CORE LABORATORIES N V
Form 10-K
February 15, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

________________

FORM 10-K
(Mark One)

Q ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2011
OR

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from__ ________ ____ ____to _ ____ ____ ____ ____ ___

Commission File Number 001-14273
CORE LABORATORIES N.V.
(Exact name of registrant as specified in its charter)

| | |
|---|---|
| The Netherlands | Not Applicable |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| Herengracht 424<br>1017 BZ Amsterdam<br>The Netherlands | Not Applicable |
| (Address of principal executive offices) | (Zip Code) |

Registrant's telephone number, including area code: (31-20) 420-3191

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Name of exchange on which registered |
|---|---|
| Common Shares, EUR 0.02 Par Value Per Share | New York Stock Exchange |

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes Q No ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ¨ No Q

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes Q

No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes Q No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. Q

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

| | | | |
|---|---|---|---|
| Large accelerated filer Q | Accelerated filer ¨ | Non-accelerated filer ¨<br>(Do not check if a smaller reporting company) | Smaller reporting company ¨ |

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ¨ No Q

As of June 30, 2011, the number of common shares outstanding was 46,483,989. At that date, the aggregate market value of common shares held by non-affiliates of the registrant was approximately $5,019,232,674.

As of February 14, 2012, the number of common shares outstanding was 47,620,889.

DOCUMENTS INCORPORATED BY REFERENCE

The information required by Part III of this Report, to the extent not set forth herein, is incorporated herein by reference from the registrant's definitive proxy statement relating to the Annual Meeting of Shareholders to be held in 2012, which definitive proxy statement shall be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year to which this Report relates.

This document (excluding exhibits) contains 68 pages.
The table of contents is set forth on the following page. The exhibit index begins on page 30.

CORE LABORATORIES N.V.
FORM 10-K FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011
TABLE OF CONTENTS

# PART I

## ITEM 1. BUSINESS

### General

Core Laboratories N.V. is a Netherlands limited liability company. We were established in 1936 and are one of the world's leading providers of proprietary and patented reservoir description, production enhancement and reservoir management services to the oil and gas industry. These products and 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 5,000 employees.

References to "Core Lab", the "Company", "we", "our", and similar phrases are used throughout this Annual Report on Form 10-K (this "Form 10-K") and relate collectively to Core Laboratories N.V. and its consolidated affiliates.

### 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 products and services.

### 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.

More information relating to our acquisitions is included in Note 3 of the Notes to Consolidated Financial Statements in this Form 10-K ("Notes to Consolidated Financial Statements").

### Operations

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

Our reservoir optimization services and technologies are interrelated and are organized into three complementary segments. Disclosure relating to the operations and financial information of these business segments is included in Note 15 of the Notes to Consolidated Financial Statements.

- Reservoir Description: Encompasses the characterization of petroleum reservoir rock, fluid and gas samples. We provide analytical and field services to characterize properties of crude oil and petroleum products to the oil and gas industry.
- Production Enhancement: Includes products and services relating to reservoir well completions, perforations, stimulations and production. We provide integrated services to evaluate the effectiveness of well completions and to

1

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.

We offer our services worldwide through our global network of offices. Services accounted for approximately 69%, 72% and 76% of our revenue from operations for the years ended December 31, 2011, 2010 and 2009, 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 approximately 31%, 28% and 24% of our revenue from operations for the years ended December 31, 2011, 2010 and 2009, respectively.

Our product sales backlog at December 31, 2011 was approximately $25.9 million compared to $26.0 million at December 31, 2010. Sources of raw materials for our products are readily available and we expect that our current sales backlog at December 31, 2011 will be completed in 2012.

Reservoir Description

Commercial oil and gas fields consist of porous and permeable reservoir rocks that contain natural gas, crude oil and water. Due to the density differences of the fluids, natural gas typically caps the field and overlies an oil layer, which overlies the water. We provide services that characterize the porous reservoir rock and all three reservoir fluids. Services relating to these fluids include determining quality and measuring quantity of the fluids and their derived products. This includes determining the value of different crude oil and natural gases by analyzing the individual components of complex hydrocarbons. These data sets are used by oil companies to determine the most efficient method by which to recover, process and refine these hydrocarbons to produce the maximum value added to crude oil and natural gas.

We analyze samples of reservoir rocks for their porosity, which determines reservoir storage capacity, and for their permeability, which defines the ability of the fluids to flow through the rock. These measurements are used to determine how much oil and gas are present in a reservoir and the rates at which the oil and gas can be produced. We also use our proprietary services and technologies to correlate the reservoir description data to wireline logs and seismic data by determining the different acoustic velocities of reservoir rocks containing water, oil and natural gas. These measurements are used in conjunction with our reservoir management services to develop programs to produce more oil and gas from the reservoir.

Production Enhancement

We produce data to describe a reservoir system that is used to enhance oil and natural gas production so that it may exceed the average oilfield recovery factor, which is approximately 40%. Two production enhancement methods commonly used are (i) hydraulic fracturing of the reservoir rock to improve flow and (ii) flooding a reservoir with water, carbon dioxide, nitrogen or hydrocarbon gases to force more oil and gas to the wellbore. Many oilfields today are hydraulically fractured and flooded to maximize oil and gas recovery. Although Core Laboratories is not a hydraulic fracturing company, we do provide chemicals that are used to analyze such processes for reservoir diagnostic purposes. Our services and technologies play a key role in the success of both methods.

The hydraulic fracturing of a producing formation is achieved by pumping a proppant material in a gel slurry into the reservoir zone at extremely high pressures. This forces fractures to open in the rock and "props" or holds the fractures open so that reservoir fluids can flow to the production wellbore. Our data on rock type and strength are critical for determining the proper design of the hydraulic fracturing job. In addition, our testing indicates whether the gel slurry is compatible with the reservoir fluids so that damage does not occur to the porous rock network. Our proprietary and patented ZERO WASH® tracer technology is used to determine that the proppant material was properly placed in the fracture to ensure effective flow and increased recovery.

SPECTRACHEM® is another proprietary and patented technology developed for optimizing hydraulic fracture performance. SPECTRACHEM® is used to aid operators in determining the efficiency of the fracture fluids used. SPECTRACHEM® tracers allow operators to evaluate the quantity of fracture fluid that returns to the wellbore during the clean-up period after a hydraulic fracturing event. This technology also allows our clients to evaluate load recovery, gas breakthrough, fluid leak-off and breaker efficiency, all of which are important factors for optimizing oil and/or natural gas production after the formation is hydraulically fractured.

Core's patented and proprietary SPECTRACHEM® fracture diagnostic service continued to evolve with the introduction of the SpectraChem® Plus service in early 2009. The new SpectraChem® Plus service is effective in determining the effectiveness and efficiency of the hydraulic fracture stimulation of long multistage horizontal wells in oil- and gas-shale plays throughout North America. SpectraChem® Plus data sets are used to determine how each frac stage, which may number up to 30 per well, is flowing. Frac stages with ineffective flows may warrant further stimulation or remedial actions.

We conduct dynamic flow tests of the reservoir fluids through the reservoir rock, at actual reservoir pressure and temperature, to realistically simulate the actual flooding of a producing zone. We use patented technologies, such as our Saturation Monitoring by the Attenuation of X-rays (SMAX™), to help design the enhanced recovery project. After a field flood is initiated, we are often involved in monitoring the progress of the flood to ensure the maximum amount of incremental production is being achieved through the use of our SpectraFlood™ technology, which we developed to optimize sweep efficiency during field floods.

Our unique completion monitoring system, Completion Profiler™, helps to determine flow rates from reservoir zones after they have been hydraulically fractured. This provides our clients with a baseline of early production information and can be compared to subsequent production logs later in the life of the well to see if and where hydrocarbon production varies.

Our PACKSCAN® patented technology, which is used as a tool to evaluate gravel pack effectiveness in an unconsolidated reservoir, has contributed to our revenue growth. PACKSCAN® measures the density changes in the area around the tool and is designed to observe the changes within the wellbore to verify the completeness of the gravel pack protection of the wellbore without any additional rig time.

In addition to our many patented reservoir analysis technologies, we have established ourselves as a global leader in the manufacture and distribution of high-performance perforating products. Our unique understanding of complex reservoirs supports our ability to supply perforating systems engineered to maximize well productivity by reducing, eliminating and overcoming formation damage caused during the completion of oil and gas wells. Our "systems" approach to the perforating of an oil or gas well has resulted in numerous patented products. Our HERO® (High Efficiency Reservoir Optimization), SuperHERO™ and recently introduced SuperHERO Plus+™ perforating systems have quickly become industry leaders in enhancing reservoir performance. The SuperHERO™ and SuperHERO Plus+™ perforating systems complement our successful HERO® line and are designed to optimize wellbore completions and stimulation programs in oil- and gas-shale reservoirs. Evolved from our HERO® charges, the SuperHERO™ and the SuperHERO Plus+™ charges use a proprietary and patented design of powdered metal liners and explosives technology that results in a deeper and cleaner perforating tunnel into the oil- and gas-shale reservoir. This allows greater flow of hydrocarbons to the wellbore and helps to maximize hydrocarbon recovery from the reservoir. Moreover, the deeper, near debris-free perforations enable lower fracture initiation pressures, reducing the amount of pressure-pumping horsepower required and its associated cost. SuperHERO™ and SuperHERO Plus+™ charges can eliminate the ineffective perforations that would otherwise limit daily oil and natural gas production and hinder the optimal fracture stimulation programs needed for prolific production from the Bakken, Eagle Ford, Marcellus, Niobrara and similar oil- and gas-shale formations. Our manufacturing operations in the United States and Canada continue to meet the global demand for our perforating systems through facility expansion in addition to gains in efficiency and productivity.

Our Horizontal Time-Delayed Ballistics Actuated Sequential Transfer (HTD-Blast™) perforating system is a technology useful for the effective and efficient perforation of extended-reach horizontal completions in the Bakken, Eagle Ford, and other shale formations. The HTD-Blast™ perforating system can be deployed via coiled tubing, and it currently enables eight perforating events, beginning at the farthest reaches, or toe regions, of extended-reach horizontal wells. The toe region is the most difficult section of an extended-reach well to effectively perforate and fracture stimulate. The HTD-Blast™ system significantly improves the potential for production from those sections. A proprietary, time-delayed detonating sequence allows the operator to position and perforate up to eight discrete zones. This efficiency, coupled with Core's effective SuperHERO Plus+™ perforating charges, results in superior perforations at a greatly reduced operating cost. Superior perforations then allow effective fracture stimulation programs that can maximize production from extended horizontal wells.

We have experienced technical services personnel to support clients through our global network of offices for the everyday use of our perforating systems and the rapid introduction of new products. Our personnel are capable of providing client training and on-site service in the completion of oil and gas wells. Our patented X-SPAN™ and GTX-SPAN™ casing patches are supported by our technical services personnel. These systems are capable of performing in high pressure oil and gas environments and are used to seal non-productive reservoir zones from the producing wellbore.

Reservoir Management

Reservoir description and production enhancement information, when applied across an entire oilfield, is used to maximize daily production and the ultimate total recovery from the reservoir. We are involved in numerous large-scale reservoir management projects, applying proprietary and state-of-the-art techniques from the earliest phases of a field development program until the last economic barrel of oil is recovered.

These projects are of increasing importance to oil companies as the incremental barrel is often the lowest cost and most profitable barrel in the reservoir. Producing incremental barrels increases our clients' cash flows which we believe will result in additional capital expenditures by our clients, and ultimately further opportunities for us. We also develop and provide industry consortium studies to provide critical reservoir information to a broad spectrum of clients in a cost effective manner such as our multi-client regional reservoir optimization projects for both North America and international studies, especially studies pertaining to unconventional reservoirs such as our ongoing global shale study that examines the shale potential in central and southern Europe, north Africa, India, China and Australia among other regions and a joint industry project evaluating the petrophysical, geochemical and production characteristics of the Eagle Ford shale in South Texas. Additional studies being performed are our long running deep water Gulf of Mexico studies, a worldwide characterization of tight-gas sands, with special emphasis in the Middle East region, deepwater studies off the coasts of West Africa and Brazil and a study on the petroleum potential of offshore Vietnam and a global gas shale study.

We sell and maintain permanent real time reservoir monitoring equipment that is installed in the reservoir for our oil and gas company clients which eliminates the need for down-hole electronic components providing increased reliability and high temperature capability in extreme operating environments.

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 products and services are meeting their expectations and we are addressing any issues or needs in a timely manner.

Research and Development

The market for our products and services is characterized by changing technology and frequent product introduction. As a result, our success is dependent upon our ability to develop or acquire new products and services 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 products and services 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 products and services. 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 and other intellectual property rights are an important factor in maintaining our technological advantage, although no one patent is considered essential to our success. Typically, we will seek to protect our intellectual technology 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. In addition to patents, in many instances we protect our trade secrets through confidentiality agreements with our employees and our clients.

International Operations

We operate facilities in more than 50 countries. Our non-U.S. operations accounted for approximately 49%, 50% and 52% of our revenue from operations during the years ended December 31, 2011, 2010 and 2009, respectively. Not included in the foregoing percentages are significant levels of our revenue recorded in the U.S. that are sourced from projects on foreign 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. Consequently, we are not always able to eliminate our foreign currency exposure. We have not historically engaged in and are not currently engaged in any significant hedging or currency trading transactions designed to compensate for adverse currency fluctuations. The following graphs summarize our reported revenue by geographic region (in contrast to the location of the reservoirs) for the years ended December 31, 2011, 2010 and 2009:

Geographic Breakdown of Revenue

Environmental Regulation

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 and recycling or disposal of wastes resulting from our operations. Compliance with these laws and regulations, whether at the federal, provincial, regional, state or local levels, may require the acquisition of permits for regulated activities, capital expenditures to limit or prevent emissions and discharges, and stringent restrictions for the handling and disposal 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 obligations, and even the issuance of injunctive relief. The trend in environmental regulation has been to place more restrictions and limitations on activities that may affect the environment and thus any changes in environmental laws and regulations that result in more stringent and costly waste handling, storage, transport, disposal or cleanup requirements could have a material adverse effect on our operations and financial position. For instance, the adoption of laws or implementation of regulations to address concerns about global climate change or threats to drinking water from hydraulic fracturing activities that have the effect of lowering the demand for carbon-based fuels could have a material adverse effect on our business. Moreover, we depend on the demand for our products and services from oil and natural gas exploration and production companies. Thus, any changes in environmental laws and regulations that result in more stringent and costly well drilling, construction, completion, development or production activities could impose additional and significant costs on, or delay or decrease the operational activity of those operators who are our customers, which also could have a 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 or at offsite locations where they are transported for recycling or disposal could subject us to environmental liability, which may be strict, joint and several, for the costs of cleaning up chemicals and wastes released into the environment and for damages to natural resources, and it is not uncommon for neighboring landowners and other third parties to file claims against industry participants for personal injury and property damage allegedly caused by such spills or releases. As a result of such actions, we could be required to remove previously disposed wastes, remediate environmental contamination, 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. While we believe that we are in substantial compliance with current applicable environmental laws and regulations and that continued compliance with existing requirements will not have a material adverse impact on us, we cannot give any assurance as to the amount or timing

of future expenditures for environmental compliance or remediation, and actual future expenditures may be different from the amounts we currently anticipate.
Our operations are also subject to stringent governmental laws and regulations, including the federal Occupation Safety and Health Act, as amended ("OSHA"), and comparable state laws in the United States, whose purpose is to protect the health and safety of workers. In the United States, the OSHA 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. We believe that we are in substantial compliance with all applicable laws and regulations relating to worker health and safety.

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 product and service 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 product and service 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 products and services, 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, 2011, we had approximately 5,000 employees. We do not have any material collective bargaining agreements and consider relations with our employees to be good.

Web Site Access to Our Periodic SEC Reports

Our primary internet address is http://www.corelab.com. We file or furnish Quarterly Reports on Form 10-Q, Annual Reports on Form 10-K, Current Reports on Form 8-K, and any amendments to those reports with the U.S. Securities and Exchange Commission ("SEC"). These reports are available free of charge through our web site as soon as reasonably practicable after they are filed or furnished electronically with the SEC. We may from time to time provide important disclosures to investors by posting them in the investor relations section of our web site, as allowed by SEC rules.

Materials we file with the SEC may be read and copied at the SEC's Public Reference Room at 100 F Street, N.E., 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 http://www.sec.gov that contains reports, proxy and information statements, and other information regarding our company that we file electronically with the SEC.

NYSE Corporate Governance Matters

As a listed company with the New York Stock Exchange, our Chief Executive Officer, as required under Section 303A.12(a) of the NYSE Listed Company Manual, must certify to the NYSE each year whether or not he is aware of any violation by the Company of NYSE Corporate Governance listing standards as of the date of the certification. On June 3, 2011, our Chief Executive Officer submitted such a certification to the NYSE which stated that he was not aware of any violation by Core Lab of the NYSE Corporate Governance listing standards. We will timely provide the annual certification of our Chief Executive Officer this year. Included as Exhibits 31.1 and 31.2 to this Form 10-K are the Chief Executive Officer and Chief Financial Officer Certifications required under Section 302 of the Sarbanes-Oxley Act of 2002.

ITEM 1A. 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.

Future 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 products and services is substantially dependent on the level of expenditures by the oil and gas industry for the exploration, development and production of crude oil and natural gas reserves, which are sensitive to oil and natural gas prices and generally dependent on the industry's view of future oil and gas prices. There are numerous factors affecting the supply of and demand for our products and services, which are summarized as:
general and economic business conditions;
market prices of oil and gas and expectations about future prices;
cost of producing and the ability to deliver oil and natural gas;
the level of drilling and production activity;
mergers, consolidations and downsizing among our clients;
coordination by OPEC;
the impact of commodity prices on the expenditure levels of our clients;
financial condition of our client base and their ability to fund capital expenditures;
the physical effects of adverse weather;
the adoption of legal requirements or taxation 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;
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; and
availability of materials and equipment from key suppliers.

The oil and gas industry has historically experienced periodic downturns, which have been characterized by diminished demand for our oilfield products and services 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.

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 approximately 49%, 50% and 52% of our revenue during the years ended December 31, 2011, 2010, and 2009, respectively. Not included in the foregoing percentages are significant levels of our revenues recorded in the U.S. that are sourced from projects on foreign oilfields. Our operations are subject to the various laws and regulations 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;

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 downturn and political events have resulted in lower demand for our products and services in certain markets. The continuing instability in the Middle East 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 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 U.S. laws such as the Foreign Corrupt Practices Act (the "FCPA") could restrict our ability to do business in foreign markets relative to our competitors who are not subject to U.S. law.

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 U.S. law and regulations prohibit us from using.

Because we are registered with the U.S. Securities and Exchange Commission, we are subject to the regulations imposed by the FCPA, 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 the FCPA. 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 U.S. laws, including the FCPA.

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 products and services is characterized by changing technology and product introduction. As a result, our success is dependent upon our ability to develop or acquire new products and services 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 products and services, we may not be able to successfully differentiate our products and services from those of our competitors. Our clients may not consider our proposed products and services to be of value to them; or if the proposed products and services are of a competitive nature, our clients may not view them as superior to our competitors' products and services. 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.

If we are unable to obtain patents, licenses and other intellectual property rights covering our products and services, 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 products and services. To that end, we have obtained certain patents and intend to continue to seek patents on some of our inventions and services. 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 integrate effectively 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 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 abroad relating to protection of the environment 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 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, or to incur costs or liabilities to mitigate or remediate pollution conditions caused by our operations or attributable to former operators. If we fail to control the use, or adequately restrict the 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 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 the United States, the federal Congress has, from time to time, considered legislation that could be introduced and adopted in the current session of Congress, in which event such adopted laws or any implementing regulations could adversely affect our business, financial condition and results of operations. This legislation could include or arise from the following:

Climate Change. Congress has from time to time considered legislation to reduce emissions of greenhouse gases (“GHGs”), primarily through the establishment of a “cap-and-trade” plan for GHGs, but no such legislation has been adopted by Congress. It is not possible at this time to predict whether or when Congress may introduce and adopt climate change legislation. In addition, based on determinations made by the U.S. Environmental Protection Agency

("EPA") in December 2009 that emissions of GHGs present a danger to public health and the environment, the EPA adopted regulations that restrict emissions of GHGs under existing provisions of the federal Clean Air Act, including one that requires a reduction in emissions of GHGs from motor vehicles and another that requires certain construction and operating permit reviews for GHG emissions from certain large stationary sources. Also, the EPA adopted rules requiring the monitoring and reporting of GHGs from certain sources, including, among others, onshore and offshore oil and natural gas production facilities, and almost one-half of the states already have taken legal measures to reduce emissions of GHGs, primarily through the planned development of GHG emission inventories and/or regional GHG cap and trade programs. Adoption and implementation of laws and regulations limiting emissions of GHGs from our equipment or operations could require us to incur costs to comply with such requirements and also could adversely affect demand for the production of oil and natural gas by our customers and thus reduce demand for the services we provide to the oil and natural gas industry.

Hydraulic Fracturing. From time to time, legislation has been introduced before Congress to provide for federal regulation of hydraulic fracturing under the Safe Drinking Water Act and to require disclosure of the chemicals used in the hydraulic fracturing process, which disclosed information could be proprietary in nature. At the state level, several states have adopted or are considering legal requirements that could impose more stringent permitting, disclosure, and well construction requirements on hydraulic fracturing activities. Moreover, the EPA has asserted federal regulatory authority under the Safe Drinking Water Act, as amended ("SDWA") over hydraulic fracturing involving diesel. While it is not possible at this time to predict whether or when Congress may introduce and adopt legislation restricting hydraulic fracturing activities under the SDWA or other regulatory mechanisms, if new or more stringent federal, state, or local legal restrictions relating to the hydraulic fracturing process are adopted in areas where our oil and natural gas exploration and production customers operate, those customers could incur 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. Although Core Laboratories is not a hydraulic fracturing company, it does supply and utilize chemicals during such processes for reservoir diagnostic purposes. In addition, certain governmental reviews are either underway or being proposed that focus on environmental aspects of hydraulic fracturing practices. The EPA has commenced a study of the potential environmental effects of hydraulic fracturing on drinking water and groundwater, with initial results expected to be available by late 2012 and final results by 2014 and, more recently, the EPA announced plans to develop effluent limitations for the treatment and discharge of wastewater resulting from hydraulic fracturing activities by 2014. The White House Council on Environmental Quality is coordinating an administration-wide review of hydraulic fracturing practices, and a committee of the United States House of Representatives has conducted an investigation of hydraulic fracturing practices. Other governmental agencies, including the U.S. Department of Energy and the U.S. Department of the Interior, are evaluating various other aspects of hydraulic fracturing. These ongoing or proposed studies, depending on their degree of pursuit and any meaningful results obtained, could spur initiatives to further regulate hydraulic fracturing under the federal SDWA or other regulatory mechanisms, which events could delay or curtail production of oil and natural gas by our exploration and production customers and thus reduce demand for our business.

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, and our ability to generate cash may depend on factors beyond our control.

Our ability to make payments on and to refinance our indebtedness, and to fund planned capital expenditures 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 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 sue 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 us 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.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Currently, we have over 70 offices (totaling approximately 2.4 million square feet of space) in more than 50 countries. In these locations, we lease approximately 1.9 million square feet and own approximately 0.5 million square feet. We serve our worldwide clients through six Advanced Technology Centers ("ATCs") that are located in Houston, Texas; Calgary, Canada; Kuala Lumpur, Malaysia; Rotterdam, The Netherlands; Abu Dhabi, UAE; and Aberdeen, Scotland. The ATCs provide support for our more than 50 regional specialty centers located throughout the global energy producing provinces. In addition, we have significant manufacturing facilities located in Godley, Texas, and Red Deer, Alberta, Canada, which are included in our Production Enhancement business segment. Our facilities are adequate for our current operations. However, expansion into new facilities or the replacement or modification of existing facilities may be required to accommodate future growth.

ITEM 3. LEGAL PROCEEDINGS

See Note 11 of the Notes to Consolidated Financial Statements.

ITEM 4. MINE SAFETY DISCLOSURE

Not applicable.



---

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Price Range of Common Shares

Our common shares trade on the New York Stock Exchange ("NYSE") under the symbol "CLB". The range of high and low sales prices per share of the common shares as reported by the NYSE are set in the following table for the periods indicated.

| | High | Low |
|---|---|---|
| 2011 | | |
| Fourth Quarter | $120.33 | $82.74 |
| Third Quarter | $118.50 | $87.75 |
| Second Quarter | $112.10 | $88.94 |
| First Quarter | $104.40 | $82.95 |
| 2010 | | |
| Fourth Quarter | $92.10 | $77.00 |
| Third Quarter | $90.89 | $72.67 |
| Second Quarter | $79.40 | $63.01 |
| First Quarter | $66.99 | $57.38 |

On February 14, 2012, the closing price, as quoted by the NYSE, was $121.42 per share and there were 47,620,889 common shares issued and outstanding held by approximately 162 record holders and approximately 61,209 beneficial holders. These amounts exclude shares held by us as treasury shares.

See Part III, "Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters" for discussion of equity compensation plans.

Dividend Policy

In July 2008, Core Laboratories announced the initiation of a cash dividend program. Cash dividends of $0.05 per share were paid in March, May, August and November of 2009. Cash dividends of $0.06 per share were paid in February, May, August, and November of 2010. In addition, special cash dividends of $0.375 per share and $0.65 per share were paid in August 2009 and 2010, respectively. Cash dividends of $0.25 per share were paid in February, May, August, and November of 2011. 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.

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. See "Liquidity and Capital Resources" included in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

Performance Graph

The following performance graph compares the performance of our common shares to the Standard & Poor's 500 Index and the Standard & Poor's Oil & Gas Equipment and Services Index (which has been selected as our peer group) for the period beginning December 31, 2006 and ending December 31, 2011. The graph assumes that the value of the investment in our common shares and each index was $100 at December 31, 2006 and that all dividends were reinvested. The stockholder return set forth below is not necessarily indicative of future performance. The following graph and related information shall not be deemed "soliciting material" or to be "filed" with the SEC, nor shall such information be incorporated by reference into any

12

future filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that Core Laboratories specifically incorporates it by reference into such filing.

Share Repurchases in the Fourth Quarter of 2011

The following table provides information about our purchases of equity securities that are registered by us pursuant to Section 12 of the Exchange Act during the three months ended December 31, 2011:

| Period | Total Number Of Shares Purchased | Average Price Paid Per Share | Total Number Of Shares Purchased As Part Of A Publicly Announced Program | Maximum Number Of Shares That May Be Purchased Under The Program (4) |
|---|---|---|---|---|
| October 31, 2011 (1) | 60,481 | $96.13 | 60,481 | 11,134,721 |
| November 30, 2011 (2) | 241 | $111.40 | 241 | 11,135,125 |
| December 31, 2011 (3) | 3,955 | $117.27 | 3,955 | 11,145,344 |
| Total | 64,677 | $97.48 | 64,677 | 11,145,344 |

(1) 5,481 shares valued at $0.5 million, or $89.30 per share, surrendered to us by participants in a stock-based compensation plan to settle any personal tax liabilities which may result from the award.
(2) 241 shares valued at $26.8 thousand, or $111.40 per share, surrendered to us by participants in a stock-based compensation plan to settle any personal tax liabilities which may result from the award.
(3) 3,955 shares valued at $0.5 million, or $117.27 per share, surrendered to us by participants in a stock-based compensation plan to settle any personal tax liabilities which may result from the award.
(4) During the quarter 1,026,991 treasury shares were distributed relating to stock-based awards, stock options, and the early exchange of our Senior Exchangeable Notes (the "Exchangeable Notes").

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 19, 2011, our shareholders authorized an extension until November 19, 2012 to purchase up to 10% of our issued share capital which may be used for any legal purpose and until March 10, 2012 to purchase an additional 15.6% of our issued shares to fulfill obligations relating to our Exchangeable Notes or warrants. The repurchase of shares in the open market is at the discretion of management pursuant to this shareholder authorization. The past cancellations of shares have also been approved by shareholders at prior shareholder meetings.

From the activation of the share repurchase program through December 31, 2011, we have repurchased 33,123,122 shares for an aggregate purchase price of approximately $788.0 million, or an average price of $23.79 per share and have canceled

27,537,600 shares at a cost of $466.2 million. At December 31, 2011, we held 1,408,334 shares in treasury and have the authority to repurchase 11,145,344 additional shares under our stock repurchase program as described in the preceding paragraph.

Unregistered Sales of Equity Securities and Use of Proceeds

During the quarter ended December 31, 2011, we issued 992,162 shares of our common stock upon exchange to holders of $84.8 million aggregate principal amount of our Exchangeable Notes. Such shares were issued in transactions exempt from registration under Section 3(a)(9) of the Securities Act of 1933, as amended.

## ITEM 6. SELECTED FINANCIAL DATA

The selected consolidated financial information contained below is derived from our Consolidated Financial Statements and should be read in conjunction with "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and our audited Consolidated Financial Statements each of which is included in this Form 10-K.

| | For the Years Ended December 31, | | | | |
|---|---|---|---|---|---|
| | 2011 | 2010 | 2009 | 2008 (3) | 2007 (3) |
| | (in thousands, except per share and other data) | | | | |
| Financial Statement Data: | | | | | |
| Revenue | $907,648 | $794,653 | $695,539 | $780,836 | $670,540 |
| Net income attributable to Core Laboratories N.V. | 184,684 | 144,917 | 113,604 | 131,166 | 111,212 |
| Working capital | 143,353 | 69,967 | 284,129 | 139,955 | 116,276 |
| Total assets | 605,139 | 650,241 | 658,166 | 521,535 | 476,754 |
| Long-term debt and capital lease obligations, including current maturities | 225,419 | 147,543 | 209,112 | 194,568 | 230,594 |
| Total equity | 181,655 | 292,340 | 281,758 | 188,285 | 108,026 |
| Earnings Per Share Information: | | | | | |
| Net income attributable to Core Laboratories N.V.: | | | | | |
| Basic | $3.99 | $3.23 | $2.47 | $2.85 | $2.36 |
| Diluted | $3.82 | $3.00 | $2.43 | $2.74 | $2.28 |
| Weighted average common shares outstanding: | | | | | |
| Basic | 46,286 | 44,830 | 45,939 | 46,017 | 47,073 |
| Diluted | 48,393 | 48,241 | 46,657 | 47,887 | 48,815 |
| Cash dividends declared per share | $1.00 | $0.89 | $0.575 | $0.60 | $— |
| Other Data: | | | | | |
| Current ratio (1) | 2.0:1 | 1.2:1 | 3.7:1 | 2.5:1 | 2.2:1 |
| Debt to capitalization ratio (2) | 52 % | 27 % | 34 % | 52 % | 69 % |

(1) Current ratio is calculated as follows: current assets divided by current liabilities.

(2) Debt to capitalization ratio is calculated as follows: debt divided by the sum of cash, debt and equity.

(3) Results have been revised upon adoption of FASB Accounting Standards Codification 470-20. See Note 8 Debt and Capital Lease Obligations for more information.



---

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Core Laboratories N.V. is a Netherlands limited liability company. 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 products and services to the oil and gas industry, primarily through customer relationships with many of the world's major, national and independent oil companies.

Our business units have been aggregated into three complementary segments:

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

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 exploration and development efforts to explore new fields or to increase productivity in existing fields. Our clients' investment in capital expenditure programs tends to correlate to oil and natural gas commodity prices. During periods of higher prices, our clients generally invest more in capital expenditures and, during periods of lower commodity prices, they tend to invest less. Accordingly, the level of capital expenditures by our clients impacts the demand for our services and products.

The financial market crisis and the start of a global economic recession that began in late 2008 led to a decrease in demand for oil and gas; consequently oilfield activity in 2009 declined as oil and gas companies reduced their spending levels for that year. However, in late 2009, a global economic recovery began that continued steadily through 2010 and into 2011 that increased consumption of oil and natural gas products leading to higher oil related prices, increased capital budgets for our clients, and more demand for our services and products.

The general crude oil market conditions in the United States began improving in 2010 along with increases in global demand which led to higher crude oil prices that approached pre-recession levels by the end of the year and continued into 2011. This created a positive impact on our business compared to the volatility experienced throughout 2009.

Natural gas prices in 2010 had a different reaction to the overall increase in global demand for oil and gas products. Prices were volatile during 2009 and followed with continued decreases throughout 2010 and 2011. These decreasing prices for natural gas were the result of increases in the global supply instead of decreases in the global demand; consequently activity levels of our clients in this sector did not decrease until late in 2011.

Crude oil prices generally increased during 2011, with spot prices for West Texas Intermediate crude beginning the year at $91.59 per barrel and ending at $98.83 per barrel, an 8% increase. These increased prices led to the rise in the U.S. oil rig count, which increased by over 50% and the number of horizontal wells increased by over 20% during the same time period.

The following table summarizes the average worldwide, U.S., and Non-North American rig counts for the years ended December 31, 2011, 2010 and 2009, as well as the annual average spot price of a barrel of West Texas Intermediate crude and an MMBtu of natural gas:

| | 2011 | 2010 | 2009 |
|---|---|---|---|
| Baker Hughes Worldwide Average Rig Count (1) | 3,466 | 2,985 | 2,304 |
| Baker Hughes U.S. Average Rig Count (1) | 1,875 | 1,541 | 1,086 |
| Average Crude Oil Price per Barrel (2) | $94.87 | $79.39 | $61.95 |

| | | | |
|---|---|---|---|
| Average Natural Gas Price per MMBtu (3) | $4.54 | $5.13 | $6.92 |

(1) Twelve month average rig count as reported by Baker Hughes Incorporated - Worldwide Rig Count.
(2) Average daily West Texas Intermediate crude spot price.
(3) Obtained from Bloomberg NGH1 average price for the years December 31, 2011, 2010, and 2009.

Operators determined that the economics of certain projects would be viable at the higher commodity prices in 2010 compared to 2009 which led to an increase in rig count in 2010, particularly rigs drilling for oil, both in North America and worldwide. Higher oil prices in 2011 had the same impact on drilling activity as it continued a general increase throughout the year. This resulted in rig counts at the end of the year exceeding rig counts at the beginning of the year across most of the globe, with the average U.S. rig count increasing by 22% and average international rig count increasing by over 10%.

Increases in activity levels in 2010 by our clients combined with greater market share, led to higher revenue over 2009 across all of our business segments. Given this higher revenue in conjunction with the lower cost structure attained during the global economic recession, we were able to generate operating income that was 21% higher in 2010 than the prior year. This increase was driven primarily by our Production Enhancement and Reservoir Management segments with operating income increases of 56% and 35%, respectively. The ongoing increases in our clients' activity in 2011 led to our revenue increase of 14% over 2010, again primarily in our Production Enhancement and Reservoir Management segments with operating income for each of these segments increasing by 11%.

Results of Operations

Results of operations as a percentage of applicable revenue are as follows (dollars in thousands):

| | 2011 | | | 2010 | | | 2009 | | | 2011/ 2010 | | 2010/ 2009 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Revenue: | | | | | | | | | | % Change | | | |
| Services (1) | $621,752 | 68.5 | % | $568,220 | 71.5 | % | $529,523 | 76.1 | % | 9.4 | % | 7.3 | % |
| Product Sales (1) | 285,896 | 31.5 | % | 226,433 | 28.5 | % | 166,016 | 23.9 | % | 26.3 | % | 36.4 | % |
| TOTAL REVENUE | 907,648 | 100.0 | % | 794,653 | 100.0 | % | 695,539 | 100.0 | % | 14.2 | % | 14.2 | % |
| OPERATING EXPENSES: | | | | | | | | | | | | | |
| Cost of services* (1) | 395,303 | 63.6 | % | 356,563 | 62.8 | % | 333,544 | 63.0 | % | 10.9 | % | 6.9 | % |
| Cost of product sales* (1) | 198,066 | 69.3 | % | 157,227 | 69.4 | % | 124,225 | 74.8 | % | 26.0 | % | 26.6 | % |
| Total cost of services and product sales | 593,369 | 65.4 | % | 513,790 | 64.7 | % | 457,769 | 65.8 | % | 15.5 | % | 12.2 | % |
| General and administrative expenses | 41,141 | 4.5 | % | 33,029 | 4.2 | % | 30,372 | 4.4 | % | 24.6 | % | 8.7 | % |
| Depreciation and amortization | 23,303 | 2.6 | % | 23,113 | 2.9 | % | 23,818 | 3.4 | % | 0.8 | % | (3.0 | )% |
| Other (income) expense, net | (919 | ) (0.1 | )% | (2,205 | ) (0.3 | )% | (3,202 | ) (0.5 | )% | NM | | NM | |
| OPERATING INCOME | 250,754 | 27.6 | % | 226,926 | 28.6 | % | 186,782 | 26.9 | % | 10.5 | % | 21.5 | % |
| (Gain) loss on early extinguishment of debt | 1,012 | 0.1 | % | 1,939 | 0.2 | % | — | — | % | (47.8 | )% | 100.0 | % |
| Interest expense | 10,900 | 1.2 | % | 15,839 | 2.0 | % | 15,523 | 2.2 | % | (31.2 | )% | 2.0 | % |
| Income before income tax expense | 238,842 | 26.3 | % | 209,148 | 26.3 | % | 171,259 | 24.6 | % | 14.2 | % | 22.1 | % |
| Income tax expense | 54,198 | 6.0 | % | 63,747 | 8.0 | % | 57,164 | 8.2 | % | (15.0 | )% | 11.5 | % |
| Net income | 184,644 | 20.3 | % | 145,401 | 18.3 | % | 114,095 | 16.4 | % | 27.0 | % | 27.4 | % |
| Net income attributable to non-controlling interest | (40 | ) — | % | 484 | 0.1 | % | 491 | 0.1 | % | (108.3 | )% | (1.4 | )% |
| Net income attributable to Core Laboratories N.V. | $184,684 | 20.3 | % | $144,917 | 18.2 | % | $113,604 | 16.3 | % | 27.4 | % | 27.6 | % |

*Percentage based on applicable revenue rather than total revenue.

"NM" means not meaningful.
(1) Revision adjustments were made between Services Revenue and Product Sales Revenue and between Cost of Services and Cost of Product Sales in the Consolidated Statement of Operations for 2010 and 2009 which did not affect total revenues, operating income, or net income for either period.

Operating Results for the Year Ended December 31, 2011 Compared to the Years Ended December 31, 2010 and 2009

We evaluate our operating results by analyzing revenue, operating income and net income margin (defined as net income divided by total revenue). Since we have a relatively fixed cost structure, increases in revenue generally translate into higher operating income results as well as net income margin percentages. Results for the years ended December 31, 2011, 2010 and 2009 are summarized in the following chart:

Services Revenue

Services revenue increased to $621.8 million for 2011 from $568.2 million for 2010 and $529.5 million for 2009. The increase in services revenue from 2010 to 2011 was primarily due to increases in reservoir rock and reservoir fluids phase-behavior studies. Our large scale core analyses and reservoir fluid projects continue to provide meaningful revenue streams in the Middle East, Asia-Pacific and off the coasts of Africa. The increase in services revenue from 2009 to 2010 was due, in part, to the increased demand for reservoir rock and reservoir fluids phase-behavior studies worldwide as activity levels of our clients continued to increase as a result of the West Texas Intermediate and Brent crude oil prices being near post-recession highs.

Product Sales Revenue

Product sales revenue increased to $285.9 million for 2011, from $226.4 million for 2010 and $166.0 million for 2009. The increase in revenue from 2010 to 2011 was driven by increased demand for our specialized completion and recompletion technology products utilized in high-end multi-stage well completion and stimulation programs in areas such as the oil- and natural gas-shale plays in North America and in the major, giant, and super-giant fields in southern Iraq. The increase in revenue from 2009 to 2010 was driven by increased acceptance and demand of our specialized completion products introduced over the last three years, as indicated by an increased market share in unconventional oil and natural gas shale reservoirs in North America and perforating markets in the Middle East and Asia-Pacific.

Cost of Services

Cost of services increased to $395.3 million for 2011 from $356.6 million for 2010 and $333.5 million for 2009. As a percentage of services revenue, cost of services increased to 63.6% in 2011 from 62.8% in 2010 and 63.0% in 2009. The increase in cost of services is primarily driven by restructuring charges and other personnel costs taken in the second quarter of 2011 to lower our fixed cost structure.

Cost of Product Sales

Cost of product sales increased to $198.1 million for 2011 from $157.2 million for 2010 and $124.2 million for 2009. As a percentage of product sale revenue, cost of sales decreased to 69.3% for 2011 compared to 69.4% for 2010 and 74.8% for 2009. The decrease in cost of sales as a percentage of product sale revenue in 2011, as compared to 2010, was primarily due to the growing demand for our new technologies which led to an overall increase in sales, which improved absorption of our fixed cost structure. The decrease in cost of sales as a percentage of product sale revenue in 2010, as compared to 2009, was primarily due to the growing demand for our new technologies, which are our higher margin products.

General and Administrative Expense

General and administrative expenses include corporate management and centralized administrative services that benefit our operations. General and administrative expenses were $41.1 million for 2011, which represents 4.5% of revenue, a slight increase compared to 4.2% of revenue in 2010 due to facility repairs and additional compensation expenses. General and administrative expenses as a percent of revenue were 4.4% in 2009.

Depreciation and Amortization Expense

Depreciation and amortization expense of $23.3 million increased slightly by $0.2 million in 2011 compared to 2010, after decreasing slightly by $0.7 million in 2010 compared to 2009.

Other (Income) Expense, Net

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

| | For the Years Ended December 31, 2011 | 2010 | 2009 |
|---|---|---|---|
| (Gain) loss on sale of assets | $(487) | $(176) | $90 |
| Equity in (income) of affiliates | (274) | (376) | (92) |
| (Gain) loss on foreign exchange | 1,800 | 1,032 | (331) |
| Interest (income) | (138) | (249) | (138) |
| Non-income tax (benefit) expense | — | — | (2,500) |
| Rent and royalty (income) | (1,716) | (1,550) | (1,358) |
| Gain on insurance recovery | (1,014) | — | — |
| Legal entity realignment | 711 | — | — |
| Other (gain) loss | 199 | (886) | 1,127 |
| Total other (income) expense, net | $(919) | $(2,205) | $(3,202) |

During 2010, we had fire incidents at two separate facilities resulting in the loss of portions of the buildings, as well as some of the laboratory equipment. The final insurance settlements were reached in 2011, which resulted in gains of $1.0 million.

In 2010, we sold our minority investment in a technology company acquired in 2001, resulting in a gain of $0.8 million and recorded a foreign exchange loss of $1.4 million on the settlement of a Euro-denominated income tax receivable in The Netherlands.

In 2009, we released the remaining $2.5 million of a long-term liability established in 2008 associated with non-income related taxes.

Loss on Exchange of Senior Exchangeable Notes

In 2006, Core Laboratories LP, an entity 100% indirectly owned by Core Laboratories N.V., issued $300 million aggregate principal amount of Senior Exchangeable Notes (the "Exchangeable Notes") which were fully and unconditionally guaranteed by Core Laboratories N.V. and matured on October 31, 2011. Under the terms of the Exchangeable Notes, defined criteria were met which allowed the Exchangeable Notes to be early exchanged during each quarter of 2011, as it was during the second, third, and fourth quarters of 2010. During 2011, we received 142 requests to exchange 156,301 Exchangeable Notes which were settled during the year for $156.3 million in cash and 1,851,869 shares of our common stock, all of which were treasury shares, resulting in a loss of $1.0 million. During

2010, we received 21 requests to exchange 82,251 Exchangeable Notes which were settled during the year for $82.3 million in cash and 808,367 shares of our common stock, all of which were treasury shares, resulting in a loss of $1.9 million.

Interest Expense

Interest expense decreased by $4.9 million in 2011 compared to 2010. Our Exchangeable Notes were fully repaid during the fourth quarter of 2011 and have been replaced by our $150 million Senior Notes (the "Senior Notes") which carry a lower interest expense. Cash interest expense was only $2.3 million, $0.6 million and $0.6 million for the years ended December 31, 2011, 2010 and 2009, respectively.

On August 24, 2011, we entered into a $100 million interest rate hedge that was unwound on September 16, 2011 resulting in a loss of $1.3 million which was recorded to interest expense.

Income Tax Expense

Income tax expense decreased $9.5 million in 2011 compared to 2010 due primarily to the reversal of $10.4 million in tax liabilities provided over the period 2007-2010 as a result of recently concluded audits of prior year returns. Income tax expense increased $6.6 million in 2010 compared to 2009 commensurate with the overall increase in income before income tax expense. The effective tax rate was 22.7% for 2011, 30.5% for 2010 and 33.4% for 2009. The lower tax rate for 2011 was due primarily to the reversal of $10.4 million in tax liability noted above and was partially offset by changes in our estimate of unrecognized tax benefits in certain jurisdictions. The lower tax rate for 2010 was the result of a change in the earnings mix in the various jurisdictions in which we operate.

Segment Analysis

The following charts and tables summarize the operating results for our three complementary business segments.

Segment Revenue

| | For the Years Ended December 31, | | | | |
|---|---|---|---|---|---|
| (dollars in thousands) | 2011 | % Change | 2010 | % Change | 2009 |
| Reservoir Description | $469,775 | 10.3 % | $425,829 | 2.6 % | $414,934 |
| Production Enhancement | 371,449 | 18.3 % | 313,956 | 36.1 % | 230,652 |
| Reservoir Management | 66,424 | 21.1 % | 54,868 | 9.8 % | 49,953 |
| Total Revenue | $907,648 | 14.2 % | $794,653 | 14.2 % | $695,539 |

Segment Operating Income

20

| (dollars in thousands) | For the Years Ended December 31, 2011 | % Change | 2010 | % Change | 2009 |
|---|---|---|---|---|---|
| Reservoir Description | $116,244 | 9.5 % | $106,179 | (0.2 )% | $106,421 |
| Production Enhancement | 112,576 | 11.2 % | 101,241 | 55.6 % | 65,076 |
| Reservoir Management | 21,887 | 10.8 % | 19,759 | 35.2 % | 14,620 |
| Corporate and other (1) | 47 | NM (2) | (253 ) | NM (2) | 665 |
| Operating Income | $250,754 | 10.5 % | $226,926 | 21.5 % | $186,782 |

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

Segment Operating Income Margins (1)

| | For the Years Ended December 31, 2011 Margin | 2010 Margin | 2009 Margin |
|---|---|---|---|
| Reservoir Description | 24.7 % | 24.9 % | 25.6 % |
| Production Enhancement | 30.3 % | 32.2 % | 28.2 % |
| Reservoir Management | 33.0 % | 36.0 % | 29.3 % |
| Total Company | 27.6 % | 28.6 % | 26.9 % |

(1) Calculated by dividing "Operating Income" by "Revenue."

Reservoir Description

Revenue for our Reservoir Description segment increased by 10.3% in 2011 compared to 2010, after increasing 2.6% in 2010 compared to 2009. During 2011, this segment's operations, which focus on international crude-oil related products, continued to benefit from 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 Iraq, Kuwait and the United Arab Emirates. During 2010, this segment's increased revenue was primarily due to the continued expansion of worldwide development projects particularly in West Africa, Asia Pacific, and the North Sea, as well as the North American oil- and gas-shale and liquid-rich plays in the Bakken, Eagle Ford, Marcellus, Muskwa and other active fields.

Operating income increased in 2011 from 2010 while operating margin fell slightly as a result of increased revenue driven by increased activity, offset by higher costs in certain operating areas due to charges in the second quarter for restructuring and other personnel costs. This segment emphasizes technologically demanding services on internationally-based development and production-related crude oil projects over the more cyclical exploration-related projects. Operating income was unchanged in 2010 compared to 2009.

Production Enhancement

Revenue for our Production Enhancement segment increased by $57.5 million, or 18.3% in 2011 compared to 2010, primarily due to an increased market share of our perforating charges and gun systems particularly in the North American markets relating to horizontal well developments of oil- and gas-shale reservoirs and for high margin completion and recompletion technologies used in the reworking of major, giant, and super-giant fields. Revenue for our Production Enhancement segment increased 36.1% in 2010 compared to 2009, primarily due to the increased drilling and activity levels by our clients in North America.

Operating income for this segment increased to $112.6 million in 2011 from $101.2 million in 2010, an increase of 11.2%. The increase in operating income in 2011 was primarily driven by increased revenue from services related to our proprietary and patented diagnostic technologies, such as SpectraChem® Plus, SpectraScan®, ZERO WASH®, and our HERO® line of perforating charges and gun systems and our HTD Blast™ perforating system which is used for the perforation of extended-reach horizontal wells in non-conventional reservoirs. Operating income for this segment increased to $101.2 million in 2010 from $65.1 million in 2009, an increase of 55.6%. The increase in operating income in 2010 was primarily driven by increased drilling and activity by our clients in North America.

Reservoir Management

Revenue for our Reservoir Management segment increased to $66.4 million in 2011 from $54.9 million in 2010 and $50.0 million in 2009. The increase in revenue in 2011 was due to studies initiated in 2011 including the Avalon Shale Study and the Midland Basin Project . The increase in revenue in 2010 was due to new multi-client reservoir studies in the Montney Shale in northeastern British Columbia and northern Alberta, the Niobrara Formation Study, deepwater studies off the coasts of Brazil and West Africa, and a study on the petroleum potential of offshore Vietnam as well as the expansion of our unconventional reservoir studies to different regions in North America.

Operating income for this segment increased to $21.9 million in 2011 compared to $19.8 million in 2010 and $14.6 million in 2009. The increase in operating income in 2011 as compared to 2010 was primarily related to increased interest in our consortium projects such as the Global Gas Shale Project, the Marcellus Shale Evaluation study and the Eagle Ford Shale study along with the continued participation in our North American Gas Shale Study and our new Worldwide Oil and Natural Gas Shale Reservoir Study. The increase in operating income in 2010 from 2009 was primarily related to the increased interest in our proprietary studies, including studies of offshore Ivory Coast, Ghana and Nigeria, a gas-shale reconnaissance project in Indonesia and detailed proprietary reservoir studies for several companies active in the Wolfberry play in West Texas.

Liquidity and Capital Resources

General

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 program. 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 Netherlands holding company, 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.

We utilize the non-GAAP financial measure of free cash flow to evaluate our cash flows and results of operations. Free cash flow is defined as net cash provided by operating activities (which is the most directly comparable GAAP measure) less capital expenditures. Management believes that free cash flow provides useful information to investors regarding the cash that was available in the period that was in excess of our needs to fund our capital expenditures and operating activities. Free cash flow is not a measure of operating performance under GAAP, and should not be considered in isolation nor construed as an alternative to operating profit, net income (loss) or cash flows from operating, investing or financing activities, each as determined in accordance with GAAP. Free cash flow does not represent residual cash available for distribution because we may have other non-discretionary expenditures that are not deducted from the measure. Moreover, since free cash flow is not a measure determined in accordance with GAAP and thus is susceptible to varying interpretations and calculations, free cash flow as presented, may not be comparable to similarly titled measures presented by other companies. The following table reconciles this non-GAAP financial measure to the most directly comparable measure calculated and presented in accordance with U.S. GAAP for the years ended December 31, 2011, 2010 and 2009 (in thousands):

| | For the Years Ended December 31, | | |
|---|---|---|---|
| Free Cash Flow Calculation | 2011 | 2010 | 2009 |
| Net cash provided by operating activities | $204,126 | $205,832 | $181,873 |
| Less: capital expenditures | (29,927) | (27,569) | (17,289) |
| Free cash flow | $174,199 | $178,263 | $164,584 |

The decrease in free cash flow in 2011 compared to 2010 was primarily due to an increase in inventory in preparation for an anticipated shortage of steel required for our products at the end of 2011 and to stock three new warehouses opened in 2011. The increase in cash flow from operating activities in 2010 compared to 2009 was primarily due to an increase in net income. Working capital was $143.4 million and $70.0 million at December 31, 2011 and 2010, respectively.

Cash Flows

The following table summarizes cash flows for the years ended December 31, 2011, 2010 and 2009 (in thousands):

| | For the Years Ended December 31, | | |
|---|---|---|---|
| | 2011 | 2010 | 2009 |
| Cash provided by/(used in): | | | |
| Operating activities | $204,126 | $205,832 | $181,873 |
| Investing activities | (52,018) | (38,737) | (18,540) |
| Financing activities | (256,656) | (214,260) | (18,426) |
| Net change in cash and cash equivalents | $(104,548) | $(47,165) | $144,907 |

The decrease in cash flow from operating activities in 2011 compared to 2010 was primarily the result of an increase in inventory in preparation for an anticipated shortage of steel required for our products at the end of 2011 and to stock three new warehouses opened in 2011, partially off set by an increase in net income. The increase in cash flow from operating activities in 2010 compared to 2009 was primarily due to an increase in net income.

Cash flow used in investing activities increased $13.3 million in 2011 over 2010 due primarily to an increase in acquisition activity, $18.8 million in 2011 up from $9.0 million in 2010. Cash flow used in investing activities increased $20.2 million in 2010 over 2009 due to higher capital expenditures and an acquisition for $9.0 million during the first quarter of 2010.

Cash flow used in financing activities in 2011 increased $42.4 million compared to 2010 and was caused by two transactions: the settlement of our Exchangeable Notes and the early settlement of our outstanding warrants. During 2011, 106 Exchangeable Notes matured and we received 142 requests to exchange 156,301 Exchangeable Notes which were settled during the year for $156.4 million in cash and 1,851,869 treasury shares. During 2011, we accelerated the settlement of our outstanding warrants resulting in cash payments of $219.5 million, offset by the cash flow provided by financing activities from the issuance of our Senior Notes for $150 million in 2011 (See "Credit Facility and Available Future Liquidity" below) and net borrowings from a revolving credit facility (the "Credit Facility"). Cash flow used in financing activities in 2010 increased $195.8 million compared to 2009 due to an increase in the number of shares repurchased under our share repurchase program, increased dividends paid, and the early exchange of our Exchangeable Notes by note holders.

During the year ended December 31, 2011, we repurchased 669,649 shares of our common stock for an aggregate amount of $61.8 million, or an average price of $92.32 per share. The repurchase of shares in the open market is at the discretion of management pursuant to shareholder authorization. We regard these treasury shares as a temporary investment which may be used to fund restricted shares that vest, stock options that are exercised or to finance future acquisitions. Under Dutch law and subject to certain Dutch statutory provisions and shareholder approval, we can hold a maximum of 50% of our issued shares in treasury. We currently have shareholder approval to hold 25.6% of our issued share capital in treasury. On May 19, 2011 at our annual shareholders meeting, our shareholders authorized the extension of our share repurchase program until November 19, 2012 to purchase up to 10% of our issued share capital which may be used for any legal purpose and until March 10, 2012 to purchase an additional 15.6% of our issued share capital which were available for the satisfaction of any obligation we may have to deliver shares pursuant to our Exchangeable Notes or pursuant to our warrants. We believe this share repurchase program has been beneficial to our shareholders. Our share price has increased from $4.03 per share in 2002, when we began to repurchase shares, to $113.95 per share on December 31, 2011, an increase of over 2,728%.

Credit Facility and Available Future Liquidity

In September 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.

We maintain a revolving Credit Facility with an aggregate borrowing capacity of $300 million. The Credit Facility provides an option to increase the commitment under the Credit Facility to $350 million, if certain conditions are met. The Credit Facility bears interest at variable rates from LIBOR plus 1.5% to a maximum of LIBOR plus 2.25%. Any outstanding balance under the Credit Facility is due on September 28, 2016 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 reduced by borrowings at the time and outstanding letters of credit and performance guarantees and bonds which totaled $15.3 million at December 31, 2011, resulting in an available borrowing capacity under the Credit Facility of $211.7 million. In addition to those items under the Credit Facility, we had $11.7 million of outstanding letters of credit and performance guarantees and bonds from other sources at December 31, 2011.

The terms of the Credit Facility and our Senior Notes require us to meet certain financial covenants, including, but not limited to, certain operational and minimum equity and cash flow ratios. We believe that we are in compliance with all such covenants contained in our credit agreement. Certain of our material wholly owned subsidiaries are guarantors or co-borrowers under the Credit Facility.

In addition to our repayment commitments under our Credit Facility and our Senior Notes, we have capital lease obligations relating to the purchase of equipment, and non-cancellable operating lease arrangements under which we lease property including land, buildings, office equipment and vehicles.

The following table summarizes our future contractual obligations under these arrangements (in thousands):

| | Total | Less than 1 year | 1-3 Years | 3-5 Years | More than 5 Years |
|---|---|---|---|---|---|
| Contractual Obligations: | | | | | |
| Debt (1) | $225,287 | $2,287 | $— | $73,000 | $150,000 |
| Capital leases | 132 | 57 | 75 | — | — |
| Operating leases | 51,223 | 15,674 | 19,910 | 9,341 | 6,298 |
| Pension (2) | 1,618 | 1,618 | — | — | — |
| Total contractual obligations | $278,260 | $19,636 | $19,985 | $82,341 | $156,298 |

(1) Not included in the above balances are anticipated cash payments for interest of $6.1 million a year for 2012-2021 and cash payments for interest of $3.1 million a year for 2022-2023 for a total of $67.1 million.
(2) Our Dutch pension plan requires annual employer contributions. Amounts payable in the future will be based on future workforce factors which cannot be projected beyond one year.

We have no significant purchase commitments or similar obligations outstanding at December 31, 2011. Not included in the table above are uncertain tax positions that we have accrued for at December 31, 2011, as the amounts and timing of payment, if any, are uncertain.

At December 31, 2011, we had tax net operating loss carry-forwards in various tax jurisdictions of approximately $29.4 million. Although we cannot be certain that these operating loss carry-forwards will be utilized, we anticipate that we will have sufficient taxable income in future years to allow us to fully utilize the carry-forwards that are not subject to a valuation allowance as of December 31, 2011. If unused, those carry-forwards which are subject to expiration may expire during the years 2012 through 2021. During 2011, $0.5 million of operating loss carry-forwards which carried a full valuation allowance expired unused.

We expect our investment in capital expenditures to be approximately $33 million in 2012 which will be used to fund our growth through the purchase of instrumentation, tools and equipment along with expenditures to replace obsolete or worn-out instrumentation, tools and equipment, to consolidate certain facilities to gain operational efficiencies, and to increase our presence where requested by our clients. In addition, we plan to continue to (i) repurchase our common shares on the open market through our share repurchase program, (ii) pay a dividend or (iii) acquire complementary technologies. Our ability to continue these initiatives depends on, among other things, market conditions and our ability to generate free cash flow.

Our ability to maintain and increase our operating income and cash flows is largely dependent upon continued investing activities. We are a Netherlands holding company and 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.

Outlook

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

We have established internal earnings targets that are based on market conditions existing at the time our targets were established. Based on recent developments, we believe that the current level of activities, workflows, and operating margins both outside North America and within North America, particularly that relate to oil development projects, will grow moderately into 2012.

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.

Critical Accounting Estimates

Our financial statements are prepared in conformity with generally accepted accounting principles in the U.S. ("U.S. GAAP"). The preparation of financial statements in accordance with U.S. GAAP requires us 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 determine the adequacy of our estimates based on our historical experience and various other assumptions that we believe are reasonable under the circumstances. By nature, these judgments are subject to an inherent degree of uncertainty. We consider an accounting estimate to be critical if it is highly subjective and if changes in the estimate under different assumptions would result in a material impact on our financial condition and results of operations. The following transaction types require significant judgment and, therefore, are considered critical accounting policies as of December 31, 2011.

Allowance for Doubtful Accounts

We evaluate whether client receivables are collectible. We perform ongoing credit evaluations of our clients and monitor collections and payments in order 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 at December 31, 2011 was $3.8 million compared to $3.4 million at December 31, 2010.

Income Taxes

Our income tax expense includes income taxes of The Netherlands, the U.S. 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). Any valuation allowance recorded is 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. Valuation allowances of our net deferred tax assets aggregated to $9.3 million and $10.7 million at December 31, 2011 and 2010, respectively. If these estimates and related assumptions change in the future, we may be required to record additional valuation allowances against our deferred tax assets and our effective tax rate may increase 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 permanently 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.

Long-Lived Assets, Intangibles and Goodwill

Property, plant and equipment are carried at cost. Major renewals and improvements are capitalized and depreciated over the respective asset's remaining useful life. Maintenance and repair costs are charged to expense as incurred. 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.

We estimate the useful lives and salvage values of our assets based on historical data of the respective asset's useful life and salvage value. These assets could become impaired if our operating plans or business environment changes.

We evaluate the recoverability of our assets periodically, but at least annually, by examining current and projected operating results to identify any triggering events, which may indicate impairment. We compare the carrying value of the assets to a projection of fair value, utilizing judgment as to the identification of reporting units, the allocation of corporate assets amongst reporting units and the determination of the appropriate discount rate. Our impairment analysis is subjective and includes estimates based on assumptions regarding future growth rates, interest rates and operating expenses.

Property, plant and equipment held and used is reviewed for impairment whenever events or changes in circumstances indicate the carrying amounts may not be recoverable over the remaining service life. Indicators of possible impairment include extended periods of idle use or significant declines in activity levels in regions where specific assets or groups of assets are located.

Provisions for asset impairment are charged to income when the net book value of the assets, or carrying value, is determined to be unrecoverable and the carrying value exceeds the fair value of the assets. Fair value is the amount that would be received from the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants determined by applying various market multiples. We did not record any material impairment charges relating to our long-lived assets held for use during the years ended December 31, 2011, 2010 and 2009.

We review our goodwill, the excess of the purchase price over the fair value of net assets acquired in business combinations, annually for impairment or more frequently if an event occurs which may indicate impairment during the year. We evaluated assets with indefinite lives, including goodwill and certain intangible assets, for impairment by comparing the fair value of our reporting units to their net carrying value as of the balance sheet date, after excluding inter-company transactions and allocating corporate assets to the reporting units. We estimated the fair value by performing a discounted future cash flow analysis of each reporting unit. Estimated future cash flows are based on historical data adjusted for the company's best estimate of future performance. If the carrying value of the reporting unit exceeds the fair value determined, an impairment loss is recorded to the extent that the implied fair value of the goodwill of the reporting unit is less than its carrying value. Any subsequent impairment loss could result in a material adverse effect upon our financial position and results of operations. We did not record impairment charges relating to our goodwill during the years ended December 31, 2011, 2010 and 2009.

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, 2011 was $2.9 million compared to $1.9 million at December 31, 2010. If we overestimate demand for inventory, it could result in a material adverse effect upon our financial position and results of operations.

Pensions and Other Postretirement Benefits

We maintain a noncontributory defined benefit pension plan for substantially all of our Dutch employees hired before 2007. We utilize an actuary to assist in determining the value of the projected benefit obligation. This valuation requires various estimates and assumptions concerning mortality, future pay increases and discount rate used to value our obligations. We recognize net periodic benefit cost based upon these estimates. As required by current accounting standards, we recognize net periodic pension costs associated with this plan in income from current operations and recognize the unfunded status of the plan, if any, as a long-term liability. In addition, we recognize as a component of other comprehensive income, the gains or losses and prior service costs or credits that arise during the period but are not recognized as components of net periodic pension cost. See Note 10 Pensions and Other Postretirement Benefit Plans. Furthermore, we sponsor several defined contribution plans for the benefit of our employees. We expense these contributions in the period the contribution is made.

Stock-Based Compensation

We have two stock-based compensation plans, as described in further detail in Note 13 to our 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. In addition, we derive an estimated forfeiture rate that is used in calculating the expense for these 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 Statement 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 and applying an estimated forfeiture rate.

Off-Balance Sheet Arrangements

Other than normal operating leases, we do not have any off-balance sheet financing arrangements such as securitization agreements, liquidity trust vehicles, synthetic leases or special purpose entities. As such, we are not materially exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in such financing arrangements.

Forward-Looking Statements

This Form 10-K and the documents incorporated in this Form 10-K by reference contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These "forward-looking statements" are based on an analysis of currently available competitive, financial and economic data and our operating plans. They are inherently uncertain and investors should recognize that events and actual results could turn out to be significantly different from our expectations. By way of illustration, when used in this document, words such as "anticipate", "believe", "expect", "intend", "estimate", "project", "will", "should", "could", "may", "predict" and similar expressions are intended to identify forward-looking statements. You are cautioned that actual results could differ materially from those anticipated in forward-looking statements. Any forward-looking statements, including statements regarding the intent, belief or current expectations of us or our management, are not guarantees of future performance and involve risks, uncertainties and assumptions about us and the industry in which we operate, including, among other things:

- our ability to continue to develop or acquire new and useful technology;
- the realization of anticipated synergies from acquired businesses and future acquisitions;
- our dependence on one industry, oil and gas, and the impact of commodity prices on the expenditure levels of our clients;
- competition in the markets we serve;
- the risks and uncertainties attendant to adverse industry, political, economic and financial market conditions, including stock prices, government regulations, interest rates and credit availability;
- unsettled political conditions, war, civil unrest, currency controls and governmental actions in the numerous countries in which we operate;
- changes in the price of oil and natural gas;
- integration of acquired businesses; and
- the effects of industry consolidation.

Our businesses depend, to a large degree, on the level of spending by oil and gas companies for exploration, development and production activities. Therefore, a sustained increase or decrease in the price of natural gas or oil, which could have a material impact on exploration, development and production activities, could also materially affect our financial position, results of operations and cash flows.

The above description of risks and uncertainties is by no means all-inclusive, but is designed to highlight what we believe are important factors to consider. For a more detailed description of risk factors, please see "Item 1A. Risk Factors" in this Form 10-K and our reports and registration statements filed from time to time with the SEC.

All forward-looking statements in this Form 10-K are based on information available to us on the date of this Form 10-K. We do not intend to update or revise any forward-looking statements that we may make in this Form 10-K or other documents, reports, filings or press releases, whether as a result of new information, future events or otherwise.

Recent Accounting Pronouncements

In May 2011, the FASB issued ASU 2011-04 which relates to fair value measurement (FASB ASC Topic 820), which amends current guidance to achieve common fair value measurement and disclosure requirements in U.S. GAAP and International Financial Reporting Standards. The amendments generally represent clarification of FASB ASC Topic 820, but also include instances where a particular principle or requirement for measuring fair value or disclosing information about fair value measurements has changed. This pronouncement is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. We will adopt this pronouncement for our fiscal year beginning January 1, 2012. We do not expect this pronouncement to have a material effect on our consolidated financial statements.

In June 2011, the FASB issued ASU 2011-05 which provides new guidance on the presentation of comprehensive income (FASB ASC Topic 220) in financial statements. Entities are required to present total comprehensive income either in a single, continuous statement of comprehensive income or in two separate, but consecutive, statements. Under the single-statement approach, entities must include the components of net income, a total for net income, the components of other comprehensive income and a total for comprehensive income. Under the two-statement approach, entities must report an income statement and, immediately following, a statement of other comprehensive income. Under either method, entities must display adjustments for items reclassified from other comprehensive income to net income in both net income and other comprehensive income. The provisions for this pronouncement are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011, with early adoption permitted. We will adopt this pronouncement for our fiscal year beginning January 1, 2012.

In September 2011, the FASB issued ASU 2011-08 which relates to testing goodwill for impairment (FASB ASC Topic 350), which amends current guidance to simplify how entities test goodwill for impairment. The amendments permit an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test described in Topic 350. Under this amendment, an entity is not required to calculate the fair value of a reporting unit unless the entity determines that it is more likely than not that its fair value is less than its carrying amount. This pronouncement is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. We will adopt this pronouncement for our fiscal year beginning January 1, 2012. We do not expect this pronouncement to have a material effect on our consolidated financial statements.

## ITEM 7A. 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 intend to enter into derivative financial instruments for hedging or speculative purposes. We do not believe that our exposure to market risks, which are primarily related to interest rate changes, is material.

### Interest Rate Risk

From time to time, we are exposed to interest rate risk on our Credit Facility debt, which carries a variable interest rate. At December 31, 2011, we had an outstanding balance of $73 million.

### 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 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 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 and in countries where the USD weakened against the local currency and we had net monetary assets denominated in the local currency. Foreign exchange gains and losses are summarized in the following table (in thousands):

| (Gains) losses by currency | For the Years Ended December 31, 2011 | 2010 | 2009 |
|---|---|---|---|
| Australian Dollar | $81 | $(135) | $(438) |
| Angolan Kwanza | 257 | (58) | 20 |
| British Pound | 163 | 390 | (106) |
| Canadian Dollar | 423 | (711) | (1,686) |
| Colombian Peso | 120 | 11 | (152) |
| Euro | 257 | 1,788 | (81) |
| Malaysian Ringgit | 187 | (157) | 69 |
| Nigerian Naira | 164 | 98 | 168 |
| Russian Ruble | (127) | (6) | 421 |
| Venezuelan Bolivar | (108) | (267) | 1,335 |
| Other currencies, net | 383 | 79 | 119 |
| Total (gain) loss | $1,800 | $1,032 | (331) |

In Venezuela, we recognized a devaluation of our net monetary assets resulting in a foreign exchange loss of approximately $1.3 million in the fourth quarter of 2009.

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.

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

For the financial statements and supplementary data required by this Item 8, see Part IV "Item 15. Exhibits, Financial Statement Schedules."

## ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

## ITEM 9A. CONTROLS AND PROCEDURES

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 Securities Exchange Act of 1934, as amended (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 Securities and Exchange Commission. 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, 2011 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, 2011. In making this assessment, management used the criteria set forth in Internal Control – Integrated Framework 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, 2011.

The effectiveness of our internal control over financial reporting as of December 31, 2011, has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears herein.

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 quarter ended December 31, 2011 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

The information required by Part III (Items 10 through 14) is incorporated by reference from our definitive proxy statement to be filed in connection with our 2012 annual meeting of shareholders pursuant to Regulation 14A under the Exchange Act. We expect to file our definitive proxy statement with the SEC within 120 days after the close of the year ended December 31, 2011.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) Financial Statements

1. The following reports, financial statements and schedules are filed herewith on the pages indicated:



2. Financial Statement Schedule

Schedule II - Valuation and Qualifying Account

(b) Exhibits

The exhibits listed in the accompanying "Index to Exhibits" are incorporated by reference to the filing indicated or are filed herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CORE LABORATORIES N.V.
By its sole managing director, Core Laboratories International B.V.

Date: February 15, 2012

By: /s/ JACOBUS SCHOUTEN
Jacobus Schouten
Managing Director of Core Laboratories International B.V.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated, on the 15th day of February, 2012.

| Signature | Title |
|---|---|
| /s/ DAVID M. DEMSHUR<br>David M. Demshur | President, Chief Executive Officer,<br>Chairman and Supervisory Director |
| /s/ RICHARD L. BERGMARK<br>Richard L. Bergmark | Executive Vice President,<br>Chief Financial Officer and<br>Supervisory Director |
| /s/ C. BRIG MILLER<br>C. Brig Miller | Vice President Finance, Treasurer and<br>Chief Accounting Officer |
| /s/ JOSEPH R. PERNA<br>Joseph R. Perna | Supervisory Director |
| /s/ JAN WILLEM SODDERLAND<br>Jan Willem Sodderland | Supervisory Director |
| /s/ RENE R. JOYCE<br>Rene R. Joyce | Supervisory Director |
| /s/ MICHAEL C. KEARNEY<br>Michael C. Kearney | Supervisory Director |
| /s/ D. JOHN OGREN<br>D. John Ogren | Supervisory Director |
| /s/ ALEXANDER VRIESENDORP<br>Alexander Vriesendorp | Supervisory Director |

Report of Independent Registered Public Accounting Firm

To the Board of Supervisory Directors and Shareholders of Core Laboratories N.V.:

In our opinion, the consolidated financial statements listed in the index appearing under Item 15(a)(1) present fairly, in all material respects, the financial position of Core Laboratories N.V. (a Netherlands corporation) and its subsidiaries at December 31, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(a)(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and the financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control Over Financial Reporting appearing under Item 9A of Part II of this Form 10-K. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's 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. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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.

/s/ PricewaterhouseCoopers LLP

Houston, Texas
February 15, 2012

CORE LABORATORIES N.V.
CONSOLIDATED BALANCE SHEETS
December 31, 2011 and 2010
(In thousands, except share and per share data)

| | 2011 | 2010 |
|---|---|---|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | $29,332 | $133,880 |
| Accounts receivable, net of allowance for doubtful accounts of $3,762 and $3,396 at 2011 and 2010, respectively | 170,805 | 154,726 |
| Inventories | 53,214 | 33,979 |
| Prepaid expenses and other current assets | 27,463 | 27,656 |
| TOTAL CURRENT ASSETS | 280,814 | 350,241 |
| PROPERTY, PLANT AND EQUIPMENT, net | 115,295 | 104,223 |
| INTANGIBLES, net | 8,221 | 8,660 |
| GOODWILL | 162,787 | 154,217 |
| DEFERRED TAX ASSETS, net | 13,662 | 13,278 |
| OTHER ASSETS | 24,360 | 19,622 |
| TOTAL ASSETS | $605,139 | $650,241 |
| LIABILITIES AND EQUITY | | |
| CURRENT LIABILITIES: | | |
| Accounts payable | $57,639 | $44,710 |
| Accrued payroll and related costs | 34,028 | 28,621 |
| Taxes other than payroll and income | 8,566 | 7,796 |
| Unearned revenues | 19,154 | 20,181 |
| Income taxes payable | 793 | 21,004 |
| Short-term debt and capital lease obligations | 2,344 | 147,543 |
| Other accrued expenses | 14,937 | 10,419 |
| TOTAL CURRENT LIABILITIES | 137,461 | 280,274 |
| LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS | 223,075 | — |
| DEFERRED COMPENSATION | 24,117 | 21,241 |
| DEFERRED TAX LIABILITIES, net | 5,531 | 15,476 |
| OTHER LONG-TERM LIABILITIES | 33,300 | 32,046 |
| COMMITMENTS AND CONTINGENCIES | | |
| EQUITY COMPONENT OF SHORT-TERM DEBT - SENIOR EXCHANGEABLE NOTES | — | 8,864 |
| EQUITY: | | |
| Preference shares, EUR 0.02 par value; 6,000,000 shares authorized, none issued or outstanding | — | — |
| Common shares, EUR 0.02 par value; 200,000,000 shares authorized, 49,037,806 issued and 47,629,472 outstanding at 2011 and 49,739,912 issued and 45,521,186 outstanding at 2010 | 1,376 | 1,397 |
| Additional paid-in capital | 2,012 | — |
| Retained earnings | 283,660 | 536,991 |
| Accumulated other comprehensive income (loss) | (1,739) | (6,207) |
| Treasury shares (at cost), 1,408,334 at 2011 and 4,218,726 at 2010 | (107,406) | (242,690) |
| Total Core Laboratories N.V. shareholders' equity | 177,903 | 289,491 |
| Non-controlling interest | 3,752 | 2,849 |

| | | |
|---|---|---|
| TOTAL EQUITY | 181,655 | 292,340 |
| TOTAL LIABILITIES AND EQUITY | $605,139 | $650,241 |

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

CORE LABORATORIES N.V.
CONSOLIDATED STATEMENTS OF OPERATIONS
For the Years Ended December 31, 2011, 2010 and 2009
(In thousands, except per share data)

| | 2011 | 2010 | 2009 |
|---|---|---|---|
| REVENUE: | | | |
| Services | $621,752 | $568,220 | $529,523 |
| Product sales | 285,896 | 226,433 | 166,016 |
| Total Revenue | 907,648 | 794,653 | 695,539 |
| OPERATING EXPENSES: | | | |
| Cost of services, exclusive of depreciation shown below | 395,303 | 356,563 | 333,544 |
| Cost of product sales, exclusive of depreciation shown below | 198,066 | 157,227 | 124,225 |
| General and administrative expenses, exclusive of depreciation shown below | 41,141 | 33,029 | 30,372 |
| Depreciation | 22,126 | 21,820 | 23,106 |
| Amortization | 1,177 | 1,293 | 712 |
| Other (income) expense, net | (919) | (2,205) | (3,202) |
| OPERATING INCOME | 250,754 | 226,926 | 186,782 |
| Loss on exchange of Senior Exchangeable Notes | 1,012 | 1,939 | — |
| Interest expense | 10,900 | 15,839 | 15,523 |
| Income before income tax expense | 238,842 | 209,148 | 171,259 |
| Income tax expense | 54,198 | 63,747 | 57,164 |
| Net income | 184,644 | 145,401 | 114,095 |
| Net income (loss) attributable to non-controlling interest | (40) | 484 | 491 |
| Net income attributable to Core Laboratories N.V. | $184,684 | $144,917 | $113,604 |
| EARNINGS PER SHARE INFORMATION: | | | |
| Basic earnings per share attributable to Core Laboratories N.V. | $3.99 | $3.23 | $2.47 |
| Diluted earnings per share attributable to Core Laboratories N.V. | $3.82 | $3.00 | $2.43 |
| Cash dividends per share | $1.00 | $0.89 | $0.575 |
| WEIGHTED AVERAGE COMMON SHARES OUTSTANDING: | | | |
| Basic | 46,286 | 44,830 | 45,939 |
| Diluted | 48,393 | 48,241 | 46,657 |

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

CORE LABORATORIES N.V.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2011, 2010 and 2009
(In thousands, except share data)

| | Common Shares | | Additional | | Accumulated | Treasury Stock | | Non- | |
|---|---|---|---|---|---|---|---|---|---|
| | Number of Shares | Par Value | Paid-In Capital | Retained Earnings | Other Comprehensive Income (Loss) | Number of Shares | Amount | Controlling Interest | Total Equity |
| BALANCE, December 31, 2008 | 51,039,912 | $1,430 | $53,019 | $382,266 | $(4,927) | 4,999,846 | $(245,661) | $2,158 | $188,285 |
| Stock options exercised, net of capital taxes | — | — | (1,767) | — | — | (55,300) | 2,175 | — | 408 |
| Stock-based compensation, net of awards issued | — | — | (280) | — | — | (156,300) | 6,176 | — | 5,896 |
| Tax benefit of stock-based awards issued | — | — | 170 | — | — | — | — | — | 170 |
| Repurchases of common shares | — | — | — | — | — | 278,258 | (9,389) | — | (9,389) |
| Dividends paid | — | — | — | (26,416) | — | — | — | — | (26,416) |
| Sale of note hedge claim, net of tax | — | — | 10,577 | — | — | — | — | — | 10,577 |
| Non-controlling interest dividend | — | — | — | — | — | — | — | (259) | (259) |
| Comprehensive income: | | | | | | | | | |
| Adjustment of unrecognized pension actuarial loss, net of $632 tax | — | — | — | — | (1,845) | — | — | — | (1,845) |
| Amortization of deferred pension costs, net of $81 tax | — | — | — | — | 236 | — | — | — | 236 |
| Net income | — | — | — | 113,604 | — | — | — | 491 | 114,095 |
| Total comprehensive income | | | | | | | | | 112,486 |
| BALANCE, December 31, 2009 | 51,039,912 | $1,430 | $61,719 | $469,454 | $(6,536) | 5,066,504 | $(246,699) | $2,390 | $281,758 |

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

CORE LABORATORIES N.V.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Continued)
For the Years Ended December 31, 2011, 2010 and 2009
(In thousands, except share data)

| | Common Shares | | Additional | | Accumulated | Treasury Stock | | Non- | |
|---|---|---|---|---|---|---|---|---|---|
| | Number of Shares | Par Value | Paid-In Capital | Retained Earnings | Other Comprehensive Income (Loss) | Number of Shares | Amount | Controlling Interest | Total Equity |
| BALANCE, December 31, 2009 | 51,039,912 | $1,430 | $61,719 | $469,454 | $(6,536) | 5,066,504 | $(246,699) | $2,390 | $281,758 |
| Stock options exercised, net of capital taxes | — | — | (1,537) | — | — | (46,230) | 1,883 | — | 346 |
| Stock-based compensation, net of awards issued | — | — | 1,424 | (575) | — | (186,198) | 7,668 | — | 8,517 |
| Tax benefit of stock-based awards issued | — | — | 967 | — | — | — | — | — | 967 |
| Repurchases of common shares | — | — | — | — | — | 1,493,017 | (92,487) | — | (92,487) |
| Dividends paid | — | — | — | (39,791) | — | — | — | — | (39,791) |
| Cancellation of treasury shares | (1,300,000) | (33) | (33,744) | (17,733) | — | (1,300,000) | 51,510 | — | — |
| Equity component of short-term debt | — | — | (8,864) | — | — | — | — | — | (8,864) |
| Exchange of senior exchangeable notes | — | — | (19,965) | (19,281) | — | (808,367) | 35,435 | — | (3,811) |
| Non-controlling interest contributions | — | — | — | — | — | — | — | 156 | 156 |
| Non-controlling interest dividend | — | — | — | — | — | — | — | (181) | (181) |
| Comprehensive income: | | | | | | | | | |
| Adjustment of unrecognized pension actuarial loss, net of $4 tax | — | — | — | — | (13) | — | — | — | (13) |
| Amortization of deferred pension costs, net of | — | — | — | — | 342 | — | — | — | 342 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| $117 tax | | | | | | | | | |
| Net income | — | — | — | 144,917 | — | — | — | 484 | 145,401 |
| Total comprehensive income | | | | | | | | | 145,730 |
| BALANCE, December 31, 2010 | 49,739,912 | $1,397 | $— | $536,991 | $(6,207) | 4,218,726 | $(242,690) | $2,849 | $292,340 |
| Stock options exercised, net of capital taxes | — | — | (1,672) | — | — | (42,400) | 1,969 | — | 297 |
| Stock-based compensation, net of awards issued | — | — | 9,588 | (1,992) | — | (177,271) | 9,569 | — | 17,165 |
| Tax benefit of stock-based awards issued | — | — | 2,559 | — | — | — | — | — | 2,559 |
| Repurchases of common shares | — | — | — | — | — | 669,649 | (61,825) | — | (61,825) |
| Dividends paid | — | — | — | (46,027) | — | — | — | — | (46,027) |
| Cancellation of treasury shares | (702,106) | (21) | — | (40,894) | — | (702,106) | 40,915 | — | — |
| Equity component of short-term debt | — | — | 8,864 | — | — | — | — | — | 8,864 |
| Exchange of senior exchangeable notes | — | — | (13,603) | (90,192) | — | (1,851,869) | 101,473 | — | (2,322) |
| Settlement of Warrants | — | — | (3,724) | (258,910) | — | (706,395) | 43,183 | — | (219,451) |
| Non-controlling interest contribution | — | — | — | — | — | — | — | 1,194 | 1,194 |
| Non-controlling interest dividend | — | — | — | — | — | — | — | (251) | (251) |
| Comprehensive income: | | | | | | | | | |
| Adjustment of unrecognized pension actuarial loss, net of $1,426 tax | — | — | — | — | 4,165 | — | — | — | 4,165 |
| Amortization of deferred pension costs, net of $107 tax | — | — | — | — | 303 | — | — | — | 303 |
| Net income (loss) | — | — | — | 184,684 | — | — | — | (40) | 184,644 |
| | | | | | | | | | 189,112 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Total comprehensive income | | | | | | | | | |
| BALANCE, December 31, 2011 | 49,037,806 | $1,376 | $2,012 | $283,660 | $(1,739 ) | 1,408,334 | $(107,406) | $3,752 | $181,655 |

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

F-5

CORE LABORATORIES N.V.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2011, 2010 and 2009
(In thousands)

| | 2011 | 2010 | 2009 |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Net income | $184,644 | $145,401 | $114,095 |
| Adjustments to reconcile income to net cash provided by operating activities: | | | |
| Net provision for (recoveries of) doubtful accounts | 254 | 1,444 | 545 |
| Provision for inventory obsolescence | 552 | 643 | 807 |
| Equity in earnings of affiliates | (274) | (376) | (92) |
| Stock-based compensation | 17,165 | 8,517 | 5,896 |
| Depreciation and amortization | 23,303 | 23,113 | 23,818 |
| Non-cash interest expense | 5,956 | 15,087 | 14,688 |
| (Gain) loss on sale of assets | (487) | (176) | 90 |
| Gain on insurance recovery | (1,014) | — | — |
| Loss on exchange of Senior Exchangeable Notes | 1,012 | 1,939 | — |
| Realization of pension obligation | 303 | 137 | 364 |
| (Increase) decrease in value of life insurance policies | 285 | (1,950) | (1,997) |
| Deferred income taxes | (6,549) | (10,135) | 25,636 |
| Changes in assets and liabilities, net of effects of acquisitions: | | | |
| Accounts receivable | (12,082) | (22,412) | 9,990 |
| Inventories | (16,033) | (2,438) | 1,847 |
| Prepaid expenses and other current assets | (1,228) | 21,455 | (27,762) |
| Other assets | 680 | (102) | (1,060) |
| Accounts payable | 11,969 | 11,701 | (8,579) |
| Accrued expenses | (13,754) | 13,701 | 18,813 |
| Other long-term liabilities | 9,424 | 283 | 4,774 |
| Net cash provided by operating activities | 204,126 | 205,832 | 181,873 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Capital expenditures | (29,927) | (27,569) | (17,289) |
| Patents and other intangibles | (220) | (233) | (240) |
| Acquisitions, net of cash acquired | (18,821) | (9,000) | — |
| Cash in escrow | (2,179) | — | — |
| Proceeds from sale of assets | 900 | 669 | 584 |
| Proceeds from insurance recovery | 1,300 | — | — |
| Premiums on life insurance | (3,071) | (2,604) | (1,595) |
| Net cash used in investing activities | (52,018) | (38,737) | (18,540) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| Repayment of debt borrowings | (348,564) | (82,251) | — |
| Proceeds from debt borrowings | 417,426 | — | — |
| Stock options exercised | 297 | 346 | 408 |
| Excess tax benefits from stock-based payments | 2,559 | 967 | 170 |
| Debt financing costs | (2,014) | (1,019) | — |
| Settlement of warrants | (219,451) | — | — |
| Non-controlling interest - contributions | 1,194 | 156 | — |
| Non-controlling interest - dividend | (251) | (181) | (259) |
| Dividends paid | (46,027) | (39,791) | (26,416) |

| | | | |
|---|---|---|---|
| Repurchase of common shares | (61,825) | (92,487) | (9,389) |
| Proceeds from sale of note hedge claim | — | — | 17,060 |
| Net cash used in financing activities | (256,656) | (214,260) | (18,426) |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | (104,548) | (47,165) | 144,907 |
| CASH AND CASH EQUIVALENTS, beginning of year | 133,880 | 181,045 | 36,138 |
| CASH AND CASH EQUIVALENTS, end of year | $29,332 | $133,880 | $181,045 |

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

CORE LABORATORIES N.V.
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
For the Years Ended December 31, 2011, 2010 and 2009
(In thousands)

| | 2011 | 2010 | 2009 |
|---|---|---|---|
| Supplemental disclosures of cash flow information: | | | |
| Cash payments for interest | $ 2,308 | $ 566 | $ 597 |
| Cash payments for income taxes | $ 74,724 | $ 57,259 | $ 41,703 |
| | | | |
| Non-cash investing and financing activities: | | | |
| Financed capital expenditures | $ 1,273 | $ — | $ 1,810 |
| Common stock issued related to compensation plans | $ 17,165 | $ 8,517 | $ 5,896 |

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

CORE LABORATORIES N.V.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011

## 1. DESCRIPTION OF BUSINESS

Core Laboratories N.V. ("Core Laboratories", "we", "our" or "us") is a Netherlands limited liability company. We were established in 1936 and are one of the world's leading providers of proprietary and patented reservoir description, production enhancement and reservoir management services to the oil and gas industry. These services are directed toward enabling our clients to improve reservoir performance and increase oil and gas recovery from their producing fields. We have over 70 offices in more than 50 countries and have approximately 5,000 employees.

Our business units have been aggregated into three complementary segments which provide products and services for improving reservoir performance and increasing oil and gas recovery from new and existing fields: (1) Reservoir Description, (2) Production Enhancement and (3) Reservoir Management. For a description of product types and services offered by these business segments, see Note 15 Segment Reporting.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Principles of Consolidation

The accompanying Consolidated Financial Statements have been prepared in accordance with generally accepted accounting principles in the U.S. ("U.S. GAAP" or "GAAP"), and include the accounts of Core Laboratories and its subsidiaries for which we have a controlling voting interest and/or a controlling financial interest. All inter-company transactions and balances have been eliminated in consolidation. 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 significant control. We use the cost method to record certain other investments in which we own less than 20% of the outstanding equity and do not exercise significant control. We record non-controlling interest associated with consolidated subsidiaries that are less than 100% owned.

### Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP 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;
long-lived assets, intangibles and goodwill;
income taxes;
pensions and other postretirement benefits; and
stock-based compensation.

Accounting policies relating to these accounts and the nature of these estimates are further discussed under the applicable caption. 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.

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. These items are carried at cost, which approximates market value. For the years ended December 31, 2011 and 2010, cash equivalents included time deposits and money market investment accounts.

Concentration of Credit Risk

Our financial instruments that potentially subject us to concentrations of credit risk relate primarily to cash and cash equivalents and trade accounts receivable. 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 domestic, international and national oil and gas companies. We had no clients who provided more than 10% of our revenue for the years ended December 31, 2011, 2010 and 2009. We consider our credit risk related to trade accounts receivable to be limited due to the creditworthiness and financial resources of our clients. We evaluate our estimate of the allowance for doubtful accounts on an on-going basis throughout the year.

Accounts Receivable

Trade accounts receivable are recorded at their invoiced amounts and do not bear interest. We perform ongoing credit evaluations of our clients and monitor collections and payments in order 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 client's 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, and recognize expense. When an account is determined to be uncollectible, we charge the receivable to our allowance for doubtful accounts. Our allowance for doubtful accounts totaled $3.8 million and $3.4 million at December 31, 2011 and 2010, respectively. The net carrying value of accounts receivable is considered to be representative of its respective fair value.

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 estimated net realizable value. Inventory costs are recorded at standard cost which approximates the first-in, first-out method.

Prepaid Expenses and Other Current Assets

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

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Allowances for depreciation and amortization are calculated using the straight-line method based on the estimated useful lives of the related 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. 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.

We review our assets for impairment when events or changes in circumstances indicate that the net book value of property, plant and equipment may not be recovered over its remaining service life. We evaluate our property, plant and equipment for impairment if a triggering event occurs which may indicate that an impairment is probable. Under these circumstances, we compare the sum of the estimated future undiscounted cash flows relating to the asset group to the carrying value 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 fair value exceeds the carrying value. Fair value is the amount that would be received from the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants. We did not record any material impairment charges relating to our long-lived assets held for use during the years ended December 31, 2011, 2010 or 2009.

Intangibles and Goodwill

Intangibles include patents, trademarks, and trade names. Intangibles with determinable lives are amortized using the straight-line method based on the estimated useful life of the intangible. Intangibles with indeterminable lives, which consisted primarily of corporate trade names, are evaluated for impairment annually or more frequently if circumstances indicate that impairment has occurred.

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. In accordance with generally accepted accounting standards related to goodwill and other intangible assets, we test goodwill for impairment annually, or more frequently if circumstances indicate that a potential impairment has occurred. See Note 7 Goodwill.

Other Assets

Other assets consisted of the following (in thousands):

| | 2011 | 2010 |
|---|---|---|
| Cash surrender value of life insurance | $17,663 | $15,827 |
| Investments | 969 | 695 |
| Debt issuance costs | 2,597 | 1,009 |
| Other | 3,131 | 2,091 |
| Total other assets | $24,360 | $19,622 |

Cash surrender value of life insurance relates to postretirement benefit plans. See Note 10 Pensions and Other Postretirement Benefit Plans. Investments include our investments in unconsolidated affiliates accounted for under the equity method. The operations of these entities are in-line with those of our core businesses. These entities are not considered special purpose entities nor do we have special off-balance sheet arrangements through these entities. The debt issuance costs are being amortized over the life of the respective debt instruments.

Accounts Payable

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.

Income Taxes

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 tax rates 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.

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. See Note 9 Income Taxes.

Comprehensive Income

Comprehensive income is comprised of net income and other charges or credits to equity that are not the result of transactions with owners. For the years ended December 31, 2011, 2010 and 2009, comprehensive income related to prior service costs and an unrecognized net actuarial loss from a pension plan. See Note 10 Pensions and Other Postretirement Benefit Plans.

Revenue Recognition

We recognize revenue when we determine that the following criteria are met: (i) persuasive evidence of an arrangement exists; (ii) delivery has occurred or services have been rendered; (iii) the fee is fixed or determinable; and (iv) collectability is reasonably assured.

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. 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 client payments are classified as unearned revenue until services are performed or product title is transferred. All known or anticipated losses on contracts are provided for currently.

Foreign Currencies

Our functional currency is the U.S. Dollar ("USD"). All inter-company financing, transactions and cash flows of our subsidiaries are transacted in USD. Our foreign entities remeasure monetary assets and liabilities to USD at year-end exchange rates, while non-monetary items are measured at historical rates. Revenue and expenses are remeasured at the applicable month-end rate, except for depreciation, amortization and certain components of cost of sales, which are measured at historical rates. For the year ended December 31, 2011, we incurred a net remeasurement loss of approximately $1.8 million primarily due to the strengthening of the USD against the Euro, the British Pound, and the Canadian Dollar, while in the year ended December 31, 2010, we incurred a net remeasurement loss of approximately $1.0 million, and a net remeasurement gain of approximately $0.3 million in the year ended December 31, 2009. These amounts were included in Other (Income) Expense, net in the accompanying Consolidated Statements of Operations.

Pensions and Other Postretirement Benefits

We maintain a non-contributory defined benefit pension plan for substantially all of our Dutch employees. As required by current accounting standards, we recognize net periodic pension costs associated with this plan in income from current operations and recognize the unfunded status of the plan, if any, as a long-term liability. In addition, we recognize as a component of other comprehensive income, the gains or losses and prior service costs or credits that arise during the period but are not recognized as components of net periodic pension cost. The projection of benefit obligation and fair value of plan assets requires the use of assumptions and estimates. Actual results could differ from those estimates. See Note 10 Pensions and Other Postretirement Benefit Plans. Furthermore, we sponsor several defined contribution plans for the benefit of our employees. We expense these contributions in the period the contribution is made.

Non-controlling Interests

On January 1, 2009, we adopted the accounting standards related to non-controlling interests, which requires companies with non-controlling interests to disclose such interests clearly as a portion of equity separate from the parent's equity. The amount of consolidated net income attributable to these non-controlling interests must also be clearly presented on the Consolidated Statements of Operations. In addition, when a subsidiary is deconsolidated, any retained non-controlling equity investment in the former subsidiary will be initially measured at fair value and recorded as a gain or loss. Upon adopting this accounting standard, we revised our historical presentation of non-controlling interests to be included as part of the total equity and presented the net income relating to non-controlling interests as a separate component of total net income.

Stock-Based Compensation

We have two stock-based compensation plans, as described in further detail in Note 13 to our Consolidated Financial Statements. 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 Statement of Operations for those awards earned over the requisite service period of the award.

Earnings Per Share

We compute basic earnings per common share by dividing net income attributable to Core Laboratories N.V. 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 employee stock options, restricted stock awards and contingently issuable shares, as determined using the treasury stock method. The following table summarizes the calculation of weighted average common shares outstanding used in the computation of diluted earnings per share (in thousands):

| | For the Years Ended December 31, | | |
|---|---|---|---|
| | 2011 | 2010 | 2009 |
| Weighted average basic common shares outstanding | 46,286 | 44,830 | 45,939 |
| Effect of dilutive securities: | | | |
| Stock options | 19 | 57 | 115 |
| Contingent shares | 75 | 40 | 31 |
| Restricted stock and other | 255 | 585 | 378 |
| Senior exchangeable notes | 857 | 1,700 | 194 |
| Warrants | 901 | 1,029 | — |
| Weighted average diluted common and potential common shares outstanding | 48,393 | 48,241 | 46,657 |

In 2006, we sold warrants that gave the holders the right to acquire our common shares. Included in the table above are 901,000 and 1,029,000 shares which were added to the share count for the year ended December 31, 2011 and December 31, 2010, respectively, because the average share price exceeded the strike price of the warrants. These shares were included in calculating the impact to our dilutive earnings per share. During 2011, the warrants were settled. See Note 12 Equity for additional information.

Reclassifications and Revisions

Certain reclassifications were made to prior year amounts in order to conform to the current year's presentation. These reclassifications had no impact on reported net income for the years ended December 31, 2010 and 2009.

Additionally, revision adjustments were made between Services Revenue and Product Sales Revenue and between Cost of Services and Cost of Product Sales in the Consolidated Statement of Operations for 2010 and 2009 which did not affect total revenues, operating income, or net income for either period.

3. ACQUISITIONS

In September 2011, we acquired a business providing additional manufacturing capacity for our Canadian operations for $18.8 million in cash. We have 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 $8.6 million and an increase of $0.5 million in intangible assets. The acquisition was recorded in the Production Enhancement business segment.

In 2010, we acquired fracture diagnostics assets for $9.0 million in cash. The acquisition was recorded in the Production Enhancement business segment and resulted in an increase of $5.6 million in goodwill and an increase of $3.2 million in intangible assets.

The acquisition of these entities did not have a material impact on our Consolidated Balance Sheet or Consolidated Statements of Operations.

## 4. INVENTORIES

Inventories consisted of the following at December 31, 2011 and 2010 (in thousands):

| | 2011 | 2010 |
|---|---|---|
| Finished goods | $32,604 | $24,476 |
| Parts and materials | 18,004 | 6,727 |
| Work in progress | 2,606 | 2,776 |
| Total inventories | $53,214 | $33,979 |

We include freight costs incurred for shipping inventory to our clients in the Cost of Sales caption in the accompanying Consolidated Statements of Operations.

## 5. PROPERTY, PLANT AND EQUIPMENT

The components of property, plant and equipment were as follows at December 31, 2011 and 2010 (in thousands):

| | 2011 | 2010 |
|---|---|---|
| Land | $6,800 | $5,832 |
| Building and leasehold improvements | 81,628 | 76,826 |
| Machinery and equipment | 196,254 | 178,457 |
| Total property, plant and equipment | 284,682 | 261,115 |
| Less - accumulated depreciation and amortization | (169,387) | (156,892) |
| Property, plant and equipment, net | $115,295 | $104,223 |

## 6. INTANGIBLES

The components of intangibles as of December 31, 2011 and 2010 are as follows (in thousands):

| | Original life in years | 2011 Gross Carrying Value | Accumulated Amortization | 2010 Gross Carrying Value | Accumulated Amortization |
|---|---|---|---|---|---|
| Acquired trade secrets | 2-20 | $1,781 | $1,127 | $1,678 | $1,034 |
| Acquired patents and trademarks | 4-10 | 3,862 | 2,510 | 3,348 | 2,191 |
| Agreements not to compete | 3-5 | 4,578 | 2,625 | 4,490 | 1,883 |
| Acquired trade names | 20 | 662 | 292 | 627 | 267 |
| Acquired trade names | Indefinite | 3,892 | — | 3,892 | — |
| Total intangibles | | $14,775 | $6,554 | $14,035 | $5,375 |

Our estimated amortization expense relating to these intangibles for the next five years is summarized in the following table (in thousands):

| | |
|---|---|
| 2012 | $1,210 |
| 2013 | $1,050 |
| 2014 | $988 |
| 2015 | $287 |
| 2016 | $186 |

Certain intangibles, primarily relating to trade names, are deemed to have an indefinite life and are not amortized. These intangibles are included in an impairment analysis performed at least annually. We performed this impairment testing at December 31, 2011 and 2010 and no impairments were identified.

## 7. GOODWILL

The changes in the carrying amount of goodwill for each business segment for the years ended December 31, 2011, 2010 and 2009 were as follows (in thousands):

| | Reservoir Description | Production Enhancement | Reservoir Management | Total |
|---|---|---|---|---|
| Balance at December 31, 2009 | $80,932 | $64,823 | $ 2,845 | $148,600 |
| Goodwill acquired during the year | — | 5,617 | — | 5,617 |
| Balance at December 31, 2010 | 80,932 | 70,440 | 2,845 | 154,217 |
| Goodwill acquired during the year | — | 8,570 | — | 8,570 |
| Balance at December 31, 2011 | $80,932 | $79,010 | $ 2,845 | $162,787 |

We test goodwill for impairment annually or more frequently if circumstances indicate a potential impairment. For purposes of this test, we compare the fair value of our reporting units, which are our reportable segments, to their net carrying value as of the balance sheet date, after excluding inter-company transactions and allocating corporate assets to the reportable segments. We estimated the fair value of each reportable segment using different valuation techniques, including a market approach, comparable transactions, and a discounted future cash flow analysis. Estimated future cash flows were based on historical data adjusted for the company's best estimate of future performance. If the carrying value of the reportable segment exceeds the fair value determined, an impairment loss is recorded to the extent that the implied fair value of the goodwill of the segment is less than its carrying value. We performed this impairment testing at December 31, 2011 and 2010 and did not identify any impairments relating to our goodwill during these years. We have never identified nor recorded any impairments relating to the goodwill of our current continuing operations.

## 8. DEBT AND CAPITAL LEASE OBLIGATIONS

Debt at December 31, 2011 and 2010 is summarized in the following table (in thousands):

| | December 31, 2011 | December 31, 2010 |
|---|---|---|
| Exchangeable Notes | $— | $156,407 |
| Discount on Exchangeable Notes | — | (8,864 ) |
| Net Exchangeable Notes | — | 147,543 |
| Senior Notes | 150,000 | — |
| Credit facility | 73,000 | — |
| Capital lease obligations | 132 | — |
| Other indebtedness | 2,287 | — |
| Total debt | 225,419 | 147,543 |
| Less - current maturities of long-term debt and capital lease obligations | 2,344 | 147,543 |
| Long-term debt and capital lease obligations, net | $223,075 | $— |

In 2006, Core Laboratories LP, an entity 100% indirectly owned by Core Laboratories N.V., issued $300 million aggregate principal amount of Senior Exchangeable Notes (the "Exchangeable Notes") which were fully and unconditionally guaranteed by Core Laboratories N.V. and fully matured on October 31, 2011. The Exchangeable Notes bore interest at a rate of 0.25% per year paid on a semi-annual basis.

With the amortization of the discount on the Exchangeable Notes, the effective interest rate was 7.48% for the years ended December 31, 2011, 2010 and 2009 which resulted in additional, non-cash, interest expense of $5.5 million, $14.9 million and $14.5 million for the years ended December 31, 2011, 2010 and 2009, respectively. Each Exchangeable Note carried a $1,000 principal amount and was exchangeable into shares of Core Laboratories N.V. common stock under certain circumstances whereby holders received cash for the principal amount plus any amount related to fractional shares, and any excess exchange value was delivered in whole shares of Core Laboratories N.V. common stock at the completion of the valuation period as defined under our Exchangeable Note Indenture agreement. At December 31, 2010, the Exchangeable Notes were trading at 197% of their face value which was equivalent to $151.7 million of value in excess of the aggregate principal amount. There were 156,407 Exchangeable Notes outstanding at December 31, 2010. All of these Exchangeable Notes were early exchanged or reached maturity during 2011.

Under the terms of the Exchangeable Notes, defined criteria were met which allowed the Exchangeable Notes to be early exchanged during each quarter of 2011. We received 142 requests to exchange 156,301 Exchangeable Notes which were settled during the year for $156.3 million in cash and 1,851,869 shares of our common stock, all of which were treasury shares, resulting in a loss of $1.0 million.

In September 2011, we issued two series of senior notes with an aggregate principal amount of $150 million ("Senior Notes") 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 credit facility (the "Credit Facility") with an aggregate borrowing capacity of $300 million. The Credit Facility provides an option to increase the commitment under the Credit Facility to $350 million, if certain conditions were met. The Credit Facility bears interest at variable rates from LIBOR plus 1.50% to a maximum of LIBOR plus 2.25%. Any outstanding balance under the Credit Facility is due September 28, 2016 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 reduced by borrowings outstanding at the time and outstanding letters of credit and performance guarantees and bonds which totaled $15.3 million at December 31, 2011, resulting in an available borrowing capacity under the Credit Facility of $211.7 million. In addition to those items under the Credit Facility, we had $11.7 million of outstanding letters of credit and performance guarantees and bonds from other sources at December 31, 2011.

Cash interest expense was $2.3 million, $0.6 million and $0.6 million for the years ended December 31, 2011, 2010 and 2009, respectively.

The terms of the Credit Facility and Senior Notes require us to meet certain financial covenants, including, but not limited to, certain operational and minimum equity and cash flow ratios. We believe that we are in compliance with all such covenants. Certain of our material wholly owned subsidiaries are guarantors or co-borrowers under the Credit Facility and Senior Notes.

Other indebtedness includes approximately $2.3 million of debt incurred relating to the financing of our corporate insurance.

## 9. INCOME TAXES

The components of income before income tax expense for 2011, 2010 and 2009 are as follows (in thousands):

| | 2011 | 2010 | 2009 |
|---|---|---|---|
| United States | $115,413 | $86,985 | $69,444 |
| Other countries | 123,429 | 122,163 | 101,815 |
| Operating income before income tax expense | $238,842 | $209,148 | $171,259 |

The components of income tax expense for 2011, 2010 and 2009 are as follows (in thousands):

F-15

| | 2011 | 2010 | 2009 |
|---|---|---|---|
| Current: | | | |
| United States | $43,632 | $38,704 | $10,110 |
| Other countries | 11,515 | 30,357 | 18,628 |
| State and provincial | 5,600 | 4,821 | 2,790 |
| | 60,747 | 73,882 | 31,528 |
| Deferred: | | | |
| United States | (8,905) | (9,699) | 23,031 |
| Other countries | 2,892 | 100 | 1,441 |
| State and provincial | (536) | (536) | 1,164 |
| Total deferred | (6,549) | (10,135) | 25,636 |
| Income tax expense | $54,198 | $63,747 | $57,164 |

The differences in income tax expense computed using The Netherlands statutory income tax rate of 25.0%, 25.5% and 25.5% in 2011, 2010 and 2009, respectively, and our income tax expense as reported in the accompanying Consolidated Statements of Operations for 2011, 2010 and 2009 are as follows (in thousands):

| | 2011 | 2010 | 2009 |
|---|---|---|---|
| Tax at The Netherlands income tax rate | $59,711 | $53,333 | $43,671 |
| Reserve for pending audit settlement | — | — | (4,468) |
| International earnings taxed at rates other than The Netherlands statutory rate | (241) | 3,698 | 8,618 |
| Non-deductible expenses | 2,691 | 2,524 | 3,366 |
| Change in valuation allowance | (1,279) | 75 | 1,564 |
| State and provincial taxes | 3,166 | 2,597 | 3,954 |
| Adjustments of prior year taxes | (17,229) | (389) | (297) |
| Adjustments of income tax reserves | 7,050 | 4,093 | 3,402 |
| Other | 329 | (2,184) | (2,646) |
| Income tax expense | $54,198 | $63,747 | $57,164 |

Included in Adjustments of prior year taxes is the reversal of $10.4 million in tax liabilities provided over the period 2007-2010 as a result of recently concluded audits of prior year returns. The remainder reflects adjustments to true-up the tax accrual for prior year taxes with the tax liability reported in the filed tax returns.

Deferred tax assets and liabilities result from various temporary differences between the financial statement carrying amount and their tax basis. Deferred tax assets and liabilities as of December 31, 2011 and 2010 are summarized as follows (in thousands):

| | 2011 | 2010 |
|---|---|---|
| Deferred tax assets: | | |
| Net operating loss carry-forwards | $7,143 | $9,518 |
| Tax credit carry-forwards | 5,483 | 7,571 |
| Reserves | 9,804 | 11,429 |
| Property, plant and equipment | — | 3,611 |
| Unrealized benefit plan loss | 1,200 | 1,445 |
| Other | 9,857 | 951 |
| | 33,487 | 34,525 |
| Valuation allowance | (9,342) | (10,739) |
| Net deferred tax asset | 24,145 | 23,786 |
| Deferred tax liabilities: | | |
| Intangibles | (2,174) | (197) |
| Property, plant and equipment | (3,203) | — |
| Exchangeable debt | — | (16,652) |
| Other | (4,830) | 452 |
| Total deferred tax liabilities | (10,207) | (16,397) |
| Net deferred income taxes | $13,938 | $7,389 |

| | 2011 | 2010 |
|---|---|---|
| Current deferred tax assets | $10,483 | $10,508 |
| Current deferred tax liabilities | (4,676) | (921) |
| Long-term deferred tax assets | 13,662 | 13,278 |
| Long-term deferred tax liabilities | (5,531) | (15,476) |
| Total deferred tax assets (liabilities) | $13,938 | $7,389 |

At December 31, 2011, we had tax net operating loss carry-forwards in various tax jurisdictions of approximately $29.4 million. Although we cannot be certain that these operating loss carry-forwards will be utilized, we anticipate that we will have sufficient taxable income in future years to allow us to fully utilize the carry-forwards that are not subject to a valuation allowance as of December 31, 2011. If unused, those carry-forwards which are subject to expiration may expire during the years 2012 through 2021. At December 31, 2011, we maintained a valuation allowance of $7.1 million on our net operating loss carry-forwards. During 2011, $0.5 million of operating loss carry-forwards which carried a full valuation allowance expired unused.

Our Exchangeable Notes fully matured and were settled in 2011 which resulted in a reversal of the related deferred tax liability that was established for the difference between the book and tax basis of the Exchangeable Notes.

We file income tax returns in the U.S. federal jurisdiction, various states and foreign jurisdictions. We are currently undergoing multiple examinations in various jurisdictions, and the years 1999 through 2010 remain open for examination in various tax jurisdictions in which we operate.

During 2011, payments were made to certain tax jurisdictions, resulting in a reduction to the unrecognized tax benefits. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows (in thousands):

| | 2011 | 2010 | 2009 |
|---|---|---|---|
| Unrecognized tax benefits at January 1, | $9,986 | $8,324 | $5,974 |
| Tax positions, current period | 1,512 | 1,149 | 4,668 |
| Tax positions, prior period | 4,959 | 2,181 | — |
| Settlements with taxing authorities | — | (555) | (1,449) |
| Lapse of applicable statute of limitations | (2,430) | (1,113) | (869) |
| Unrecognized tax benefits at December 31, | $14,027 | $9,986 | $8,324 |

Changes in our estimate of unrecognized tax benefits would affect our effective tax rate. The amounts included in the table above for settlements with tax authorities primarily represent cash payments.

Our policy is to record accrued interest and penalties on uncertain tax positions, net of any tax effect, as part of total tax expense for the period. The corresponding liability is carried along with the tax exposure as a non-current payable in Other Long-term Liabilities. For the years ended December 31, 2011, 2010 and 2009, we had approximately $3.0 million, $2.9 million and $3.2 million, respectively, accrued for the payment of interest and penalties.

During 2011, we recognized tax benefits of $2.6 million relating to tax deductions in excess of book expense for stock-based compensation awards. These tax benefits are recorded to Additional Paid-in Capital to the extent deductions reduce current taxable income as we are able to realize the tax benefits.

## 10. PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS

### Defined Benefit Plan

We provide a noncontributory defined benefit pension plan covering substantially all of our Dutch employees ("Dutch Plan") who were hired prior to 2007 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 fund the future obligations of the Dutch Plan by purchasing investment contracts from a large multi-national insurance company. The investment contracts are purchased annually and expire after five years. 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 determine the fair value of these plan assets with the assistance of an actuary using observable inputs (Level 2). We make annual premium payments, based upon each employee's age and current salary, to the insurance company.

The following table summarizes the change in the projected benefit obligation and the fair value of plan assets for the years ended December 31, 2011 and 2010 (in thousands):

| | 2011 | 2010 |
|---|---|---|
| Projected Benefit Obligation: | | |
| Projected benefit obligation at beginning of year | $30,888 | $29,699 |
| Service cost | 1,352 | 1,225 |
| Interest cost | 1,743 | 1,424 |
| Benefits paid | (676) | (503) |
| Administrative expenses | (185) | (269) |
| Actuarial loss, net | 2,021 | 1,565 |
| Unrealized (gain) loss on foreign exchange | (839) | (2,253) |
| Projected benefit obligation at end of year | $34,304 | $30,888 |
| | | |
| Fair Value of Plan Assets: | | |
| Fair value of plan assets at beginning of year | $26,022 | $24,640 |
| Increase in plan asset value | 8,157 | 1,998 |
| Employer contributions | 1,919 | 2,026 |
| Benefits paid | (676) | (503) |
| Administrative expenses | (185) | (269) |
| Unrealized gain (loss) on foreign exchange | (647) | (1,870) |
| Fair value of plan assets at end of year | $34,590 | $26,022 |
| | | |
| Over (under)-funded status of the plan at end of the year | $286 | $(4,866) |