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

FORM 10-Q

(Mark One)

- ☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2001

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

(State of other jurisdiction of
incorporation or organization)

Not Applicable

(I.R.S. Employer Identification No.)

Herengracht 424

1017 BZ Amsterdam

The Netherlands

(Address of principal executive offices)

Not Applicable

(Zip Code)

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

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 X No

The number of common shares of the Registrant, par value NLG 0.03 per share, outstanding at November 6, 2001 was 33,375,228.

CORE LABORATORIES N.V.

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CORE LABORATORIES N.V.
CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

	September 30, <u>2001</u>	December 31, <u>2000</u>
	(Unaudited)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 13,308	\$ 12,519
Accounts receivable, less allowance for doubtful accounts of \$8,469 and \$9,080 in 2001 and 2000, respectively.....	113,508	113,214
Inventories	45,330	33,514
Prepaid expenses and other	11,294	7,085
Deferred tax asset.....	<u>7,941</u>	<u>10,220</u>
Total current assets.....	191,381	176,552
PROPERTY, PLANT AND EQUIPMENT, net.....	95,462	84,556
INTANGIBLES AND GOODWILL, net.....	151,844	148,027
OTHER LONG-TERM ASSETS.....	<u>3,661</u>	<u>4,166</u>
Total assets.....	<u>\$ 442,348</u>	<u>\$ 413,301</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term debt.....	\$ 669	\$ 733
Current lease obligations	51	247
Accounts payable	17,275	25,931
Other accrued expenses	<u>27,098</u>	<u>28,355</u>
Total current liabilities	45,093	55,266
LONG-TERM DEBT	97,688	83,005
LONG-TERM LEASE OBLIGATIONS	26	35
OTHER LONG-TERM LIABILITIES.....	20,845	23,298
MINORITY INTEREST	831	632
SHAREHOLDERS' EQUITY:		
Preference shares, NLG 0.03 par value; 3,000,000 shares authorized, no shares issued or outstanding.....	—	—
Common shares, NLG 0.03 par value; 100,000,000 shares authorized, 33,175,071 and 32,814,018 issued and outstanding at September 30, 2001 and December 31, 2000, respectively.....	545	541
Additional paid-in capital	186,686	182,847
Retained earnings.....	<u>90,634</u>	<u>67,677</u>
Total shareholders' equity	<u>277,865</u>	<u>251,065</u>
Total liabilities and shareholders' equity	<u>\$ 442,348</u>	<u>\$ 413,301</u>

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

CORE LABORATORIES N.V.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except share and per share data)

	Three Months Ended September 30,	
	2001	2000
	(Unaudited)	
SERVICES.....	\$ 77,321	70,115
SALES.....	<u>19,776</u>	<u>18,335</u>
	97,097	88,450
OPERATING EXPENSES:		
Cost of services	57,107	55,078
Cost of sales.....	15,337	15,203
General and administrative expenses	4,259	3,442
Depreciation and amortization.....	4,808	3,853
Goodwill amortization	1,062	1,046
Other income, net.....	<u>(55)</u>	<u>(430)</u>
	82,518	78,192
INCOME BEFORE INTEREST		
EXPENSE AND INCOME TAX EXPENSE	14,579	10,258
INTEREST EXPENSE.....	<u>2,000</u>	<u>2,095</u>
INCOME BEFORE INCOME TAX EXPENSE	12,579	8,163
INCOME TAX EXPENSE	<u>3,522</u>	<u>2,382</u>
NET INCOME.....	<u>\$ 9,057</u>	<u>\$ 5,781</u>
PER SHARE INFORMATION:		
BASIC EARNINGS PER SHARE	<u>\$ 0.27</u>	<u>\$ 0.18</u>
WEIGHTED AVERAGE BASIC COMMON SHARES		
OUTSTANDING	<u>33,165,470</u>	<u>32,783,862</u>
DILUTED EARNINGS PER SHARE	<u>\$ 0.27</u>	<u>\$ 0.17</u>
WEIGHTED AVERAGE DILUTED COMMON SHARES		
OUTSTANDING	<u>33,795,537</u>	<u>33,724,079</u>

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

CORE LABORATORIES N.V.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except share and per share data)

	Nine Months Ended September 30,	
	<u>2001</u>	<u>2000</u>
	(Unaudited)	
SERVICES.....	\$ 224,956	\$ 196,045
SALES.....	<u>54,747</u>	<u>45,446</u>
	279,703	241,491
OPERATING EXPENSES:		
Cost of services	170,413	158,460
Cost of sales.....	43,429	36,161
General and administrative expenses	11,803	10,128
Depreciation and amortization.....	13,761	11,180
Goodwill amortization	3,128	3,100
Other income, net.....	<u>(637)</u>	<u>(866)</u>
	241,897	218,163
INCOME BEFORE INTEREST EXPENSE AND INCOME TAX EXPENSE	37,806	23,328
INTEREST EXPENSE.....	<u>5,921</u>	<u>6,171</u>
INCOME BEFORE INCOME TAX EXPENSE	31,885	17,157
INCOME TAX EXPENSE	<u>8,928</u>	<u>5,067</u>
NET INCOME.....	<u>\$ 22,957</u>	<u>\$ 12,090</u>
PER SHARE INFORMATION:		
BASIC EARNINGS PER SHARE	<u>\$ 0.69</u>	<u>\$ 0.37</u>
WEIGHTED AVERAGE BASIC COMMON SHARES OUTSTANDING	<u>33,032,668</u>	<u>32,247,155</u>
DILUTED EARNINGS PER SHARE	<u>\$ 0.68</u>	<u>\$ 0.36</u>
WEIGHTED AVERAGE DILUTED COMMON SHARES OUTSTANDING	<u>34,005,908</u>	<u>33,442,389</u>

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

CORE LABORATORIES N.V.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Nine Months Ended September 30,	
	2001	2000
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 22,957	\$ 12,090
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization.....	16,889	14,280
Gain on sale of fixed assets	(148)	(495)
Changes in assets and liabilities:		
(Increase)/Decrease in accounts receivable	124	(9,855)
Increase in inventories.....	(6,411)	(11,661)
(Increase)/Decrease in prepaid expenses	(4,084)	162
Increase/(Decrease) in accounts payable	(8,720)	785
Decrease in other accrued expenses.....	(1,810)	(8,744)
(Increase)/Decrease in net deferred tax asset	(29)	1,085
Increase/(Decrease) in other long-term liabilities	(69)	203
Other	(1,962)	2,022
Net cash provided by operating activities	<u>16,737</u>	<u>(128)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures.....	(20,817)	(25,880)
Acquisitions, net of cash acquired	(12,735)	-
Proceeds from sale of fixed assets	201	2,211
Other	(90)	508
Net cash used in investing activities	<u>(33,441)</u>	<u>(23,161)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments of long-term debt	(6,124)	(19,550)
Borrowings under long-term debt.....	20,716	21,316
Capital lease obligation, net	(203)	(1,491)
Net proceeds from exercise of over-allotment	-	17,303
Exercise of stock options	2,720	2,523
Other	384	(559)
Net cash provided by financing activities	<u>17,493</u>	<u>19,542</u>
NET CHANGE IN CASH.....	789	(3,747)
CASH, beginning of period	12,519	18,845
CASH, end of period.....	<u>\$ 13,308</u>	<u>\$ 15,098</u>

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

CORE LABORATORIES N.V.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying unaudited consolidated financial statements include the accounts of Core Laboratories and have been prepared in accordance with United States (“U.S.”) generally accepted accounting principles (“GAAP”) for interim financial information using the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the nine month period ended September 30, 2001 are not necessarily indicative of the results that may be expected for the year ending December 31, 2001. Balance sheet information as of December 31, 2000 was derived from the 2000 annual audited financial statements. These financial statements should be read in conjunction with the financial statements and the summary of significant accounting policies and notes thereto included in our Form 10-K for the year ended December 31, 2000.

Recent Pronouncements

In June 2001, the Financial Accounting Standards Board (“FASB”) issued two statements, SFAS 141, “Business Combinations”, and SFAS 142, “Goodwill and Other Intangible Assets”, that amend Accounting Principles Board (“APB”) Opinion No. 16, “Business Combinations”, and supersede APB Opinion No. 17, “Intangible Assets.” The two statements modify the method of accounting for business combinations entered into after June 30, 2001 and address the accounting for intangible assets. Goodwill resulting from a business combination after June 30, 2001 would be recognized as an asset but not amortized while goodwill existing at June 30, 2001 will be amortized through December 31, 2001. Beginning January 1, 2002, we will no longer amortize goodwill but will test for impairment annually or more frequently if circumstances indicate a potential impairment. While we do not expect an impairment to arise, we are evaluating the impact of the new accounting standards on existing goodwill and other intangible assets. Goodwill amortization for the three and nine month periods ended September 30, 2001 was \$1,062,000 and \$3,128,000, respectively, which had an earnings per diluted share impact of \$0.03 and \$0.09 for the respective periods.

2. ACQUISITIONS

On August 1, 2001, we acquired all of the assets of Tesco Corporation’s Gris Gun business for approximately \$12.7 million. Gris Gun supplies wellbore perforating gun systems and other related completion products primarily to the Canadian market. The transaction was accounted for using the purchase method of accounting and resulted in an increase in goodwill of approximately \$5.9 million.

On May 22, 2001, we acquired all of the outstanding shares of PROMORE Engineering Inc. (“PROMORE”), a privately held company based in Canada. PROMORE provides innovative solutions for production optimization and monitoring of reservoir environments. We issued approximately 606,000 shares in exchange for all of the outstanding shares of PROMORE. The

transaction was accounted for using the pooling-of-interests method of accounting. Accordingly, our consolidated financial statements have been restated for all periods prior to the date of acquisition to include the financial position and results of operations of PROMORE.

3. INVENTORIES

Inventories consist primarily of manufactured goods, materials and supplies used for sales or services provided to customers. Inventories are stated at the lower of average or standard cost (including direct material, labor and overhead) or estimated net realizable value and are reflected net of valuation reserves of \$2,305,000 and \$1,376,000 at September 30, 2001 and December 31, 2000, respectively. Inventories consisted of the following (in thousands):

	<u>September 30, 2001</u>	(Unaudited)	<u>December 31, 2000</u>
Finished goods.....	\$ 34,132		\$ 27,145
Parts and materials.....	6,562		4,126
Work in process.....	<u>4,636</u>		<u>2,243</u>
Total.....	<u>\$ 45,330</u>		<u>\$ 33,514</u>

4. INTANGIBLES AND GOODWILL

Intangibles include patents, trademarks, service marks and trade names. Goodwill represents the excess of purchase price over the value of the net assets acquired in acquisitions accounted for as purchases. Intangibles and goodwill acquired prior to July 1, 2001 are charged to expense in equal amounts over their estimated useful lives. We believe that there have been no events or circumstances that warrant revision to the remaining useful lives or which affect the recoverability of intangibles and goodwill. Additional information relating to intangibles and goodwill is included in Note 1. The components of intangibles and goodwill are as follows (in thousands):

	Original Life In Years	September 30, 2001	December 31, 2000
(Unaudited)			
Acquired trade secrets.....	5	\$ 165	\$ 125
Acquired patents, trademarks and trade names...	10-20	4,539	3,686
Acquired trade name.....	40	4,614	4,614
Total intangibles.....		9,318	8,425
Goodwill.....	5-10	2,882	2,639
Goodwill.....	20	3,736	3,736
Goodwill.....	40	148,099	147,784
Goodwill.....	N/A	5,905	-
Total goodwill.....		160,622	154,159
Total intangibles and goodwill.....		169,940	162,584
Less – accumulated amortization.....		18,096	14,557
Net intangibles and goodwill.....		\$ 151,844	\$ 148,027

5. LONG-TERM DEBT

Long-term debt is summarized in the following table (in thousands):

	September 30, 2001	December 31, 2000
(Unaudited)		
Credit Facility with a bank group:		
\$100,000 revolving debt facilities.....	\$ 22,000	\$ 7,000
Senior Notes.....	75,000	75,000
Other indebtedness.....	1,357	1,738
Total debt.....	98,357	83,738
Less – current maturities.....	669	733
Total long-term debt.....	<u>\$ 97,688</u>	<u>\$ 83,005</u>

In July 1999, we entered into a \$100 million Credit Facility which provides for (i) a committed revolving debt facility of \$95 million and (ii) a Netherlands guilder denominated revolving debt facility with U.S. dollar equivalency of \$5 million. At September 30, 2001, approximately \$78 million was available for borrowing under the revolving debt facility. Loans under the Credit Facility bear interest at rates which range from LIBOR plus 1.25% to a maximum of LIBOR plus 1.75%. The

interest rate in effect at September 30, 2001 was 4.25% and the average for 2001 was 5.75%. The revolving debt facilities require interest payments only, until maturity in June 2004.

In July 1999, we issued \$75 million in Senior Notes which bear an average interest rate of 8.16% and require annual principal payments beginning in July 2005 and continuing through July 2011.

The terms of the Credit Facility and Senior Notes require us to meet certain financial covenants, including certain minimum equity and cash flow tests. We believe that we are in compliance with all such covenants contained in our credit agreements. All of our material subsidiaries are guarantors or co-borrowers under both credit agreements.

6. SEGMENT REPORTING

Our business units have been aggregated into three complementary segments which provide products and services for improving reservoir performance and increasing oil and gas recovery from new and existing fields.

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

Segment Analysis

We manage our business segments separately due to the different technologies each segment utilizes and requires. Results of these segments are presented below using the same accounting policies as used to prepare the Consolidated Balance Sheets and Statements of Operations. We evaluate performance based on income or loss from operations before income tax, interest and other non-operating income (expense). Summarized financial information concerning our segments is shown in the following table (in thousands):

	Three months ended September 30,		Nine months ended September 30,	
	2001	2000	2001	2000
	(Unaudited)			
Revenues:				
Reservoir Description.....	\$ 56,368	\$ 48,159	\$ 157,817	\$ 139,871
Production Enhancement.....	27,781	27,457	79,543	66,557
Reservoir Management.....	12,948	12,834	42,343	35,063
Consolidated.....	\$ 97,097	\$ 88,450	\$ 279,703	\$ 241,491
Income (Loss) Before Interest and Taxes:				
Reservoir Description.....	\$ 10,459	\$ 5,845	\$ 24,728	\$ 14,654
Production Enhancement.....	5,136	4,400	13,839	11,175
Reservoir Management.....	(993)	34	(688)	(2,428)
Corporate and Other (a).....	(23)	(21)	(73)	(73)
Consolidated.....	\$ 14,579	\$ 10,258	\$ 37,806	\$ 23,328

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

7. EARNINGS PER SHARE

We present earnings per share in accordance with SFAS No. 128, "Earnings per Share" which requires dual presentation of both basic and diluted earnings per share on the Consolidated Statement of Operations. Basic earnings per common share is computed by dividing net income available to common stockholders by the weighted average number of common share outstanding during the period. Diluted earnings per share reflects the net additional shares which would be issued if all dilutive stock options outstanding were exercised. The following table summarizes the calculation of weighted average common shares outstanding used in the computation of earnings per share:

	Three Months ended September 30,		Nine Months ended September 30,	
	2001	2000	2001	2000
Weighted average basic common shares outstanding	33,165,470	32,783,862	33,032,668	32,247,155
Effect of dilutive stock options (a)	630,067	940,217	973,240	1,195,234
Weighted average diluted common shares outstanding	33,795,537	33,724,079	34,005,908	33,442,389

a) Options totaling 1,071,551 and 9,676 equivalent common shares for the three months ended September 30, 2001 and 2000, and 51,801 and 61,676 for the nine months ended for the same period, respectively were not included because the impact of these options was anti-dilutive.

CORE LABORATORIES N.V.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

General

This discussion includes 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. We have based the forward-looking statements relating to our operations on our current expectations, estimates and projections. We caution you that these statements are not guarantees of future performance and involve risks and uncertainties that we cannot predict. In addition, we have based many of these forward-looking statements on assumptions about future events that may prove to be inaccurate. Accordingly, our actual outcomes and results may differ materially from what we have expressed or forecast in the forward-looking statements. Our operations are subject to various risk and other factors including, but not limited to:

- 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 the oil and gas industry, and the impact of commodity prices on the expenditure levels of our customers.
- competition in our markets.
- the risks and uncertainties attendant to adverse industry, political, economic and financial market conditions, including stock prices, government regulations, interest rates and credit availability.

Core Laboratories was established in 1936 and is one of the world's leading providers of proprietary and patented reservoir description, production enhancement and reservoir management services to the oil and gas industry. These services are directed toward enabling our clients to improve reservoir performance and increase oil and gas recovery from their producing fields. We have over 70 offices in more than 50 countries and have approximately 4,350 employees.

Results of Operations

Service revenues for the third quarter of 2001 increased \$7.2 million, or 10% over the same period last year. Service revenues for the nine month period ended September 30, 2001 increased \$28.9 million, or 15% over the same period last year.

Cost of services expressed as a percentage of service revenue was 74% and 79% in the third quarter of 2001 and the same period last year, respectively. For the nine month periods ended, the cost of services expressed as a percentage of service revenue were 76% and 81%, respectively.

Sales revenues increased \$1.4 million to \$19.8 million in the third quarter of 2001 from \$18.3 million in the third quarter of 2000, an 8% increase. Sales revenue for the nine month period ended September 30, 2001 increased \$9.3 million to \$54.7 million from \$45.4 million in the same period in 2000, a 21% increase.

Cost of sales in the third quarter of 2001 were 78% of sales revenue as compared to 83% in the

same period last year. For the nine month period ended September 30, 2001 cost of sales was 79% as compared to 80% from the prior year.

General and administrative expenses are comprised of corporate management and centralized administrative services which benefit our operating subsidiaries. Although general and administrative expenses are generally more fixed in nature as a percentage of revenues, we did experience an increase of \$0.8 million and \$1.7 million for the three and nine month periods ended September 30, 2001, respectively, as compared to the corresponding periods in 2000. These increases were largely attributable to growth in the number of people necessary to support increases in the scope of our operations. General and administrative expenses as a percentage of revenues remained below 5% for both periods.

Depreciation and amortization expense for the third quarter of 2001 increased \$1.0 million and \$2.6 million for the three and nine month periods ended September 30, 2001 as compared to the corresponding periods in 2000. This increase was due to additional capital investments, which include the new Houston facility.

The effective income tax rate decreased to 28% for the three and nine month periods ended September 30, 2001 from 29% and 30% in the corresponding periods in 2000. This rate change reflects the increase in international earnings taxed at rates lower than The Netherlands statutory rate.

Segment Analysis

(Dollars in Thousands)

	Three months ended September 30,		Nine months ended September 30,	
	2001	2000	2001	2000
	(Unaudited)			
Revenues:				
Reservoir Description.....	\$ 56,368	\$ 48,159	\$ 157,817	\$ 139,871
Production Enhancement.....	27,781	27,457	79,543	66,557
Reservoir Management.....	12,948	12,834	42,343	35,063
Consolidated.....	\$ 97,097	\$ 88,450	\$ 279,703	\$ 241,491
Income (Loss) Before Interest and Taxes:				
Reservoir Description.....	\$ 10,459	\$ 5,845	\$ 24,728	\$ 14,654
Production Enhancement.....	5,136	4,400	13,839	11,175
Reservoir Management.....	(993)	34	(688)	(2,428)
Corporate and Other (a).....	(23)	(21)	(73)	(73)
Consolidated.....	\$ 14,579	\$ 10,258	\$ 37,806	\$ 23,328

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

Reservoir Description

Revenues for the Reservoir Description segment were \$56.4 million for the third quarter of 2001 compared to \$48.2 million in the third quarter of 2000. Revenues for the nine month period ended September 30, 2001 were \$157.8 million compared to \$139.9 million in the same period last year. These increases were due in part to increased demand from international field development projects

greater utilization of our higher technology services as well as synergies realized from recent acquisitions.

Income before interest and taxes increased by \$4.6 million in the third quarter of 2001 and \$10.1 million in the nine month period ended September 30, 2001, compared to the same periods in 2000 due to higher revenues and improved margins of our petroleum service unit.

Production Enhancement

Revenues from the Production Enhancement segment were \$27.8 million in the third quarter of 2001 compared to \$27.5 million in the same period in the prior year. For the nine month period ended September 30, 2001, revenues increased \$13.0 million to \$79.5 million, an increase of 20%. These increases were due to the active North American natural gas market and an increase in the overall workload. We have also realized increased levels of market acceptance for our Completion Profiler™ and PackScan™ technologies. Earnings before interest and taxes in the third quarter of 2001 were up 17% to \$5.1 million and 24% to \$13.8 million for the nine month period ended September 30, 2001 compared to the same periods in 2000.

Reservoir Management

Revenues from the Reservoir Management segment in the third quarter of 2001 were relatively consistent with the third quarter of 2000 while revenues for the nine month period ended September 30, 2001 increased \$7.3 million compared to the same period in 2000. The increase in the nine month period was due in part to projects initiated in South America and the Far East. Our continuing efforts to reduce our cost structure in this segment resulted in a restructuring of the seismic and engineering field study groups. Expenses related to staff reductions and the restructuring contributed to the loss before interest and taxes for the third quarter of 2001 of \$1.0 million compared to minimal earnings in the same period in 2000. The loss before interest and taxes for the nine month period ended September 30, 2001 were \$0.7 million compared to a loss of \$2.4 million in the same period in 2000.

Liquidity and Capital Resources

We have historically financed our activities through cash flows from operations, bank credit facilities, equity financing and the issuance of debt.

During the nine month period ending September 30, 2001, cash flows from operating activities were \$16.7 million, an increase of \$16.9 million from the same period in 2000. At September 30, 2001, we had working capital of \$146.3 million and a current ratio of 4.2 to 1.0, compared to working capital of \$121.3 million and a current ratio of 3.2 to 1.0 at December 31, 2000. We are a Netherlands holding company and we conduct substantially all of our operations through subsidiaries. Consequently, our cash flow is dependent upon the ability of our subsidiaries to pay cash dividends or otherwise distribute or advance funds to us.

Our financing activities provided \$17.5 million in the nine month period ending September 30, 2001, and \$19.5 million in the same period in 2000. Our investing activities used \$33.4 million in the nine month period ending September 30, 2001 compared to \$23.2 million in the same period in 2000. The major financing and investing activities in these periods were as follows:

- In July 2001, we borrowed approximately \$13.0 million to finance the acquisition of Gris Gun.
- In June 2000, we received net proceeds of approximately \$17.3 million from the exercise of the underwriters' over-allotment option associated with the equity offering. These proceeds were used principally to reduce indebtedness and fund capital expenditures.
- Capital expenditures were \$20.8 million for the nine month period ending September 30, 2001, and \$25.9 million in the same period in 2000.

Our ability to maintain and grow our operating income and cash flows is dependent upon continued investing activities. We believe our future cash flows from operations, supplemented by our borrowing capacity and issuances of additional equity should be sufficient to fund debt requirements, capital expenditures, working capital and future acquisitions.

CORE LABORATORIES N.V.
QUANTITATIVE AND QUALITATIVE DISCLOSURES OF 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 enter, or 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 and fluctuations in foreign exchange rates, are material. During 1999, we issued fixed rate Senior Notes denominated in U.S. dollars. The proceeds were used to pay off variable rate term loans. This significantly reduced our exposure to market risk. This section should be read in conjunction with “Note 5 – Long-Term Debt” of the Notes to Consolidated Financial Statements.

CORE LABORATORIES N.V.
PART II — OTHER INFORMATION

Item 1. *Legal Proceedings.*

We are from time to time subject to legal proceedings and claims that arise in the ordinary course of business. We believe that the outcome of current legal actions will not have a material adverse effect upon our consolidated financial position or results of operations.

Item 2. *Changes in Securities.*

In connection with our 2001 acquisitions, we issued approximately 606,000 common shares. Disclosure related to recent issuances of common shares is included in Note 2 of the Notes to Consolidated Financial Statements. With respect to the shares issued in each acquisition, we relied on exemption from registration under Section 4(2) of the Securities Act of 1933.

Item 3. *Defaults Upon Senior Securities.*

None

Item 4. *Submission of Matters to a Vote of Security Holders.*

None

Item 5. *Other Information.*

None

Item 6. *Exhibits and Reports on Form 8-K.*

(a) Exhibits

None

(b) Reports on Form 8-K

None

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant, Core Laboratories N.V., has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CORE LABORATORIES N.V.
by: Core Laboratories International B.V.

Dated: November 14, 2001

By: /s/ Richard L. Bergmark
Richard L. Bergmark
Chief Financial Officer