute a conflict of interest, both the NYSE rules and Company policy provide that the director should disclose the conflict and should not take any actions that are inconsistent with their fiduciary duties.

Best practice provision 2.7.3

The Company does have a general policy regarding conflicts of interest. The Company's policy is described in its *Code of Ethics and Corporate Responsibility* and *Code of Ethical Conduct for Senior Financial Officers and Managers Adopted by the Board of Supervisory Directors* pursuant to NYSE Rule 303A(10). A copy of these codes of business conduct and ethics is available on the Company's website at *http://www.corelab.com/cr/governance.*

Best practice provisions 2.8.1 and 2.8.2

The decisions mentioned in these best practice provisions will normally be submitted to the Supervisory Board by officers of the Company.

Principle 3.1 and the relevant Best practice provisions

The sole member of the Management Board of the Company is CLIBV, an entity to which no remuneration is paid. As a consequence, Principle 3.1 and the relevant Best practice provisions 3.1.1 - 3.1.3 do not apply to the Company.

Regarding remuneration paid to the members of the Supervisory Board of the Company, a description of the types and amount of cash and non-cash remuneration paid to those directors is contained in the Company's Proxy Statement as required by Item 402(g) of Regulation S-K of the U.S. securities laws, and presented in the Remuneration Report in accordance to the Directive of the European Union. In addition, with regard to the named Key Management Personnel of the Company, the Compensation Committee Report, which is contained in the Proxy Statement, describes the objective of the Company's remuneration program, as well as the principle components of the Company's remuneration for those individuals. The Company also discloses in its Proxy Statement, as required by U.S. securities laws, the types and amount of cash and non-cash remuneration awarded to its Key Management Personnel.

The Company's Compensation Committee does review, evaluate and approve the agreements, plans, policies and programs of the Company to compensate all of the Key Management Personnel and the non-executive members of the Supervisory Board. Also, the Company's compensation committee reviews and evaluates the policy on the remuneration of the Company's senior executives. The remuneration report of the compensation committee is subject to approval by the Supervisory Board. Additionally, the Company complies with NYSE Rule 303A(5)(b)(i) which governs the composition of the Company's compensation committee and requires the committee have a charter that addresses certain topics. A full overview of the compensation committee's duties is laid down in the compensation committee's charter, which is available on the Company's website at *http://www.corelab.com/cr/governance.*

Best practice provision 3.3.2

As is customary in the industry in which we compete, the Company does grant annual equity compensation to the members of the Supervisory Board. The Company believes that widespread common share ownership by its directors is an effective way to align the interests of the members of the Supervisory Board with those of the Company and its shareholders. The Company also believes that directors with substantial equity positions are more aligned in their approach to oversight than those with little or no stake in the Company. As required by the rules of the NYSE, the Company has obtained shareholder approval of its equity compensation plans. In addition, all grants of equity compensation are disclosed in the Company's Proxy Statement as required by Item 402 of Regulation S-K.

Best practice provision 3.3.3

U.S. securities laws do not require directors to retain shares for a particular length of time. The Company grants time-based restricted stock that vest at the end of a one-year period to all non-executive Supervisory Directors. Non-executive Supervisory Directors are required to retain ownership of shares equal to no less than 5 times the annual base retainer for the previous year, and will be allowed five years to achieve that minimum equity ownership.

Best practice provision 4.1.3

One of the Company's financial tenets is to return excess capital to shareholders through the dividend and share repurchase programs. The declaration and payment of future dividends will be at the discretion of the Supervisory Board of Directors and will depend upon, among other things, future earnings, general financial condition, liquidity, capital requirements, and general business conditions. In connection with our initial public offering in September 1995, our shareholders authorized our Management Board to repurchase up to 10% of our issued share capital, the maximum allowed under Dutch law at the time, for a period of 18 months. This authorization has been renewed at subsequent annual or special shareholder meetings.

Best practice provision 4.1.10

The Company does not publish a copy of the minutes of the shareholder meetings. However, it does file a form 8-K with the SEC and publish a press release with the Dutch regulator, the Autoriteit Financiële Markten ("AFM") following the date of such meeting stating in detail the actions taken at the shareholder meeting.

Best practice provision 4.2.2

The Company does have a general policy with regard to bilateral contacts with shareholders pursuant to NYSE Rule 17 CFR Part 243 Regulation FD (*Fair Disclosure*). The Company has posted on its website (see *http://www.corelab.com/cr/governance*), the Company's *Code of Ethics and Corporate Responsibility*, including policies on Insider Trading and Confidentiality as well as the Company's *Code of Ethical Conduct for Senior Financial Officers and Managers Adopted by the Board of Supervisory Directors*.

Best practice provision 4.2.3

The Company does convene meetings with analysts and investors periodically throughout the year and conducts these meetings in compliance with Regulation FD of the U.S. securities law, which prohibits the selective disclosure of any material non-public information.

Best practice provision 4.2.4

A proxy which contains all the facts and circumstances relevant for approvals to be granted by the General Meeting of Shareholders is annually made available to the Company's shareholders. If under U.S. law and/or Dutch law additional information should be provided, such information will be provided by additional mailing and/or on the Company's website as the case may be.

Best practice provision 4.2.6

The Company does not have specific existing or potential anti-takeover measures in place.

Best practice provision 4.3.2

Proxies for the annual General Meeting of Shareholders can be given to Mark Elvig, Jacobus Schouten, Jaap Stoop, Jules van de Winckel and any other lawyer with NautaDutilh N.V. with power of substitution, who may not be independent third parties but who will vote on these powers as directed by the shareholders.

Best practice provision 4.3.3

Pursuant to statutory obligations, current dismissals require a majority vote by the shareholders.

SHAREHOLDER INFORMATION

Authorized Share Capital

The issued share capital of Core Laboratories N.V. amounts to $1.1 million, consisting of 44,796,252 shares with a par value of EUR 0.02 each. Each share carries one vote. The shares are listed on the NYSE (CLB US) and Euronext Amsterdam (CLB NA).

All shares carry equal rights and are freely transferable (unless provided otherwise hereunder).

Shares repurchased by Core Laboratories N.V. for the share-based Restricted Share Award Program ("RSAP"), the Restricted Share Award Program for Nonemployee Directors (the "Program") and the Performance Share Award Program ("PSAP") awards or for any other purpose do not carry any voting rights or dividend rights until redistributed. Repurchased ordinary shares amounts to $29.4 million and consists of 330,690 ordinary shares with a par value of EUR 0.02 each.

Our common shares are the only class of our capital stock outstanding and entitled to notice of and to vote at the annual meeting. Each outstanding common share (issued shares excluding common shares held by the Company) is entitled to one vote.

In order to be able to vote at the annual shareholder meeting, you will have to be a record holder of shares (or otherwise a person with voting rights with respect to shares) at the close of business Eastern Daylight Time on [25 April 2019]. This date is considered to be the "day of registration" ("*dag van registratie*") as referred to in the Dutch Civil Code and only holders of shares (or other persons with voting rights with respect to shares) on such date are entitled to vote. Under Dutch law, this latter date must occur exactly twenty-eight (28) days before the date of the annual meeting.

Substantial Share Holdings

Pursuant to the Financial Supervision Act (wet op het financieel toezicht) and the Decree on Disclosure of Major Holdings and Capital Interests in Issuing Institutions (Besluit melding zeggenschap en kapitaalbelang in uitgevende instellingen), the AFM has been notified about the following substantial shareholding regarding Core Laboratories N.V.:

- Massachusetts Financial Services Company owns 4,755,806 shares, 10.70%;
- The Vanguard Group owns 4,269,120 shares, 9.61%;
- BlackRock, Inc. owns 3,180,989 shares, 7.16%;
- EARNEST Partners, LLC owns 2,934,116 shares, 6.60%;
- Van Eck Associates Corporation owns 2,520,809 shares, 5.67%.

Share Plans

We have granted restricted stock awards under two stock incentive plans: the 2014 Long-term Incentive Plan ("LTIP") and the 2014 Nonemployee Director Stock Incentive Plan (together the "Share Plans"). Awards under the following three compensation programs have been granted pursuant to both Share Plans: (1) the Performance Share Award Program ("PSAP"); (2) the Restricted Share Award Program ("RSAP") and (3) the Restricted Share Award Program for Nonemployee Directors (the "Program").

We issue shares from treasury stock upon the lapsing of vesting restrictions on restricted stock or performance restricted stock. We do not use cash to settle equity instruments issued under share-based compensation awards.

2014 Long-Term Incentive Plan

On 13 May 2014, the 2007 LTIP was amended, restated and renamed as the 2014 LTIP. At 31 December 2019, 472,024 shares remained available for the grant of new awards under the Plan. Specifically, we encourage share ownership by awarding various long-term equity incentive awards under the LTIP, consisting of the PSAP and RSAP. We believe that widespread common share ownership by key employees is an important means of encouraging superior performance and employee retention. Additionally, our equity-based compensation programs encourage performance and retention by providing additional incentives for executives to further our growth, development and financial success over a longer time horizon by personally benefiting through the ownership of our common shares and/or rights.

2014 Nonemployee Director Stock Incentive Plan

On 13 May 2014, the 2006 Nonemployee Director Stock Incentive Plan was amended, restated and renamed the 2014 Nonemployee Director Stock Incentive Plan (the "Director Plan"). The Director Plan provides common shares for grant to our eligible Supervisory Directors. As of 31 December 2019, 644,509 shares remained available for the grant of new awards under the Director Plan. Only non-executive Supervisory Directors are eligible for these equity-based awards under the Director Plan.

Employee Benefit Plans

The Share Plans described above also have Change of Control provisions. Awards granted to Core Laboratories N.V. employees and directors will vest automatically if the Company and/or its affiliates undergo a change of control or are absorbed by merger and liquidated.

In 1998, based on our review of post-retirement compensation provided by various companies in the oilfield services industry, we adopted a Supplemental Executive Retirement Plan, ("SERP"), for the benefit of certain key employees which was established to provide additional retirement income for certain of our named executive officers and/or death benefits to the officers' designated beneficiaries as a reward for the named executive officer's prior contributions and future efforts to our success and growth.

Through our subsidiary, Core Laboratories LP, we have adopted a non-qualified deferred compensation plan ("Deferred Compensation Plan") that allows certain highly compensated employees, including all named executive officers, to elect to defer all or a part of their cash compensation (base salary, annual incentives and/or commissions) from us until the termination of their status as an employee. Participating employees are eligible to receive a matching deferral under the Deferred Compensation Plan that compensates them for contributions they could not receive from us under the 401(k) plan due to the various limits imposed on 401(k) plans by the Code. Employer contributions to the Deferred Compensation Plan vest ratably over a period of five years. Discretionary employer contributions may also be made on behalf of participants in the plan and are subject to discretionary vesting schedules determined at the time of such contributions. Contributions to the plan are invested in equity and other investment fund assets, and carried on the Statement of Financial Position at fair value. Vesting in all employer contributions is accelerated upon the death of the participant or a change in control.

Change in Control

Change in Control is defined as a merger of the Company with another entity, a consolidation involving the Company, or the sale of all or substantially all of the assets of the Company if (i) the holder of equity securities of the Company immediately prior to the transaction do not beneficially own immediately after the transaction 50% or more of the common equity of the resulting entity, (ii) the holders of equity securities of the Company immediately prior to the transaction do not beneficially own immediately after the transaction 50% of the voting securities of the resulting entity, or (iii) the persons who were members of the Supervisory Board of Directors immediately prior to the transaction are not the majority of the board of the resulting entity immediately after the transaction. A Change in Control also occurs when (i) there is shareholder approval of a plan of dissolution or liquidation of the Company, (ii) any person or entity acquires or gains ownership of control of more than 30% of the combined voting power of outstanding securities of the Company or resulting entity, or (iii) a change in the composition of the Board of Directors the results of which are that fewer than a majority of the supervisory directors are incumbent directors.

The Company is a party to a Seventh Amended and Restated Credit Agreement dated 19 June 2018. Article 8.01(k) in that Agreement provides that a Change of Control constitutes an Event of Default, triggering certain default remedies specified in the Agreement. The Company is also a party to a Master Note Purchase Agreement dated 30 September 2011. Sections 9.5 and 10.2 contain certain requirements regarding merger or consolidation of Core Lab or its subsidiaries that may impact compliance with the Agreement.

Compensation Rights on Termination of Employment Agreements

As part of our normal course of business, we engage in discussions with other companies about possible collaborations and/or other ways in which the companies may work together to further our respective long-term objectives. In addition, many larger, established companies consider companies at similar stages of development to ours as potential acquisition targets. In certain scenarios, the potential for merger or being acquired may be in the best interests of our shareholders. We have entered into certain agreements and maintain certain plans that will require us to provide compensation and/or benefits to our named executive officers in the event of a termination of employment following a change in control transaction to promote the ability of our senior executives to act in the best interests of our shareholders even though their employment could be terminated as a result of the transaction.

Each executive's employment agreement contains a standard confidentiality and nonsolicitation provision and requires that the executive not compete with the business conducted by the Company at any time during the period that he is employed by the Company and for the two-year period thereafter unless his employment with the Company is terminated by him for good reason, or by the Company for cause. Notwithstanding, the post-employment noncompetition and nonsolicitation restrictions terminate upon a change in control of the Company.

Upon a change of control, our named executive officers may be subject to certain excise taxes pursuant to Section 4999 of the Code (which imposes a 20% excise tax on certain excess "parachute payments" as defined in Section 280G of the IRS Code). In such case, in accordance with Mr. Demshur's employment agreement, we have agreed to pay Mr. Demshur a gross-up payment such that, after the payment of any income, excise or other tax on the gross-up payment, he retains an amount sufficient to pay all excise taxes pursuant to Section 4999 of the Code. For Messrs. Bruno and Hill, in accordance with the terms of their respective employment agreements, the payments and benefits provided to that executive shall either be reduced to $1.00 below the amount that would subject the payments to excise taxes pursuant to Section 4999 of the IRS Code, or paid in full, whichever will result in the better net tax position for the executive.

Annual Meeting of Shareholders

Nomination and Election of Supervisory Board members

Candidates for the Supervisory Board of Directors are nominated by the Supervisory Board and elected by the shareholders at the annual shareholder meeting. The Company has three classes of Supervisory Directors with each class currently serving for three-year terms.

Amendment of the Articles of Association

The Articles of Association can be amended by resolution of the General Meeting of Shareholders with a two-thirds majority of the valid votes cast representing more than half of the issued share capital and further only on the proposal of the management board, which proposal must be approved by the Board of Supervisory Directors.

Acquisition of own shares

We are a Dutch limited liability company and under the Dutch Civil Code, a company and its subsidiaries can hold a maximum of 50% of their issued shares in treasury, if approved by its shareholders. On 29 October 2002, we began to repurchase our shares under a share repurchase program approved by shareholders in connection with our initial public offering in September 1995. We currently have shareholder approval to hold up to 10% of our issued share capital in treasury. At our 23 May 2019 annual shareholders meeting, our shareholders authorized the extension of our share repurchase authorization of up to 10% of our issued share capital from time to time for an 18-month period until 23 November 2020. For the 2020 annual meeting, scheduled for 20 May 2020, we included a similar agenda item. The repurchase of shares in the open market is at the discretion of management pursuant to shareholder authorization.

The General Meeting of Shareholders shall, upon a proposal thereto by the board of supervisory directors, have power to pass a resolution to reduce the issued share capital either by cancelling shares or by reducing the par value of the shares by means of an amendment to Core Lab's Articles of Association but only with due observance of the provisions in article 2:99 of the Dutch Civil Code.

Issue of shares and Preemptive Rights

On 23 May 2019, the Annual General Meeting of Shareholders also authorized the Board of Supervisory Directors (for a period of 18 months) to issue shares or grant rights to (including options to purchase) with respect to our common and preference shares and to limit or exclude the preemptive rights of the holders of our common shares up to a maximum of 10% of outstanding shares per annum until 23 November 2020. For the 2020 annual meeting, scheduled for 20 May 2020, we included a similar agenda item.

Compliance

We file Quarterly Reports on Form 10-Q, Annual Reports on Form 10-K and Current Reports on Form 8-K with the SEC and Interim Financial Statements and Annual Report and Accounts with the Dutch regulator, the AFM. These reports are available free of charge through the Company's website as soon as reasonably practicable after they are filed. We may from time to time provide important disclosures to investors by posting them in the investor relations section of the Company's website, as allowed by SEC rules.

Our 2019 Annual Report on Form 10-K included the required Section 302 certifications.

Materials we file with the AFM are available on the Internet website of the AFM at *www.afm.nl*.

General Meeting of Shareholders

The functioning and the powers of the General Meeting of Shareholders are also governed by the SEC, the AFM, the Dutch Corporate Governance Code 2:107-128 and the Company's articles of association, since the Company's shares are listed on the NYSE and the Euronext Amsterdam Stock Exchange.

Shareholder Rights and Engagement

To support shareholder rights and ongoing engagement with our investor community, we have expanded our disclosure within our Sustainability Report and implemented enhancements in our Proxy Statement and in our Annual report to clearly outline our efforts with communicating with our shareholders when they have questions or feedback regarding Core Lab.

In addition to our Annual Shareholder Meeting, Proxy Statement, and Sustainability Report communication, the financial investment and shareholder communities can make inquiries at any time via our Company website. Our company communication page is made available to anyone seeking to ask a question regarding our two Business Segments, Corporate Responsibility, Investor Relations, Human Resources or general inquiries. We review all inquiries and make timely responses.

Disclosure Controls and Procedures

Our management, under the supervision of and with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of the end of the period covered by this report. Our disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed by us in our reports filed or submitted under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure and is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective for the financial year ended 31 December 2019 at the reasonable assurance level.

Our management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all errors and all fraud. Further, the design of disclosure controls and internal control over financial reporting must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as that term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management, under the supervision of and with the participation of our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of our internal control over financial reporting for the financial year ended 31 December 2019. In making this assessment, management used the criteria set forth in *Internal Control − Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment using these criteria, our management determined that our internal control over financial reporting was effective for the financial year ended 31 December 2019.

Changes in Internal Control over Financial Reporting

There was no change in our system of internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act, during our fiscal year ended 31 December 2019 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Responsibility Statement

In accordance with the European Union ("EU") Transparency Directive, as incorporated in chapter 5.1A of the Dutch Financial Markets Supervision Act (Wet op het financieel toezicht), the Board declares that, to the best of its knowledge:

- The Consolidated financial statements, together with the stand-alone Company financial statements, give a true and fair view of the assets, liabilities, financial position and results of Core Laboratories N.V. at 31 December 2019;
- The Annual Report gives a true and fair view of the position as per the statement of financial position date, the state of affairs during the 2019 financial year of Core Laboratories N.V. and its affiliated companies included in the Consolidated financial statements and
- The Annual Report describes the principal risks that Core Laboratories N.V. faces.

CONCLUSION

The Financial Statements have been audited by the external auditors, KPMG. Their findings have been discussed with the Audit Committee and the Supervisory Board in the presence of the Management Board. The External Auditors have expressed an unqualified opinion on the Financial Statements.

The Supervisory Directors have signed the 2019 Financial Statements pursuant to their statutory obligations under article 2:101 (2) of the Dutch Civil Code.

The members of the Management Board have signed the 2019 Financial Statements pursuant to their statutory obligations under article 2.101 (2) of the Dutch Civil Code and article 5:25c (2) (c) of the Financial Market Supervision Act.

The Supervisory Board of Core Laboratories N.V. recommends that the Annual General Meeting of Shareholders adopts the Financial Statements for the year 2019.

Amsterdam, The Netherlands,

23 April 2020

/s/ David M. Demshur

David M. Demshur
Chief Executive Officer,
Chairman and Supervisory Director

/s/ Jacobus Schouten

Jacobus Schouten, on behalf of
Core Laboratories International B.V.,

sole managing director of Core Laboratories N.V.

/s/ Lawrence Bruno

Lawrence Bruno
President, Chief Operating Officer
and Supervisory Director

/s/ Christopher S. Hill

Christopher S. Hill
Senior Vice President and
Chief Financial Officer

/s/ Gregory B. Barnett

Gregory B. Barnett
Supervisory Director

/s/ Martha Z. Carnes

Martha Z. Carnes
Supervisory Director

/s/ Jan Willem Sodderland

Jan Willem Sodderland
Supervisory Director

/s/ Michael Straughen

Michael Straughen
Supervisory Director

/s/ Margaret Ann van Kempen

Margaret Ann van Kempen
Supervisory Director

CONSOLIDATED FINANCIAL STATEMENTS

CORE LABORATORIES N.V.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2019 and 2018
(In thousands of USD)

	Ref.	2019	2018
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment, net	6	$ 123,506	$ 122,917
Right-of-use lease assets	27	74,631	—
Intangible assets, net	7	277,130	278,723
Investment in associates	8	3,968	3,760
Deferred tax assets, net	9	70,886	16,241
Derivative financial assets	31	—	135
Other financial assets	32	47,282	41,527
Other assets		4,883	5,878
TOTAL NON-CURRENT ASSETS		$ 602,286	$ 469,181
CURRENT ASSETS			
Inventories	10	$ 50,163	$ 45,664
Prepaid expenses and other current assets	11	44,322	51,816
Income taxes receivable	11	6,527	13,993
Trade receivable	12	131,579	129,157
Cash and cash equivalents	32	11,092	13,116
TOTAL CURRENT ASSETS		$ 243,683	$ 253,746
TOTAL ASSETS		$ 845,969	$ 722,927
EQUITY			
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		$ 246,121	$ 225,854
NON-CONTROLLING INTEREST	13	4,274	4,141
TOTAL EQUITY		$ 250,395	$ 229,995
LIABILITIES			
NON-CURRENT LIABILITIES			
Borrowings	16	$ 305,283	$ 289,770
Long-term lease liabilities	27	64,660	—
Income taxes payable	17	14,262	14,262
Deferred tax liabilities, net	9	31,173	11,468
Post-employment benefit plans	20	70,205	72,783
Derivative financial instruments	31	1,054	70
Provisions	19	2,147	6,607
TOTAL NON-CURRENT LIABILITIES		$ 488,784	$ 394,960
CURRENT LIABILITIES			
Accounts payable	21	$ 35,953	$ 41,155
Lease liabilities	27	11,841	—
Income taxes payable	17	6,606	3,199
Other taxes payable	17	6,079	5,754
Payroll and social security contributions	20	26,848	22,725
Unearned revenue	18	13,681	17,625
Other accrued expenses	21	5,782	7,514
TOTAL CURRENT LIABILITIES		$ 106,790	$ 97,972
TOTAL LIABILITIES		$ 595,574	$ 492,932
TOTAL EQUITY AND LIABILITIES		$ 845,969	$ 722,927

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

CORE LABORATORIES N.V.
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the Years Ended December 31, 2019 and 2018
(In thousands of USD, except share and per share data)

	Ref.	2019	2018
REVENUES:			
Services		$ 474,193	$ 486,820
Product sales		194,017	214,026
TOTAL REVENUES	5	668,210	700,846
OPERATING EXPENSES:			
Cost of services	6,14,22	357,000	352,532
Cost of product sales	6,14,22	155,749	157,797
TOTAL OPERATING EXPENSES		512,749	510,329
GROSS PROFIT		**155,461**	**190,517**
General and administrative expense	6,7	49,537	57,693
Impairment (gain) loss on trade receivables	12	594	605
Other expense, net	23	4,168	5,084
OPERATING PROFIT		**101,162**	**127,135**
Finance income	24	(47)	(77)
Finance costs for debt and leases	24	18,336	13,328
Finance costs, net		18,289	13,251
Share of profit of associates	8	208	203
PROFIT FROM CONTINUING OPERATIONS BEFORE INCOME TAX		**83,081**	**114,087**
Income tax expense (benefit)	25	(11,069)	28,959
PROFIT FROM CONTINUING OPERATIONS		$ 94,150	$ 85,128
PROFIT (LOSS) FROM DISCONTINUED OPERATIONS, net of income taxes	29	7,509	(58)
PROFIT FOR THE PERIOD		$ 101,659	$ 85,070
Attributable to:			
Equity holders of the parent		$ 101,526	$ 84,807
Non-controlling interest		133	263
		$ 101,659	$ 85,070
EARNINGS PER SHARE INFORMATION:			
Basic earnings per share from continuing operations	26	$ 2.12	$ 1.93
Basic earnings (loss) per share from discontinued operations	26	0.17	(0.01)
Basic earnings per share attributable to Core Laboratories N.V.	26	$ 2.29	$ 1.92
Diluted earnings per share from continuing operations	26	$ 2.11	$ 1.91
Diluted earnings (loss) per share from discontinued operations	26	0.16	—
Diluted earnings per share attributable to Core Laboratories N.V.	26	$ 2.27	$ 1.91
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING (in thousands):			
Basic	26	44,357	44,206
Diluted	26	44,646	44,474

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

CORE LABORATORIES N.V.
CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
For the Years Ended December 31, 2019 and 2018
(In thousands of USD)

	Ref.	2019	2018
Profit for the year		$ 101,659	$ 85,070
Items that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations, net of tax benefit $122 and $343 for 2019 and 2018 respectively	13,20	(834)	(962)
Items that may be subsequently reclassified to profit or loss			
Cash flow hedges	30	(885)	385
Income taxes on cash flow hedges	25	—	(48)
Net income (loss) recognized directly in equity		(1,719)	(625)
Total comprehensive income for the period		$ 99,940	$ 84,445
Attributable to:			
Equity holders of the parent		$ 99,807	$ 84,182
Non-controlling interest		133	263
		$ 99,940	$ 84,445

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

CORE LABORATORIES N.V.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the Years Ended December 31, 2019 and 2018
(In thousands of USD)

	December 31, 2019	December 31, 2018
Common Shares		
Balance at Beginning of Period	$ 1,148	$ 1,148
Balance at End of Period	$ 1,148	$ 1,148
Additional Paid-In Capital		
Balance at Beginning of Period	$ 55,157	$ 61,322
Stock-based compensation	(5,104)	(5,845)
Tax benefit on stock compensation	—	(320)
Balance at End of Period	$ 50,053	$ 55,157
Retained Earnings		
Balance at Beginning of Period	$ 235,701	$ 248,145
Dividends paid	(97,574)	(97,251)
Net income attributable to Core Laboratories N.V.	101,526	84,807
Balance at End of Period	$ 239,653	$ 235,701
Accumulated Other Comprehensive Income (Loss)		
Balance at Beginning of Period	$ (13,651)	$ (13,026)
Pension remeasurement	(834)	(1,010)
Cash flow hedges	(885)	385
Balance at End of Period	$ (15,370)	$ (13,651)
Treasury Stock		
Balance at Beginning of Period	$ (52,501)	$ (76,269)
Stock-based compensation	26,446	31,219
Repurchase of common shares	(3,308)	(7,451)
Balance at End of Period	$ (29,363)	$ (52,501)
Non-Controlling Interest		
Balance at Beginning of Period	$ 4,141	$ 3,888
Non-controlling interest additions	—	(10)
Net income (loss) attributable to non-controlling interest	133	263
Balance at End of Period	$ 4,274	$ 4,141
Total Equity		
Balance at Beginning of Period	$ 229,995	$ 225,208
Stock-based compensation	21,342	25,374
Repurchase of common shares	(3,308)	(7,451)
Dividends paid	(97,574)	(97,251)
Non-controlling interest additions	—	(10)
Pension remeasurement	(834)	(1,010)
Cash flow hedges	(885)	385
Tax benefit on stock compensation	—	(320)
Net income	101,659	85,070
Balance at End of Period	$ 250,395	$ 229,995
Cash Dividends per Share	**$ 2.20**	**$ 2.20**

The accompanying notes are an integral part of these Consolidated financial statements.

CORE LABORATORIES N.V.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY(Continued)
For the Years Ended December 31, 2019 and 2018
(In thousands of USD)

	December 31,	
	2019	**2018**
Common Shares - Number of shares outstanding		
Balance at Beginning of Period	44,316,845	44,184,205
Stock-based awards issued	220,417	218,625
Repurchases of common shares	(71,700)	(85,985)
Balance at End of Period	44,465,562	44,316,845

The accompanying notes are an integral part of these Consolidated financial statements.

CORE LABORATORIES N.V.
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Years Ended December 31, 2019 and 2018
(In thousands of USD)

	Ref.	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit from continuing operations before income tax expense		$ 83,081	$ 114,087
Adjustments to reconcile income to net cash provided by operating activities:			
Depreciation and amortization, including intangibles	6,7	22,605	23,087
Amortization of leases	27	18,562	—
Equity in earnings of associates	8	(208)	(203)
Stock-based compensation	14	21,342	25,374
Finance costs, including debt and leases	24	18,289	13,251
(Gain) loss on sale of assets		(583)	(1,884)
(Gain) loss on sale of subsidiary		(1,154)	—
Discontinued operations		(578)	(58)
Fair value (gains)/losses on other financial assets		(3,732)	(641)
Changes in assets and liabilities:			
Accounts receivable	12,31	(2,437)	6,024
Inventories	10	(3,808)	(9,654)
Other assets		3,833	(10,178)
Accounts payable	21,31	(3,415)	(3,223)
Accrued expenses	21,31	(7,067)	3,567
Other long-term liabilities		(11,745)	(5,545)
Cash provided by operating activities		132,985	154,004
Interest paid		(13,631)	(11,499)
Income tax paid		(13,804)	(31,928)
Net cash provided by operating activities		$ 105,550	$ 110,577
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	6	(22,269)	$ (21,741)
Patents and other intangibles	7	(504)	60
Acquisitions, net of cash acquired	28	—	(47,314)
Proceeds from sale of assets	6	887	882
Proceeds from sale of subsidiary		2,980	—
Proceeds from sale of discontinued operations		14,789	—
Premiums on life insurance	32	(1,884)	(1,276)
Net cash used in investing activities		$ (6,001)	$ (69,389)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of debt borrowings	16	$ (123,000)	$ (114,000)
Proceeds from debt borrowings	16	138,000	178,000
Payments for capital leases		(15,699)	—
Repurchase of common shares	13	(3,308)	(7,451)
Dividends paid	13	(97,574)	(97,251)
Non-controlling interest - (dividends)		—	(10)
Other financing costs	16	8	(1,760)
Net cash used in financing activities		$ (101,573)	$ (42,472)
NET CHANGE IN CASH AND CASH EQUIVALENTS		(2,024)	(1,284)
CASH AND CASH EQUIVALENTS, beginning of period		13,116	14,400
CASH AND CASH EQUIVALENTS, end of period		$ 11,092	$ 13,116

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS

Core Laboratories N.V. (“Core Laboratories”, “Core Lab”, “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 to the oil and gas industry. These services 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 have approximately 4,300 employees. We are dual listed on the New York Stock Exchange and the Euronext Amsterdam Stock Exchange. These Consolidated financial statements were authorized for issue by the Company’s Board of Directors on [7 April 2020] and will be submitted for adoption at the Annual Meeting of Shareholders held on 20 May 2020.

We operate our business in two reporting segments. 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. Disclosure relating to the operations and financial information of these business segments is included in Note 5 of the Notes to Consolidated Financial Statements.

- *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 analyses.
- *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 Consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of Preparation

Our Consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (“IFRS”) and with Part 9 Book 2 of the Dutch Civil Code (“Consolidated financial statements”). The Consolidated 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 unless otherwise stated in the footnotes to the Financial Statements.

The preparation of financial statements in conformity with IFRS 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 areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Consolidated financial statements, are disclosed in Note 4 - *Critical Accounting Estimates and Assumptions*.

This is the first set of annual financial statements in which IFRS 16, *Leases* has been applied. The related changes to significant accounting policies are described in Note 2 - *Summary of Significant Accounting Policies*.

Adjustment of Prior Year Financials

Discontinued Operations

During 2018, in a continuing effort to streamline our business and align our business strategy for further integration of services and products, the Company committed to divest the business of our full range of permanent downhole monitoring systems and related services, which had been part of our Production Enhancement segment. We completed the divestment of this business in 2019. All prior period statements of profit or loss have been adjusted to reclassify amounts related to this business to discontinued operations to conform to current period presentation. All disclosures on operating income and net income within these statements reflect the results from continuing operations for all periods presented. These reclassifications had no impact on the reported net income attributable to Core Laboratories N.V., financial position or cash flows for any of these prior periods.

Standards, amendments and interpretations to existing standards effective in 2019

- IFRS 16, *Leases* (effective for annual periods beginning on or after 1 January 2019) introduces a single, on-balance sheet accounting model for lessees. A lessee recognizes a right-of-use ("ROU") asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The most significant impact identified is that we will recognize new assets and liabilities for our operating leases, primarily consisting of office and lab space, machinery and equipment and vehicles. In addition, the nature of expenses related to these leases will now change as IFRS 16 replaces the straight-line operating lease expense with an amortization charge for right-of-use assets and interest expense on lease liabilities. The Standard allows for either full retrospective adoption or cumulative-effect adjustment adoption method. We adopted the Standard from 1 January 2019. We have elected the cumulative-effect adjustment method and will therefore not reinstate the comparative information of prior years' presented in our Consolidated Financial Statements upon adoption in 2019. We elected the following practical expedients and applied these consistently to the identified classes of leases:
    - We did not reassess whether any expired or existing contracts are or contain leases.
    - For vehicle leases, we elected to account for each separate lease component and non-lease component as a single lease component.
    - We elected not to apply IFRS 16 for transactions of a low value, which is less than $100 per month.
    - Standards, amendments and interpretations to existing standards effective after 2019

  Upon the adoption of this Standard, as of 1 January 2019, we recognized lease liabilities in relation to leases which had previously been classified as operating leases under IAS 17, *Leases*. These liabilities were measured at present value of the remaining lease payments, discounted using our weighted-average incremental borrowing rate at 1 January 2019 of 5.0%. We have recognized ROU assets and lease liabilities of $78 million as of 1 January 2019.

- In May 2017, the International Accounting Standards Board ("Board") issued *IFRIC 23 - Uncertainty over Income Tax Treatments*. It was developed by the IFRS Interpretations Committee. This Interpretation clarifies how to apply the recognition and measurement requirements in IAS 12, *Income Taxes* when there is uncertainty over income tax treatments. In such a circumstance, an entity shall recognize and measure its current or deferred tax asset of liability applying the requirements in IAS 12, *Income Taxes* based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined applying this Interpretation. The adoption of this standard did not have a significant impact to our financial statements, cash flows, or accounting policies and procedures.

A number of new standards and amendments to standards and interpretations are effective for 2019, and have not been applied in preparing these Consolidated financial statements. We do not expect any of these amendments or interpretations to have an effect on our financial statements, cash flows or accounting policies and procedures:

- In October 2017 IFRS 9, *Financial Instruments* was amended by *Prepayment Features with Negative Compensation (Amendments to IFRS 9)*. The amendments specify that particular financial assets with prepayment features that may result in reasonable negative compensation for the early termination of such contracts are eligible to be measured at amortized cost or at fair value through other comprehensive income.
- In October 2017, IAS 28, *Investments in Associates and Joint Ventures* was amended by *Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)*. These amendments clarify that entities apply IFRS 9, *Financial Instruments* to long-term interests in an associate or joint venture to which the equity method is not applied.
- *Plan, Amendment, Curtailment or Settlement (Amendments to IAS 19)* issued in February 2018 made minor consequential amendments to IAS 19, *Employee Benefits*.

Principles of Consolidation

The accompanying Consolidated financial statements include the accounts of Core Laboratories N.V. and its subsidiaries. Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to us. They are de-consolidated from the date that control ceases. Inter-company transactions, balances and unrealized gains on transactions between consolidated companies are eliminated. Unrealized losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by us. The equity method of accounting is used to record our interest in investments in which we have less than a majority interest and do not exercise control but have significant influence.

We record non-controlling interest associated with consolidated subsidiaries that are less than 100% owned.

We use the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by us. The consideration transferred includes the fair value of any assets or liabilities resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, we recognize any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Use of Estimates

The preparation of financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. We evaluate our estimates on an ongoing basis and utilize our historical experience, as well as various other assumptions that we believe are reasonable in a given circumstance, in order to make these estimates. Actual results could differ from our estimates as assumptions and conditions change.

Transactions and Non-controlling Interests

We treat transactions with non-controlling interests as transactions with equity owners of the group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When we cease to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an association, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if we had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions - that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Associates

Associates are all entities over which we have significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost. Our share of the associates' post-acquisition profits or losses is recognized in the Consolidated Statement of Profit or Loss. When our share of losses in an associate equals or exceeds our interest in the associate, including any other unsecured receivables, we do not recognize further losses, unless we have incurred obligations or made payments on behalf of the associate. Accounting policies of associates have been changed where necessary to ensure consistency with our policies.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income are reclassified to profit or loss where appropriate.

Cash Flow Statement

We have prepared the Consolidated Statement of Cash Flows using the indirect method. Certain non-cash transactions have been adjusted from the cash flow statement.

Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

Foreign Currencies

Our functional and presentation currency is the U.S. Dollar ("USD") which is the currency of the primary economic environment in which we operate. All inter-company financing, transactions and cash flows of our subsidiaries are transacted in USD. Additionally, certain significant operations transact contractual business denominated in USD.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the Consolidated Statement of Profit or Loss.

Property, Plant and Equipment

Property, plant and equipment are carried at historical cost less accumulated depreciation and impairment, except for land, which is shown at historical cost less impairment. Historical cost includes expenditures that are directly attributable to the acquisition of the items. Assets, other than land, are depreciated using the straight-line method based on their individual estimated useful lives, except for leasehold improvements, which are depreciated over the remaining lease term, if shorter. We estimate the useful lives and salvage values of our assets based on historical data of similar assets as follows:

Buildings and leasehold improvements	3 - 40 years
Machinery and equipment	3 - 10 years

Expenditures for repairs and maintenance are charged to expense as incurred and major renewals and improvements are capitalized and depreciated over their useful life. Historical cost and accumulated depreciation applicable to assets retired or sold are removed from the accounts, and any resulting gain or loss is included in operations.

Intangible Assets

Intangible assets include goodwill, patents, trademarks, technology, trade secrets, trade names and other intellectual property rights and are measured at cost less accumulated amortization. Intangibles with finite lives are amortized using the straight-line method based on the estimated useful life of the intangible. Intangibles with indefinite lives, which consist primarily of corporate trade names are not amortized, but are evaluated for impairment annually or whenever events or changes in circumstances indicate that impairment is possible. The useful lives of intangible assets range from two to twenty years.

We record goodwill as the excess of the purchase price over the fair value of the net assets acquired in acquisitions accounted for under the purchase method of accounting and is carried at historical cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates and is tested for impairment as part of the overall investment balance. We test goodwill for impairment annually or more frequently if circumstances indicate that a potential impairment has occurred. Impairment losses on goodwill are not reversed. Goodwill is recorded in the cash-generating unit expected to benefit from the business combination in which the goodwill arose. Groups of cash-generating units equivalent to the segment level reporting are used for the purpose of goodwill impairment testing. An impairment loss is recognized for the amount by which the assets' carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Research expenditures are recognized in the profit and loss account as incurred. These research costs are not material to our operations. Expenses incurred for development projects are capitalized as a component of manufacturing price if the projects in question are likely to be commercially and technically viable (i.e. it is likely that economic benefits will be realized and the expenses can be reliably estimated). Capitalized development expenses are amortized as soon as the commercial production process has commenced, with amortization being based on the estimated useful life of the asset. Development costs are not material. We have not capitalized any development costs during the years ended 31 December 2019 or 2018. All other development costs are charged to expense as incurred and are not material.

Classification and Measurement of Financial Assets and Liabilities

IFRS 9, *Financial Instruments* ("IFRS 9") contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit and loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39") categories of held to maturity, loans and receivables and available for sale.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

The adoption of IFRS 9 has not had a significant effect on our accounting policies related to financial assets and liabilities and derivative financial instruments. For an explanation of how Core Lab classifies and measures financial instruments and accounts for related gains and losses under IFRS 9, see Note 31 - *Fair Value*.

We hold one type of non-derivative financial asset, certain life insurance policies, which are held at fair value. The change in fair value is recorded through profit and loss. The fair value is determined by the plan administrator's actuary calculation.

Derivative Financial Instruments and Hedging Activities

We initially recognize derivatives at fair value on the date a derivative contract is entered into and subsequently re-measure them at their fair value. We document at the inception of the transaction the relationship between hedging instruments and hedged items, as well as the risk management objectives and strategy for undertaking various hedging transactions. We also document our assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items. The fair values of various derivative instruments used for hedging purposes are disclosed in Note 31 - *Fair Value*. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

We currently apply cash flow hedge accounting for our interest rate swaps. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item reflects profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognized in the Consolidated statement of profit or loss within finance income/cost. When a hedging instrument expires or no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the Statement of Profit or Loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Consolidated Statement of Profit or Loss within 'Other (income) expense, net'.

Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

Inventories

Inventories consist of manufactured goods, materials and supplies used for sales or services to clients. Inventories are stated at the lower of cost or net realizable value, and are reflected net of valuation reserves. The cost of manufactured goods and work in progress comprises design costs, raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Inventory costs are recorded at standard cost, which approximates the first-in, first-out method.

Accounts Receivable

Trade accounts receivable are recorded initially at fair value and subsequently at amortized cost, which generally equals their invoiced amounts. The terms of invoices allow 30 days for payment to be received. Invoices outstanding greater than 30 days are past due. A provision for impairment of trade receivables is established when there is objective evidence that we will not be able to collect all amounts due according to the original terms of the receivables or the balance becomes greater than 180 days past due (or 365 days for major oil companies, government entities or Fortune 500 size companies). Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the receivable is impaired. A provision for impairment of trade receivables is established based on our review of this information along with our current aging of client receivables outstanding. The amount of the provision is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the Consolidated Statement of Profit or Loss in Impairment (gain) loss on trade receivables. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against bad debt expense in the Consolidated Statement of Profit or Loss in Impairment (gain) loss on trade receivables. Impairment testing of trade receivables is described in Note 12 - *Trade and Other Receivables, Net*.

Cash and Cash Equivalents

Cash and cash equivalents include all short-term, highly liquid instruments purchased with an original maturity of three months or less and time deposits and money market investment accounts. These items are carried at amortized cost, which approximates market value.

Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. When we repurchase our own equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to our equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received (net of any directly attributable incremental transaction costs and the related income tax effects) is included in equity attributable to our equity holders. We revalue our common stock at the historical rate for changes in the exchange rate from the Euro par value to the reportable currency.

Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the Consolidated Statement of Profit or Loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless we have an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

Current and Deferred Income Taxes

The current income tax payable is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where we operate and generate taxable income. We periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establish provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

We recognize deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the Consolidated financial statements or tax returns.

Deferred tax assets and liabilities are determined based on the difference between the financial statement and the tax basis of assets and liabilities using enacted or substantively enacted tax rates and laws in effect for the year in which the asset is recovered or the liability is settled. We include interest and penalties from tax judgments in income tax expense.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Post-employment and Other Long-term Employee Benefits

We provide a non-contributory defined benefit plan covering substantially all of our Dutch employees hired prior to 2000 ("Dutch Plan"). We recognize post-employment obligation costs associated with these plans in the Consolidated Statement of Profit or Loss and the liabilities recognized in the Consolidated Statement of Financial Position are the present value of the post-employment obligations at the statement of financial position date less the fair value of plan assets. We recognize actuarial gains and losses directly in the Consolidated Statement of Other Comprehensive Income in the period in which they occur. Past-service costs are recognized immediately in income. The post-employment obligations and fair value of plan assets requires the use of actuarial assumptions and estimates, which are calculated annually by independent actuaries using the projected unit credit method. The present value of the post-employment obligation of the Dutch Plan is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability. During 2018 and 2019, there were curtailments of the Dutch Plan for our Dutch employees whose pension benefit was based on years of service and final pay or career average, pay, depending on when the employee began participating. These employees have been moved into the Dutch defined contribution plan. These events resulted in a curtailment gain of $2.6 million and $1.2 million as of 31 December 2019 and 2018, respectively. However, the unconditional indexation for this group of participants remains as long as they stay in active service with the company.

We have also have entered into deferred compensation contracts for certain key employees to provide additional retirement income to the participants ("SERP"). The present value of the post-employment obligation of the SERP is determined by discounting the estimated future cash outflows using interest rates of U.S. Corporate 15-year bonds. Actual results could differ from those estimates. We recognize post-employment obligation costs associated with these plans in the Consolidated Statement of Profit or Loss and the liabilities recognized in the Consolidated Statement of Financial Position are the present value of the post-employment obligations at the statement of financial position date. The fair value of the life insurance policies we have purchased to assist in meeting these obligations is recognized in the Consolidated Statement of Financial Position as an Other asset.

Furthermore, we maintain defined contribution plans for the benefit of eligible employees primarily in Canada, the Netherlands, the United Kingdom and the United States. We expense these contributions in the period the contributions are made. A defined contribution plan is a plan under which we pay fixed contributions into a separate entity. We have no legal or constructive obligations to pay further contributions. For defined contribution plans, we pay contributions to trusts that invest the employer's and participants' contributions as directed by the participants in the plan. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

Accruals are recognized for termination benefits which represent future payouts guaranteed to employees upon departure from Core Lab. These benefits are not funded, but are accrued as they are earned from continuous employment with Core Lab. The benefits for the executive officers are accrued based on the present value of the post-employment obligation calculated from the terms in the employment agreement with each executive officer. Two of these executive officers retired from the company on 31 December 2018 and the payment of these deferred compensation benefits was made in 2019. The present value of the obligation for the remaining executive under his employment agreement is $5.5 million at 31 December 2019, and is recorded as a long-term liability.

Stock-Based Compensation

We issue stock-based compensation as a form of compensation for certain employees. This is accounted for under IFRS 2, *Share-based Payment*. This statement requires compensation costs related to share-based payments to be recognized in the

Consolidated Statement of Profit or Loss based on their fair values. The expense is recognized over the requisite service period of the award.

We operate a number of equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of the shares is recognized as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of shares that are expected to vest. At each statement of financial position date, we revise our estimates of the number of shares that are expected to vest. We recognize the impact of the revision to original estimates, if any, in the Consolidated Statement of Profit or Loss, with a corresponding adjustment to equity.

Provisions

Provisions are recognized when there is a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognized for future operating losses. Provisions are measured at the present value of expenditures expected to be required to settle the obligation using a pre-tax rate, which reflects current market assessments of the time value of money and the risks specific to the obligation, if the amount or time is reasonably determinable.

Trade Payables

Trade accounts payable are recorded at their invoiced amounts and do not bear interest. The carrying value of accounts payable is considered to be representative of its respective fair value.

Revenue Recognition

All of our revenue is derived from contracts with clients and is reported as revenue in the Consolidated Statements of Profit or Loss. Our contracts generally include standard commercial payment terms generally acceptable in each region, and do not include financing with extended payment terms. We have no significant obligations for refunds, warranties, or similar obligations. Our revenue does not include taxes collected from our customers. In certain circumstances we apply the guidance in IFRS 15, *Revenue From Contracts with Customers* ("IFRS 15") to a portfolio of contracts with similar characteristics. We use estimates and assumptions when accounting for a portfolio that reflect the size and composition of the portfolio of contracts.

A performance obligation is a promise in a contract to transfer a distinct service or good to a client, and is the unit of account under IFRS 15. We have contracts with two general groups of performance obligations: those that require us to perform analysis and/or diagnostic tests in our laboratory or at the client's wellsite and those from the sale of tools, diagnostic and equipment products and related services. We recognize revenue at an amount that reflects the consideration expected to be received in exchange for such services or goods as described below by applying the five-step method to: (1) identify the contract(s) with clients; (2) identify the performance obligation(s) in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligation(s) in the contract; and (5) recognize revenue when (or as) we satisfy the performance obligation(s).

***Services Revenue*:** We provide a variety of services to clients in the oil and gas industry. Where services are provided related to the testing and analysis of rock and fluids, we recognize revenue upon the provision of the test results or analysis to the client. For our design, field engineering and completion diagnostic services, we recognize revenue upon the delivery of those services at the well site or delivery of the diagnostic data. In the case of our consortium studies, revenue is recognized when the reservoir model solution is presented to our clients. We conduct testing and provide analysis services in support of our consortium studies recognizing revenue as the testing and analysis results are made available to our consortium members.

***Product Sales Revenue*:** We manufacture equipment that we sell to our clients in the oil and gas well industry. Revenue is recognized when title to that equipment passes to the client, which is typically when the product is shipped to the client or picked up by the client at our facilities, as set out in the contract.

For arrangements that include multiple performance obligations, we allocate revenue to each performance obligation based on estimates of the price that we would charge the client for each promised service or product if it were sold on a standalone basis.

To a lesser extent in all of our business segments, we enter into other types of contracts including service arrangements and non-subscription software and licensing agreements. We recognize revenue for these arrangements over time or at a point in time depending on our evaluation of when the client obtains control of the promised services or products.

All advance payments are classified as unearned revenue until services are performed or product title is transferred.

Contract Assets and Liabilities

Contract assets and liabilities result due to the timing of revenue recognition, billings and cash collections.

Contract assets include our right to payment for goods and services already transferred to a customer when the right to payment is conditional on something other than the passage of time, for example contracts where we recognize revenue over time but do not have a contractual right to payment until we complete the performance obligations. Contract assets are included in our accounts receivable and are not material as of 31 December 2019.

Contract liabilities consist of advance payments received and billings in excess of revenue recognized. We generally receive up-front payments relating to our consortia studies; we recognize revenue over the life of the study as the testing and analysis results are made available to our consortia members. We record billings in excess of revenue recognized for contracts with a duration less than twelve months as unearned revenue. We classify contract liabilities for contracts with a duration greater than twelve months as current or non-current based on the timing of when we expect to recognize revenue. The current portion of contract liabilities is included in unearned revenue and the non-current portion of contract liabilities is included in long-term contract liabilities in our consolidated Statement of Financial Position. The total balance of our contract liabilities at 31 December 2019 and 2018 was $4.9 million and $7.4 million, respectively.

Disaggregation of Revenue

We contract with clients for service revenue and/or product sales revenue. We present revenue disaggregation by services and product sales in our Consolidated Statement of Profit or Loss. For revenue disaggregation by reportable segment, see Note 5 – *Segment Reporting*.

Interest Expense / Income

Interest expense and interest income are recognized when the expense is incurred or the income is earned.

Leases

IFRS 16, *Leases* (effective for annual periods beginning on or after 1 January 2019) introduces a single, on-balance sheet accounting model for lessees. A lessee recognizes a right-of-use (“ROU”) asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The most significant impact identified is that we will recognize new assets and liabilities for our operating leases, primarily consisting of office space and vehicles. In addition, the nature of expenses related to these leases will now change as IFRS 16, *Leases*, replaces the straight-line operating lease expense with an amortization charge for right-of-use assets and interest expense on lease liabilities.

Upon the adoption of this Standard, as of 1 January 2019, we recognized lease liabilities in relation to leases, which had previously been classified as operating leases under IAS 17, *Leases*. We adopted the new standard using the cumulative-effect adjustment method, with the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of equity on 1 January 2019 and therefore did not restate comparative amounts for 2017.

These liabilities were measured at present value of the remaining lease payments, discounted using our weighted-average incremental borrowing rate at 1 January 2019 of 5.0 %. We have recognized ROU assets and lease liabilities of $78 million as of 1 January 2019.

We determine if an arrangement is a lease at inception. Arrangements are considered to be a lease when all of the following apply:

- it conveys the right to control the use of an identified asset for a period of time in exchange for consideration;
- we have substantially all economic benefits from the use of the asset; and
- we can direct the use of the identified asset.

The lease term comprises the non-cancellable period of lease contracts, plus periods covered by reasonably certain renewal options and period covered by a termination option, if we are reasonably certain not to exercise that option.

We assess whether it is reasonably certain we will exercise renewal and termination options at the lease commencement date and subsequently, if there is a charge in circumstances within our control.

Leases are included in ROU assets and current and non-current lease liabilities.

The ROU asset is initially recognized based on the present value of the future minimum lease payments over the lease term at the commencement date. Where our leases do not provide an implicit rate, we use our incremental borrowing rate ("IBR") based on the information available at commencement date. The IBR is the rate that a lessee would pay to attract required funding to purchase the asset over a similar term, with a similar security and in a similar economic environment. The ROU asset also includes all lease payments made at or before the commencement date, plus initial direct costs incurred. Our lease term may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option.

The ROU assets are subsequently depreciated using the straight-line basis, over the shorter of its estimated useful life and the lease term. ROU assets are subject to impairment and adjusted for remeasurements of lease liabilities.

The lease liability is initially measured as the present value of outstanding lease payments, discounted using the IBR. The lease liability is subsequently measured at amortized cost using the effective interest method and is remeasured when there is a change in future lease payments arising, for example, from renegotiations of the lease contract, a change in an index, or if we change our assessment of whether we will exercise extension or termination options. A corresponding adjustment is made to the carrying amount of the right-of-use asset, and excess over the carrying amount of the asset, if any, being recognized in the Consolidated Statement of Profit or Loss within other costs.

At the end of the lease term or at early termination of the lease, the cost of the right-of-use asset, accumulated depreciation, and outstanding lease liability, are written-down with the difference, if any, recorded in the Consolidated Statement of Profit or Loss within other costs.

We elected that the lease payments associated with lease contracts with a term of 12 months or less and leases of low value assets (lease payments less than $100 per month) are recognized on a straight-line basis over the lease term.

We have lease agreements with lease and non-lease components, which are accounted for separately for all classes of assets, except for vehicle leases where the leases and non-lease components are accounted for as a single lease component.

For contracts entered into before 1 January 2019, we determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset.
- An arrangement conveyed the right to use the asset if one of the following was met:
- the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
- the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
- facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

In the comparative period, as a lessee, we classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. The leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset. As of 31 December 2018, no finance leases were recorded in our Consolidated Statement of Financial Position.

Assets held under other leases were classified as operating leases and were not recognized in the Consolidated Statement of Financial Position. Payments made under operating leases were recognized in profit or loss on a straight-line basis over the term of the lease.

Earnings Per Share

We compute basic earnings per common share by dividing net income available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per common and potential common share include additional shares in the weighted average share calculations associated with the incremental effect of dilutive restricted stock awards and contingently issuable shares.

3. FINANCIAL RISKS AND RISK MANAGEMENT

Market Risk

We are exposed to market risk, which is the potential loss arising from adverse changes in currency, interest rate and price risk. We do not believe that our exposure to market risks, which are primarily related to interest rate changes, is material.

Currency Risks

We operate in a number of international areas, which expose us to foreign currency exchange rate risk. We do not currently hold or issue forward exchange contracts or other derivative instruments for hedging or speculative purposes. Foreign exchange gains and losses are the result of fluctuations in the USD against other currencies and are included in Other (income) expense, net in the Consolidated Statement of Profit or Loss. We recognized foreign exchange losses in countries where the USD weakened against the local currency and we had net monetary liabilities denominated in the local currency, as well as in countries where the USD strengthened against the local currency and we had net monetary assets denominated in the local currency. We recognized foreign exchange gains in countries where the USD strengthened against the local currency and we had net monetary liabilities denominated in the local currency, as well as in countries where the USD weakened against the local currency and we had net monetary assets denominated in the local currency. We manage our risk to foreign exchange fluctuations by minimizing our net monetary assets and liabilities denominated in currencies other than USD.

The following table summarizes the impact on our other comprehensive income and post-tax profit for the year if the US Dollar exchange rate changed by 20% against the listed currencies with all other variables held constant (in thousands):

	2019		2018	
	Increase 20%	Decrease 20%	Increase 20%	Decrease 20%
Euro	$ 680	$ (680)	$ 682	$ (682)
British Pounds	(192)	192	117	(117)
Canadian Dollars	403	(403)	875	(875)
Mexican Pesos	497	(497)	441	(441)
Russian Rubles	276	(276)	265	(265)
Turkish Lira	154	(154)	714	(714)
United Arab Emirates Dirham	645	(645)	791	(791)
Total	$ 2,463	$ (2,463)	$ 3,885	$ (3,885)

The above listed currencies represent 20% and 25% of our net monetary assets on 31 December 2019 and 2018, respectively while our position in US Dollars represents 54% and 52% of our net monetary assets on 31 December 2019 and 2018, respectively. The overall increase in our exposure to an increase or decrease in foreign exchange rates at 31 December 2019 is due to a decrease in our net monetary asset position in British Pounds, Canadian Dollars, Euros, Russian Rubles and Turkish Lira combined with a decrease in our net monetary asset position in Mexican Pesos.

Interest Rate Risks

Our policy on interest rate risks is aimed to manage the net financing charges due to fluctuations in market rates of interest. We analyze our interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing.

We maintain a revolving credit facility ("Credit Facility") that is used as needed for general corporate purposes with a group of commercial banks with significant financial resources that share in the amount outstanding on a pre-determined ratio. We issued letters of credit on the Credit Facility for $14.9 million at 31 December 2019. The balance that may be drawn under the Credit Facility was $128.1 million at 31 December 2019. No credit limits were exceeded during the reporting period.

We manage our cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Under the interest rate swaps, we agree with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts.

We have entered into interest rate swaps 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. One of the swap agreements with a notional value of $25 million expired on 29 August 2019. The remaining swap agreement, fixes the LIBOR portion of the interest rate at 2.50% through 29 August 2024. At 31 December 2019, we had $157 million in debt outstanding under this facility including $132 million, which carries a variable interest rate (from LIBOR + 1.375% to LIBOR + 2.0%), after the effect of the interest rate swaps.

If LIBOR had changed by 20% with all other variables held constant, our interest expense for the year would have increased/decreased by $0.5 million.

Our Senior Notes due 2021 and 2023 ("Senior Notes") carry a fixed interest rate and therefore there is no interest rate sensitivity on our Senior debt.

Credit Risks

Our financial instruments that potentially subject us to concentrations of credit risk consist primarily of cash, cash equivalents, accounts receivable and other financial assets. All cash and cash equivalents are on deposit at commercial banks or investment firms with significant financial resources. Our trade receivables are with a variety of independent, international and national oil and gas companies. We consider our credit risk to be limited due to the creditworthiness and financial resources of these financial institutions and companies. We limit this risk by evaluating the credit history and credit worthiness using various credit agencies, such as Dun and Bradstreet, to determine if we should conclude transactions with the company. All new clients are required to be reviewed by our credit department who obtain independent credit reports and trade reports on the client. If there is no independent rating, our credit department assesses the credit quality of the client taking into account its financial position, past experience and other factors. In certain situations we will require a letter of credit before completing the sale. In addition, ongoing clients are periodically reviewed to ensure their financial position continues to warrant the extension of credit. The aim is to maintain a client base where no one client will account for a significant portion of our business. We evaluate our estimate of the provision for expected credit losses on an on-going basis throughout the year. We had no clients who provided more than 10% of our revenue for the years ended 31 December 2019 and 2018. Our top ten clients in 2019 and 2018 accounted for 22% and 21% of our total revenue, respectively. Our exposure to credit risk is the total balance of financial instruments that are not impaired which is $185.7 million and $181.7 million at 31 December 2019 and 2018, respectively. See Note 31, *Fair Value* for the details of these balances.

Liquidity Risks

The management of liquidity risk entails maintaining sufficient cash and marketable securities along with the availability of funding through our Credit Facility. Our financing policy is directed at establishing and maintaining an optimal financing structure that takes into account our current asset base and our investment program. From time to time, we seek access to the capital markets when external funding is required to the extent we need outside funding beyond our internally generated free cash flow in order to finance investments, potential acquisitions and repayment of debt. Our Credit Facility matures in June 2023. In addition, we have outstanding $150 million of Senior Notes, with $75 million due in 2021 and $75 million due in 2023. In addition to our repayment commitments under our credit facilities and the Senior Notes, we have non-cancelable lease arrangements under which we lease property including buildings, equipment and vehicles.

The following table summarizes our future contractual obligations under these arrangements into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows, including interest. Balances due within 12 months equal their carrying balances as the impact of interest is not significant.

At December 31, 2019	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Contractual Obligations (in thousands):					
Debt	$ 325,346	$ 6,090	$ 84,173	$ 235,083	$ —
Lease liabilities	76,501	11,841	19,674	14,026	30,960
Derivative financial instruments	1,054	—	—	1,054	—
Trade payables	35,953	35,953	—	—	—
Other accrued expenses	5,782	5,782	—	—	—
Total contractual obligations	$ 444,636	$ 59,666	$ 103,847	$ 250,163	$ 30,960

At December 31, 2018	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Contractual Obligations (in thousands):					
Debt	$ 316,436	$ 6,090	$ 87,180	$ 223,166	$ —
Derivative financial instruments	70	—	—	—	70
Trade payables	41,155	41,155	—	—	—
Other accrued expenses	7,514	7,514	—	—	—
Total contractual obligations	$ 365,175	$ 54,759	$ 87,180	$ 223,166	$ 70

We plan on funding these obligations through existing cash balances, operating cash flows and the unused portion of our Credit Facility. We have no significant purchase commitments or similar obligations outstanding at 31 December 2019.

Capital Risk Management

Our objectives when managing capital are to safeguard our ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, we may adjust the amount of capital we return to shareholders through our share repurchase and dividend programs, issue new shares or convert assets to cash to reduce debt. Consistent with others in our industry, we monitor capital on the basis of the debt-to-EBITDA ratio. This ratio is calculated as gross debt less cash divided by the sum of net income, and interest, tax, depreciation and amortization expenses.

The debt-to-EBITDA ratios at 31 December 2019 and 2018 were as follows (in thousands):

	2019	2018
Gross debt less cash	$ 294,191	$ 278,884
Profit for the year	101,659	85,070
Interest expense	18,289	13,251
Tax (benefit) expense	(11,069)	28,959
Depreciation expense	20,812	22,013
Amortization of leases	16,351	—
Amortization of intangibles	1,793	1,074
EBITDA	$ 147,835	$ 150,367
Debt-to-EBITDA ratio	2.0	1.9

The slight increase in the debt-to-EBITDA ratio in 2019 was primarily caused by the increase in our revolver during the year. Our ability to generate free cash flow remains strong, and we will continue to manage our capital structure to meet our goals. On December 30, 2019, the Company's board of supervisory directors approved a plan to reduce the Company's future quarterly dividend from $0.55 per share to $0.25 per share. On March 16, 2020, the Company's board of supervisory directors approved a plan to further reduce the Company's quarterly dividend from $0.25 per share to $0.01 per share starting with the dividend to be paid in the second quarter of 2020.

4. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. We evaluate our estimates on an ongoing basis and utilize our historical experience, as well as various other assumptions that we believe are reasonable under the circumstances. By nature, these judgments are subject to an inherent degree of uncertainty. We consider an accounting estimate to be critical if it is highly subjective and if changes in the estimate under different assumptions would result in a material impact on our financial condition and results of operations. The following transaction types require significant judgment and, therefore, are considered critical accounting policies as of 31 December 2019.

The following accounts, among others, require us to use critical estimates and assumptions:

- depreciation and amortization;
- determining the fair value of financial instruments;
- assumptions used in determining obligations for pensions and other post-retirement benefits;
- determining the fair value of share-based compensation;
- income taxes and non-income related taxes;
- impairment testing of long-lived assets, intangibles and goodwill; and
- leases.

Accounting policies relating to these accounts and the nature of these estimates are further discussed under the applicable caption below. For each of these critical estimates it is at least reasonably possible that changes in these estimates will occur in the short term which may impact our financial position or results of operations.

Property, Plant and Equipment

Property, plant and equipment are carried at cost less accumulated depreciation. Major renewals and improvements are capitalized while maintenance and repair costs are charged to expense as incurred. They are depreciated using the straight-line method based on their individual estimated useful lives, except for leasehold improvements, which are depreciated over the remaining lease term, if shorter. We estimate the useful lives and salvage values of our assets based on historical data as follows:

Buildings and leasehold improvements	3 - 40 years
Machinery and equipment	3 - 10 years

When long-lived assets are sold or retired, the remaining costs and related accumulated depreciation are removed from the accounts and any resulting gain or loss is included in income. These capitalized long-lived assets could become impaired if our operating plans or business environment changes.

We review our long-lived assets, including definite-lived intangible assets, for impairment when events or changes in circumstances indicate that their net book value may not be recovered over their remaining service lives. Indicators of possible impairment may include significant declines in activity levels in regions where specific assets or groups of assets are located, extended periods of idle use, declining revenue or cash flow or overall changes in general market conditions.

Whenever possible impairment is indicated, we compare the carrying value of the assets to the sum of the estimated undiscounted future cash flows expected from use, plus salvage value, less the costs of the subsequent disposition of the assets. If impairment is still indicated, we compare the fair value of the assets to the carrying amount, and recognize an impairment loss for the amount by which the carrying value exceeds the fair value. We did not record any material impairment charges relating to our long-lived assets held for use during the years ended 31 December 2019 and 2018.

Fair Value Estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

The Company's only financial assets and liabilities which involve fair value measures relate to certain aspects of Core Lab's benefit plans. Other financial assets are comprised of life insurance policies with cash surrender values which have been purchased by us to assist in funding deferred compensation arrangements with certain employees. We determine the fair value of the plan assets with the assistance of an actuary using observable inputs (Level 2), which approximate the contract value of the investments. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to us for similar financial instruments.

The Company's only derivative financial assets and liabilities which involve fair value measures relate to our interest rate swaps. The fair value of all outstanding derivatives was determined using a model with inputs that are observable in the market or can be derived from or corroborated by observable data.

For further discussion of fair value, see Note 31 - *Fair Value*.

Post-employment Benefits

We provide a non-contributory defined benefit plan covering substantially all of our Dutch employees hired prior to 2007. We have also entered into deferred compensation contracts for certain key employees to provide additional retirement income to the participants. In addition, we provide severance compensation to certain current key employees if employment is terminated under certain circumstances, such as following a change in control or for any reason other than upon their death or disability, for "cause" or upon a material breach of a material provision of their employment agreement, as defined in their employment agreements. As required by current accounting standards, we recognize post-employment obligation costs associated with these arrangements in income from current operations and recognize the unfunded status of the arrangements, if any, as a long-term liability. In addition, we recognize as a component of other comprehensive income all remeasurement gains or losses. The projection of the post-employment obligations and fair value of plan assets requires the use of assumptions and estimates. Actual results could differ from those estimates. See Note 20 - *Post-employment and Other Long-term Employee Benefits*.

Furthermore, we maintain defined contribution plans for the benefit of eligible employees primarily in Canada, the Netherlands, the United Kingdom and the United States. We have also adopted a non-qualified deferred compensation plan that allows certain highly compensated employees to defer a portion of their salary, commission and bonuses. We expense contributions to these plans in the period the contribution is made.

Stock-Based Compensation

We have two stock-based compensation plans, as described in further detail in Note 14 – *Stock-Based Compensation*. We evaluate the probability that certain of our stock-based plans will meet targets established within the respective agreements and result in the vesting of such awards. For new awards issued and awards modified, repurchased or canceled, the compensation expense is equal to the fair value of the award at the date of the grant and is recognized in the Consolidated Statements of Operations for those awards earned over the requisite service period of the award. The fair value is determined by calculating the discounted value of the shares over the vesting period.

Income Taxes

Our income tax expense includes income taxes of the Netherlands and other foreign countries as well as local, state and provincial income taxes. We recognize deferred tax assets or liabilities for the differences between the financial statement carrying amount and tax basis of assets and liabilities using enacted tax rates in effect for the years in which the asset is recovered or the liability is settled. We estimate the likelihood of the recoverability of our deferred tax assets (particularly, net operating loss carry-forwards) based on estimates and assumptions of taxable income into the future and a determination is made of the magnitude of deferred tax assets which are more likely than not to be realized. Deferred tax assets ("DTAs") are recorded to the extent utilization is determined to be more likely than not. If these estimates of utilization and related assumptions change in the future, we may record adjustments to reflect the reduction to tax benefits or additional tax benefits, which could impact our effective tax rate which could result in a material adverse effect on our financial position, results of operations and cash flows. We have not provided for deferred taxes on the unremitted earnings of certain subsidiaries that we consider to be indefinitely reinvested. Should we make a distribution of the unremitted earnings of these subsidiaries, we may be required to record additional taxes. We record a liability for unrecognized tax benefits resulting from uncertain tax positions taken or expected to be taken in our tax return. We also recognize interest and penalties, if any, related to unrecognized tax benefits in income tax expense.

Estimated Impairment of Goodwill

We record goodwill as the excess of the purchase price over the fair value of the net assets acquired in acquisitions accounted for under the purchase method of accounting. We test goodwill for impairment annually, or more frequently if circumstances indicate a possible impairment.

We monitor or test goodwill for impairment annually or more frequently if circumstances indicate a potential impairment. For purposes of this test, we determine our cash generating units ("CGU") at business segment levels, and compare the recoverable amount of each CGU grouping to its net carrying value. The recoverable amount is determined by estimating the present value of projected future cash flows using our weighted average cost of capital as a basis for the discount rate. Our impairment analysis is quantitative; however, it includes subjective estimates based on assumptions regarding future growth rates, interest rates and operating expenses. If the carrying value of the CGU exceeds the recoverable amount determined, an impairment loss is recorded to the extent that the implied fair value of the goodwill of the CGU is less than its carrying value. We did not record impairment charges relating to our goodwill or our indefinite-lived intangible assets during the years ended 31 December 2019 and 2018.

We have never identified nor recorded any impairments relating to the goodwill of our current continuing operations.

If the estimated operating margin at 31 December 2019 had been 10% lower than management's estimates, we would not have recognized any impairment of goodwill.

If the estimated pre-tax discount rate applied to the discounted cash flows had been 10% higher than management's estimates, we would have not recognized any impairment against goodwill.

If the estimated short-term and long-term growth rates applied to the discounted cash flows had been 50% lower than management's estimates, we would have not recognized any impairment against goodwill.

Leases

Significant judgment is required to determine the lease term and the incremental borrowing rate. The assessment of whether we are reasonably certain to exercise extension or early termination options impacts the lease term, which as a result could affect the amount of lease liabilities recognized. The assumptions used in the determination of the incremental borrowing rate could impact the rate used in discounting future payments, which as a result could have an impact on the amount of lease liabilities recognized.

5. SEGMENT REPORTING

We operate our business in two reporting segments. 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 analyses.
- *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 and is consistent with the information, which is reviewed by the Chief Operating Decision Maker ("CODM"). We use U.S. GAAP accounting policies to prepare our business segment results and adjustments are provided to reconcile segment results to our Consolidated financial statements which are prepared using IFRS accounting policies. 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]	U.S. GAAP Consolidated	U.S. GAAP to IFRS Adjustments	IFRS Consolidated
December 31, 2019						
Revenue from unaffiliated clients	$ 420,897	$ 247,313	$ —	$ 668,210	$ —	$ 668,210
Inter-segment revenue	436	500	(936)	—	—	$ —
Segment operating profit (loss)	55,140	38,378	3,166	96,684	4,478	$ 101,162
Finance costs[2]	—	—	18,289	18,289	—	$ 18,289
Share of profit (loss) of associates	208	—	—	208	—	$ 208
Total assets	343,405	279,769	151,499	774,673	71,296	$ 845,969
Capital expenditures	10,439	11,253	577	22,269	—	$ 22,269
Intangible asset expenditures	(12)	(5,023)	5,539	504	—	$ 504
Depreciation and amortization	15,109	5,645	1,851	22,605	—	$ 22,605
December 31, 2018						
Revenue from unaffiliated clients	$ 413,082	$ 287,764	$ —	$ 700,846	$ —	$ 700,846
Inter-segment revenue	988	378	(1,366)	—	—	$ —
Segment operating profit (loss)	54,847	63,039	736	118,622	8,513	$ 127,135
Finance costs[2]	—	—	13,251	13,251	—	$ 13,251
Share of profit (loss) of associates	203	—	—	203	—	$ 203
Total assets	315,503	270,832	62,492	648,827	74,100	$ 722,927
Capital expenditures	12,829	8,222	690	21,741	—	$ 21,741
Intangible asset expenditures	(8)	(48)	(4)	(60)	—	$ (60)
Depreciation and amortization	16,747	4,271	2,069	23,087	—	$ 23,087

(1) "Corporate and other" represents those items that are not directly related to a particular segment and eliminations.
(2) Finance revenue is immaterial to our operations, therefor "Finance costs" is shown net of finance revenue.

Under IFRS for segment income, we recognize stock compensation expense on a more accelerated basis as compared with U.S. GAAP, and for post-employment benefits, we recognize all actuarial gains and losses in Other comprehensive income, which are not amortized to profit (loss) in the Consolidated Statement of Profit or Loss.

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 total assets consist primarily of cash and cash equivalents, trade and other receivables, inventories, property, plant and equipment, right-of-use assets and intangible assets. Total assets in Corporate & Other is comprised of deferred taxes from restructuring and miscellaneous assets related to the corporate function. We recognized an adjustment to goodwill upon adoption of IFRS for prior acquisitions recorded under the pooling of interest method for U.S. GAAP. In addition, we recognize deferred tax assets related to timing differences for expense for stock compensation and post-employment benefits as noted above. Reclassification adjustments are also recorded between liabilities and assets to conform to IFRS presentation requirements.

Capital expenditures comprise cash paid for 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.

Geographical Information

We are a company incorporated in the Netherlands and we derive our revenue from services and product sales to clients primarily in the oil and gas industry. No single client accounted for 10% or more of revenue in any of the periods presented.

We attribute sales revenue to the country where the product was shipped and services revenue to the country where the services were performed. We do, however, have significant levels of revenue recorded in the U.S., where the services were performed, that are sourced from projects on foreign oilfields. The following table shows a summary of our U.S. and non-U.S. operations for 31 December 2019 and 2018 (in thousands):

GEOGRAPHIC INFORMATION	United States	Canada	Europe	Other Countries	U.S. GAAP Consolidated	U.S. GAAP to IFRS Adjustments	IFRS Consolidated
December 31, 2019							
Revenue	$289,173	$ 25,240	$160,274	$ 193,523	$ 668,210	$ —	$ 668,210
Operating income	48,660	(1,645)	16,800	32,869	96,684	4,478	101,162
Property, plant and equipment	66,053	10,998	23,186	23,269	123,506	—	123,506
Total assets	389,826	56,073	207,453	121,321	774,673	71,296	845,969
Capital expenditures	12,701	2,170	4,551	2,847	22,269	—	22,269
December 31, 2018							
Revenue	$324,073	$ 34,633	$157,836	$ 184,304	$ 700,846	$ —	$ 700,846
Operating income	78,228	2,231	18,978	19,185	118,622	8,513	127,135
Property, plant and equipment	64,718	9,922	23,090	25,187	122,917	—	122,917
Total assets	291,882	54,827	193,276	108,842	648,827	74,100	722,927
Capital expenditures	11,619	1,677	4,499	3,946	21,741	—	21,741

We are domiciled in the Netherlands. The revenue from third-party clients in the Netherlands were $48.4 million and $50.5 million for the years ended 31 December 2019 and 2018, respectively, and the total revenue from third-party clients from other countries are included in the table above. Operating income and total assets associated with our corporate operations have been included in the results for the United States. The Other Countries category consists of several countries which are individually insignificant.

The following table shows the breakdown between services and product sales for the years ended 31 December 2019, 2018 and 2017 (in thousands):

SEGMENT BREAKDOWN BETWEEN SERVICES / PRODUCT SALES	2019	2018	2017
Reservoir Description Services	$ 389,801	$ 387,098	$ 393,742
Production Enhancement Services	84,392	99,722	86,522
Total Revenue - Services	$ 474,193	$ 486,820	$ 480,264
Reservoir Description Product sales	$ 31,096	$ 25,984	$ 21,478
Production Enhancement Product sales	162,921	188,042	146,077
Total Revenue - Product sales	$ 194,017	$ 214,026	$ 167,555
Total Revenue	$ 668,210	$ 700,846	$ 647,819

6. PROPERTY, PLANT AND EQUIPMENT

The components of property, plant and equipment were as follows at 31 December 2019 and 2018 (in thousands):

	Land	Buildings	Machinery and Equipment	Construction In Progress	Total
At January 1, 2018					
Historical cost	$ 11,520	$ 112,695	$ 257,160	$ 7,138	$ 388,513
Accumulated depreciation	—	(56,108)	(209,307)	—	(265,415)
Net book amount	11,520	56,587	47,853	7,138	123,098
Year ended December 31, 2018					
Opening net book amount	11,520	56,587	47,853	7,138	123,098
Additions	7	526	3,738	18,448	22,719
Acquisitions	—	—	439	—	439
Disposals	(26)	(94)	(316)	—	(436)
Transfers	(18)	3,879	10,821	(14,682)	—
Other	(100)	(696)	(94)	—	(890)
Depreciation expense	—	(5,055)	(16,958)	—	(22,013)
Closing net book amount	11,383	55,147	45,483	10,904	122,917
At December 31, 2018					
Historical cost	11,383	114,587	263,300	10,904	400,174
Accumulated depreciation	—	(59,440)	(217,817)	—	(277,257)
Net book amount	11,383	55,147	45,483	10,904	122,917
Year ended December 31, 2019					
Opening net book amount	11,383	55,147	45,483	10,904	122,917
Additions	52	1,013	5,275	15,729	22,069
Disposals	(100)	(867)	(373)	(3)	(1,343)
Transfers	—	1,727	14,152	(16,150)	(271)
Other	100	772	74	—	946
Depreciation expense	—	(4,761)	(16,051)	—	(20,812)
Closing net book amount	11,435	53,031	48,560	10,480	123,506
At December 31, 2019					
Historical cost	11,435	116,045	267,732	10,480	405,692
Accumulated depreciation	—	(63,014)	(219,172)	—	(282,186)
Net book amount	$ 11,435	$ 53,031	$ 48,560	$ 10,480	$ 123,506

Machinery and equipment included in construction in progress was $10.2 million and $9.6 million for the years ended 31 December 2019 and 2018, respectively and buildings and improvements included in construction in progress was $0.3 million and $1.3 million for the years ended 31 December 2019 and 2018, respectively. We recorded no material impairment charges related to property, plant and equipment held for use in continuing operations during the years ended 31 December 2019 and 2018. See Note 36 – *Subsequent Events* for additional information.

For the years ended 31 December 2019 and 2018, depreciation expense recognized in the Consolidated Statement of Profit or Loss is as follows (in thousands):

	2019	2018
Cost of sales and services	$ 19,511	$ 20,172
General and administrative	1,301	1,841
Total depreciation expense	$ 20,812	$ 22,013

7. INTANGIBLE ASSETS

The components of intangibles as of 31 December 2019 and 2018 are as follows (in thousands):

	Goodwill	Other Intangibles	Indefinite Life Trade Names	Total
At January 1, 2018				
Cost	$ 225,624	$ 9,636	$ 4,582	$ 239,842
Accumulated amortization	—	(4,821)	—	(4,821)
Net book amount	$ 225,624	$ 4,815	$ 4,582	$ 235,021
Year ended December 31, 2018				
Opening net book amount	225,624	4,815	4,582	235,021
Additions	—	1,264	6	1,270
Acquisitions	41,161	3,623	—	44,784
Disposals	(39)	—	—	(39)
Moved to Discontinued Operations	(1,239)	—	—	(1,239)
Amortization charge	—	(1,074)	—	(1,074)
Closing net book amount	265,507	8,628	4,588	278,723
At December 31, 2018				
Cost	265,507	14,523	4,588	284,618
Accumulated amortization	—	(5,895)	—	(5,895)
Net book amount	265,507	8,628	4,588	278,723
Year ended December 31, 2019				
Opening net book amount	265,507	8,628	4,588	278,723
Additions	—	147	53	200
Adjustment to intangible assets acquired in prior year	(5,987)	5,987	—	—
Disposals	—	—	—	—
Amortization charge	—	(1,793)	—	(1,793)
Closing net book amount	259,520	12,969	4,641	277,130
At December 31, 2019				
Cost	259,520	20,657	4,641	284,818
Accumulated amortization	—	(7,688)	—	(7,688)
Net book amount	$ 259,520	$ 12,969	$ 4,641	$ 277,130

The following table summarizes the gross carrying value and the related accumulated amortization of our intangibles (except for goodwill) by significant category (in thousands):

		2019		2018	
	Original life in years	Gross Carrying Value	Accumulated Amortization	Gross Carrying Value	Accumulated Amortization
Acquired trade secrets	2-20	$ 3,613	$ 2,463	$ 3,604	$ 2,110
Acquired patents, technology and trademarks	4-15	15,895	4,306	9,770	3,026
Agreements not to compete	2-5	1,149	919	1,149	759
Acquired trade names	Indefinite	4,641	—	4,588	—
Total other intangibles and trade names		$ 25,298	$ 7,688	$ 19,111	$ 5,895

For the years ended 31 December 2019 and 2018, $1.8 million and $1.1 million of amortization expense was recognized in general and administrative costs in the Consolidated Statement of Profit or Loss, respectively.

Impairment

Certain intangibles, primarily related to trade names, are deemed to have an indefinite life and are not amortized. These assets are specific trade names which have been determined will be used and provide future cash flows indefinitely. These intangibles are held by Core Lab and are included in an impairment analysis. We performed this impairment testing at 31 December 2019 and no impairment was indicated. Therefore, no impairment losses were recorded or reversed as a result of this test in 2019 or 2018. In March of 2020, the COVID-19 global pandemic and the associated decrease in demand for crude oil, resulted in a triggering event to reassess potential impairments of Intangible assets, goodwill and other fixed assets. See Note 36 – *Subsequent Events* for additional information.

We monitor or test goodwill for impairment annually or more frequently if circumstances indicate a potential impairment, in accordance with IAS 36, *Impairment of Assets*. For purposes of this test, we determine our cash generating units (CGUs) at business segment level, and compare the recoverable amount of each CGU grouping to its net carrying value. The recoverable amount is determined by estimating the present value of projected future cash flows using our weighted average cost of capital as a basis for the discount rate. We performed this impairment testing at 31 December 2019 and no impairment was indicated.

Goodwill is recorded in our reportable segments as follows (in thousands):

	2019	2018
Reservoir Description	$ 117,819	$ 117,819
Production Enhancement	141,701	147,688
Total goodwill	$ 259,520	$ 265,507

The key assumptions used for the impairment calculation at 31 December 2019 are as follows:

	Reservoir Description	Production Enhancement
December 31, 2019		
Growth rate (1)	4.0%	4.0%
Terminal growth rate (2)	2.0%	2.0%
Discount rate (3)	12.47%	12.47%
December 31, 2018		
Growth rate (1)	10.4%	12.2%
Terminal growth rate (2)	5.0%	5.0%
Discount rate (3)	10.5%	10.5%

(1) *Average growth rate used for the next 5 years to extrapolate cash flows beyond the financial year December 31, 2019*
(2) *Average growth rate used to calculate a terminal value beyond 5 years*
(3) *Weighted average cost of capital is used as a basis for the discount rate applied to the cash flow projections*

These assumptions have been used for the analysis for each CGU grouping. Management determined the projected cash flows based on past performance and its expectations of market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rate used is pre-tax. We used cash flow projections based on financial budgets and projections approved by management covering a one year period. Cash flows beyond the first year are extrapolated using the estimated growth rates stated above. These growth rates were estimated based upon management's evaluation of our share of potential growth/decline in the industry.

If the estimated average growth rate for the next five years and the terminal growth rate applied to the discounted cash flows had been 50% lower than management's estimates, for purposes of this impairment test, we determined that the recoverable amount of each CGU is substantially in excess of its net carrying value and no impairment was indicated.

For additional sensitivity analysis, see the Estimated Impairment of Goodwill section in Note 4 - *Critical Accounting Estimates and Assumptions*. For additional information associated with events occurring subsequent to 31 December 2019, see Note 36 – *Subsequent Events*.

8. ASSOCIATES

The investments in associates comprise the financial information of the following companies:

Name	Legal Seat	Ownership Percentage
Saybolt Tunisie SarL	Tunis, Tunisia	49%
Saybolt Med SarL	Tunis, Tunisia	49%
Saybolt Saudi Arabia Co., Ltd	Jubail, Saudi Arabia	45%
Saybolt Maroc (1)	Rabat, Morocco	49%
Saybolt Madagascar (2)	Antananarivo, Madagascar	49%

(1) Our investment in Saybolt Maroc comes through our investment in Saybolt Tunisie SarL.
(2) Our investment in Saybolt Madagascar comes through our investment in Saybolt Med S.A.

These associates are not consolidated since we do not exercise decisive control over their operations.

The aggregated summarized financial information of the non-consolidated associates is as follows (100% of the associate, in thousands):

	2019	2018
Current assets	$ 7,443	$ 6,995
Non-current assets	625	698
Current liabilities	1,823	1,706
Non-current liabilities	222	207
Revenue	3,124	2,669
Profit for the year	424	395

The movement in the book value of our non-consolidated associates consisted of (in thousands):

	2019	2018
Beginning of the year	$ 3,760	$ 3,557
Share of income/(loss)	208	203
End of the year	$ 3,968	$ 3,760

9. DEFERRED INCOME TAXES

Deferred tax assets and liabilities result from various temporary differences between the financial statement carrying amount and their tax basis. The movement in deferred income tax assets and liabilities during the year, and the set-off taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

2019	Net balance January 1	Recognized in statement of profit or loss	Recognized in OCI and equity	Balance at December 31 Net	Deferred tax assets	Deferred tax liabilities
Tax losses	$ 2,680	$ 909	$ —	$ 3,589	$ 3,589	$ —
Tax credits	1,154	734	—	1,888	1,888	—
Accruals for compensation	7,840	950	337	9,127	9,127	—
Accruals for inventory capitalization	1,813	(25)	—	1,788	1,788	—
Unrealized benefit plan loss	4,342	323	—	4,665	4,665	—
Unearned revenue	2,760	(911)	—	1,849	1,849	—
Unrealized foreign exchange - DTA	7,542	(3,700)	—	3,842	3,842	—
Unrealized benefit from corporate restructuring	—	56,985	—	56,985	56,985	—
Intangibles	(6,025)	(238)	—	(6,263)	—	(6,263)
Tangible fixed assets	(2,835)	(711)	—	(3,546)	—	(3,546)
Accrued interest	(3,260)	1,581	—	(1,679)	—	(1,679)
Accrued withholding taxes	(726)	(25,832)	—	(26,558)	—	(26,558)
Unrealized foreign exchange - DTL	(4,043)	1,390	—	(2,653)	—	(2,653)
Other	(6,469)	4,772	(1,624)	(3,321)	—	(3,321)
Sub-Total	$ 4,773	$ 36,227	$ (1,287)	$ 39,713	$ 83,733	$ (44,020)
Jurisdictional set-off of tax					(12,847)	12,847
Net tax assets (liabilities)				$ 39,713	$ 70,886	$ (31,173)

2018	Net balance January 1	Recognized in statement of profit or loss	Recognized in OCI and equity	Balance at December 31 Net	Deferred tax assets	Deferred tax liabilities
Tax losses	$ 4,356	$ (1,676)	$ —	$ 2,680	$ 2,680	$ —
Tax credits	1,002	152	—	1,154	1,154	—
Accruals for compensation	11,815	(3,946)	(29)	7,840	7,840	—
Accruals for inventory capitalization	1,909	(96)	—	1,813	1,813	—
Unrealized benefit plan loss	4,931	(589)	—	4,342	4,342	—
Unearned revenue	2,649	111	—	2,760	2,760	—
Unrealized foreign exchange - DTA	5,932	1,610	—	7,542	7,542	—
Intangibles	(5,939)	(86)	—	(6,025)	—	(6,025)
Tangible fixed assets	(2,968)	133	—	(2,835)	—	(2,835)
Accrued interest	(4,885)	1,625	—	(3,260)	—	(3,260)
Accrued withholding taxes	(2,031)	1,305	—	(726)	—	(726)
Unrealized foreign exchange - DTL	(1,995)	(2,048)	—	(4,043)	—	(4,043)
Other	(4,535)	(1,934)	—	(6,469)	—	(6,469)
Sub-Total	$ 10,241	$ (5,439)	$ (29)	$ 4,773	$ 28,131	$ (23,358)
Jurisdictional set-off of tax					(11,890)	11,890
Net tax assets (liabilities)				$ 4,773	$ 16,241	$ (11,468)

In 2019, we completed a corporate restructuring transaction which resulted in a net tax benefit of $60.7 million, and recognized tax expenses of $26.7 million related to unremitted earnings of foreign subsidiaries that we no longer consider to be indefinitely reinvested. We have not provided for deferred taxes on the unremitted earnings of certain subsidiaries that we consider to be indefinitely reinvested. Should we make a distribution of the unremitted earnings of these subsidiaries, we may be required to record additional taxes. As of 31 December 2019, we consider $4.3 million to be indefinitely reinvested.

At 31 December 2019, we had net operating loss carry-forwards for income tax purposes in various tax jurisdictions of $31.9 million. Of those carry-forwards that are subject to expiration, they will expire, if unused, $1.8 million in 2020, $1.7

million in 2021, $9.0 million in 2022, $1.7 million in 2023, $3.6 million in 2024-2026, and $0.9 million will expire beyond 2026. The remaining balance of $13.3 million is not subject to expiration. We currently do not believe the entire tax benefit will be realized; as such we have not recognized a deferred tax asset on $6 million of the net operating loss carry-forward.

10. INVENTORIES

Inventories consisted of the following at 31 December 2019 and 2018 (in thousands):

	2019	2018
Finished goods	$ 26,507	$ 26,636
Parts and materials	21,419	13,704
Work in progress	2,237	5,324
Total inventories	$ 50,163	$ 45,664

The cost of inventories recognized as expense and included in Cost of product sales was $77.8 million and $81.2 million for the years ended 31 December 2019 and 2018, respectively. We include freight costs incurred for shipping inventory to our clients in the Cost of product sales caption in the accompanying Consolidated Statement of Profit or Loss. The balances above are net of valuation reserves of $3.1 million and $4.1 million at 31 December 2019 and 2018, respectively.

11. PREPAID AND OTHER CURRENT ASSETS AND INCOME TAXES RECEIVABLE

Prepaid expenses and other current assets are comprised primarily of prepaid insurance, value added taxes and rents.

Income tax receivable relates to estimated tax pre-payments made in excess of actual tax liabilities. These receivables are due back as refunds from the respective taxing authorities.

In 2018, assets related to discontinued operations, including an allocation of goodwill from the Production Enhancement segment, have been reclassified to Prepaid and other current assets in the Consolidated Statement of Financial Position. We entered into definitive purchase agreement in 2019. For further discussion of discontinued operations, see Note 30 - *Discontinued Operations*.

12. TRADE AND OTHER RECEIVABLES

Trade and other receivables consisted of the following at 31 December 320191, 2018 and 2018 (in thousands):

	2019	2018
Trade receivable	$ 127,346	$ 126,891
Other receivables	6,963	4,916
Total receivables	134,309	131,807
Less - expected credit loss	2,730	2,650
Receivables, net	$ 131,579	$ 129,157

The carrying value of trade and other receivables approximates their fair values at 31 December 2019 and 2018.

A provision for expected credit losses is established and reevaluated monthly. Our Policy requires that a reserve for expected credit losses be established when an invoice becomes 180 days past due unless it is with a Major oil company, National oil monopoly or a Fortune 500 or 5A D&B rated company not considered to be a high credit risk (these companies are reserved for at one year past the due date). We have an established credit department that reviews and recommends credit terms for all new clients and clients we have not done work for during the past 12 months. They utilize a number of global reporting agencies such as Dunn & Bradstreet, SkyMinder, Experian and Hoovers to establish the credit worthiness of our clients. In addition, they may use other credit reporting agencies, state and local records and SEC and other public filings. The credit department also monitors and evaluates the updated list and trend of bankruptcies filed and prepares trade receivable risk reports periodically.

As of 31 December 2019 and 2018, we had trade receivables of $0.6 million and $0.7 million, respectively, that were 180 days past due but not impaired. As of 31 December 2019 and 2018, we had trade receivables of $12 thousand and $11 thousand, respectively, that were 365 days past due but not impaired. The amount of the provision for impaired receivables was $2.7 million and $2.7 million for 2019 and 2018, respectively. The impaired receivables related to receivables that met the criteria to be considered impaired according to our policy. The aging analysis of these receivables is as follows (in thousands):

	Not Impaired		Impaired	
	2019	2018	2019	2018
Not past due	$ 70,396	$ 69,484	$ —	$ —
Up to 180 days past due	53,648	54,053	—	—
180 to 365 days past due	560	693	1,036	1,600
Over 365 days past due	12	11	1,694	1,050
Total	$ 124,616	$ 124,241	$ 2,730	$ 2,650

Movements in the provision for expected credit losses on trade receivables are as follows (in thousands):

	2019	2018
At January 1,	$ 2,650	$ 2,590
Provision for receivable impairment (recoveries)	594	605
Receivables written off as uncollectible	(454)	(560)
Other [1]	(60)	15
At December 31,	$ 2,730	$ 2,650

(1) Comprised primarily of differences due to changes in the exchange rate.

The additions to and recoveries from provisions for impaired receivables have been included in Impairment loss on trade receivables and contract assets in the Consolidated Statement of Profit or Loss. Amounts charged to the provision account are generally written off when there is no expectation of recovering any of the outstanding balance.

The other classes of receivables within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. We do not hold any collateral as security on receivables.

13. EQUITY

Share capital

The authorized share capital of Core Lab as at 31 December 2019 amounts to EUR 4.12 million and consists of 200,000,000 ordinary shares with a par value of EUR 0.02 each and 6,000,000 preferred shares with a par value of EUR 0.02.

Issued and paid in share capital amounts to $51.2 million and consists of 44,796,252 issued and 44,465,562 outstanding ordinary shares with a par value of EUR 0.02 each. Repurchased ordinary shares amounts to $29.4 million and consists of 330,690 ordinary shares with a par value of EUR 0.02 each. Common shares have voting and dividend rights but treasury shares do not.

The movements in the number of shares in 2019 are as follows:

	Ordinary Shares	Repurchased Ordinary Shares	Shares Outstanding
Balance at January 1, 2019	44,796,252	(479,407)	44,316,845
Issue of ordinary shares	—	220,417	220,417
Repurchased own shares	—	(71,700)	(71,700)
Balance at December 31, 2019	44,796,252	(330,690)	44,465,562

Treasury Shares

In connection with our initial public offering in September 1995, our shareholders authorized our Management Board to repurchase up to 10% of our issued share capital, the maximum allowed under Dutch law at the time, for a period of 18 months. This authorization was renewed at subsequent annual or special shareholder meetings. At our annual shareholders' meeting on 23 May 2019, our shareholders authorized an extension to repurchase up to 10% of our issued share capital through 23 November 2020. The repurchase of shares in the open market is at the discretion of management pursuant to this shareholder authorization. From the activation of the share repurchase program on 29 October 2002 through 31 December 2019, pursuant to shareholder approvals, we have repurchased 39,689,999 shares for an aggregate purchase price of approximately $1.7 billion, or an average price of $41.57 per share and have canceled 33,475,406 shares with an historical cost of $1.2 billion. At 31 December 2019, we held 330,690 shares in treasury with the authority to repurchase 4,185,935 additional shares under our stock repurchase program. Subsequent to year-end, we have repurchased 36,932 shares at a total cost of $1.3 million.

Dividends

In February, May, August and November 2019, we paid quarterly dividends of $0.55 per share of common stock. The total dividends paid in 2019 were $97.6 million. On 14 January 2020, we declared a quarterly dividend of $0.25 per share of common stock and paid on 14 February 2020 to shareholders of record on 24 January 2020.

The declaration and payment of future dividends will be at the discretion of the Supervisory Board of Directors and will depend upon, among other things, future earnings, general financial condition, liquidity, capital requirements, and general business conditions. Dividend distributions to be paid to shareholders are recognized as a liability in the Consolidated Statement of Financial Position in the period in which they are declared but not paid.

Because we are a holding company that conducts substantially all of our operations through subsidiaries, our ability to pay cash dividends on the common shares is also dependent upon the ability of our subsidiaries to pay cash dividends or otherwise distribute or advance funds to us and on the terms and conditions of our existing and future credit arrangements.

Other Reserves

Other Reserves is comprised of adjustments directly to other comprehensive income.

	Pension	Cash Flow Hedge	Translation	Total
Balance at January 1, 2018	$ (12,289)	$ (191)	$ (546)	$ (13,026)
Pension remeasurement	(962)	—	—	(962)
Currency translation adjustment	—	—	(48)	(48)
Cash flow hedges	—	385	—	385
Balance at December 31, 2018	$ (13,251)	$ 194	$ (594)	(13,651)
Pension remeasurement	(834)	—	—	(834)
Cash flow hedges	—	(885)	—	(885)
Balance at December 31, 2019	$ (14,085)	$ (691)	$ (594)	$ (15,370)

14. STOCK-BASED COMPENSATION

In 2004, the Equity Awards Subcommittee of our Compensation Committee of our Board of Supervisory Directors approved the RSAP to attract and retain the best employees, and to better align employee interests with those of our shareholders. We have not granted options since 2003 and we have no unexercised or unvested options remaining.

We have granted restricted stock awards under two stock incentive plans: the 2014 Long-Term Incentive Plan and the 2014 Nonemployee Director Stock Incentive Plan. Awards under the following three compensation programs have been granted pursuant to both plans: (1) the Performance Restricted Share Award Program ("PSAP"), (2) the Restricted Share Award Program ("RSAP") and (3) the Restricted Share Award Program for Nonemployee Directors (the "Program").

We issue shares from either treasury stock or authorized shares upon the lapsing of vesting restrictions on restricted stock. In 2019, we issued 220,417 shares out of treasury stock relating to the vesting of restricted stock. We do not use cash to settle equity instruments issued under stock-based compensation awards.

Compensation expense is recorded at the grant date fair value of the shares expected to vest. Grant date fair value is calculated as the closing price on the date of the grant adjusted down by the discounted value of the dividends expected to be paid over the life of the grant. The shares expected to vest takes into account the expected forfeiture rate.

Nonvested restricted and performance share awards as of 31 December 2019 and changes during the year were as follows:

	Long-term Incentive Plan		Nonemployee Director Stock Incentive Plan	
	Number of Shares	Weighted Average Grant Date Fair Value	Number of Shares	Weighted Average Grant Date Fair Value
Nonvested at December 31, 2017	508,361	$ 105.38	28,389	$ 106.00
Granted	233,666	99.90	8,322	106.04
Vested	(200,916)	103.35	(17,709)	106.59
Forfeited	(18,555)	108.20	—	—
Nonvested at December 31, 2018	522,556	103.61	19,002	105.47
Granted	378,247	58.61	10,885	63.47
Vested	(201,415)	111.08	(19,002)	105.47
Forfeited	(39,576)	85.24	—	—
Nonvested at December 31, 2019	659,812	76.15	10,885	63.47

The fair value of the nonvested restricted stock awards at 31 December 2018 was $32.3 million.

Stock-Based Compensation Expense

For the years ended 31 December 2019 and 2018, stock-based compensation expense recognized in the Consolidated Statement of Profit or Loss is as follows (in thousands):

	2019	2018
Cost of sales and services	$ 7,450	$ 5,561
General and administrative	13,892	19,813
Total stock-based compensation expense	$ 21,342	$ 25,374

15. PREFERENCE SHARES

We have 6,000,000 preference shares authorized by our shareholders with a par value of EUR 0.02. At both 31 December 2019 and 2018, no preference shares were issued or outstanding.

16. BORROWINGS

Debt at 31 December 2019 and 2018 is summarized in the following table (in thousands):

	Senior Notes	Credit Facility	Deferred Debt Acquisition Costs	Total
Balance at December 31, 2018	$ 150,000	$ 142,000	$ (2,230)	$ 289,770
Repayment of Debt Borrowing	—	(123,000)	—	(123,000)
Proceeds from Debt Borrowing	—	138,000	—	138,000
Other Financing Costs Incurred	—	—	8	8
Amortization of Deferred Debt Acquisition Costs	—	—	505	505
Balance at December 31, 2019	$ 150,000	$ 157,000	$ (1,717)	$ 305,283

In 2011, we issued two series of Senior Notes with an aggregate principal amount of $150 million 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 30 September 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 30 September 2023. Interest on each series of the Senior Notes is payable semi-annually on 30 March and 30 September.

The aggregate borrowing commitment under our revolving credit facility (the "Credit Facility") is $300 million. The Credit Facility provides an option to increase the commitment under the Credit Facility by an additional $100 million to bring the total borrowings available to $400 million if certain prescribed conditions are met by Core Lab. The Credit Facility bears interest at variable rates from LIBOR plus 1.375% to a maximum of LIBOR plus 2%.

Any outstanding balance under the Credit Facility is due 19 June 2023, when the Credit Facility matures. Interest payment terms are variable depending upon the specific type of borrowing under this facility. Our available capacity at any point in time is subject to all terms of the agreements, and is reduced by borrowings outstanding at the time and outstanding letters of credit which totaled $14.9 million at 31 December 2019, resulting in an available borrowing capacity under the Credit Facility of $128.1 million. In addition to those items under the Credit Facility, we had $5.8 million of outstanding letters of credit and performance guarantees and bonds from other sources as of 31 December 2019.

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.

In 2014, we entered into two interest rate swap agreements to hedge changes in the variable interest rate on our LIBOR-priced debt. One of the swap agreements expired on 29 August 2019. See Note 31 - *Derivative Financial Instruments*.

The carrying amounts of our borrowings are denominated in U.S. Dollars. The fair value of the Senior Notes was $149.9 million at 31 December 2019 and $149.8 million at 31 December 2018. 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. See Note 31 - *Fair Value*. The fair value of the Credit Facility, capital lease obligations and deferred debt acquisition costs approximates the book value.

17. INCOME AND OTHER TAXES PAYABLE

Long-term income tax payable relates to tax exposures for tax obligations including potential interest and penalties in various taxing jurisdictions. Short-term income tax payable relates to tax obligations in various tax jurisdictions.

Other taxes payable relates to various local non-income tax obligations.

18. CONTRACT ASSETS AND LIABILITIES

Contract assets and liabilities result due to the timing of revenue recognition, billings and cash collections.

Contract assets include our right to payment for goods and services already transferred to a customer when the right to payment is conditional on something other than the passage of time, for example contracts where we recognize revenue over time but do not have a contractual right to payment until we complete the performance obligations. Contract assets are included in our accounts receivable and are not material as of 31 December 2019.

Contract liabilities consist of advance payments received and billings in excess of revenue recognized. We generally receive up-front payments relating to our consortia studies; we recognize revenue over the life of the study as the testing and analysis results are made available to our consortia members. We record billings in excess of revenue recognized for contracts with a duration less than twelve months as unearned revenue. We classify contract liabilities for contracts with a duration greater than twelve months as current or non-current based on the timing of when we expect to recognize revenue. The current portion of contract liabilities is included in unearned revenue and the non-current portion of contract liabilities is included in long-term contract liabilities in our Consolidated Statement of Financial Position.

All advance payments are classified as unearned revenue until services are performed or product title is transferred. At 31 December 2019 and 2018, we had $13.7 million and $19.0 million of unearned services revenue, respectively. We have no unearned product sales revenue.

The balance of contract assets and contract liabilities consisted of the following (in thousands):

	2019	2018
Contract assets		
Current	$ 2,183	$ 1,145
Non-Current	244	188
	$ 2,427	$ 1,333
Contract Liabilities		
Current	$ 4,473	$ 5,963
Non-current	383	1,401
	$ 4,856	$ 7,364

Estimate of when contract liabilities will be recognized	
within 12 months	$ 4,473
within 12 to 24 months	$ 383
greater than 24 months	$ —

We did not recognize any impairment losses on our contract assets for the year ended 31 December 2019.

19. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

Provisions consist of accrued amounts related to claims from clients, and amounts due under certain service agreements, contractual commitments and the non-current portion of contract liabilities.

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.

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. A liability is accrued when a loss is both probable and can be reasonably estimated.

The movement of provisions for 2019 is as follows (in thousands):

At January 1, 2019	$ 6,607
Charged/(credited) to the statement of profit or loss	
Additional provisions	9,261
Reclassed to short-term	(736)
Used during the year	(12,985)
At December 31, 2019	$ 2,147

20. POST-EMPLOYMENT AND OTHER LONG-TERM EMPLOYEE BENEFITS

We have several post-employment arrangements for the benefit of eligible employees primarily in Canada, the Netherlands, the United Kingdom, and the United States. We have not changed the processes used to manage our risks from previous periods. We do not use derivatives to manage our risk.

Dutch Defined Benefit Plan

We provide a noncontributory defined benefit pension plan covering substantially all of our Dutch employees ("Dutch Plan") who were hired prior to 2000. This pension benefit is based on years of service and final pay. The benefits earned by the employees are immediately vested. We are required to fund the Dutch Plan; we ensure that the investment positions are managed within an asset-liability matching (“ALM”) framework that has been developed to achieve long-term investments that are in line with the obligations under this plan. We actively monitor how the duration and the expected yield of the investment contracts are matching the expected cash outflows arising from the obligations. We fund the future obligations of the Dutch Plan by purchasing an insurance contract from a large multi-national insurance company with a five-year maturity. Each year we make annual premium payments to the insurance company (1) to provide for the benefit obligation of the current year of service based on each employee's age, gender and current salary, and (2) for the changes in the benefit obligation for prior years of service due to changes in participants' salary. We determine the fair value of these plan assets with the assistance of an actuary using observable inputs (Level 2), which approximates the contract value of the investments.

During 2018 and 2019, there was a curtailment of the Dutch Plan for our Dutch employees whose pension benefit was based on years of service and career average pay. These employees have been moved into the Dutch defined contribution plan. However, the unconditional indexation for this group of participants remains as long as they stay in active service for Core Lab. This event resulted in a curtailment gain of $2.6 million and $1.2 million as of 31 December 2019 and 2018, respectively.

Plan assets for our Dutch Plan at 31 December 2019 and 2018 consisted of insurance contracts with returns comparable with governmental debt securities. Dutch law dictates the minimum requirements for pension funding. Our goal is to meet these minimum funding requirements, while our insurance carrier invests to provide funding for those future benefit payments. These investment contracts have a five-year maturity and are from a large multi-national insurance company. Each year, as a contract expires, it is replaced with a new contract that is adjusted to include changes in the benefit obligation for the current year and redemption of the expired contract. We make annual premium payments, based upon each employee's age and current salary, to the insurance company. We determine the fair value of the plan assets with the assistance of an actuary using observable inputs (Level 2), which approximate the contract value of the investments. The costs related to the Dutch Plan are included in Cost of services in the Consolidated Statement of Profit or Loss. The most significant risks associated with the Dutch Plan are that investment returns fall short of expectations, discount rates decline, inflation exceeds expectations, and retirees live longer than expected.

Our employer contributions to the Dutch Plan were $1.6 million and $1.3 million in 2019 and 2018, respectively. Our benefit payments were $1.2 million and $1.3 million in 2019 and 2018, respectively. For 2020, we expect to contribute $0.7 million to the Dutch Plan. Our estimate of future annual contributions is based on current funding requirements.

Sensitivity Analysis

The defined benefit obligation for the Dutch Plan at 31 December 2019 was $65.2 million. The following table illustrates the sensitivity of the Dutch Plan's defined benefit obligation at 31 December 2019 to the most significant actuarial assumptions (in thousands).

	Change in assumption	Increase in assumption			Decrease in assumption		
Discount rate	+/- 0.50%	$	59,514	(8.8)%	$	71,798	10.0%
Salary growth rate	+/- 0.50%	$	65,246	0.0%	$	65,246	0.0%
Pension growth rate	+/- 0.50%	$	72,158	10.6%	$	63,469	(2.7)%
Inflation rate	+/- 0.50%	$	65,246	0.0%	$	65,246	0.0%
Life expectancy *	+/- 1 year	$	62,852	(3.7)%	$	67,641	3.7%

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognized within the Consolidated Statement of Financial Position.

Mortality rate

Assumptions regarding future mortality experience are set based on advice, published statistics and experience in the Netherlands. The average life expectancy in years of a pensioner retiring on the reporting date at age 67 and 65 for 2019 and 2018, respectively, is as follows:

	2019	2018
Male	NA[1]	19.8
Female	NA[1]	22.0

(1) Due to curtailment, there are no long any participants in the plan.

The average life expectancy in years of a pensioner retiring 20 years after the reporting date at age 67 and 65 for 2019 and 2018, respectively, is as follows:

	2019	2018
Male	NA[1]	22.0
Female	NA[1]	24.3

(1) Due to curtailment, there are no long any participants in the plan.

Supplemental Executive Retirement Plans ("SERP")

We have entered into deferred compensation contracts for certain key employees to provide additional retirement income to the participants. The benefit is determined by the contract for either a fixed amount or by a calculation using years of service or age at retirement along with the average of their base salary for the five years prior to retirement. We are not required to fund this arrangement; however, we have purchased life insurance policies with cash surrender values to assist us in providing the benefits pursuant to these deferred compensation contracts with the actual benefit payments made by Core Laboratories. The costs related to the SERP are included in Cost of services, Cost of product sales or General and administrative expense in the Consolidated Statement of Profit or Loss. The most significant risks associated with the SERP are that investment returns fall short of expectations, discount rates decline and inflation exceeds expectations.

Employee Severance Arrangement

We provide severance compensation to certain current key employees if employment is terminated under certain circumstances, such as following a change in control or for any reason other than upon their death or disability, for "cause" or upon a material breach of a material provision of their employment agreement, as defined in their employment agreements. In addition, there are certain countries where we are legally required to make severance payments to employees when they leave our service. We have accrued for all of these severance payments, but they are not funded. The costs related to all severance liabilities are included in Cost of services, Cost of product sales or General and administrative expense in the Consolidated Statement of Profit or Loss. The most significant risks associated with the employee severance arrangements are that discount rates decline and inflation exceeds expectations resulting in an under-accrual of the liability and fluctuating expenses to Core Lab until the payment is made.

Defined Contribution Plans

We maintain defined contribution plans for the benefit of eligible employees primarily in Canada, the Netherlands, the United Kingdom, and the United States. In accordance with the terms of each plan, we and our participating employees contribute up to specified limits and under certain plans, we may make discretionary contributions in accordance with the defined contribution plans. Our primary obligation under these defined contribution plans is limited to paying the annual contributions. For the years ended 31 December 2019 and 2018, we paid $5.3 million and $4.3 million respectively, for our required contributions and our additional discretionary contributions to the defined contribution plans.

Vesting in all employer contributions is accelerated upon the death of the participant or a change in control. Employer contributions under the plans are forfeited upon a participant's termination of employment to the extent they are not vested at that time.

Deferred Compensation Arrangement

We have also adopted a non-qualified deferred compensation plan ("Deferred Compensation Plan") that allows certain highly compensated employees to defer a portion of their salary, commission and bonus, as well as the amount of any reductions in their deferrals under the Deferred Compensation Plan for employees in the United States, due to certain limitations imposed by the U.S. Internal Revenue Code of 1986, as amended (the "Code"). Contributions to the plan are invested in equity and other investment fund assets, and carried on the Consolidated Statement of Financial Position at fair value. The benefits under these contracts are fully vested. Our primary obligation for the Deferred Compensation Plan is limited to our annual contributions. Employer contributions to the Deferred Compensation Plan were $0.1 million and $0.1 million for the years ended 31 December 2019 and 2018, respectively.

Vesting in all employer contributions is accelerated upon the death of the participant or a change in control. Employer contributions under the plans are forfeited upon a participant's termination of employment to the extent they are not vested at that time.

Additional Financial Information about our Post-employment Benefit Plans

Expected benefit payments under the Dutch Plan, the SERP and Severance arrangements for the next five years are as follows (in thousands):

The following table summarizes the carrying values, charges (benefits) and remeasurement amounts of our plans for the years ended 31 December 2019 and 2018 (in thousands):

2020	$ 7,404
2021	3,099
2022	3,182
2023	3,223
2024	3,339

POST-EMPLOYMENT BENEFIT PLANS

Obligations in the statement of financial position for:	2019	2018
Post-employment benefits - Dutch Defined Benefit Plan	$ 5,928	$ 7,398
Post-employment benefits - SERP	18,608	17,419
Post-employment benefits - Employee Severance	11,588	14,672
Post-employment benefits - Deferred Compensation Plan	34,081	33,294
Liability in the statement of financial position	$ 70,205	$ 72,783
Charge (benefit) to the statement of profit or loss for:		
Dutch Defined Benefit Plan	$ (1,736)	$ 280
Other post-employment benefits	1,046	17
	$ (690)	$ 297
Remeasurement recognized in the statement of other comprehensive in the year	$ (834)	$ (962)
Cumulative remeasurements recognized in the statement of other comprehensive income	$ (14,085)	$ (13,251)

The following table summarizes the change in the post-employment obligation and the fair value of plan assets for the Dutch Defined Benefit Plan, the SERP, and the Employee Severance for the years ended 31 December 2019 and 2018 (in thousands):

	2019	2018
Post-Employment Obligation:		
At beginning of year	$ 92,610	$ 95,024
Current service cost	755	1,453
Past service cost	(2,621)	(1,376)
Interest cost	2,383	1,802
Benefits paid	(6,540)	(2,140)
Remeasurements		
Effect of changes in demographic assumptions	—	(555)
Effect of changes in financial assumptions	9,633	2,907
Effect of experience adjustments	329	(2,174)
(Gain)/loss on foreign exchange rates	(1,180)	(2,331)
At end of year	95,369	$ 92,610
Fair Value of Plan Assets:		
Fair value of plan assets at beginning of year	$ 67,164	$ 68,400
Interest income	1,424	1,826
Employer contributions	1,558	1,282
Benefits paid	(1,229)	(1,349)
Administrative expenses	(280)	(245)
Remeasurements		
Return on plan assets (excluding interest income)	8,819	(783)
(Gain)/loss on foreign exchange rates	(1,056)	(1,967)
Fair value of plan assets at end of year	$ 76,400	$ 67,164
Over (under)-funded status of the obligation at end of the year[1]	$ (18,969)	$ (25,446)

(1) *Includes $17,083 and $13,828 for 2019 and 2018 respectively, of insurance contracts used to partially fund the SERP and show separately as an asset on the Consolidated Statement of Financial Position*

The weighted average duration of the defined benefit obligation is 19.23 years.

The components of post-employment obligation cost for the years ended 31 December 2019 and 2018 included:

	2019	2018
Service cost	$ (1,866)	$ 77
Net interest cost	959	(24)
Administrative expenses	217	245
Post-employment obligation cost	$ (690)	$ 298

The post-employment obligation cost of $0.2 million and $0.3 million for the years ended 31 December 2019 and 2018 respectively was recognized in Cost of services, Cost of product sales and General and administrative expense in the Consolidated Statement of Profit or Loss.

The following actuarial assumptions were used to determine the actuarial present value of our post-employment obligation at 31 December 2019 and 2018:

	2019	2018
Weighted average assumed discount rate - Dutch Plan	1.05%	1.75%
Weighted average assumed discount rate - SERP	3.71%	4.97%
Weighted average assumed discount rate - Severance	3.71%	4.97%
Weighted average rate of compensation increase	1.80%	2.80%
Weighted average rate of price inflation	1.80%	1.80%
Rate of pension increases	1.80%	1.80%

The discount rate used to determine our projected post-employment obligation for our Dutch Plan at 31 December 2019 decreased from 1.75% to 1.05% at the recommendation of our third-party actuary. The increase in the discount rate was consistent with a general increase in interest rates in Europe for AAA-rated long-term Euro corporate bonds.

21. ACCOUNTS PAYABLE AND OTHER ACCRUED EXPENSES

Accounts payable and other accrued expenses represent short term liabilities arising out of normal business activities which will be settled within twelve months. The stated value recorded on the Consolidated Statement of Financial Position represents the fair value.

Liabilities related to discontinued operations have been reclassified to Other accrued expenses in the Consolidated Statement of Financial Position. For further discussion of discontinued operations, see Note 30 - *Discontinued Operations*.

22. EMPLOYEE BENEFIT EXPENSE

Employee benefit expenses are comprised of salaries, bonuses and other compensation. For the years ended 31 December 2019 and 2018, employee expense recognized in the Consolidated Statement of Profit or Loss is as follows (in thousands):

	2019	2018
Wages and salaries	$ 226,871	$ 223,702
Social security costs	48,204	43,745
Stock based compensation	21,342	25,374
Total employee expense	$ 296,417	$ 292,821

Included in social security costs is the expenses related to our employee benefit plans as described in Note 20 - *Post-employment and Other Long-term Employee Benefits*.

Included in stock based compensation costs is an acceleration of expense for retirement eligible employees as described in Note 14 - *Stock-Based Compensation*.

For the years ended 31 December 2019 and 2018, employee expense recognized in the Consolidated Statement of Profit or Loss is as follows (in thousands):

	2019	2018
Cost of sales and services	$ 264,713	$ 256,094
General and administrative	31,704	36,727
Total employee expense	$ 296,417	$ 292,821

We had approximately 4,300 and 4,700 employees in 2019 and 2018, respectively.

23. OTHER (INCOME) EXPENSE, NET

The components of other (income) expense, net, are as follows (in thousands):

	Year Ended	
	2019	2018
Sale of assets	$ (583)	$ (1,078)
Foreign exchange	1,725	2,439
Rents and royalties	(607)	(510)
Return on pension assets	(1,501)	(644)
Acquisition-related charges	—	623
Insurance settlement	—	(707)
Gain on sale of business	(1,154)	—
Cost reduction and other charges	5,555	—
Employment related charges	(202)	3,200
Other, net	935	1,761
Total other (income) expense, net	$ 4,168	$ 5,084

24. FINANCE COSTS

Finance costs consist of interest expense on bank borrowings, Senior Notes, interest rate swaps and pensions, financial leases, and amortization of debt issuance costs.

The components of finance costs for the years ended 31 December 2019 and 2018 are as follows (in thousands):

Finance costs:	2019	2018
Interest expense on Senior Notes	$ 6,145	$ 6,145
Interest expense on bank borrowings	7,576	5,869
Interest expense on interest rate swaps	(60)	69
Interest expense on pensions	1,028	1,245
Interest expense on leases	3,647	—
Total finance costs	18,336	13,328
Finance income	(47)	(77)
Net finance costs	$ 18,289	$ 13,251

25. INCOME TAXES

The components of income tax expense for the years ended 31 December 2019 and 2018 are as follows (in thousands):

	2019	2018
Current tax	$ 25,158	$ 23,520
Deferred tax	(36,227)	5,439
Income tax expense (benefit)	$ (11,069)	$ 28,959

The differences in income tax expense computed using the Dutch statutory income tax rate of 25.0% in 2019 and 2018 and our income tax expense as reported in the accompanying Consolidated Statement of Profit or Loss for 2019 and 2018 are as follows (in thousands):

	2019	2018
Profit (loss) before tax	$ 83,081	$ 114,087
Tax at Dutch income tax rate	20,770	28,387
International earnings taxed at rates other than Dutch statutory rate	2,003	(13,683)
Non-deductible expenses and permanent differences, net	3,516	4,452
Unrealized benefit from corporate restructuring	(59,336)	—
Tax credits	(3,893)	(3,939)
Unremitted earnings of subsidiaries	28,730	2,911
State and provincial taxes	(825)	1,566
Adjustments of prior year taxes	(1,684)	2,350
Adjustments of income tax reserves	1,084	(1,613)
Effect of foreign exchange rate	2,014	5,936
Recognition of net operating losses	(3,491)	1,513
Other	43	1,079
Income tax expense	$ (11,069)	$ 28,959

Non-deductible expenses and permanent differences include the impact of various expenses disallowed under local tax law.

Unremitted earnings of subsidiaries realized relates to withholding taxes including recognition of deferred tax impact related to unremitted earnings of foreign subsidiaries due to withholding taxes on the potential remittance of earnings (in the form of dividends or otherwise). In 2019, management determined that a large portion of earnings previously asserted to be permanently reinvested and thus not subject to taxation will not continue to be considered previously reinvested. Therefore, early in 2019 a liability was recognized for potential withholding taxes of earnings no longer considered to be permanently reinvested. This accounts for the larger amount of activity for tax attributes realized for the year.

In 2019, we also completed a corporate restructuring transaction which resulted in a net tax benefit acquired by the U.S. group in 2019.

Adjustment of income tax reserves is the current tax expense impact of the measurement of uncertain tax positions taking into account IFRIC23. A reserve is accounted for in case a probable liability based on enacted or substantively enacted tax legislation.

The increase of income tax expense related to the item “Recognition of net operating losses” is a result of the change in deferred tax asset for the probable use of net operating losses in the foreseeable future.

The change in adjustments of prior year taxes is attributable primarily to our stock-based compensation plans. The change in other contains non-deductible elements from our various benefit plans.

26. EARNINGS PER SHARE

The calculation of earnings per share has been based on the following profit attributable to ordinary shareholders a weighted-average number of basic and diluted shares outstanding:

	Year Ended December 31, 2019		Year Ended December 31, 2018	
Profit for the year, attributable to the owners of Core Lab	$	101,526	$	84,807
Weighted average basic common shares outstanding		44,357		44,206
Effect of dilutive securities:				
Performance shares		242		221
Restricted stock		47		47
Weighted average diluted common and potential common shares outstanding		44,646		44,474
Basic earnings per share	$	2.29	$	1.92
Diluted earnings per share	$	2.27	$	1.91

27. LEASES

We adopted the new standard using the cumulative-effect adjustment method, with the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of equity on 1 January 2019 and therefore did not restate comparative amounts for 2017. On the transition, we recognized an additional $78 million of right of use assets and lease liabilities. We discounted the lease payments using its incremental borrowing rate at 1 January 2019 at the weighted-average rate of 5.0%.

(in thousands)		
Opening lease commitment at 31 December 2018	$	66,321
Discounted using incremental borrowing rate at 1 January 2019		55,686
Recognition exemption for:		
Short term leases		(47)
Leases of low value assets		(80)
Extension and termination options reasonably certain to be exercised		22,435
Lease liabilities recognized at 1 January 2019	$	77,994

Right of Use Assets

ROU assets at 31 December 2019 consisted of the following (in thousands):

	Land		Building		Equipment		Vehicles		Total	
Opening Balance	$	2,002	$	68,057	$	633	$	7,303	$	77,995
Addition		313		4,220		778		3,838		9,149
Accumulated Amortization		(334)		(12,095)		(373)		(3,551)		(16,353)
Adjustments/(Reductions)		43		5,158		(364)		(997)		3,840
Net Balance	$	2,024	$	65,340	$	674	$	6,593	$	74,631

Lease Liabilities

Finance lease obligations at 31 December 2019 consisted of the following (in thousands):

	December 31, 2019	
Current	$	11,841
Non-current		64,660
Total finance lease liability	$	76,501

Amounts recognized in Profit or Loss

2019 - Leases under IFRS 16		
(in thousands)		
Amortization	$	18,561
Interest on lease liabilities		3,647
Expense relating to short-term leases		276
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets		27

2018-Operating leases under IAS 17		
(in thousands)		
Lease expense	$	20,767

28. 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. A liability is accrued when a loss is both probable and can be reasonably estimated.

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.

29. ACQUISITIONS

In 2018, we acquired a business providing downhole technologies associated with perforating systems for $48.9 million in cash. These downhole technologies will significantly enhance Core Lab's Production Enhancement operations and its ability to bring new and innovative product offerings to our clients. We have determined the fair value of tangible assets acquired to be $4.1 million, and intangible assets, including patents, customer-relationship benefits, non-compete agreements and technology to be $9.4 million. We have accounted for this acquisition by allocating the purchase price to the net assets acquired based on their fair value at the date of acquisition, which resulted in an increase to goodwill of $35.4 million. The acquisition is included in the Production Enhancement business segment.

The acquisition of this business did not have a material impact on our Consolidated Statement of Financial Position or Consolidated Statements of Profit or Loss.

We had no significant acquisitions during the year ended 31 December 2019.

30. DISCONTINUED OPERATIONS

In 2018, in a continuing effort to streamline our business and align our business strategy for further integration of services and products, Core Lab committed to divest the business of our full range of permanent downhole monitoring systems and related services, which had been part of our Production Enhancement segment.

On 7 June 2019, we entered into a definitive purchase agreement for approximately $16.6 million in cash. A pre-tax gain of $8.3 million was recognized in connection with this transaction, subject to adjustments for working capital purposes and is classified in Income from discontinued operations in the Consolidated Statements of Profit and Loss. The purchase agreement also provide for additional proceeds of up to $2.5 million based on the results of operations of the sold business in 2019 and 2020, none of which has been recognized.

The associated results of operations are separately reported as Discontinued Operations for all periods presented on the Consolidated Statements of Profit and Loss. Statement of Financial Position items for this discontinued business, including an allocation of goodwill from the Production Enhancement segment, have been reclassified to Other prepaid expenses and current assets and Other accrued expenses in the Consolidated Statement of Financial Position. Cash flows from this discontinued business are shown in the table below. As such, the results from continuing operations for Core Lab and segment highlights for Production Enhancement, exclude these discontinued operations.

Selected data for this discontinued business for the years ended 31 December 2019 and 2018 consisted of the following (in thousands):

	2019	2018
Service revenue	$ 1,165	$ 1,462
Product sales	4,233	5,708
Total revenue	5,398	7,170
Cost of services, exclusive of depreciation expense shown below	690	1,163
Cost of product sales, exclusive of depreciation expense shown below	3,196	5,696
Depreciation and amortization	—	115
Other expense (income)	91	72
Operating income	1,421	124
Gain on sale	7,995	—
Income from discontinued operations before income tax expense	9,416	124
Income tax expense	1,907	182
Income (loss) from discontinued operations, net of income taxes	$ 7,509	$ (58)

Selected data for this discontinued business at 31 December 2019 and 2018 consisted of the following (in thousands):

	2019	2018
Current assets	$ —	$ 3,712
Non-current assets	—	1,848
Total assets	$ —	$ 5,560
Current liabilities	$ —	$ 1,633
Non-current liabilities	—	82
Total liabilities	$ —	$ 1,715

Net cash provided by (used in) operating activities of discontinued operations for the years ended 31 December 2019 and 2018 was $0.1 million and $0.2 million, respectively.

Net cash provided by investing activities of discontinued operations for the year ended 31 December 2019 was $14.8 million.

31. DERIVATIVE FINANCIAL INSTRUMENTS

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. One of the swap agreements with a value of $25 million expired on 29 August 2019. The remaining swap agreement of $25 million fixed the LIBOR portion of the interest rate at 2.50% through 29 August 2024. This swap is measured at fair value and recorded in our Consolidated Statement of Financial Position as an asset or liability. It is designated and qualifies as cash flow hedging instrument and is highly effective. Unrealized losses are deferred to shareholders' equity as a component of accumulated other comprehensive income (loss) and is recognized in income as an increase or decrease to interest expense in the period in which the related cash flows being hedged are recognized in expense.

The notional principal amount of the outstanding interest rate swap contract at 31 December 2019 was $25 million.

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

	Fair Value of Derivatives		
	2019	2018	Balance Sheet Classification
Derivatives designated as hedges:			
5 yr interest rate swap	$ —	$ 135	Non-Current Assets (Liabilities)
10 yr interest rate swap	(1,054)	(70)	Non-Current Assets (Liabilities)
	$ (1,054)	$ 65	

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

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

	2019	2018	Income Statement Classification
Derivatives designated as hedges:			
5 yr interest rate swap	$ (121)	$ (64)	Interest Expense
10 yr interest rate swap	60	133	Interest Expense
	$ (61)	$ 69	

The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability if the remaining maturity of the hedged item is less than 12 months. Therefore, the 10-year swap is classified as a non-current asset.

32. FAIR VALUE

Our only financial assets and liabilities which involve fair value measures relate to certain aspects of our benefit plans. As these financial assets and liabilities are held neither for sale nor to manage cash flows, under IFRS 9, the measurement category is “fair value through profit and loss”. On a recurring basis, we use the market approach to value certain assets and liabilities at fair value using significant other observable inputs (Level 2). 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 these assets and liabilities are recorded in the Consolidated Statement of Profit or Loss.

Our only derivative financial assets and liabilities which involve fair value measures relate to our interest rate swap. This interest rate swap hedges changes in the variable rate interest expense on $25 million of our existing or replacement LIBOR-priced debt. As the objective of this derivative financial asset or liability is to manage cash flows, under IFRS 9, the measurement category for the interest rate swap is “fair value through other comprehensive income”. The fair value of all outstanding derivatives was determined using a model with inputs that are observable in the market or can be derived from or corroborated by observable data.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The carrying amounts of our borrowings are denominated in U.S. Dollars. The fair value of the Senior Notes was $150.0 million and $149.8 million at 31 December 2019 and 2018, respectively. 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.

The financial instruments have been summarized below (in thousands):

	Ref	2019 Assets	2019 Liabilities	2018 Assets	2018 Liabilities
Financial Assets at Amortized Cost					
Cash and cash equivalents		$ 11,092	$ —	$ 13,116	$ —
Trade receivables	12	127,346	—	126,891	—
Financial Instruments at Fair Value Through Profit and Loss					
Derivative financial instruments	31	—	1,054	135	70
Benefit plans		—	70,205	—	72,783
Other financial assets		47,282	—	41,527	—
Financial Liabilities at Amortized Cost					
Trade payables		—	35,953	—	41,155
Other accrued expenses		—	5,782	—	7,514
Borrowings	16	—	305,283	—	289,770
Total		$ 185,720	$ 418,277	$ 181,669	$ 411,292

Other financial assets are comprised of life insurance policies with cash surrender value, which have been purchased by us to assist in funding deferred compensation arrangements with certain employees. We determine the fair value of the plan assets with the assistance of an actuary using observable inputs (Level 2), which approximate the contract value of the investments. These policies are carried at fair value and the gain or loss recognized is the difference in the fair value actuarially calculated and the value recorded in our general ledger.

The fair value of the benefit plans for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to us for similar financial instruments. The following table summarizes the fair value balances (in thousands):

	Total	Fair Value Measurement at December 31, 2019 Level 1	Level 2	Level 3
Assets:				
Other financial assets	$ 47,282	$ —	$ 47,282	$ —
Liabilities:				
Benefit plans	34,081	—	34,081	—
Derivative financial instruments	1,054	—	1,054	—

	Total	Fair Value Measurement at December 31, 2018 Level 1	Level 2	Level 3
Assets:				
Other financial assets	$ 41,527	$ —	$ 41,527	$ —
Derivative financial instruments	135	—	135	—
Liabilities:				
Benefit plans	33,287	—	33,287	—
Derivative financial instruments	70	—	70	—

The effect of the financial assets and liabilities on the Consolidated Statement of Profit or Loss was as follows (in thousands):

	December 31, 2019	December 31, 2018	Classification in Statement of Profit or Loss
Assets:			
Other financial assets	$ 483	$ 472	SERP expense
Other financial assets	2,772	(1,902)	Other comprehensive expense
Liabilities:			
Benefit plans	(690)	298	Compensation expense
Derivative financial instruments	(61)	69	Interest expense
	$ 2,504	$ (1,063)	

33. AUDIT FEES

In 2019 and 2018, the Audit Committee approved in advance 100% of the non-audit fees. These fees (in thousands) consisted of:

	2019	2018
Audit Fees	$ 3,052	$ 2,762
Audit-Related Fees	—	—
Tax Fees [1]	55	55
All Other Fees	—	—
Total	$ 3,107	$ 2,817

(1) Tax Fees include fees for International tax compliance and consulting.

34. REMUNERATION OF KEY MANAGEMENT PERSONNEL

The following table summarizes, with respect to our Supervisory Directors, information relating to the compensation earned for services rendered in all capacities during the fiscal years ending 31 December 2019 and 2018. Further information on the employment terms and remuneration of the directors and non-executive directors can be found in the Annual Report of the Directors and the Remuneration Report.

Name and Principal Position	Year	Salary	Stock Awards (1)	Non-Equity Incentive Plan Compensation (2)	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation (3) (4)	Total
David M. Demshur (5)	2019	$1,040,000	$8,108,541	$ 1,287,000	$ 708,000	$ 37,160	$11,180,701
Former President,	2018	1,008,863	6,403,208	1,553,649	(131,000)	40,501	8,875,221
Chief Executive Officer and							
Chairman of the Supervisory Board							
Lawrence Bruno (5)	2019	531,000	1,688,257	537,638	—	212,267	2,969,162
President, Chief Operating Officer and Supervisory Director	2018	425,000	885,076	446,250	—	7,794	1,764,120
Christopher S. Hill	2019	365,000	642,166	—	—	83,020	1,090,186
Senior Vice President and Chief Financial Officer	2018	335,000	280,816	—	—	12,758	628,574
Gregory B. Barnett	2019	—	79,637	—	—	39,500	119,137
Supervisory Director		—	—	—	—	—	—
Martha Z. Carnes (6)	2019	—	160,209	—	—	98,000	258,209
Supervisory Director	2018	—	204,889	—	—	100,000	304,889
Charles L. Dunlap (6)	2019	—	48,096			37,750	85,846
Former Supervisory Director	2018	—	192,423	—	—	76,000	268,423
Lucia van Geuns (6)	2019	—	48,096			31,500	79,596
Former Supervisory Director	2018	—	192,423	—	—	67,000	259,423
Margaret Ann van Kempen (6)	2019	—	157,092			79,250	236,342
Supervisory Director	2018	—	200,627	—	—	69,000	269,627
Jan Willem Sodderland (6)	2019	—	157,092			98,000	255,092
Supervisory Director	2018	—	192,423	—	—	95,000	287,423
Michael Straughan (6)	2019	—	159,143			99,000	258,143
Supervisory Director	2018	—	192,423	—	—	101,000	293,423

(1) The amounts included in the "Stock Awards" column include the dollar amount of compensation expense we recognized for the fiscal years ended 31 December 2019 and 2018. The awards for which compensation expense was recognized consists of Performance Restricted Shares granted in 2017, 2018 and 2019 for our executive Supervisory Directors and Restricted Shares granted in 2016, 2018 and 2019 for our non-executive Supervisory Directors. See Note 14 - *Stock-Based Compensation* for a description of the material features of these awards. No options were awarded to our named executive officers in 2018. None of our non-executive Supervisory Directors had any option awards outstanding as of 31 December 2019.

(2) Annual non-equity incentive compensation awards of $1.3 million, $0.5 million and $0.3 million for Messrs. Demshur, Bruno and Hill were approved by the Compensation Committee for 2019, however, Messrs. Demshur, Bruno and Hill have decided to decline payment due to market conditions. Annual non-equity incentive compensation awards of $1.6 million and $0.4 million for Messrs. Demshur and Bruno were approved by the Compensation Committee for 2018, however, Messrs. Demshur and Bruno have decided to decline payment due to market conditions.

(3) Amounts for executive Supervisory Directors consist of our matching contributions and contributions through our retirement plans and amounts paid under certain insurance plans. Amounts for non-executive Supervisory Directors consist of fees paid to outside directors for service on the Supervisory Board and related committees.

(4) All named executive officers received perquisites in excess of $10,000 in 2018 and 2019 due to Company 401(k) discretionary contributions and an increase in premium with the Company-Owned Life Insurance. The amounts shown reflect discretionary contributions made by Core Lab.

(5) On 1 February 2018, the role of President of Core Lab was separated from Mr. Demshur's other roles and Mr. Bruno was named President of Core Lab. Mr. Bruno was elected to the Board of Supervisory Directors at the Annual Meeting of Shareholders on 24 May 2018.

(6) Each of our non-executive Supervisory Directors who served any portion of 2019 had the following aggregate number of stock awards outstanding as of 31 December 2019: Mr. Barnett, 2,177; Ms. Carnes, 2,177; Ms. van Kempen, 2,177; Mr. Sodderland, 2,177; and Mr. Straughan, 2,177. Ms. van Geuns and Mr. Dunlap were not nominated for re-election to the Board of Supervisory Directors at the 2019 annual shareholder's meeting.

The following table summarizes the Performance Share Award Plan ("PSAP") as it relates to our executive directors. Further information on the PSAP is contained in Note 14 - Stock-based Compensation.

	Demshur	Bruno	Hill
Unvested Shares @ Jan 1, 2019	122,157	23,523	5,400
Granted during 2019	109,803	46,233	23,529
Vested during 2019	(59,100)	(2,400)	(2,400)
Unvested Shares @ Dec 31, 2019	172,860	67,356	26,529

We have made no loans, advances or guarantees to any of our Supervisory Directors.

35. RELATED PARTIES

In 2019 and 2018, 71,700 shares valued at $3.3 million and 65,985 shares valued at $5.2 million, respectively, were surrendered to Core Lab pursuant to the terms of a stock-based compensation plan, in settlement by the participants of their personal tax burdens that may result from the issuance of common shares under this arrangement. These shares were surrendered at the then current market price on the date of settlement. See Note 14 - *Stock-Based Compensation*. We had no other significant related party transactions for the year ended 31 December 2019.

The following table lists significant subsidiaries of the parent company that are included in the consolidated group. For a complete listing of subsidiaries see Appendix A.

Name	Legal Seat	Ownership %
Core Laboratories Australia PTY Ltd.	Perth, Australia	100%
Core Laboratories Canada Ltd.	Alberta, Canada	100%
Core Laboratories International B.V.	Amsterdam, Netherlands	100%
Core Laboratories LP	Delaware, United States	100%
Core Laboratories Malaysia SDN BHD	Kuala Lumpur, Malaysia	100%
Core Laboratories Sales B.V.	Rotterdam, Netherlands	100%
Core Laboratories (U.K.) Limited	London, United Kingdom	100%
Owen Oil Tools LP	Delaware, United States	100%
Core Lab de Mexico S.A. de C.V.	Mexico City, Mexico	100%
Saybolt Belgium N.V.	Antwerp, Belgium	100%
Saybolt LP	Delaware, United States	100%
Saybolt Nederland B.V.	Rotterdam, Netherlands	100%
Stim-Lab, Inc.	Oklahoma, United States	100%
JSC Petroleum Analysts	Moscow, Russian Federation	100%

The following table lists associates of the parent company that are not included in the consolidated group:

Name	Legal Seat	Ownership Percentage
Saybolt Tunisie SarL	Tunis, Tunisia	49%
Saybolt Med SarL	Tunis, Tunisia	49%
Saybolt Saudi Arabia Co., Ltd	Jubail, Saudi Arabia	45%
Saybolt Maroc (1)	Rabat, Morocco	49%
Saybolt Madagascar (2)	Antananarivo, Madagascar	49%

36. SUBSEQUENT EVENTS

On 29 February 2020, we entered into an interest swap agreement for a total notional amount of $25 million to hedge changes in variable rate interest expense of our existing LIBOR-priced debt. Under this swap agreement, we fixed the LIBOR portion of the interest rate at 1.30% through February 28, 2025.

In March of 2020, we have seen macro-economic uncertainty develop with regards to the COVID-19 pandemic, the government recommended and mandated mitigation measures against COVID-19, and the resulting significant drop in demand

and price for crude oil. Additionally, the OPEC nations and other oil producing nations continue to negotiate and implement significant reductions in the production of oil, in an effort to improve the balance of supply coming into the market. The duration and scale of these developments remain uncertain at this point of time. The potential adverse impacts associated with these events, has, amongst others, triggered an impairment review of the Company's goodwill, intangible assets and other fixed and amortizable assets.

We have performed the appropriate impairment assessments in respect of our first quarter U.S. GAAP financial statements on the impacted operations as of March 2020. We recorded an impairment charge of $122.2 million for goodwill and certain intangible assets, which were associated with our Production Enhancement segment in our U.S. GAAP financial statements as at and for the quarter ended 31 March 2020. We also identified an impairment trigger as a result of the above developments for our IFRS 2020 financial statements during the first quarter of 2020. We expect to fully impair our IFRS goodwill balance and certain intangibles balances of our Production Enhancement segment, and these amounted to $126.6 million in our IFRS consolidated financial statements as at 31 December 2019.

Additionally, the Company's Board of Supervisory Directors has approved a plan to further reduce the future quarterly dividend to $0.01 per share on 16 March 2020, the management team has announced cost reduction plans that approximate annual cost reductions of $20 million, and reduced capital expenditures estimated to be 50% or less than 2019 capital expenditure levels. We have performed an updated assessment for our credit risk, liquidity and projections of our future operational performance for the next 12 months, and our projections support the Company's ability to successfully manage the outstanding debt facilities' within the required financial covenant limits for the next twelve months.

COMPANY FINANCIAL STATEMENTS

CORE LABORATORIES N.V.
STATEMENT OF FINANCIAL POSITION
December 31, 2019 and 2018
(In thousands of USD)
(After proposed appropriation of results)

	Ref.	2019		2018	
ASSETS					
NON-CURRENT ASSETS					
Investment in subsidiaries	3	$	408,153	$	240,299
Right of use assets			469		—
Deferred tax assets	6		6,521		6,781
Loans to subsidiaries	4		526,300		649,439
Other assets	5		7,829		6,897
TOTAL NON-CURRENT ASSETS		$	949,272	$	903,416
CURRENT ASSETS					
Prepaid expenses and other current assets			1,158		1,022
Receivables from subsidiaries			7,450		61,409
Trade and other receivables			—		1,407
Cash and cash equivalents			2,060		—
TOTAL CURRENT ASSETS		$	10,668	$	63,838
TOTAL ASSETS		$	959,940	$	967,254
EQUITY	7	$	246,121	$	225,854
LIABILITIES					
NON-CURRENT LIABILITIES					
Long-term payable to subsidiaries	10	$	354,535	$	354,400
Borrowings	11		71,202		49,977
Income taxes payable			3,013		3,013
Post-employment benefit plans	8		17,564		19,799
Deferred tax liabilities	6		16,268		1,962
Long-term lease obligation			192		—
TOTAL NON-CURRENT LIABILITIES		$	462,774	$	429,151
CURRENT LIABILITIES					
Accounts payable	21	$	—	$	—
Payables to subsidiaries			239,053		309,342
Income taxes payable			833		—
Lease liabilities			286		—
Other accrued expenses	21		10,872		2,907
TOTAL CURRENT LIABILITIES		$	251,045	$	312,249
TOTAL LIABILITIES		$	713,819	$	741,400
TOTAL EQUITY AND LIABILITIES		$	959,940	$	967,254

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

CORE LABORATORIES N.V.
STATEMENT OF PROFIT OR LOSS
For the Years Ended December 31, 2019 and 2018
(In thousands of USD)

	Ref.	2019	2018
REVENUE:			
Intercompany services revenue	13	$ 112,330	$ 109,202
OPERATING EXPENSES:			
Intercompany cost of services	13	104,234	99,763
GROSS PROFIT		8,096	9,439
General and administrative expense		18,664	14,582
Other (income) expense, net		(6,727)	983
OPERATING PROFIT		(3,841)	(6,126)
Finance income		36,064	35,162
Finance costs		(33,046)	(68,439)
Finance income (costs), net		3,018	(33,277)
Profit (loss) of subsidiaries		117,139	124,031
PROFIT BEFORE INCOME TAX EXPENSE		116,315	84,628
Income tax expense (benefit)		14,789	(179)
PROFIT FOR THE YEAR		$ 101,526	$ 84,807

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1. GENERAL

The description of the Company's activities and the group structure, as included in the Notes to the Consolidated financial statements, also apply to the Company-only financial statements ("Company financial statements").

2. ACCOUNTING PRINCIPLES

Basis of preparation

The Company financial statements of Core Laboratories N.V. have been prepared in accordance with Part 9, Book 2 of the Dutch Civil Code. In accordance with subarticle 8 of article 362, Book 2 of the Dutch Civil Code, the Company's financial statements are prepared based on the accounting principles of recognition, measurement and determination of profit, as applied in the Consolidated financial statements. These principles also include the classification and presentation of financial instruments, being equity instruments or financial liabilities.

In case no other policies are mentioned, refer to the accounting policies as described in the accounting policies in the Consolidated financial statements of this Annual Report. For an appropriate interpretation, the Company financial statements of Core Laboratories N.V. should be read in conjunction with the Consolidated financial statements.

Investments in subsidiaries

Participating interests in group companies are accounted for in the Company financial statements according to the equity method. The share in the result of participating interests consists of the share of the Company in the result of these participating interests. Results on transactions involving the transfer of assets and liabilities between the Company and its participating interests and mutually between participating interest themselves, are eliminated to the extent that they can be considered as not realized.

When the company's share of losses in an investment equals or exceeds its interest in the investment, (including separately presented goodwill or any other unsecured non-current receivables, being part of the net investment), the Company does not recognize any further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the investment. In such case the company will recognize a provision which is reflected in the Core Laboratories N.V. Statement of Financial Position in Other long-term liabilities.

Loans to subsidiaries and payables to subsidiaries

Amounts due to/from subsidiaries are stated initially at fair value and subsequently at amortized costs. Amortized costs is determined using the effective interest rate at the date of inception.

3. INVESTMENTS IN SUBSIDIARIES

(in thousands)	Investments in Subsidiaries
Book value at January 1, 2019:	$ 240,299
Investments	1,989,688
Dividends received	(1,938,295)
Non-controlling interest	133
Equity from subsidiaries - AOCI	(811)
Profit (loss) from subsidiaries	117,139
Book value at December 31, 2019:	$ 408,153

For a listing of directly and indirectly held subsidiaries that are included in the financial fixed assets as investments in affiliates, see Note 34 - *Related Parties* of the Notes to the Consolidated financial statements.

4. LOANS TO SUBSIDIARIES

(in thousands)	Loans to Subsidiaries
Book value at January 1, 2019:	$ 649,439
Payments made by subsidiaries	(123,139)
Book value at December 31, 2019:	$ 526,300

Loans to subsidiaries consist of a $176 million note bearing interest at 6% due in May of 2021, a $175 million note bearing interest at 4.67% due in June of 2029, and a $175 million note bearing interest at 4.81% due in June of 2030.

5. OTHER ASSETS

(in thousands)	Other Assets
Book value at January 1, 2019:	$ 6,897
Change in cash surrender value of life insurance	987
Change in PP&E	(49)
Other	(6)
Book value at December 31, 2019:	$ 7,829

Life insurance policies with cash surrender value have been purchased by us to assist in funding deferred compensation arrangements with certain employees. These policies are carried at market value. The fair value is determined by the plan administrator's actuary calculation and the changes in the fair value are recognized through profit and loss.

6. INCOME TAXES

For a reconciliation of the effective tax rate with the statutory rate, see Note 25 - *Income Taxes* of the Notes to the Consolidated financial statements.

The deferred tax assets at 31 December 2019 relate to tax credits as follows:

	Tax Credits	Tax Liabilities	Other	Total
December 31, 2018	$ 6,781	$ 1,962	$ (14)	$ 4,805
(Charged)/credited to statement of profit or loss	(260)	14,306	—	(14,566)
December 31, 2019	$ 6,521	$ 16,268	$ (14)	$ (9,761)

The increase in the tax liabilities is due to management's determination, in early 2019, that earnings previously considered to be permanently reinvested would no longer be so considered. The expense is related to an accrual of withholding tax on those earnings. This is also addressed in Note 25 – *Income Taxes* as it is a substantial amount for the consolidated group, the amount for the Company alone is close to $15.0 million.

7. EQUITY

Share capital

The authorized share capital of the Company as at 31 December 2019 amounts to EUR 4.12 million and consists of 200,000,000 ordinary shares with a par value of EUR 0.02 each.

Issued and paid in share capital amounts to $51.1 million and consists of 44,796,252 issued and 44,465,562 outstanding ordinary shares with a par value of EUR 0.02 each. Treasury shares amounts to $29.4 million and consists of 330,690 ordinary shares with a par value of EUR 0.02 each and 6,000,000 preferred shares with a par value of EUR 0.02 each.

The movements in the number of shares in 2019 are as follows:

	Ordinary Shares	Treasury Shares	Shares Outstanding
Balance at January 1, 2019	44,796,252	(479,407)	44,316,845
Issue of ordinary shares	—	220,417	220,417
Repurchased own shares	—	(71,700)	(71,700)
Balance at December 31, 2019	44,796,252	(330,690)	44,465,562

The movement in shareholders' equity is as follows (in thousands):

	Common Shares	Additional Paid-In Capital	Accumulated Earnings	Other Reserves	Treasury Shares	Total Shareholders' Equity
BALANCE, December 31, 2018	$ 1,027	$ 55,156	$ 235,701	$ (13,529)	$ (52,501)	$ 225,854
Stock-based compensation	—	(5,104)	—	—	26,446	21,342
Repurchases of common shares	—	—	—	—	(3,308)	(3,308)
Dividends paid	—	—	(97,574)	—	—	(97,574)
Currency translation adjustment	(23)	—	—	23	—	—
Share in other comprehensive income of subsidiaries	—	—	—	(834)	—	(834)
Pension adjustment	—	—	—	(885)	—	(885)
Net income	—	—	101,526	—	—	101,526
BALANCE, December 31, 2019	$ 1,004	$ 50,052	$ 239,653	$ (15,225)	$ (29,363)	$ 246,121

Our functional currency is the U.S. dollar. However, the par value of our common stock is denominated in Euros. We have recorded a cumulative translation adjustment related to the value of our common stock of $23,000 related to this re-measurement, as indicated in the movement schedule above using an exchange rate of $1.10 U.S. Dollars per Euro.

Treasury Shares and Dividends

For a discussion on treasury shares and dividends, please refer to Note 13 - *Equity* in the Consolidated Financial Statements.

Proposed appropriation of results

The Board of Supervisory Directors proposes to increase retained earnings in the amount of $101.4 million from net income. The Company expects to utilize available earnings generated by our operations for the development and growth of the business, to repurchase our shares under our share repurchase program and to pay dividends. The determination as to the payment of dividends will be made at the discretion of our Supervisory Board and will depend upon our operating results, financial condition, capital requirements, income tax treatment of payments, general business conditions and such other factors we may deem relevant. See Note 36 – *Subsequent Events* for additional information. Because Core Laboratories N.V. is a holding company that conducts substantially all of its operations through subsidiaries, our ability to pay cash dividends on the common shares is also dependent upon the ability of our subsidiaries to pay cash dividends or otherwise distribute or advance funds to us and on the terms and conditions of our existing and future credit arrangements.

8. POST-EMPLOYMENT AND OTHER LONG-TERM EMPLOYEE BENEFITS

EMPLOYEE BENEFIT PLANS (USD in thousands)

Obligations on statement of financial position for:	2019	2018
Post-employment benefits - SERP	$ 10,657	$ 8,935
Post-employment benefits - Dutch pension	1,099	664
Post-employment benefits - Employee severance	5,808	10,200
Liability in the statement of financial position	$ 17,564	$ 19,799
Charge (benefit) to the statement of profit or loss for:		
Dutch defined benefit plan	(1)	50
Other post-employment benefits	790	(120)
	$ 789	$ (70)
Remeasurements recognized in the statement of other comprehensive income in the year	$ 344	$ (820)
Cumulative remeasurements recognized in the statement of other comprehensive income	$ 2,074	$ 1,730

Dutch Defined Benefit Plan

We provide a noncontributory defined benefit plan covering substantially all of our Dutch employees ("Dutch Plan") who were hired prior to 2000. Only a few employees are actual employees of the parent company. The costs related to the Dutch Plan employees of the parent company are included in General and administrative expense in the Core Laboratories N.V. Statement of Profit or Loss. See Note 20 - *Post-employment and Other Long-term Employee Benefits* in the Notes to the Consolidated Financial Statements for a more detailed description of the Dutch Plan.

Supplemental Executive Retirement Plans ("SERP")

We have entered into deferred compensation contracts for certain key employees to provide additional retirement income to the participants. The benefit is determined by the contract for either a fixed amount or by a calculation using years of service along with the average of their base salary for the five years prior to retirement. We are not required to fund this arrangement; however, we have purchased life insurance policies with cash surrender values to assist us in providing the benefits pursuant to these deferred compensation contracts with the actual benefit payments made by Core Laboratories. The costs related to the SERP are included in General and administrative expense in the Core Laboratories N.V. Statement of Profit or Loss. The most significant risks associated with the SERP are that investment returns fall short of expectations, discount rates decline and inflation exceeds expectations.

Employee Severance Arrangement

We provide severance compensation to certain current key employees if employment is terminated under certain circumstances, such as following a change in control or for any reason other than upon their death or disability, for "cause" or upon a material breach of a material provision of their employment agreement, as defined in their employment agreements. We have accrued for all of these severance payments, but they are not funded. The costs related to the severance liabilities are included in General and administrative expense in the Core Laboratories N.V. Statement of Profit or Loss as the benefit is accrued. The most significant risks associated with the employee severance arrangements are that discount rates decline and inflation exceeds expectations resulting in an under-accrual of the liability and fluctuating expenses to the Company until the payment is made.

The following table summarizes the change in the post-employment obligations and the fair value of the plan assets for the SERP, Severance and the parent company's portion of the Dutch Plan for the years ended 31 December 2019 and 2018 (in thousands):

Post-employment Obligations:	**2019**	**2018**
Post-employment obligations at beginning of year	$ 20,285	$ 20,752
Actuarial adjustment (1)	5,653	—
Service cost	(20)	14
Interest cost	992	247
Benefits paid	(4,777)	(643)
Remeasurements	2,281	335
(Gain)/loss on foreign exchange rates	(129)	(420)
Post-employment obligations at end of year	$ 24,285	$ 20,285
Fair Value of Plan Assets:		
Fair value of plan assets at beginning of year	$ 4,735	$ 5,187
Actuarial adjustment (1)	5,216	—
Interest income	250	424
Employer contributions	113	231
Benefit payments	(11)	(243)
Administrative expenses	(67)	(93)
Remeasurements	1,825	(417)
(Gain)/loss on foreign exchange rates	(107)	(354)
Fair value of plan assets at end of year	$ 11,954	$ 4,735
Over (under)-funded status of the plan at the end of the year (2)	$ 12,331	$ 15,550

(1) Reflects true-up adjustment from actuarial calculation.
(2) Includes $5,233 and $4,247, for 2019 and 2018 respectively, of insurance contracts used to partially fund the deferred compensation for the executives and is included in Other Assets on the Core Laboratories N.V. statement of Financial Position.

The following actuarial assumptions were used to determine the actuarial present value of our post-employment obligations at 31 December 2019 and 2018:

	2019	2018
Weighted average assumed discount rate - Dutch Plan	1.05%	1.75%
Weighted average assumed discount rate - SERP	3.71%	4.97%
Weighted average assumed discount rate - Severance	3.71%	4.97%

Expected benefit payments under the post-employment benefit plans for the next five years are as follows (in thousands):

2020	$5,549
2021	1,160
2022	1,160
2023	1,160
2024	1,160

9. EMPLOYEE BENEFIT EXPENSE

Employee benefit expenses are comprised of salaries, bonuses and other compensation. For the years ended 31 December 2019 and 2018, employee expense recognized in the Core Laboratories N.V. Statement of Profit or Loss is as follows (in thousands):

	2019	**2018**
Wages and salaries	$ 3,755	$ 3,794
Social security costs	(401)	3,397
Stock based compensation	1,335	1,792
Total employee expense	$ 4,689	$ 8,983

Included in social security costs is the expenses related to our employee benefit plans as described in Note 20 - *Post-employment and Other Long-term Employee Benefits*.

For the years ended December 2019 and 2018, employee expense recognized in the Core Laboratories N.V. Statement of Profit or Loss is as follows (in thousands):

	2019	2018
Cost of sales and services	$ 2,792	$ 2,792
General and administrative	1,896	6,191
Total employee expense	$ 4,689	$ 8,983

We had approximately 34 and 37 employees in 2019 and 2018, respectively.

10. PAYABLES TO SUBSIDIARIES

Payables to subsidiaries are specified as follows (in thousands):

	Long-Term Payables to Subsidiaries	Short-Term Payables to Subsidiaries
At January 1, 2019	$ 354,400	$ 309,342
Movement between parent and subsidiary:		
Additions	583,160	732,712
Payments	(583,025)	(627,023)
Netting with accounts receivable	—	(175,978)
At December 31, 2019	$ 354,535	$ 239,053

Long-term payables to subsidiaries consist of a Note with principle amount of $4.4 million due in October of 2028 bearing interest at variable rates from LIBOR plus 1.375% to a maximum of LIBOR plus 2%, based on our debt balance each reporting period, a Note for $175 million due in June of 2029, bearing a floating interest rate margin of 2.11% until March of 2019, at which time the rate will become fixed, and a Note for $175 million due in June of 2030, bearing a floating interest rate margin of 1.97% until March, 2019 at which time the rate will become fixed.

Short-term payables to subsidiaries consist of balances with various subsidiaries primarily due to the advance of cash from subsidiaries to the parent company.

11. BORROWINGS

Debt at 31 December 2019 and 2018 is summarized in the following table (in thousands):

	2019	2018
Credit facility	$ 72,000	$ 51,000
Deferred debt acquisition costs	(798)	(1,023)
Borrowings, net	$ 71,202	$ 49,977

The carrying amounts of our borrowings are denominated in US Dollars.

Also, see Note 16 - *Borrowings* of the Notes to the Consolidated financial statements.

12. COMMITMENTS AND CONTINGENCIES

Along with certain of our material, wholly-owned subsidiaries, we are guarantors or co-borrowers under the revolving credit facility ("Credit Facility") and Senior Notes. For a discussion of our Credit Facility and Senior Notes, please see Note 16 - *Borrowings* of the Notes to the Consolidated financial statements.

Core Laboratories N.V. and two of its wholly owned Dutch subsidiaries constitute a fiscal entity. As a result of the fiscal entity, the Company is liable for the fiscal entity's income tax liabilities of the entire fiscal unity. Income taxes are allocated to the companies within the fiscal entity on the basis of their taxable income.

13. RELATED PARTIES

No fee has been charged to the Company for the services provided by Core Laboratories International B.V. as Managing Director.

Core Laboratories N.V. revenue and operating expenses are related to intercompany transactions.

For related party discussions, see Note 35 - *Related Parties* of the Notes to the Consolidated financial statements.

14. SUBSEQUENT EVENTS

See Note 36 – *Subsequent Events* of the Notes to the Consolidated financial statements.

15. SUPERVISORY DIRECTORS

For a discussion of Supervisory Director remuneration and related party transactions, see the Annual Report of the Directors and Note 35 - *Related Parties* of the Notes to the Consolidated financial statements.

Amsterdam, the Netherlands,

23 April 2020

/s/ David M. Demshur

David M. Demshur
Chief Executive Officer,
Chairman and Supervisory Director

/s/ Jacobus Schouten

Jacobus Schouten, on behalf of
Core Laboratories International B.V.,
sole managing director of Core Laboratories N.V.

/s/ Lawrence Bruno

Lawrence Bruno
President, Chief Operating Officer
and Supervisory Director

/s/ Christopher S. Hill

Christopher S. Hill
Senior Vice President and Chief Financial Officer

/s/ Gregory B. Barnett

Gregory B. Barnett
Supervisory Director

/s/ Martha Z. Carnes

Martha Z. Carnes
Supervisory Director

/s/ Jan Willem Sodderland

Jan Willem Sodderland
Supervisory Director

/s/ Michael Straughen

Michael Straughen
Supervisory Director

/s/ Margaret Ann van Kempen

Margaret Ann van Kempen
Supervisory Director

OTHER INFORMATION

1 Auditor's Report

The Auditor's report is included on page 133

2 Statutory Appropriation of Income

The Articles of Incorporation of the Company provide that the results for the year are subject to the disposition of the shareholders decided upon at the Annual Meeting of Shareholders. Income remaining after payment of any interim dividends is expected to be fully included in retained earnings.

3 Branches

The Consolidated financial statements include the financial information for the following branch locations:

Name	Legal Seat
Core Laboratories International B.V. - Abu Dhabi Branch	Abu Dhabi, United Arab Emirates
Core Laboratories International B.V. - Colombia Branch	Bogota, Colombia
Core Laboratories International B.V. - Pakistan Branch	Karachi, Pakistan
Core Laboratories International B.V. - Oman Branch	Muscat, Oman
Core Laboratories International B.V. - Libya Branch	Tripoli, Libya
Core Laboratories International B.V. - Qatar Branch	Doha, Qatar
Core Laboratories Corporate Holding B.V. - Pakistan Branch	Karachi, Pakistan
JSC Saybolt Analyt Holding B.V. Representation in Batumi	Batumi, Georgia
Saybolt LP - Puerto Rico Branch	Guayanilla, Puerto Rico
Saybolt LP - Virgin Islands Branch	St. Croix, U.S. Virgin Islands
Saybolt International B.V. - Bahrain Branch	Manama, Bahrain
Saybolt International B.V. - Yemen Branch	Aden, Yemen
Saybolt Analyt Holding B.V. - Turkmenistan Branch	Turkenbashi, Turkmenistan
Saybolt UAE - Fujairah Branch	Fujairah, United Arab Emirates
EW Saybolt & Co SA - Abu Dhabi Branch	Abu Dhabi, United Arab Emirates
EW Saybolt & Co SA - Egypt Branch	Alexandria, Egypt
Core Laboratories Sales BV - Taiwan Branch	Taipei, Taiwan
Core Laboratories Sales BV - Kuwait Branch	Mangaf, Kuwait
Owen Oil Tools LP - Thailand Branch	Songkhla, Thailand
Production Enhancement Corporation -Trinidad Branch	San Fernando, Trinidad and Tobago
PENCOR International Ltd. - Kazakhstan Branch	Atyrau, Kazakhstan
PENCOR International Ltd. - Russia Branch	Sakhalin, Russia Federation

KPMG

Independent auditor’s report

To: the General Meeting of Shareholders and the Supervisory Board of Core Laboratories N.V.

Report on the audit of the financial statements 2019 included in the annual report

Our opinion

In our opinion:

— the accompanying consolidated financial statements give a true and fair view of the financial position of Core Laboratories N.V. as at 31 December 2019 and of its result and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

— the accompanying company financial statements give a true and fair view of the financial position of Core Laboratories N.V. as at 31 December 2019 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the financial statements 2019 of Core Laboratories N.V. (hereafter also referred to as: ‘the Company’) based in Amsterdam. The financial statements include the consolidated financial statements and the company financial statements.

The consolidated financial statements comprise:

1 the consolidated statement of financial position as at 31 December 2019;

2 the following consolidated statements for the year ended 31 December 2019: the statement of profit or loss, other comprehensive income, changes in equity and cash flows; and

3 the notes to the consolidated financial statements comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

1 the company statement of financial position as at 31 December 2019;

2 the company statement of profit or loss for the year ended at 31 December 2019; and

3 the notes to the company financial statements comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of Core Laboratories N.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The impact of uncertainties due to the COVID-19 in our audit

As disclosed in the subsequent events paragraph in note 36 of the consolidated financial statements, COVID-19, and the resulting significant drop in demand and price for crude oil, affects the Company and results in certain uncertainties for the future financial position and performance of the Company. Uncertainties related to the potential effects of COVID-19 are relevant to understanding our audit of the consolidated financial statements. All audits assess and challenge the reasonableness of estimates made by the Company, the related disclosures and the appropriateness of the going concern assumption of the consolidated financial statements. The appropriateness of the going concern assumption depends on assessments of the future economic environment and the Company's future prospects and performance. The COVID-19 pandemic is an unprecedented challenge for humanity and for the economy globally, and at the date of this report its effects are subject to significant levels of uncertainty. We have evaluated the situation and uncertainties as described in the aforementioned disclosure and consider the disclosure to be adequate. However, an audit cannot predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to COVID-19.

Audit approach

Summary

Materiality
— Materiality of USD 4 million
— 4,8% of profit from continuing operations before income tax

Group audit
— 86% of total assets
— 93% of revenue

Key audit matters
— US GAAP to IFRS conversion
— Evaluation of the impact of the Company’s tax structure on its income tax provision
— Assessment of the fair value of intangible assets acquired through a business combination

Opinion
Unqualified
— The impact of uncertainties due to COVID-19 in our audit

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at USD 4 million (2018: USD 5 million). The materiality is determined with reference to profit from continuing operations before income tax (4,8%). We consider profit before tax as the most appropriate benchmark considering the nature of the business and the fact that the main stakeholders are primarily focused on profit before tax. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Supervisory Board that misstatements in excess of USD 200,000 which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

Core Laboratories N.V. is at the head of a group of components. The financial information of this group is included in the financial statements of Core Laboratories N.V. Our group audit is mainly focused on significant components which are considered significant based on their size and risk profile.

Based on the size and the risk profile of the components, we requested KPMG USA to perform the majority of the audit procedures for both the USA and foreign locations. Additional specified audit procedures were performed by KPMG The Netherlands, KPMG Canada and KPMG UK for the components in respectively The Netherlands, Canada and the UK. This resulted in a coverage of approximately 93% of revenue and approximately 86% of total assets. The remaining revenues and assets result from a number of components, of which none was deemed individually significant. For these remaining components, we performed amongst others analytical review procedures to validate our assessment that there were no significant risks of material misstatements within these components.

We have:

- performed audit procedures ourselves at group level in respect of the conversion of the US GAAP financial statements to the IFRS financial statements as the primary accounting records are maintained based on US GAAP;
- performed specified audit procedures ourselves for the operations in the Netherlands;
- used the work of local KPMG firms when auditing components in foreign countries;
- used the work of KPMG USA for central procedures.

We provided detailed instructions to all component auditors as part of the group audit, covering the significant audit areas, including the relevant risks of material misstatement identified by us, and set out the information required to be reported back to us, in close cooperation with KPMG USA. We performed file reviews. During these reviews and several telephone conferences, the planning, audit approach, findings and observations reported to us were reviewed and discussed. Any further work deemed necessary was subsequently performed by the component auditors and reviewed by us.

By performing the procedures mentioned above at both group and component level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the financial statements.

Our procedures as described above can be summarized as follows:

Total assets

85%	1%	14%
Full Scope Audit procedures	Specified audit procedures	Additional centrally performed procedures

Revenue

93%	0%	7%
Full scope audit procedures	Specified audit procedures	Additional centrally performed procedures

Audit scope in relation to fraud

In accordance with the Dutch standards on auditing we are responsible for obtaining a high (but not absolute) level of assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error.

As part of our risk assessment process we have evaluated events or conditions that indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud (‘fraud risk factors’) to determine whether fraud risks are relevant to our audit.

We communicated identified fraud risks throughout our team and remained alert to any indications of fraud throughout the audit. This included communication from the group to component audit teams of relevant fraud risks identified at group level.

In accordance with the auditing standard we evaluated the fraud risks and determined that the following is relevant to our audit:

— fraud risk in relation to management override of controls (a presumed risk)

The presumed fraud risk related to revenue recognition was assessed as not applicable. Our audit procedures included an evaluation of the design, implementation as well as the operating effectiveness of internal controls relevant to mitigate these risks and substantive audit procedures, including detailed testing of high risk journal entries and evaluation of management bias. In determining the audit procedures we have made use of the Company’s evaluation in relation to fraud risk management (prevention, detections and response), including the set-up of ethical standards to create a culture of honesty.

As part of our evaluation of any instances of fraud, we inspected the incident register/whistle blowing reports and follow up by management.

We communicated our risk assessment and audit response to management and the Audit Committee of the Supervisory Board. Our audit procedures differ from a specific forensic fraud investigation, which investigation often has a more in-depth character.

Our procedures to address fraud risks did not result in the identification of a key audit matter. We do note that our audit is based on the procedures described in line with applicable auditing standards and are not primarily designed to detect fraud.

Audit scope in relation to non-compliance with laws and regulations

We have evaluated facts and circumstances in order to assess laws and regulation relevant to the Company.

We identified laws and regulations that could reasonably be expected to have a material effect on the financial statements based on our general understanding and sector experience, through discussion with relevant management and evaluating the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the group to component audit teams of relevant laws and regulations identified at group level. The potential effect of these laws and regulations on the financial statements varies considerably:

— the Company is subject to laws and regulations that directly affect the financial statements including taxation and financial reporting (including related company legislation). We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

— the Company is subject to many other laws and regulations where the consequences of non- compliance could have an indirect material effect on amounts recognized or disclosures provided in the financial statements, or both, for instance through the imposition of fines or litigation.

We identified the following areas as those most likely to have such an indirect effect:

— Anti-corruption laws; and

— Environmental protection laws.

Auditing standards limit the required audit procedures to identify non-compliance with laws and regulations that have an indirect effect to inquiring of relevant management and inspection of regulatory and legal correspondence, if any. Through these procedures, we did not identify any additional actual or suspected non-compliance other than those previously identified by the Company in each of the above areas. We considered the effect of actual or suspected non- compliance as part of our procedures on the related financial statement items.

Our procedures to address compliance with laws and regulations did not result in the identification of a key audit matter.

We do note that our audit is not primarily designed to detect non-compliance with laws and regulations and that management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to errors or fraud, including compliance with laws and regulations.

The more distant non-compliance with indirect laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Compared to prior year, we have identified a new key audit matter in 2019 related to the initial measurement of intangible assets acquired through a business combination.

US GAAP to IFRS conversion

Description

The Company has its shares listed at the NYSE in New York and the Euronext Amsterdam and as such is required to comply with the requirements of both environments. The Company's primary accounting records are maintained based on US GAAP. However, the consolidated financial statements of Core Laboratories N.V., to be filed in the Netherlands, have to be prepared in accordance with IFRS and with Part 9 of Book 2 of the Dutch Civil Code.

Therefore management prepared an analysis to convert the US GAAP financial statements to IFRS financial statements. Due to the complexity and non-routine character, as IFRS is not embedded in the primary accounting records, this conversion required significant attention during our audit.

Our response

We evaluated the completeness and accuracy of the management's conversion of the US GAAP financial statements to the IFRS financial statements by assessing the different GAAP accounting treatment for the financial statement captions. Furthermore, we held regular meetings with management and with our component audit teams and reviewed the component audit file, in order to identify events or transactions that occurred, that could result in a material different accounting treatment under IFRS compared to US GAAP. We recalculated the adjustments and reconciled them to underlying evidence as for example contracts and share based payment records.

Our observation

The results of our procedures on the conversion from US GAAP to the IFRS financial statements where satisfactory.

Evaluation of the impact of the Company's tax structure on its income tax provision

Description

As discussed in notes 9 and 25 to the consolidated financial statements, the Company is domiciled in the Netherlands and has international operations requiring the evaluation of income taxes across many tax jurisdictions.

Evaluation of the application of tax laws in the relevant jurisdictions, which can be complex and subject to change, and their impact on the Company's income tax provision required a high degree of judgment. We therefore identified the evaluation of the impact of the Company's tax structure on its income tax provision as a key audit matter.

Our response

The primary procedures we performed to address this key audit matter included the following:

- We tested certain internal controls over the Company's income tax process, including controls related to identification, interpretation and application of tax laws.
- We checked our understanding of the tax structure by inspecting the Company's legal entity organization chart to identify changes.
- We evaluated the effects of changes in tax law by reading the Company's correspondence and agreements with relevant tax authorities, intercompany documentation and advice and guidance from third parties.
- We identified significant transactions during the year involving the interpretation of tax law and evaluated the relevant accounting impact on the tax provision.
- We involved income tax professionals with specialized skills and knowledge who assisted in assessing the Company's application of tax laws, including statutes, regulations and case law, identifying changes in tax laws in relevant jurisdictions, and evaluating the impact on the tax provision of such transactions.
- Finally, we assessed the appropriateness of Notes 9 and 25 of the consolidated financial statements.

Our observation

The results of our procedures regarding the accounting for income tax were satisfactory and we consider management's assumptions and judgments to be reasonable. Furthermore, the accounting for income tax is properly reflected in Notes 9 and 25 of the consolidated financial statements.

Assessment of the fair value of intangible assets acquired through a business combination

Description

As discussed in note 29 to the consolidated financial statements, the Company acquired Guardian Global Technologies Ltd. during 2018 for a total purchase price of $48.9 million. The acquisition was accounted for under the acquisition method of accounting whereby the total purchase price was allocated to the tangible and intangible assets acquired and liabilities assumed based on the estimated fair values. The Company used projected financial information to estimate the fair value of certain intangible assets of $9.4 million acquired in this business combination, the most significant of which was acquired technology. The purchase price allocation was completed in 2019.

Assessing the determination of fair value of the acquired technology was complex due to the significant estimation uncertainty related to the projected revenue. The evaluation of the projected revenue and discount rate used to calculate the fair value required a higher degree of judgment as the sensitivity of changes to these inputs had a significant effect on the Company's determination of fair value. We therefore identified the assessment of the fair value of intangible assets acquired through a business combination as a key audit matter.

Our response

The primary procedures we performed to address this key audit matter included the following:

- We tested certain internal controls over the Company's valuation process for the acquired technology, including controls over the review of the significant underlying assumptions such as the projected revenue and the discount rate.
- We compared the projected revenues to industry reports as well as the historic financial performance of the acquired business.
- We performed sensitivity analyses to evaluate the changes in the fair value of the intangible assets that would result from changes in the projected revenue assumption.
- We assessed the Company's estimate by considering information that might be contrary to that used by the Company, specifically publicly available information regarding valuation of intangible assets in similar transactions.
- We involved valuation professionals with specialized skills and knowledge who assisted in evaluating the valuation methodology used by the Company and compared the discount rate determined by the Company to publicly available market data for comparable entities.

Our observation

Based on our procedures performed we consider management's assumptions for the initial measurement of intangible assets acquired through a business combination to be reasonable.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information. Additionally, other information includes the remuneration report which is incorporated by reference.

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements; and
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

The Management Board is responsible for the preparation of the other information, including the information as required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were engaged by the General Meeting of Shareholders as auditor of Core Laboratories N.V. on 21 May 2015, as of the audit for the year 2016 and have operated as statutory auditor ever since that financial year.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audits of public-interest entities.

Description of responsibilities regarding the financial statements

Responsibilities of Management Board and Supervisory Board for the financial statements

The Management Board is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Management Board is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Management Board is responsible for assessing the Management Board's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Management Board should prepare the financial statements using the going concern basis of accounting unless the Management Board either intends to liquidate the Core Laboratories N.V. or to cease operations, or has no realistic alternative but to do so. The Management Board should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the Core Laboratories N.V.'s financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

— identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

— obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;

— evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board;

— concluding on the appropriateness of the Management Board's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern;

— evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and

— evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We are solely responsible for the opinion and therefore responsible to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial statements. In this respect we are also responsible for directing, supervising and performing the group audit.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit. In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audits of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amstelveen, 23 April 2020

KPMG Accountants N.V.

M. Meester RA

Appendix A

Name	Legal Seat	Ownership %
Abdullah Fuad Core Laboratory Company	Dammam, Saudi Arabia	51%
Beheersmaatschappij Het Scheur B.V.	Rotterdam, Netherlands	100%
CL International Trading N.V.	Curaçao, Kingdom of the Netherlands	100%
Core Lab de Mexico S.A. de C.V.	Mexico City, Mexico	100%
Core Lab Operations S.A. de C.V.	Mexico City, Mexico	100%
Core Lab Petroleum Science and Technology (Beijing) Co. Ltd.	Beijing, China	100%
Core Laboratories (France) Holdings S.a.r.L.	Frepillon, France	100%
Core Laboratories (Gibraltar) Limited	Irish Town, Gibraltar	100%
Core Laboratories (Ireland) Limited	Dublin, Ireland	100%
Core Laboratories (Texas) LLC	Texas, United States	100%
Core Laboratories (U.K.) IP Co., Ltd.	London, United Kingdom	100%
Core Laboratories (U.K.) Limited	London, United Kingdom	100%
Core Laboratories (U.S.) Interests Holdings Inc.	Texas, United States	100%
Core Laboratories Angola Limitada	Luanda, Angola	100%
Core Laboratories Argentina S.A.	Buenos Aires, Argentina	100%
Core Laboratories Asia Pacific SDN BHD	Kuala Lampur, Malaysia	100%
Core Laboratories Australia PTY LTD	Perth, Australia	100%
Core Laboratories Canada Ltd.	Alberta, Canada	100%
Core Laboratories Coöperatief U.A.	Amsterdam, Netherlands	100%
Core Laboratories Corporate Holding B.V.	Amsterdam, Netherlands	100%
Core Laboratories El Salvador S.A. de C.V.	San Salvador, El Salvador	100%
Core Laboratories Financing (Ireland) Limited	Dublin, Ireland	100%
Core Laboratories Global N.V.	Curaçao, Kingdom of the Netherlands	100%
Core Laboratories Holdings LLC	Delaware, United States	100%
Core Laboratories India Private Limited	Mumbai, India	99%
Core Laboratories Interests One Limited	London, United Kingdom	100%
Core Laboratories Interests Two Limited	London, United Kingdom	100%
Core Laboratories International B.V.	Amsterdam, Netherlands	100%
Core Laboratories International Licensing N.V.	Curaçao, Kingdom of the Netherlands	100%
Core Laboratories LLC	Delaware, United States	100%
Core Laboratories LP	Delaware, United States	100%
Core Laboratories Luxembourg S.A.	Senningerberg, Luxembourg	100%
Core Laboratories Malaysia SDN BHD	Kuala Lumpur, Malaysia	100%
Core Laboratories Middle East Services B.V.	Amsterdam, Netherlands	100%
Core Laboratories Panama, S.A.	Panama City, Panama	100%
Core Laboratories Resources N.V.	Curaçao, Kingdom of the Netherlands	100%
Core Laboratories Sales B.V.	Rotterdam, Netherlands	100%
Core Laboratories Sales N.V.	Curaçao, Kingdom of the Netherlands	100%

Name	Legal Seat	Ownership %
Core Laboratories Venezuela S.A.	Caracas, Venezuela	100%
Corelab Brasil Ltda.	Rio de Janeiro, Brazil	99.9%
Corelab Nigeria Limited	Lagos, Nigeria	100%
Coreton Limited	Croydon, United Kingdom	100%
CTC Pulsonic Nigeria Limited	Lagos, Nigeria	80%
E.W. Saybolt & Co. S.A.	Panama City, Panama	100%
Foreign Enterprise Saybolt–Ukraine	Odessa, Ukraine	100%
Guardian Holding Ltd	Pyles, United Kingdom	100%
Guardian Global Technology Group Ltd	Pyles, United Kingdom	100%
Guardian Global Technologies Ltd	Pyles, United Kingdom	100%
GGT Guardian Texas LLC	Texas, United States	100%
Holding 116 SAS	Frepillon, France	100%
JSC Petroleum Analysts	Moscow, Russian Federation	100%
Labton Limited	London, United Kingdom	100%
Owen Compliance Services, Inc.	Delaware, United States	100%
Owen de Mexico S.A. de C.V.	Mexico City, Mexico	100%
Owen Oil Tools (U.K.) Ltd.	Croydon, United Kingdom	100%
Core Laboratories de Mexico, S.A. de C.V.	Tabasco, Mexico	100%
Owen Oil Tools LP	Delaware, United States	100%
P.T. Perforindo Teknika Nusantara	Jakarta, Indonesia	100%
PENCOR International Ltd.	Jersey, Channel Islands	100%
Production Enhancement Corporation	Delaware, United States	100%
ProTechnics de Mexico, S.A. de C.V.	Mexico City, Mexico	100%
PT Citra Wosaji Indonesia	Jakarta, Indonesia	100%
PT Corelab Indonesia	Jakarta, Indonesia	70%
Quantoil Ltd.	London, United Kingdom	100%
Sanchez Technologies SAS	Frepillon, France	100%
Saybolt - Bulgaria Ltd.	Bourgas, Bulgaria	100%
Saybolt (Portugal) Inspeccao de Produtos Petroliferos, Limitada.	Lisbon, Portugal	100%
Saybolt (Singapore) PTE LTD	Singapore, Singapore	100%
Saybolt Analyt Holding B.V.	Rotterdam, Netherlands	100%
Saybolt Analyt Holding BV - Moscow Rep Office	Moscow, Russian Federation	100%
Saybolt Aruba N.V.	San Nicolas, Aruba, Kingdom of the Netherlands	100%
Saybolt Azerbaijan	Baku, Azerbaijan	100%
Saybolt Bahamas Ltd.	Freeport, Bahamas	100%
Saybolt Belgium N.V.	Antwerp, Belgium	100%
Saybolt Bonaire N.V.	Bonaire, Netherlands	100%
Saybolt Caribbean N.V.	San Nicolas, Aruba, Kingdom of the Netherlands	100%

Name	Legal Seat	Ownership %
Saybolt Curaçao N.V.	Curaçao, Kingdom of the Netherlands	100%
Saybolt Danmark A/S	Copenhagen, Denmark	100%
Saybolt de Colombia SAS	Barranquilla, Colombia	95%
Saybolt de Costa Rica, S.A.	San Jose, Costa Rica	100%
Saybolt España S.A.	Madrid, Spain	100%
Saybolt Estonia Ltd.	Tallinn, Estonia	100%
Saybolt Finland Oy	Hamina, Finland	100%
Saybolt Greece, Ltd.	Athens, Greece	100%
Saybolt Holding B.V.	Rotterdam, Netherlands	100%
Saybolt Inspection Romania S.R.L.	Constanta, Romania	100%
Saybolt Inspection Services India Private Limited	Mumbai, India	100%
Saybolt Inspection Services Kazakhstan LLP	Aktau, Kazakhstan	100%
Saybolt International B.V.	Rotterdam, Netherlands	100%
Saybolt Italia S.R.L.	Siracusa, Italy	100%
Saybolt Latin America B.V.	Rotterdam, Netherlands	100%
Saybolt Latvia	Ventspils, Latvia	100%
Saybolt LP	Delaware, United States	100%
Saybolt Malaysia SDN BHD	Kuala Lumpur, Malaysia	100%
Saybolt Malta Ltd.	Kalafran, Malta	100%
Saybolt Nederland B.V.	Rotterdam, Netherlands	100%
Saybolt Norway AS	Mongstad, Norway	100%
Saybolt Poland Sp.z.o.o.	Gdynia, Poland	100%
Saybolt South Africa PTY LTD	Cape Town, South Africa	74%
Saybolt St. Eustatius N.V.	St. Eustatius, Netherlands	100%
Saybolt Surveillance and Laboratory Services Joint Stock Corporation	Istanbul, Turkey	100%
Saybolt Sweden AB	Gothenburg, Sweden	100%
Saybolt Trinidad & Tobago Ltd.	Marabella, Trinidad	100%
Saybolt UAE	Fujairah, United Arab Emirates	100%
Saybolt United Kingdom Limited	Purfleet, United Kingdom	100%
Saybolt van Duyn GmbH	Essen, Germany	100%
Saybolt West Indies N.V.	San Nicolas, Aruba, Kingdom of the Netherlands	100%
SCI 216	Frepillon, France	100%
SP TOO Saybolt Kazakhstan	Aktau, Kazakhstan	100%
Stim-Lab, Inc.	Oklahoma, United States	100%
UAB Saybolt-Baltija	Klaipeda, Lithuania	100%