
CORE LABORATORIES N.V.

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

Semi-Annual Report for June 30, 2016

**Strawinskylaan 913
Tower A, Level 9
1077 XX Amsterdam
The Netherlands**

CORE LABORATORIES N.V.

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
SEMI-ANNUAL REPORT FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2016**

TABLE OF CONTENTS

	<u>Page</u>
Semi-Annual Report of the Directors	2
Interim Balance Sheets (Unaudited) as of June 30, 2016 and December 31, 2015	7
Interim Income Statements (Unaudited) for the Six Months Ended June 30, 2016 and 2015	8
Interim Statements of Other Comprehensive Income (Unaudited) for the Six Months Ended June 30, 2016 and 2015	9
Interim Statements of Changes in Equity (Unaudited) for the Six Months Ended June 30, 2016 and 2015	10
Interim Statements of Cash Flows (Unaudited) for the Six Months Ended June 30, 2016 and 2015	11
Notes to the Condensed Consolidated Interim Financial Statements	12

Semi-Annual Report of the Directors

Currency - United States Dollars ("\$\$")

Business review

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

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

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

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

Financial Review

Revenue

Services Revenue

Services revenue decreased to \$240.9 million for the six months ended June 30, 2016, when compared to \$319.8 million for the same period of 2015. The average global rig count for the first half of 2016 fell by 39% compared to the same period in 2015, primarily driven by decreases in North America. During this same time period however, our service revenue was down only 25%, as demand for our analytical, diagnostic, and completion services was less impacted by the significant decrease in drilling activities. Our continued focus on worldwide crude oil related and large natural gas liquefaction projects, especially those related to the development of deepwater fields off West and East Africa and the eastern Mediterranean, kept services revenue from declining further.

Product Sales Revenue

Revenue associated with product sales decreased to \$60.8 million for the six months ended June 30, 2016 compared to \$97.7 million during the same period in 2015. Our product sales revenue is primarily driven by sales in the North American market where the average rig count decreased by 56% for the first half of 2016 compared to the same period in 2015; however, as a result of our differentiated well completion products in the market place, our revenue during the first half of 2016 decreased only 38% during this same time period.

Operating expenses

Cost of Services

Cost of services expressed as a percentage of services revenue was 73% for the six months ended June 30, 2016, up from 66% during the same period in 2015. This increase is primarily due to our fixed-cost structure not being absorbed on lower revenue in 2016 when compared to 2015.

Cost of Product Sales

Cost of product sales expressed as a percentage of product sales revenue was 94% for the six months ended June 30, 2016, up from 83% during the same period in 2015. This increase is primarily due to our fixed-cost structure not being absorbed on lower revenue in 2016 when compared to 2015.

Operating margin

Operating margin for the six month period ended June 30, 2016 decreased to 14.4%, compared to 22.1% for the same period of 2015, primarily due to our fixed-cost structure not being absorbed on lower revenue in 2016 when compared to 2015.

Cash Flow

The following table summarizes cash flows for the six months ended June 30, 2016 and 2015 (in thousands):

	Six Months Ended June 30,		% Change
	2016	2015	
Cash provided by/(used in):			
Operating activities	\$ 73,499	\$ 125,697	(42)%
Investing activities	(5,802)	(27,376)	79 %
Financing activities	(75,413)	(99,091)	24 %
Net change in cash and cash equivalents	<u><u>\$ (7,716)</u></u>	<u><u>\$ (770)</u></u>	902 %

Cash flows from operating activities for the first six months of 2016 compared to the same period in 2015 decreased primarily due to lower net income in 2016 and less significant improvements to working capital.

Cash flows used in investing activities during the first six months of 2015 was higher than the same period in 2016 due to an acquisition and higher capital expenditures in 2015.

Cash flows used in financing activities decreased for the first six months of 2016 compared to the same period in 2015. In the first six months of 2016, we issued 1,696,250 shares of our common stock for net proceeds of \$197.2 million, after deducting underwriting discounts and offering expenses. The net proceeds from the equity offering and excess cash flow generated from operations were used to decrease our debt by \$224.7 million during the first six months of 2016 as compared to increasing it by \$64.0 million during the first six months of 2015. In the first six months of 2016, we repurchased 10,164 shares of our common stock for an aggregate purchase price of \$1.1 million compared to the repurchase of 1,043,022 shares for an aggregate purchase price of \$115.8 million during the same period in 2015. Quarterly dividend payments of \$0.55 per share of common stock remained the same for the first six months of both 2016 and 2015.

Equity

During the six months ended June 30, 2016, we repurchased 10,164 of our common shares for \$1.1 million. All of these shares were surrendered to us pursuant to the terms of a stock-based compensation plan in consideration of the participants' tax burdens that may result from the issuance of common shares under that plan. Such common shares, unless canceled, may be reissued for a variety of purposes such as future acquisitions, non-employee director stock awards or employee stock awards. We distributed 33,892 treasury shares upon vesting of stock-based awards during the six months ended June 30, 2016.

In February and May 2016, we paid quarterly dividends of \$0.55 per share of common stock. In addition, on July 7, 2016, we declared a quarterly dividend of \$0.55 per share of common stock which was paid on August 15, 2016 to shareholders of record on July 18, 2016.

On May 17, 2016, we completed a public offering of 1,475,000 shares of our common stock. The purchase price paid by the underwriter was \$116.67 per share. On May 26, 2016, the underwriter exercised in full its option to purchase an additional 221,250 shares of common stock at the public offering price of \$116.67 per share. The net proceeds from these issuances of common stock were approximately \$197.2 million, after deducting underwriting discounts and offering expenses. The proceeds were used to repay a portion of the outstanding borrowings under our Credit Facility.

At the annual meeting of shareholders on May 19, 2016, the shareholders approved the cancellation of 1,250,000 shares of our common stock then held as treasury stock. This treasury stock was cancelled on August 2, 2016, after the expiration of the waiting period required under Dutch law. We charged the excess of the cost of the treasury stock over its par value to additional paid-in capital.

Segment Analysis

We operate our business in three reportable segments - Reservoir Description, Production Enhancement and Reservoir Management. These complementary segments provide different services and products and utilize different technologies for improving reservoir performance and increasing oil and gas recovery from new and existing fields. The following tables summarize our results by operating segment for the six months ended June 30, 2016 and 2015 (in thousands):

	Six Months Ended June 30,		% Change
	2016	2015	
Revenue:			
Reservoir Description	\$ 204,511	\$ 240,670	(15)%
Production Enhancement	83,294	145,734	(43)%
Reservoir Management	13,911	31,128	(55)%
Consolidated	<u>\$ 301,716</u>	<u>\$ 417,532</u>	(28)%
Operating income (loss):			
Reservoir Description	\$ 37,182	\$ 60,274	(38)%
Production Enhancement	4,940	24,947	(80)%
Reservoir Management	985	7,596	(87)%
Corporate and Other ¹	480	(481)	NM
Consolidated	<u>\$ 43,587</u>	<u>\$ 92,336</u>	(53)%

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

"NM" means not meaningful

Reservoir Description

Revenue from the Reservoir Description segment decreased 15% to \$204.5 million for the six months ended June 30, 2016, compared to \$240.7 million in the same period of 2015. This segment's operations continue to work on large-scale, long-term crude-oil and liquefied natural gas projects with an emphasis on deepwater 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 \$37.2 million for the six months ended June 30, 2016, compared to \$60.3 million for the same period of 2015, primarily due to lower revenue. Operating margin for the six months ended June 30, 2016 was 18%. This segment emphasizes technologically demanding services on internationally-based development and production-related crude oil projects over more cyclical exploration-related projects.

Production Enhancement

Revenue from the Production Enhancement segment decreased to \$83.3 million for the six months ended June 30, 2016, a decrease of 43% compared to \$145.7 million in the same period of 2015. The average rig count for North America for the first half of 2016 decreased 56% from the same period in 2015. The significantly lower industry activity has reduced demand for our products associated with completion of oil wells in U.S. unconventional developments.

Operating income decreased to \$4.9 million for the six months ended June 30, 2016 compared to \$24.9 million during the same period of 2015. The decrease was due to decreased revenue in 2016. Operating margin was 6% for the six months ended June 30, 2016, down from 17% as a result of absorbing less of our fixed costs on lower revenue.

Reservoir Management

Revenue from the Reservoir Management segment decreased to \$13.9 million for the six months ended June 30, 2016, compared to \$31.1 million for the same period of 2015. The lower revenue was primarily due to the decrease of oil commodity prices which, as a result, greatly reduced or eliminated discretionary spending from our oil and gas clients. The spending cut backs in the Canadian oil sands have negatively impacted sales of Reservoir Management's instrumentation. We continue to have interest in our existing multi-client reservoir studies such as the *Duvernay Shale Project* in Canada and the *Tight Oil Reservoirs of the Midland Basin* study as well as our new joint-industry projects in the Williston Basin targeting the tight oil of the entire Three Forks sections and a study in the Appalachian Basin of the emerging Devonian shales in the liquids window.

Operating income decreased to \$1.0 million for the six months ended June 30, 2016 compared to \$7.6 million for the same period of 2015. The lower operating income was due primarily to decreased revenue. We are still focused on our joint industry projects, including studies in the Permian Basin and Marcellus and Haynesville plays. Outside of North America, clients continued to purchase databases related to recent industry activity in Surinam and Guyana and the Company's *Central Atlantic Margin Study*, which encompasses Senegal and Guinea Bissau. Operating margin was 7% in the six months ended June 30, 2016. Operating margins for Reservoir Management can fluctuate due to sales of fully completed studies, which generate significant incremental margins.

Outlook

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

During 2015, average crude oil prices decreased approximately 47% compared to 2014, which resulted in a significant decrease in activities and spending related to the exploration and production of oil and natural gas. Although crude oil prices showed some strengthening during the second quarter of 2016, with Brent crude increasing from \$36.75 per barrel at March 31, 2016 to \$48.05 per barrel at June 30, 2016, they are still well below prices from June 30, 2014 when Brent crude was \$111.03 per barrel.

In North America, land-based activity continues to be the most significantly impacted by these lower commodity prices. The quarterly average rig count in North America has decreased 49% since December 31, 2015.

Outside of North America, activities associated with the exploration and production of oil and gas have also decreased from 2015 levels, although not as significantly as the land-based activities in North America. The quarterly average international rig count for the second quarter of 2016 is down approximately 19% from the same period in 2015. These reduced international activities have impacted most regions, except the Middle East, where we continued to see sustained levels in the second quarter of 2016.

We saw U.S. crude oil production continue its sharp decline in the second quarter of 2016 which we believe is an indication that the balancing of worldwide crude-oil markets is well underway. With the very steep decline curves associated with the unconventional tight oil reservoirs in the U.S., we now believe that U.S. supply growth rolled over in April of 2015 and that year-over-year crude-oil production in 2016 will be down several hundreds-of-thousands of barrels per day. Therefore, at current industry activity levels, U.S. crude oil production could continue to fall significantly throughout 2016, while worldwide oil production continues to stagnate or decrease slightly because the prior year's international production gains may not be sustainable over the long term. The net worldwide decline rate is predicated on sharper decline curve rates for tight-oil reservoirs and the significant decline in maintenance capital expenditures for the existing crude oil production base. Coupled with the continuing decline in global production and the continuing increase in global energy consumption, this should create a tight crude oil supply market beginning in the second half of 2016, which should lead to increased crude prices followed by increases in industry activity levels worldwide. This expectation does not take into account any unanticipated demand or supply fluctuations caused by industry or geopolitical events.

Response to Decline in Oilfield Services Activities

In 2015, in response to reduced spending by our clients on their oil and gas fields as a result of lower commodity prices for crude oil and natural gas, we reduced our cost structure, primarily through a reduction in our workforce, to better align with the decreasing activity levels into the foreseeable future. As a result of these cost reductions, we recorded severance charges of \$8.8 million in 2015, of which \$7.1 million was recorded in the six months ended June 30, 2015. Approximately \$1.5 million was accrued and remained to be paid at June 30, 2016.

During the first half of 2016, we continued to closely monitor rig counts, crude oil and natural gas prices, and activity levels within the industry. We continued to execute our cost reduction initiative which began in the first quarter of 2015, but no additional accruals or write-offs were recorded during the six months ended June 30, 2016.

Cautionary Statement Regarding Forward-Looking Statements

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

Statement of Directors' Responsibilities

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

- the condensed consolidated interim financial statements for the six months ended June 30, 2016 have been prepared in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union and give a true and fair view of the assets, the liabilities, the financial position and the profits or the loss of Core Laboratories N.V. and its consolidated companies; and
- the interim management report for the six months ended June 30, 2016 gives a true and fair view of the information required pursuant to section 5:25d, subsection 8 and, as far as applicable, subsection 9 of the Dutch Act on Financial Supervision.

Amsterdam, The Netherlands,
August 29, 2016

/s/ Richard L. Bergmark

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

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

	<u>Ref.</u>	<u>June 30, 2016</u>	<u>December 31, 2015</u>
		(Unaudited)	
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment, net		\$ 135,060	\$ 143,211
Intangible assets, net	6	234,440	234,781
Investment in associates		3,043	2,719
Deferred tax assets, net		26,685	27,691
Other financial assets	8	35,852	36,104
Other assets		5,788	4,801
TOTAL NON-CURRENT ASSETS		<u>\$ 440,868</u>	<u>\$ 449,307</u>
CURRENT ASSETS			
Inventories	10	39,818	40,906
Prepaid expenses and other current assets		29,345	33,572
Income taxes receivable		10,893	7,209
Accounts receivable		111,752	145,689
Cash and cash equivalents		14,778	22,494
TOTAL CURRENT ASSETS		<u>206,586</u>	<u>249,870</u>
TOTAL ASSETS		<u><u>\$ 647,454</u></u>	<u><u>\$ 699,177</u></u>
SHAREHOLDERS' EQUITY			
Common shares, EUR 0.02 par value in 2016 and in 2015; 200,000,000 shares authorized, 46,046,252 issued and 44,095,883 outstanding at 2016 and 44,350,002 issued and 42,375,905 outstanding at 2015			
Additional paid-in capital	11	1,180	\$ 1,142
Retained earnings	11	202,136	—
Other reserves		282,885	295,898
Treasury shares (at cost), 1,950,369 at 2016 and 1,974,097 at 2015	11	(18,674)	(16,984)
TOTAL SHAREHOLDERS' EQUITY		<u>(235,388)</u>	<u>(238,875)</u>
Non-controlling interest		232,139	41,181
TOTAL EQUITY		<u><u>5,100</u></u>	<u><u>5,365</u></u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Borrowings	12	208,237	\$ 430,987
Income taxes payable		14,262	14,262
Deferred tax liabilities, net		15,226	21,856
Post-employment benefit plans	8, 14	69,212	67,902
Derivative financial instruments	9	3,578	1,582
Provisions	13	7,330	9,095
TOTAL NON-CURRENT LIABILITIES		<u>\$ 317,845</u>	<u>\$ 545,684</u>
CURRENT LIABILITIES			
Accounts payable		29,404	\$ 33,474
Borrowings	12	567	2,244
Income taxes payable		1,633	2,015
Other taxes payable		5,610	8,157
Payroll and social security contributions		34,790	36,752
Unearned revenue		11,414	14,401
Other accrued expenses		8,952	9,904
TOTAL CURRENT LIABILITIES		<u>92,370</u>	<u>106,947</u>
TOTAL LIABILITIES		<u><u>410,215</u></u>	<u><u>652,631</u></u>
TOTAL EQUITY AND LIABILITIES		<u><u>\$ 647,454</u></u>	<u><u>\$ 699,177</u></u>

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

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

	Ref.	Six Months Ended June 30,	
		2016	2015
		(Unaudited)	
REVENUES:			
Services		\$ 240,942	\$ 319,835
Product sales		60,774	97,697
TOTAL REVENUES:		301,716	417,532
OPERATING EXPENSES:			
Cost of services		177,077	209,701
Cost of product sales		57,341	80,897
TOTAL OPERATING EXPENSES:		234,418	290,598
GROSS PROFIT		67,298	126,934
General and administrative expenses		23,406	25,294
Other (income) expense, net		305	2,214
Severance and other charges	5	—	7,090
OPERATING PROFIT		43,587	92,336
Finance income		(30)	(1)
Finance costs		6,455	5,519
Finance costs, net		6,425	5,518
Share of profit (loss) of associates		324	80
PROFIT (LOSS) BEFORE INCOME TAX EXPENSE		37,486	86,898
Income tax expense	15	3,929	19,400
PROFIT (LOSS) FOR THE PERIOD		\$ 33,557	\$ 67,498
Attributable to:			
Equity holders of the parent		\$ 33,611	\$ 67,779
Non-controlling interest		(54)	(281)
		\$ 33,557	\$ 67,498
EARNINGS PER SHARE INFORMATION:			
Basic earnings (loss) per share	16	\$ 0.78	\$ 1.57
Diluted earnings (loss) per share	16	\$ 0.78	\$ 1.57
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING (in thousands):			
Basic	16	42,839	43,063
Diluted	16	43,008	43,214

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

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

	Ref.	Six Months Ended June 30,	
		2016	2015
		(Unaudited)	
Profit (loss) for the period		\$ 33,557	\$ 67,498
Items that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations	14	(562)	(500)
Income taxes on post-employment benefit obligations	14	133	125
Items that may be subsequently reclassified to profit or loss			
Cash flow hedges	9	(1,996)	83
Income taxes on cash flow hedges	9	735	97
Net income (loss) recognized directly in equity		<u>(1,690)</u>	<u>(195)</u>
Total comprehensive income (loss) for the period		<u><u>\$ 31,867</u></u>	<u><u>\$ 67,303</u></u>
Attributable to:			
Equity holders of the parent		\$ 31,921	\$ 67,584
Non-controlling interest		<u>(54)</u>	<u>(281)</u>
		<u><u>\$ 31,867</u></u>	<u><u>\$ 67,303</u></u>

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

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

(Unaudited)	Ref.	Number of Shares Outstanding	Common Shares	Additional Paid-In Capital	Retained Earnings	Other Reserves	Treasury Stock	Non-controlling Interest	Total Equity
BALANCE, January 1, 2015		43,636,984	\$ 1,174	\$ —	\$ 479,858	\$ (16,982)	\$ (317,613)	\$ 6,420	\$ 152,857
Comprehensive income:									
Profit (loss) for the period		—	—	—	67,779	—	—	(281)	67,498
Other comprehensive income:									
Pension remeasurement	14					(375)			(375)
Cash flow hedges	9					180			180
Total other comprehensive income (loss)									(195)
Total comprehensive income									67,303
Transactions with owners:									
Stock-based compensation	11	62,774	—	—	—	—	—	—	—
Stock-based awards issued	11	—	—	315	(1,611)	—	11,773	—	10,477
Tax benefit related to stock-based awards		—	—	(315)	—	—	—	—	(315)
Repurchases of common shares	11	(1,043,022)	—	—	—	—	(115,793)	—	(115,793)
Non-controlling interest - dividend		—	—	—	—	—	—	—	—
Dividends paid	11	—	—	—	(47,508)	—	—	—	(47,508)
BALANCE, June 30, 2015		<u>42,656,736</u>	<u>\$ 1,174</u>	<u>\$ —</u>	<u>\$ 498,518</u>	<u>\$ (17,177)</u>	<u>\$ (421,633)</u>	<u>\$ 6,139</u>	<u>\$ 67,021</u>
 (Unaudited)									
BALANCE, January 1, 2016		42,375,905	\$ 1,142	\$ —	\$ 295,898	\$ (16,984)	\$ (238,875)	\$ 5,365	\$ 46,546
Comprehensive income:									
Profit (loss) for the period		—	—	—	33,611	—	—	(54)	33,557
Other comprehensive income:									
Pension remeasurement	14				(429)				(429)
Cash flow hedges	9				(1,261)				(1,261)
Total other comprehensive income (loss)									(1,690)
Total comprehensive income									31,867
Transactions with owners:									
Stock-based awards issued	11	33,892	—	6,488	—	—	4,599	—	11,087
Tax benefit related to stock-based awards		—	—	(284)	—	—	—	—	(284)
Issuance of common shares		1,696,250	38	197,173	—	—	—	—	197,211
Repurchases of common shares	11	(10,164)	—	—	—	—	(1,112)	—	(1,112)
Dividends paid	11	—	—	—	(46,624)	—	—	—	(46,624)
BALANCE, June 30, 2016		<u>44,095,883</u>	<u>\$ 1,180</u>	<u>\$ 202,136</u>	<u>\$ 282,885</u>	<u>\$ (18,674)</u>	<u>\$ (235,388)</u>	<u>\$ 5,100</u>	<u>\$ 237,239</u>

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

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

	<u>Ref.</u>	<u>Six Months Ended June 30,</u>	
		<u>2016</u>	<u>2015</u>
		<u>(Unaudited)</u>	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit (loss) before income tax expense		\$ 37,486	\$ 86,898
Adjustments to reconcile income to net cash provided by operating activities:			
Depreciation		13,158	13,097
Amortization		440	399
Equity in (earnings) loss of associates		324	80
Stock-based compensation		10,803	10,162
Finance costs		6,425	5,518
(Gain) loss on sale of assets		(488)	(262)
Fair value (gains)/losses on other financial assets	14	(927)	(657)
Changes in assets and liabilities:			
Accounts receivable		33,938	42,430
Inventories	10	1,088	(3,622)
Other assets		626	(1,546)
Accounts payable		(3,826)	(4,594)
Accrued expenses		(8,257)	7,417
Other long-term liabilities		282	(4,140)
Cash provided by operating activities		<u>91,072</u>	<u>151,180</u>
Interest paid		(6,381)	(5,629)
Income tax paid		(11,192)	(19,854)
Net cash provided by operating activities		<u>\$ 73,499</u>	<u>\$ 125,697</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures		\$ (5,302)	\$ (12,310)
Patents and other intangibles		(99)	(512)
Acquisitions, net of cash acquired	6	—	(13,824)
Proceeds from sale of assets		539	833
Interest received		30	1
Premiums on life insurance		(970)	(1,564)
Net cash used in investing activities		<u>\$ (5,802)</u>	<u>\$ (27,376)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of debt borrowings	12	\$ (258,676)	\$ (27,000)
Proceeds from debt borrowings	12	34,000	91,000
Repurchase of common shares	11	(1,112)	(115,583)
Issuance of common shares		197,211	—
Dividends paid	11	(46,625)	(47,508)
Non-controlling interest - (dividends)/capital contributions		(211)	—
Net cash used in financing activities		<u>(75,413)</u>	<u>(99,091)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS			
CASH AND CASH EQUIVALENTS, beginning of period		22,494	23,350
CASH AND CASH EQUIVALENTS, end of period		<u>\$ 14,778</u>	<u>\$ 22,580</u>

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

CORE LABORATORIES N.V.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
PREPARED IN ACCORDANCE WITH IAS 34
JUNE 30, 2016

1. DESCRIPTION OF BUSINESS

Core Laboratories N.V. ("Core Laboratories", the "Company", "we", "our" or "us") is a limited liability company incorporated and domiciled in The Netherlands. The address of the registered office is Strawinskylaan 913, Tower A, Level 9, 1077 XX Amsterdam, The Netherlands. We were established in 1936 and are one of the world's leading providers of proprietary and patented reservoir description, production enhancement and reservoir management services and products to the oil and gas industry. These services and products are directed toward enabling our clients to improve reservoir performance and increase oil and gas recovery from their producing fields. We have over 70 offices in more than 50 countries and had approximately 4,400 and 4,400 employees in 2016 and 2015, respectively. We are listed on the New York Stock Exchange ("NYSE") and on the Euronext Amsterdam Stock Exchange.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Preparation

Our condensed consolidated interim financial statements for the six months ended June 30, 2016 have been prepared in accordance with IAS 34, "Interim Financial Reporting" ("IAS 34"). The condensed consolidated interim financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss. The condensed consolidated interim financial statements have not been audited and should be read in conjunction with the annual financial statements for the year ended December 31, 2015, which were prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") and with Part 9 Book 2 of The Netherlands Civil Code.

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

Estimates

The preparation of financial statements in conformity with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying our accounting policies. The significant judgments made by management in applying our accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2015, with the exception of changes in estimates that are required in determining the provision for income taxes.

Current and Deferred Income Taxes

Income tax expense is recognized based on management's estimate of the weighted average annual income tax rate expected for the full financial year. See Note 15 - *Income Taxes*.

New and Amended Standards

There are no new standards, amendments, or interpretations to existing standards which are effective for accounting periods beginning on or after January 1, 2016 that have been applied in preparing these consolidated financial statements.

3. FINANCIAL RISKS AND RISK MANAGEMENT

The condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with our annual financial statements as of December 31, 2015.

4. SEASONALITY OF OPERATIONS

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

5. SEVERANCE AND OTHER CHARGES

In 2015, in response to reduced spending by our clients on their oil and gas fields as a result of lower commodity prices for crude oil and natural gas, we reduced our cost structure, primarily through a reduction in our workforce, to better align with the decreasing activity levels into the foreseeable future. As a result of these cost reductions, we recorded severance charges of \$8.8 million in 2015, of which \$7.1 million was recorded in the six months ended June 30, 2015. Approximately \$1.5 million was accrued and remained to be paid at June 30, 2016.

During the first half of 2016, we continued to closely monitor rig counts, crude oil and natural gas prices, and activity levels within the industry. We continued to execute our cost reduction initiative which began in the first quarter of 2015, but no additional accruals or write-offs were recorded during the six months ended June 30, 2016.

6. ACQUISITIONS

In 2015, we acquired a business providing additional reservoir fluids technology for \$17.2 million in cash. We accounted for this acquisition by allocating the purchase price to the net assets acquired based on their estimated fair values at the date of acquisition, resulting in an increase to goodwill of \$13.7 million and an increase of \$2 million in intangible assets. The acquisition of this entity did not have a material impact on our Consolidated Balance Sheet or Consolidated Statements of Operations and was recorded in the Reservoir Description business segment.

7. SEGMENT REPORTING

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

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

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

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

	Reservoir Description	Production Enhancement	Reservoir Management	Corporate & Other ⁽¹⁾	Consolidated
June 30, 2016					
Revenues from unaffiliated customers	\$ 204,511	\$ 83,294	\$ 13,911	\$ —	\$ 301,716
Inter-segment revenues	2,293	384	29	(2,706)	—
Segment income (loss)	37,182	4,940	985	480	43,587
Finance costs	—	—	—	6,425	6,425
Share of profit (loss) of associates	324	—	—	—	324
Total assets	338,548	212,701	33,737	62,468	647,454
Capital expenditures	4,340	538	16	408	5,302
Intangible asset expenditures	30	65	—	4	99
Depreciation and amortization	8,890	2,768	698	1,242	13,598
June 30, 2015					
Revenues from unaffiliated customers	\$ 240,670	\$ 145,734	\$ 31,128	\$ —	\$ 417,532
Inter-segment revenues	5,187	1,369	207	(6,763)	—
Segment income (loss)	60,274	24,947	7,596	(481)	92,336
Finance costs	—	—	—	5,518	5,518
Share of profit (loss) of associates	91	(11)	—	—	80
Total assets	352,723	246,907	42,841	71,077	713,548
Capital expenditures	8,734	2,512	266	798	12,310
Intangible asset expenditures	23	463	—	26	512
Depreciation and amortization	8,015	3,410	853	1,218	13,496

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

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

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

Capital expenditures comprise additions to property, plant and equipment.

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

8. OTHER FINANCIAL ASSETS

The Company's only financial assets relate to certain aspects of the Company's employee benefit plans, such as the fair value of life insurance policies, and our derivative instruments. The fair value of the life insurance policies increased by \$0.6 million during the six months ended June 30, 2016.

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

	Fair Value Measurement at June 30, 2016			
	Total	Level 1	Level 2	Level 3
Assets:				
Deferred compensation trust assets ⁽¹⁾	\$ 35,852	\$ —	\$ 35,852	\$ —
Liabilities:				
Benefit plans	\$ 59,570	\$ —	\$ 59,570	\$ —
5 year interest rate swap	851	—	851	—
10 year interest rate swap	2,727	—	2,727	—
	<u><u>\$ 63,148</u></u>	<u><u>\$ —</u></u>	<u><u>\$ 63,148</u></u>	<u><u>\$ —</u></u>

	Fair Value Measurement at December 31, 2015			
	Total	Level 1	Level 2	Level 3
Assets:				
Deferred compensation trust assets ⁽¹⁾	\$ 36,104	\$ —	\$ 36,104	\$ —
Liabilities:				
Benefit plans	\$ 58,260	\$ —	\$ 58,260	\$ —
5 year interest rate swap	353	—	353	—
10 year interest rate swap	1,229	—	1,229	—
	<u><u>\$ 59,842</u></u>	<u><u>\$ —</u></u>	<u><u>\$ 59,842</u></u>	<u><u>\$ —</u></u>

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

9. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

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

Interest Rate Risk

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

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

At June 30, 2016, we had fixed rate long-term debt aggregating \$200 million and variable rate long-term debt aggregating \$10 million, after taking into account the effect of the swaps.

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

	Fair Value of Derivatives		Balance Sheet Classification
	June 30, 2016	December 31, 2015	
Derivatives designated as hedges:			
5 year interest rate swap	\$ 851	\$ 353	Other long-term liabilities
10 year interest rate swap	2,727	1,229	Other long-term liabilities
	<u>\$ 3,578</u>	<u>\$ 1,582</u>	

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

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

	Six Months Ended		Income Statement Classification
	June 30, 2016	June 30, 2015	
Derivatives designated as hedges:			
5 year interest rate swap	\$ 163	\$ 195	Increase to interest expense
10 year interest rate swap	261	293	Increase to interest expense
	\$ 424	\$ 488	

10. INVENTORIES

Inventories consisted of the following at June 30, 2016 and December 31, 2015 (in thousands):

	June 30, 2016	December 31, 2015
Finished goods	\$ 25,097	\$ 25,778
Parts and materials	13,055	12,637
Work in progress	1,666	2,491
Inventories, net	\$ 39,818	\$ 40,906

The balances above are net of valuation reserves of \$2.9 million and \$3.4 million at June 30, 2016 and December 31, 2015, respectively.

11. EQUITY

Share capital

The authorized share capital of the Company as at June 30, 2016 amounts to EUR 4 million and consists of 200,000,000 ordinary shares with a par value of EUR 0.02 each.

Issued and paid in share capital is \$203.3 million and consists of 46,046,252 issued ordinary shares with a par value of EUR 0.02 each. Repurchased ordinary shares amounts to \$235.4 million and consists of 1,950,369 ordinary shares with a par value of EUR 0.02 each.

On May 17, 2016 we completed a public offering of 1,475,000 shares of our common stock. The purchase price paid by the underwriter was \$116.67 per share. On May 26, 2016, the underwriter exercised in full its option to purchase an additional 221,250 shares of common stock at the public offering price of \$116.67 per share. The net proceeds from these issuances of common stock were approximately \$197.2 million, after deducting underwriting discounts and offering expenses. The proceeds were used to repay a portion of the outstanding borrowings under our Credit Facility.

The movements in the number of shares for the six months ended June 30, 2016 and 2015 are as follows:

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

	Ordinary Shares	Repurchased Ordinary Shares	Shares Outstanding
Balance at January 1, 2015	45,600,002	(1,963,018)	43,636,984
Issue of ordinary shares for stock based-awards	—	62,774	62,774
Repurchased own shares	—	(1,043,022)	(1,043,022)
Balance at June 30, 2015	45,600,002	(2,943,266)	42,656,736

Treasury Shares

During the six months ended June 30, 2016, we repurchased 10,164 of our common shares for \$1.1 million, at an average price of \$111.02 per share. All of these shares were surrendered to us pursuant to the terms of a stock-based compensation plan in consideration of the participants' personal tax burdens that may result from the issuance of common shares under this plan. Subsequent to June 30, 2016, we have repurchased 4,848 shares at a total cost of approximately \$0.6 million.

At the annual meeting of shareholders on May 19, 2016, our shareholders approved the cancellation of 1,250,000 shares of our common stock then held as treasury stock. This treasury stock was cancelled on August 2, 2016, after the expiration of the waiting period required under Dutch law. We charged the excess of the cost of the treasury stock over its par value to additional paid-in capital.

Dividends

In February and May of 2016, we paid quarterly dividends of \$0.55 per share of common stock totaling \$46.6 million. On July 7, 2016, we declared a quarterly dividend of \$0.55 per share of common stock which was paid on August 15, 2016 to shareholders of record on July 18, 2016.

12. BORROWINGS

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

We maintain a revolving credit facility (the "Credit Facility") that allows for an aggregate borrowing capacity of \$400 million. The credit Facility also provides an option to increase the commitment under the Credit Facility by an additional \$50 million to bring the total borrowings available to \$450 million if certain prescribed conditions are met by the Company. The Credit Facility bears interest at variable rates from LIBOR plus 1.25% to a maximum of LIBOR plus 2.00%. At June 30, 2016, the outstanding balance on our Credit Facility was \$60 million.

Any outstanding balance under the Credit Facility is due August 29, 2019, when the Credit Facility matures. Our available capacity at any point in time is reduced by borrowings outstanding at the time and outstanding letters of credit which totaled \$25.2 million at June 30, 2016, resulting in an available borrowing capacity under the Credit Facility of \$314.8 million. In addition to those items under the Credit Facility, we had \$10 million of outstanding letters of credit and performance guarantees and bonds from other sources as of June 30, 2016.

Debt at June 30, 2016 and December 31, 2015 is summarized in the following table (in thousands):

	June 30, 2016	December 31, 2015
Senior notes	\$ 150,000	\$ 150,000
Credit facility	60,000	283,000
Other borrowings	567	2,244
Deferred debt acquisition costs	(1,763)	(2,013)
Total borrowings	<u>208,804</u>	<u>433,231</u>
Less - current maturities	567	2,244
Borrowings, net	<u><u>\$ 208,237</u></u>	<u><u>\$ 430,987</u></u>

In 2014, we entered into two interest rate swap agreements for a total notional amount of \$50 million. See Note 9 - *Derivative Instruments and Hedging Activities*.

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

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

13. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

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

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

The movement of provisions for the six months ended June 30, 2016 is as follows (in thousands):

Balance at January 1, 2016	\$ 9,095
Charged/ (credited) to the income statement:	
Additional provisions	250
Reclassified to short-term	(573)
Used during the year	(1,442)
Balance at June 30, 2016	<u><u>\$ 7,330</u></u>

14. PENSIONS AND OTHER POSTRETIREE BENEFIT PLANS

	June 30, 2016	December 31, 2015
Balance sheet obligations for:		
Pension benefits	\$ 9,642	\$ 9,642
Post employment benefits - SERP benefits	17,306	15,952
Post employment benefits - deferred compensation	28,772	29,155
Post employment benefits - employee severance	13,492	13,153
Liability on the balance sheet	<u><u>\$ 69,212</u></u>	<u><u>\$ 67,902</u></u>

Supplemental Executive Retirement Plan (SERP) Benefits

SERP benefits represent an accrual for future payouts guaranteed to employees upon departure from the Company. In 1998, we entered into employment agreements with our senior executive officers that provided for severance benefits. The value of the long-term liability for the benefits due upon severing the employment of these employees is \$10.5 million at June 30, 2016. The remaining \$6.8 million balance is for the non-executive employees of the Company.

Deferred Compensation

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

Employee Severance

Employee severance relates to payments to be made to certain employees upon departure from the Company. Some of the severance payments are guaranteed in employment contracts totaling approximately \$8.6 million at June 30, 2016. The remaining \$4.9 million balance is for severance payments to employees required by certain local jurisdictions.

Defined Benefit Plan

The components of net periodic pension cost under this plan for the six months ended June 30, 2016 and 2015 included (in thousands):

	Six Months Ended June 30,	
	2016	2015
Service cost	\$ 733	\$ 903
Interest cost	699	603
Expected return on plan assets	(562)	(499)
Net periodic pension cost	<u>\$ 870</u>	<u>\$ 1,007</u>

The net periodic pension cost of \$0.9 million and \$1.0 million for the six months ended June 30, 2016 and 2015, respectively was recognized in Cost of Services in the consolidated income statement.

15. INCOME TAXES

The effective tax rates for the six months ended June 30, 2016 and 2015 were 10.5% and 22.3%, respectively.

16. EARNINGS PER SHARE

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

	Six Months Ended June 30,	
	2016	2015
Weighted average basic common shares outstanding	42,839	43,063
Effect of dilutive securities:		
Contingent shares	105	86
Restricted stock and other	64	65
Weighted average diluted common and potential common shares outstanding	<u>43,008</u>	<u>43,214</u>

17. COMMITMENTS AND CONTINGENCIES

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

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

18. RELATED PARTIES

In 2016 and 2015, 10,164 shares valued at \$1.1 million and 18,478 shares valued at \$2.0 million, respectively, were surrendered to the Company pursuant to the terms of a stock-based compensation plan, in settlement by the participants of their personal tax burdens that may result from the issuance of common shares under this arrangement. These shares were surrendered at the then current market price on the date of settlement.

In 2016 and 2015, we granted stock to each of our non-employee Directors in the amount of 1,335 and 1,436 shares respectively. These shares will vest, without performance obligations, on March 31, 2019 and 2018, respectively.

We had no other significant related party transactions for the six month period ended June 30, 2016.

19. SUBSEQUENT EVENTS

At the annual meeting of shareholders on May 19, 2016, the shareholders approved the cancellation of 1,250,000 shares of our common stock then held as treasury stock. This treasury stock was canceled on August 2, 2016, after the expiration of the waiting period required under Dutch law. We charged the excess of the cost of the treasury stock over its par value to additional paid-in capital.

On July 7, 2016, we declared a quarterly dividend of \$0.55 per share of common stock which was paid on August 15, 2016 to shareholders of record on July 18, 2016.