

Operating income for this segment increased to \$154.7 million in 2013 from \$128.6 million in 2012, an increase of 20.3%. Operating income for this segment increased to \$128.6 million in 2012 from \$112.6 million in 2011, an increase of 14.2%. The increase in operating income was primarily driven by increased demand for the Company's proprietary and patented hydraulic fracture and field-flood diagnostic technologies and services such as FLOWPROFILER™, SPECTRACHEM®, ZERO WASH®, and SPECTRAFLOOD™ tracers in North America and internationally.

Reservoir Management

Revenue for our Reservoir Management segment increased 20.9% to \$98.8 million in 2013 from \$81.8 million in 2012 and \$66.4 million in 2011. The increase in revenue was due to the increased interest in several of our existing multi-client reservoir studies such as the *Duvernay Shale Project* in Canada and the *Tight Oil Reservoirs of the Midland Basin* study as well as our new joint-industry projects in the Williston Basin targeting the tight oil of the entire Three Forks sections and a study in the Appalachian Basin of the emerging Devonian shales in the liquids window.

Operating income for this segment increased to \$31.6 million in 2013 compared to \$26.4 million in 2012 and \$21.9 million in 2011. The increase in operating income was primarily a result of additional participants in our joint industry projects, including the Utica, Duvernay, and Mississippi Lime studies and the Marcellus, Niobrara, Wolfcamp and Eagle Ford plays.

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 flows from operating activities provides the primary source of funds to finance operating needs, capital expenditures and our dividend and share repurchase programs. If necessary, we supplement this cash flow with borrowings under bank credit facilities to finance some capital expenditures and business acquisitions. As we are a 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.

Our financial statements are prepared in conformity with generally accepted accounting principles in the U.S. ("U.S. GAAP" or "GAAP"). 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 cash paid for 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, 2013, 2012 and 2011 (in thousands):

Free Cash Flow Calculation	For the Years Ended December 31,		
	2013	2012	2011
Net cash provided by operating activities	\$ 298,137	\$ 237,202	\$ 204,126
Less: cash paid for capital expenditures	(35,416)	(31,151)	(29,927)
Free cash flow	\$ 262,721	\$ 206,051	\$ 174,199

Free cash flow has increased each year primarily due to the growth of the Company, with the increases in net income leading to the increases in cash provided by operations. During these periods of growth, capital expenditures also increased each year.