CORE LABORATORIES N.V.

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

Semi-Annual Report for June 30, 2013

Herengracht 424
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The Netherlands

CORE LABORATORIES N.V.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
SEMI-ANNUAL REPORT FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2013

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Currency - United States Dollars (“$”)

Business review

Core Laboratories N.V. is a Netherlands limited liability company. It was established in 1936 and is one of the world's leading providers of proprietary and patented reservoir description, production enhancement and reservoir management products and services to the oil and gas industry. These products and services can enable our clients to improve reservoir performance and increase oil and gas recovery from their producing fields. Core Laboratories N.V. has over 70 offices in more than 50 countries and employs approximately 5,000 people worldwide.

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

Our business units have been aggregated into three complementary segments, which provide products and services 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. We provide analytical and field services to characterize properties of crude oil and petroleum products to the oil and gas industry.
- *Production Enhancement:* Includes products and services relating to reservoir well completions, perforations, stimulations and production. We provide integrated services to evaluate the effectiveness of well completions and to develop solutions aimed at increasing the effectiveness of enhanced oil recovery projects.
- *Reservoir Management:* Combines and integrates information from reservoir description and production enhancement services to increase production and improve recovery of oil and gas from our clients' reservoirs.

Financial Review

Revenue

<u>*Services Revenue*</u>

Services revenue increased to $370.2 million for the six months ended June 30, 2013, up 9% when compared to $338.4 million for the same period of 2012. The increase in services revenue was primarily due to our continued focus on worldwide crude-oil related and large natural gas for liquefaction projects, especially those related to the development of deepwater fields offshore West and East Africa, the eastern Mediterranean, and the Gulf of Mexico.

<u>*Product Sales Revenue*</u>

Revenue associated with product sales increased to $153.9 million for the six months ended June 30, 2013, up 8% from $142.8 million for the same period of 2012. The increase in product sales revenue was due to projects providing permanent reservoir monitoring systems and greater market penetration of our patented and proprietary perforating technologies despite the decline in drilling activity in North America. The average rig count in North America was down over 10% during the first half of 2013 compared to the same period in 2012.

Operating expenses

<u>*Cost of Services*</u>

Cost of services expressed as a percentage of services revenue was 61% for the six months ended June 30, 2013, an improvement when compared to 62% in the same period in 2012. During 2013, we continued to recognize the benefits of a lower fixed cost structure.

<u>*Cost of Product Sales*</u>

Cost of product sales expressed as a percentage of product sales revenue was 72% for the six months ended June 30, 2013, down from 75% during the same period in 2012. The decrease in cost of sales as a percentage of product sales revenue was primarily due to the growing demand for our new technologies which led to an overall increase in sales, which improved absorption of our fixed cost structure.

Operating margin

Operating margin for the six month period ended June 30, 2013 was 35.4% an increase of 90 basis points over the 34.5% for the same period of 2012. Our margins expanded as a result of an improved mix of services and products sold as well as from higher revenues generated through our fixed cost structure.

Cash Flow

The following table summarizes cash flows for the six months ended June 30, 2013 and 2012 (in thousands):

	Six Months Ended June 30,		
	2013	2012	% Change
Cash provided by/(used in):	(Unaudited)		
Operating activities	$ 136,737	$ 103,057	33%
Investing activities	(18,877)	(13,451)	40%
Financing activities	(113,866)	(95,530)	19%
Net change in cash and cash equivalents	$ 3,994	$ (5,924)	167%

The increase in cash flows from operating activities for the first six months of 2013 compared to the same period in 2012 was primarily attributable to an increase in net income and changes in current liabilities, prepaid expenses and other current assets.

Cash flows used in investing activities were higher during the first six months of 2013 when compared to the same period in 2012 primarily due to an increase in capital expenditures. Capital expenditures were $17.9 million and $14.9 million for the six month periods ended June 30, 2013 and 2012, respectively.

Cash flows used in financing activities increased for the first six months of 2013 when compared to the same period in 2012. During the first six months of 2013, we repurchased 742,510 shares of our common stock for an aggregate purchase price of $100.4 million compared to the repurchase of 403,383 shares for an aggregate purchase price of $50.2 million during the same period in 2012. In the first six months of 2013, we increased the amount outstanding on our Credit Facility by $16.0 million as compared to reducing it by $18.7 million during the first six months of 2012.

Equity

During the six months ended June 30, 2013, we repurchased 742,510 of our common shares for $100.4 million. Included in this total were rights to 26,333 shares valued at $3.7 million 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.

In February and May 2013, we paid a quarterly dividend of $0.32 per share of common stock. In addition, on July 9, 2013, we declared a quarterly dividend of $0.32 per share of common stock which will be paid on August 19, 2013 to shareholders of record on July 19, 2013.

Segment Analysis

Our operations are managed primarily in three complementary segments - Reservoir Description, Production Enhancement and Reservoir Management. The following tables summarize our results by operating segment for the six months ended June 30, 2013 and 2012 (in thousands):

	Six Months Ended June 30,		
	2013	2012	% Change
Revenue:	(Unaudited)		
Reservoir Description	$ 254,467	$ 242,568	5%
Production Enhancement	217,630	196,280	11%
Reservoir Management	51,969	42,349	23%
Consolidated	$ 524,066	$ 481,197	9%
Operating income (loss):			
Reservoir Description	$ 71,307	$ 70,179	2%
Production Enhancement	71,281	63,030	13%
Reservoir Management	17,217	14,998	15%
Corporate and Other[1]	(514)	(2,680)	NM
Consolidated	$ 159,291	$ 145,527	9%

(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 increased 5%, or $11.9 million, to $254.5 million for the six months ended June 30, 2013, compared to $242.6 million in the same period of 2012. This segment's operations, which focus on international crude-oil related products, continued to benefit from increased activity in large-scale core analyses and reservoir fluids characterization studies in the Asia-Pacific areas, offshore West and East Africa, the Eastern Mediterranean region, the Middle East, including Iraq, Kuwait, and the United Arab Emirates, and deepwater Gulf of Mexico.

Operating income increased by 2%, or $1.1 million, to $71.3 million for the six months ended June 30, 2013, compared to $70.2 million for the same period of 2012. Operating margin for the six months ended June 30, 2013 was 28%. This increase is a result of higher sales, including a better mix of projects aimed at more complex reservoirs. This segment emphasizes technologically demanding services on internationally-based development and production-related crude oil projects rather than the more cyclical exploration-related projects.

Production Enhancement

Revenue from the Production Enhancement segment increased by 11%, or $21.4 million, to $217.6 million for the six months ended June 30, 2013, compared to $196.3 million in the same period of 2012. The revenue increase was primarily due to demand for our diagnostic services, both for fracture diagnostics in North America and flood diagnostics internationally, and our patented perforating system technology.

Operating income increased by 13% to $71.3 million for the six months ended June 30, 2013 over the same period of 2012. Operating margins increased to 33% in the six months ended June 30, 2013. The increase in operating income from 2012 to 2013 was primarily driven by increased demand for the company's proprietary and patented hydraulic fracture and field-flood diagnostic technologies, such as SpectraChem™, ZeroWash®, and SpectraFlood™ tracers in North America and internationally.

Reservoir Management

Revenue from the Reservoir Management segment increased by 23% to $52.0 million for the six months ended June 30, 2013 compared to $42.3 million for the same period of 2012. The increase in revenue was due to instrumenting two permanent reservoir monitoring projects and ongoing interest in several of our existing multi-client reservoir studies such as the *Duvernay Shale Project* in Canada and the *Tight Oil Reservoirs of the Midland Basin* study as well as our new industry project to evaluate the potential of the Pearsall shale, which underlies the shallow portions of the Eagle Ford shale in South Texas.

Operating income was $17.2 million for the six months ended June 30, 2013 compared to $15.0 million for the same period of 2012. Operating margins were 33% in the six months ended June 30, 2013. The increase in operating income in 2013 was primarily a result of additional participants in our joint industry projects, including the Utica, Duvernay, and Mississippi Lime studies and the Marcellus, Niobrara, Wolfcamp and Eagle Ford plays, and the installation of additional permanent reservoir monitoring systems.

Risk Factors

The oil and gas industry is highly cyclical and demand for the majority of our oilfield products and services 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 products and services, which are summarized as:

- general and economic business conditions;
- market prices of oil and gas and expectations about future prices;
- cost of producing and the ability to deliver oil and natural gas;
- the level of drilling and production activity;
- mergers, consolidations and downsizing among our clients;
- coordination by OPEC;
- the impact of commodity prices on the expenditure levels of our clients;
- financial condition of our client base and their ability to fund capital expenditures;
- the physical effects of climatic change, including adverse weather or geologic/geophysical conditions;
- the adoption of legal requirements or taxation relating to climate change that lower the demand for petroleum-based fuels;
- civil unrest or political uncertainty in oil producing or consuming countries;
- level of consumption of oil, gas and petrochemicals by consumers;
- changes in existing laws, regulations, or other governmental actions;
- the business opportunities (or lack thereof) that may be presented to and pursued by us;
- availability of services and materials for our clients to grow their capital expenditures;
- availability of materials and equipment from key suppliers; and
- cyber attacks on our network that disrupt operations or result in lost or compromised critical data.

Should one or more of these risks or uncertainties materialize, or should any of our assumptions prove incorrect, actual results may vary in material respects from those projected in the forward-looking statements. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. For a more detailed discussion of some of the foregoing risks and uncertainties, see our Annual Report and Financial Statements for the fiscal year ended December 31, 2012.

Outlook

We continue our efforts to expand our market presence by opening or expanding facilities in strategic areas and realizing synergies within our business lines. We believe our market presence provides us a unique opportunity to service clients who have global operations in addition to the national oil companies.

We have established internal earnings targets that are based on market conditions existing at the time our targets were established. Based on recent activity levels, we believe that the current level of activities, workflows, and operating margins within North America will remain similar to that experienced in the first half of 2013, but we believe activity outside North America, particularly those relating to oil development projects, will grow moderately throughout 2013.

Cautionary Statement Regarding Forward-Looking Statements

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

Statement of Directors' Responsibilities

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

- the condensed consolidated interim financial statements for the six months ended June 30, 2013 have been prepared in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union and give a true and fair view of the assets, the liabilities, the financial position and the profits or the loss of Core Laboratories N.V. and its consolidated companies (jointly referred to as "the Group"); and

- the interim management report for the six months ended June 30, 2013 gives a true and fair view of the information required pursuant to section 5:25d, subsection 8 and, as far as applicable, subsection 9 of the Dutch Act on Financial Supervision.

Amsterdam, The Netherlands,
August 5, 2013

/s/ Richard L. Bergmark

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

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

ASSETS	Ref.	June 30, 2013 (Unaudited)	December 31, 2012
NON-CURRENT ASSETS			
Property, plant and equipment		$ 130,829	$ 125,418
Intangible assets		220,258	218,638
Investment in associates		1,817	1,851
Deferred income tax asset		27,098	31,748
Other financial assets	6	23,994	21,753
Other assets		4,266	3,198
TOTAL NON-CURRENT ASSETS		408,262	402,606
CURRENT ASSETS			
Inventories	7	54,831	49,265
Prepaid expenses and other current assets		19,002	17,675
Income tax receivable		11,183	17,943
Accounts receivable		190,867	184,774
Cash and cash equivalents		23,220	19,226
TOTAL CURRENT ASSETS		299,103	288,883
TOTAL ASSETS		$ 707,365	$ 691,489
SHAREHOLDERS' EQUITY			
Common shares, EUR 0.02 par value in 2013 and in 2012; 200,000,000 shares authorized, 47,899,584 issued and 45,709,251 outstanding at 2013 and 47,899,584 issued and 46,349,411 outstanding at 2012		$ 1,233	$ 1,233
Additional paid-in capital		5,375	4,111
Retained earnings		489,875	404,358
Other reserves		(9,527)	(9,154)
Treasury shares (at cost), 2,190,333 at 2013 and 1,550,173 at 2012		(259,432)	(171,845)
TOTAL SHAREHOLDERS' EQUITY		227,524	228,703
Non-controlling interest		6,165	5,683
TOTAL EQUITY	8	$ 233,689	$ 234,386
LIABILITIES			
NON-CURRENT LIABILITIES			
Borrowings	9	$ 248,127	$ 231,908
Income tax payable		17,546	15,941
Deferred income tax liabilities		13,014	18,439
Employee benefit obligations	11	53,756	50,837
Provisions	10	2,963	3,013
TOTAL NON-CURRENT LIABILITIES		$ 335,406	$ 320,138
CURRENT LIABILITIES:			
Accounts payable		$ 55,928	$ 55,168
Borrowings	9	35	40
Income tax payable		12,157	9,542
Other taxes payable		10,288	11,787
Payroll and social security contributions		30,618	35,413
Unearned revenues		16,458	13,968
Other accrued expenses		12,786	11,047
TOTAL CURRENT LIABILITIES		$ 138,270	$ 136,965
TOTAL LIABILITIES		473,676	457,103
TOTAL EQUITY AND LIABILITIES		$ 707,365	$ 691,489

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

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

	Ref.	Six Months Ended June 30, 2013	2012
		(Unaudited)	
REVENUES:			
Services		$ 370,157	$ 338,418
Sales		153,909	142,779
TOTAL REVENUES:		524,066	481,197
OPERATING EXPENSES:			
Cost of services		227,386	208,254
Cost of sales		111,031	106,765
		338,417	315,019
GROSS PROFIT		185,649	166,178
General and administrative expenses		25,542	22,083
Other (income) expense, net		816	(1,432)
OPERATING PROFIT		159,291	145,527
Finance income		(590)	(15)
Finance costs		4,532	4,367
Finance costs, net		3,942	4,352
Share of profit (loss) of associates		185	247
PROFIT (LOSS) BEFORE INCOME TAX EXPENSE		155,534	141,422
Income tax expense	12	39,700	34,744
PROFIT (LOSS) FOR THE PERIOD		$ 115,834	$ 106,678
Attributable to:			
Equity holders of the parent		$ 115,352	$ 106,664
Non-controlling interest		482	14
		$ 115,834	$ 106,678
EARNINGS PER SHARE INFORMATION:			
Basic earnings (loss) per share	13	$ 2.51	$ 2.24
Diluted earnings (loss) per share	13	$ 2.49	$ 2.23
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING (in thousands):			
Basic	13	46,020	47,539
Diluted	13	46,313	47,868

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

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

	Ref.	Six Months Ended June 30, 2013 (Unaudited)	Six Months Ended June 30, 2012 (Unaudited)
Profit (loss) for the period		$ 115,834	$ 106,678
Pension actuarial gain and (loss)	11	(497)	155
Income taxes on pension actuarial gain and loss	11	124	(38)
Net income (loss) recognized directly in equity		(373)	117
Total comprehensive income (loss) for the period		$ 115,461	$ 106,795
Attributable to:			
Equity holders of the parent		$ 114,979	$ 106,781
Non-controlling interest		482	14
		$ 115,461	$ 106,795

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

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

(Unaudited)	Ref.	Number of Shares Outstanding	Common Shares	Additional Paid-In Capital	Retained Earnings	Other Reserves	Treasury Stock	Non-controlling Interest	Total Equity
BALANCE, January 1, 2012		47,629,472	$ 1,376	$ 87,290	$ 257,941	$ (5,512)	$ (107,406)	$ 3,752	$ 237,441
Comprehensive income:									
Profit (loss) for the period		—	—	—	106,664	—	—	14	106,678
Other comprehensive income:									
Pension actuarial gain	11					117			117
Total other comprehensive income									117
Total comprehensive (loss)									106,795
Transactions with owners:									
Stock options exercised, net of capital taxes	8	1,042	—	(60)	—	—	65	—	5
Stock-based compensation	8	139,620	—	760	—	—	8,413	—	9,173
Tax benefit related to stock-based awards		—	—	3,466	—	—	—	—	3,466
Repurchases of common shares	8	(403,383)	—	—	—	—	(50,160)	—	(50,160)
Other		2	—	—	—	—	—	—	—
Dividends paid	8	—	—	—	(26,624)	—	—	—	(26,624)
BALANCE, June 30, 2012		47,366,753	$ 1,376	$ 91,456	$ 337,981	$ (5,395)	$ (149,088)	$ 3,766	$ 280,096

(Unaudited)

	Ref.	Number of Shares Outstanding	Common Shares	Additional Paid-In Capital	Retained Earnings	Other Reserves	Treasury Stock	Non-controlling Interest	Total Equity
BALANCE, January 1, 2013		46,349,411	$ 1,233	$ 4,111	$ 404,358	$ (9,154)	$ (171,845)	$ 5,683	$ 234,386
Comprehensive income:									
Profit (loss) for the period		—	—	—	115,352	—	—	482	115,834
Other comprehensive income:									
Pension actuarial gain	11					(373)			(373)
Total other comprehensive income									(373)
Total comprehensive (loss)									115,461
Transactions with owners:									
Stock options exercised, net of capital taxes	8	12,000	—	(1,411)	—	—	1,494	—	83
Stock-based compensation	8	90,350	—	322	(327)	—	11,335	—	11,330
Tax benefit related to stock-based awards		—	—	2,353	—	—	—	—	2,353
Repurchases of common shares	8	(742,510)	—	—	—	—	(100,416)	—	(100,416)
Dividends paid	8	—	—	—	(29,508)	—	—	—	(29,508)
BALANCE, June 30, 2013		45,709,251	$ 1,233	$ 5,375	$ 489,875	$ (9,527)	$ (259,432)	$ 6,165	$ 233,689

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

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

	Ref.	Six Months Ended June 30, 2013	2012
		(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit (loss) before income tax expense		$ 155,534	$ 141,422
Adjustments to reconcile income to net cash provided by operating activities:			
Depreciation		11,379	10,384
Amortization		610	576
Equity in (earnings) loss of associates		(185)	(247)
Stock-based compensation		11,330	9,172
Finance costs		3,942	4,352
(Gain) loss on sale of assets		(531)	(313)
Gain on insurance recovery		(545)	(101)
Fair value (gains)/losses on other financial assets	6	(1,456)	(622)
Changes in assets and liabilities:			
Accounts receivable		(5,548)	(2,090)
Inventories	7	(5,566)	(4,967)
Other assets		3,457	(4,677)
Accounts payable		2,081	(5,285)
Accrued expenses		2,569	(9,077)
Other long-term liabilities		3,860	5,263
Cash provided by operating activities		180,931	143,790
Interest paid		(3,892)	(3,557)
Income tax paid		(40,302)	(37,176)
Net cash provided by operating activities		136,737	103,057
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures		(17,935)	(14,894)
Patents and other intangibles		(2,229)	(684)
Acquisitions, net of cash acquired		—	(556)
Cash in escrow		—	2,188
Proceeds from sale of assets		697	379
Proceeds from insurance recovery		—	101
Interest received		590	15
Net cash used in investing activities		(18,877)	(13,451)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of debt borrowings	9	(35,025)	(48,744)
Proceeds from debt borrowings	9	51,000	30,000
Stock options exercised	8	83	5
Repurchase of common shares	8	(100,416)	(50,160)
Dividends paid	8	(29,508)	(26,624)
Debt financing costs	9	—	(7)
Net cash used in financing activities		(113,866)	(95,530)
NET CHANGE IN CASH AND CASH EQUIVALENTS		3,994	(5,924)
CASH AND CASH EQUIVALENTS, beginning of period		19,226	29,332
CASH AND CASH EQUIVALENTS, end of period		$ 23,220	$ 23,408

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

CORE LABORATORIES N.V.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
PREPARED IN ACCORDANCE WITH IAS 34
JUNE 30, 2013

1. DESCRIPTION OF BUSINESS

Core Laboratories N.V. ("Core Laboratories", "we", "our" or "us") is a Netherlands limited liability company incorporated and domiciled in The Netherlands. The address of the registered office is Herengracht 424, 1017 BZ Amsterdam, The Netherlands. We were established in 1936 and are one of the world's leading providers of proprietary and patented reservoir description, production enhancement and reservoir management 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 had approximately 5,000 and 5,000 employees in 2013 and 2012, respectively. We are listed on the New York Stock Exchange ("NYSE") and on the NYSE Euronext Amsterdam Stock Exchange.

Our business units have been aggregated into three complementary segments which provide products and services for improving reservoir performance and increasing oil and gas recovery from new and existing fields: (1) Reservoir Description, (2) Production Enhancement and (3) Reservoir Management. These business segments provide different services and utilize different technologies.

- *Reservoir Description*: Encompasses the characterization of petroleum reservoir rock, fluid and gas samples. We provide analytical and field services to characterize properties of crude oil and petroleum products to the oil and gas industry.
- *Production Enhancement*: Includes products and services relating to reservoir well completions, perforations, stimulations and production. We provide integrated services to evaluate the effectiveness of well completions and to develop solutions aimed at increasing the effectiveness of enhanced oil recovery projects.
- *Reservoir Management*: Combines and integrates information from reservoir description and production enhancement services to increase production and improve recovery of oil and gas from our clients' reservoirs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Preparation

Our condensed consolidated interim financial statements for the six months ended June 30, 2013 have been prepared in accordance with IAS 34, "Interim Financial Reporting" ("IAS 34"). The condensed consolidated interim financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss. The condensed consolidated interim financial statements have not been audited and should be read in conjunction with the annual financial statements for the year ended December 31, 2012, which have been prepared in accordance with IFRS.

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

Estimates

The preparation of financial statements in conformity with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying our accounting policies. The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2012, 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 Footnote 15, "Income Taxes".

New and Amended Standards

The following standards, amendments, and interpretations to existing standards have been published which are mandatory for our accounting periods beginning on or after January 1, 2013 or later periods and have been applied to our financial statements:

- Amendment to IAS 19, Employee Benefits (effective for annual periods beginning on or after January 1, 2013 and was endorsed by the EU). This standard eliminates the corridor approach and calculates finance costs on a net funding basis. We have evaluated the impact of this new standard and it will have no impact on our financial statements or results of operations.
- IAS 1, Financial Statement Presentation (effective for annual periods beginning on or after July 1, 2012). These amendments require entities to group items presented in "other comprehensive income" (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). These amendments do not address which items are presented in OCI and therefore will have no effect on our financial statements.
- IFRS 13, Fair Value Measurement (effective for annual periods beginning on or after January 1, 2013 and has been endorsed by the EU). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS standards. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards and therefore will have no effect on our financial statements.

3. FINANCIAL RISKS AND RISK MANAGEMENT

The condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's annual financial statements as of December 31, 2012.

4. SEASONALITY OF OPERATIONS

The operations of the Group are only slightly impacted by seasonality effects from quarter to quarter.

5. SEGMENT REPORTING

We operate our business in three reportable segments: (1) Reservoir Description, (2) Production Enhancement and (3) Reservoir Management. These business segments provide different services and utilize different technologies.

- *Reservoir Description*: Encompasses the characterization of petroleum reservoir rock, fluid and gas samples. We provide analytical and field services to characterize properties of crude oil and petroleum products to the oil and gas industry.
- *Production Enhancement*: Includes products and services relating to reservoir well completions, perforations, stimulations and production. We provide integrated services to evaluate the effectiveness of well completions and to develop solutions aimed at increasing the effectiveness of enhanced oil recovery projects.
- *Reservoir Management*: Combines and integrates information from reservoir description and production enhancement services to increase production and improve recovery of oil and gas from our clients' reservoirs.

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

(Unaudited)	Reservoir Description	Production Enhancement	Reservoir Management	Corporate & Other [1]	Consolidated
June 30, 2013					
Revenues from unaffiliated customers	$ 254,467	$ 217,630	$ 51,969	$ —	$ 524,066
Inter-segment revenues	1,475	1,677	823	(3,975)	—
Segment income (loss)	71,307	71,281	17,217	(514)	159,291
Finance costs	—	—	—	3,942	3,942
Share of profit (loss) of associates	185	—	—	—	185
Total assets	315,592	272,377	52,051	67,345	707,365
Capital expenditures	11,853	3,939	1,036	1,107	17,935
Intangible asset expenditures	110	1,612	507	—	2,229
Depreciation and amortization	7,224	3,614	380	771	11,989
June 30, 2012					
Revenues from unaffiliated customers	$ 242,568	$ 196,280	$ 42,349	$ —	$ 481,197
Inter-segment revenues	1,296	1,083	804	(3,183)	—
Segment income (loss)	70,179	63,030	14,998	(2,680)	145,527
Finance costs	—	—	—	4,352	4,352
Share of profit (loss) of associates	247	—	—	—	247
Total assets	306,113	266,153	42,562	74,731	689,559
Capital expenditures	6,146	4,268	440	4,040	14,894
Intangible asset expenditures	18	662	4	—	684
Depreciation and amortization	6,992	2,500	342	1,126	10,960

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

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

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

Capital expenditures comprise additions to property, plant and equipment.

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

6. OTHER FINANCIAL ASSETS

Other financial assets are primarily 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. These policies are carried at market 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 life insurance policies increased by $1.5 million during the six months ended June 30, 2013.

7. INVENTORIES

Inventories consisted of the following at June 30, 2013 and December 31, 2012 (in thousands):

	June 30, 2013	December 31, 2012
	(Unaudited)	
Finished goods	$ 43,598	$ 38,572
Parts and materials	9,086	8,818
Work in progress	2,147	1,875
Inventories, net	$ 54,831	$ 49,265

The balances above are net of valuation reserves of $3.5 million and $3.3 million at June 30, 2013 and December 31, 2012, respectively.

8. EQUITY

Share capital

The authorized share capital of the Company as at June 30, 2013 amounts to EUR 4 million and consists of 200,000,000 ordinary shares with a par value of EUR 0.02 each.

Issued and paid in share capital amounts to $6.6 million and consists of 47,899,584 issued ordinary shares with a par value of EUR 0.02 each. Repurchased ordinary shares amounts to $259.4 million and consists of 2,190,333 ordinary shares with a par value of EUR 0.02 each.

The movements in the number of shares for the six months ended June 30, 2013 and 2012 are as follows:

(Unaudited)	Ordinary Shares	Repurchased Ordinary Shares	Shares Outstanding
Balance at January 1, 2013	47,899,584	(1,550,173)	46,349,411
Issue of ordinary shares for stock options	—	12,000	12,000
Issue of ordinary shares for stock based-awards	—	90,350	90,350
Repurchased own shares	—	(742,510)	(742,510)
Balance at June 30, 2013	47,899,584	(2,190,333)	45,709,251

(Unaudited)	Ordinary Shares	Repurchased Ordinary Shares	Shares Outstanding
Balance at January 1, 2012	49,037,806	(1,408,334)	47,629,472
Issue of ordinary shares for stock options	—	1,042	1,042
Issue of ordinary shares for stock based-awards	—	139,620	139,620
Repurchased own shares	—	(403,383)	(403,383)
Other	2	—	2
Balance at June 30, 2012	49,037,808	(1,671,055)	47,366,753

Treasury Shares

During the six months ended June 30, 2013, we repurchased 742,510 of our common shares for $100.4 million, at an average price of $135.24 per share which included rights to 26,333 shares valued at $3.7 million, or $141.40 per share, that were surrendered to us pursuant to the terms of a stock-based compensation plan, in consideration of the participants' personal tax burdens that may result from the issuance of common shares under this plan. Subsequent to June 30, 2013, we have repurchased 123,500 shares at a total cost of approximately $18.7 million.

At the annual meeting of shareholders on May 16, 2013, the shareholders approved the cancellation of 1,149,582 shares of our common stock then held as treasury stock. These treasury shares were cancelled on August 1, 2013, after the expiration of the waiting period required under Dutch law. We will charge the excess of the cost of the treasury stock over its par value to additional paid-in capital.

Dividends

In February and May of 2013, we paid quarterly dividends of $0.32 per share of common stock totaling $29.5 million. On July 9, 2013, we declared a quarterly dividend of $0.32 per share of common stock which will be paid on August 19, 2013 to shareholders of record on July 19, 2013.

9. BORROWINGS

Debt at June 30, 2013 and December 31, 2012 is summarized in the following table (in thousands):

	June 30, 2013	December 31, 2012
	(Unaudited)	
Senior Notes	$ 150,000	$ 150,000
Credit facility	100,000	84,000
Capital lease obligations	48	73
Deferred debt acquisition costs	(1,886)	(2,125)
Borrowings, net	$ 248,162	$ 231,948

Our available capacity at any point in time is reduced by borrowings outstanding at the time and outstanding letters of credit and performance guarantees and bonds which totaled $18.7 million at June 30, 2013, resulting in an available borrowing capacity under the Credit Facility of $181.3 million. In addition to those items under the Credit Facility, we had $21.9 million of outstanding letters of credit and performance guarantees and bonds from other sources at June 30, 2013.

We do not have any exposure to sub-prime lending or collateralized debt obligations. We believe we are in compliance with the covenants on our existing debt. 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.

10. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

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

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

The movement of provisions for the six months ended June 30, 2013 is as follows (in thousands):

At January 1, 2013	$	3,013
Charged/ (credited) to the income statement:		
Additional provisions		400
Used during the year		(450)
At June 30, 2013	$	2,963

11. PENSIONS AND OTHER POSTRETIREMENT BENEFIT PLANS

	June 30, 2013 (Unaudited)		December 31, 2012	
Balance sheet obligations for:				
Pension benefits	$	7,130	$	8,013
Post employment benefits - termination benefits		11,720		13,024
Post employment benefits - deferred compensation		34,906		29,800
Liability on the balance sheet	$	53,756	$	50,837

Termination Benefits

Termination benefits represent an accrual for future payouts guaranteed to employees upon departure from the Company. In 1998, we entered into employment agreements with our senior executive officers that provided for severance benefits. The value of the long-term liability for the benefits due upon severing the employment of these employees is approximately $7.7 million at June 30, 2013. The remaining $4.0 million balance is for the non-executive employees of the Company.

Deferred Compensation

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

Defined Benefit Plan

The components of net periodic pension cost under this plan for the six months ended June 30, 2013 and 2012 included (in thousands):

	Six Months Ended June 30,			
	2013		2012	
	(Unaudited)			
Service cost	$	784	$	572
Interest cost		831		853
Expected return on plan assets		(640)		(610)
Net periodic pension cost	$	975	$	815

The net periodic pension cost of $1.0 million and $0.8 million for the six months ended June 30, 2013 and 2012, respectively was recognized in Cost of Services in the consolidated income statement.

12. 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. The estimated average annual tax rate for 2013 and 2012 were 25% and 25%, respectively. The effective tax rates for the six months ended June 30, 2013 and 2012 were 26% and 25%, respectively.

13. EARNINGS PER SHARE

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

	Six Months Ended June 30,	
	2013	**2012**
	(Unaudited)	
Weighted average basic common shares outstanding	46,020	47,539
Effect of dilutive securities:		
Stock options	2	12
Contingent shares	105	124
Restricted stock and other	186	193
Weighted average diluted common and potential common shares outstanding	46,313	47,868

14. 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 products and services. 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.

In connection with an audit of the 2008 and 2009 U.S. federal income tax returns of our U.S. consolidated group, the U.S. Internal Revenue Service has proposed that certain transfer pricing positions taken by the Company be adjusted, which could result in additional federal income tax of approximately $11 million plus interest for this two year audit period. We believe that these transactions are valid as originally recorded, and we are appealing this proposed adjustment. It is our belief that we will prevail on this issue; consequently, we have made no additional income tax accrual for this proposed adjustment.

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.

15. RELATED PARTIES

In 2013 and 2012, 26,333 shares valued at $3.7 million and 38,590 shares valued at $4.9 million, respectively, were surrendered to the Company 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.

In 2013 and 2012, we granted stock to each of our non-employee Directors in the amount of 1,088 and 1,141 shares respectively. These shares will vest, without performance obligations, on March 31, 2016 and 2015, respectively.

We had no other significant related party transactions for the six month period ended June 30, 2013.

16. SUBSEQUENT EVENTS

At the annual meeting of shareholders on May 16, 2013, the shareholders approved the cancellation of 1,149,582 shares of our common stock then held as treasury stock. These treasury shares were canceled on August 1, 2013, after the expiration of the waiting period required under Dutch law. We will charge the excess of the cost of the treasury stock over its par value to additional paid-in capital.

On July 9, 2013, we declared a quarterly dividend of $0.32 per share of common stock which will be paid on August 19, 2013 to shareholders of record on July 19, 2013.