CORE LABORATORIES N.V.

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

Semi-Annual Report for 30 June 2020

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CORE LABORATORIES N.V.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
SEMI-ANNUAL REPORT FOR 30 JUNE 2020

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Semi-Annual Report of the Directors

Currency - United States Dollars (“USD”, “$”)

Business review

Core Laboratories N.V. is a limited liability company incorporated in the Netherlands. It was established in 1936 and is one of the world's leading providers of proprietary and patented reservoir description and production enhancement services and products to the oil and gas industry. These services and products are directed toward enabling our clients to improve reservoir performance and increase oil and gas recovery from their producing fields. Core Laboratories N.V. has over 70 offices in more than 50 countries and employs approximately 3,800 people worldwide.

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

We operate our business in two reportable segments: Reservoir Description and Production Enhancement. These complementary segments provide different services and products and utilize different technologies for improving reservoir performance and increasing oil and gas recovery from new and existing fields.

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

Financial Review

Revenue

Services Revenue

Services revenue is primarily tied to activities associated with the exploration and production of oil and gas outside the U.S. For the six months ended 30 June 2020, services revenue of $201.0 million decreased 16% year-over-year from $238.2 million for the six months ended 30 June 2019. The average crude-oil prices for the six months ended 30 June 2020 were approximately 38% lower than the six months ended 30 June 2019. The events occurring during the first half 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 of crude oil and associated products. This resulted in decreased and disrupted activity by our clients and disruptions to our revenue generating operational activities leading to a sharp decrease in service revenue in the North America onshore market, with some disruptions to the market outside the U.S. onshore during the six months ended 30 June 2020. The COVID-19 pandemic has resulted in delay of work performed for projects within the offshore and international markets. The decline in the demand for crude oil resulted in a more severe decrease of activity in the U.S. onshore market, which is expected to be depressed for a longer term.

We continue to focus on large-scale core analyses and reservoir fluids characterization studies in the Eagle Ford, the Permian Basin and the Gulf of Mexico, along with Guyana, Malaysia and other international locations such as offshore South America, Australia, and the Middle East, including Kuwait and the United Arab Emirates. Analysis of crude oil derived products also occurs in every major producing region of the world.

Product Sales Revenue

Product sales revenue is tied more to the completion of wells in North America, with U.S. onshore market being the largest market for these products. For the six months ended 30 June 2020, product sales revenue of $67.2 million decreased 33% year-over-year from $100.0 million in the six months ended 30 June 2019. Rig count is one indicator of activity levels associated with the exploration and production of oil and gas. The average rig count for North America decreased from the six months ended 30 June 2019 to the six months ended 30 June 2020 by approximately 40%.

Operating expenses

Cost of Services

Cost of services expressed as a percentage of services revenue remained relatively flat at 76% for the six months ended 30 June 2020 and 2019. The decrease in cost of services during the six months ended 30 June 2020 was primarily due to compensation and related charges as the result from lower activity levels and cost reduction initiatives.

Cost of Product Sales

Cost of product sales expressed as a percentage of product sales revenue was 89% for the six months ended 30 June 2020, compared to 78% for the same period in 2018. Higher cost of product sales during the six months ended 30 June 2020 was primarily due to absorbing fixed costs against a decreased revenue base.

Operating margin

Operating margins for the six month period ended 30 June 2020 were 2%, compared to 14% for the same period of 2019, primarily due to a charge of $8.2 million for impairment of certain intangible assets, and a charge of $9.9 million for inventory obsolescence and valuation write-down recorded in the six months ended 30 June 2020.

Cash Flow

The following table summarizes cash flows (in thousands of USD):

	Six Months Ended 30 June			
	2020	**2019**	**Variance**	**% Change**
Cash provided by (used in):				
Operating activities	$ 57,965	$ 51,633	$ 6,332	12.3%
Investing activities	(7,156)	7,087	(14,243)	NM
Financing activities	(40,943)	(59,290)	18,347	30.9%
Net change in cash and cash equivalents	$ 9,866	$ (570)	$ 10,436	NM

"NM" means not meaningful

Cash flows provided by operating activities for the six months ended 30 June 2020 compared to the same period in 2019 increased primarily attributable to cash generated from lower levels of working capital.

The decrease in cash flows used in investing activities during the six months ended 30 June 2020 compared to the same period in 2019 was primarily due to proceeds from the sale of businesses in 2019, offset by the lower capital expenditure of $6.4 million as compared to $12.2 million for the same period in 2019.

Cash flows used in financing activities for the six months ended 30 June 2020 decreased compared to the same period in 2019. Cash was used to reduce debt by $19.0 million during the six months ended 30 June 2020, compared to no changes in debt during the same period in 2019. In the six months ended 30 June 2020, we repurchased 47,500 shares of our common stock for an aggregate purchase price of $1.4 million compared to the repurchase of 16,056 shares for an aggregate purchase price of $1.1 million during the same period in 2019. During the six months ended 30 June 2020, in response to market conditions, we reduced payments of dividends to $11.6 million, compared to $48.8 million dividend paid for the same period in 2019.

Equity

During the six months ended 30 June 2020, we repurchased 47,500 of our common shares for $1.4 million, which includes those shares that were surrendered to us pursuant to the terms of a stock-based compensation plan in consideration of the participants' tax burdens that may result from the issuance of common shares under that plan. Such common shares, unless canceled, may be reissued for a variety of purposes such as future acquisitions, non-employee director stock awards or employee stock awards. We distributed 59,205 treasury shares upon vesting of stock-based awards during the six months ended 30 June 2020.

In February and May, 2020, we paid a quarterly dividend of $0.25 and $0.01per share of common stock, respectively.

Segment Analysis

We operate our business in two reportable segments: Reservoir Description and Production Enhancement. These complementary segments provide different services and products and utilize different technologies for improving reservoir performance and increasing oil and gas recovery from new and existing fields.

Results for these business segments are presented below and are consistent with the information which is reviewed by the Chief Operating Decision Maker. 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 profit or loss from continuing operations before income tax, interest and other non-operating income (expense).

The following table summarizes our results by segment (in thousands of USD):

	Six Months Ended 30 June			
	2020	**2019**	**Variance**	**% Change**
Revenue:				
Reservoir Description	$ 191,144	$ 208,941	$ (17,797)	(8.5)%
Production Enhancement	76,992	129,291	(52,299)	(40.5)%
Total revenue	$ 268,136	$ 338,232	$ (70,096)	(20.7)%
Operating profit:				
Reservoir Description	$ 24,596	$ 22,057	$ 2,539	11.5%
Production Enhancement	(137,623)	20,336	(157,959)	NM
Corporate and Other [(1)]	1,487	2,029	(542)	(26.7)%
Adjustments from US GAAP to IFRS	115,622	2,965	112,657	NM
Operating profit:	$ 4,082	$ 47,387	$ (43,305)	NM

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

Reservoir Description

Revenue from the Reservoir Description segment of $191.1 million for the six months ended 30 June 2020 decreased 9% from $208.9 million for the six months ended 30 June 2019. Reservoir Description operations are heavily exposed to international and offshore activity levels, including the existing producing fields across the globe, with approximately 80% of its revenue sourced from producing fields and development projects outside the U.S. Year-over-year financial performance in this segment is a result of delayed investment in international and offshore projects by clients due to disruptions associated with the COVID-19 pandemic and a lower crude-oil price market. The average crude-oil prices for the six months ended 30 June 2020 were approximately 38% lower than the six months ended 30 June 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. In particular, we anticipate increased demand for our proprietary laboratory technological services in the Middle East as a result of several factors, including Core Lab's completion of a comprehensive reservoir fluid laboratory in Doha, Qatar earlier this year, resumption of production from the Wafra oilfield located within the onshore Partitioned Neutral Zone in the southern part of Kuwait, as well as the expansion of the North gas field in Qatar.

Operating profit for the six months ended 30 June 2020 of $24.6 million increased 12% compared to $22.1 million for the six months ended 30 June 2019 and was primarily due to cost reduction and employment-related charges of $9.5 million recorded in the six months ended 30 June 2019, as compared to $7.2 million in the six months ended 30 June 2020.

Production Enhancement

Revenue from the Production Enhancement segment was $77.0 million for the six months ended 30 June 2020, a decrease of 41% year-over-year from $129.3 million for the six months ended 30 June 2019. Production Enhancement operations are largely focused on complex completions in unconventional tight-oil reservoirs in the U.S. as well as conventional projects across the globe. The significant decrease in the price of and demand for crude oil which began in March 2020, associated with the events caused by the COVID-19 pandemic, resulted in a further decrease of drilling and well completion activity in the U.S. onshore market. The average rig count for North America decreased 40% year-over-year from the six months ended June 30, 2020. These recent events and disruptions to the global supply chain of air freight and other supporting vendors also resulted in some delay of shipments of our product to some international markets. Our clients continue to seek and use technological solutions for their projects in an effort to optimize and improve daily production and estimated ultimate recovery ("EUR") from their reservoirs. We continue to develop new technologies and benefit from our clients' acceptance of new services and products which were led by the HERO® PerFRAC, GoGun™, FLOW**PROFILER** EDS™ and ReFRAC technologies.

Operating loss for the six months ended 30 June 2020 of $137.6 million, was primarily impacted by a charge of $114.0 million for the impairment of goodwill, a charge of $8.2 million for impairment of certain intangible assets, and a charge of $9.9 million for inventory obsolescence and valuation write-down recorded in the six months ended 30 June 2020. However, information received subsequent to the issuance of the U.S. GAAP consolidated financial statements, but prior to the issuance of these IFRS consolidated financial statements indicate that there is no impairment to goodwill and the impairment under U.S. GAAP has been reversed as a subsequent adjusting event for IFRS reporting.

Outlook

The events occurring during the six months ended 30 June 2020 associated with the 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. U.S. land drilling and completion activity have experienced the most significant impact, as the rig count and completion of wells have declined significantly during the six months ended 30 June 2020 from previous levels. International activity has also been impacted by disruption to our clients' operations. 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.

While the full impact of COVID-19 and the long-term worldwide impact still remains unknown, Core Laboratories has continued to operate as an essential business with timely delivery of products and services to our clients during the COVID-19 global pandemic. Continued government restrictions, widespread growth in infections, travel restrictions, quarantines, and site closures have led to business disruptions, which are expected to continue for the remainder of the year and possibly beyond 2020. These disruptions have primarily been associated with operational workflows stemming from travel, product delivery, as well as suspensions and delays in client projects. We have not experienced any significant disruption in our supply chain, and do not anticipate significant disruption in our supply chain. We have also implemented a continuity plan across our global organization to protect the health of employees while servicing the clients.

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

Our major clients continue to focus on capital management return on invested capital, free cash flow, and returning capital back to their shareholders, as opposed to a focus on production growth at any cost. The companies adopting value versus volume metrics tend to be the more technologically sophisticated operators and form the foundation of Core Lab's worldwide client base. Considering a longer-term strategy, we expect to benefit from our clients' shift in focus from strictly production growth to employing higher technological solutions in their efforts to maximize economic production growth and EUR.

We believe operators will continue to manage their capital spending within reduced budgets and maintain their focus on strengthening their balance sheets with an effort to generate positive free cash flow. This shift was apparent during the first six months of 2020 with the notable declines in the U.S. onshore rig count, U.S. land completion activity, international rig count and significant reductions by oil and gas operators to 2020 capital expenditures. As a result, we believe the U.S. onshore activity in the remainder of 2020 will remain at the current lower levels and continue to be constrained by these factors.

Core Laboratories expects international field development spending will be funded largely from reduced operating budgets which have also been adversely impacted by COVID-19. Reservoir Description continues to work with clients and discuss the progression of longer-term international projects. Longer-term international and offshore projects which are commonly announced through Final Investment Decisions ("FIDs") and have been previously announced and initiated are not as susceptible or at-risk to delay or suspension due to shorter-term volatility in crude oil commodity price. Additionally, the reservoir fluids analysis that is performed on projects associated with current producing fields, continues to be critical and will be less affected by lower commodity prices for crude oil. The revenue opportunity for Reservoir Description occurs once the well has been drilled and core and fluid samples are recovered from the well and analyzed. The adverse impact from COVID-19 and the depression of crude-oil prices has resulted in increased uncertainty associated with the activity levels and revenue opportunities from these international and offshore projects, however most of the larger projects, especially the projects that have already been commissioned and are underway, are focused on a longer term forecast versus a short to mid-term assessment of the crude oil commodity prices.

In response to market conditions, Core Lab's Board of Supervisory Directors approved a plan to reduce the Company's quarterly dividends to $0.25 in the first quarter of 2020, and future quarterly dividends to $0.01 per share beginning with the second quarter of 2020, and to focus excess free cash flow towards the reduction of debt. In March 2020, the Company enacted cost control plans and expanded these initiatives in June of 2020, which include: (i) corporate and operating cost reductions; (ii) annual capital expenditures reduced to below the 2016 level of $11.4 million, and (iii) eliminating all non-essential costs. The corporate and operating cost reductions include reductions in workforce and reduction of senior executive and employee compensation.

Specifically, the Company has reduced senior executives' annual base salary by 20% for the foreseeable future. In addition, David Demshur, the prior CEO and Chairman of the Company, accelerated his retirement to the end of May 2020. Core Lab believes these immediate actions, as well as continued assessment of market conditions, will allow Core Lab, as it has for over 83 years, to navigate through these challenging times. Core Lab remains focused on preserving the quality of service for its clients and producing returns for its shareholders.

Cautionary Statement Regarding Forward-Looking Statements

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

Statement of Directors' Responsibilities

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

- the condensed interim consolidated financial statements for the six months ended 30 June 2020 have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" (“IAS 34”) as adopted by the European Union and give a true and fair view of the assets, the liabilities, the financial position and the profits or the loss of Core Laboratories N.V. and its consolidated companies; and

- the interim management report for the six months ended 30 June 2020 gives a true and fair view of the information required pursuant to section 5:25d, subsection 8 and, as far as applicable, subsection 9 of the Dutch Act on Financial Supervision.

Amsterdam, The Netherlands,
14 September 2020

/s/ Jacobus Schouten

Jacobus Schouten, on behalf of
Core Laboratories International B.V.,
Sole managing director of Core Laboratories N.V.

/s/ Christopher S. Hill

Christopher S. Hill
Senior Vice President and Chief Financial Officer

CORE LABORATORIES N.V.
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(In thousands of USD)

	Ref.	30 June 2020 (Unaudited)	31 December 2019
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment, net		$ 119,866	$ 123,506
Right-of-use lease assets	7	67,756	74,631
Intangible assets, net	17	268,423	277,130
Investment in associates		4,177	3,968
Deferred tax assets, net	19	74,906	70,886
Other financial assets	8	44,321	47,282
Other assets		4,630	4,883
TOTAL NON-CURRENT ASSETS		584,079	602,286
CURRENT ASSETS			
Inventories	9	41,528	50,163
Prepaid expenses and other current assets		41,353	44,322
Income taxes receivable		8,534	6,527
Accounts receivable, net	10	101,464	131,579
Cash and cash equivalents		20,958	11,092
TOTAL CURRENT ASSETS		213,837	243,683
TOTAL ASSETS		797,916	845,969
EQUITY			
EQUITY ATTRIBUTABLE TO OWNERS OF CORE LABORATORIES N.V.		239,477	246,121
NON-CONTROLLING INTEREST		4,044	4,274
TOTAL EQUITY	11	243,521	250,395
LIABILITIES			
NON-CURRENT LIABILITIES			
Borrowings	12	286,610	305,283
Long-term lease liabilities	7	57,449	64,660
Income taxes payable	19	14,262	14,262
Deferred tax liabilities, net	19	28,111	31,173
Post-employment benefit plans	8,13	65,086	70,205
Derivative financial liabilities	8,14	3,621	1,054
Provisions	15	2,210	2,147
TOTAL NON-CURRENT LIABILITIES		457,349	488,784
CURRENT LIABILITIES			
Accounts payable		23,693	35,953
Lease liabilities	7	12,028	11,841
Income taxes payable	19	8,539	6,606
Other taxes payable		1,298	6,079
Payroll and social security contributions		34,827	26,848
Unearned revenue	10	10,813	13,681
Other accrued expenses		5,848	5,782
TOTAL CURRENT LIABILITIES		97,046	106,790
TOTAL LIABILITIES		554,395	595,574
TOTAL EQUITY AND LIABILITIES		$ 797,916	$ 845,969

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

CORE LABORATORIES N.V.
INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS
(In thousands of USD, except per share data)

	Ref.	Six Months Ended 30 June 2020	Six Months Ended 30 June 2019
		(Unaudited)	
REVENUE:			
Services		$ 200,976	$ 238,212
Product sales		67,160	100,020
TOTAL REVENUE	21	268,136	338,232
OPERATING EXPENSES:			
Cost of services		153,318	181,414
Cost of product sales		59,876	77,622
TOTAL OPERATING EXPENSES		213,194	259,036
GROSS MARGIN		**54,942**	**79,196**
General and administrative expenses		30,287	31,514
Impairments and other charges	17	8,224	—
Inventory write-down	18	9,932	—
Other expense, net		2,417	295
OPERATING MARGIN		**4,082**	**47,387**
Finance income		—	(33)
Finance costs		8,461	9,274
Finance costs, net		8,461	9,241
Share of profit of associates		209	97
PROFIT (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAX		**(4,170)**	**38,243**
Income tax benefit	19	(503)	(22,180)
PROFIT (LOSS) FROM CONTINUING OPERATIONS		(3,667)	60,423
PROFIT FROM DISCONTINUED OPERATIONS, net of income taxes	6	—	8,230
PROFIT (LOSS) FOR THE PERIOD		(3,667)	68,653
Attributable to:			
Equity holders of Core Laboratories N.V.		(3,791)	68,563
Non-controlling interest		124	90
		$ (3,667)	$ 68,653
EARNINGS PER SHARE INFORMATION:			
Basic earnings (loss) per share from continuing operations		$ (0.08)	$ 1.36
Basic earnings (loss) per share from discontinued operations		$ -	$ 0.19
Basic earnings (loss) per share attributable to Core Laboratories N.V.		$ (0.09)	$ 1.55
Diluted earnings (loss) per share from continuing operations		$ (0.08)	$ 1.35
Diluted earnings (loss) per share from discontinued operations		$ -	$ 0.18
Diluted earnings (loss) per share attributable to Core Laboratories N.V.		$ (0.09)	$ 1.53
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING (in thousands):			
Basic	20	44,459	44,339
Assuming dilution	20	44,459	44,848

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

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

	Ref.	Six Months Ended 30 June 2020	2019
		(Unaudited)	
Profit (loss) for the period		$ (3,667)	$ 68,653
Items that will not be reclassified to profit or loss:			
Remeasurements of post-employment benefit obligations, net of tax benefit $208 and $334 for 2020 and 2019, respectively	13	(661)	1,557
Items that may be subsequently reclassified to profit or loss			
Cash flow hedges	14	(2,567)	(1,123)
Income taxes on cash flow hedges	14	539	236
Profit (loss) recognized directly in equity		(2,689)	670
Total comprehensive income (loss) for the period		$ (6,356)	$ 69,323
Attributable to:			
Equity holders of Core Laboratories N.V.		$ (6,480)	$ 69,233
Non-controlling interest		124	90
		$ (6,356)	$ 69,323

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

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

	Ref.	Six Months Ended 30 June 2020	2019
		(Unaudited)	
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		$ 50,053	$ 55,156
Stock-based awards issued		(4,366)	(7,715)
Stock-based compensation		12,828	14,694
Balance at End of Period		$ 58,515	$ 62,135
Retained Earnings			
Balance at Beginning of Period		$ 239,653	$ 235,703
Dividends paid		(11,556)	(48,769)
Profit (loss) attributable to Core Laboratories N.V.		(3,791)	68,563
Balance at End of Period		$ 224,306	$ 255,497
Accumulated Other Comprehensive Income (Loss)			
Balance at Beginning of Period		$ (15,370)	$ (13,651)
Remeasurement of post-employment benefit obligations		(661)	1,557
Cash flow hedges		(2,028)	(887)
Balance at End of Period		$ (18,059)	$ (12,981)
Treasury Stock			
Balance at Beginning of Period		$ (29,363)	$ (52,502)
Stock-based awards issued	11	4,366	7,715
Repurchase of common shares	11	(1,436)	(1,091)
Balance at End of Period		$ (26,433)	$ (45,878)
Non-Controlling Interest			
Balance at Beginning of Period		$ 4,274	$ 4,141
Non-controlling interest dividends		(354)	—
Profit attributable to non-controlling interest		124	90
Balance at End of Period		$ 4,044	$ 4,231
Total Equity			
Balance at Beginning of Period		$ 250,395	$ 229,995
Stock-based compensation		12,828	14,694
Repurchase of common shares		(1,436)	(1,091)
Dividends paid		(11,556)	(48,769)
Non-controlling interest dividends		(354)	—
Remeasurement of post-employment benefit obligations		(661)	1,557
Cash flow hedges		(2,028)	(887)
Profit (loss) for the period		(3,667)	68,653
Balance at End of Period		$ 243,521	$ 264,152
Cash Dividends per Share	11	**$ 0.26**	**$ 1.10**

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

CORE LABORATORIES N.V.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

(In thousands of USD, except share and per share data)

	Ref.	Six Months Ended 30 June 2020	Six Months Ended 30 June 2019
		(Unaudited)	
Common Shares - Number of shares issued			
Balance at Beginning of Period	11	44,796,252	44,796,252
Balance at End of Period		44,796,252	44,796,252
Treasury Stock - Number of shares			
Balance at Beginning of Period		(330,690)	(479,407)
Stock-based awards issued	11	59,205	54,008
Repurchase of common shares	11	(47,500)	(16,056)
Balance at End of Period		(318,985)	(441,455)
Common Shares - Number of shares outstanding			
Balance at Beginning of Period		44,465,562	44,316,845
Stock-based awards issued		59,205	54,008
Repurchases of common shares		(47,500)	(16,056)
Balance at End of Period		44,477,267	44,354,797

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

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

	Ref.	Six Months Ended 30 June 2020	2019
		(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit (loss) for the period		$ (3,667)	$ 68,653
Profit from discontinued operations, net of income taxes		—	(8,230)
Adjustments to reconcile profit (loss) for the period to net cash provided by operating activities:			
Depreciation and amortization, including intangibles		10,866	11,373
Amortization of leases	7	7,586	8,367
Share of profit of associates		(209)	(97)
Stock-based compensation	13	12,608	14,694
Finance costs, including debt and leases		8,461	9,241
Gain on sale of assets		(207)	(307)
Gain on sale of subsidiary	6	—	(1,154)
Gain on sale of discontinued operations	6	—	—
Loss on lease abandonment	7	613	—
Discontinued operations	6	—	—
Fair value gains on other financial assets	8	(2,102)	(2,219)
Deferred income taxes	19	(7,081)	(34,211)
Impairments, inventory write-down and other charges	17, 18	18,156	—
Changes in assets and liabilities:			
Accounts receivable, net	10	30,115	(5,758)
Inventories		(1,298)	(2,956)
Other assets		3,596	1,524
Accounts payable		(12,553)	887
Other liabilities		3,362	5,881
Cash provided by operating activities		68,246	65,688
Interest paid		(5,911)	(6,786)
Income tax paid		(4,370)	(7,269)
Net cash provided by operating activities		$ 57,965	$ 51,633
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures		$ (6,406)	$ (12,230)
Intangible assets		(272)	105
Proceeds from sale of assets		435	440
Proceeds from sale of business	6	—	2,980
Proceeds from sale of discontinued operations	6	—	16,642
Interest received		—	33
Premiums on life insurance		(913)	(883)
Net cash provided by (used in) investing activities		$ (7,156)	$ 7,087
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of borrowings	12	$ (46,000)	$ (68,000)
Proceeds from debt borrowings	12	27,000	68,000
Payments of lease liabilities	7	(8,951)	(9,430)
Repurchase of common shares	11	(1,436)	(1,091)
Dividends paid	11	(11,556)	(48,769)
Net cash used in financing activities		$ (40,943)	$ (59,290)
NET CHANGE IN CASH AND CASH EQUIVALENTS		9,866	(570)
CASH AND CASH EQUIVALENTS, beginning of period		11,092	13,116
CASH AND CASH EQUIVALENTS, end of period		$ 20,958	$ 12,546

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

CORE LABORATORIES N.V.
SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
(PREPARED IN ACCORDANCE WITH IAS 34)
30 JUNE 2020

1. DESCRIPTION OF BUSINESS

Core Laboratories N.V. ("Core Laboratories", the "Company", "we", "our" or "us") is a limited liability company incorporated and domiciled in the Netherlands. The address of the registered office is Strawinskylaan 913, Tower A, Level 9, 1077 XX Amsterdam, The Netherlands. We were established in 1936 and are one of the world's leading providers of proprietary and patented reservoir description and production enhancement services and products to the oil and gas industry. These services and products are directed toward enabling our clients to improve reservoir performance and increase oil and gas recovery from their producing fields. We have over 70 offices in more than 50 countries and had approximately 3,800 and 4,500 employees at 30 June 2020 and 2019, respectively. We are dual listed on the New York Stock Exchange and the Euronext Amsterdam Stock Exchange.

We operate our business in two reportable segments: Reservoir Description and Production Enhancement. These complementary segments provide different services and products and utilize different technologies for improving reservoir performance and increasing oil and gas recovery from new and existing fields.

- *Reservoir Description:* Encompasses the characterization of petroleum reservoir rock, fluid and gas samples to increase production and improve recovery of oil and gas from our clients' reservoirs. We provide laboratory based analytical and field services to characterize properties of crude oil and petroleum products to the oil and gas industry. We also provide proprietary and joint industry studies based on these types of analysis.

- *Production Enhancement:* Includes services and products relating to reservoir well completions, perforations, stimulations and production. We provide integrated diagnostic services to evaluate and monitor the effectiveness of well completions and to develop solutions aimed at increasing the effectiveness of enhanced oil recovery projects.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Preparation

Our condensed interim consolidated financial statements for the six months ended 30 June 2020 have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34"). The condensed interim consolidated financial statements have not been audited and should be read in conjunction with the annual financial statements for the year ended 31 December 2019, which were prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") and with Part 9 Book 2 of the Dutch Civil Code. The condensed interim 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.

Certain reclassifications were made to prior period amounts in order to conform to the current period presentation. These reclassifications had no impact on the reported profit or loss or cash flows for the three and six months ended 30 June 2019.

Critical Accounting Estimates and Assumptions

The preparation of financial statements in conformity with IAS 34 requires management to make certain estimates and assumptions that affect the reported amount 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. The significant judgments made by management in applying our accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2019, with the exception of changes in estimates that are required in determining the provision for income taxes.

Current and Deferred Income Taxes

Income tax expense is recognized based on management's estimate of the weighted average annual income tax rate expected for the full financial year. See Note 19 - *Income Taxes*.

3. FINANCIAL RISKS AND RISK MANAGEMENT

The condensed interim consolidated financial statements do not include all financial risks and risk management information and disclosures required in the annual financial statements; they should be read in conjunction with our annual financial statements for the year ended 31 December 2019.

4. SEASONALITY OF OPERATIONS

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

5. ACQUISITIONS

We had no significant acquisitions during the six months ended 30 June 2020.

6. DISCONTINUED OPERATIONS

In 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.

On 7 June 2019, we entered into a definitive purchase agreement for approximately $16.6 million in cash. A pre-tax gain of $8.8 million was recognized in connection with this transaction, net of selling costs, and is classified in Profit from discontinued operations in the Consolidated Statements of Profit or Loss. The purchase agreement also provides 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 or Loss. Cash flows from this discontinued business are shown below. As such, the results from continuing operations for the Company and segment highlights for Production Enhancement, exclude these discontinued operations.

Selected data for this discontinued business consisted of the following (in thousands of USD):

	Six Months Ended 30 June 2019
Services revenue	$ 1,165
Product sales revenue	4,233
Total revenue	5,398
Cost of services	690
Cost of product sales	3,196
Other expense, net	91
Operating profit	1,421
Gain on sale	8,804
Profit from discontinued operations before income tax expense	10,225
Income tax expense	1,995
Profit from discontinued operations, net of income taxes	$ 8,230

There are no activities recorded for the six months ended 30 June 2020 and no balances recorded for the discontinued operations as of 30 June 2020 and 31 December 2019.

Net cash provided by operating activities of discontinued operations for the six months ended 30 June 2020 and 2019 was $0.0 million and $(1.8) million, respectively.

7. LEASES

Right-of-use lease assets activity consisted of the following (in thousands of USD):

	Land	Building	Equipment	Vehicles	Total
Balance at 1 January 2020	$ 2,024	$ 65,340	$ 674	$ 6,593	$ 74,631
Additions	318	2,847	67	1,167	4,399
Accumulated amortization	(186)	(5,565)	(160)	(1,675)	(7,586)
Adjustments/(reductions)	(72)	(3,357)	(24)	(235)	(3,688)
Balance at 30 June 2020	$ 2,084	$ 59,265	$ 557	$ 5,850	$ 67,756

Lease Liabilities

Lease liabilities consisted of the following (in thousands of USD):

	30 June 2020	31 December 2019
Current	$ 12,028	$ 11,841
Non-current	57,449	64,660
Total lease liabilities	$ 69,477	$ 76,501

Amounts recognized in profit or loss

Amounts recognized in the statement of profit or loss related to our leases are as follows (in thousands of USD):

	Six Months Ended 30 June	
	2020	2019
Amortization	$ 7,586	$ 8,367
Interest on lease liabilities	1,681	1,834
Lease abandonment	613	—
Expense relating to short-term leases	183	103
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	18	—

During the six months ended 30 June 2020, the Company recorded a loss on lease abandonment of $0.6 million for certain properties that ceased in use and expected to provide no future economic benefits.

8. OTHER FINANCIAL INSTRUMENTS

The Company's only financial assets which are measured at fair value on a recurring basis relate to certain aspects of the Company's post-employment benefit plans, such as the fair value of life insurance policies, and our derivative instruments. The fair value of the life insurance policies decreased by $3.0 and increased by $6.5 million during the six months ended 30 June 2020 and 2019, respectively.

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

		Fair Value Measurement at 30 June 2020		
	Total	**Level 1**	**Level 2**	**Level 3**
Assets:				
Other financial assets	$ 44,321	$ —	$ 44,321	$ —
Liabilities:				
Post employment benefit plans	33,861	—	33,861	—
Derivative financial liabilities	3,621	—	3,621	—

		Fair Value Measurement at 31 December 2019		
	Total	**Level 1**	**Level 2**	**Level 3**
Assets:				
Other financial assets	$ 47,282	$ —	$ 47,282	$ —
Liabilities:				
Post employment benefit plans	34,081	—	34,081	—
Derivative financial liabilities	1,054	—	1,054	—

9. INVENTORIES

Inventories consisted of the following (in thousands of USD):

	30 June 2020	**31 December 2019**
Finished goods	$ 19,450	$ 26,507
Parts and materials	18,764	21,419
Work in progress	3,314	2,237
Inventories	$ 41,528	$ 50,163

The balances above are net of valuation reserves of $11.4 million and $3.1 million at 30 June 2020 and 31 December 2019, respectively. See Note 18 – *Inventory Write-down*.

10. CONTRACT ASSETS AND CONTRACT LIABILITIES

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

	30 June 2020	**31 December 2019**
Contract assets		
Current	$ 1,199	$ 2,183
Non-current	—	244
	$ 1,199	$ 2,427
Contract liabilities		
Current	$ 2,361	$ 4,473
Non-current	320	383
	$ 2,681	$ 4,856

		30 June 2020
Estimate of when contract liabilities will be recognized		
within 12 months	$	2,361
within 12 to 24 months		320
greater than 24 months		—

Contract assets are included in our accounts receivable. The contract liabilities are included in unearned revenue in our Consolidated Statement of Financial Position.

We did not recognize any impairment losses on our receivables and contract assets for the six months ended 30 June 2020 and 2019.

11. EQUITY

Share capital

The authorized share capital of the Company at 30 June 2020 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 each.

At 30 June 2020, the issued and paid in share capital is $59.7 million and consists of 44,796,252 issued ordinary shares with a par value of EUR 0.02 each. Repurchased ordinary shares amounts to $26.4 million and consists of 318,985 ordinary shares with a par value of EUR 0.02 each.

Treasury Shares

During the six months ended 30 June 2020, we repurchased 47,500 of our common shares for $1.4 million. Included in this total were rights to 17,500 shares valued at $0.3 million, which were surrendered to us pursuant to the terms of a stock-based compensation plan in consideration of the participants' tax burdens that may result from the issuance of common shares under that plan. Such common shares, unless canceled, may be reissued for a variety of purposes such as future acquisitions, non-employee director stock awards or employee stock awards. We distributed 59,205 treasury shares upon vesting of stock-based awards during the six months ended 30 June 2020.

Dividends

In February and May 2020, we paid a quarterly dividend of $0.25 and $0.01 per share of common stock, respectively.

12. BORROWINGS

We have two series of senior notes outstanding with an aggregate principal amount of $150 million ("Senior Notes") issued in a private placement transaction. Series A consists of $75 million in aggregate principal amount of notes that bear interest at a fixed rate of 4.01% and are due in full on 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 31 March and 30 September.

On 22 June 2020, we entered into Amendment No. 1 (the "Amendment") to the Seventh Amended and Restated Credit Agreement, dated 19 June 2018 (as amended, the "Credit Facility"). The Amendment increases the maximum leverage ratio permitted under the Credit Facility for certain periods. Pursuant to the terms of the Amendment, the maximum leverage ratio permitted under the Credit Facility is equal to (a) 3.00 to 1.00 from the fiscal quarter ending 30 June 2020 through and including the fiscal quarter ending 30 June 2021; (b) 2.75 to 1.00 for the fiscal quarter ending 30 September 2021; and (c) 2.50 to 1.00 for the fiscal quarter ending 31 December 2021 and thereafter. Moreover, the Amendment modified the range of variable interest rates that the Credit Facility may bear to be a range from LIBOR plus 1.500% to LIBOR plus 2.875%, and included the addition of a LIBOR floor of 0.50%. In addition, pursuant to the Amendment, the aggregate borrowing commitment under the Credit Facility was reduced to $225 million and the amount by which we may elect to increase the facility size was reduced from $100 million to $50 million, subject to the satisfaction of certain conditions. Any outstanding balance under the Credit Facility is due on maturity on 19 June 2023. Our available capacity at any point in time is reduced by borrowings outstanding at the time and outstanding letters of credit which totaled $14.2 million at 30 June 2020, resulting in an available borrowing capacity under the Credit Facility of $72.8 million. In addition to indebtedness under the Credit Facility, we had $5.8 million of outstanding letters of credit and performance guarantees and bonds from other sources as of 30 June 2020.

The Credit Facility remains unsecured, and contains customary representations, warranties, terms and conditions for similar types of facilities.

During the six months ended 30 June 2020, in connection with our entry into the Amendment, we recorded an additional expense of $0.3 million associated with unamortized debt issuance cost.

The estimated fair value of total debt at 30 June 2020 and 31 December 2019 approximated the book value of total debt. The fair value was estimated using Level 2 inputs by calculating the sum of the discounted future interest and principal payments through the date of maturity.

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

	30 June 2020	**31 December 2019**
Senior Notes	$ 150,000	$ 150,000
Credit Facility	138,000	157,000
Total long-term debt	288,000	307,000
Less: Debt issuance costs	(1,390)	(1,717)
Long-term debt, net	$ 286,610	$ 305,283

We entered into two interest rate swap agreements for a total notional amount of $50 million, including one of which was entered during the six months ended 30 June 2020. See Note 14 - *Derivative Instruments and Hedging Activities*.

The terms of the Credit Facility and Senior Notes require us to meet certain covenants, including, but not limited to, an interest coverage ratio (consolidated EBITDA divided by interest expense) and a leverage ratio (calculated as 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 and Senior Notes include a cross-default provision, which means that a default under one agreement may result in the default of the other agreement. The Credit Facility has the more restrictive covenants with a minimum interest coverage ratio of 3.0 to 1.0 and permits a maximum leverage ratio as described above. The Credit Facility agreement allows non-cash charges such as impairment of assets, stock compensation and other non-cash charges to be added back in the calculation of EBITDA. The terms of our Credit Facility also allow us to negotiate in good faith to amend any ratio or requirement to preserve the original intent of the agreement if any change in accounting principles would affect the computation of any financial ratio or requirement of the Credit Facility. Pursuant to the terms of our Credit Facility, our leverage ratio is 2.21, and our interest coverage ratio is 6.74 for the period ended 30 June 2020. We believe that we are in compliance with all covenants contained in our credit agreements. Certain of our material, wholly-owned subsidiaries are guarantors or coborrowers under the Credit Facility and Senior Notes.

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

13. POSTRETIREMENT BENEFIT PLANS

The balance of post-employment benefits plans liability is as follows (in thousands of USD):

	30 June 2020	31 December 2019
Post-employment benefits - Dutch defined benefit plan	$ 4,938	$ 5,928
Post-employment benefits - SERP	19,029	18,608
Post-employment benefits - Employee severance	11,952	11,588
Post-employment benefits - Deferred compensation plan	33,808	34,081
	69,726	70,205
Current obligation	(4,640)	—
	$ 65,086	$ 70,205

Supplemental Executive Retirement Plan (SERP) Benefits

The value of the long-term liability for the benefits due upon severing the employment of executive employees is $10.9 million at 30 June 2020. The remaining $8.1 million balance is for the non-executive employees of the Company.

Deferred Compensation

The benefits under these contracts are fully vested and payment of benefits generally commences as of the last day of the month following the termination of services except that the payment of benefits for select executives generally commences on the first working day following a six month waiting period following the date of termination.

Employee Severance

Severance due under employee contracts total approximately $6.0 million at 30 June 2020 and $5.8 million at 31 December 2019All remaining balances are associated with severance payments to employees required by certain local jurisdictions.

Defined Benefit Plan

Prior to January 2020, we provided a noncontributory defined benefit pension plan covering substantially all of our Dutch employees ("Dutch Plan") who were hired prior to 2000. During 2019, there was a curtailment 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. However, the unconditional indexation for this group of participants continues for so long as they remain in active service with the Company. There is no further contribution to fund the Dutch Plan since end of 2019.

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

	Six Months Ended 30 June	
	2020	2019
Service cost	$ —	$ 381
Interest cost	336	519
Expected return on plan assets	(308)	(461)
Net periodic pension cost	$ 28	$ 439

The new periodic pension cost of $28.0 thousand and $0.4 million for the six months ended 30 June 2020 and 2019, respectively, was recognized in Cost of services in the Consolidated Statement of Profit or Loss.

14. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

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

Interest Rate Risk

Our Credit Facility bears interest at variable rates from LIBOR plus 1.5% to a maximum of LIBOR plus 2.875% and includes a LIBOR floor of 0.50%. As a result of two interest rate swap agreements, we are subject to interest rate risk on debt in excess of $50 million drawn on our Credit Facility.

We entered into two interest rate swap agreements for a total notional amount of $50 million to hedge changes in the variable rate interest expense on $50 million of our existing or replacement LIBOR-priced debt. Under the first swap agreement of $25 million, we have fixed the LIBOR portion of the interest rate at 2.5% through 29 August 2024. In February 2020, we entered into the second swap agreement of $25 million, and we have fixed the LIBOR portion of the interest rate at 1.3% through 28 February 2025. Each swap is measured at fair value and recorded in our Consolidated Statement of Financial Position as an asset or liability. They are designated and qualify as cash flow hedging instruments and are highly effective. Unrealized losses are deferred to shareholders' equity as a component of accumulated other comprehensive income (loss) and are 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 30 June 2020 was $50 million.

At 30 June 2020, we had fixed rate long-term debt aggregating $200 million and variable rate long-term debt aggregating $88 million, after taking into account the effect of the swaps.

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

	Fair Value of Derivatives		
	30 June 2020	**31 December 2019**	**Balance Sheet Classification**
Derivatives designated as hedges:			
5 year interest rate swap	$ (1,175)	$ —	Derivative financial liabilities
10 year interest rate swap	(2,446)	(1,054)	Derivative financial liabilities
	$ (3,621)	$ (1,054)	

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

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

	Six Months Ended 30 June		
	2020	**2019**	**Classification in Statement of Profit or Loss**
Derivatives designated as hedges:			
5 year interest rate swap	$ 45	$ (96)	Increase (decrease) to finance costs
10 year interest rate swap	178	2	Increase to finance costs
	$ 223	$ (94)	

15. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

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

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

The movement of provision is as follows (in thousands of USD):

Balance at 1 January 2020	$	2,147
Charged/(credited) to the statement of profit or loss:		
Additional provisions		553
Used during the year		(490)
Balance at 30 June 2020	$	2,210

16. COMMITMENTS AND CONTINGENCIES

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

We do not maintain any off-balance sheet debt or other similar financing arrangements, except for letters of credit as discussed in Note 12 – *Borrowings*, nor have we formed any special purpose entities for the purpose of maintaining off-balance sheet debt.

17. IMPAIRMENTS AND OTHER CHARGES

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 continue to remain uncertain.

The potential adverse impacts associated with these events, has triggered an impairment review of the goodwill, intangible assets and other fixed and amortizable assets by the Company.

We have performed the appropriate impairment assessments in respect of our U.S. GAAP financial statements on the impacted operations of the Company 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 for the quarter ended 31 March 2020. However, since 31 March 2020, the outlook for the global economies and the energy industry has improved and the value of the Company's share price has increased approximately 100%. As such, the Company has determined there is no impairment to the goodwill as of 30 June 2020. The goodwill balances of our Production Enhancement segment amounted to $141.7 million in our IFRS consolidated financial statements as at 30 June 2020, and the impairment analysis will be further assessed in the annual report IFRS consolidated financial statements for the year ended 31 December 2020.

As of 30 June 2020, we identified a triggering event for one of the asset groups under the reporting unit, Production Enhancement. The estimated fair value, based on applying the income approach model, of one of the asset groups was determined to be below their carrying value. During the six months ended 30 June 2020, we recorded a charge of $8.2 million to impair the intangible assets relating to the business acquisition of Guardian Technology in 2018. This impairment charge was associated with our Production Enhancement segment.

18. INVENTORY WRITE-DOWN

During the six months ended 30 June 2020 as a result of the continuing adverse impact of COVID-19 and significant reduction in rig count and completions that affect the current consumption and anticipated demand for certain of our products, we recorded an additional inventory obsolescence and write-down of $9.9 million in our Production Enhancement segment.

19. INCOME TAXES

The effective tax rates for the six months ended 30 June 2020 and 2019 were 12.1% and (61.7)%, respectively.

The income tax benefit for the six months ended 30 June 2020, was primarily impacted by the impairment of intangible assets, inventories and other charges recorded during these periods, which were largely not deductible for tax purposes. We have refined our estimate of the tax impact associated with the $18.2 million for impairments and other charges and inventory write-down, limiting the tax benefit to $0.5 million, and was a discrete item for the six months ended 30 June 2020.

Income tax benefit for the six months ended 30 June 2019 included a net tax benefit of $58.5 million which resulted from a corporate restructuring in the first half of 2019 offset by tax expense of $26.7 million related to unremitted earnings of foreign subsidiaries that we no longer consider to be indefinitely reinvested, each of which was a discrete item in 2019, along with changes in activity levels in jurisdictions with differing tax rates.

20. EARNINGS PER SHARE

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

	Six Months Ended 30 June	
	2020	2019
Weighted average basic common shares outstanding	44,459	44,339
Effect of dilutive securities:		
Performance shares	—	394
Restricted stock	—	115
Weighted average diluted common and potential common shares outstanding	44,459	44,848

For the six months ended 30 June 2020, the number of outstanding performance and restricted shares of Core Laboratories N.V. common stock that were excluded from the diluted earnings per share calculation as their impact would be antidilutive, were as follows (in thousands):

	Six Months Ended 30 June 2020
Performance shares	315
Restricted stock	60

21. SEGMENT REPORTING

We operate our business in two reportable 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 are consistent with the information which is reviewed by the Chief Operating Decision Maker. We use U.S. generally accepted accounting principles ("U.S. GAAP") 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 principles.

We evaluate performance based on profit 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 of USD):

	Reservoir Description	Production Enhancement	Corporate & Other[1]	U.S. GAAP Consolidated	U.S. GAAP to IFRS Adjustments	IFRS Consolidated
Six Months Ended 30 June 2020						
Revenue from unaffiliated clients	$ 191,144	$ 76,992	$ —	$ 268,136	$ —	$ 268,136
Inter-segment revenue	162	404	(566)	—	—	—
Segment operating profit (loss)	24,596	(137,623)	1,487	(111,540)	115,622	4,082
Finance costs, net [2]	—	—	8,461	8,461	—	8,461
Share of profit of associates	—	—	—	—	209	209
Total assets (at end of period)	321,003	133,133	160,305	614,441	183,475	797,916
Capital expenditures	3,232	3,112	62	6,406	—	6,406
Intangible asset expenditures	9	155	108	272	—	272
Depreciation and amortization	6,974	3,347	545	10,866	7,586	18,452
Six Months Ended 30 June 2019						
Revenue from unaffiliated clients	$ 208,941	$ 129,291	$ —	$ 338,232	$ —	$ 338,232
Inter-segment revenue	247	220	(467)	—	—	$ —
Segment operating profit (loss)	22,057	20,336	2,029	44,422	2,965	$ 47,387
Finance costs, net [2]	—	—	9,241	9,241	—	$ 9,241
Share of profit of associates	—	—	—	—	97	$ 97
Total assets (at end of period)	342,843	290,967	147,708	781,518	64,451	$ 845,969
Capital expenditures	4,646	7,132	452	12,230	—	$ 12,230
Intangible asset expenditures	349	(478)	24	(105)	—	$ (105)
Depreciation and amortization	7,821	2,727	825	11,373	8,367	$ 19,740

(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, therefore "Finance costs" is shown net of finance revenue

Under IFRS for segment operating profit (loss), 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. For leases, we recognize lease expense in accordance with U.S. GAAP ASC Topic 842, *Leases*, in which we evaluate whether the lease is an operating lease or a finance lease, and IFRS 16, *Leases*, in which all leases are classified as finance leases, resulting in a difference of total expense and the classification of those expenses under the two methods. In addition, segment operating profit (loss) under U.S. GAAP for 2019 includes a provision for an item which was an adjusting subsequent event at the time of issuance of and recorded in 2018 for IFRS reporting. In March 2020, we recorded an impairment charge of $114.0 million for goodwill, which were associated with our Production Enhancement segment in our U.S. GAAP financial statements. Subsequently, the outlook for the global economies and the energy industry has improved and the value of the Company's share price has increased approximately 100%. As such, the Company has determined there is no impairment to the goodwill for IFRS reporting as of 30 June 2020. See Note 17 – *Impairments and Other Charges*.

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

Segment assets consist primarily of cash and cash equivalents, accounts and other receivables, inventories, property, plant and equipment, right-of-use lease assets and intangible assets. Total assets in Corporate and 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 stock compensation, post-employment benefits, lease expenses and the adjusting subsequent event, as noted above. Reclassification adjustments are also recorded between liabilities and assets to conform to IFRS presentation requirements.

Capital expenditures comprise additions to property, plant and equipment.

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

Disaggregation of Revenue

We contract with clients for service revenue and products sales revenue. We present revenue disaggregation by services and product sales in our Consolidated Statement of Profit or Loss. The following table shows the segment breakdown between services and product sales (in thousands of USD):

	Six Months Ended 30 June	
	2020	**2019**
Reservoir Description	$ 176,511	$ 193,970
Production Enhancement	24,465	44,242
Total Revenue - Services	200,976	238,212
Reservoir Description	14,633	14,971
Production Enhancement	52,527	85,049
Total Revenue - Product sales	67,160	100,020
Total Revenue	$ 268,136	$ 338,232

22. RELATED PARTIES

In 2020, we repurchased 17,500 of our common shares for $0.3 million, which were surrendered to us pursuant to the terms of a stock-based compensation plan in consideration of the participants' tax burdens that may result from the issuance of common shares under that plan. Such common shares, unless canceled, may be reissued for a variety of purposes such as future acquisitions, non-employee director stock awards or employee stock awards. We distributed 59,205 treasury shares upon vesting of stock-based awards during the six months ended 30 June 2020.

In 2020, we granted 14,507 shares of our common stock to each of our non-employee Directors. These shares will vest without performance obligations on 31 March 2021.

We had no other significant related party transactions for the six month period ended 30 June 2020.

23. SUBSEQUENT EVENTS

On 17 July 2020, we declared a quarterly dividend of $0.01 per share of common stock which was paid on 10 August 2020 to shareholders of record on 27 July 2020.