
CORE LABORATORIES N.V.

**FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS,
AS ADOPTED BY THE EUROPEAN UNION**

Annual Report for December 31, 2017

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the Netherlands**

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ANNUAL REPORT FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017

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Annual Report of the Directors

(including the Corporate Governance Statement)

Currency - United States Dollars ("\$")

General

Core Laboratories N.V. ("Core Laboratories", "Core Lab", "Company", "we", "our" or "us") is a limited liability company incorporated in the Netherlands and publicly traded in the United States on the New York Stock Exchange ("NYSE") and in the Netherlands on the Euronext Amsterdam Stock Exchange ("Euronext Amsterdam"). Our consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") and with Part 9 Book 2 of the Dutch Civil Code ("Consolidated financial statements"). We were established in 1936 and are one of the world's leading providers of proprietary and patented reservoir description and production enhancement services and products to the oil and gas industry. These services and products are directed toward enabling our clients to improve reservoir performance and increase oil and gas recovery from their producing fields. As of December 31, 2017, we have over 70 offices in more than 50 countries and have approximately 4,600 employees.

Business Strategy

Our business strategy is to provide advanced technologies that improve reservoir performance by (i) continuing the development of proprietary technologies through client-driven research and development, (ii) expanding the services and products offered throughout our global network of offices and (iii) acquiring complementary technologies that add key technologies or market presence and enhance existing services and products.

Development of New Technologies, Services and Products

We conduct research and development to meet the needs of our clients who are continually seeking new services and technologies to lower their costs of finding, developing and producing oil and gas. While the aggregate number of wells being drilled per year has fluctuated relative to market conditions, oil and gas producers have, on a proportional basis, increased expenditures on technology services to improve their understanding of the reservoir and increase production of oil and gas from their producing fields. We intend to continue concentrating our efforts on services and technologies that improve reservoir performance and increase oil and gas recovery.

International Expansion of Services and Products

Another component of our business strategy is to broaden the spectrum of services and products offered to our clients on a global basis. We intend to continue using our worldwide network of offices to offer many of our services and products that have been developed internally or obtained through acquisitions. This allows us to enhance our revenue through efficient utilization of our worldwide network.

Acquisitions

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

Marketing and Sales

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

Research and Development

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

Patents and Trademarks

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

International Operations

We operate facilities in more than 50 countries. Our non-U.S. operations accounted for 57% and 62% of our revenue from operations during the years ended December 31, 2017 and 2016, respectively. We attribute service revenue to the country in which the service was performed rather than where the reservoir or project is located while we attribute product sales revenue to the country where the product was shipped as we feel this gives a clearer view of our operations. We do, however, have significant levels of service revenue performed and recorded in the U.S. that are sourced from projects on non-U.S. oilfields.

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

Environmental and Occupational Safety and Health Regulations

We are subject to stringent governmental laws and regulations, both in the United States and other countries, pertaining to protection of the environment and the manner in which chemicals and gases used in our analytical and manufacturing processes are handled and generated wastes are disposed. Consistent with our quality assurance and control principles, we have established proactive environmental policies for the management of these chemicals and gases as well as the handling, recycling or disposal of wastes resulting from our operations. Compliance with these laws and regulations, whether at the federal, provincial, regional, state, local or foreign levels, may require the acquisition of permits to conduct regulated activities, capital expenditures to limit or prevent emissions and discharges, and stringent practices to handle, recycle and dispose of certain wastes. Failure to comply with these laws and regulations may result in the assessment of administrative, civil and criminal penalties, the imposition of remedial or corrective obligations, the occurrence of delays in the permitting or performance of projects and the issuance of injunctive relief in affected areas.

Moreover, new, modified or stricter enforcement of environmental laws or regulations could be adopted or implemented that significantly increase our or our client's compliance costs, pollution mitigation costs, or the cost of any remediation of environmental contamination that may become necessary, and these costs could be material. For example, from time to time, legal requirements have been agreed to or proposed and adopted, in the United States that could adversely affect our or our clients' business, financial condition, results of operations, or cash flows related to the following:

* *Ground-Level Ozone Standards.* In October 2015, the U.S. Environmental Protection Agency ("EPA") issued a rule under the federal Clean Air Act ("CAA"), lowering the National Ambient Air Quality Standard ("NAAQS") for ground-level ozone from 75 parts per billion to 70 parts per billion under both the primary and secondary standards.

The EPA published a final rule in November 2017 that issued area designations with respect to ground-level ozone for approximately 85% of the U.S. counties as either "attainment/unclassifiable" or "unclassifiable" and is expected to issue non-attainment designations for the remaining areas of the U.S. not addressed under the November 2017 final rule in the first half of 2018. Other jurisdictions are also expected to implement their own rules, which could be more stringent than federal requirements.

* *Reduction of Methane Emissions by the Oil and Natural Gas Industry.* In June 2016, the EPA published a final rule establishing new emissions standards for methane and additional standards for volatile organic compounds from certain new, modified, and reconstructed oil and natural gas production and natural gas processing and transmission facilities. These standards will require the use of certain equipment specific emissions control practices with respect to, among other things, hydraulically-fractured oil and natural gas well completions and fugitive emissions from well sites. However, in June 2017, the EPA published a proposed rule to stay certain portions of the June 2016 standards for two years and re-evaluate the entirety of the 2016 standards but the EPA has not yet published a final rule and, as a result, the June 2016 rule remains in effect but future implementation of the 2016 standards is uncertain at this time. In another example, the federal Bureau of Land Management ("BLM") published a final rule in November 2016 that imposes requirements to reduce methane emissions from venting, flaring, and leaking on federal and Indian lands. However, in December 2017, the BLM published a final rule that temporarily suspends or delays certain requirements contained in the November 2016 final rule until January 17, 2019. The suspension of the November 2016 final rule is being challenged in court.

* *Reduction of Greenhouse Gas ("GHG") Emissions.* The U.S. Congress and the EPA, in addition to some state and regional efforts, have in recent years considered legislation or regulations to reduce emissions of GHGs. These efforts have included consideration of cap-and-trade programs, carbon taxes, GHG reporting and tracking programs, and regulations that directly limit GHG emissions from certain sources. In the absence of federal GHG-limiting legislations, the EPA has determined that GHG emissions present a danger to public health and the environment and has adopted regulations that, among other things, restrict emissions of GHGs under existing provisions of the CAA, and require monitoring and annual reporting of GHG emissions from certain onshore and offshore production facilities and certain onshore processing, transmission and storage facilities. In December 2015, the United States joined other countries of the United Nations in preparing an agreement requiring member countries to each develop reductions in GHG emissions. This agreement, referred to as the "Paris Agreement," was signed by the United States in April 2016 and entered into force in November 2016; however, this agreement does not create any binding obligations for nations to limit their GHG emissions, but includes pledges to voluntarily limit or reduce future emissions. However, in August 2017, the U.S. State Department officially informed the United Nations of the intent of the United States to withdraw from the Paris Agreement. The United States' adherence to the exit process and/or the terms on which the United States may re-enter the Paris Agreement or a separately negotiated agreement are unclear at this time. Finally, activists concerned about the potential effects of climate change have directed their attention at sources of funding for fossil-fuel energy companies, which has resulted in certain financial institutions, funds and other sources of capital restricting or eliminating their investment in oil and natural gas activities. Ultimately, this could make it more difficult to secure funding for exploration and production or midstream activities. Notwithstanding potential risks related to climate change, the International Energy Agency estimates that global energy demand will continue to rise and will not peak until after 2040 and that oil and natural gas will continue to represent a substantial percentage of global energy use over that time.

* *Hydraulic Fracturing.* While the U.S. Congress has not adopted legislation regulating hydraulic fracturing, several federal agencies have asserted regulatory authority or pursued investigations over certain aspects of the hydraulic fracturing process. For example, in June 2016, the EPA published an effluent limit guideline final rule prohibiting the discharge of wastewater from onshore unconventional oil and natural gas extraction facilities to publicly owned wastewater treatment plants and, also in June 2016, the EPA published a final rule establishing first-time standards to address emissions of methane from hydraulically-fractured oil and natural gas well completions. Additionally, the BLM published a final rule in March 2015 that established new or more stringent standards relating to hydraulic fracturing on federal and American Indian lands, which rule was struck down by a federal judge in June 2016. The BLM appealed the decision to the U.S. Circuit Court of Appeals in July 2016. The appellate court issued a ruling in September 2017 to vacate the Wyoming trial court decision and dismiss the lawsuit challenging the 2015 rule in response to the BLM's issuance of a proposed rulemaking to rescind the 2015 rule and, in December 2017, the BLM published a final rule rescinding the March 2015 rule. In January 2018, a legal challenge to the BLM's rescission of the 2015 rule was filed in federal court. Also, in December 2016, the EPA released its final report on the potential impacts of hydraulic fracturing on drinking water resources, concluding that "water cycle" activities associated with hydraulic fracturing may impact drinking water resources under certain circumstances. Moreover, some states and certain local

governments have adopted, or are considering adopting, legal requirements that have imposed or in the future could impose, new or more stringent permitting, disclosure or well construction requirements on hydraulic fracturing activities.

* *Offshore Compliance.* In recent years, the Bureau of Ocean Energy Management ("BOEM") and the Bureau of Safety and Environmental Enforcement ("BSEE"), agencies under the U.S. Department of the Interior have imposed more stringent permitting procedures and regulatory safety and performance requirements for new wells to be drilled in federal waters. These agencies have pursued, implemented or enforced new rules, Notices to Lessees and Operators ("NTLs") and even temporary drilling moratoria that imposed safety and operational performance measures on exploration, development and production operators in the Gulf of Mexico or otherwise resulted in a temporary cessation of drilling activities. For example, in April 2016, the BSEE published a final rule on well control that, among other things, imposes rigorous standards relating to the design, operation and maintenance of blow-out preventers, real-time monitoring of deep water and high temperature, high pressure drilling activities, and enhanced reporting requirements. Also in April 2016, the federal BOEM published a proposed rule that would bolster existing air-emissions requirements relating to offshore oil and natural-gas activity on federal Outer Continental Shelf waters including in the Central Gulf of Mexico by, among other things, requiring the reporting and tracking of the emissions of all pollutants defined by the EPA to affect human health and public welfare. However, in May 2017, Order 3350 was issued by the Department of the Interior Secretary, directing the BOEM to reconsider a number of regulatory initiatives governing oil and gas exploration in offshore waters, including, among other things, a cessation of all activities to promulgate the April 2016 proposed rulemaking ("Order 3350"). In addition, in September 2016, the BOEM issued a Notice to Lessees and Operators ("NTL #2016-N01") that became effective in September 2016 and bolsters the supplemental bonding procedures followed by oil and natural gas exploration and production operators on the federal Outer Continental Shelf waters for the decommissioning of offshore wells, platforms, pipelines, and other facilities. However, as directed under Order 3350, the BOEM has delayed implementation of NTL #2016-N01 so that it may reconsider this regulatory initiative and, currently, this NTL's implementation timeline has been extended indefinitely beyond June 30, 2017, except in certain circumstances where there is a substantial risk of nonperformance of the interest holder's decommissioning liabilities.

Our compliance with such new or amended legal requirements to the extent placed into effect and applicable to us, could result in our incurring significant additional expense and operating restrictions with respect to our operations, which may not be fully recoverable from our clients and, thus, could reduce net income. Our clients, to whom we provide our services, may similarly incur increased costs or restrictions that may limit or decrease those clients' operations and have an indirect material adverse effect on our business.

Our analytical and manufacturing processes involve the handling and use of numerous chemicals and gases as well as the generation of wastes. Spills or releases of these chemicals, gases, and wastes at our facilities, whether by us or prior owners or operators, or at offsite locations where we transport them for recycling or disposal could subject us to environmental liability, either from the applicable government agency or private landowners or other third parties. Such liabilities could be strict, joint and several, as is applicable in the United States under such laws as the federal Comprehensive Environmental Response, Compensation and Liability Act and the federal Resource Conservation and Recovery Act. This could also include costs of cleaning up chemicals and wastes released into the environment and for damages to persons, properties or natural resources. As a result of such actions, we could be required to remove previously disposed wastes (including wastes disposed of or released by prior owners or operators), remediate environmental contamination (including contaminated groundwater), and undertake measures to prevent future contamination. We may not be able to recover some or any of these remedial or corrective costs from insurance. Historically, our environmental compliance costs have not had a material adverse effect on our results of operations; however, there can be no assurance that such costs will not be material in the future or that such future compliance will not have a material adverse effect on our business or results of operations.

Our operations are also subject to stringent governmental laws and regulations, including the federal Occupational Safety and Health Act, as amended, and comparable state laws in the United States, whose purpose is to protect the health and safety of workers. In the United States, the federal Occupational Safety and Health Administration's hazard communication standard and applicable community right-to-know regulations require that information is maintained concerning hazardous materials used or produced in our operations and that this information is provided to employees, state and local government authorities, and citizens. Historically, our worker health and safety compliance costs have not had a material adverse effect on our results of operations; however, there can be no assurance that such costs will not be material in the future or that such future compliance will not have a material adverse effect on our business or results of operations.

Competition

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

Reliance on the Oil and Gas Industry

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

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

Employees

As of December 31, 2017, we had approximately 4,600 employees. While we do not limit employees' rights to associate or enter collective bargaining agreements, we do not have any material collective bargaining agreements and consider relations with our employees to be good.

Results of Operations

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

In the first quarter of 2017, Core Laboratories took steps to streamline its business by realigning its reporting structure into two reporting segments. These complementary segments provide different services and products and utilize different technologies for improving reservoir performance and increasing oil and gas recovery from new and existing fields. In connection with the realignment of our reporting structure, amounts previously reported in our Reservoir Management segment are now presented within our Reservoir Description and Production Enhancement segments, and prior periods have been revised to conform to the current presentation. Disclosure relating to the operations and financial information of these business segments is included in Note 5 of the Notes to Consolidated Financial Statements.

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

General Overview

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

The following table summarizes the annual average and year-end worldwide and U.S. rig counts for the years ended December 31, 2017 and 2016, as well as the annual average and year-end spot price of a barrel of WTI crude, Brent crude and an MMBtu of natural gas:

	2017	2016
Baker Hughes Worldwide Average Rig Count (1)	2,029	1,593
Baker Hughes U.S. Average Rig Count (1)	875	510
Baker Hughes Worldwide Year-End Rig Count (2)	2,089	1,772
Baker Hughes U.S. Year-End Rig Count (2)	930	634
Average Crude Oil Price per Barrel WTI (3)	\$ 50.80	\$ 43.29
Average Crude Oil Price per Barrel Brent (4)	\$ 54.12	\$ 43.67
Average Natural Gas Price per MMBtu (5)	\$ 2.99	\$ 2.52
Year-end Crude Oil Price per Barrel WTI (3)	\$ 60.46	\$ 53.75
Year-end Crude Oil Price per Barrel Brent (4)	\$ 66.73	\$ 54.96
Year-end Natural Gas Price per MMBtu (5)	\$ 3.69	\$ 3.71

(1) Twelve month average rig count as reported by Baker Hughes - Worldwide Rig Count.

(2) Year-end rig count as reported by Baker Hughes - Worldwide Rig Count.

(3) Average daily and year-end WTI crude spot price as reported by the U.S. Energy Information Administration.

(4) Average daily and year-end Brent crude spot price as reported by the U.S. Energy Information Administration.

(5) Average daily and year-end Henry Hub natural gas spot price as reported by the U.S. Energy Information Administration.

The prices for both WTI and Brent crude oil began to weaken after the OPEC meeting held in November 2014. Average prices for the majority of the 2014 calendar year were in excess of \$99 per barrel for WTI and in excess of \$105 per barrel for Brent; however, both were down to approximately \$55 per barrel by the end of 2014 and less than \$40 per barrel by the end of 2015. The volatility and significant reduction in the average price of crude oil during 2015 and 2016 resulted in a significant decrease in the activities associated with both the exploration and production of oil during 2015 and throughout most of 2016. However, crude oil prices, although still volatile, began to improve during the second half of 2016 and continued to strengthen during 2017, especially during the second half of 2017. On average, pricing for crude oil improved over 16% for 2017 over 2016, which resulted in much improved levels of land-based activity associated with the oilfield development in the United States.

In North America, the land-based rig count decreased 62% during 2015 and another 53% during the first half of 2016, which greatly impacted both services and product sales to this market over this time period. Although the North America rig count improved by the end of 2016 it still remained almost 20% below 2015 levels. However the rig count continued to strengthen throughout most of 2017. We saw resilient levels of activities on development projects and producing fields in the U.S. unconventional reservoirs during the second half of 2016 which continued and expanded during 2017 as the energy sector began the recovery phase of this business cycle.

Outside of North America, activities associated with the exploration for and production of oil have also decreased from 2014 levels, although not as significantly as the land-based activities in North America. Our clients' activities in the international and deepwater markets declined during 2015 and 2016 and remained at these lower levels in 2017; however, we believe these markets have shown signs of recovery as our clients have recently announced several new major capital projects.

Our long-term growth strategies remain essentially unchanged. We will continue our efforts to expand our market presence by opening or expanding facilities in strategic areas, continue the development of new services and products to meet our client needs 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 developments, the extension of the OPEC framework, and the modest strengthening in the price of crude oil and natural gas, we believe that the level of activities and workflows experienced in late 2017 will continue into 2018 and will strengthen for North America. Additionally, we believe the trend in recent public announcements of major offshore and international projects by our clients will continue, and these announcements are signs that a recovery of the offshore deepwater and international markets are also improving. An increase in the activities in these markets could positively impact our revenue, operating income and operating margins as well.

We expect to meet ongoing working capital needs, capital expenditure requirements and funding of our dividend and share repurchase programs from a combination of cash on hand, cash flow from operating activities and available borrowings under our revolving credit facility ("Credit Facility").

Net revenue for the years ended December 31, 2017 and 2016 were \$659.8 million and \$594.7 million, respectively. We offer our services worldwide through our global network of offices. Services accounted for 73% and 79% of our revenue from operations for the years ended December 31, 2017 and 2016, respectively.

We manufacture products primarily in four facilities for distribution on a global basis. Product sales, generated principally in our Production Enhancement segment, accounted for 27% and 21% of our revenue from operations for the years ended December 31, 2017 and 2016, respectively.

We recorded operating income of \$116.3 million and \$81.9 million for the years ended 2017 and 2016, respectively.

Investments

Fixed assets are comprised of tangible fixed assets and intangible fixed assets. During 2017 and 2016, fixed asset additions were \$18.4 million and \$14.5 million, respectively. We expect our investment in capital expenditures to track client demand for our services and products. Given the improving, but still uncertain, trend in industry activity levels, we have not determined, at this time, the level of investment that will be made in 2018. We will, however, continue to invest to fund the purchase of instrumentation, tools and equipment along with expenditures to replace obsolete or worn-out instrumentation, tools and equipment.

Other Matters

In the spring of 2016, there were news reports related to Unaoil, a Monaco based company, and activities Unaoil may have engaged in related to international projects involving numerous global companies, including Core Lab. It had also been reported that the U.S. Department of Justice ("DOJ") was conducting an investigation of Unaoil related to the information reported in these news articles. The DOJ and the Securities and Exchange Commission ("SEC") contacted the Company in connection with that investigation and in a letter dated October 4, 2017, the Company was informed by the U.S. Department of Justice, that in regard to the investigation by the Department of Justice, Criminal Division, Fraud Section (the "Department") into the Company concerning possible violations of the Foreign Corrupt Practices Act related to the Company's interactions with Unaoil, the Department has closed its inquiry without taking any action against the Company. Specifically, the Department stated that "based upon the information known to the Department at this time, it has closed its inquiry into the Company in connection with this matter. The Department appreciates the Company's cooperation during the investigation".

Furthermore, in a letter dated February 5, 2018, the Company was informed by the SEC, that they have concluded their investigation as to the Company's connection with Unaoil and they do not intend to recommend an enforcement action by the Commission against the Company.

Results of Operations

Segment Revenue

<u>(USD in thousands)</u>	<u>For the Years Ended December 31,</u>		
	<u>2017</u>	<u>% Change</u>	<u>2016</u>
Reservoir Description	\$ 415,220	(2.6)%	\$ 426,205
Production Enhancement	244,589	45.1%	168,536
Total Revenue	<u>\$ 659,809</u>	<u>10.9%</u>	<u>\$ 594,741</u>

Segment Operating Income

<u>(USD in thousands)</u>	<u>For the Years Ended December 31,</u>		
	<u>2017</u>	<u>% Change</u>	<u>2016</u>
Reservoir Description	\$ 69,092	(9.0)%	\$ 75,891
Production Enhancement	46,528	698.8 %	5,825
Corporate and other (1)	669	211.2 %	215
Operating income	<u>\$ 116,289</u>	<u>41.9 %</u>	<u>\$ 81,931</u>

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

"NM" means not meaningful.

Reservoir Description

Revenue for our Reservoir Description segment decreased by 2.6% in 2017 compared to 2016. The decrease in revenue was primarily due to the reduced international and deepwater project activity levels during 2017. This segment's operations continue to work on large-scale, long-term, crude-oil and LNG projects with an emphasis on producing fields located in offshore developments and international markets. We continue to focus on large-scale core analyses and reservoir fluids characterization studies in the Asia-Pacific areas, offshore West and East Africa, the eastern Mediterranean region and the Middle East, including Kuwait and the United Arab Emirates.

Operating income decreased to \$69.1 million in 2017 from \$75.9 million in 2016 primarily due to lower activity levels. Operating margins were 16.6% in 2017 down from 17.6% in 2016.

Production Enhancement

Revenue for our Production Enhancement segment increased by 45.1% in 2017 compared to 2016. The increase in onshore North America industry activity during 2017 compared to 2016 increased demand for our products and diagnostic services associated with land-based completion of oil wells in U.S. unconventional developments.

Operating income for this segment increased to \$46.5 million in 2017 from \$5.8 million in 2016. Operating margins were 19.0% in 2017 up from 3.5% in 2016. The increase in operating income and operating margin in 2017 compared to 2016 were primarily due to increased demand for our higher margin products and services and the impact of higher revenue on our fixed-cost structure in 2017.

Corporate and Other

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

Liquidity and Capital Resources

We have historically financed our activities through cash on hand, cash flows from operations, bank credit facilities, equity financing and the issuance of debt. Cash flow from operating activities provides the primary source of funds to finance operating needs, capital expenditures and our share repurchase and dividend programs. If necessary, we supplement this cash flow with borrowings under bank credit facilities to finance some capital expenditures and business acquisitions. As we are a holding company incorporated in the Netherlands, we conduct substantially all of our operations through subsidiaries. Our cash availability is largely dependent upon the ability of our subsidiaries to pay cash dividends or otherwise distribute or advance funds to us. There are no restrictions preventing any of our subsidiaries from repatriating earnings, and there are no restrictions or income taxes associated with distributing cash to the parent company through loans or advances. As of December 31, 2017, \$9.8 million of our \$14.4 million of cash was held by our foreign subsidiaries.

The following table summarizes cash flows from continuing operations for the years ended December 31, 2017 and 2016:

<u>(USD in thousands)</u>	<u>Years Ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
Cash provided by/(used in):		
Operating activities	\$ 124,265	\$ 130,699
Investing activities	(20,551)	(14,695)
Financing activities	(104,078)	(123,734)
Net change in cash and cash equivalents	<u>\$ (364)</u>	<u>\$ (7,730)</u>

The decrease in cash provided by operating activities in 2017 compared to 2016 was primarily attributable to changes in working capital, offset by an increase in net income.

Cash flow used in investing activities in 2017 increased \$5.9 million compared to 2016 primarily as a result of increased capital expenditures.

Cash flow used in financing activities in 2017 decreased \$19.7 million compared to 2016. During 2017, we spent \$16.9 million to repurchase our common shares, \$97.1 million to pay dividends and borrowed additional of \$10 million. During 2016, we spent \$7.2 million to repurchase our common shares, \$95.1 million to pay dividends and decreased our debt balance by \$215 million primarily through the issuance of new shares.

We expect our investment in capital expenditures to track client demand for our services and products. Given the improving, but still uncertain, trend in industry activity levels, we have not determined, at this time, the level of investment that will be made in 2018. We will, however, continue to invest to fund the purchase of instrumentation, tools and equipment along with expenditures to replace obsolete or worn-out instrumentation, tools and equipment, to consolidate certain facilities to gain operational efficiencies, and to increase our presence where requested by our clients. In addition, we plan to continue to (i) repurchase our common shares on the open market through our stock repurchase program, (ii) pay a dividend and/or (iii) acquire complementary technologies. Our ability to continue these programs depends on, among other things, market conditions and our ability to generate free cash flow.

Our ability to maintain and increase our operating income and cash flows is largely dependent upon continued investing activities. Substantially all of our operations are conducted through subsidiaries. Consequently, our cash flow depends upon the ability of our subsidiaries to pay cash dividends or otherwise distribute or advance funds to us. We believe our future cash flows from operating activities, supplemented by our borrowing capacity under existing facilities and our ability to issue additional equity should be sufficient to meet our contractual obligations, capital expenditures, working capital needs and to finance future acquisitions.

Due to the low inflationary rates in 2017 and 2016, the impact of inflation on our results of operations was insignificant.

Significant Events

No subsequent events have occurred that are significant to Core Laboratories.

Board Structure

The Company has a two-tier board structure consisting of a Management Board and a Supervisory Board, each of which must consist of at least one member under the Company's Articles of Association. Under Dutch law, the Supervisory Board's duties include supervising and advising the Management Board in performing its management tasks. The Supervisory Board consists of eight Supervisory Directors in three classes. The Supervisory Directors are expected to exercise oversight of management with the Company's interests in mind.

The Management Board's sole member is Core Laboratories International B.V. ("CLIBV"). As its Managing Director, CLIBV's duties include overseeing the management of the Company, consulting with the Supervisory Board on important matters and submitting certain important decisions to the Supervisory Board for its prior approval.

Board of Supervisory Directors

In 2011, the Company initiated steps to bring new membership to the Board of Supervisory Directors, with a plan of replacing one existing non-executive director who will have served for longer than ten years each year over the following few years (the "Succession Plan"). The Succession Plan was completed as of the 2017 annual shareholder meeting, and at this time the longest tenure of any non-executive director is just seven years.

Supervisory Director Independence

In connection with determining the independence of each Supervisory Director of the Company, the Supervisory Board inquired as to any transactions and relationships between each Supervisory Director and his or her immediate family and the Company and its subsidiaries, and reviewed and discussed the results of such inquiry. The purpose of this review was to determine whether any such relationships or transactions were material and, therefore, inconsistent with a determination that a Supervisory Director is independent, under the standards set forth by the NYSE and, to the extent consistent therewith, the Dutch Corporate Governance Code, as currently amended (the "Dutch Code"). Under the Dutch Code, the Supervisory Board is to be composed of members who are able to act critically and independently of each other and of the Management Board. With regard to Messrs. Dunlap and Straughen and Ms. Carnes, Ms. van Geuns and Ms. van Kempen, none have ever held any position with the Company or any of its affiliates apart from their service on the Supervisory Board and its committees. With regard to Mr. Sodderland, he served as a non-employee managing director of CLIBV, an affiliate of the Company, until his election to the Supervisory Board of the Company in May 2011, at which time he resigned from that position with CLIBV and his position as a non-employee director of other Dutch affiliates of the Company. He has qualified as independent under the NYSE Listed Company Manual section 303A.02 since 2014 and will be deemed to be independent under the Dutch Code upon his re-appointment in 2017. Ms. Carnes qualifies as independent under the NYSE Listed Company Manual section 303A.02.

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

Supervisory Board Meetings

The Supervisory Board held four meetings in 2017. All Supervisory Directors participated in 100% of the 2017 Supervisory Board meetings. All Supervisory Directors participated in 100% of the meetings in 2017 of all committees on which he or she serves. Under our Corporate Governance Guidelines, Supervisory Directors are expected to diligently fulfill their fiduciary duties to the Company, including preparing for, attending and participating in meetings of the Supervisory Board and the committees of which the Supervisory Director is a member. In 2017, all Supervisory Directors attended the annual shareholder meeting and we expect each of our Supervisory Directors to attend our 2018 annual meeting as our current policy and Articles of Association impose an obligation upon the Supervisory Directors to attend the annual meeting.

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

Committees of the Supervisory Board

The Supervisory Board has three standing committees, the identities, memberships and functions of which are described below. Each Supervisory Director who is at the time "independent" and who has never served as a director of any affiliate of the

Company may be considered for Committee assignment at any time during their term, as determined by the Supervisory Board. Any Supervisory Director who is at the time "independent", but who has previously served as a director of any affiliate of the Company, may be considered for Committee assignment, as determined by the Supervisory Board, at the earlier of: (a) five years after they last served as an affiliate director or (b) they are not classified as "non-independent" at the time of their nomination and election.

Audit Committee.

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

The Audit Committee's principal functions, which are discussed in detail in its charter, include making recommendations concerning the engagement of the independent registered public accountants, reviewing with the independent registered public accountants the plan and results of the engagement, approving professional services provided by the independent registered public accountants and reviewing the adequacy of our internal accounting controls. Each member of the Audit Committee is independent, as defined by Section 10A of the Exchange Act of 1934, as amended (the "Exchange Act") and by the corporate governance standards set forth by the NYSE and, to the extent consistent therewith, the Dutch Code. Each member of the Audit Committee is financially literate and Ms. Carnes qualifies as an audit committee financial expert under the rules promulgated pursuant to the Exchange Act. The Audit Committee held six meetings in 2017. A copy of the Audit Committee's written charter may be found on the Company's website at <http://www.corelab.com/cr/governance>.

Compensation Committee.

The current members of the Compensation Committee are Mr. Straughen (Chairman) and Ms. van Kempen. The Supervisory Board has determined that each of the members of the Compensation Committee is (i) independent under the NYSE's rules governing Compensation Committee membership; (ii) a "non-employee director" under Rule 16b-3 of the Exchange Act; and (iii) an "outside director" under Section 162(m) of the Internal Revenue Code of 1986, as amended (the "IRS Code"). For 2018, the Supervisory Board is not expecting any additional changes to the membership of the Compensation Committee.

The Compensation Committee's principal functions, which are discussed in detail in its charter, include a general review of our compensation and benefit plans to ensure that they are properly designed to meet corporate objectives. The Compensation Committee reviews and approves the compensation of our Chief Executive Officer and our senior executive officers, granting of awards under our benefit plans and adopting and changing major compensation policies and practices. The Compensation Committee also regularly discusses a succession plan for the Chief Executive Officer and other senior executive management. In addition to establishing the compensation for the Chief Executive Officer, the Compensation Committee reports its recommendations to the Supervisory Board for approval to review and approve awards made pursuant to our Long Term Incentive Plan ("LTIP"). Pursuant to its charter, the Compensation Committee has the authority to delegate its responsibilities to other persons. The Compensation Committee held one meeting in 2017.

The Compensation Committee periodically retains a consultant to provide independent advice on executive compensation matters and to perform specific project-related work. The consultant reports directly to the committee, which pre-approves the scope of the work and the fees charged. The Compensation Committee communicates to the consultant the role that management has in the analysis of executive compensation, such as the verification of executive and Company information that the consultant requires. The Compensation Committee engaged Pearl Meyer & Partners, LLC ("Pearl Meyer") to perform a full compensation survey in 2017 for executive and non-executive Supervisory Director compensation and such survey was also used for determining 2018 executive and non-executive Supervisory Director compensation, with input provided by Pearl Meyer. The Committee will engage Pearl Meyer in 2018 to perform a full executive compensation survey for 2019 executive and non-executive supervisory director compensation.

The Compensation Committee operates under a written charter. A copy of the Compensation Committee charter may be found on the Company's website at <http://www.corelab.com/cr/governance>.

Nominating, Governance and Corporate Responsibility Committee.

The current members of the NGCR Committee are Mr. Dunlap (Chairman) and Ms. van Geuns. For 2018, the Supervisory Board plans to re-appoint Mr. Dunlap as chairman and Ms. van Geuns to serve on the NGCR Committee following the 2018 annual meeting.

The NGCR Committee's principal functions, which are discussed in detail in its charter, include:

- recommending candidates to the Supervisory Board for election as Supervisory Directors;
- recommending candidates to the Supervisory Board for appointment to the Supervisory Board's committees;
- reviewing and overseeing compliance with the Company's corporate governance and social responsibility policies; and

- leading the Supervisory Board in its annual review of the performance of the Supervisory Board, its committees and management.

Each member of the NGCR Committee is independent as defined by the corporate governance standards of the NYSE. The NGCR Committee held two meetings in 2017.

The NGCR Committee operates under a written charter, which was updated in February 2014. A copy of the NGCR Committee Charter may be found on the Company's website at <http://www.corelab.com/cr/governance>.

Qualifications of Supervisory Directors

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

Dutch legislation that took effect on January 1, 2013, required "large companies", such as Core Laboratories, to have a balanced gender distribution whereby at least 30% of the seats of the Board are held by men and at least 30% of the seats of the Board are held by women. The Company is required to take the above allocation of seats into account upon the appointment, re-appointment, recommendation or nomination of Board members. The Company's Supervisory Board is in compliance with this legislation and the Company will continue to look for ways to nominate the best candidates available and to have a diverse, experienced and highly qualified Board.

Six of the eight members of the Supervisory Board who will serve following the 2018 annual meeting, assuming the re-election of Ms. van Kempen, are considered independent under applicable SEC, NYSE and Dutch Code standards. For this year's annual meeting and election, the NGCR Committee believes the candidates possess the characteristics outlined above and bring to the Supervisory Board valuable skills that enhance the Supervisory Board's ability to manage and guide the strategic affairs of the Company in the best interests of our shareholders and our other stakeholders.

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

Supervisory Director Nomination Process

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

- If a new Supervisory Board member is to be considered, the NGCR Committee initiates a search by seeking input from other Supervisory Directors and senior management, and hiring a search firm, if necessary. An initial slate of candidates that will satisfy specific criteria and otherwise qualify for membership on the Supervisory Board are identified by or presented to the NGCR Committee, which ranks the candidates. Members of the NGCR Committee review the qualifications of prospective candidate(s), and the Chairman of the Board, the Chief Executive Officer, and all other Supervisory Board members have the opportunity to review the qualifications of prospective candidate(s);

- Shareholders seeking to recommend Supervisory Director candidates for consideration by the NGCR Committee may do so by writing to the Company's Secretary in care of Core Laboratories LP, 6316 Windfern Road, Houston, TX 77040, giving the recommended candidate's name, biographical data and qualifications. The NGCR Committee will consider all candidates submitted by shareholders not later than the 60th day before the date on which the 2019 annual meeting will be held. At this point, the Company anticipates conducting the 2019 annual meeting in May, 2019;
- The NGCR Committee recommends to the Supervisory Board the nominee(s) from among the candidate(s), including existing members of the Supervisory Board whose terms are expiring and who may be eligible for reelection to the Supervisory Board, and new candidates, if any, identified as described above; and
- The nominee(s) are nominated by the Supervisory Board.

Related Person Transactions

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

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

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

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

There were no transactions that occurred during fiscal year 2017 in which, to our knowledge, the Company was or is a party, in which the amount involved exceeded \$120,000, and in which any director, director nominee, named executive officer, holder of more than 5% of our common shares or any member of the immediate family of any of the foregoing persons had or will have a direct or indirect material interest.

Compensation Committee Interlocks and Insider Participation

During 2017, no executive officer served as:

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

Communications with Directors; Website Access to Our Corporate Documents

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

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

Directors' and Nonexecutive Directors' Remunerations

Retainer/Fees

Each nonexecutive Supervisory Director was paid the following amounts during fiscal 2017:

- a base annual retainer, payable semiannually in arrears, in amount of \$55,000;
- and an additional annual retainer for the following positions:
- for our Lead Director, an additional \$20,000;
 - for our Audit Committee chairman, an additional \$25,000;
 - for our Compensation Committee chairman, an additional \$20,000;
 - for our Nominating and Governance Committee chairman, an additional \$9,000;
- \$2,000 per meeting of the Supervisory Board at which the individual is present in person;
- \$2,000 per meeting for each committee meeting at which the individual is present in person; and
- reimbursement for all out-of-pocket expenses incurred in attending any Supervisory Board or committee meeting.

2014 Nonemployee Director Stock Incentive Plan

Non-employee directors receive an annual Restricted Share Award Program ("RSAP") grant in the amount of shares equal to \$150,000 per director, calculated upon the share price as of March 31 of the award year, rounded upwards to the nearest whole share. These restricted shares will vest, without performance criteria, at the end of a three-year vesting period that begins on April 1 of the award year for grants prior to 2017. Beginning in 2017, the non-employee directors will receive an annual RSAP grant as described above that will vest, without performance criteria, at the end of a one-year vesting period that will begin on April 1 of the award year.

The following table shows the unvested restricted performance and restricted shares that have been awarded to each of our non-employee directors under the Director Plan:

Date of Award	Restricted Performance Shares per Director	Restricted Shares per Director (1)
April 1, 2015	—	1,436
April 1, 2016	—	1,335
April 1, 2017	—	1,299

⁽¹⁾ Restricted Shares will vest at the end of the vesting period without performance criteria

For all pending awards, at the time they were approved by the Compensation Committee and the Supervisory Board, they required the recipient's continued service as a director (other than for death or disability) to the time of vesting for the recipient to receive the shares that otherwise vested. In the event of an award recipient's death or disability prior to the last day of these vesting periods, his or her restricted shares would vest as described above. As originally provided, if an award recipient's service with us terminated (other than for death or disability) prior to the last day of these vesting periods, his or her restricted shares would be immediately forfeited to the extent not then vested. In the event of a change in control (as defined in the 2014 Director Plan) prior to the last day of these vesting periods and while the award recipient is in our service (or in the event of a termination of the award recipient's service upon such change in control), all of the award recipient's restricted shares will vest as of the effective date of such change in control.

Other Arrangements

We have made no loans, advances or guarantees to any of our Supervisory Directors.

Executive Director Remunerations

Elements of Compensation

Base Salary

Base salary is the fixed annual compensation we pay to an executive Director for performing specific job responsibilities. It represents the minimum income an executive may receive in any given year. We target base salaries to result in annual salaries in the normal market range of our peer group for executives having similar responsibilities. The Compensation Committee may adjust salaries based on its annual review of the following factors:

- the individual's experience and background;
- the individual's performance during the prior year;
- the benchmark salary data;
- the general movement of salaries in the marketplace; and
- our financial and operating results.

As a result of these factors, a particular executive Director's base salary may be above or below the median at any point in time. Messrs. Demshur and Bergmark were awarded an increase in their base salaries of 3.0% for both 2016 and 2017, but in 2016, those increases were postponed until the energy industry improves and until our other employees are eligible to receive a merit increase.

Non-Equity Incentive Compensation

The Compensation Committee determines the terms under which the annual incentive compensation will be paid to executive Directors. The purpose of these awards is to:

- share our success with employees;
- provide a financial incentive to focus on specific performance targets;
- reward employees based on individual and team performance;
- promote a sense of shared accomplishment among employees; and
- encourage employees to continually improve our financial and operating performance and thereby create shareholder value.

Under our annual incentive plan, the Compensation Committee has the discretion to set goals and objectives that it believes are consistent with creating shareholder value, including financial measures, operating objectives, growth goals and other measures. The Compensation Committee also considers individual achievement. Under the annual incentive plan, both the target and maximum award opportunities are established as a percentage of salary for each executive Director based upon a review of the competitive data for that their position, level of responsibility and ability to impact our financial success. The target award opportunity for each of Messrs. Demshur and Bergmark is 110% and 75% respectively. Under Messrs. Demshur and Bergmark's employment agreements, each of Messrs. Demshur and Bergmark is entitled to receive maximum award amounts of up to 220% and 150%, respectively, resulting in maximum award amounts of two times the target amounts, which we believe are consistent with amounts provided to similarly situated executives by companies in our peer group. The Compensation Committee designs these awards so that cash incentive compensation will approximate the market median when individual and corporate strategic objectives are achieved and will exceed the market median when performance plans are exceeded. Annual incentive awards are designed to put a significant portion of total compensation at risk.

For 2016, the Compensation Committee decided that the Executive Directors should be eligible for an incentive cash bonus to the extent (a) the Company's operational and financial performance is superior on three relative performance criteria of Revenue, Operating Margin, and EPS as compared to the Comp Group using certain predetermined metrics, and (b) the Company's improvement on a combined metric of safety and ESG on a year-over-year Company specific basis. The Committee decided that the financial factors should carry more relative weight and determined that financial performance would account for 75% of the potential bonus and the combined safety and ESG factors would account for 25% of the potential bonus.

For 2017, the Compensation Committee has decided to adopt the same cash incentive bonus plan it had adopted in 2016. Therefore, the Compensation Committee decided that the named executive officers should be eligible for an incentive cash bonus to the extent (a) the Company's operational and financial performance is superior as measured by the performance criteria of Revenue, Operating Margin, and earnings per share ("EPS") as compared to the Comp Group using certain predetermined metrics, measured on a trailing twelve month period for the Comp Group that has been published by Bloomberg following the end of the third quarter, and (b) the Company's improvement on a combined metric of safety and ESG on a year-over-year Company specific basis. The Compensation Committee decided that the financial factors should carry more relative weight and determined that financial performance would account for 75% of the potential bonus and the combined safety and ESG factors would account for 25% of the potential bonus.

Relative Performance Metric

Relative performance accounts for 75% of the potential annual cash incentive award and is based on the achievement of three different financial performance metrics as compared to the Comp Group:

Metric	Description	Weighting
Revenue	Compare the change in the Company's annual revenue to the Comp Group's change in annual revenue over the same period	25%
Operating Margin	Compare the change in the Company's margins to the Comp Group's change in margins over the same period	25%
EPS	Compare the change in the Company's annual EPS to the Comp Group's change in annual EPS over the same period	25%

Relative performance is assessed after the end of the year. Bloomberg data is analyzed on a trailing four-quarter period for the Comp Group as published by Bloomberg for the period ending with the third quarter of the current year. This data is used to determine the Company's performance as a percentile of the Comp Group for each metric, which is then ranked. A ranking at the top of the list will be assigned a ranking of being in the 100th percentile.

For each metric, the executive Directors can achieve a maximum score of 25 and a minimum score of 12.5 for a ranking between the 100th and the 50th percentiles, respectively. For example, if the Company's ranking for change in revenue compared to the Comp Group's change in revenue is at the 75th percentile level, then the revenue metric would receive a score of 18.75. Scores will be interpolated on a straight-line basis from the 50th percentile to the 100th percentile. A score of zero will be applied to any ranking below the 50th percentile.

Absolute Performance Metric

Absolute performance accounts for 25% of the annual incentive award. The Compensation Committee evaluates the Company's progress in improving on a collective basis, year-over-year, in the areas of safety and ESG. The Compensation Committee will base its determination primarily on relevant objective third-party reports and may award up to 25% of the maximum bonus possible depending on the Company's overall improvement in these areas. If the Compensation Committee determines that overall the Company's performance at the end of a year, on a year-over-year basis, has declined, it may award as little as zero (0) bonus for this metric.

Equity Incentive Compensation

We currently administer long-term incentive compensation awards through our 2014 LTIP. Specifically, we encourage share ownership by awarding long-term equity incentive awards under two programs, consisting of the RSAP and the Performance Share Award Program ("PSAP"). We believe that widespread common share ownership by key employees is an important means of encouraging superior performance and employee retention. Our equity-based compensation programs encourage performance and retention by providing additional incentives for Directors to further our growth, development and financial success by personally benefiting through the ownership of our common shares and/or rights, which recognize growth, development and financial success over a longer time horizon.

We use restricted share grants as our primary form of equity compensation, which we believe are a stronger motivational tool for our employees. Restricted share awards provide some value to an employee during periods of stock market volatility, whereas other forms of equity compensation, such as stock options, may have limited perceived value and may do little to retain and motivate employees when the current value of the company's stock is less than the option price. Currently, our long-term equity incentive compensation is exclusively in the form of restricted shares and performance restricted shares.

Our Compensation Committee, based on recommendations from our Chief Executive Officer, determines the amount and terms of our long-term incentive awards by periodically reviewing competitive market data and each executive's long-term past performance, ability to contribute to our future success, and time in the current job. The Committee takes into account the risk of losing the executive to other employment opportunities and the value and potential for appreciation in our shares. The number of shares previously granted or vested pursuant to prior grants is not typically a factor that is used when determining subsequent grants to an executive officer. The subcommittee considers the foregoing factors together and subjectively determines the appropriate magnitude of the award. As a result of the two named executive officers declining RSAP awards in 2017 and 2016, RSAP equity incentives were not part of their total compensation.

The Committee awards restricted shares and performance restricted shares that vest over a period of years. Restricted share awards vest based on an employee's continued employment over a period of time. The Committee determines the appropriate length of the vesting period which for most restricted shares is at a rate of 1/6 per year over a period of six years. Performance restricted shares vest if we achieve certain performance goals generally over a three-year period, which allow us to compensate our employees as we meet or exceed our business objectives.

We have no program, plan or practice to time the grant of restricted shares or performance shares to executives in coordination with material non-public information.

Restricted Share Award Program

For 2008 through 2017, Messrs. Demshur and Bergmark, at their request, have not had grants of RSAP based awards.

Performance Share Award Program

Under the PSAP, our executive Directors are awarded rights to receive a pre-determined number of common shares if certain performance targets are met, as defined in the applicable agreements for the respective three-year period.

2015 PSAP Awards

On February 16, 2015, we made grants of 61,770 restricted performance shares to our executive Directors for 2015. Assuming the recipient's continued employment (or death or disability while employed) and the satisfaction of certain performance goals, these awards vested at the end of a three-year Performance Period that began on January 1, 2015. In 2015, the total long-term incentive guideline used to make awards was five times his 2014 base salary for Mr. Demshur and three and three quarters times his 2014 base salary for Mr. Bergmark, with 80% of the shares vesting if the Company's ROIC was in the top decile of the Comp Group at the end of the Performance Period and the remaining 20% vesting only if the Company's ROIC was the highest among the Comp Group at the end of the Performance Period. Based upon the actual performance results, the 2015 PSAP awards fully vested on Friday, December 29, 2017.

2016 PSAP Awards

On February 16, 2016, we made grants of 74,255 restricted performance shares to our executive Directors for 2016. Subject to continued employment with us, rights conferred by an employment agreement or the award agreement, or upon death or disability, these awards vest at the end of a three-year Performance Period that began on January 1, 2016.

The amount of performance based equity incentive compensation awarded to Mr. Demshur was five times his 2015 base salary of \$951,000 (a total of \$4,755,000) divided by the closing price of the Company's stock on January 25, 2016, rounded upward to the nearest whole share that is divisible by five, for a total award of 52,995 restricted performance shares. The amount awarded to Mr. Bergmark was three and three quarters times his 2015 base salary of \$508,600 (a total of \$1,907,250) divided by the closing price of the Company's stock on January 25, 2016, rounded upward to the nearest whole share that is divisible by five, for a total award of 21,260 restricted performance shares. Subject to continued employment with us, rights conferred by an employment agreement or the award agreement, or upon death or disability, 80% of the award will vest only if the Company's ROIC is in the top decile of the Comp Group as shown by data published by Bloomberg upon the close of the market on the last day of the 2016 Performance Period. If that criterion is not met, then no shares shall vest and the award shall be forfeited. If, in addition to the Company being in the top decile of the Comp Group, if the Company is the top performing company for ROIC among the Comp Group at the end of the Performance Period as shown by data published by Bloomberg, then the remaining 20% of the award shall fully vest. If this additional criterion is not met, then the 20% portion of the award shall be forfeited and none of those shares shall vest.

For clarity, the 2016 PSAP award to the named executive officers is as follows:

Name of Executive	Amount of Award Subject to Top Decile Vesting Requirement for 80% of the Award (in Shares)	Amount of Award Subject to Top Performer Vesting Requirement for 20% of the Award (in Shares)	Total Award of 100% (in Shares)
David Demshur	42,396	10,599	52,995
Richard Bergmark	17,008	4,252	21,260

2017 PSAP Awards

On February 14, 2017, we made grants of 55,204 PSAP shares to our executive Directors for 2017. The three-year Performance Period began on January 1, 2017.

The amount of performance based equity incentive compensation awarded to Mr. Demshur was five times his 2016 base salary of \$951,000 (a total of \$4,755,000) divided by the closing price of the Company's stock on January 23, 2017, rounded upward to the nearest whole share that is divisible by two, for a total award of 39,400 restricted performance shares. The amount awarded to Mr. Bergmark was three and three quarters times his 2016 base salary of \$508,600 (a total of \$1,907,250) divided by the closing price of the Company's stock on January 23, 2017, rounded upward to the nearest whole share that is divisible by two, for a total award of 15,804 restricted performance shares. Subject to continued employment with us, rights conferred by an employment agreement or the award agreement, or upon death or disability, 50% of the awards will vest at the end of the Performance Period, if at all, if the Company is in the top 50th ROIC percentile among a Bloomberg Peer Group, which is the peer group we use in the current incentive plan, 100% of the award will vest if the Company is in the top 75th ROIC percentile of the Bloomberg Peer Group and 150% percent of the award will vest if the Company finishes at the top 100th ROIC percentile (the top performing company) of the Bloomberg Peer Group. The award will be interpolated on a straight line basis from the 50th percentile to the 100th percentile. These award guidelines reflect the market range for long-term incentive awards if the performance measure is met. If the minimum criterion is not met, then no shares shall vest and the award shall be forfeited.

For clarity, the 2017 PSAP award to the named executive officers is as follows:

Name of Executive	Target Award (in Shares)	Amount to vest if CLB in Top 50th Percentile of ROIC at end of 2017 Performance Period (in Shares)	Additional amount to vest if CLB in Top 75th Percentile of ROIC at end of 2017 Performance Period (in Shares)	Additional amount to vest if CLB is Top Performer of ROIC at end of 2017 Performance Period (in Shares)	Maximum possible award of 150% (in shares)
David Demshur	39,400	19,700	19,700	19,700	59,100
Richard Bergmark	15,804	7,902	7,902	7,902	23,706

The PSAP shares are unvested and may not be sold, assigned, pledged, hedged, margined or otherwise transferred by an award recipient until such time as, and then only to the extent that, the restricted performance shares have vested. In the event of a change in control (as defined in the LTIP) prior to the last day of the Performance Period, all of the award recipient's restricted performance shares will vest as of the effective date of such change in control.

In the event of an award recipient's death or disability prior to the last day of the performance periods, his or her restricted performance shares will vest as described above. In the event of a change in control (as defined in the 2014 Long-Term Incentive Plan) prior to the last day of the performance period and while the award recipient is in our service (or in the event of a termination of the award recipient's service upon such change in control), all of the award recipient's restricted performance shares will vest as of the effective date of such change in control.

Health and Welfare Benefits

We offer a standard range of health and welfare benefits to all employees, including our executive officers. These benefits include medical, prescription drug and dental coverages, life insurance, accidental death and dismemberment, long-term disability insurance and flexible spending accounts. Our plans do not discriminate in favor of our executive officers.

401(k)

We offer a defined contribution 401(k) plan to substantially all of our employees in the United States. We provide this plan to assist our employees in saving some amount of their cash compensation for retirement in a tax efficient manner. Participants may contribute up to 60% of their base and cash incentive compensation, subject to the current limits under the Code. We match employee contributions under this plan up to the first 4% of the participant's contribution and may make additional discretionary contributions. For plan year 2016, we contributed an additional 1.0% of the admissible compensation for each eligible employee, including our executive officers, into the plan to acknowledge the outstanding efforts of our employees. We have not yet determined the amount of such discretionary contributions for 2017.

Deferred Compensation Plan

Through our subsidiary, Core Laboratories LP, we have adopted a nonqualified deferred compensation plan that permits certain employees, including all executive officers, to elect to defer all or a part of their cash compensation (base, annual incentives and/or commissions) from us until the termination of their status as an employee. Participating employees are eligible to receive a matching deferral under the Deferred Compensation Plan that compensates them for contributions they could not receive from us under the 401(k) plan due to the various limits imposed on 401(k) plans by the U.S. federal income tax laws.

The employer matching contributions vest at a rate of 20% per year over a period of 5 years. Discretionary employer contributions may also be made on behalf of participants in the plan and are subject to discretionary vesting schedules determined at the time of such contributions. Vesting in all employer contributions is accelerated upon the death of the participant or a change in control. Employer contributions under the plan are forfeited upon a participant's termination of employment to the extent they are not vested at that time.

Supplemental Executive Retirement Plans

In 1998, based on our review of post-retirement compensation provided by various companies in the oilfield services industry, we adopted a Supplemental Executive Retirement Plan, referred to as the "Group SERP", for the benefit of certain key employees and outside directors. The Group SERP was established to provide additional retirement income for certain of our then-executive officers and death benefits to the officers' designated beneficiaries as a reward for the executive officer's prior contributions and future efforts to our success and growth. Richard Bergmark and David Demshur participate in the Group SERP.

Other Perquisites and Personal Benefits

We do not offer any perquisites or other personal benefits to any executive with a value over \$10,000 beyond those discussed above.

We believe in the importance of providing attractive intangible benefits to all employees such as open and honest communications, ethical business practices, and a safe work environment.

Executive Compensation Policies

Share Retention Guidelines

In 2010, the Committee approved stock ownership requirements for the CEO to own our common shares equal in value to at least five times his annual base salary and for the CFO to own common shares equal in value to at least three times their annual base salary. Alignment with shareholder interests is reflected in current stock ownership among the named executive officers, the value of which ranges from twenty-three to thirty-seven times annual base salary based on the closing price of our common stock on December 31, 2016. They reflect a significant personal investment in us by the same executives responsible for determining the future success of the organization and the return to shareholders.

Employment Agreements and Change in Control Agreements

We maintain employment agreements with our executive officers to ensure they will perform their roles for an extended period of time. These agreements are described in more detail below. These agreements provide for severance compensation to be paid if the employment of the executives is terminated under certain conditions, such as following a change in control, termination by Messrs. Demshur and Bergmark for any reason or termination by us for any reason other than upon their death or disability, for “cause” or upon a material breach of a material provision of his employment agreement, each as defined in the agreements.

The employment agreements between us and our executive officers and the related severance provisions are designed to meet the following objectives:

Change in Control

As part of our normal course of business, we engage in discussions with other companies about possible collaborations and/or other ways in which the companies may work together to further our respective long-term objectives. In addition, many larger, established companies consider companies at similar stages of development to ours as potential acquisition targets. In certain scenarios, the potential for merger or being acquired may be in the best interests of our shareholders. We provide severance compensation if an executive’s employment is terminated following a change in control transaction to promote the ability of our senior executives to act in the best interests of our stockholders even though their employment could be terminated as a result of the transaction.

Termination without Cause

If we terminate the employment of an executive officer without cause as defined in the applicable agreement, we are obligated to continue to pay him certain amounts as described in greater detail below. We believe these payments are appropriate because the terminated executive is bound by confidentiality, non-solicitation and non-compete provisions covering two years after termination and because we and the executive have a mutually agreed to severance package that is in place prior to any termination event. This provides us with more flexibility to make a change in senior management if such a change is in our and our shareholders’ best interests.

Employment Agreements

Our executive employment agreements include provisions governing the payment of severance benefits if employment is terminated by the executive for any reason or by the Company for any reason other than (1) death or disability, (2) for cause, or (3) the executive’s material breach of a material provision of the employment agreement. In such event, our executive severance benefits will be comprised of:

- (a) the payment of a lump-sum amount equal to the sum of:
 - 200% of his base salary as in effect immediately prior to the termination; and
 - two times 45% of the maximum annual incentive bonus he could have earned pursuant to his employment agreement;
- (b) provision of a benefits package for the executive and his spouse and dependent children consisting of medical, hospital, dental, disability and life insurance benefits at least as favorable as those benefits provided to the executive and his spouse and dependent children immediately prior to termination, for as long as the executive and his spouse or dependent children are living;
- (c) the provision of outplacement services at a cost not to exceed 100% of the executive’s annual base salary as in effect immediately prior to the termination;
- (d) the full and immediate vesting and exercisability of all of his outstanding stock awards, which awards shall remain exercisable for the greater of (1) three months following such termination, or (2) the period provided in the plan or plans pursuant to which such stock awards were granted.

For purposes of calculating the lifetime medical benefits, we assume the following:

- a discount rate of 3.5%;
- mortality under section 417(e)(3)(A)(ii)(I), the 2017 Applicable Mortality Table for Lump Sums under the Pension Protection Act of 2006 (PPA);
- a current medical trend of 6.7% per annum, decreasing in accordance with a schedule over time to 6.3% in 2018 and 5.8% in 2019;

- that medical benefits are to be coordinated with Medicare such that premiums will be reduced by 70% for ages 65 and older; and
- that the health plan is fully insured and community rated and will continue to be so in the future.

For purposes of calculating the welfare benefits, we assume the following:

- the basic life insurance benefit was valued as a whole life premium a discount rate of 3.25%;
- mortality under section 417(e)(3)(A)(ii)(I), the 2017 Applicable Mortality Table for Lump Sums under PPA;
- the accidental death and disability coverage was valued at 10.8% of the value of basic life insurance benefit, per the current premium ratio and this benefit was assumed to continue beyond age 65; and
- the long-term disability premium was escalated to 4% until age 65, reflecting the age-related incidence of disability as well as increased administrative costs; no value is attributed to the benefit beyond age 65, as long-term disability coverage is rarely available once employment ends.

If the executive's employment is terminated as a result of death or disability, the executive (if living), his spouse, and/or his dependent children, as applicable, will be entitled to the benefits described under clause (b) and (d) above.

If the executive's employment is terminated for any reason within three years following a change in control, the executive will be entitled to the same benefits described above except that certain outstanding stock options shall remain exercisable for the greater of (i) one year following such termination, or (ii) the period provided in the plan or plans pursuant to which such stock options were granted and the lump-sum payment described in clause (a) above shall be equal to three times the sum of:

- his base salary as in effect immediately prior to his termination of employment; and
- the greater of (A) 45% of the maximum annual incentive bonus he could have earned pursuant to his employment contract for the year in which his employment terminates or (B) the highest annual bonus he received in the three fiscal years ending prior to the fiscal year in which occurred the change in control.

The employment agreements generally use the following terms:

"Cause" means the executive has been convicted of any felony or a misdemeanor involving moral turpitude.

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

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

Upon a change in control, our executive officers may be subject to certain excise taxes pursuant to Section 4999 of the Code (which imposes a 20% excise tax on certain excess parachute payments). In such case, we have agreed to pay each of our executive officers a gross-up payment such that, after the payment of any income, excise or other tax on the gross-up payment, the executive officer retains an amount sufficient to pay all excise taxes pursuant to Section 4999 of the Code.

The calculation of the Section 4999 gross-up amounts described above is based upon an excise tax rate under Section 4999 of 20%, a 35% federal income tax rate and a 1.45% Medicare tax rate. For purposes of the gross-up calculations, we have assumed that (1) no amounts will be discounted as attributable to reasonable compensation and (2) all cash severance payments are contingent on a change

in control (although we believe there may be a viable position to the contrary with respect to at least a portion of the cash severance payments).

The tax gross-up payment described above will be payable to the executive for any excise tax incurred under Section 4999 of the Code regardless of whether his employment is terminated. However, the amount of the gross-up payment will change based upon whether the executive's employment with us is terminated because the amount of compensation subject to the Section 4999 excise tax will change.

A copy of the Company's Compensation Committee charter may be found on www.corelab.com/cr/governance.

Corporate Governance

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

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

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

Commitment to Sustainability

For over 80 years, we have provided advanced innovative technology to enhance our customer's crude oil production. We have stayed committed to delivering on our three financial strategies: maximizing free cash flow, maximizing return on invested capital, and returning excess capital to our shareholders. Our business success is powered by our people and their commitment to achieving top results each and every day for Core Laboratories' clients. As a leading technology service and product provider with a global presence and impact, together we strive to respect the communities and environments in which we do business.

2017 was a year of recovery for the oil and gas industry. With the rise of global oil prices, confidence within the industry continues to grow. We continue to focus on optimizing our business which led to a simplification of our structure and reporting our business within two segments. We remained focused on generating maximum amounts of Free Cash Flow, which resulted in the highest revenue to free cash flow conversion ratio among comparable oilfield service companies.

Environment and Safety

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

Sustainable Recognition

At Core Lab, we are committed to ways of advancing our environmental, social and governance performance. In 2017, we were recognized for our sustainable achievements and added to the following indices: Bloomberg Gender-Equality Index, MSCI ESG Leaders Index. In 2017, Core Laboratories officially entered the S&P MidCap Global Industry Classification Standard ("GICS") Oil & Gas Equipment and Services Sub-Industry index reflecting the distinctive risk and return characteristics of this market segment. Additionally, we continue to be recognized to the FTSE4Good Index Series, recognized as a company that is demonstrating strong Environmental, Social and Governance (ESG) practices.

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

We describe many of the actions we are taking and policies we have adopted on our website, and specifically in our 2017 Annual Sustainability Report, under the "Corporate Responsibility" link at <http://www.corelab.com/cr/>.

Our Company

Our Stakeholders

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

Clients

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

Employees

Core Laboratories has a workforce of approximately 4,600 employees today in over 50 countries providing technology to enhance our client's production in major oil-producing provinces around the world.

Shareholders

The Company's loyal investors, some of whom have owned shares since our initial public offering (IPO) in 1995, have been rewarded with a share price that has outperformed all of our peers. In addition, the Company has paid quarterly dividends since 2008. Moreover, the insider ownership of Core Laboratories stock continues to be at a very high level for publicly traded oilfield service companies.

Core Laboratories' executive and senior management, scientists and its Board of Supervisory Directors own over \$100 million worth of Company shares. Accordingly, Core Laboratories' management is closely aligned with independent shareholders, driving management and investment decisions that maximize shareholder value.

Communities

Core Laboratories supports local communities where we operate all over the world through our contributions of resources and the involvement of our employees, particularly when we can leverage our technical capabilities to provide a higher level outcome for those that we are supporting. We prefer to support efforts aimed at improving education in science, technology and business.

It's our way of giving back to the community which we feel is very important in order to improve career and social opportunities for young adults around the globe. Core Laboratories does not contribute or donate cash or any of its resources to any political parties or political candidates.

Our Business Model

Value Chain

Core Laboratories' main asset is our workforce and the intellectual property they have developed on our behalf. We are primarily a company which provides services to international, national and independent oil companies to help them produce more hydrocarbons each day from their reservoirs as well as increase the hydrocarbons they produce over the life of the reservoir (incremental barrels).

Our main category of suppliers are vendors which supply both services and materials used in the production of our products. Our primary service vendors provide us with services related to the acquisition of human capital including temporary and contract labor. Our primary manufacturing vendors provide us with materials, parts and shipping used in production.

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

Our Goal

Every day that an oilfield produces, the dynamics of the reservoir changes. Our mission is to use patented and proprietary technology and expertise to enable our clients to improve reservoir performance and increase oil and gas recovery from producing fields. Core Lab scientists precisely measure data from reservoir rock, fluid, and gas samples from analyses that our technicians perform in the Company's laboratories. From this, we can evaluate the effectiveness of well completions and develop solutions aimed at increasing the ultimate recovery. Improving production and lessening the decline rate of a reservoir just a few percentage points can make a tremendous positive economic difference over the lifetime of the reservoir.

Technology Innovation

Core Laboratories provides proprietary and patented services and products through its two operating segments at points all along the decline curve. These services and products focus on maximizing daily production rates and greater ultimate hydrocarbon recovery from reservoirs to maximize our clients' return on their investments.

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

Our Business Strategies

Our Mission

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

Our Unique Position

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

Growth Strategies

Our long-term growth strategies were set in 1994, the year before we made our initial public offering, and they have not changed. We continue to keep our operational focus on crude-oil field development projects, with a growing emphasis on delivering technology-driven data and results to our clients to assist them in maximizing their returns on conventional and unconventional developments whether onshore or offshore.

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

Develop New Reservoir-Optimizing Technologies

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

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

- daily production
- ultimate hydrocarbon recovery
- cash flow

- net present asset value
- shareholder value

Leverage our International Office Network

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

Acquire Complementary and Strategically Positioned Technologies

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

Our Financial Strategies

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

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

Core Lab follows a strict discipline for allocating capital for investment in growing our business, which is focused on generating high returns and positive free cash flow. The quality of a company's earnings is typically supported with cash flow from operations, and value is created with the ability to generate cash flow in excess of what is required for capital investments to maintain and grow the business.

We believe measuring the ratio of FCF generated from revenue is an important metric for shareholders when comparing companies' financial results, particularly for those shareholders who utilize discounted cash flow models to assess valuations. This discipline towards capital investments produced a conversion rate of 16% for our Revenue into Free Cash Flow during 2017 placing Core Lab at the top of our peer group. Core Lab will continue to demonstrate strict fiscal discipline in 2018 and beyond.

Maximize Return on Invested Capital

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

Core Lab's Board believes that stock price performance over time is directly related to ROIC. Core Lab's leading ROIC was more than nine times the next highest peer in 2017 and Core Lab is the only company with returns above their Weighted Average Cost of Capital ("WACC"). The other oilfield services companies have ROICs below their WACC, a product of over-investment in their company or vast overpayment for perceived growth via acquisitions.

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

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

Return Excess Capital to Shareholders

Since October 2002, Core Laboratories has returned our excess capital to our shareholders in the form of share count reductions, warrant settlements, dividends, and special dividends, totaling \$2.5 billion, or approximately \$56.12 per share.

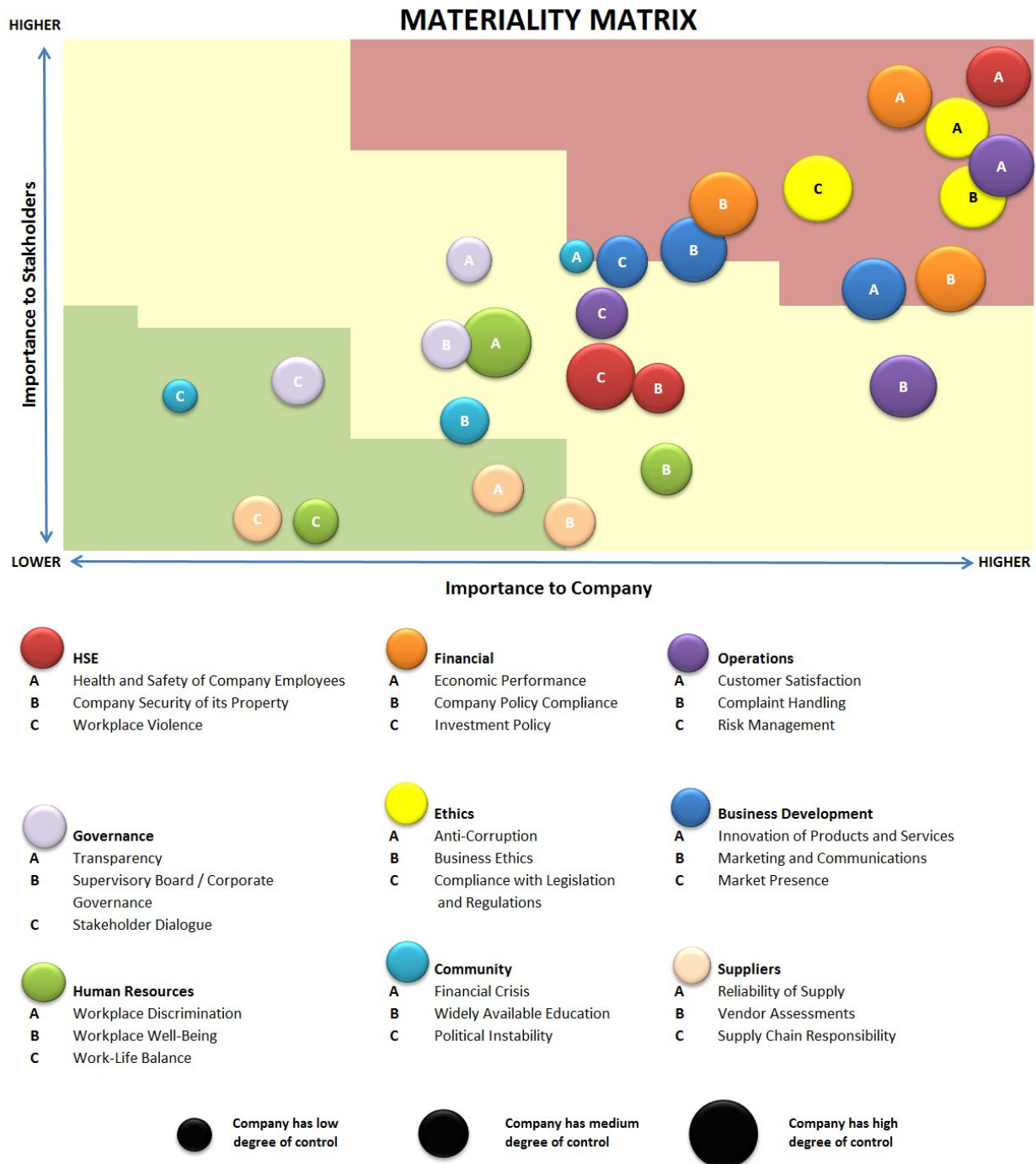
As the energy markets continue to mend, the Company will continue to return our excess capital to our shareholders via dividends, as well as possible share repurchases depending on the stability of the industry recovery.

Our Priorities

Material Issues for the Company

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

- importance to stakeholders,
- importance to the company, and
- degree of control maintained by the company.



Core Values and Ethics

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

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

Core Values

Core Laboratories has taken extensive measures to ensure the services and data provided by all of our worldwide companies are of the highest quality and integrity. Our Ethics Program is designed to ensure that all business operations comply with applicable industry standards and government regulations. Management commitment, ethics training and internal and third party audits are an integral part of our Ethics Program.

To ensure the Program's success, we create awareness through an annual and periodic training and communication campaign throughout the Company. In addition to our annual training, we provide periodic presentations targeting key topics such as workplace harassment, anti-bribery, contract governance, export controls and fraud prevention.

When appropriate, disciplinary action up to and including termination is taken in response to breaches of our ethical standards. Additionally, our clients, vendors, temporaries and contractors are held to the same standards.

Ethics Hotline Program

We monitor and enforce compliance with the Code of Ethics and other corporate policies through confidential and non-confidential reporting mechanisms. An anonymous hotline, mail and email are the primary means for reporting fraud, human rights or ethics violations in a confidential manner. Face-to face meetings are also encouraged with the Company's General Counsel. Independent arbitration is also supported.

All issues are sorted and categorized (legal, ethics or other) by the Ethics & Compliance Officer, who reports to the General Counsel. All calls of a legal nature are handled by the General Counsel. These reporting procedures have been made available to all employees of the Company.

"Whistle Blower" Policy

A hotline has been established that is an anonymous way for an employee to provide information to the Company concerning issues that he/she might feel are to be addressed. This information is reviewed by the General Counsel and appropriate action is taken on the information. The General Counsel ensures that there is no retaliation against any employee who has utilized our reporting mechanism to report an illegal act by his co-worker, supervisor or management.

Code of Ethics

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

This Code of Ethics and Corporate Responsibility covers a wide range of ethical business practices and corporate social responsibility matters. It does not cover every issue that may arise, but it sets out basic principles to guide all employees and all non-employee Management Board and Supervisory Directors.

Conduct Business in a Legal Manner

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

Respect for Others

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

Corporate Responsibility

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

People and Safety

We accept responsibility for the health and safety of our workplace. We are committed to conducting our business in compliance with all environmental and worker health and safety laws. Our goal is to drive an accident-free workplace through our various safety programs and initiatives.

Conduct Business in an Ethical Manner

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

Safeguarding Information and Assets

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

Employee Reporting Process

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

Fraud Prevention

Fraud Prevention and Detection Program

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

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

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

Deterrence, Detection, & Remediation of Fraud

The Company's anti-fraud program and controls have been implemented throughout the Company and are considered an entity-level control which management relies upon to establish the Company's "tone at the top" relative to fraud and financial reporting. The program and controls address each element of the COSO framework. Accordingly, it is tested at Corporate level, at significant locations representing 75% of revenue, and other locations selected for entity-wide testing and the use of an internal control questionnaire.

Evaluation of the design effectiveness of the anti-fraud program has been performed through a detailed analysis of specific organizational policies and procedures. Discussions with management identify documentation critical to establishing the Company's "tone at the top" (e.g., Code of Conduct, ethics hotline policy, etc.) and each item is compiled and reviewed for appropriateness and availability to appropriate personnel.

Programs and Supply Chain

Importance of Supply Chain-Alignment to Vision

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

Conflict Minerals

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

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

In response to the Act, early in 2014 we formed a multi-disciplinary task force to examine all products that we either directly manufacture or contract with third parties to manufacture to determine which of our products, if any, contain conflict minerals. The review of our supply chain associated with these conflict minerals is now included in our routine review of suppliers and the supply chain management policy and process.

During this process, we evaluated 100% of the parts and materials necessary to the functionality or production of products, manufactured by us or contracted to be manufactured for us, and have concluded that, while some of our products contain conflict minerals, the information we obtained shows that all of those conflict minerals came from countries outside of the Conflict Region.

Discrimination and Harassment Policies

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

- Treating others with courtesy and respect in all work relationships.
- Eliminating harassing conduct, including unwanted touching, or comments or behavior that is sexual, sexist, racially or religiously based, or otherwise discriminatory.
- Reporting harassment to the Human Resources Department, the Corporate Compliance Officer or the Law Department so that each concern is investigated promptly and resolved appropriately.

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

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

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

Empowering People - to protect the health, lives and security of our employees, and those around us

We carefully assess and mitigate the risks of our business to make sure everyone is aware of the environment in which they operate. We will:

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

Human Rights

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

Our Approach

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

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

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

Freedom of Association

Core Laboratories recognizes and respects its employees' right to join associations and choose representative organizations for the purpose of engaging in collective bargaining in a manner consistent with applicable laws, rules and regulations as well as local customs as appropriate. As of December 31, 2016, less than 10% of our workforce had elected to be represented under collective bargaining agreements or similar-type labor arrangements, the majority of which are outside the United States.

Policy Against Forced or Compulsory Labor

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

Policy Against Child Labor

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

Corporate Citizenship

Core Laboratories supports local communities all over the world through our contributions of resources and the involvement of our employees, particularly when we can leverage our technical capabilities to provide a higher level outcome for those that we are supporting. We prefer to support efforts aimed at improving education in science, technology and business. It's our way of giving back to the community which we feel is very important in order to improve career and social opportunities for young adults around the globe.

Core Laboratories does not contribute cash or donate cash or any of its resources to any political parties or political candidates. Examples of support provided to community groups and organizations include those involved with secondary education initiatives and financial literacy, workforce readiness and entrepreneurship, among others.

Building Sustainable Communities

Jet-Net-Youth and Technology Network Netherlands - is a joint venture between Dutch companies and pre-college schools in the Netherlands. Jet-Net companies help schools enhance the appeal of their science curriculum by using a great variety of activities and also allow students to gain a better understanding of their future career prospects in industry and technology. We actively participate in the initiative by giving guest lectures and supporting a Beta Market where students can get acquainted with technical professions. We also allow students to work on their thesis on an energy related topic, which is part of their graduation criterion.

Junior Achievement is a nonprofit organization that brings awareness to the community about the importance of educating our students on the concepts of financial literacy, workforce readiness, and entrepreneurship. Junior Achievement currently reaches students by implementing fun, experiential programs taught by volunteers from local businesses, organizations, and individuals from the surrounding community.

Core Laboratories' employees have volunteered to become role models who show students how to achieve personal and professional success. By making a commitment to be a volunteer in elementary, middle, or high school, we make a difference! As a Junior Achievement volunteer we have the unique opportunity to make a positive impact on a student's life, and that difference may lead to their future success.

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

Core Laboratories has continued to partner with JAM to design, facilitate and sponsor the rehabilitation of school dwellings and desks and establishing two school gardens with the goal of quality education and nutritional supplement for primary school aged children.

Faces of Freedom

Core Laboratories' monetary and fund raising contributions and program commitment supported the training and placement of approximately 11 out of 30 service dogs in 2017. Freedom Service Dogs transforms shelter dogs into highly specialized service dogs for those in need; helping them find a new level of independence when transitioning back into society.

Our Global Workforce

Who We Are

Scientific innovation, industry leading technology, diversity of solutions - it's who we are. Our talented workforce is as diverse as our business presence. The Core Laboratories community is represented in 6 continents in more than 50 countries around the world. We have approximately 4,600 employees and speak over 30 languages. Each one of us is different; our talented people bring their own experiences, backgrounds and perspectives which is paramount to our success.

Building a Talented Workforce

Core Laboratories' talented workforce is as diverse as our business presence. We respect diversity and strive to ensure an equal employment opportunity environment and an environment free of harassment and discrimination. Our commitment to diversity promotes and fosters attracting and maintaining a highly diverse and talented workforce.

Core's Workforce Programs

Our priority is to ensure we have the ability to attract and retain a talented workforce. And this is without regard to race, ethnicity, color, national origin, religion, creed, gender, sexual orientation, marital status, and ancestry. It is also without regard to disability, age, political affiliation, or any other legally protected status.

To ensure our programs have employee access and execution standards and objectives, we utilize a Talent Management System which provides our employees an on-line suite of integrated tools designed to support the workflow and processes of five key areas of talent management: Recruitment, Succession Management, Performance Management, Learning Management and Total Rewards.

Organizational and Employee Development

At Core Laboratories, we have two priorities: one, providing superior customer service and two, investing in our most valuable assets, our employees.

Our talented workforce is as diverse as our business presence. We respect this diversity and strive to ensure we create an equal opportunity environment. Our commitment to diversity creates our competitive advantage which promotes and fosters attracting and retaining talent. We make a commitment to support our workforce in multiple ways to be proactive toward their personal development and their career.

Talent Management

Core Laboratories' Talent Management System gives our employees access to an on-line suite of tools that supports the "Employee Lifecycle" in five key areas of talent management: Recruitment, Succession Management, Performance Management, Performance Management, Learning Management and Total Rewards. By creating visibility in these areas, we are driving consistency and clear expectation towards the execution of business strategies, goals and objectives.

Leadership Competencies

Our framework of leadership competencies provides the foundation for driving excellence. Each of our five defined leadership levels (Executive Leader, Business Leader, Operational Leader, Front-line Leader and Individual Contributor) has relevant competencies assigned to it.

Four Core Competencies are driven throughout each Leadership Level and communicate the Company's core values. The competencies help us identify and describe the behaviors, skills, knowledge, attitudes and abilities, that as a company we use to promote a development culture, while strengthening the organization's capability to meet future challenges and needs. We actively encourage competency development as essential towards professional and career development.

The Core Laboratories Leadership Competency Model is designed to illustrate knowledge, skills and abilities for every position scope within the Company.

Performance Management and Career Development Planning

At Core Laboratories, we have an established Performance Management Program that enables employees and their supervisors to annually set and review performance goals, aligned with corporate strategy and objectives.

Goal Tracking

Continued reviews are encouraged, to track progress and to reset goals as necessary. Employees are not only assessed on specific business goals; interpersonal characteristics and behaviors are also part of the performance measurement criteria.

Coaching and Feedback

Managers are actively encouraged to provide on-going coaching and feedback throughout the year, to ensure a successful outcome for business and development goals. Training is offered to managers to help them successfully implement and execute Performance Management. Our Total Rewards package is also linked with the Performance Management process.

Employee Development

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

Succession Planning

Core Laboratories has a formal process for Succession Management driven through our Talent Management System.

The Process

The process starts following performance review, goal setting and development planning. The process enables us to be proactive around strategic human capital planning and career development. We focus on assessing talent capabilities, identifying successors for critical positions and ensuring candidate readiness in the organization. Talent Calibration Meetings are held throughout the organization to review key talent, agree on succession plans and identify key actions to prepare employees for their next position.

We make choices for successors based on consistent criteria, utilizing and linking to our competency model.

Targeted Development Plans

In addition, we assess the risk of talent attrition. Targeted development plans are also included in the process for all people included in the talent pool. The development plans tie to our Learning Management System where we can leverage the learning curriculum and assign training based on leadership level and development needed.

Learning and Development

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

At Core Laboratories, we offer a wide range of development opportunities both non-technical and technical. A core range of courses and programs primarily focus on building the capabilities of the organization to apply and develop our defined competencies. As well as leadership development, our course offering also includes training on our Code of Ethics and Corporate Responsibility as well as Anti-Bribery and Export Controls. All employees must complete this training and are required to complete refresher training each year. Safety training is also one of our primary focus areas.

Educational Assistance Program

The Company's Educational Assistance Program supports the employees' desire for continued career growth and development by reimbursing a portion of employee's tuition costs.

Leadership Essential Program

Our Core Leadership Essential Program introduces first time managers, supervisors, field and team leads to the essentials needed to build the foundation to manage and lead teams. This four day program focuses on the following topic areas: Behavioral Awareness, Communication, Delegation, Motivation and Coaching.

Business Leadership Program

Our senior business leaders are offered the chance to join the Core Laboratories Business Leadership Program. We work in partnership with the University of Rotterdam Erasmus School of Management to deliver this program. The fifteen day program is divided into four modules which are delivered over a twelve month period. This allows participants time to digest the information which will enable them to apply newly learned skills back in the workplace immediately. Topic areas include: Leadership, Strategy and Customer Focus, Financial Management and Change Management. All of our leadership development programs are sponsored by Senior Executives and supported by all leaders within the Company.

Learning Management System

Core Laboratories' Learning Management system enables our employees to manage their learning on-line through their personalized transcript. They are able to browse for relevant training opportunities, register and complete course evaluations through the system. Knowledge Bank is a central hub and library for extended learning and supports continuous learning through collaboration and sharing of information documents and other resources.

Engaging Employees

Why It's Important

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

Core Connect

Core Connect is a communication initiative to drive connection and engagement between employees and executive leadership through various mediums. The initiative has been branded as Core Connect and will represent a different form of communication committed to continual communications.

myCORE Experience

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

Core's Total Rewards Approach and Performance Management

Total Rewards

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

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

Performance Management

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

- Provide timely and planned feedback regarding performance in relation to the requirements of the position.
- Serve as a management tool designed to ensure that organizational requirements are met by measuring, tracking and ultimately improving employee productivity and development.

- Provide a structured opportunity for management and the employee to discuss individual capabilities, career interests and training and development requirements/needs.
- Provide an objective basis for salary change recommendations related to the annual merit process or promotion considerations.
- Ensure our local leaders have the tools for attracting, motivating and retaining a talented workforce that can achieve business results.
- Be country-specific, enabling our compensation programs to be designed to deliver competitive base salaries and variable pay.

Environment - to protect the environment and its natural resources

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

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

Respecting and Minimizing Community and Environmental Impact

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

Environmental Performance

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

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

Alternate Energy Sources

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

Environmental Training

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

Managing our Environmental Impact

Environmental Policy

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

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

Managers have a responsibility to maintain a safe working environment for their employees and to implement programs and procedures as necessary to ensure that their operation meets the environmental goals of the company and applicable regulatory requirements.

Our Locations

Our operations outside of our offices are conducted on our clients' property. Although those operations are not conducted within our own facilities while we are on our clients' property, we continue to follow our corporate policies regarding health, safety and the environment as well as our Code of Ethics and Corporate Responsibility. Before opening a new location, impact to the environment and community are considered. For the most part, we remain in our locations for extended periods of time, decades in many cases.

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

Biodiversity - Natural Lands

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

Our Footprint

To better understand the Company's impact of our footprint, we engaged Trucost, a sustainability data company. With their expertise, we are able to assess Core Laboratories' operational and value chain greenhouse gas emissions in line with the World Resource Institute ("WRI")/World Business Council for Sustainable Development ("WBCSD") Corporate Standard Scope 1 and 2 and Corporate Value Chain (Scope 3) Guidelines (GHG Protocol). The assessment allows us to report Scope 1, 2 and 3 GHG emissions in annual accounts and to the Carbon Disclosure Project ("CDP") Climate Change Questionnaire.

We have already been reporting company-wide Scope 1 and 2 GHG emissions to the CDP since 2014. Currently, we use estimates of company-wide emissions based on our sector of operation and revenue for reporting purposes. Engaging Trucost allows us to improve our operational (Scope 1 and 2) GHG emission quantification methodology by integrating primary data. Furthermore in 2017, Trucost quantified Scope 3 GHG emissions according to the fifteen Scope 3 categories outlined in the Guidelines to help understand and disclose its Scope 3 emissions for the first time. This operational and value chain GHG emission footprint will focus on our six globally located Advance Technology Centers ("ATCs") which comprise our more significant operating locations.

Finally, Trucost has helped us set science-based targets for our Scope 1 and 2 emissions. Science based targets aim to help companies to work towards limiting the increase in global average temperatures to below 2°C, a limit agreed upon by leading climate scientists and governments to ensure long-term sustainability and profitability. The following sections present the results and findings of the Trucost assessment of operational and value chain GHG emissions for the 2016 financial year. The total operational (Scope 1 and 2 (location based)) GHG emissions are 9,161 tonnes of carbon dioxide equivalent ("tCO₂e"). The table below shows the Scope 1 and 2 GHG emissions by source. The science based target to 2020 for Core Lab's Scope 1 and 2 GHG emissions as derived from greenhouse gas emission per unit of value ("GEVA") and sectoral de-carbonization approach method ("SDA") are 15,585 tCO₂e and 15,806 tCO₂e respectively.

Impact	Scope	Greenhouse Gas Emissions, Tonnes CO ₂ e
Direct	Scope 1	2,122
Indirect	Scope 2	7,039
Value Chain	Scope 3, upstream	9,338
	Scope 3, downstream	988
Total		19,487

Impact	Scope	Source	Greenhouse Gas Emissions, Tonnes CO ₂ e
Direct	Scope 1	Natural Gas Heating (stationary energy)	1,549
		Vehicle Fuel Use (mobile transport)	128
		Refrigerants (fugitive emissions)	446
Indirect	Scope 2	Electricity	7,039
Total			9,162

Science Based Target

In FY 2016, Core Lab emitted 9.161 tCO₂e (Scope 1: 2,122 tCO₂e and Scope 2: 7,039 tCO₂e). The science based target for Core Lab's Scope 1 and 2 GHG emissions as derived from GEVA and SDA are 15,585 tCO₂e and 15,806 tCO₂e respectively. According to GEVA, until 2020 Core Lab's Scope 1 and 2 emissions can increase by 21% to 15,585 tCO₂e. The figures below show that the intensity (GHG emissions per \$m gross profit) consistently decreases over the 5- year period the emissions increase in line with the gross profit because the increase in gross profit is larger than the decline in emissions.

Impact	2015	2016	2017	2018	2019	2020
Scope 1 and 2 GHG emissions (tCO ₂ e)	12,853	9,161				
Emissions per Value Added (tCO ₂ e/\$m gross profit)	131	125	118	113	107	102
GEVA (1.7% reduction year on year)		(4.75)%	(5.00)%	(5.00)%	(5.00)%	(5.00)%
GEVA Absolute Emission Reduction (tCO ₂ e)	12,853	6,881	9,035	11,732	13,986	15,585

According to the SDA, Core Lab's Scope 1 and 2 GHG emissions can increase by 23% to 15,806 tCO₂e in 2020. However, when considering a longer time-frame to 2050, the emissions need to decrease by 38%.

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

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

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

Value Chain GHG Emissions 2016

In 2016, Core Lab's value chain (Scope 3) was responsible for the emissions of 10,326 metric tons of GHG emissions (tCO₂e), about 71% of its total GHG inventory. The majority of the value chain emissions occur upstream from purchased goods and fuel and energy related activities, accounting for the largest share with 72% of Scope 3 emissions and 52% of total emissions.

Environment Goals and Achievements

Our Aberdeen ATC facility continues to lead our effort in reducing our energy consumption and reducing our GHGs by completing their ISO 14011 Environmental Management system certification. They have also set aggressive targets to reduce energy consumption with the incentives to surpass them.

Usage Targets

Electricity Usage Targets

As part of our commitment to the environment we have set targets to reduce our electricity consumption in our six ATC's and our primary manufacturing facility. These facilities produce the majority of our revenues and our plan is to both reduce energy consumption by 7.5% over 5 years while creating operational excellence through the management and investment in our facilities, electronic equipment, and operational processes utilizing sustainable resources when available and appropriate.

It is also important to note that energy consumption for the Company is a very small component of our operations less than 1% of our total costs for the last 5 years. The total costs for electricity, natural gas and water consumption has been trending down each year. This also helps to understand why gathering emissions data and tracking this information for our smaller operations has not been a primary focus for the Company.

Water Consumption Efforts

We made an investment in our Reservoir Description laboratories-based business to reduce the use of water that is used in the cooling process of equipment.

The Company's initial investment was in our Calgary ATC, where we have invested in cooler units which allow the water to be recycled through the system used to cool the equipment.

This has resulted in a reduction of almost 65% of the water normally used in this process and also an annual cost savings in excess of US \$100,000 for water and sewage expenses in just one facility. This program and investment is being expanded globally to our other laboratory facilities, which helped us achieve more than a 63% and 43% reduction in water consumption for our six ATCs in 2015 and 2014, respectively.

Reduction Efforts

Waste Reduction Efforts

Core Laboratories operations have taken actions on the following waste streams to reduce cost and/or reduce the introduction of disposal of hazardous waste in the processes:

Mercury Reduction

Core Laboratories has aggressively invested in proprietary Pressure Volume Temperature ("PVT") Cells which are mercury free and more technically accurate than the older mercury cells. In 2017, we continued to invest in additional mercury free PVT Cells to replace older technology or add capacity to current testing capabilities.

Hazardous Waste Reduction

Over the last few years, Core Laboratories has increased the recycle of waste by using vendors that remove the recyclable waste at low or no cost. We segregate the waste streams into recyclable (oils) and hazardous waste (laboratory solvents). Recent locations in Texas adopting recycling have reduced reportable waste by up to 80%. In some cases, this has reclassified our Resource Conservation and Recovery Act ("RCRA") classification from large quantity to small quantity generator.

Joint Study Participation

Core Laboratories is participating in the Mercury in Glass Task Force, a joint American Petroleum Institute ("API"), American Society for Testing and Materials ("ASTM") and Environmental Protection Agency ("EPA") project to reduce mercury in field applications. The EPA requested that alternative thermometers be added as acceptable instruments in the API measurement standards to reduce or eliminate human and environmental exposure to mercury in the field. Several states have placed restrictions or bans on mercury thermometers use or the introduction of new mercury devices into the State. The EPA has expressed a desire to work with the petroleum industry to find acceptable alternative thermometers.

Expensive and delicate high precision thermometers exist but may not be suitable for use in field applications. The study provides statistical performance verification of alternative liquid in glass thermometers and electrical digital contact thermometers, with suitable accuracy and cost, to mercury thermometers in field applications. This study is a multi-year project consisting of three phases: field tanking thermometers measurement, daily verification of field temperature equipment and prover calibration equipment used to verify meter accuracy. To date the first two phases have been completed and the joint API and ASTM standards are near publication to allow alternate low-hazard precision liquid in glass thermometers and electronic direct contact thermometers to replace the use of mercury thermometers in several field applications. This will greatly reduce the use of mercury thermometers for temperature determination in daily operation across the petroleum industry. The ASTM Award of Excellence was received by Core Laboratories' Safety Director for this work.

Our Changing Climate - Core Laboratories Provides Technologies to Mitigate the Risks of Carbon Emissions

Core Laboratories offers high-technology services that provide scientific data used when designing projects involving the injection of CO₂ into oil fields.

In our laboratories, we study how CO₂ interacts with other fluids in the reservoir as well as how the CO₂ mobilizes residual oil within the reservoir. This provides two benefits which help our environmental eco-system:

First, CO₂ can be captured from industrial complexes and injected into oil fields, effectively sequestering the CO₂ underground and reducing the amount of CO₂ emitted into the atmosphere.

Second, the CO₂, once injected into the reservoir can improve the recovery rate of hydrocarbons from the reservoir- making the reservoir as efficient as possible by minimizing the amount of hydrocarbons trapped within that reservoir.

The positive impact to the environment is not only the reduction of CO₂ in the atmosphere, but also greater recovery from an existing reservoir.

Safety Performance - to provide a safe work environment for all

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

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

Safety Starts Here

Executive Summary

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

Core Laboratories is a leading service provider to oil and gas operations with a global presence and impact; we strive to respect the communities and environments in which we do business. We are committed and strive for a zero accident

environment, which makes safety first in all of our locations and those of our clients. Core Laboratories 4,600 employees operate in over 50 countries around the globe and in 2017 these employees worked 9.3 million man hours. In 2017 Core Lab recorded one of its best years ever having 21 recordable accidents compared to 23 in 2016.

Challenging market conditions over the past three years have reduced man-hours by 1.2 million compared to the company high in 2014. During this period Core Laboratories has continued to reduce accidents recording the three best safety results in Company history.

Path to Zero

Goals

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

Trends for both LTIR and TRIR have showed movement towards growing sustainable safety cultures within all business units. Core Laboratories firmly believes trending of three-year averages best shows the sustainability of the safety program over time by removing the short term peaks and valleys. This provides a more stable and measurable TRIR or LTIR, avoiding safety expectations on performance based on just one good or bad year. Core Laboratories goals are set with the expectation of driving down three-year averages. We will again set realistic aggressive goals aimed at improving the three-year averages in 2018.

ISNetWorld. Collect. Verify. Connect.

Goals

Core Laboratories subscribes to ISNetWorld ("ISN") globally with over 15 accounts in the USA, Canada, Europe, Middle East and Australia. ISN facilitates the collection of self-reported information from contractors and maintains it in a centralized database, ISNetworld. The information collected is configured to each hiring client's specific requirements and includes items such as: Management Systems Questionnaires, Health & Safety, Environmental, Sustainability and Quality Programs, Injury & Illness Records, Audit Results, Insurance Certificates, Contracts and Agreement and Workers Compensation & Experience Modifiers.

Core Laboratories Incident Performance

Continued Improvements

Core Laboratories approximately 4,600 employees operate in over 50 countries around the globe. In 2017 these employees worked 9.3 million man hours. This is down from our employee high of 5000+ employees in 2014 due to market conditions. Our committed employees achieved arguably one of the best safety performance ever having the fewest total accident and record low TRIR. Safety gains were driven by exceptional results from the largest Companies in our Reservoir Description Segment, representing 77% of our employees, setting record low results of TRIR 0.19/63% improvement and LTIR 0.06/65%.

Recordable Incidents by Year

In 2017 Core Laboratories business segments achieved the lowest three year average in both TRIR and LTIR. Of these incidents there has been some improvement with severity dropping significantly in the number of restricted cases.

Incident Pyramid 2010 - 2017

The incident pyramid continues to align in the expected trend that you will have a reduced number of incidents by severity from medical treatment cases up to fatality.

In 2016, Core Laboratories implemented a computerized global safety incident reporting system which will further increase the communication of incidents to management and safety officers in real time.

Moving from a paper reporting system to an online database Core Laboratories is now better positioned to take advantage of lower level safety incident reporting in real time. This information will be more accessible, reliable and accurate.

Creating Efficiencies

Management, Supervisors and Safety Officers are now able to receive immediate email alerts for employee incident entries. This will enable us to react quickly to injuries while also informing us of safety observations, near accidents (misses) or material damage cases.

The collection of data will assist evaluating the safety programs and employee attitudes globally down to the location level. A dashboard has been released for 2017 to quickly display and organize real time safety. This will be a valuable tool to assist with reaction to safety and operational trends in the work place. Core Laboratories considers time crucial to proper case management, and injury prevention.

Incident Type 2010 - 2017

Slips, Trips and Falls ("ST&F") accounted for 36% of the recordable incidents over the past 8 years. The number of incidents from ST&F have remained the same from 7 (30%) in 2016 to 7 (33%) in 2017. This is still a noticeable improvement from previous years ST&F accident frequency.

Cuts or Abrasions accounted for 26% of the recordable incident over the past 8 years. Cuts or abrasions are up slightly from 7 in 2016 to 8 in 2017 accounting for 38% of all recordable incidents in 2017. While the number of Cuts or Abrasions is significantly down from previous years in 2017 for the first time cuts or abrasions exceeded ST&F's as the number one incident type.

Lifting accounted for 14% of the recordable incidents over the past 8 years. Lifting incidents remained the same at 4 in 2016 and 2017 accounting for 19% of all recordable incidents in 2017. Back strains account for the majority of high cost cases with lost and restricted days. Despite the low number of cases year over year significant safety improvement opportunities exist in training and ergonomics.

Road Accidents accounted for 9% of the recordable incidents over the past 8 years. For the first time in 2017 the Company recorded ZERO recordable injuries resulting from vehicle accidents. The continuing AlertDriving program has had a major impact on driver awareness over the past four years. Injuries resulting from vehicle accidents have been reduced since the program's inception, dramatically decreasing medical treatment, lost and restricted day recordable cases. With vehicle driving being one of the most dangerous activities, accident severity control is essential.

Short Service Workers 2010 - 2017

Short Service Worker (SSW), incidents were again reduced by 17% with 5 recordable SSW cases in 2017 compared to 6 in 2016. Core Laboratories has seen a reduction in the number of recordable SSW accidents for 8 continuous years. However, this achievement has been tempered as the percentage of SSW to all recordable accidents remained around 45% year over year. For 2016 and 2017 this percentage has dropped to 27% and 24%.

This achievement at first glance could be thought the result of current lower market conditions and reduced headcounts. However, divisions which operates in the down-stream sector has seen an increase of employees from 2015 to 2017 and represents the majority of Core Laboratories exposure to SSW accidents.

Effective SSW programs remain an opportunity to improve safety performance, and guard against safety performance waning during market recovery. An effective SSW Program at a minimum has:

- Management involvement at all levels.
- Mentors well versed in the program and objectives.
- New employees that are engaged immediately with the importance of the program and company expectations.
- An identification system easily recognized by senior workers in the area. These senior employees must also take a vested interest in the safety of new personnel.

OSHA NAICS Comparison 2008 - 2017

Core Laboratories reports safety statistics under North American Industry Classification System (NAICS) Code 213112 Support Activities for Oil and Gas Operations. The Bureau of Labor and Statistics (BLS) publishes safety statistics annually based on 100 employees working 200,000 hours in one year. From these published TRIR's and LTIR's Core Lab can compare itself with others performing similar work in the oil and gas industry within the United States.

Typically safety results are published in the 3rd to 4th quarter the following year. Results from OSHA may be made earlier in 2017 or 2018 as OSHA implements the electronic reporting process in the OSHA's Final Rule to Improve Tracking of Workplace Injuries and Illnesses. There is also the possibility that comparisons may change do to the improved and expanded collection along with data management capabilities in the new system. It should not be necessary to wait for the BLS to collate the data as in the past.

Core Laboratories has consistently outperformed the TRIR results. However, only since improvement in the incident pyramid in 2011 have we seen the same performance in LTIR Comparison. Core Laboratories now constantly performs better than its peers in TRIR and LTIR. In 2016 Core Lab outperformed TRIR by 56% and LTIR by 70%.

Integrating Our Safety Culture

Continuing Corrective Actions

Core Laboratories has taken several steps to increase safety awareness and involvement of the employees. The closer we come to zero incidents within the Company the more often the incidents are the result of "Human Factors". The vast majority of incidents in 2015 were 100% preventable by the individual or individuals involved. Corrective actions should stress good judgment, individual responsibility, commitment at all levels and the principles of behavior based safety.

"A human factor is the term used to describe the interaction of individuals with each other, with facilities and equipment, and with management systems. This interaction is influenced by both the working environment and the culture of the people involved. What may be a good system of work in one part of an organization may be found to be less than ideal in a region where culturally driven attitudes to risk taking may be significantly different. "OGP Publication Human Factors - a means of improving HSE performance".

Steps taken include the following snapshot summaries that are designed to affect the behavior of individuals and communicate a stronger employee involved attitude which is supported by management at all levels.

Our Safety Culture

Corporate Safety Committee - Organized safety committee with senior safety, training and quality personnel from all companies and regions. Committee focuses on corporate policy change, sharing best practices, communicating safety, safety alerts, incident reporting and investigation. This group has been instrumental in the success of AlertDriving and safety database successes.	Incident Reporting - Mandatory 24 hour incident reporting to COO and Corporate Safety Director for all recordable classified incidents. New database has had a significant impact on timely case management.
Corporate Safety Presentations - Presentations focus on executive management safety commitment, incident analysis, division comparisons, human factors/ behavior effecting safety, essential programs expected and accident review.	AlertDriving Training - This program is designed to evaluate hazard perception, increase skills and reduce traffic accidents and violations. In this our third year all participating employees will retake the hazard perception training. This will enable us to compare 2013 results and measure for improvement.
Continued Efforts - The company continues its efforts in five major behavior based safety programs; Short Service Worker, Job Safety Analysis, Last Minute Risk Assessment, Stop Work Authority, and Reporting of Unsafe Conditions. Several online tools and safety process systems have been put in place by the company to increase awareness and safety observation collection.	Safety Services -Partnership has been expanded with Safety Services to monitor safety websites and strengthen safety policies. Current scoring in the A range for ISNetWorld.

AlertDriving Training Program Results

In an effort to increase the skills of our drivers and fleet administration Core Laboratories Launched the AlertDriving Safety Training Program in February 2014. This training is provided to all employees who operate company-issued vehicles, and those that drive personnel vehicles regularly on company business.

This program is designed to increase driver skills, to reduce traffic accidents and violations through an initial hazard perception evaluation and then targeted training assignments pulsed out monthly.

AlertDriving was selected for the quality of their training tools which address specific skill sets needed by Core Laboratories, and whose packages are creative and interactive. Every employee who operates a vehicle regularly on company business is required to participate in the program.

In 2016 the program was expanded to include post-accident remedial targeted training, and in 2017 we introduced MotorMind an interactive advanced training established drivers.

Core Laboratories is committed to vehicle safety and has renewed AlertDriving for an additional 3 years starting February 2017. Again, as an added bonus one family member of each employee enrolled in the program may also take advantage of the training.

Reporting Framework

Environmental, Social and Governance Reporting

What We Report

Core Laboratories strives to provide transparent and meaningful information to shareholders, employees, clients and suppliers that reflect our continuing effort to decrease our use of limited resources while at the same time improving our productivity and sustainability. We provide this information through the use of the latest Global Reporting Initiative format, currently G4 Guidelines, which is included in this report. We also place internal resources on providing similar information to various SRI rating firms located in the principal marketplaces around the globe.

Our Approach

Given our smaller size compared to most other international service companies but with a significant number of locations in more than 50 countries, the effort to accumulate, distil, and report all of the requested SRI information can be a daunting task. Our approach is to report the most meaningful information that can be reliably determined from our locations that are of any significant size. While we have locations in 50 countries, we operate through six globally located Advanced Technology Centers which make up the majority of our environmental footprint.

Because our Advanced Technology Centers are representative of the Company as a whole, we have compiled their ESG data to be the basis for our reporting.

The Environmental Protection Agency

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

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

Dutch Corporate Governance Code

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

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

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

Compliance with the Dutch Corporate Governance Code

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

Where reference is made in the Dutch Code to reports, profiles or other documents, such documentation may not exist; however, the principles of the Dutch Code are being followed - subject to deviations as explained below - and the information to be contained in such reports, profiles and other documentation is set-out in the Company’s Proxy Statement, which is published on the Company’s website at <http://www.corelab.com/investors/sec-filings> or https://www.corelab.com/investors/cms/docs/proxy/2018_proxy_document.pdf.

The corporate governance structure of the Company is not explained in a separate chapter of the consolidated financial information under IFRS in the annual report for December 31, 2017 (“Dutch annual report”). However, information about our corporate governance strategies and values and information about our Board of Supervisory Directors can be found in prior chapters of this report. The corporate governance structure of the Company is explained in the Corporate Governance Guidelines which the Company adopted pursuant to the Rule 303A.09 of the NYSE, and which are described in the Company’s publicly available Proxy Statement. A copy of the Corporate Governance Guidelines is available on the Company’s website at <http://www.corelab.com/cr/governance>.

Principles 1.6 and 1.7 and the relevant Best practice provisions

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

Best practice provision 1.7.6

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

Principle 2.2.1 and the relevant Best practice provisions

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

Best practice provision 2.1.2

The information mentioned in this provision is or will be provided in the Company's publicly available Proxy Statement. A copy of the Proxy Statement is available on the Company's website at <http://www.corelab.com/investors/sec-filings> or https://www.corelab.com/investors/cms/docs/proxy/2018_proxy_document.pdf.

Best practice provisions 2.1.7, 2.1.8 and 2.1.9

In 2017, six of the eight Supervisory Board members met the criteria for independence as set forth in Best Practice 2.1.8 of the Dutch Code. The two Supervisory Board members that are not considered independent under the standard set forth in Best Practice 2.1.8 of the Dutch Code are David Demshur, CEO, and Richard Bergmark, CFO. Messrs. Demshur and Bergmark have served on the Company's Supervisory Board of Directors since the Company's initial public offering in 1995 and subsequent listing on the NYSE in 1998 and Euronext Amsterdam in 2012. Given their experience and their important contributions to the Company and its business, the Supervisory Board considers their service on the Supervisory Board to be valuable. Also, given the Company's size and its activities, the Supervisory Board considers that having two members of management serve as members of the Supervisory Board provides for the most efficient Supervisory Board leadership structure for the Company at the present time. It is furthermore noted that all six nonexecutive Supervisory Board members meet the standard for independence as set forth by the NYSE. The Company publishes a statement on the independence (using the SEC's definition thereof) of its members of the Supervisory Board in the Proxy Statement provided annually to its shareholders. Therefore, the Company does not include a statement in relation thereto in the Dutch annual report.

Best practice provision 2.2.4

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

Best practice provision 2.2.5

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

Best practice provision 2.3.1

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

Best practice provision 2.3.5

The Company publishes a report of each of the Supervisory Board committees in the Proxy Statement provided annually to its shareholders. Therefore, the Company does not include such a reference in its Dutch annual report.

Best practice provisions 2.3.6 and 2.3.7

As described in the Company's Corporate Governance Guidelines and Articles of Association, the Company does comply with this provision except for the duty of the Supervisory Board to elect a vice-chairman. A copy of the Corporate Governance Guidelines is available on the Company's website at <http://www.corelab.com/cr/governance>.

Best practice provision 2.4.4

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

Best practice provision 2.7.1

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

Best practice provision 2.7.2

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

Best practice provision 2.7.3

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

Best practice provisions 2.8.1 and 2.8.2

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

Principle 3.1 and the relevant Best practice provisions

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

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

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

Best practice provision 3.3.2

As is customary in the industry in which we compete, the Company does grant annual equity compensation to the members of the Supervisory Board. The Company believes that widespread common share ownership by its directors is an effective way to align the interests of the members of the Supervisory Board with those of the Company and its shareholders. The Company also believes that directors with substantial equity positions are more aligned in their approach to oversight than those with little or no stake in the Company. As required by the rules of the NYSE, the Company has obtained shareholder approval of its

equity compensation plans. In addition, all grants of equity compensation are disclosed in the Company's Proxy Statement as required by Item 402 of Regulation S-K.

Best practice provision 3.3.3

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

Best practice provision 4.1.3

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

Best practice provision 4.1.10

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

Best practice provision 4.2.2

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

Best practice provision 4.2.3

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

Best practice provision 4.2.4

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

Best practice provision 4.2.6

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

Best practice provision 4.3.2

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

Best practice provision 4.3.3

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

Pay Ratio Disclosure

We determined that the annual total compensation of Mr. Demshur, our CEO, was \$7,858,862 and that the median of the annual total compensation of from the aggregate sampling of employees of our company (other than Mr. Demshur, our CEO) was \$57,546; therefore the ratio of these two amounts is 137 to 1. If the CEO does not actually receive any of the non-equity incentive compensation, his total compensation would be \$6,188,851 for 2017 and the ratio of our CEO's compensation to the that of the median employee would be 97 to 1. See Note 32 - Directors' and Nonexecutive Directors' Remunerations for our CEO's compensation.

Given the size, composition and global diversity of our workforce, we used statistical sampling to identify the “median employee.” Using the measure of total cash compensation consisting of base salary, allowance, bonus and pension paid as provided by our payroll records, we grouped countries based on similarity of median compensation levels and compensation standard variances and determined an appropriate sample size for each group of countries. The aggregate sample size covered more than two-thirds of our employee population.

This pay ratio is a reasonable estimate calculated based on our payroll and employment records and the methodology described above. The pay ratio reported by other companies may not be comparable to the pay ratio reported above, as other companies may have different employment and compensation practices and may utilize different methodologies, exclusions, estimates and assumptions in calculating their own pay ratios.

Risk Management Approach & Financial Reporting Risks - Best practice provision 1.4.3

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

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

The Company's risk management and internal control system is designed to determine risks in relation to the achievement of operational and financial business objectives and appropriate risk responses.

In view of the above, the Management Board believes that it is in compliance with the requirements of recommendations 1.4.3 of the Dutch Code, taking into account the recommendation of the Corporate Governance Code Monitoring Committee on the application thereof.

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

Materials we file with the SEC may also be read and copied at the SEC's Public Reference Room at 100 F Street, N.W., Washington, D.C. 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet website at www.sec.gov that contains reports, proxy and information statements, and other information regarding the Company that we file electronically with the SEC. Our 2017 Annual Report on Form 10-K included the required Section 302 certifications.

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

General Meeting of Shareholders

The functioning and the powers of the General Meeting of Shareholders are also governed by the SEC rules since the Company's shares are listed on the NYSE.

Disclosure Controls and Procedures

Our management, under the supervision of and with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of the end of the period covered by this report. Our disclosure controls and procedures are designed to provide reasonable assurance that the information required to be disclosed by us in our reports filed or submitted under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure and is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of December 31, 2017 at the reasonable assurance level.

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

Management's Report on Internal Control over Financial Reporting

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

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

Our management, under the supervision of and with the participation of our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of our internal control over financial reporting as of December 31, 2017. In making this assessment, management used the criteria set forth in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment using these criteria, our management determined that our internal control over financial reporting was effective as of December 31, 2017.

Changes in Internal Control over Financial Reporting

There was no change in our system of internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act, during our fiscal year ended December 31, 2017 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Responsibility Statement

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

- The Consolidated financial statements, together with the stand-alone Company financial statements, give a true and fair view of the assets, liabilities, financial position and results of Core Laboratories N.V. at December 31, 2017;
- The Annual Report gives a true and fair view of the position as per the balance sheet date, the state of affairs during the 2017 financial year of Core Laboratories N.V. and its affiliated companies included in the Consolidated financial statements and
- The Annual Report describes the principal risks that Core Laboratories N.V. faces.

Risk Factors

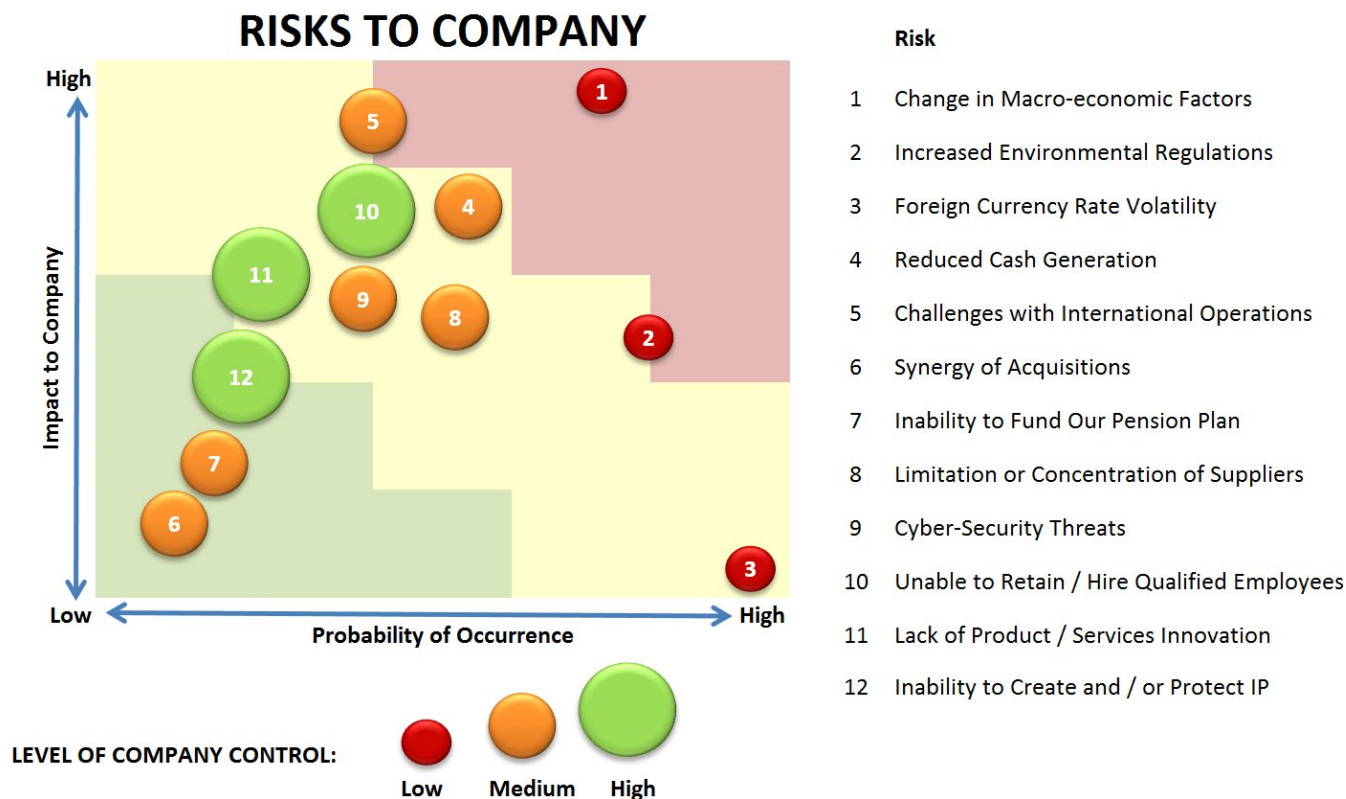
Our forward-looking statements are based on assumptions that we believe to be reasonable but that may not prove to be accurate. All of our forward-looking information is, therefore, subject to risks and uncertainties that could cause actual results to differ materially from the results expected. All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

Trends and Developments

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

Nature of Oil and Gas Industry

The oil and gas industry is highly cyclical and has been subject to significant economic downturns at various times as a result of numerous factors affecting the supply of and demand for oil and natural gas, including the level of capital expenditures of the oil and gas industry, the level of drilling activity, the level of production activity, market prices of oil and gas, economic conditions existing in the world, interest rates and the cost of capital, environmental regulations, tax policies, political requirement of national governments, coordination by the Organization of Petroleum Exporting Countries ("OPEC"), cost of producing oil and natural gas, and technological advances. Potential changes in the business environment are not expected to have any effect on our business model, corporate strategies, management approach or value chain.



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

The oil and gas industry is highly cyclical and demand for the majority of our oilfield services and products is substantially dependent on the level of expenditures by the oil and gas industry for the exploration, development and production of crude oil and natural gas reserves, which are sensitive to oil and natural gas prices and generally dependent on the industry's view of

future oil and gas prices. There are numerous factors affecting the supply of and demand for our services and products, which are summarized as:

- general and economic business conditions;
- 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, such as increased frequency or severity of storms, such as hurricanes, droughts and floods, or geologic/geophysical conditions;
- the adoption of legal requirements or taxation, including, for example, a carbon tax, relating to climate change that lowers 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, including temporary or permanent moratoria on hydraulic fracturing or offshore drilling, the issuance of NTLs that eliminate or significantly reduce the ability of offshore operators to self-insure their supplemental bonding obligations, or shareholder activism or governmental rulemakings or agreements to restrict GHG emissions, which developments could have an adverse impact on the oil and gas industry and/or demand for our services;
- stockholder activism or activities by non-governmental organizations to limit certain sources of funding for the energy sector or restrict the exploration, development and production of oil and natural gas;
- 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;
- ability of our clients to deliver product to market;
- 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.

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

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

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

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

We conduct our business in over 50 countries; business outside of the United States accounted for 57% and 62% of our revenue during the years ended December 31, 2017 and 2016, respectively. We attribute service revenue to the country in which the service was performed while we attribute product sales revenue to the country to which the product was shipped as we feel this gives a clearer view of our operations. We do, however, have significant levels of revenue recorded in the U.S., where the services were performed, that are sourced from projects on non-U.S. oilfields.

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

- global economic conditions;
- political actions and requirements of national governments including trade restrictions, embargoes, seizure, detention, nationalization and expropriations of assets;
- interpretation of tax statutes and requirements of taxing authorities worldwide, routine examination by taxing authorities and assessment of additional taxes, penalties and/or interest;
- international agreements that restrict GHG emissions, such as the Paris Agreement that calls for such countries to set GHG emissions targets in their own countries and to be transparent in how such countries achieve those GHG emissions targets;
- civil unrest;
- acts of terrorism;
- fluctuations and changes in currency exchange rates (see section below);
- the impact of inflation;
- difficulty in repatriating foreign currency received in excess of the local currency requirements; and
- current conditions in oil producing countries such as Venezuela, Nigeria, Libya, Iran and Iraq considering their potential impact on the world markets.

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

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

We are exposed to risks due to fluctuations in currency exchange rates. By the nature of our business, we derive a substantial amount of our revenue from our international operations, subjecting us to risks relating to fluctuations in currency exchange rates.

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

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

We are subject to the regulations imposed by the FCPA and the ABA, which generally prohibits us and our intermediaries from making improper payments to foreign officials for the purpose of obtaining or keeping business. In particular, we may be held liable for actions taken by our strategic or local partners even though our partners are not subject to these laws. Any such violations could result in substantial civil and/or criminal penalties and might adversely affect our business, results of

operations or financial condition. In addition, our ability to continue to work in these parts of the world discussed above could be adversely affected if we were found to have violated certain laws, including the FCPA and the ABA.

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

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

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

We are subject to the risk of supplier concentration.

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

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

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

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

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

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

The success of any completed acquisition will depend on our ability to effectively integrate the acquired business into our existing operations. The process of integrating acquired businesses may involve unforeseen difficulties and may require a disproportionate amount of our managerial and financial resources. In addition, possible future acquisitions may be larger and

for purchase prices significantly higher than those paid for earlier acquisitions. No assurance can be given that we will be able to continue to identify additional suitable acquisition opportunities, negotiate acceptable terms, obtain financing for acquisitions on acceptable terms or successfully acquire identified targets. Our failure to achieve consolidation savings, to incorporate the acquired businesses and assets into our existing operations successfully or to minimize any unforeseen operational difficulties could have a material adverse effect on our financial condition and results of operation.

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

We are subject to a variety of stringent governmental laws and regulations both in the United States and foreign countries relating to protection of the environment, occupational health and safety and the use and storage of chemicals and gases used in our analytical and manufacturing processes and the discharge and disposal of wastes generated by those processes. Certain of these laws and regulations may impose joint and several, strict liability for environmental liabilities, such as the remediation of historical contamination or recent spills, and failure to comply with such laws and regulations could result in the assessment of damages, fines and penalties, the imposition of remedial or corrective action obligations, the occurrence of delays in permitting or development of projects, or the suspension or cessation of some or all of our operations. These stringent laws and regulations could require us to acquire permits or other authorizations to conduct regulated activities, install and maintain costly equipment and pollution control technologies, impose specific safety and health standards addressing work protection, or to incur costs or liabilities to mitigate or remediate pollution conditions caused by our operations or attributable to former owners or operators. If we fail to control the use, or adequately restrict the emission or discharge, of hazardous substances or wastes, we could be subject to future material liabilities including remedial obligations. In addition, public interest in the protection of the environment has increased dramatically in recent years with governmental authorities imposing more stringent and restrictive legal requirements. We anticipate that the trend of more expansive and stricter environmental laws and regulations will continue, the occurrence of which may require us to increase our capital expenditures or could result in increased operating expenses. For example, in October 2015, the EPA issued a rule under the CAA lowering the NAAQS for ground-level ozone to 70 parts per billion. The EPA published a final rule in November 2017 that issued area designations with respect to ground-level ozone for approximately 85% of the U.S. counties as either "attainment/unclassifiable" or "unclassifiable" and is expected to issue non-attainment designations for the remaining areas of the U.S. not addressed under the November 2017 final rule in the first half of 2018. States are also expected to implement their own rules, which could be more stringent than federal requirements.

Due to concern over the risk of climate change, there has been a broad range of proposed or promulgated state, national and international laws focusing on GHG reduction. Regulatory frameworks adopted, or being considered for adoption, to reduce GHG emissions include cap and trade regimes, carbon taxes, restrictive permitting, increased efficiency standards, and incentives or mandates for renewable energy. For example, the European Emissions Trading Scheme is a program through which many of the European Union member states are implementing cap and trade controls covering numerous power stations and industrial facilities. Also, in December 2015, the United States joined other countries of the United Nations in preparing the Paris Agreement that requires member countries to develop reductions in GHG emissions. The Paris Agreement was signed by the United States in April 2016 and entered into force in November 2016; however, this agreement does not create any binding obligations for nations to limit their GHG emissions, but includes pledges to voluntarily limit or reduce future emissions. In August 2017, the U.S. State Department officially informed the United Nations of the intent of the United States to withdraw from the Paris Agreement. The Paris Agreement provides for a four-year exit process beginning when it took effect in November 2016, which would result in an effective exit date of November 2020. The United States' adherence to the exit process and/or the terms on which the United States may re-enter the Paris Agreement or a separately negotiated agreement are unclear at this time. These proposed or promulgated laws and legal initiatives apply or could apply in countries where we have interests or may have interests in the future. These requirements could make our services and products more expensive, lengthen project implementation times, and reduce demand for the production of oil and natural gas, which could decrease demand for our services and products. In the United States, a number of state and regional efforts have emerged that are aimed at tracking or reducing emissions of GHGs and the U.S. Congress has from time to time considered legislation to reduce emissions of GHGs but no such legislation has yet been adopted. However, the EPA has determined that emissions of GHGs present a danger to public health and the environment and, based on these findings, has adopted regulations under existing provisions of the CAA that establish construction and operating permit reviews for GHG emissions from certain large stationary sources that are already potential major sources of criteria pollutant emissions and that require the monitoring and annual reporting of GHG emissions from specified onshore and offshore production sources in the United States, which include the operations of many of our exploration and production clients. Although it is not possible at this time to predict how legislation or new regulations that may be adopted to address GHG emissions in the United States would impact our business, any such future laws and regulations that require reporting of GHGs or otherwise limit emissions of GHGs from our clients' operations

could require our clients to incur increased costs and also could adversely affect demand for the oil and natural gas that they produce, which could decrease demand for our services and products.

Hydraulic fracturing is a process used by oil and gas exploration and production operators in the completion of certain oil and gas wells whereby water, sand or other proppants and chemical additives are injected under pressure into subsurface formations to stimulate gas and, to a lesser extent, oil production. Some countries outside the United States, such as Bulgaria, the Czech Republic and France, currently have imposed moratoria on hydraulic fracturing while other countries, such as the United Kingdom, allow fracturing activities but those activities are not as widely pursued as they are in the United States. In the United States, the fracturing process is typically regulated by state oil and gas commissions, but several federal agencies have asserted regulatory authority over certain aspects of the process. For example the EPA published an effluent limit guideline final rule in June 2016 prohibiting the discharge of wastewater from onshore unconventional oil and natural gas extraction facilities to publicly owned wastewater treatment plants and published a final rule in June 2016 establishing first-time standards to address emissions of methane from hydraulically-fractured oil and natural gas well completions. Additionally, the BLM published a final rule in March 2015 that established new or more stringent standards relating to hydraulic fracturing on federal and American Indian lands, which rule was struck down by a federal judge in June 2016. The BLM appealed the decision to the U.S. Circuit Court of Appeals in July 2016, the appellate court issued a ruling in September 2017 to vacate the Wyoming trial court decision and dismiss the lawsuit challenging the 2015 rule in response to the BLM's issuance of a proposed rulemaking to rescind the 2015 rule and, in December 2017, the BLM published a final rule rescinding the March 2015 rule. In January 2018, a legal challenge to the BLM's rescission of the 2015 rule was filed in federal court. Also, in December 2016, the EPA released its final report on the potential impacts of hydraulic fracturing on drinking water resources, concluding that water cycle activities associated with hydraulic fracturing may impact drinking water resources under certain circumstances. In addition, the U.S. Congress has from time to time considered the adoption of legislation to provide for federal regulation of hydraulic fracturing. At the state level, a number of states have adopted, and other states are considering, legal requirements that could impose more stringent permitting, disclosure or well construction requirements on hydraulic fracturing activities. States could elect to prohibit fracturing altogether, following the approach taken by the State of New York. In addition, local governments may seek to adopt ordinances within their jurisdictions regulating the time, place and manner of drilling activities in general or hydraulic fracturing activities in particular. If new or more stringent federal, state or local legal restrictions related to the hydraulic fracturing process are adopted in areas where our exploration and production clients' operate, those clients could incur potentially significant added costs to comply with such requirements and experience delays or curtailment in the pursuit of exploration, development or production activities, which could reduce demand for our products and services.

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

Our success depends upon attracting and retaining highly skilled professionals and other technical personnel. A number of our employees are highly skilled engineers, geologists and highly trained technicians, and our failure to continue to attract and retain such individuals could adversely affect our ability to compete in the oilfield services industry. We may confront significant and potentially adverse competition for these skilled and technically knowledgeable personnel, particularly during periods of increased demand for oil and gas. Additionally, at times there may be a shortage of skilled and technical personnel available in the market, potentially compounding the difficulty of attracting and retaining these employees. As a result, our business, results of operations and financial condition may be materially adversely affected.

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

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

No assurance can be given that we will generate sufficient cash flow from operations or that future borrowings will be available to us in an amount sufficient to enable us to service and repay our indebtedness or to fund our other liquidity needs. If we are unable to satisfy our debt obligations, we may have to undertake alternative financing plans, such as refinancing or restructuring our indebtedness, selling assets, reducing or delaying capital investments or seeking to raise additional capital. We cannot assure that any refinancing or debt restructuring would be possible or, if possible, would be completed on favorable or acceptable terms, that any assets could be sold or that, if sold, the timing of the sales and the amount of proceeds realized from those sales would be favorable to us or that additional financing could be obtained on acceptable terms. Disruptions in the capital and credit markets could adversely affect our ability to refinance our indebtedness, including our ability to borrow under our existing revolving credit facility ("Credit Facility"). Banks that are party to our existing Credit Facility may not be able to

meet their funding commitments to us if they experience shortages of capital and liquidity or if they experience excessive volumes of borrowing requests from us and other borrowers within a short period of time.

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

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

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

Our information technology systems are subject to possible breaches and other threats that could cause us harm. If our systems for protecting against cyber security risks prove not to be sufficient, we could be adversely affected by loss or damage of intellectual property, proprietary information, or client data, interruption of business operations, or additional costs to prevent, respond to, or mitigate cyber security attacks. These risks could have a material adverse effect on our business, consolidated results of operations, and consolidated financial condition.

Regulations related to conflict-free minerals could limit the supply and/or increase the cost of certain metals used in our manufacturing processes.

In 2012, the SEC issued their final rule to implement Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act regarding mandatory disclosure and reporting requirements by public companies of their use of "conflict minerals" (tantalum, tin, tungsten and gold) and whether these minerals originate in the Democratic Republic of Congo or adjoining countries ("conflict area"). As our suppliers determine the original source of the conflict minerals they sell or use in their manufacturing processes, we may find that sourcing of these conflict minerals from areas outside the conflict area (conflict-free) at competitive prices and availability in sufficient quantities could be affected. If the number of suppliers who provide conflict-free minerals is limited, this could have a material adverse effect on the Company's ability to purchase these conflict-free products or to purchase these conflict-free products at a favorable price or on favorable terms in the future.

Quantitative and Qualitative Disclosures about Market Risk

Market Risk

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

Interest Rate Risk

We maintain certain debt instruments at a fixed rate whose fair value will fluctuate based on changes in interest rates and market perception of our credit risk. The fair value of our debt at December 31, 2017 and 2016 approximated the book value.

In 2014, we entered into two interest rate swap agreements for a total notional amount of \$50 million to hedge changes in the variable rate interest expense on \$50 million of our existing or replacement LIBOR-priced debt. Under the first swap agreement of \$25 million, we have fixed the LIBOR portion of the interest rate at 1.73% through August 29, 2019, and under the second swap agreement of \$25 million, we have fixed the LIBOR portion of the interest rate at 2.50% through August 29, 2024. Each swap is measured at fair value and recorded in our consolidated balance sheet as a liability. They are designated and qualify as cash flow hedging instruments and are highly effective. Unrealized losses are deferred to shareholders' equity as a component of accumulated other comprehensive loss and are recognized in income as an increase to interest expense in the period in which the related cash flows being hedged are recognized in expense.

From time to time, we are exposed to interest rate risk on our Credit Facility debt for amounts outstanding in excess of \$50 million, which carries a variable interest rate. At December 31, 2017, we had an outstanding balance of \$78 million. A 10% change in interest rates would not have a material impact on our results of operations or cash flows.

Foreign Currency Risk

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

Credit Risk

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

Decree Article 10 Take-Over Directive

Shares

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

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

Shares repurchased by Core Laboratories N.V. for the share-based Restricted Share Award Program ("RSAP"), the Restricted Share Award Program for Nonemployee Directors (the "Program") and the Performance Share Award Program ("PSAP") awards or for any other purpose do not carry any voting rights or dividend rights until redistributed. Repurchased ordinary shares amounts to \$76.3 million and consists of 612,047 ordinary shares with a par value of EUR 0.02 each.

Shareholders who hold shares on a predetermined record date are entitled to attend and vote at General Meetings of Shareholders. The record date for the Annual General Meeting of Shareholders to be held on Wednesday, May 23, 2018 is March 16, 2018, 28 days before the Annual General Meeting of Shareholders.

Substantial shareholdings

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

- Clearbridge Investments, LLC owns 5,074,897 shares, 11.49%;
- WCM Investment Management owns 4,793,731 shares, 10.85%;
- The Vanguard Group owns 3,672,917 shares, 8.31%;
- BlackRock Inc. owns 2,245,861 shares, 5.08%.

Share plans

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

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

2014 Long-Term Incentive Plan

On May 13, 2014, the 2007 LTIP was amended, restated and renamed as the 2014 LTIP. At December 31, 2017, 1,106,157 shares remained available for the grant of new awards under the Plan. Specifically, we encourage share ownership by awarding various long-term equity incentive awards under the LTIP, consisting of the PSAP and RSAP. We believe that widespread common share ownership by key employees is an important means of encouraging superior performance and employee retention. Additionally, our equity-based compensation programs encourage performance and retention by providing additional incentives for executives to further our growth, development and financial success over a longer time horizon by personally benefiting through the ownership of our common shares and/or rights.

2014 Nonemployee Director Stock Incentive Plan

On May 13, 2014, the 2006 Nonemployee Director Stock Incentive Plan was amended, restated and renamed the 2014 Nonemployee Director Stock Incentive Plan (the "Director Plan"). The Director Plan provides common shares for grant to our eligible Supervisory Directors. As of December 31, 2017, 543,159 shares remained available for the grant of new awards under the Director Plan. Only non-employee Supervisory Directors are eligible for these equity-based awards under the Director Plan.

Change of control

The Company is a party to a Sixth Amended and Restated Credit Agreement dated August 29, 2014. Article 8.01(k) in that Agreement provides that a Change of Control constitutes an Event of Default, triggering certain default remedies specified in the Agreement. The Company is also a party to a Master Note Purchase Agreement dated September 30, 2011. Sections 9.5 and 10.2 contain certain requirements regarding merger or consolidation of the Company or its subsidiaries that may impact compliance with the Agreement.

Employee Benefit Plan

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

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

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

Compensation rights on termination of employment agreements

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

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

Upon a change of control, our named executive officers may be subject to certain excise taxes pursuant to Section 4999 of the Code (which imposes a 20% excise tax on certain excess parachute payments). In such case, we have agreed to pay each of our named executive officers a gross-up payment such that, after the payment of any income, excise or other tax on the gross-up payment, the named executive officer retains an amount sufficient to pay all excise taxes pursuant to Section 4999 of the Code.

Nomination and Election of Supervisory Board members

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

Amendment of the Articles of Association

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

Acquisition of own shares

We are a Dutch limited liability company and under the Dutch Civil Code, a company and its subsidiaries can hold a maximum of 50% of their issued shares in treasury, if approved by its shareholders. On October 29, 2002, we began to repurchase our shares under a share repurchase program approved by shareholders in connection with our initial public offering in September 1995. We currently have shareholder approval to hold up to 10% of our issued share capital in treasury. At our May 18, 2017 annual shareholder's meeting, our shareholders authorized the extension of our share repurchase authorization of up to 10% of our issued share capital from time to time for an 18 month period until November 18, 2018. For the 2018 annual meeting, scheduled for May 24, 2018, we included a similar agenda item. The repurchase of shares in the open market is at the discretion of management pursuant to shareholder authorization.

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

Issue of shares and Preemptive Rights

On May 18, 2017, the Annual General Meeting of Shareholders also authorized the Board of Supervisory Directors (for a period of 18 months) to issue shares or grant rights to (including options to purchase) with respect to our common and preference shares and to limit or exclude the preemptive rights of the holders of our common shares up to a maximum of 10% of outstanding shares per annum until November 18, 2018. For the 2018 annual meeting, scheduled for May 24, 2018, we included a similar agenda item.

Amsterdam, The Netherlands,
April 12, 2018

/s/ David M. Demshur

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

/s/ Jacobus Schouten

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

/s/ Richard L. Bergmark

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

/s/ Martha Z. Carnes

**Martha Z. Carnes
Supervisory Director**

/s/ Charles L. Dunlap

**Charles L. Dunlap
Supervisory Director**

/s/ Lucia van Geuns

**Lucia van Geuns
Supervisory Director**

/s/ Margaret Ann van Kempen

**Margaret Ann van Kempen
Supervisory Director**

/s/ Jan Willem Sodderland

**Jan Willem Sodderland
Supervisory Director**

/s/ Michael Straughen

**Michael Straughen
Supervisory Director**

CORE LABORATORIES N.V.
CONSOLIDATED BALANCE SHEET PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION
December 31, 2017 and 2016
(In thousands of USD, except share data)

ASSETS	Ref.	2017	2016
NON-CURRENT ASSETS			
Property, plant and equipment, net	6	\$ 123,098	\$ 129,882
Intangible assets, net	7	235,021	235,561
Investment in associates	8	3,557	3,225
Deferred tax assets	9	17,747	42,085
Other financial assets	30	46,331	39,076
Derivative financial instruments	29	70	—
Other assets		5,260	4,840
TOTAL NON-CURRENT ASSETS		\$ 431,084	\$ 454,669
CURRENT ASSETS			
Inventories	10	\$ 33,317	\$ 33,720
Prepaid expenses and other current assets	11	41,547	38,887
Income taxes receivable	11	7,508	6,426
Trade and other receivables, net	12	133,097	114,329
Cash and cash equivalents	30	14,400	14,764
TOTAL CURRENT ASSETS		229,869	208,126
TOTAL ASSETS		\$ 660,953	\$ 662,795
EQUITY			
SHAREHOLDERS' EQUITY			
Preference shares, EUR 0.02 par value; 6,000,000 shares authorized, none issued or outstanding		\$ —	\$ —
Common shares, EUR 0.02 par value in 2017 and in 2016; 200,000,000 shares authorized, 44,796,252 issued and 44,184,205 outstanding at 2017 and 200,000,000 shares authorized, 44,796,252 issued and 44,151,261 outstanding at 2016		\$ 1,148	\$ 1,148
Additional paid-in capital		53,454	54,576
Retained earnings		254,361	269,370
Other reserves		(13,026)	(15,231)
Treasury shares (at cost), 612,047 at 2017 and 644,991 at 2016		(76,269)	(80,773)
TOTAL SHAREHOLDERS' EQUITY		219,668	229,090
NON-CONTROLLING INTEREST		3,888	3,943
TOTAL EQUITY	13	\$ 223,556	\$ 233,033
LIABILITIES			
NON-CURRENT LIABILITIES			
Borrowings	16	\$ 226,989	\$ 216,488
Income taxes payable	17	14,262	14,262
Deferred tax liabilities	9	9,158	18,330
Post-employment benefit plans	20	79,311	71,648
Derivative financial instruments	29	492	1,046
Provisions	19	5,856	7,556
TOTAL NON-CURRENT LIABILITIES		\$ 336,068	\$ 329,330
CURRENT LIABILITIES			
Accounts payable	21	\$ 41,697	\$ 33,720
Income taxes payable	17	1,106	15,999
Other taxes payable	17	6,300	4,868
Payroll and social security contributions	20	29,227	19,787
Unearned revenue	18	17,369	15,990
Other accrued expenses	21	5,630	10,068
TOTAL CURRENT LIABILITIES		101,329	100,432
TOTAL LIABILITIES		\$ 437,397	\$ 429,762
TOTAL EQUITY AND LIABILITIES		\$ 660,953	\$ 662,795

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

CORE LABORATORIES N.V.
CONSOLIDATED INCOME STATEMENT PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION
For the Years Ended December 31, 2017 and 2016
(In thousands of USD, except share and per share data)

	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
REVENUE:			
Services		\$ 481,518	\$ 470,259
Product sales		178,291	124,482
TOTAL REVENUE:	5	<u>659,809</u>	<u>594,741</u>
OPERATING EXPENSES:			
Cost of services	6,12,14,20,22	349,168	351,488
Cost of product sales	6,10,12,14,22	146,628	117,734
		<u>495,796</u>	<u>469,222</u>
GROSS PROFIT		<u>164,013</u>	<u>125,519</u>
General and administrative expense	6,7,14,22	49,480	43,482
Other (income) expense, net	23	(1,756)	106
OPERATING PROFIT		<u>116,289</u>	<u>81,931</u>
Finance income	24	(6)	(25)
Finance costs	24	10,734	11,572
Finance costs, net	24	<u>10,728</u>	<u>11,547</u>
Share of profit of associates	8	332	506
PROFIT BEFORE INCOME TAX EXPENSE		<u>105,893</u>	<u>70,890</u>
Income tax expense	25	23,705	2,309
PROFIT FOR THE YEAR		<u><u>\$ 82,188</u></u>	<u><u>\$ 68,581</u></u>
Attributable to:			
Equity holders of the parent		\$ 82,217	\$ 68,617
Non-controlling interest		(29)	(36)
		<u><u>\$ 82,188</u></u>	<u><u>\$ 68,581</u></u>
EARNINGS PER SHARE INFORMATION:			
Basic earnings per share	26	<u><u>\$ 1.86</u></u>	<u><u>\$ 1.58</u></u>
Diluted earnings per share	26	<u><u>\$ 1.86</u></u>	<u><u>\$ 1.57</u></u>
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING (in thousands):			
Basic	26	<u><u>44,153</u></u>	<u><u>43,479</u></u>
Diluted	26	<u><u>44,264</u></u>	<u><u>43,670</u></u>

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

CORE LABORATORIES N.V.
CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION
For the Years Ended December 31, 2017 and 2016
(In thousands of USD)

	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
Profit for the year		\$ 82,188	\$ 68,581
Items that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations, net of \$496 tax and \$453 tax for 2017 and 2016, respectively	13,20	1,691	1,360
Items that may be subsequently reclassified to profit or loss			
Cash flow hedges, net of \$156 tax and \$197 tax for 2017 and 2016, respectively	29	468	339
Currency translation adjustment, net of \$11 tax and \$18 tax for 2017 and 2016, respectively	13,20	46	54
Net income recognized directly in equity		<u>2,205</u>	<u>1,753</u>
Other comprehensive income for the year, net of tax		<u>3,896</u>	<u>3,113</u>
Total comprehensive income for the year		<u><u>\$ 84,393</u></u>	<u><u>\$ 70,334</u></u>
Attributable to:			
Equity holders of the parent		\$ 84,422	\$ 70,370
Non-controlling interest		<u>(29)</u>	<u>(36)</u>
		<u><u>\$ 84,393</u></u>	<u><u>\$ 70,334</u></u>

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

CORE LABORATORIES N.V.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION
For the Years Ended December 31, 2017 and 2016
(In thousands of USD, except share data)

	Ref.	Common Shares	Additional Paid-In Capital	Retained Earnings	Other Reserves	Treasury Stock	Equity attributable to equity holders of the Company	Non- controlling Interest	Total Equity
Balance at January 1, 2016		\$ 1,142	\$ —	\$ 295,898	\$ (16,984)	\$ (238,875)	41,181	\$ 5,365	46,546
Comprehensive income:									
Profit (loss) for the year		—	—	68,617	—	—	68,617	(36)	68,581
Total other comprehensive income		—	—	—	1,753	—	1,753	—	1,753
Total comprehensive income for the year		—	—	68,617	1,753	—	70,370	(36)	70,334
Transactions with owners:									
Stock-based compensation	14	—	(594)	—	—	22,276	21,682	—	21,682
Tax benefit related to stock-based awards	14	—	961	—	—	—	961	—	961
Repurchases of common shares	13	—	—	—	—	(7,161)	(7,161)	—	(7,161)
Cancellation of treasury shares	13	(32)	(142,955)	—	—	142,987	—	—	—
Issuance of common shares		38	197,164	—	—	—	197,202	—	197,202
Non-controlling interest - dividend		—	—	—	—	—	—	(1,386)	(1,386)
Dividends paid	13	—	—	(95,145)	—	—	(95,145)	—	(95,145)
Balance at December 31, 2016		\$ 1,148	\$ 54,576	\$ 269,370	\$ (15,231)	\$ (80,773)	229,090	\$ 3,943	\$ 233,033
Comprehensive income:									
Profit (loss) for the year		—	—	82,217	—	—	82,217	(29)	82,188
Total other comprehensive income		—	—	—	2,205	—	2,205	—	2,205
Total comprehensive income for the year		—	—	82,217	2,205	—	84,422	(29)	84,393
Transactions with owners:									
Stock-based compensation	14	—	(908)	(83)	—	21,413	20,422	—	20,422
Tax benefit related to stock-based awards	14	—	(214)	—	—	—	(214)	—	(214)
Repurchases of common shares	13	—	—	—	—	(16,909)	(16,909)	—	(16,909)
Non-controlling interest - dividend		—	—	—	—	—	—	(26)	(26)
Dividends paid	13	—	—	(97,143)	—	—	(97,143)	—	(97,143)
Balance at December 31, 2017		\$ 1,148	\$ 53,454	\$ 254,361	\$ (13,026)	\$ (76,269)	219,668	\$ 3,888	\$ 223,556

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

CORE LABORATORIES N.V.
CONSOLIDATED STATEMENT OF CASH FLOWS PREPARED IN ACCORDANCE
WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION
For the Years Ended December 31, 2017 and 2016
(In thousands of USD)

	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax expense		\$ 105,893	\$ 70,890
Adjustments to reconcile income to net cash provided by operating activities:			
Depreciation	6	24,020	26,029
Amortization	7	920	843
Share of profit (loss) of associates	8	(332)	(506)
Stock-based compensation	14	20,421	21,682
Finance costs	24	10,728	11,547
Fair value (gains)/losses on financial assets		(3,978)	590
Change in long-term liabilities		5,482	2,259
Gain (loss) on property, plant and equipment		91	(618)
Changes in assets and liabilities:			
Trade and other receivables	12,30	(18,768)	31,566
Inventories	10	403	7,186
Other assets		(3,267)	(4,182)
Accounts payable	21,30	8,721	(1,036)
Accrued expenses	21,30	8,772	(12,122)
Cash provided by operating activities		<u>159,106</u>	<u>154,128</u>
Interest paid		(10,527)	(11,248)
Income tax paid		(24,314)	(12,181)
Net cash provided by operating activities		<u>124,265</u>	<u>130,699</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	6	(18,775)	(11,356)
Patents and other intangibles	7	(379)	(348)
Acquisitions, net of cash acquired	28	—	(1,242)
Proceeds from sale of assets	6	702	741
Interest received	24	6	25
Premiums on life insurance		(2,105)	(2,515)
Net cash used in investing activities		<u>(20,551)</u>	<u>(14,695)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of debt borrowings	16	(130,000)	(316,244)
Proceeds from debt borrowings	16	140,000	99,000
Repurchase of common shares	13	(16,909)	(7,161)
Issuance of common shares	13	—	197,202
Dividends paid	13	(97,143)	(95,145)
Non-controlling interest - (dividends)		(26)	(1,386)
Net cash used in financing activities		<u>(104,078)</u>	<u>(123,734)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS		<u>(364)</u>	<u>(7,730)</u>
CASH AND CASH EQUIVALENTS, beginning of year		<u>14,764</u>	<u>22,494</u>
CASH AND CASH EQUIVALENTS, end of year		<u><u>\$ 14,400</u></u>	<u><u>\$ 14,764</u></u>

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

CORE LABORATORIES N.V.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS PREPARED IN
ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS
DECEMBER 31, 2017

1. DESCRIPTION OF BUSINESS

Core Laboratories N.V. (“Core Laboratories”, “Core Lab”, “we”, “our” or “us”) is a limited liability company incorporated and domiciled in the Netherlands. The address of the registered office is Strawinskylaan 913, Tower A, Level 9, 1077 XX Amsterdam, The Netherlands. We were established in 1936 and are one of the world’s leading providers of proprietary and patented reservoir description and production enhancement services to the oil and gas industry. These services are directed toward enabling our clients to improve reservoir performance and increase oil and gas recovery from their producing fields. We have over 70 offices in more than 50 countries and have approximately 4,600 employees. We are dual listed on the New York Stock Exchange and the Euronext Amsterdam Stock Exchange. These Consolidated financial statements were authorized for issuance by the board of directors on April 12, 2018, and will be submitted for adoption at the Annual Meeting of Shareholders to be held in 2018.

In the first quarter of 2017, Core Laboratories took steps to streamline its business by realigning its reporting structure into two reporting segments. These complementary segments provide different services and products and utilize different technologies for improving reservoir performance and increasing oil and gas recovery from new and existing fields. In connection with the realignment of our reporting structure, amounts previously reported in our Reservoir Management segment are now presented within our Reservoir Description and Production Enhancement segments, and prior periods have been revised to conform to the current presentation.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these Consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of Preparation

Our Consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (“IFRS”) and with Part 9 Book 2 of the Dutch Civil Code (“Consolidated financial statements”). The Consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss unless otherwise stated in the footnotes to the Financial Statements.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying our accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Consolidated financial statements, are disclosed in Note 4 - *Critical Accounting Estimates and Assumptions*.

Standards, amendments and interpretations to existing standards effective in 2017

There are no new standards, amendments, or interpretations to existing standards which have been published and which are mandatory for our accounting periods beginning on or after January 1, 2017 which have been applied to our financial statements.

Standards, amendments and interpretations to existing standards effective after 2017

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2017, and have not been applied in preparing these Consolidated financial statements.

- IFRS 9, Financial Assets (effective for annual periods beginning on or after January 1, 2018). This is the first standard issued as part of a wider project to replace IAS 39. It addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. It retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. We will adopt an expected credit loss model to determine the amount of credit losses to be recognized on our accounts receivable balance. Our latest assessment is that the adoption of this standard will have no significant impact on our financial statements or results of operations.
- IFRS 15, Revenue from Contracts with Customers (effective for annual periods beginning on or after January 1, 2018) provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are as follows: (1) identify the contract with the customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to the performance obligations in the contract; and (5) recognize revenue when (or as) the entity satisfies a performance obligation. We have completed our analysis of the standard's impact on our revenues by looking at all of our revenue streams to determine the impact on our Consolidated Balance Sheets, Consolidated Statements of Operations and Consolidated Statements of Cash Flows. The adoption of this standard will not result in any material changes to our revenue recognition policies and procedures or to our financial statements, but extensive additional disclosures will be required.
- IFRS 16, Leases (effective for annual periods beginning on or after January 1, 2019) introduces a single, on-balance sheet accounting model for lessees. A lease recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. We are continuing to assess the potential impact of this standard on our consolidated financial statements. So far, the most significant impact identified is that we will recognize new assets and liabilities for our operating leases, primarily consisting of office and lab space, machinery and equipment and vehicles. In addition, the nature of expenses related to these leases will now change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. We refer to Note 27 - Commitments and Contingencies for further information on the undiscounted amounts committed under our operating leases.

Principles of Consolidation

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

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

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

Transactions and Non-controlling Interests

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

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

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

Associates

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

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

Cash Flow Statement

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

Segment Reporting

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

Foreign Currencies

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

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

Property, Plant and Equipment

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

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

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

Intangible Assets

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

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

Research expenditures are recognized in the profit and loss account as incurred. Expenses incurred for development projects are capitalized as a component of manufacturing price if the projects in question are likely to be commercially and technically viable (i.e. it is likely that economic benefits will be realized and the expenses can be reliably estimated). Capitalized development expenses are amortized as soon as the commercial production process has commenced, with amortization being based on the estimated useful life of the asset. Development costs are not material.

Financial Instruments at Fair Value Through Profit and Loss

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

Derivative financial instruments and hedging activities

We initially recognize derivatives at fair value on the date a derivative contract is entered into and subsequently re-measure them at their fair value. We document at the inception of the transaction the relationship between hedging instruments and hedged items, as well as the risk management objectives and strategy for undertaking various hedging transactions. We also document our assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items. The fair values of various derivative instruments used for hedging purposes are disclosed in Note 30 - *Fair Value*. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

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

Offsetting financial instruments

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

Inventories

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

Accounts Receivable

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

Cash and Cash Equivalents

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

Share Capital

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

Borrowings

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

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

Current and Deferred Income Taxes

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

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

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

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

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

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

Post-employment and Other Long-term Employee Benefits

We provide a non-contributory defined benefit plan covering substantially all of our Dutch employees hired prior to 2007 (“Dutch Plan”). We have also have entered into deferred compensation contracts for certain key employees to provide additional retirement income to the participants (“SERP”). We recognize post-employment obligation costs associated with these plans in the Consolidated Income Statement and the liabilities recognized in the Consolidated Balance Sheet are the present value of the post-employment obligations at the balance sheet date less the fair value of plan assets. We recognize actuarial gains and losses directly in the Consolidated Statement of Other Comprehensive Income in the period in which they occur. Past-service costs are recognized immediately in income. The post-employment obligations and fair value of plan assets requires the use of actuarial assumptions and estimates which are calculated annually by independent actuaries using the projected unit credit method. The present value of the post-employment obligation of the Dutch Plan is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability. The present value of the post-employment obligation of the SERP is determined by discounting the estimated future cash outflows using interest rates of U.S. Corporate 15-year bonds. Actual results could differ from those estimates.

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

Accruals are recognized for termination benefits which represent future payouts guaranteed to employees upon departure from the Company. These benefits are not funded, but are accrued as they are earned from continuous employment with the Company. The benefits for the executive officers are accrued based on the present value of the post-employment obligation calculated from the terms in the employment agreement with each executive officer.

Stock-Based Compensation

We issue stock-based compensation as a form of compensation for certain employees. This is accounted for under IFRS 2, “Share-based Payment”. This statement requires compensation costs related to share-based payments to be recognized in the Consolidated Income Statement based on their fair values. The expense is recognized over the requisite service period of the award.

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

Provisions

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

Trade Payables

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

Revenue Recognition

We recognize revenue when the significant risks and rewards of ownership have been transferred to the client, recovery of the consideration is probable, the associated costs and possible return of products can be measured reliably, and there is neither continuing management involvement nor effective control over the services rendered or products sold.

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

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

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

Interest Expense / Income

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

Leases

Leases that transfer to the Company substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset. We currently do not have any financial leases.

Assets held under other leases are classified as operating leases and are not recognized in the Company's statement of financial position. Obligations under operational leases are recognized on a straight-line basis in the profit and loss account over the term of the contract, taking into account reimbursements received from the lessor.

Earnings Per Share

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

3. FINANCIAL RISKS AND RISK MANAGEMENT

Market Risk

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

Currency Risks

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

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

	2017		2016	
	<u>Increase 20%</u>	<u>Decrease 20%</u>	<u>Increase 20%</u>	<u>Decrease 20%</u>
Euro	\$ 1,033	\$ (1,033)	\$ 908	\$ (908)
British Pounds	32	(32)	(176)	176
Canadian Dollars	(41)	41	288	(288)
Mexican Pesos	408	(408)	225	(225)
Russian Rubles	212	(212)	315	(315)
Turkish Lira	510	(510)	358	(358)
Total	<u>\$ 2,154</u>	<u>\$ (2,154)</u>	<u>\$ 1,918</u>	<u>\$ (1,918)</u>

The above listed currencies represent 20% and 25% of our net monetary assets on December 31, 2017 and 2016, respectively while our position in US Dollars represents 56% and 42% of our net monetary assets on December 31, 2017 and 2016, respectively. The overall increase in our exposure to an increase or decrease in foreign exchange rates at December 31, 2017 is

due to an increase in our net monetary asset position in British Pounds, Mexican Pesos and Euros, combined with a decrease in our net monetary asset position in Canadian Dollars and USD.

Interest Rate Risks

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

We maintain a revolving credit facility (“Credit Facility”) that is used as needed for general corporate purposes with a group of commercial banks with significant financial resources that share in the amount outstanding on a pre-determined ratio. We issued letters of credit on the Credit Facility for \$14.3 million at December 31, 2017. The balance that may be drawn under the Credit Facility was \$307.7 million at December 31, 2017. No credit limits were exceeded during the reporting period.

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

We have entered into interest rate swaps to fix the LIBOR portion of \$25 million of our debt at a fixed interest rate of 2.5% and to fix the LIBOR portion of \$25 million of our debt at a fixed interest rate of 1.73% under this facility. At December 31, 2017, we had \$78 million in debt outstanding under this facility including \$28 million which carries a variable interest rate (from LIBOR + 1.25% to LIBOR + 2.0%), after the effect of the interest rate swaps.

If LIBOR had changed by 20% with all other variables held constant, our interest expense for the year would have increased/decreased by \$77 thousand.

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

Credit Risks

Our financial instruments that potentially subject us to concentrations of credit risk consist primarily of cash, cash equivalents, accounts receivable and other financial assets. All cash and cash equivalents are on deposit at commercial banks or investment firms with significant financial resources. Our trade receivables are with a variety of independent, international and national oil and gas companies. We consider our credit risk to be limited due to the creditworthiness and financial resources of these financial institutions and companies. We limit this risk by evaluating the credit history and credit worthiness using various credit agencies, such as Dun and Bradstreet, to determine if we should conclude transactions with the company. All new customers are required to be reviewed by our credit department who obtain independent credit reports and trade reports on the customer. If there is no independent rating, our credit department assesses the credit quality of the customer taking into account its financial position, past experience and other factors. In certain situations we will require a letter of credit before completing the sale. In addition, ongoing customers are periodically reviewed to ensure their financial position continues to warrant the extension of credit. The aim is to maintain a customer base where no one customer will account for a significant portion of our business. We evaluate our estimate of the allowance for doubtful accounts on an on-going basis throughout the year. We had no clients who provided more than 10% of our revenue for the years ended December 31, 2017 and 2016. Our top ten customers in 2017 and 2016 accounted for 23% and 26% of our total revenue, respectively. Our exposure to credit risk is the total balance of financial instruments that are not impaired which is \$191.1 million and \$165.8 million at December 31, 2017 and 2016, respectively.

Liquidity Risks

The management of liquidity risk entails maintaining sufficient cash and marketable securities along with the availability of funding through our Credit Facility. Our financing policy is directed at establishing and maintaining an optimal financing structure that takes into account our current asset base and our investment program. From time to time, we seek access to the capital markets when external funding is required to the extent we need outside funding beyond our internally generated free cash flow in order to finance investments, potential acquisitions and repayment of debt. Our Credit Facility matures in August 2019. In addition, we have outstanding \$150 million of Senior Notes, with \$75 million due in 2021 and \$75 million due in

2023. In addition to our repayment commitments under our credit facilities and the Senior Notes, we have non-cancelable lease arrangements under which we lease property including buildings, equipment and vehicles.

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

At December 31, 2017	Total	Less than 1 year	1-3 Years	3-5 Years	More than 5 Years
Contractual Obligations (in thousands):					
Debt	\$ 258,526	\$ 6,090	\$ 90,180	\$ 84,173	\$ 78,083
Derivative financial instruments	492	—	—	—	492
Trade payables	41,697	41,697	—	—	—
Other accrued expenses	5,630	5,630	\$ —	\$ —	\$ —
Total contractual obligations	<u>\$ 306,345</u>	<u>\$ 53,417</u>	<u>\$ 90,180</u>	<u>\$ 84,173</u>	<u>\$ 78,575</u>
At December 31, 2016	Total	Less than 1 year	1-3 Years	3-5 Years	More than 5 Years
Contractual Obligations (in thousands):					
Debt	\$ 254,616	\$ 6,090	\$ 80,180	\$ 87,180	\$ 81,166
Derivative financial instruments	1,046	—	211	—	835
Trade payables	33,720	33,720	—	—	—
Other accrued expenses	10,068	10,068	—	—	—
Total contractual obligations	<u>\$ 299,450</u>	<u>\$ 49,878</u>	<u>\$ 80,391</u>	<u>\$ 87,180</u>	<u>\$ 82,001</u>

We plan on funding these obligations through existing cash balances, operating cash flows and the unused portion of our Credit Facility. We have no significant purchase commitments or similar obligations outstanding at December 31, 2017.

Capital Risk Management

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

The debt-to-EBITDA ratio at December 31, 2017 and 2016 were as follows (in thousands):

	2017	2016
Gross debt less cash	\$ 213,600	\$ 203,236
Net income	82,188	68,581
Interest expense	10,728	11,547
Tax expense	23,705	2,309
Depreciation expense	24,020	26,029
Amortization expense	920	843
EBITDA	<u>\$ 141,561</u>	<u>\$ 109,309</u>
Debt-to-EBITDA ratio	1.5	1.9

The decrease in the debt-to-EBITDA ratio in 2017 was expected and was caused by the increase in net income during the year. Our ability to generate free cash flow remains strong, and we will continue to manage our capital structure to meet our goals.

4. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Use of Estimates

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

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

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

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

Allowance for Doubtful Accounts

We evaluate whether client receivables are collectible by performing ongoing credit evaluations of our clients and monitoring collections and payments. This is done to maintain a provision for estimated uncollectible accounts based on our historical collection experience and our current aging of client receivables outstanding in addition to clients' representations and our understanding of the economic environment in which our clients operate. Based on our review, we establish or adjust allowances for specific clients and the accounts receivable as a whole. Our allowance for doubtful accounts decreased to \$2.6 million as of December 31, 2017, compared to \$3.1 million as of December 31, 2016.

Obsolete Inventory

We forecast client demand, considering changes in technology which could result in obsolescence. Our valuation reserve for obsolete inventory is based on historical regional sales trends, and various other assumptions and judgments including future demand for this inventory. Our industry is subject to technological change and new product development that could result in obsolete inventory. Our valuation reserve for obsolete inventory at December 31, 2017 was \$3.2 million compared to \$3.5 million at December 31, 2016.

Property, Plant and Equipment

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

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

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

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

Whenever possible impairment is indicated, we compare the carrying value of the assets to the sum of the estimated undiscounted future cash flows expected from use, plus salvage value, less the costs of the subsequent disposition of the assets. If impairment is still indicated, we compare the fair value of the assets to the carrying amount, and recognize an impairment loss for the amount by which the carrying value exceeds the fair value. We did not record any material impairment charges relating to our long-lived assets held for use during the years ended December 31, 2017 and 2016.

Fair Value Estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to us for similar financial instruments. For further discussion of fair value, see Note 30 - *Fair Value*.

Post-employment Benefits

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

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

Stock-Based Compensation

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

Income Taxes

Our income tax expense includes income taxes of the Netherlands and other foreign countries as well as local, state and provincial income taxes. We recognize deferred tax assets or liabilities for the differences between the financial statement carrying amount and tax basis of assets and liabilities using enacted tax rates in effect for the years in which the asset is

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

Estimated Impairment of Goodwill

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

We monitor or test goodwill for impairment annually or more frequently if circumstances indicate a potential impairment. For purposes of this test, we group our cash generating units (“CGU”) to a level equivalent to our reportable segments, and compare the recoverable amount of the CGU to its net carrying value. The recoverable amount is determined by estimating the present value of projected future cash flows using our weighted average cost of capital as a basis for the discount rate. Our impairment analysis is quantitative; however, it includes subjective estimates based on assumptions regarding future growth rates, interest rates and operating expenses. If the carrying value of the CGU exceeds the recoverable amount determined, an impairment loss is recorded to the extent that the implied fair value of the goodwill of the CGU is less than its carrying value. We did not record impairment charges relating to our goodwill or our indefinite-lived intangible assets during the years ended December 31, 2017 and 2016.

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

If the estimated operating margin at December 31, 2017 had been 10% lower than management’s estimates, we would not have recognized any impairment of goodwill.

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

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

5. SEGMENT REPORTING

In the first quarter of 2017, Core Laboratories took steps to streamline its business by realigning its reporting structure into two reporting segments. These complementary segments provide different services and products and utilize different technologies for improving reservoir performance and increasing oil and gas recovery from new and existing fields. In connection with the realignment of our reporting structure, amounts previously reported in our Reservoir Management segment are now presented within our Reservoir Description and Production Enhancement segments, and prior periods have been revised to conform to the current presentation.

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

Results for these business segments are presented below and is consistent with the information which is reviewed by the Chief Operating Decision Maker (“CODM”). We use the same accounting policies to prepare our business segment results as

are used to prepare our Consolidated financial statements. We evaluate performance based on income or loss from continuing operations before income tax, interest and other non-operating income (expense). Summarized financial information concerning our segments is shown in the following table (in thousands):

	Reservoir Description	Production Enhancement	Corporate & Other¹	Consolidated
December 31, 2017				
Revenue from unaffiliated customers	\$ 415,220	\$ 244,589	\$ —	\$ 659,809
Inter-segment revenue	294	1,185	(1,479)	—
Segment income (loss)	69,092	46,528	669	116,289
Finance costs	—	—	10,728	10,728
Share of profit (loss) of associates	332	—	—	332
Total assets	364,738	232,483	63,732	660,953
Capital expenditures	10,406	6,819	1,550	18,775
Intangible asset expenditures	33	334	12	379
Depreciation and amortization	17,972	4,851	2,117	24,940
December 31, 2016				
Revenue from unaffiliated customers	\$ 426,205	\$ 168,536	\$ —	\$ 594,741
Inter-segment revenue	784	877	(1,661)	—
Segment income (loss)	75,891	5,825	215	81,931
Finance costs	—	—	11,547	11,547
Share of profit (loss) of associates	506	—	—	506
Total assets	359,433	221,174	82,188	662,795
Capital expenditures	8,220	2,298	838	11,356
Intangible asset expenditures	39	302	7	348
Depreciation and amortization	18,494	5,856	2,522	26,872

(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 total assets consist primarily of cash and cash equivalents, trade and other receivables, inventories, property, plant and equipment and intangible assets. Total assets in Corporate & Other is comprised of deferred taxes and miscellaneous assets related to the corporate function.

Capital expenditures comprise cash paid for additions to property, plant and equipment.

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

Geographical Information

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

We attribute sales revenue to the country where the product was shipped and services revenue to the country where the services were performed. We do, however, have significant levels of revenue recorded in the U.S., where the services were performed, that are sourced from projects on foreign oilfields. The following table shows a summary of our U.S. and non-U.S. operations for December 31, 2017 and 2016 (in thousands):

GEOGRAPHIC INFORMATION	United States	Canada	Europe	Other Countries	Consolidated
December 31, 2017					
Revenue	\$ 284,260	\$ 33,019	\$ 152,919	\$ 189,611	\$ 659,809
Operating income	63,896	2,406	24,436	25,551	116,289
Property, plant and equipment	63,812	9,725	23,605	25,956	123,098
Total assets	323,444	64,303	139,307	133,899	660,953
Capital expenditures	5,515	536	8,665	4,059	18,775
December 31, 2016					
Revenue	\$ 224,863	\$ 22,547	\$ 161,922	\$ 185,409	\$ 594,741
Operating income	40,510	(1,371)	24,530	18,262	81,931
Property, plant and equipment	71,388	10,497	25,039	22,958	129,882
Total assets	332,222	64,871	134,705	130,997	662,795
Capital expenditures	3,523	314	3,501	4,018	11,356

We are domiciled in the Netherlands. The revenue from third-party clients in the Netherlands were \$50.5 million and \$49.8 million for 2017 and 2016, respectively, and the total revenue from third-party clients from other countries are included in the table above. Operating income and total assets associated with our corporate operations have been included in the results for the United States. The Other Countries category consists of several countries which are individually insignificant.

6. PROPERTY, PLANT AND EQUIPMENT, NET

The components of property, plant and equipment were as follows at December 31, 2017 and 2016 (in thousands):

	Land	Buildings	Machinery and Equipment	Construction In Progress	Total
At January 1, 2016					
Historical cost	\$ 7,894	\$ 107,018	\$ 256,674	\$ 11,906	\$ 383,492
Accumulated depreciation	—	(46,804)	(193,477)	—	(240,281)
Net book amount	<u>7,894</u>	<u>60,214</u>	<u>63,197</u>	<u>11,906</u>	<u>143,211</u>
Year ended December 31, 2016					
Opening net book amount	7,894	60,214	63,197	11,906	143,211
Additions	—	1,526	4,342	6,985	12,853
Acquisitions	—	28	167	2	197
Disposals	—	(76)	(297)	—	(373)
Transfers	—	5,095	9,864	(15,108)	(149)
Other	(11)	(23)	217	(11)	172
Depreciation expense	—	(5,441)	(20,588)	—	(26,029)
Closing net book amount	<u>7,883</u>	<u>61,323</u>	<u>56,902</u>	<u>3,774</u>	<u>129,882</u>
At December 31, 2016					
Historical cost	7,883	113,067	254,423	3,774	379,147
Accumulated depreciation	—	(51,744)	(197,521)	—	(249,265)
Net book amount	<u>7,883</u>	<u>61,323</u>	<u>56,902</u>	<u>3,774</u>	<u>129,882</u>
Year ended December 31, 2017					
Opening net book amount	7,883	61,323	56,902	3,774	129,882
Additions	—	625	3,137	14,278	18,040
Disposals	—	(543)	(261)	—	(804)
Transfers	3,637	528	6,735	(10,900)	—
Other	—	—	14	(14)	—
Depreciation expense	—	(5,346)	(18,674)	—	(24,020)
Closing net book amount	<u>11,520</u>	<u>56,587</u>	<u>47,853</u>	<u>7,138</u>	<u>123,098</u>
At December 31, 2017					
Historical cost	11,520	112,695	257,170	7,138	388,523
Accumulated depreciation	—	(56,108)	(209,317)	—	(265,425)
Net book amount	<u>\$ 11,520</u>	<u>\$ 56,587</u>	<u>\$ 47,853</u>	<u>\$ 7,138</u>	<u>\$ 123,098</u>

Machinery and equipment included in construction in progress was \$4.6 million and \$2.3 million for the years ended December 31, 2017 and 2016, respectively and buildings and improvements included in construction in progress was \$2.6 million and \$1.5 million for the years ended December 31, 2017 and 2016, respectively. We recorded no material impairment charges related to property, plant and equipment held for use in continuing operations during the years ended December 31, 2017 and 2016.

For the years ended December 31, 2017 and 2016, depreciation expense recognized in the income statement is as follows (in thousands):

	2017	2016
Cost of sales and services	\$ 22,098	\$ 23,849
General and administrative	1,922	2,180
Total depreciation expense	<u>\$ 24,020</u>	<u>\$ 26,029</u>

7. INTANGIBLE ASSETS, NET

The components of intangibles as of December 31, 2017 and 2016 are as follows (in thousands):

	Goodwill	Other Intangibles	Indefinite Life Trade Names	Total
At January 1, 2016				
Cost	\$ 224,739	\$ 12,363	\$ 4,562	\$ 241,664
Accumulated amortization	—	(6,883)	—	(6,883)
Net book amount	<u>224,739</u>	<u>5,480</u>	<u>4,562</u>	<u>234,781</u>
Year ended December 31, 2016				
Opening net book amount	224,739	5,480	4,562	234,781
Additions	—	343	6	349
Acquisitions	885	389	—	1,274
Amortization charge	—	(843)	—	(843)
Closing net book amount	<u>225,624</u>	<u>5,369</u>	<u>4,568</u>	<u>235,561</u>
At December 31, 2016				
Cost	225,624	9,273	4,568	239,465
Accumulated amortization	—	(3,904)	—	(3,904)
Net book amount	<u>225,624</u>	<u>5,369</u>	<u>4,568</u>	<u>235,561</u>
Year ended December 31, 2017				
Opening net book amount	225,624	5,369	4,568	235,561
Additions	—	366	14	380
Amortization charge	—	(920)	—	(920)
Closing net book amount	<u>225,624</u>	<u>4,815</u>	<u>4,582</u>	<u>235,021</u>
At December 31, 2017				
Cost	225,624	9,636	4,582	239,842
Accumulated amortization	—	(4,821)	—	(4,821)
Net book amount	<u>\$ 225,624</u>	<u>\$ 4,815</u>	<u>\$ 4,582</u>	<u>\$ 235,021</u>

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

	Original life in years	2017		2016	
		Gross Carrying Value	Accumulated Amortization	Gross Carrying Value	Accumulated Amortization
Acquired trade secrets	2-20	\$ 3,390	\$ 1,765	\$ 3,390	\$ 1,405
Acquired patents and trademarks	4-10	5,407	2,274	5,044	1,809
Agreements not to compete	3-5	839	782	839	690
Acquired trade names	Indefinite	4,582	—	4,568	—
Total other intangibles and trade names		<u>\$ 14,218</u>	<u>\$ 4,821</u>	<u>\$ 13,841</u>	<u>\$ 3,904</u>

For the years ended December 31, 2017 and 2016, \$0.9 million and \$0.8 million of amortization expense was recognized in general and administrative costs in the income statement, respectively.

Impairment

Certain intangibles, primarily related to trade names, are deemed to have an indefinite life and are not amortized. These assets are specific trade names which have been determined will be used and provide future cash flows indefinitely. These intangibles are held by the Company and are included in an impairment analysis. We performed this impairment testing at December 31, 2017 assuming an average gross margin of 15%, growth rates of approximately 48% for 2017, 43% for 2018, 10% for 2019, 2020 and 2021 and a terminal growth rate of 5% and a discount rate of 10.52% and no impairment was indicated. Therefore, no impairment losses were recorded or reversed as a result of this test in 2017 or 2016.

We monitor or test goodwill for impairment annually or more frequently if circumstances indicate a potential impairment. For purposes of this test, we group our CGU to a level equivalent to our reportable segments, and compare the recoverable amount of CGU groupings to their net carrying value. The recoverable amount is determined by estimating the present value of projected future cash flows using our weighted average cost of capital as a basis for the discount rate. We performed this impairment testing at December 31, 2017 and no impairment was indicated.

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

	2017	2016
Reservoir Description	\$ 117,857	\$ 117,857
Production Enhancement	107,767	107,767
Total goodwill	<u>\$ 225,624</u>	<u>\$ 225,624</u>

The key assumptions used for the impairment calculation at December 31, 2017 are as follows:

December 31, 2017	Reservoir Description	Production Enhancement
Gross margin (1)	17.8%	22.3%
Growth rate (2)	15.6%	23.2%
Terminal growth rate (3)	5.0%	5.0%
Discount rate (4)	10.1%	10.1%
December 31, 2016		
Gross margin (1)	21.4%	13.3%
Growth rate (2)	8.7%	36.5%
Terminal growth rate (3)	5.0%	5.0%
Discount rate (4)	10.5%	10.5%

(1) Budgeted gross margin

(2) Average growth rate used for the next 5 years to extrapolate cash flows beyond the budget period

(3) Average growth rate used to calculate a terminal value beyond 5 years

(4) Weighted average cost of capital is used as a basis for the discount rate applied to the cash flow projections

These assumptions have been used for the analysis for each CGU grouping. Management determined the budgeted gross margin based on past performance and its expectations of market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rate used is pre-tax. We used cash flow projections based on financial budgets approved by management covering a one year period. Cash flows beyond the first year are extrapolated using the estimated growth rates stated above. For sensitivity analysis, see the Estimated Impairment of Goodwill section in Note 4 - *Critical Accounting Estimates and Assumptions*.

8. ASSOCIATES

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

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

(1) Our investment in Saybolt Maroc comes through our investment in Saybolt Tunisie SarL

(2) Our investment in Saybolt Madagascar comes through our investment in Saybolt Med S.A.

These associates are not consolidated since we do not exercise decisive control over their operations. For Saybolt Saudi Arabia Co., Ltd, we share in the profit at 45%, however, we are responsible for 100% of the losses.

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

	2017	2016
Current Assets	\$ 6,587	\$ 5,541
Non-Current Assets	726	780
Current Liabilities	1,288	961
Non-Current Liabilities	186	170
Revenue	3,058	3,472
Profit/Loss	690	1,040

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

	2017	2016
Beginning of the year	\$ 3,225	\$ 2,719
Investment	—	—
Dividends	—	—
Share of income/(loss)	332	506
End of the year	<u>\$ 3,557</u>	<u>\$ 3,225</u>

9. DEFERRED INCOME TAXES

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

2017	Net balance January 1	Recognized in income statement	Recognized in OCI and equity	Balance at December 31		
				Net	Deferred tax assets	Deferred tax liabilities
Tax losses	6,265	(1,909)	—	4,356	4,356	
Tax credits	2,925	(1,923)	—	1,002	1,002	
Stock compensation	10,363	(435)	(1,069)	8,859	8,859	
Accruals/provisions	32,483	(7,067)	(663)	24,753	24,753	
Intangibles	(7,061)	1,122	—	(5,939)		(5,939)
Tangible fixed assets	(5,775)	2,806	—	(2,969)		(2,969)
Other	(15,445)	(6,028)	—	(21,473)		(21,473)
Sub-Total	23,755	(13,434)	(1,732)	8,589	38,970	(30,381)
Jurisdictional set-off of tax					(21,223)	21,223
Net tax assets (liabilities)				8,589	17,747	(9,158)

2016	Net balance January 1	Recognized in income statement	Recognized in OCI and equity	Balance at December 31		
				Net	Deferred tax assets	Deferred tax liabilities
Tax losses	4,425	1,840	—	6,265	6,265	
Tax credits	934	1,991	—	2,925	2,925	
Stock compensation	8,770	875	718	10,363	10,363	
Accruals/provisions	20,316	12,835	(668)	32,483	32,483	
Intangibles	(5,876)	(1,185)	—	(7,061)		(7,061)
Tangible fixed assets	(8,373)	2,598	—	(5,775)		(5,775)
Other	(13,790)	(1,655)	—	(15,445)		(15,445)
Sub-Total	6,406	17,299	50	23,755	52,036	(28,281)
Jurisdictional set-off of tax					(9,951)	9,951
Net tax assets (liabilities)				23,755	42,085	(18,330)

At December 31, 2017, we had net operating loss carry-forwards for income tax purposes in various tax jurisdictions of \$32.7 million. Of those carry-forwards that are subject to expiration, they will expire, if unused, \$0.6 million in 2018, \$0.6 million in 2019, \$1.8 million in 2020, \$2 million in 2021, \$4.2 million in 2022-2024, \$16.1 million in 2025-2031 and \$7.4 million will expire beyond 2031. The remaining balance of \$3.7 million is not subject to expiration. We currently do not believe the entire tax benefit will be realized; as such we have not recognized a deferred tax asset on \$17.0 million of the net operating loss carry-forward.

10. INVENTORIES

Inventories consisted of the following at December 31, 2017 and 2016 (in thousands):

	2017	2016
Finished goods	\$ 21,668	\$ 21,635
Parts and materials	10,613	11,185
Work in progress	1,036	900
Inventories, net	<u>\$ 33,317</u>	<u>\$ 33,720</u>

The cost of inventories recognized as expense and included in Cost of product sales was \$73.2 million and \$51.7 million for the years ended December 31, 2017 and 2016, respectively. We include freight costs incurred for shipping inventory to our clients in the Cost of product sales caption in the accompanying Consolidated Income Statement. The balances above are net of valuation reserves of \$3.2 million and \$3.5 million at December 31, 2017 and 2016, respectively.

11. PREPAID AND OTHER CURRENT ASSETS AND INCOME TAXES RECEIVABLE

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

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

12. TRADE AND OTHER RECEIVABLES, NET

Trade and other receivables consisted of the following at December 31, 2017 and 2016 (in thousands):

	2017	2016
Trade receivables	\$ 130,258	\$ 111,958
Other receivables	5,429	5,510
Total receivables	135,687	117,468
Less - valuation reserves	2,590	3,139
Receivables, net	<u>\$ 133,097</u>	<u>\$ 114,329</u>

The carrying value of trade and other receivables approximates their fair values at December 31, 2017 and 2016.

Trade receivables that are past due 180 days for customers, are considered impaired. However, for major or national oil companies, government entities, or Fortune 500 size companies, trade receivables are not considered impaired until they are past due greater than 365 days. As of December 31, 2017 and 2016 we had \$1.0 million and \$0.2 million, respectively, that were 180 days past due but not impaired. As of December 31, 2017 and 2016 there were no trade receivables that were 365 days past due but not impaired. The amount of the provision for impaired receivables was \$2.6 million and \$3.1 million for 2017 and 2016, respectively. The impaired receivables related to receivables that met the criteria to be considered impaired according to our policy. The aging analysis of these receivables is as follows (in thousands):

	Not Impaired		Impaired	
	2017	2016	2017	2016
Not past due	\$ 73,957	\$ 64,847	\$ —	\$ —
Up to 180 days past due	52,721	43,806	—	—
180 to 365 days past due	954	166	1,253	2,177
Over 365 days past due	36	—	1,337	962
Total	<u>\$ 127,668</u>	<u>\$ 108,819</u>	<u>\$ 2,590</u>	<u>\$ 3,139</u>

Movements in the allowance on trade receivables are as follows (in thousands):

	2017	2016
At January 1,	\$ 3,139	\$ 4,136
Provision for receivable impairment (recoveries)	(202)	(18)
Receivables written off as uncollectible	(428)	(999)
Other ¹	81	20
At December 31,	<u>\$ 2,590</u>	<u>\$ 3,139</u>

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

The additions to and recoveries from provisions for impaired receivables have been included in Cost of product sales or Cost of services in the Consolidated Income Statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering any of the outstanding balance.

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

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

13. EQUITY

Share capital

The authorized share capital of the Company as at December 31, 2017 amounts to EUR 4.12 million and consists of 200,000,000 ordinary shares with a par value of EUR 0.02 each and 6,000,000 preferred shares with a par value of EUR 0.02.

Issued and paid in share capital amounts to \$54.6 million and consists of 44,796,252 issued and 44,184,205 outstanding ordinary shares with a par value of EUR 0.02 each. Repurchased ordinary shares amounts to \$76.3 million and consists of 612,047 ordinary shares with a par value of EUR 0.02 each. Common shares have voting and dividend rights but treasury shares do not.

The movements in the number of shares in 2017 are as follows:

	Ordinary Shares	Repurchased Ordinary Shares	Shares Outstanding
Balance at January 1, 2017	44,796,252	(644,991)	44,151,261
Issue of ordinary shares	—	191,513	191,513
Repurchased own shares	—	(158,569)	(158,569)
Balance at December 31, 2017	<u>44,796,252</u>	<u>(612,047)</u>	<u>44,184,205</u>

Common Shares

On May 17, 2016 we completed a public offering of 1,696,250 shares of our common stock at the public offering price of \$116.67 per share. The net proceeds of \$197.2 million, after deducting underwriting discounts and offering expenses, were used to repay a portion of the outstanding borrowings under our Credit Facility.

Treasury Shares

In connection with our initial public offering in September 1995, our shareholders authorized our Management Board to repurchase up to 10% of our issued share capital, the maximum allowed under Dutch law at the time, for a period of 18 months. This authorization was renewed at subsequent annual or special shareholder meetings. At our annual shareholders' meeting on May 18, 2017, our shareholders authorized an extension to repurchase up to 10% of our issued share capital through November 18, 2018. The repurchase of shares in the open market is at the discretion of management pursuant to this shareholder authorization. From the activation of the share repurchase program on October 29, 2002 through December 31, 2017, pursuant to shareholder approvals, we have repurchased 39,532,314 shares for an aggregate purchase price of

approximately \$1.6 billion, or an average price of \$41.45 per share and have canceled 33,475,406 shares with an historical cost of \$1.2 billion. At December 31, 2017, we held 612,047 shares in treasury with the authority to repurchase 3,867,578 additional shares under our stock repurchase program. Subsequent to year-end, we have repurchased shares at a total cost of .

Dividends

In February, May, August and November 2017, we paid quarterly dividends of \$0.55 per share of common stock. The total dividends paid in 2017 were \$97.1 million. On January 16, 2018, we declared a quarterly dividend of \$0.55 per share of common stock payable February 16, 2018 to shareholders of record on January 26, 2018.

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

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

Other Reserves

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

	Pension	Cash Flow Hedge	Translation	Total
Balance at January 1, 2016	\$ (15,340)	\$ (998)	\$ (646)	\$ (16,984)
Pension remeasurement	1,360	—	—	1,360
Currency translation adjustment	—	—	54	54
Cash flow hedge	—	339	—	339
Balance at December 31, 2016	<u>(13,980)</u>	<u>(659)</u>	<u>(592)</u>	<u>(15,231)</u>
Pension remeasurement	1,691	—	—	1,691
Currency translation adjustment	—	—	46	46
Cash flow hedge	—	468	—	468
Balance at December 31, 2017	<u><u>\$ (12,289)</u></u>	<u><u>\$ (191)</u></u>	<u><u>\$ (546)</u></u>	<u><u>\$ (13,026)</u></u>

14. STOCK-BASED COMPENSATION

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

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

We issue shares from either treasury stock or authorized shares upon the lapsing of vesting restrictions on restricted stock. In 2017, we issued 191,513 shares out of treasury stock relating to the vesting of restricted stock. We do not use cash to settle equity instruments issued under stock-based compensation awards.

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

Nonvested restricted and performance share awards as of December 31, 2017 and changes during the year were as follows:

	Long-term Incentive Plan		Nonemployee Director Stock Incentive Plan	
	Number of Shares	Weighted Average Grant Date Fair Value	Number of Shares	Weighted Average Grant Date Fair Value
Nonvested at December 31, 2015	442,836	\$ 126.35	20,768	\$ 133.23
Granted	226,679	95.81	10,680	105.02
Vested	(133,996)	140.16	(7,616)	133.84
Forfeited	(13,737)	122.47	—	—
Nonvested at December 31, 2016	521,782	\$ 109.64	23,832	\$ 120.40
Granted	194,419	101.44	9,093	113.34
Vested	(186,486)	112.11	(4,536)	196.34
Forfeited	(21,354)	114.89	—	—
Nonvested at December 31, 2017	508,361	105.38	28,389	106.00

The fair value of the nonvested restricted stock awards at December 31, 2017 was \$58.8 million.

Stock-Based Compensation Expense

For the years ended December 31, 2017 and 2016, stock-based compensation expense recognized in the income statement is as follows (in thousands):

	2017	2016
Cost of sales and services	\$ 7,903	\$ 9,874
General and administrative	12,518	11,808
Total stock-based compensation expense	\$ 20,421	\$ 21,682

15. PREFERENCE SHARES

We have 6,000,000 preference shares authorized by our shareholders with a par value of EUR 0.02. At both December 31, 2017 and 2016, there were zero preference shares issued or outstanding.

16. BORROWINGS

Debt at December 31, 2017 and 2016 is summarized in the following table (in thousands):

	Senior Notes	Credit Facility	Deferred Debt Acquisition Costs	Total
Balance at December 31, 2016	150,000	68,000	(1,512)	216,488
Repayment of Debt Borrowing	—	(130,000)	—	(130,000)
Proceeds from Debt Borrowing	—	140,000	—	140,000
Amortization of Deferred Debt Acquisition Costs	—	—	501	501
Balance at December 31, 2017	150,000	78,000	(1,011)	226,989

In 2011, we issued two series of Senior Notes with an aggregate principal amount of \$150 million in a private placement transaction. Series A consists of \$75 million in aggregate principal amount of notes that bear interest at a fixed rate of 4.01% and are due in full on September 30, 2021. Series B consists of \$75 million in aggregate principal amount of notes that bear interest at a fixed rate of 4.11% and are due in full on September 30, 2023. Interest on each series of the Senior Notes is payable semi-annually on March 30 and September 30.

The terms of our Credit Facility allow an aggregate borrowing capacity of \$400 million and to increase the uncommitted availability of an additional \$50 million to bring the total borrowings available from \$400 million to \$450 million if certain prescribed conditions are met by the Company. The Credit Facility bears interest at variable rates from LIBOR plus 1.25% to a maximum of LIBOR plus 2%.

Any outstanding balance under the Credit Facility is due August 29, 2019, when the Credit Facility matures. Interest payment terms are variable depending upon the specific type of borrowing under this facility. Our available capacity at any point in time is subject to the terms of the agreement, and is reduced by borrowings outstanding at the time and outstanding letters of credit which totaled \$14.3 million at December 31, 2017, resulting in an available borrowing capacity under the Credit Facility of \$307.7 million. In addition to those items under the Credit Facility, we had \$14 million of outstanding letters of credit and performance guarantees and bonds from other sources as of December 31, 2017.

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

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

The carrying amounts of our borrowings are denominated in U.S. Dollars. The fair value of the Senior Notes was \$149.9 million at December 31, 2017 and \$150.1 million at December 31, 2016. The fair value was estimated using Level 2 inputs by calculating the sum of the discounted future interest and principal payments through the date of maturity. See Note 30 - *Fair Value*. The fair value of the Credit Facility, capital lease obligations and deferred debt acquisition costs approximates the book value.

17. INCOME AND OTHER TAXES PAYABLE

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

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

18. UNEARNED REVENUE

We recognize revenue when the significant risks and rewards of ownership have been transferred to the client, recovery of the consideration is probable, the associated costs and possible return of products can be measured reliably, and there is neither continuing management involvement nor effective control over the services rendered or products sold.

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

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

All advance payments are classified as unearned revenue until services are performed or product title is transferred. At December 31, 2017 and 2016, we had \$17.4 million and \$16.0 million of unearned services revenue, respectively. We have no unearned product sales revenue.

19. 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.

We have been and may from time to time be named as a defendant in legal actions that arise in the ordinary course of business. These include, but are not limited to, employment-related claims and contractual disputes or claims for personal injury or property damage which occur in connection with the provision of our services and products. A liability is accrued when a loss is both probable and can be reasonably estimated. During 2015, we recorded liabilities in the amount of \$8.6 million associated with these claims. After certain settlements in 2017 and 2016, we had a balance of \$2.8 million remaining as of December 31, 2017.

The movement of provisions for 2017 is as follows (in thousands):

At January 1, 2017	\$ 7,556
Charged / (credited) to the income statement:	
Additional provisions	1,545
Used during the year	(3,245)
At December 31, 2017	<u>\$ 5,856</u>

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

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

Dutch Defined Benefit Plan

We provide a noncontributory defined benefit plan covering substantially all of our Dutch employees (“Dutch Plan”) who were hired prior to 2007. This pension benefit is based on years of service and final pay or career average pay, depending on when the employee began participating. Employees are immediately vested in the benefits earned. We are required to fund the Dutch Plan; we ensure that the investment positions are managed within an asset-liability matching (“ALM”) framework that has been developed to achieve long-term investments that are in line with the obligations under this plan. We actively monitor how the duration and the expected yield of the investment contracts are matching the expected cash outflows arising from the obligations.

Plan assets for our Dutch Plan at December 31, 2017 and 2016 consisted of insurance contracts with returns comparable with governmental debt securities. Dutch law dictates the minimum requirements for pension funding. Our goal is to meet these minimum funding requirements, while our insurance carrier invests to provide funding for those future benefit payments. These investment contracts have a five-year maturity and are from a large multi-national insurance company. Each year, as a contract expires, it is replaced with a new contract that is adjusted to include changes in the benefit obligation for the current year and redemption of the expired contract. We make annual premium payments, based upon each employee’s age and current salary, to the insurance company. We determine the fair value of the plan assets with the assistance of an actuary using observable inputs (Level 2), which approximate the contract value of the investments. The costs related to the Dutch Plan are included in Cost of services in the Consolidated Income Statement. The most significant risks associated with the Dutch Plan are that investment returns fall short of expectations, discount rates decline, inflation exceeds expectations, and retirees live longer than expected.

Our employer contributions to the Dutch Plan were \$1.6 million and \$1.1 million in 2017 and 2016, respectively. Our benefit payments were \$1.2 million and \$1.1 million in 2017 and 2016, respectively. For 2018, we expect to contribute \$1.4 million to the Dutch Plan. Our estimate of future annual contributions is based on current funding requirements.

Sensitivity Analysis

The defined benefit obligation for the Dutch Plan at December 31, 2017 was \$63.4 million. The following table illustrates the sensitivity of the Dutch Plan's defined benefit obligation at December 31, 2017 to the most significant actuarial assumptions (in thousands).

	Change in assumption	Increase in assumption		Decrease in assumption	
Discount rate	+/- 0.50%	\$	57,835 (8.8)%	\$	69,762 10.0 %
Salary growth rate	+/- 0.50%	\$	64,973 2.5 %	\$	61,842 (2.5)%
Pension growth rate	+/- 0.50%	\$	63,942 0.9 %	\$	62,898 (0.8)%
Inflation Rate	+/- 0.50%	\$	63,025 (3.2)%	\$	63,686 3.1 %
Life Expectancy *	+/- 1 year	\$	61,385 (0.6)%	\$	65,394 0.5 %

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

Mortality rate

Assumptions regarding future mortality experience are set based on advice, published statistics and experience in the Netherlands. The average life expectancy in years of a pensioner retiring on the balance sheet date at age 67 and 65 for 2017 and 2016, respectively, is as follows:

	2017	2016
Male	19.8	21.3
Female	22.0	24.5

The average life expectancy in years of a pensioner retiring 20 years after the balance sheet date at age 67 and 65 for 2017 and 2016, respectively, is as follows:

	2017	2016
Male	22	24.2
Female	24.3	27.2

Supplemental Executive Retirement Plans ("SERP")

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

Employee Severance Arrangement

We provide severance compensation to certain current key employees if employment is terminated under certain circumstances, such as following a change in control or for any reason other than upon their death or disability, for "cause" or upon a material breach of a material provision of their employment agreement, as defined in their employment agreements. In addition, there are certain countries where we are legally required to make severance payments to employees when they leave our service. We have accrued for all of these severance payments, but they are not funded. The costs related to all severance liabilities are included in Cost of services, Cost of product sales or General and administrative expense in the Consolidated

Income Statement. The most significant risks associated with the employee severance arrangements are that discount rates decline and inflation exceeds expectations resulting in an under-accrual of the liability and fluctuating expenses to the Company until the payment is made.

Defined Contribution Plans

We maintain defined contribution plans for the benefit of eligible employees primarily in Canada, the Netherlands, the United Kingdom, and the United States. In accordance with the terms of each plan, we and our participating employees contribute up to specified limits and under certain plans, we may make discretionary contributions in accordance with the defined contribution plans. Our primary obligation under these defined contribution plans is limited to paying the annual contributions. For the years ended December 31, 2017 and 2016, we paid \$4.2 million and \$6.1 million respectively, for our required contributions and our additional discretionary contributions to the defined contribution plans.

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

Deferred Compensation Arrangement

We have also adopted a non-qualified deferred compensation plan ("Deferred Compensation Plan") that allows certain highly compensated employees to defer a portion of their salary, commission and bonus, as well as the amount of any reductions in their deferrals under the Deferred Compensation Plan for employees in the United States, due to certain limitations imposed by the U.S. Internal Revenue Code of 1986, as amended (the "Code"). Contributions to the plan are invested in equity and other investment fund assets, and carried on the balance sheet at fair value. The benefits under these contracts are fully vested. Our primary obligation for the Deferred Compensation Plan is limited to our annual contributions. Employer contributions to the Deferred Compensation Plan were \$0.1 million and \$0.2 million for the years ended December 31, 2017 and 2016, respectively.

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

Additional Financial Information about our Post-employment Benefit Plans

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

2018	\$	2,403
2019		4,518
2020		2,548
2021		2,613
2022		2,732

The following table summarizes the carrying values, charges (benefits) and remeasurement amounts of our plans for the years ended December 31, 2017 and 2016 (in thousands):

POST-EMPLOYMENT BENEFIT PLANS		
	2017	2016
Balance sheet obligations for:		
Post-employment benefits - Dutch Defined Benefit Plan	\$ 10,253	\$ 9,949
Post-employment benefits - SERP	17,973	16,948
Post-employment benefits - Employee Severance	13,805	13,079
Post-employment benefits - Deferred Compensation Plan	37,280	31,672
Liability in the balance sheet	<u>\$ 79,311</u>	<u>\$ 71,648</u>
Income statement charge (benefit) for:		
Dutch Defined Benefit Plan	\$ 105	\$ 1,538
Other post-employment benefits	2,147	2,268
	<u>\$ 2,252</u>	<u>\$ 3,806</u>
Remeasurements recognized in the statement of other comprehensive income in the year	\$ 1,691	\$ 1,360
Cumulative remeasurements recognized in the statement of other comprehensive income	\$ (12,289)	\$ (13,980)

The following table summarizes the change in the post-employment obligation and the fair value of plan assets for the Dutch Defined Benefit Plan, the SERP, and the Employee Severance for the years ended December 31, 2017 and 2016 (in thousands):

	2017	2016
Post-Employment Obligation:		
At beginning of year	\$ 85,885	\$ 79,712
Current service cost	1,494	1,288
Past service cost	—	—
Interest cost	3,639	3,962
Benefits paid	(2,253)	(2,048)
Administrative expenses	—	—
Remeasurements		
Effect of changes in demographic assumptions	74	1,103
Effect of changes in financial assumptions	(428)	3,833
Effect of experience adjustments	(359)	(666)
(Gain)/ loss on foreign exchange rates	6,972	(1,299)
At end of year	<u>\$ 95,024</u>	<u>\$ 85,885</u>
Fair Value of Plan Assets:		
Fair value of plan assets at beginning of year	\$ 59,507	\$ 53,251
Interest income	1,574	1,754
Employer contributions	1,595	1,118
Benefits paid	(1,212)	(1,023)
Administrative expenses	(288)	(300)
Remeasurements		
Return on plan assets (excluding interest income)	1,479	5,753
(Gain)/ loss on foreign exchange rates	5,745	(1,046)
Fair value of plan assets at end of year	<u>\$ 68,400</u>	<u>\$ 59,507</u>
Over (under)-funded status of the obligation at end of the year ⁽¹⁾	<u><u>\$ (26,624)</u></u>	<u><u>\$ (26,378)</u></u>

⁽¹⁾ includes \$15,258 and \$13,375, for 2017 and 2016 respectively, of insurance contracts used to partially fund the SERP and shown separately as an asset on the Balance Sheet

The weighted average duration of the defined benefit obligation is 20.4 years.

The components of post-employment obligation cost for the years ended December 31, 2017 and 2016 included:

	2017	2016
Service cost	\$ 1,494	\$ 1,288
Net interest cost	2,065	2,218
Administrative expenses	288	300
Post-employment obligation cost	<u>\$ 3,847</u>	<u>\$ 3,806</u>

The post-employment obligation cost of \$3.8 million and \$3.8 million for the years ended December 31, 2017 and 2016, respectively was recognized in Cost of services, Cost of product sales and General and administrative expense in the Consolidated Income Statement.

The following actuarial assumptions were used to determine the actuarial present value of our post-employment obligation at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Weighted average assumed discount rate - Dutch Plan	2.00%	1.90%
Weighted average assumed discount rate - SERP	4.08%	4.64%
Weighted average assumed discount rate - Severance	4.08%	4.64%
Weighted average rate of compensation increase	2.90%	2.75%
Weighted average rate of price inflation	1.90%	1.75%
Rate of pension increases	1.90%	1.75%

The discount rate used to determine our projected post-employment obligation for our Dutch Plan at December 31, 2017 increased from 1.90% to 2.00% at the recommendation of our third-party actuary. The increase in the discount rate was consistent with a general increase in interest rates in Europe for AAA-rated long-term Euro corporate bonds.

21. ACCOUNTS PAYABLE AND OTHER ACCRUED EXPENSES

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

22. EMPLOYEE BENEFIT EXPENSE

Employee benefit expenses are comprised of salaries, bonuses and other compensation. For the years ended December 31, 2017 and 2016, employee expense recognized in the income statement is as follows (in thousands):

	<u>2017</u>	<u>2016</u>
Wages and salaries	\$ 219,092	\$ 203,736
Social security costs	47,250	47,389
Stock based compensation	20,294	21,681
Total employee expense	<u>\$ 286,636</u>	<u>\$ 272,806</u>

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

For the years ended December 31, 2017 and 2016, employee expense recognized in the income statement is as follows (in thousands):

	<u>2017</u>	<u>2016</u>
Cost of sales and services	\$ 254,830	\$ 245,703
General and administrative	31,806	27,103
Total employee expense	<u>\$ 286,636</u>	<u>\$ 272,806</u>

We had approximately 4,600 and 4,400 employees in 2017 and 2016, respectively.

23. OTHER (INCOME) EXPENSE, NET

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

	Year Ended	
	2017	2016
Sale of assets	\$ (346)	\$ (618)
Foreign exchange	876	1,774
Rents and royalties	(454)	(420)
Severance and other charges	(1,355)	—
Other, net	(477)	(630)
Total other (income) expense, net	<u>\$ (1,756)</u>	<u>\$ 106</u>

24. FINANCE COSTS

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

The components of finance costs for the years ended December 31, 2017 and 2016 are as follows (in thousands):

	2017	2016
Finance costs:		
Interest expense on Senior Notes	\$ 6,145	\$ 6,090
Interest expense on bank borrowings	4,063	4,653
Interest expense on interest rate swaps	526	829
Total finance costs	<u>10,734</u>	<u>11,572</u>
Finance income	(6)	(25)
Net finance costs	<u>\$ 10,728</u>	<u>\$ 11,547</u>

25. INCOME TAXES

The components of income tax expense for the years ended December 31, 2017 and 2016 are as follows (in thousands):

	2017	2016
Current tax	\$ 37,139	\$ (14,990)
Deferred tax	(13,434)	17,299
Income tax expense	<u>\$ 23,705</u>	<u>\$ 2,309</u>

The differences in income tax expense computed using the Dutch statutory income tax rate of 25.0% in 2017 and 2016 and our income tax expense as reported in the accompanying consolidated income statement for 2017 and 2016 are as follows (in thousands):

	2017	2016
Profit (loss) before tax	\$ 105,893	\$ 70,890
Tax at Dutch income tax rate	26,474	18,524
International earnings taxed at rates other than Dutch statutory rate	(14,533)	(25,163)
Reduction of US corporate tax rate	5,295	—
Non-deductible expenses and permanent differences, net	7,006	2,936
Tax attributes realized	3,067	(899)
State and provincial taxes	829	600
Adjustments of prior year taxes	(3,482)	2,412
Adjustments of income tax reserves	1,869	(604)
Effect of foreign exchange rate	(1,792)	3,381
Recognition of net operating losses	(1,744)	—
Other	716	1,122
Income tax expense	<u>\$ 23,705</u>	<u>\$ 2,309</u>

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

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 was signed into law reducing the U.S. corporate income tax rate to 21% effective January 1, 2018. We recorded a \$5.3 million non-cash discrete tax charge in the fourth quarter of 2017, primarily as a result of revaluing deferred tax positions for the net impact of the reduction in tax rate. We are continuing our analysis of the effects this tax reform will have on the Company in future periods.

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

26. EARNINGS PER SHARE

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

	Year Ended December 31,	
	2017	2016
Profit for the year, attributable to the owners of the Company	\$ 82,217	\$ 68,617
Weighted average basic common shares outstanding	44,153	43,479
Effect of dilutive securities:		
Performance shares	69	127
Restricted stock	42	64
Weighted average diluted common and potential common shares outstanding	<u>44,264</u>	<u>43,670</u>
Basic earnings per share	\$ 1.86	\$ 1.58
Diluted earnings per share	\$ 1.86	\$ 1.57

27. COMMITMENTS AND CONTINGENCIES

We have been and may from time to time be named as a defendant in legal actions that arise in the ordinary course of business. These include, but are not limited to, employment-related claims and contractual disputes or claims for personal injury or property damage which occur in connection with the provision of our services and products. A liability is accrued when a loss is both probable and can be reasonably estimated.

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

Scheduled minimum rental commitments under non-cancelable operating leases at December 31, 2017, consist of the following (in thousands):

2018	\$ 15,077
2019	10,732
2020	8,233
2021	5,997
2022	4,974
Thereafter	16,247
Total commitments	<u>\$ 61,260</u>

Operating lease commitments relate primarily to rental of equipment and office space. Rental expense for operating leases, including amounts for short-term leases with nominal future rental commitments, was \$20.9 million and \$20.3 million for the years ended December 31, 2017 and 2016, respectively.

28. ACQUISITIONS

We had no significant acquisitions during the years ended December 31, 2017 and 2016.

29. DERIVATIVE FINANCIAL INSTRUMENTS

In 2014, we entered into two interest rate swap agreements for a total notional amount of \$50 million to hedge changes in the variable rate interest expense on \$50 million of our existing or replacement LIBOR-priced debt. Under the first swap agreement of \$25 million, we have fixed the LIBOR portion of the interest rate at 1.73% through August 29, 2019, and under the second swap agreement of \$25 million, we have fixed the LIBOR portion of the interest rate at 2.50% through August 29, 2024. Each swap is measured at fair value and recorded in our consolidated balance sheet as a liability. They are designated and qualify as cash flow hedging instruments and are highly effective. Unrealized losses are deferred to shareholders' equity as a component of accumulated other comprehensive loss and are recognized in income as an increase to interest expense in the period in which the related cash flows being hedged are recognized in expense.

The notional principal amounts of the outstanding interest rate swap contracts at December 31, 2017 were \$50 million.

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

	2017		2016	
	Assets	Liabilities	Assets	Liabilities
Interest rate swaps - cash flow hedge	\$ 70	\$ 492	\$ —	\$ 1,046

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

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

	December 31, 2017	December 31, 2016	Income Statement Classification
Derivatives designated as hedges:			
5 yr Interest Rate Swap	\$ 165	\$ 316	Interest Expense
10 yr Interest Rate Swap	361	513	Interest Expense
	<u>\$ 526</u>	<u>\$ 829</u>	

All interest rate swaps have a maturity of more than one year and are classified as non-current. The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability if the remaining maturity of the hedged item is less than 12 months.

30. FAIR VALUE

Financial Assets and Liabilities - Fair Value Estimation

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

		2017		2016	
	Ref.	Assets	Liabilities	Assets	Liabilities
Loan and Receivables					
Cash and cash equivalents		\$ 14,400	\$ —	\$ 14,764	\$ —
Trade receivables	12	130,258	—	111,958	—
Financial Instruments at Fair Value Through Profit and Loss					
Derivative financial instruments	29	70	492	—	1,046
Benefit Plans		—	79,311	—	71,648
Other financial assets		46,331	—	39,076	—
Other Financial Liabilities at Amortized Cost					
Trade payables		—	41,697	—	33,720
Other accrued expenses		—	5,630	—	10,068
Borrowings	16	—	226,989	—	216,488
Total		\$ 191,059	\$ 354,119	\$ 165,798	\$ 332,970

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The carrying amounts of our borrowings are denominated in U.S. Dollars. The fair value of the Senior Notes was \$149.9 million at December 31, 2017 and \$150.1 million at December 31, 2016. The fair value was estimated using Level 2 inputs by calculating the sum of the discounted future interest and principal payments through the date of maturity.

The Company's only financial assets and liabilities which involve fair value measures relate to certain aspects of the Company's benefit plans and our interest rate swaps. On a recurring basis, we use the market approach to value certain assets and liabilities at fair value using significant other observable inputs (Level 2). We do not have any assets or liabilities measured at fair value on a recurring basis using quoted prices in an active market (Level 1) or significant unobservable inputs (Level 3). Gains and losses related to the fair value changes in these assets and liabilities are recorded in Other Comprehensive Income and in the Consolidated Income Statement. The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to us for similar financial instruments. The following table summarizes the fair value balances (in thousands):

	Total	Fair Value Measurement at December 31, 2017		
		Level 1	Level 2	Level 3
Assets:				
Other financial assets	\$ 46,331	\$ —	\$ 46,331	\$ —
Derivative financial instruments	70	—	70	—
Liabilities:				
Benefit plans	37,280	—	37,280	—
Derivative financial instruments	492	—	492	—

	Total	Fair Value Measurement at December 31, 2016		
		Level 1	Level 2	Level 3
Assets:				
Other financial assets	\$ 38,905	\$ —	\$ 38,905	\$ —
Liabilities:				
Benefit plans	31,672	—	31,672	—
Derivative financial instruments	1,046	—	1,046	—

Other financial assets are comprised of life insurance policies with cash surrender value which have been purchased by us to assist in funding deferred compensation arrangements with certain employees. We determine the fair value of the plan assets with the assistance of an actuary using observable inputs (Level 2), which approximate the contract value of the investments. These policies are carried at fair value and the gain or loss recognized is the difference in the fair value actuarially calculated and the value recorded in our general ledger.

The effect of the financial assets and liabilities on the Consolidated income statement was as follows (in thousands):

	December 31, 2017	December 31, 2016	Income Statement Classification
Assets:			
Other financial assets	\$ 371	\$ 481	SERP expense
Other financial assets	1,511	758	Other comprehensive expense
Liabilities:			
Benefit plans	3,847	3,806	Compensation expense
Derivative financial instruments	526	829	Interest expense
	<u>\$ 6,255</u>	<u>\$ 5,874</u>	

31. AUDIT FEES

In 2017 and 2016, the Audit Committee approved in advance 100% of the non-audit fees. These fees (in thousands) consisted of:

	2017	2016
Audit Fees	\$ 2,694	\$ 2,470
Audit-Related Fees	—	—
Tax Fees ⁽¹⁾	52	115
All Other Fees	—	—
Total	<u>\$ 2,746</u>	<u>\$ 2,585</u>

(1) Tax Fees include fees for International tax compliance and consulting.

32. DIRECTORS' AND NONEXECUTIVE DIRECTORS' REMUNERATIONS

The following table summarizes, with respect to our Supervisory Directors, information relating to the compensation earned for services rendered in all capacities during the fiscal years ending December 31, 2017 and 2016. Further information on the employment terms and remuneration of the directors and nonexecutive directors can be found in the Annual Report of the Directors.

Name and Principal Position	Year	Salary	Stock Awards (1)	Non-Equity Incentive Plan Compensation (2)	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation (3) (4)	Total
David M. Demshur President, Chief Executive Officer and Chairman of the Supervisory Board	2017	\$979,479	\$5,433,347	\$1,670,011	\$(263,000)	\$39,025	\$7,858,862
	2016	951,000	4,402,416	—	178,000	43,292	5,574,708
Richard L. Bergmark Executive Vice President, Chief Financial Officer, and Supervisory Director	2017	523,881	2,179,558	609,011	(239,000)	15,814	3,089,264
	2016	508,600	1,766,054	—	174,000	28,958	2,477,612
Martha Z. Carnes (5) Supervisory Director	2017	—	168,196	—	—	87,500	255,696
	2016	—	28,889	—	—	35,500	64,389
Charles L. Dunlap (5) Supervisory Director	2017	—	215,711	—	—	76,000	291,711
	2016	—	144,373	—	—	82,000	226,373
Lucia van Geuns (5) Supervisory Director	2017	—	215,711	—	—	67,000	282,711
	2016	—	144,373	—	—	65,000	209,373
Michael Kearney (5) Supervisory Director	2017	—	215,711	—	—	62,000	277,711
	2016	—	142,887	—	—	108,000	250,887
Margaret Ann van Kempen (5) Supervisory Director	2017	—	215,711	—	—	65,000	280,711
	2016	—	142,887	—	—	75,000	217,887
Jan Willem Sodderland (5) Supervisory Director	2017	—	215,711	—	—	87,000	302,711
	2016	—	142,887	—	—	67,000	209,887
Michael Straughan (5) Supervisory Director	2017	—	163,934	—	—	89,000	252,934
	2016	—	26,757	—	—	51,500	78,257

(1) The amounts included in the “Stock Awards” column include the dollar amount of compensation expense we recognized for the fiscal year ended December 31, 2017. The awards for which compensation expense was recognized consists of Performance Restricted Shares granted in 2015, 2016, and 2017 for our executive Supervisory Directors and Restricted Shares granted in 2015, 2016, and 2017 for our nonexecutive Supervisory Directors. See Note 14 - *Stock-Based Compensation* for a description of the material features of these awards. No options were awarded to our named executive officers in 2017. None of our nonexecutive Supervisory Directors had any option awards outstanding as of December 31, 2017.

(2) Annual non-equity incentive compensation awards of \$1.8 million for Mr. Demshur and \$0.6 million for Mr. Bergmark were approved by the Compensation Committee for 2016, however, both Messrs. Demshur and Bergmark have decided to decline payment due to market conditions.

(3) Amounts for executive Supervisory Directors consist of our matching contributions and contributions through our retirement plans and amounts paid under certain insurance plans. Amounts for nonexecutive Supervisory Directors consist of fees paid to outside directors for service on the Supervisory Board and related committees.

(4) All named executive officers received perquisites in excess of \$10,000 in fiscal 2016 and 2017 due to Company 401(k) discretionary contributions and an increase in premium with the Company-Owned Life Insurance. The amounts shown reflect discretionary contributions made by the Company.

(5) Each of our nonexecutive Supervisory Directors who served any portion of 2017 had the following aggregate number of stock awards outstanding as of December 31, 2017: Ms. Carnes, 2,634; Mr. Dunlap, 4,070; Mr. Kearney, 4,070; Ms. van Geuns, 4,070; Ms. van Kempen, 4,070; Mr. Sodderland, 4,070; and Mr. Straughan, 2,634.

The following table summarizes the Performance Share Award Plan (“PSAP”) as it relates to our executive directors. Further information on the PSAP is contained in Note 14 - Stock-based Compensation.

	Demshur	Bergmark
Unvested Shares @ Jan 1, 2017	97,080	38,945
Granted during 2017	59,100	23,706
Vested during 2017	(44,085) (	17,685)
Unvested Shares @ December 31, 2017	112,095	44,966

We have made no loans, advances or guarantees to any of our Supervisory Directors.

33. RELATED PARTIES

In 2017 and 2016, 63,569 shares valued at \$7.0 million and 46,000 shares valued at \$5.4 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. See Note 14 - *Stock-Based Compensation*. We had no other significant related party transactions for the year ended December 31, 2017.

The following table lists significant subsidiaries of the parent company that are included in the consolidated group. For a complete listing of subsidiaries see Appendix A.

Name	Legal Seat	Ownership %
Core Laboratories Australia PTY Ltd	Perth, Australia	100%
Core Laboratories Canada Ltd.	Alberta, Canada	100%
Core Laboratories International B.V.	Amsterdam, Netherlands	100%
Core Laboratories LP	Delaware, United States	100%
Core Laboratories Malaysia SDN BHD	Kuala Lumpur, Malaysia	100%
Core Laboratories Sales B.V.	Rotterdam, Netherlands	100%
Core Laboratories (U.K.) Limited	London, United Kingdom	100%
Owen Oil Tools LP	Delaware, United States	100%
Core Lab de Mexico S.A. de C.V.	Mexico City, Mexico	100%
Saybolt Belgium N.V.	Antwerp, Belgium	100%
Saybolt LP	Delaware, United States	100%
Saybolt Nederland B.V.	Rotterdam, Netherlands	100%
Saybolt (Singapore) PTE LTD	Singapore, Singapore	100%
Stim-Lab, Inc.	Oklahoma, United States	100%
JSC Petroleum Analysts	Moscow, Russian Federation	100%

The following table lists associates of the parent company that are not included in the consolidated group:

Name	Legal Seat	Ownership %
Saybolt Tunisie SarL	Tunis, Tunisia	49%
Saybolt Med S.A.	Tunis, Tunisia	49%
Saybolt Saudi Arabia Co., Ltd.	Jubail, Saudi Arabia	45%
Saybolt Maroc	Rabat, Morocco	49%
Saybolt Madagascar	Antananarivo, Madagascar	49%
Projeito Brasil	Macaé, Brasil	49%

34. SUBSEQUENT EVENTS

No subsequent events have occurred that are significant to Core Laboratories.

Company financial statements

CORE LABORATORIES N.V.
BALANCE SHEET
December 31, 2017 and 2016
(In thousands of USD)
(After proposed appropriation of results)

	<u>Ref.</u>	<u>2017</u>	<u>2016</u>
ASSETS			
NON-CURRENT ASSETS			
Investment in subsidiaries	3	\$ 816,673	\$ 766,297
Deferred tax assets	6	6,551	9,029
Loans to subsidiaries	4	649,439	299,439
Other assets	5	7,350	4,507
TOTAL NON-CURRENT ASSETS		<u>\$ 1,480,013</u>	<u>\$ 1,079,272</u>
CURRENT ASSETS			
Prepaid expenses and other current assets		\$ 1	\$ 458
Receivables from subsidiaries		52,311	25,810
Trade and other receivables, net		336	243
Cash and cash equivalents		1,253	390
TOTAL CURRENT ASSETS		<u>53,901</u>	<u>26,901</u>
TOTAL ASSETS		<u><u>\$ 1,533,914</u></u>	<u><u>\$ 1,106,173</u></u>
SHAREHOLDERS' EQUITY			
Common shares		\$ 1,066	\$ 950
Additional paid-in capital		53,454	54,576
Retained earnings		254,361	269,370
Other reserves		(12,944)	(15,033)
Treasury shares		(76,269)	(80,773)
TOTAL SHAREHOLDERS' EQUITY	7	<u>\$ 219,668</u>	<u>\$ 229,090</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Long term payable to subsidiaries	10	\$ 604,110	\$ 587,847
Borrowings	11	27,618	17,396
Income taxes payable		3,013	749
Post-employment benefit plans	8	19,951	19,186
Deferred tax liabilities	6	1,972	6,650
Provisions		2,727	5,611
TOTAL NON-CURRENT LIABILITIES		<u>\$ 659,391</u>	<u>\$ 637,439</u>
CURRENT LIABILITIES:			
Accounts payable		\$ 3,549	\$ 3,296
Payables to subsidiaries	10	648,110	230,413
Income taxes payable		—	44
Other accrued expenses		3,196	5,891
TOTAL CURRENT LIABILITIES		<u>654,855</u>	<u>239,644</u>
TOTAL LIABILITIES		<u>1,314,246</u>	<u>877,083</u>
TOTAL EQUITY, PROVISIONS AND LIABILITIES		<u><u>\$ 1,533,914</u></u>	<u><u>\$ 1,106,173</u></u>

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

CORE LABORATORIES N.V.
INCOME STATEMENT
For the Years Ended December 31, 2017 and 2016
(In thousands of USD, except share and per share data)

	<u>2017</u>	<u>2016</u>
REVENUE:		
Services	\$ 116,271	\$ 1,121
OPERATING EXPENSES:		
Cost of services	107,858	1,113
GROSS PROFIT	<u>8,413</u>	<u>8</u>
General and administrative expense	15,134	15,028
Other (income) expense, net	(6,876)	(7,669)
OPERATING PROFIT (LOSS)	<u>155</u>	<u>(7,351)</u>
Finance income	17,825	17,824
Finance costs	(24,663)	(22,934)
Finance costs, net	<u>(6,838)</u>	<u>(5,110)</u>
Profit of subsidiaries	<u>86,816</u>	<u>80,559</u>
PROFIT BEFORE INCOME TAX EXPENSE	80,133	68,098
Income tax expense (benefit)	(2,084)	(519)
PROFIT FOR THE YEAR	<u>\$ 82,217</u>	<u>\$ 68,617</u>

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

1. GENERAL

The description of the Company's activities and the group structure, as included in the Notes to the Consolidated financial statements, also apply to the Company-only financial statements ("Company financial statements").

2. ACCOUNTING PRINCIPLES

Basis of preparation

The Company financial statements of Core Laboratories N.V. have been prepared in accordance with Part 9, Book 2 of the Dutch Civil Code. In accordance with subarticle 8 of article 362, Book 2 of the Dutch Civil Code, the Company's financial statements are prepared based on the accounting principles of recognition, measurement and determination of profit, as applied in the Consolidated financial statements. These principles also include the classification and presentation of financial instruments, being equity instruments or financial liabilities.

In case no other policies are mentioned, refer to the accounting policies as described in the accounting policies in the Consolidated financial statements of this Annual Report. For an appropriate interpretation, the Company financial statements of Core Laboratories N.V. should be read in conjunction with the Consolidated financial statements.

The Company prepared its Company financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union.

Investments in subsidiaries

Participating interests in group companies are accounted for in the Company financial statements according to the equity method. The share in the result of participating interests consists of the share of the Company in the result of these participating interests. Results on transactions involving the transfer of assets and liabilities between the Company and its participating interests and mutually between participating interest themselves, are eliminated to the extent that they can be considered as not realized.

When the company's share of losses in an investment equals or exceeds its interest in the investment, (including separately presented goodwill or any other unsecured non-current receivables, being part of the net investment), the Company does not recognize any further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the investment. In such case the company will recognize a provision which is reflected in the Balance Sheet in Other long term liabilities.

Loans to subsidiaries and payables to subsidiaries

Amounts due to/from subsidiaries are stated initially at fair value and subsequently at amortized costs. Amortized costs is determined using the effective interest rate at the date of inception.

3. INVESTMENTS IN SUBSIDIARIES

<i>(in thousands)</i>	Investments in Subsidiaries
Book value at January 1, 2017:	\$ 766,297
Investments	12,964
Dividends received	(53,115)
Non-controlling interest	29
(Reduction of) / additional negative net asset value stated at nil	1,957
Equity from Subs - AOCI	1,725
Net income from subsidiaries	86,816
Book value at December 31, 2017:	\$ 816,673

For a listing of directly and indirectly held subsidiaries that are included in the financial fixed assets as investments in affiliates, see Note 33 - *Related Parties* of the Notes to the Consolidated financial statements.

4. LOANS TO SUBSIDIARIES

<i>(in thousands)</i>	Loans to Subsidiaries
Book value at January 1, 2017:	\$ 299,439
Loan to subsidiary	350,000
Book value at December 31, 2017:	\$ 649,439

Loans to subsidiaries consist of a \$290 million note bearing interest at 6% due in May of 2021, a \$9.4 million note bearing interest at 4.935% due in June of 2025, a \$175 million note bearing interest at 4.67% due in June of 2029, and a \$175 million note bearing interest at 4.81% due in June of 2030.

5. OTHER ASSETS

<i>(in thousands)</i>	Other Assets
Book value at January 1, 2017:	\$ 4,507
Increase in cash surrender value of life insurance	564
Decrease in PP&E	(28)
Increase in income tax receivable	2,297
Other	10
Book value at December 31, 2017:	\$ 7,350

Life insurance policies with cash surrender value have been purchased by us to assist in funding deferred compensation arrangements with certain employees. These policies are carried at market value. The fair value is determined by the plan administrator's actuary calculation and the changes in the fair value are recognized through profit and loss.

6. INCOME TAXES

For a reconciliation of the effective tax rate with the statutory rate see Note 25 - *Income Taxes* of the Notes to the Consolidated financial statements.

The deferred tax assets at December 31, 2017 relate to tax credits as follows:

	Tax Credits	Tax Liabilities	Total
December 31, 2016	9,029	6,650	2,379
(Charged)/credited to income statement	(2,478)	(4,678)	2,200
December 31, 2017	<u>\$ 6,551</u>	<u>\$ 1,972</u>	<u>\$ 4,579</u>

7. EQUITY

Share capital

The authorized share capital of the Company as at December 31, 2017 amounts to EUR 4.12 million and consists of 200,000,000 ordinary shares with a par value of EUR 0.02 each.

Issued and paid in share capital amounts to \$54.5 million and consists of 44,796,252 issued and 44,184,205 outstanding ordinary shares with a par value of EUR 0.02 each. Repurchased ordinary shares amounts to \$76.3 million and consists of 612,047 ordinary shares with a par value of EUR 0.02 each and 6,000,000 preferred shares with a par value of EUR 0.02 each.

The movements in the number of shares in 2017 are as follows:

	Ordinary Shares	Repurchased Ordinary Shares	Shares Outstanding
Balance at January 1, 2017	44,796,252	(644,991)	44,151,261
Issue of ordinary shares	—	191,513	191,513
Repurchased own shares	—	(158,569)	(158,569)
Balance at December 31, 2017	<u>44,796,252</u>	<u>(612,047)</u>	<u>44,184,205</u>

The movement in shareholders' equity is as follows (in thousands):

	Common Shares	Additional Paid-In Capital	Accumulated Earnings	Other Reserves	Repurchased Shares	Total Shareholders' Equity
BALANCE, December 31, 2016	\$ 950	\$ 54,576	\$ 269,370	\$ (15,033)	\$ (80,773)	\$ 229,090
Stock-based compensation	—	(908)	(83)	—	21,413	20,422
Stock-based awards issued	—	—	—	—	—	—
Tax charge of stock awards issued	—	(214)	—	—	—	(214)
Repurchases of common shares	—	—	—	—	(16,909)	(16,909)
Dividends paid	—	—	(97,143)	—	—	(97,143)
Cancellation of treasury shares	—	—	—	—	—	—
Issuance of new shares	—	—	—	—	—	—
Currency translation adjustment	116	—	—	(116)	—	—
Share in other comprehensive income of subsidiaries	—	—	—	2,477	—	2,477
Pension adjustment	—	—	—	(272)	—	(272)
Net income	—	—	82,217	—	—	82,217
BALANCE, December 31, 2017	<u>\$ 1,066</u>	<u>\$ 53,454</u>	<u>\$ 254,361</u>	<u>\$ (12,944)</u>	<u>\$ (76,269)</u>	<u>\$ 219,668</u>

Our functional currency is the U.S. dollar. However, the par value of our common stock is denominated in Euros. We have recorded a cumulative translation adjustment related to the value of our common stock of \$116,000 related to this re-measurement, as indicated in the movement schedule above using an exchange rate of \$1.19 U.S. Dollars per Euro.

Treasury Shares and Dividends

For a discussion on treasury shares and dividends, please refer to Footnote 13 - *Equity* in the Consolidated Financial Statements.

Proposed appropriation of results

The Board of Supervisory Directors proposes to increase retained earnings in the amount of \$82.2 million from net income. The Company expects to utilize available earnings generated by our operations for the development and growth of the business, to repurchase our shares under our share repurchase program and to pay dividends. The determination as to the payment of dividends will be made at the discretion of our Supervisory Board and will depend upon our operating results, financial condition, capital requirements, income tax treatment of payments, general business conditions and such other factors we may deem relevant. Because Core Laboratories N.V. is a holding company that conducts substantially all of its operations through subsidiaries, our ability to pay cash dividends on the common shares is also dependent upon the ability of our subsidiaries to pay cash dividends or otherwise distribute or advance funds to us and on the terms and conditions of our existing and future credit arrangements.

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

EMPLOYEE BENEFIT PLANS (USD in thousands)

Balance sheet obligations for:	2017	2016
Post-employment benefits - SERP	\$ 10,700	\$ 10,334
Post-employment benefits - Dutch pension	830	1,008
Post-employment benefits - Employee severance	8,421	7,844
Liability in the balance sheet	<u>\$ 19,951</u>	<u>\$ 19,186</u>
Income statement charge (benefit) for:		
Post-employment benefits	\$ 1,200	\$ (982)
	<u>\$ 1,200</u>	<u>\$ (982)</u>
Remeasurements recognized in the statement of other comprehensive income in the year	\$ (272)	\$ (136)
Cumulative remeasurements recognized in the statement of other comprehensive income	\$ (2,550)	\$ (2,278)

Dutch Defined Benefit Plan

We provide a noncontributory defined benefit plan covering substantially all of our Dutch employees (“Dutch Plan”) who were hired prior to 2007. Only a few employees are actual employees of the parent company. The costs related to the Dutch Plan employees of the parent company are included in General and administrative expense in the Core Laboratories N.V. Income Statement. See Note 20 - *Post-employment and Other Long-term Employee Benefits* in the Notes to the Consolidated Financial Statements for a more detailed description of the Dutch Plan.

Supplemental Executive Retirement Plans (“SERP”)

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

Employee Severance Arrangement

We provide severance compensation to certain current key employees if employment is terminated under certain circumstances, such as following a change in control or for any reason other than upon their death or disability, for “cause” or upon a material breach of a material provision of their employment agreement, as defined in their employment agreements. We have accrued for all of these severance payments, but they are not funded. The costs related to the severance liabilities are included in General and administrative expense in the Core Laboratories N.V. Income Statement as the benefit is accrued. The most significant risks associated with the employee severance arrangements are that discount rates decline and inflation exceeds expectations resulting in an under-accrual of the liability and fluctuating expenses to the Company until the payment is made.

The following table summarizes the change in the post-employment obligations and the fair value of the plan assets for the SERP, Severance and the parent company's portion of the Dutch Plan for the years ended December 31, 2017 and 2016 (in thousands):

Post-employment Obligations:	2017	2016
Post-employment obligations at beginning of year	\$ 19,345	\$ 19,437
Service cost	97	84
Interest cost	1,376	1,153
Benefits paid	(729)	(880)
Remeasurements	210	(363)
(Gain)/ loss on foreign exchange rates	453	(86)
Post-employment obligations at end of year	<u>\$ 20,752</u>	<u>\$ 19,345</u>
Fair Value of Plan Assets:		
Fair value of plan assets at beginning of year	\$ 4,168	\$ 3,532
Interest Income	255	272
Employer contributions	104	73
Benefit payments	(79)	(74)
Administrative expenses	(86)	(90)
Remeasurements	452	523
(Gain)/ loss on foreign exchange rates	373	(68)
Fair value of plan assets at end of year	<u>\$ 5,187</u>	<u>\$ 4,168</u>
Over (under)-funded status of the plan at end of the year (1)	<u><u>\$ (15,565)</u></u>	<u><u>\$ (15,177)</u></u>

(1) includes \$4,722 and \$4,159, for 2017 and 2016 respectively, of insurance contracts used to partially fund the deferred compensation for the executives and is included in Other Assets on the Balance Sheet.

The following actuarial assumptions were used to determine the actuarial present value of our post-employment obligations at December 31, 2017 and 2016:

	2017	2016
Weighted average assumed discount rate - Dutch Plan	2.00%	1.90%
Weighted average assumed discount rate - SERP	4.08%	4.64%
Weighted average assumed discount rate - Severance	4.08%	4.64%

Expected benefit payments under the post-employment benefit plans for the next five years are as follows (in thousands):

2018	\$ 650
2019	2,708
2020	650
2021	650
2022	650

9. EMPLOYEE BENEFIT EXPENSE

Employee benefit expenses are comprised of salaries, bonuses and other compensation. For the years ended December 31, 2017 and 2016, employee expense recognized in the income statement is as follows (in thousands):

	2017	2016
Wages and salaries	\$ 3,326	\$ 2,635
Social security costs	438	(579)
Stock based compensation	1,835	1,608
Total employee expense	<u>\$ 5,599</u>	<u>\$ 3,664</u>

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

For the years ended December 31, 2017 and 2016, employee expense recognized in the income statement is as follows (in thousands):

	2017	2016
Cost of sales and services	\$ 1,995	\$ 1,085
General and administrative	3,604	2,579
Total employee expense	<u>\$ 5,599</u>	<u>\$ 3,664</u>

We had approximately 36 and 24 employees in 2017 and 2016, respectively.

10. PAYABLES TO SUBSIDIARIES

Payables to subsidiaries are specified as follows (in thousands):

	Long-Term Payables to Subsidiaries	Short-Term Payables to Subsidiaries
At January 1, 2017	\$ 587,847	\$ 230,413
Charged / (credited) to the income statement:		
Additions	350,000	389,230
Payments	—	(121,584)
Netting with Accounts Receivable	—	(193,560)
Imputed Interest	9,874	—
Transfers to short-term inter-company liability:	(343,611)	343,611
At December 31, 2017	<u>\$ 604,110</u>	<u>\$ 648,110</u>

Long-term payables to subsidiaries consist of a non-interest bearing Note with principle amount of \$290 million due in May of 2021 which is carried at the amortized balance of \$254.1 million, a Note for \$175 million due in May of 2030, bearing a floating interest rate margin of 2.11% until March of 2019, at which time the rate will become fixed, and a Note for \$175 million due in May of 2029, bearing a floating interest rate margin of 1.97% until March, 2019 at which time the rate will become fixed.

Short-term payables to subsidiaries consist of balances with various subsidiaries primarily due to the advance of cash from subsidiaries to the parent company, and a Note for \$339.2 million bearing interest at 1.66% due in March of 2018, and a Note for \$4.4 million bearing interest at LIBOR + 1% due in November of 2018.

11. BORROWINGS

Debt at December 31, 2017 and 2016 is summarized in the following table (in thousands):

	2017	2016
Credit facility	28,000	18,000
Deferred debt acquisition costs	(382)	(604)
Borrowings, net	<u>\$ 27,618</u>	<u>\$ 17,396</u>

The carrying amounts of our borrowings are denominated in US Dollars.

Also see Note 16 - *Borrowings* of the Notes to the Consolidated financial statements.

12. COMMITMENTS AND CONTINGENCIES

Along with certain of our material, wholly-owned subsidiaries, we are guarantors or co-borrowers under the revolving credit facility (“Credit Facility”) and Senior Notes. For a discussion of our Credit Facility and Senior Notes, please see Note 16 - *Borrowings* of the Notes to the Consolidated financial statements.

Core Laboratories N.V. and two of its wholly owned Dutch subsidiaries constitute a fiscal entity. As a result of the fiscal entity, the Company is liable for the fiscal entity’s income tax liabilities of the entire fiscal unity. Income taxes are allocated to the companies within the fiscal entity on the basis of their taxable income.

13. RELATED PARTIES

No fee has been charged to the Company for the services provided by Core Laboratories International B.V. as Managing Director.

For related party discussions, see Note 33 - *Related Parties* of the Notes to the Consolidated financial statements.

14. SUBSEQUENT EVENTS

No subsequent events have occurred that are significant to Core Laboratories.

15. SUPERVISORY DIRECTORS

For a discussion of Supervisory Director remuneration and related party transactions, see the Annual Report of the Directors and Note 33 - *Related Parties* of the Notes to the Consolidated financial statements.

Amsterdam, the Netherlands,
April 12, 2018

/s/ David M. Demshur

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

/s/ Jacobus Schouten

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

/s/ Richard L. Bergmark

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

/s/ Martha Z. Carnes

**Martha Z. Carnes
Supervisory Director**

/s/ Charles L. Dunlap

**Charles L. Dunlap
Supervisory Director**

/s/ Lucia van Geuns

**Lucia van Geuns
Supervisory Director**

/s/ Margaret Ann van Kempen

**Margaret Ann van Kempen
Supervisory Director**

/s/ Jan Willem Sodderland

**Jan Willem Sodderland
Supervisory Director**

/s/ Michael Straughen

**Michael Straughen
Supervisory Director**

Other information

1 Auditor's Report

The Auditor's report is included on page 123

2 Statutory Appropriation of Income

The Articles of Incorporation of the Company provide that the results for the year are subject to the disposition of the shareholders decided upon at the Annual Meeting of Shareholders. Income remaining after payment of any interim dividends is expected to be fully included in retained earnings.

3 Branches

The Consolidated financial statements include the financial information for the following branch locations:

Name	Legal Seat
Core Laboratories International B.V. - Abu Dhabi Branch	Abu Dhabi, United Arab Emirates
Core Laboratories International B.V. - Colombia Branch	Bogota, Colombia
Core Laboratories International B.V. - Pakistan Branch	Karachi, Pakistan
Core Laboratories International B.V. - Oman Branch	Muscat, Oman
Core Laboratories International B.V. - Libya Branch	Tripoli, Libya
Core Laboratories International B.V. - Iraq - Kurdistan Branch	Erbil, Kurdistan
Core Laboratories International B.V. - Qatar Branch	Doha, Qatar
Core Laboratories Corporate Holding B.V. - Pakistan Branch	Karachi, Pakistan
JSC Saybolt Analyt Holding B.V. Representation in Batumi	Batumi, Georgia
Saybolt LP - Puerto Rico Branch	Guayanilla, Puerto Rico
Saybolt LP - Virgin Islands Branch	St. Croix, U.S. Virgin Islands
Saybolt International B.V. - Bahrain Branch	Manama, Bahrain
Saybolt International B.V. - Yemen Branch	Aden, Yemen
Saybolt Analyt Holding B.V. - Turkmenistan Branch	Turkmenbashi, Turkmenistan
Saybolt Tianjin M&I Company - Xiamen Branch	Xiamen, China
Saybolt Tianjin M&I Company - Guangzhou Branch	Guangzhou, China
Saybolt Tianjin M&I Company - Shanghai Branch	Shanghai, China
Saybolt Tianjin M&I Company - Dailian Branch	Dailian, China
Saybolt UAE - Fujairah Branch	Fujairah, United Arab Emirates
EW Saybolt & Co SA - Abu Dhabi Branch	Abu Dhabi, United Arab Emirates
EW Saybolt & Co SA - Egypt Branch	Alexandria, Egypt
Core Laboratories Sales BV - Taiwan Branch	Taipei, Taiwan
Core Laboratories Sales BV - Kuwait Branch	Mangaf, Kuwait
Owen Oil Tools LP - Thailand Branch	Songkhla, Thailand
Production Enhancement Corporation -Trinidad Branch	San Fernando, Trinidad and Tobago
PENCOR International Ltd. - Kazakhstan Branch	Atyrau, Kazakhstan
PENCOR International Ltd. - Russia Branch	Sakhalin, Russia Federation



Independent auditor's report

To: the General Meeting of Shareholders and the Supervisory Board of Directors of Core Laboratories N.V.

Report on the audit of the financial statements 2017 included in the annual report

Our opinion

In our opinion:

- the accompanying consolidated financial statements give a true and fair view of the financial position of Core Laboratories N.V. as at 31 December 2017 and of its result and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.
- the accompanying company financial statements give a true and fair view of the financial position of Core Laboratories N.V. as at 31 December 2017 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the financial statements 2017 of Core Laboratories N.V. (hereafter also referred to as: 'the Company') based in Amsterdam. The financial statements include the consolidated financial statements and the company financial statements.

The financial statements comprise:

- 1 the consolidated and company balance sheets as at 31 December 2017;
- 2 the consolidated and company income statements for the year ended 31 December 2017;
- 3 the following consolidated statements for the year ended 31 December 2017: other comprehensive income, changes in equity and cash flows; and
- 4 the notes comprising a summary of the significant accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of Core Laboratories N.V. in accordance with the EU Regulation on specific requirements regarding statutory audits of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Audit approach

Summary

MATERIALITY

- Materiality of USD 4.6 million
- 4.3% of profit before tax

GROUP AUDIT COVERAGE

- 90% of total assets
- 91% of revenue

KEY AUDIT MATTERS

- Revenue recognition
- Income taxes
- US GAAP to IFRS conversion

UNQUALIFIED OPINION

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at USD 4.6 million (2016: USD 5 million). The materiality is determined with reference to profit before tax of which it represents 4.3%. We consider profit before tax as the most appropriate benchmark considering the nature of the business and the fact that the main stakeholders are primarily focused on profit before tax. We have also taken into

account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Board of Directors that misstatements in excess of USD 230,000 which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

Core Laboratories N.V. is at the head of a group of components. The financial information of this group is included in the financial statements of Core Laboratories N.V.

Based on the size and the risk profile of the components, we requested KPMG USA to perform the majority of the audit procedures for not only the US component but also foreign locations. Additional specified audit procedures were performed by KPMG The Netherlands, KPMG Canada and KPMG UK for the components in The Netherlands, Canada and the UK. This resulted in a coverage of approximately 91% of revenue and approximately 90% of total assets. The remaining revenues and assets result from a number of components, of which none was deemed individually significant. For these remaining components, we performed amongst others review procedures to validate our assessment that there were no significant risks of material misstatement within these components.

We have:

- performed audit procedures ourselves at group level in respect of the conversion of the US GAAP financial statements to EU-IFRS;
- performed specified audit procedures ourselves for the operations in The Netherlands;
- used the work of local KPMG firms when auditing components in foreign countries.

We provided detailed instructions to all component auditors as part of the group audit, covering the significant audit areas, including the relevant risks of material misstatement identified by us, and set out the information required to be reported back to us, in close cooperation with KPMG USA. We visited the KPMG USA component auditors and performed a file review. Telephone conferences were held with all the component auditors as part of the group audit. During these visits and telephone conferences, the planning, audit approach, findings and observations reported to us were reviewed and discussed. Any further work deemed necessary was subsequently performed by the component auditors and reviewed by us.

By performing the procedures mentioned above at both group and component level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the financial statements.

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to Management and the Supervisory Board of Directors. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

Description

Revenue is an important metric of investors to evaluate operating performance of the company. Revenue of the company is originating from services and product sales. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the customer. This requires management assessment of shipping and delivery terms in order to determine the correct period of revenue to be recognized. Revenue recognition required significant attention during our audit due to the pervasive impact of revenue on the financial statements.

Our response

With involvement of our component auditors, our procedures for revenue included amongst other, assessment of the revenue recognition method. We have tested the design and the effectiveness of the controls set up by management surrounding the determination of when the risk and rewards have been transferred. We performed detailed procedures, including testing on a sample basis underlying evidence of revenue recognized in relation to services and product sales. For both services and product sales we have inspected contracts, sales orders and other documentation such as shipping documents and field service reports to determine accurate and complete revenue recognition in the correct period. For sales transactions taking place before and after year-end we assessed that revenues were recognized in the appropriate period by inspection of related shipping documents and field service reports.

Our observation

Based on our procedures performed we determined that the revenue is recognized in accordance with the EU-IFRS criteria.

Income taxes

Description

The Company operates in many countries around the world, each with its own unique and complex tax regulations. The Company's international financing and operating structure results in tax filings in many jurisdictions. This requires management judgments in evaluating compliance with all these complex tax regulations. The accounting for income taxes required significant attention during our audit due to the complexities in the tax regulations of the various jurisdictions the Company operates in.

Our response

We involved tax specialists in the USA, the Netherlands, Luxembourg and Ireland in our audit of income tax to assist us in the evaluation of the likelihood of management's tax positions to be accepted by the tax authorities in the various applicable countries. This included an assessment of changes in the company's tax structure and an evaluation of the company's transfer pricing by obtaining the underlying studies and agreements and comparing these with the applicable local tax regulations. Our audit also included a recalculation of the income tax expense based on the local tax regulations.

Our observation

Based on our procedures performed we consider management's assumptions and judgments to be reasonable and determined that the accounting for income tax expense is in accordance with EU-IFRS.

US GAAP to IFRS conversion

Description

The company has its securities listed at the NYSE in New York and Euronext Amsterdam and as such is required to comply with the requirements of both environments. The company's primary accounting records are maintained based on US GAAP. However, the consolidated financial statements of Core Laboratories N.V., to be filed in the Netherlands, have to be prepared in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code. Therefore management prepared an analysis to convert the US GAAP financial statements to EU-IFRS financial statements. Due to the complexity and non-routine character as IFRS is not embedded in the primary accounting records, this conversion required significant attention during our audit.

Our response

We evaluated the completeness and accuracy of the managements' conversion of the US GAAP financial statements to the EU-IFRS financial statements by assessing the different GAAP accounting treatment for the financial statement captions. Furthermore, we held regular meetings with management and with our component audit teams and reviewed the component audit files, in order to identify events or transactions that occurred, that could result in a material different accounting treatment under EU-IFRS compared to US GAAP. We recalculated the adjustments and reconciled them to underlying evidence as for example contracts and share based payment records.

Our observation

Based on our procedures performed, we consider the conversion from the US GAAP to the EU-IFRS financial statements to be appropriate.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- the Annual Report of the Directors;
- the Other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the Annual Report of the Directors in accordance with Part 9 of Book 2 of the Dutch Civil Code and the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were engaged by the General Meeting of Shareholders as auditor of Core Laboratories N.V. on 21 May 2015, as of the audit for the year 2016 and have operated as statutory auditor since that financial year.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audits of public-interest entities.

Description of responsibilities regarding the financial statements

Responsibilities of the Management and Supervisory Board of Directors for the financial statements

The Management Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Management Board of Directors is responsible for such internal control as the Management Board of Directors determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Management Board of Directors is responsible for assessing Core Laboratories N.V.'s ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Management Board of Directors should prepare the financial statements using the going concern basis of accounting unless the Management Board of Directors either intends to liquidate Core Laboratories N.V. or to cease operations, or has no realistic alternative but to do so. The Management Board of Directors should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board of Directors is responsible for overseeing Core Laboratories N.V.'s financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A further description of our responsibilities for the audit of the financial statements is located at the website of NBA, Royal Netherlands Institute of Chartered Accountants at: http://www.nba.nl/ENG_oob_01

This description forms part of our independent auditor's report.

Amstelveen, 12 April 2018

KPMG Accountants N.V.

M. Meester RA

Appendix A

Name	Legal Seat	Ownership %
Abdullah Fuad Core Laboratory Company	Dammam, Saudi Arabia	51%
Beheersmaatschappij Hett Scheur B.V.	Rotterdam, Netherlands	100%
CL International Trading N.V.	Curaçao, Kingdom of the Netherlands	100%
Core Lab de Mexico S.A. de C.V.	Mexico City, Mexico	100%
Core Lab Mexican Interest S.A. de C.V.	Mexico City, Mexico	100%
Core Lab Operations S.A. de C.V.	Mexico City, Mexico	100%
Core Lab Petroleum Science and Technology (Beijing) Co. Ltd.	Beijing, China	100%
Core Laboratories (France) Holdings S.a.r.L.	Frepillon, France	100%
Core Laboratories (Gibraltar) Limited	Irish Town, Gibraltar	100%
Core Laboratories (Hong Kong) Limited	Hong Kong, China	100%
Core Laboratories (Ireland) Limited	Dublin, Ireland	100%
Core Laboratories (Texas) LLC	Texas, United States	100%
Core Laboratories (U.K.) IP Co., Ltd.	London, United Kingdom	100%
Core Laboratories (U.K.) Limited	London, United Kingdom	100%
Core Laboratories (U.S.) Interests Holdings Inc.	Texas, United States	100%
Core Laboratories Angola Limitada	Luanda, Angola	100%
Core Laboratories Argentina S.A.	Buenos Aires, Argentina	100%
Core Laboratories Asia Pacific SDN BHD	Kuala Lumpur, Malaysia	100%
Core Laboratories Australia PTY LTD	Perth, Australia	100%
Core Laboratories Canada Ltd.	Alberta, Canada	100%
Core Laboratories Coöperatief U.A.	Amsterdam, Netherlands	100%
Core Laboratories Corporate Holding B.V.	Amsterdam, Netherlands	100%
Core Laboratories El Salvador S.A. de C.V.	San Salvador, El Salvador	100%
Core Laboratories Financing (Ireland) Limited	Dublin, Ireland	100%
Core Laboratories Global N.V.	Curaçao, Kingdom of the Netherlands	100%
Core Laboratories Holdings LLC	Delaware, United States	100%
Core Laboratories India Private Limited	Mumbai, India	99%
Core Laboratories Interests One Limited	London, United Kingdom	100%
Core Laboratories Interests Two Limited	London, United Kingdom	100%
Core Laboratories International B.V.	Amsterdam, Netherlands	100%
Core Laboratories International Licensing N.V.	Curaçao, Kingdom of the Netherlands	100%
Core Laboratories LLC	Delaware, United States	100%
Core Laboratories LP	Delaware, United States	100%
Core Laboratories Luxembourg S.A.	Senningerberg, Luxembourg	100%
Core Laboratories Malaysia SDN BHD	Kuala Lumpur, Malaysia	100%
Core Laboratories Middle East Services B.V.	Amsterdam, Netherlands	100%
Core Laboratories Panama, S.A.	Panama City, Panama	100%
Core Laboratories Resources N.V.	Curaçao, Kingdom of the Netherlands	100%
Core Laboratories Sales B.V.	Rotterdam, Netherlands	100%
Core Laboratories Sales N.V.	Curaçao, Kingdom of the Netherlands	100%
Core Laboratories Venezuela S.A.	Caracas, Venezuela	100%
Corelab Brasil Ltda.	Rio de Janeiro, Brazil	99.9%

Name	Legal Seat	Ownership %
Corelab Nigeria Limited	Lagos, Nigeria	100%
Coreton Limited	Croydon, United Kingdom	100%
CTC Pulsonic Nigeria Limited	Lagos, Nigeria	80%
E.W. Saybolt & Co. S.A.	Panama City, Panama	100%
Foreign Enterprise Saybolt-Ukraine	Odessa, Ukraine	100%
Holding 116 SAS	Frepillon, France	100%
Labton Limited	London, United Kingdom	100%
Owen Compliance Services, Inc.	Delaware, United States	100%
Owen de Mexico S.A. de C.V.	Mexico City, Mexico	100%
Owen Oil Tools (U.K.) Ltd.	Croydon, United Kingdom	100%
Owen Oil Tools de Mexico, S.A. de C.V.	Tabasco, Mexico	100%
Owen Oil Tools LP	Delaware, United States	100%
P.T. Perferindo Teknika Nusantara	Jakarta, Indonesia	100%
PENCOR International Ltd.	Jersey, Channel Islands	100%
Production Enhancement Corporation	Delaware, United States	100%
ProTechnics de Mexico, S.A. de C.V.	Mexico City, Mexico	100%
PT Citra Wosaji Indonesia	Jakarta, Indonesia	100%
PT Corelab Indonesia	Jakarta, Indonesia	70%
Quantoil Ltd.	London, United Kingdom	100%
Sanchez Technologies SAS	Frepillon, France	100%
Saybolt - Bulgaria Ltd.	Bourgas, Bulgaria	100%
Saybolt (Portugal) Inspeccao de Produtos Petroliferos, Limitada.	Lisbon, Portugal	100%
Saybolt (Singapore) PTE LTD	Singapore, Singapore	100%
Saybolt (Tianjin) Meteorology & Inspection Co., Ltd.	Tianjin, China	100%
Saybolt Analyt Holding B.V.	Rotterdam, Netherlands	100%
Saybolt Analyt Holding BV - Moscow Rep Office	Moscow, Russian Federation	100%
Saybolt Aruba N.V.	San Nicolas, Aruba, Kingdom of the Netherlands	100%
Saybolt Azerbaijan	Baku, Azerbaijan	100%
Saybolt Bahamas Ltd.	Freeport, Bahamas	100%
Saybolt Belgium N.V.	Antwerp, Belgium	100%
Saybolt Bonaire N.V.	Bonaire, Netherlands	100%
Saybolt Caribbean N.V.	San Nicolas, Aruba, Kingdom of the Netherlands	100%
Saybolt Curaçao N.V.	Curaçao, Kingdom of the Netherlands	100%
Saybolt Danmark A/S	Copenhagen, Denmark	100%
Saybolt de Colombia SAS	Barranquilla, Colombia	95%
Saybolt de Costa Rica, S.A.	San Jose, Costa Rica	100%
Saybolt España S.A.	Madrid, Spain	100%
Saybolt Estonia Ltd.	Tallinn, Estonia	100%
Saybolt Finland Oy	Hamina, Finland	100%
Saybolt Greece, Ltd.	Athens, Greece	100%
Saybolt Holding B.V.	Rotterdam, Netherlands	100%
Saybolt Inspection Romania S.R.L.	Constanta, Romania	100%
Saybolt Inspection Services India Private Limited	Mumbai, India	100%

Name	Legal Seat	Ownership %
Saybolt Inspection Services Kazakhstan LLP	Aktau, Kazakhstan	100%
Saybolt International B.V.	Rotterdam, Netherlands	100%
Saybolt Italia S.R.L.	Siracusa, Italy	100%
Saybolt Latin America B.V.	Rotterdam, Netherlands	100%
Saybolt Latvia	Ventspils, Latvia	100%
Saybolt LP	Delaware, United States	100%
Saybolt Malaysia SDN BHD	Kuala Lumpur, Malaysia	100%
Saybolt Malta Ltd.	Kalafran, Malta	100%
Saybolt Nederland B.V.	Rotterdam, Netherlands	100%
Saybolt Norway AS	Mongstad, Norway	100%
Saybolt Poland Sp.z.o.o.	Gdynia, Poland	100%
Saybolt South Africa PTY LTD	Cape Town, South Africa	73%
Saybolt St. Eustatius N.V.	St. Eustatius, Netherlands	100%
Saybolt Surveillance and Laboratory Services Joint Stock Corporation	Istanbul, Turkey	100%
Saybolt Sweden AB	Gothenburg, Sweden	100%
Saybolt Trinidad & Tobago Ltd.	Marabella, Trinidad	100%
Saybolt UAE	Fujairah, United Arab Emirates	100%
Saybolt United Kingdom Limited	Purfleet, United Kingdom	100%
Saybolt van Duyn GmbH	Essen, Germany	100%
Saybolt West Indies N.V.	San Nicolas, Aruba, Kingdom of the Netherlands	100%
SCI 216	Frepillon, France	100%
SP TOO Saybolt Kazakhstan	Aktau, Kazakhstan	100%
Stim-Lab, Inc.	Oklahoma, United States	100%
UAB Saybolt-Baltija	Klaipeda, Lithuania	100%
JSC Petroleum Analysts	Moscow, Russian Federation	100%