Form
Unknown document format

The total cash paid in connection with the repurchase was $76.4 million of which $68.0 million related to the principal amount of the Senior Notes, $2.4 million related to the accrued interest and $6.0 million for a make-whole premium which is included in "Debt Prepayment Charge" in the accompanying Consolidated Statements of Operations.

Other indebtedness includes approximately $2.6 million of debt incurred relating to the financing of our corporate insurance.

Scheduled maturities of long-term debt and capital lease obligations are as follows (in thousands):

2007	$	2 ,762
2008		2
2009		-
2010		-
2011		300,000
Thereafter		-
Total long-term debt and capital lease obligations	$	302,764

9. INCOME TAXES

The components of income before income tax expense for 2006, 2005 and 2004 are as follows (in thousands):

	2006	2005	2004
United States	$ 39,925	$ 9,802	$ 5,258
Other countries	77,827	36,840	32,981
Operating income before income tax expense	$ 117,752	$ 46,642	$ 38,239

The components of income tax expense for 2006, 2005 and 2004 are as follows (in thousands):

	2006	2005	2004
Current:			
United States	$ 4,212	$ (100)	$ (183)
Other countries	19,179	12,717	11,248
State and provincial	3,636	2,227	1,891
Total current	27,027	14,844	12,956
Deferred:			
United States	11,684	4,486	204
Other countries	(3,695)	(4,259)	(2,998)
State and provincial	74	(146)	55
Total deferred	8,063	81	(2,739)
Income tax expense from continuing operations	$ 35,090	$ 14,925	$ 10,217

The differences in income tax expense computed using The Netherlands statutory income tax rate of 29.6% in 2006 and 31.5% in 2005 and 34.5% in 2004 and our income tax expense as reported in the accompanying Consolidated Statements of Operations for 2006, 2005 and 2004 are as follows (in thousands):

	2006	2005	2004
Tax at The Netherlands income tax rate	$ 34,855	$ 14,692	$ 13,193
International earnings taxed at rates other than			
The Netherlands statutory rate	(506)	(5,598)	(7,056)
Extraterritorial income exclusion benefit	(495)	(193)	(197)
Non-deductible expenses	3,593	2,787	2,562
Change in valuation allowance	(6,067)	1,156	(231)
State and provincial taxes	3,710	2,081	1,946
Income tax expense from continuing operations	$ 35,090	$ 14,925	$ 10,217

In 2006, we released approximately $6.1 million of the valuation allowance due to an increase in tax profits which was primarily offset by an increase in our provision for tax controversies in various jurisdictions.

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, 2006 and 2005 are summarized as follows (in thousands):

	2006	2005
Deferred tax assets:		
Net operating loss carry-forwards	$ 9,493	$ 22,578
Tax credit carry-forwards	8,152	5,988
Reserves	3,989	2,332
Call option on senior exchangeable notes	30,849	-
Other	806	-
Total deferred tax assets	53,289	30,898
Valuation allowance	(7,739)	(13,806)
Net deferred tax asset	45,550	17,092
Deferred tax liabilities:		
Intangibles	(1,535)	(1,440)
Property, plant and equipment	(1,199)	(1,733)
Other	(1,501)	(2,031)
Total deferred tax liabilities	(4,235)	(5,204)
Net deferred income taxes	$ 41,315	$ 11,888
Current deferred tax assets	$ 8,283	$ 436
Long-term deferred tax assets	33,032	11,452
Total deferred tax assets	$ 41,315	$ 11,888

At December 31, 2006, we had net operating loss carry-forwards for income tax purposes in various tax jurisdictions of approximately $39.4 million. Of those carry-forwards that are subject to expiration, they will expire, if unused, over the years 2006 through 2025. During 2006, $0.7 million of the operating loss carry-forwards which carried a full valuation allowance expired unused. We anticipate that taxable income in future years will allow us to fully utilize the carry-forwards that have not had a valuation allowance provided against them. We provide a valuation allowance due to the likelihood of not utilizing the net operating loss carry-forwards in certain tax jurisdictions. The reduction in valuation allowance from 2005 to 2006 is attributable primarily to an increase in taxable profit. On November 6, 2006, we recorded a deferred tax asset of $31.9 million associated with the exchangeable note hedge transaction which will be utilized over the life of the hedge. The offset to the deferred tax asset was recorded in Additional Paid-In Capital. Other deferred tax asset and liabilities are provided for revenues and expenses that may be recognized by the various tax jurisdictions in periods that differ from when recognized for financial reporting purposes.

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") 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. The Company funded the future obligations of the Dutch Plan by purchasing investment contracts from a large multi-national insurance company. We make annual premium payments, based upon each employee's age and current salary, to the insurance company.

Effective December 31, 2006, we adopted SFAS 158, which requires expanded balance sheet presentation and disclosure for pension plans and other postretirement benefit plans. In prior years, unrecognized net actuarial losses and prior service costs were netted together with the funded status of the Dutch Plan and recorded as a pension asset on the Consolidated Balance Sheet. The underfunded status of the Dutch Plan that is calculated when applying U.S. generally accepted accounting principles is recorded as a liability and is included in Other Long-term Liabilities. The net actuarial loss and prior service cost which have not been recognized through net periodic pension costs are classified as Accumulated Other Comprehensive Income in the Consolidated Balance Sheet for the year ended December 31, 2006.

The following table summarizes the incremental effect of applying SFAS 158 on individual line items in the December 31, 2006 Consolidated balance Sheet (in thousands):

	Before Application of SFAS 158	Adjustments	After Application of SFAS 158
Prepaid expenses and other current assets	$ 31,247	$ (2,172)	$ 29,075
Total current assets	227,724	(2,172)	225,552
Deferred tax asset	32,323	709	33,032
Total assets	502,678	(1,463)	501,215
Other long-term liabilities	27,989	609	28,598
Accumulated other comprehensive income	-	2,072	2,072
Total shareholders' equity	73,908	(2,072)	71,836
Total liabilities and shareholders' equity	502,678	(1,463)	501,215

The following table summarizes the change in the projected benefit obligation and the fair value of plan assets for the years ended December 31, 2006 and 2005 (in thousands):

	2006	2005
Projected Benefit Obligation:		
Projected benefit obligation at beginning of year	$ 21,185	$ 19,456
Service cost	1,206	684
Interest cost	903	803
Benefits paid	(484)	(444)
Amendments	1,702	-
Actuarial (gain)/ loss, net	(3,150)	3,283
Unrealized (gain)/ loss on foreign exchange	2,622	(2,597)
Projected benefit obligation at end of year	$ 23,984	$ 21,185

Fair Value of Plan Assets:

Fair value of plan assets at beginning of year	$ 19,183	$ 20,195
Actual gain on plan assets	921	660
Employer contributions	1,307	1,506
Benefits paid	(484)	(444)
Unrealized (loss) gain on foreign exchange	2,448	(2,734)
Fair value of plan assets at end of year	$ 23,375	$ 19,183
Under-funded status of the plan at end of the year	$ (609)	$ (2,002)
Accumulated Benefit Obligation	$ 19,224	$ 18,010

The following actuarial assumptions were used to determine the actuarial present value of our projected benefit obligation at December 31, 2006 and 2005:

	2006	2005
Weighted average assumed discount rate	4.50%	4.00%
Weighted average rate of compensation increase	3.00%	3.00%

The discount rate used to determine our projected benefit obligation at December 31, 2006 was increased from 4.00% to 4.50%. The increase in the discount rate was consistent with a general increase in long-term interest rates in The Netherlands during 2006. This change in discount rates contributed to a decrease in unrecognized actuarial loss as of December 31, 2006.

Amounts recognized for the Dutch Plan in the Consolidated Balance Sheets for the years ended December 31, 2006 and 2005 consist of (in thousands):

	2006	2005
Prepaid expenses and other current assets	$ -	$ 1,928
Deferred tax asset	709	-
Other long-term liabilities	609	-
Accumulated other comprehensive income	2,072	-

Amounts recognized, net of tax, in Accumulated Other Comprehensive Income as of December 31, 2006 consist of; prior service costs of $1.3 million and unrecognized net actuarial loss of $0.8 million. Unrecognized amounts currently recorded to Accumulated Other Comprehensive Income are expected to be recognized as components of next year's net pension benefit cost are $0.1 million actuarial loss and $0.2 million of prior service cost.

The components of net periodic pension cost under this plan for the years ended December 31, 2006 and 2005 included:

	2006	2005
Service cost	$ 1,206	$ 684
Interest cost	903	803
Expected return on plan assets	(875)	(909)
Unrecognized pension obligation (asset), net	139	(82)
Net periodic pension cost	$ 1,373	$ 496

This net periodic pension cost was calculated using the following assumptions:

	2006	2005

Weighted average assumed discount rate	4.50%	4.50%
Expected long-term rate of return on plan assets	4.00%	4.50%
Weighted average rate of compensation increase	3.00%	3.00%

Plan assets at December 31, 2006 and 2005 consisted of insurance contracts with returns comparable with governmental debt securities. Our expected long-term rate of return assumptions are based on the expected returns on these contracts. Dutch law dictates the minimum requirements for pension funding. Our goal is to meet these minimum funding requirements, while our insurance carrier invests to minimize risks associated with future benefit payments.

Our 2007 minimum funding requirements are expected to be approximately $1.5 million. Our estimate of future annual contributions is based on current funding requirements, and we believe these contributions will be sufficient to fund the plan. Expected benefit payments under this plan for the next five years are as follows (in thousands):

2007	$ 372
2008	424
2009	477
2010	522
2011	614
Succeeding five years	5,402

Defined Contribution Plans

We maintain three defined contribution plans (the "Defined Contribution Plans") for the benefit of eligible employees in the United States, Canada and the United Kingdom. In accordance with the terms of each plan, we match the required portion of employee contributions up to specified limits and under certain plans, we may make discretionary contributions annually in accordance with the Defined Contribution Plans. For the years ended December 31, 2006, 2005 and 2004, we expensed approximately $3.2 million, $2.5 million and $2.4 million respectively, for our matching and discretionary contributions to the Defined Contribution Plans.

Deferred Compensation Arrangements

We have entered into deferred compensation contracts for certain key officers and an outside director. The benefits under these contracts are fully vested and benefits are paid when the participants attain 65 years of age. The charge to expense for officer deferred compensation in 2006, 2005 and 2004 was approximately $0.6 million, $0.6 million and $0.5 million, respectively. Life insurance policies with cash surrender values have been purchased for the purpose of funding the deferred compensation contracts.

We have adopted a non-qualified deferred compensation plan that allows certain highly compensated employees to defer a portion of their salary, commission and bonus, as well as the amount of any reductions in their deferrals under the 401(k) Plan, due to certain limitations imposed by the Internal Revenue Code of 1986, as amended. The plan also provides for employer contributions to be made on behalf of participants equal in amount to certain forfeitures of, and/or reductions in, employer contributions that participants could have received under the 401(k) Plan in the absence of certain limitations imposed by the Internal Revenue Code. Employer contributions to the deferred compensation plan were $0.1 million, $0.1 million and $0.1 million of the years ended December 31, 2006, 2005 and 2004, respectively. These employer contributions vest ratably over a period of five years.

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

11. COMMITMENTS AND CONTINGENCIES

From time to time, we may be subject to legal proceedings and claims that arise in the ordinary course of business.

In 1998, we entered into employment agreements with our four senior executive officers that provided for severance benefits. The present value of the long-term liability for the benefits due upon severing the employment of these employees is approximately $2.2 million at December 31, 2006.

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

Scheduled minimum rental commitments under non-cancelable operating leases at December 31, 2006, consist of the following (in thousands):

2007	$	8,240
2008		6,538
2009		4,772
2010		3,409
2011		2,920
Thereafter		12,131
Total commitments	$	38,010

Operating lease commitments relate primarily to rental of equipment and office space. Rental expense for operating leases, including amounts for short-term leases with nominal future rental commitments, was approximately $8.8 million, $7.6 million and $7.8 million for the years ended December 31, 2006, 2005 and 2004, respectively.

12. CAPITAL STOCK

Treasury Shares

On October 10, 2002, we began to repurchase our shares under a share repurchase program approved by shareholders in connection with our initial public offering in September 1995. The program has continued to be extended for a period of 18 months at each of our annual shareholder meetings authorizing the purchase of up to 10% of our issued shares. We currently have authority to repurchase our shares through December 27, 2007. The cancellation of shares has also been approved by shareholders at prior shareholder meetings. The repurchase of shares in the open market is at the discretion of management pursuant to shareholder authorization. From the activation of the share repurchase program through December 31, 2006, we have repurchased 13,231,837 shares for an aggregate purchase price of approximately $410.8 million, or an average price of $31.05 per share and have cancelled 10,848,447 shares at a cost of $236.0 million. We are incorporated in The Netherlands and under the Dutch Commercial Code, a corporation can hold a maximum of 10% of their issued shares in treasury. At December 31, 2006, we had the authority to repurchase 158,736 additional shares under our stock repurchase program. Subsequent to year end, we have repurchased the remaining shares at a total cost of approximately $16.8 million.

In June 2006, our shareholders approved a change to the par value per share from EUR 0.01 to EUR 0.04. As the result of the change in par value an increase in common shares occurred for $1.0 million which was charged to our paid-in capital account.

13. STOCK-BASED COMPENSATION

We have granted stock options and restricted stock awards under two stock incentive plans: the 1995 Long-Term Incentive Plan (the "Plan") and the 2006 Nonemployee Director Stock Incentive Plan (the "Director Plan "). In addition to stock options, awards under the following three compensation programs have been granted pursuant to the Plan: (1) the Executive Restricted Share Matching Program ("ESMP"), (2) the Performance Share Award Program ("PSAP") and (3) the Restricted Share Award Program ("RSAP").

1995 Long-term Incentive Plan

The Plan, as amended, provides for a maximum of 5,400,000 common shares to be granted to eligible employees. Specifically, we encourage share ownership by awarding various long-term equity incentive awards under the Plan, consisting of the ESMP, PSAP and RSAP. We believe that widespread common share ownership by key employees is an important means of encouraging superior performance and employee retention. Additionally, our equity-based compensation programs encourage performance and retention by providing additional incentives for executives to further our growth, development and financial success over a longer time horizon by personally benefiting through the ownership of our common shares and/or rights.

From our inception in 1995 to 2001, we awarded stock options as the primary form of equity compensation. In 2001, we reassessed the form of award and elected to begin the use of restricted share grants which we believe are a stronger motivational tool for our employees. Restricted share awards provide some value to an employee during periods of stock market volatility, whereas stock options may have limited perceived value and may not be as affective in retaining and motivating employees when the current value of the company's stock is less than the option price. Currently, our long-term equity incentive compensation is exclusively in the form of restricted shares and performance restricted shares as no stock options were granted during 2006 under the Plan. At December 31, 2006, approximately 40,288 shares were available for the grant of new awards under the Plan.

2006 Nonemployee Director Stock Incentive Plan

The Director Plan provides common shares for grant to our eligible Supervisory Directors. The maximum number of shares available for award under this plan is 700,000 common shares. On June 28, 2006, the 1995 Nonemployee Director Stock Option Plan was amended, restated and renamed as the 2006 Nonemployee Director Stock Incentive Plan. The primary change effected by the 2006 amendment was to eliminate the automatic, formula grant of stock options under the prior plan and to replace that formula approach with the discretionary right of the Supervisory Board to grant stock options, restricted shares, or any combination thereof. Under the Director Plan, each nonemployee Supervisory Director is generally granted 2,000 performance restricted shares (4,000 shares if such nonemployee Supervisory Director is the Chairman) that will vest at the end of a three-year measurement period subject to our performance as measured against certain predetermined metrics. Only nonemployee Supervisory Directors are eligible for these equity-based awards under the Director Plan. As of December 31, 2006, approximately 312,555 shares were available for issuance under the Director Plan. Although restricted shares have been granted in 2006 pursuant to the Director Plan, no stock options were granted during 2006.

Executive Restricted Share Matching Program

The ESMP was implemented in June 2002 to encourage personal investment in our common stock by our executive officers. Under the program, we matched on a one-for-one basis each share that an executive purchased on the open market or held in his deferred compensation, 401(k) or other retirement account as of June 1, 2002, up to a maximum of 50,000 shares per participant. Prior to the adoption of SFAS 123R, the ESMP was accounted for as a variable stock award plan under which we recorded compensation expense totaling \$(0.1) million and \$2.2 million for the years ended December 31, 2005 and 2004, respectively.

On June 1, 2005, 132,853 shares previously issued to the participants became vested. We recorded common stock and additional paid-in-capital totaling $3.4 million and in conjunction with the vesting, 48,425 shares of common stock were surrendered by the participants to settle any personal tax liabilities which may result from the award. The surrendered shares were valued at $1.2 million, or $25.54 per share, and have been included as treasury shares.

Pursuant to the ESMP, on June 1, 2005, we issued an additional 76,200 restricted shares (the "Restricted Gross-up Shares") in the aggregate to reimburse the participants for tax liabilities resulting from the vesting of the original grant of 132,853 restricted shares under the ESMP and their eventual vesting in the Restricted Gross-up Shares. Historically, we had accounted for the Restricted Gross-up Shares under APB 25 as a variable award and remeasured it at each balance sheet date. Upon adoption of SFAS 123R, the Restricted Gross-up Shares were classified as an equity award resulting in the fair value being fixed at the original grant-date fair value. Compensation expense is being recorded over the vesting period based on the estimated number of shares that management believes will ultimately vest. During the year ended December 31, 2006, we recorded $1.0 million of compensation expense for the Restricted Gross-up Shares. As of December 31, 2006, approximately 15% of the Restricted Gross-up Shares remain unvested, assuming that all the awards will ultimately vest, resulting in approximately $0.4 million of compensation expense to be recognized through the ultimate vesting date of June 1, 2007.

Performance Share Award Program

Awards Under the Plan

Under the PSAP, certain executives were awarded rights to receive a pre-determined number of common shares if certain performance targets are met, as defined in the applicable agreements for the respective three-year performance period. Unless there is a change in control as defined in the PSAP, none of these awards will vest if the specified performance targets are not met as of the last day of the respective performance periods. Under this arrangement we have granted rights relating to an aggregate of 120,000 shares in 2005 and 120,000 shares in 2004.

To meet the performance target for the granted rights relating to 60,000 of the shares, our common shares must perform as well as or better than the 50th percentile of the return earned by the common stock of the companies comprising the Philadelphia Oil Service Sector Index ("OSX") for the applicable performance period. If our common shares performed at or above the 75th percentile of the companies comprising the OSX, then all of the rights to such shares would vest. If our common shares perform at or above the 50th percentile but below the 75th percentile of the companies comprising the OSX, then an interpolated percentage of between 20% and 100% of the rights to such shares would vest at the end of the three-year period.

The performance targets for the granted rights relating to 180,000 of the shares will be eligible to vest if our calculated return on equity ("ROE"), as defined in the PSAP, equals or exceeds a pre-determined target ROE on the measurement date, which is the last day of the applicable three year performance period. Pursuant to the agreement, ROE is calculated by dividing earnings before interest and income tax from continuing operations for the performance period by ending shareholders' equity for the performance period. For rights relating to 60,000 shares, the pre-determined target ROE is 18% which will be measured on December 31, 2006, the end of the three-year performance period. The pre-determined target ROE for the remaining rights relating to 120,000 shares is 24% and will be measured on December 31, 2007, the end of the three-year performance period. If our ROE for the performance period does not meet the target ROE, then the number of shares to be issued would be interpolated based on the terms of the agreement.

Upon adoption of SFAS 123R, all of the PSAP awards were classified as equity awards. Historically, we had accounted for these instruments under APB 25 as variable awards and remeasured them at each balance sheet date. Effective January 1, 2006, the fair value of the awards are fixed at the original grant-date fair value with compensation recorded over the vesting period based on the estimated number of awards that management believes will ultimately vest. As of December 31, 2006, there was $0.9 million of unrecognized stock-based compensation expense related to nonvested PSAP awards. That cost is expected to be recognized over an estimated weighted-average amortization period of 12 months. We recognized compensation expense of $1.8 million, $9.6 million and $2.9 million in 2006, 2005 and 2004, respectively. We have recognized a tax benefit from the vesting of the PSAP of $1.9 million in 2006.

In January 2007, the Equity Awards Subcommittee of our Compensation Committee of our Board of Supervisory Directors determined that the performance target criteria had been met relating to rights to an aggregate of 120,000 shares. We issued these 120,000 common shares on January 31, 2007 and, simultaneously, the participants surrendered 38,024 common shares to settle any personal tax liabilities which may result from the award, as permitted by the agreement. We recorded these surrendered shares as treasury stock with an aggregate cost of $3.1 million, at $82.40 per share.

Awards Under the Director Plan

On September 15, 2006, we awarded rights relating to an aggregate of 12,000 PSAP shares under the Director Plan to our nonemployee Supervisory Directors for which the performance period began on September 15, 2006 and ends on September 15, 2009. The performance target for this award is based on a calculated ROE, as defined in the agreement, with full vesting occurring if our ROE equals or exceeds the pre-determined target ROE of 35% at the end of the three-year performance period. If our ROE for the performance period does not meet the target ROE but equals or exceeds 28%, then the number of shares to be issued would be interpolated based on the terms of the agreement. This arrangement is recorded as an equity award that requires us to recognize compensation expense totaling $0.8 million over a three-year period that began on September 15, 2006, of which, $0.1 million has been recognized in 2006. The unrecognized compensation expense is expected to be recognized over an estimated amortization period of 33 months.

Restricted Share Award Program

In 2004, the Equity Awards Subcommittee of our Compensation Committee of our Board of Supervisory Directors approved the RSAP to continue to attract and retain the best employees, and to better align employee interests with those of our shareholders. Under this arrangement we have granted 218,100 shares, 142,600 shares and 130,500 shares in 2006, 2005 and 2004, respectively. The shares issued in 2005 and 2004 would cliff vest at the end of a seven year period but also contained two performance accelerators either of which, if satisfied, or if certain other events occurred, as specified in the related agreements, accelerates the vesting. Each grant issued in 2005 and 2004 achieved the performance accelerator and became fully vested in 2006 and 2005, respectively. The shares issued in 2006 have a six year ratable vesting schedule where 1/6th of the grant vests on each following anniversary date. No performance accelerators for early vesting exist for these awards. Prior to adopting SFAS 123R, compensation expense for the RSAP was originally recorded at the grant-date fair value and was being amortized over the expected life of the award. Upon adoption of SFAS 123R, the RSAP was classified as an equity award. As of December 31, 2006, there was $11.6 million of unrecognized total stock-based compensation related to nonvested RSAP awards. The unrecognized compensation expense is expected to be recognized over an estimated weighted-average amortization period of 66 months. We recognized compensation expense of $2.0 million, $5.3 million and $0.4 million in 2006, 2005 and 2004, respectively. We have recognized a tax benefit from the vesting of the RSAP of $1.4 million and $0.2 million in 2006 and 2005, respectively.

Nonvested restricted stock awards as of December 31, 2006 and changes during the year were as follows:

	Number of Shares	Weighted Average Grant Date Fair Value
Nonvested at December 31, 2005	578,600	$ 21.67
Granted	230,100	64.90

Vested	(264,400)	19.58
Forfeited	(9,600)	59.34
Nonvested at December 31, 2006	534,700	$ 40.63

We issue shares from authorized shares upon the exercise of options or lapsing of vesting restrictions on restricted stock. We have not issued shares out of treasury stock. We do not use cash to settle equity instruments issued under stock-based compensation awards.

The following table presents the change in outstanding stock options issued under the Plan and the Director Plan for the years ended December 31, 2006, 2005 and 2004. All options outstanding at December 31, 2006 are fully vested.

	Shares	Range of Exercise Prices	Weighted Average Exercise Price	Weighted Average Remaining Life	Average Intrinsic Value - Per Share
Balance as of December 31, 2005	2,735,159	0.01 - 61.19	$ 13.48		
Options granted	-	-	-		
Options exercised	(1,023,754)	8.38 - 61.19	14.51		
Options forfeited	(70,746)	8.38 - 23.00	15.67		
Balance as of December 31, 2006	1,640,659	$ 0.01 - 25.00	$ 12.74	5.1	$ 68.26

The total intrinsic value of options exercised during 2006, 2005 and 2004 were $47.8 million, $11.1 million and $7.0 million, respectively. We have recognized a tax benefit from the exercise of the stock options of $2.9 million and $3.7 million in 2006 and 2005, respectively.

In 2005, the Equity Awards Subcommittee of our Compensation Committee of our Board of Supervisory Directors approved a modification of all unvested options, whereby, all unvested options then outstanding became fully vested. Prior to the modification, there were stock options covering 322,072 common shares that were unvested, which represented less than 12% of the total number of commons shares subject to stock options that were outstanding. The options were vested in anticipation of the adoption of SFAS 123R as the Option Subcommittee determined that the administrative costs of applying the provisions of SFAS 123R to the few remaining unvested options far exceeded the benefit of allowing these options to vest as originally scheduled under the plans. As a result of the modification, we determined that the increase in the intrinsic value of the unvested options over the original grant price was approximately $7.9 million. In 2005, we recorded $0.1 million of expense, which represents management's estimate of those employees that would receive a benefit by leaving the Company with fully vested options prior to the original vesting date of the option grant. Should the actual rate of employees leaving the Company with such a benefit differ from management's initial estimate at December 31, 2005, an adjustment to expense will be recorded as the difference between the actual benefit rate and the initial benefit estimate.

14. OTHER EXPENSE (INCOME), NET

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

	Year Ended 2006	2005	2004
Minority interest	$ 120	$ (57)	$ 1
(Gain) loss on sale of assets	(755)	(293)	550

Equity in loss (income) of affiliates	123	(36)	265
Foreign exchange (gain) loss	(1,443)	1,619	(788)
Interest income	(457)	(402)	(189)
Gain on involuntary sale of asset	(375)	(875)	-
Gain on insurance recovery	(492)	(334)	-
Other	(2,045)	569	(600)
Total other expense (income), net	$ (5,324)	$ 191	$ (761)

In 2003, the British government notified us that it would exercise its right of eminent domain thereby involuntarily acquiring the property of one of our operating facilities. Prior to December 31, 2003, we received an initial payment from the British government for $0.6 million as compensation for this property. In the second quarter of 2005, we negotiated and received an additional settlement which resulted in a $0.9 million gain. In the fourth quarter of 2006, we received a final settlement which resulted in a $0.4 million gain in excess of the gain recorded in 2005.

During the first quarter of 2005, a building at our manufacturing plant in Godley, Texas, was damaged by fire, resulting in the loss of the building, some inventory, as well as other business equipment and supplies. In June 2005, we filed claims with our insurance carrier for reimbursement of these costs resulting in a net gain of $0.3 million. In addition, we filed a claim for business interruption costs and the final settlement was reached in the first quarter of 2006, which resulted in a gain of $0.5 million in excess of the gain recorded in 2005.

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 expense (income) 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):

		Year Ended	
Losses (gains) by currency	2006	2005	2004
British Pound	$ (107)	$ 269	$ (88)
Canadian Dollar	(211)	(147)	(457)
Euro	(389)	279	96
Russian Ruble	(295)	236	(370)
Venezuelan Bolivar	17	399	580
Other currencies	(458)	583	(549)
Total losses (gains)	$ (1,443)	$ 1,619	$ (788)

In February 2004, the Venezuelan government devalued the VEB by 20% to 1,915 VEB per USD. Effective March 2, 2005, the Venezuelan government devalued the VEB by an additional 12% to 2,147 VEB per USD. At December 31, 2006, our net monetary assets denominated in VEB in Venezuela were $3.3 million. We continue to monitor our operations and financial position in this region.

15. SEGMENT REPORTING

We operate our business in three reportable segments: (1) Reservoir Description, (2) Production Enhancement and (3) Reservoir Management. These business segments provide different services and utilize different technologies.

- 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.

Results for these business segments are presented below. We use the same accounting policies to prepare our business segment results as are used to prepare our Consolidated Financial Statements. We evaluate performance based on income or loss from continuing operations before income tax, interest and other non-operating income (expense). Summarized financial information concerning our segments is shown in the following table (in thousands):

	Reservoir Description	Production Enhancement	Reservoir Management	Corporate & Other [1]	Consolidated
DECEMBER 31, 2006					
Revenues from unaffiliated customers	$ 315,068	$ 223,056	$ 37,565	$ -	$ 575,689
Inter-segment revenues	670	798	454	(1,922)	-
Segment income (loss)	58,049	57,494	8,381	(367)	123,557
Total assets	215,293	162,322	17,813	105,787	501,215
Capital expenditures	15,729	6,495	549	1,642	24,415
Depreciation and amortization	9,143	4,757	464	2,911	17,275
DECEMBER 31, 2005					
Revenues from unaffiliated customers	$ 280,979	$ 175,894	$ 26,594	$ -	$ 483,467
Inter-segment revenues	1,946	308	95	(2,349)	-
Segment income (loss)	37,341	30,413	4,035	(10,858)	60,931
Total assets	202,447	151,015	13,145	27,994	394,601
Capital expenditures	9,649	7,559	472	1,415	19,095
Depreciation and amortization	9,606	4,195	474	2,101	16,376

DECEMBER 31, 2004

Revenues from unaffiliated customers	$ 258,864	$ 147,119	$ 21,444	$ -	$ 427,427
Inter-segment revenues	1,161	778	180	(2,119)	-
Segment income	27,877	19,472	2,588	(3,423)	46,514
Total assets	201,960	150,386	12,918	23,533	388,797
Capital expenditures	8,010	2,210	135	533	10,888
Depreciation and amortization	9,036	3,769	497	3,840	17,142

1)"Corporate and other" represents those items that are not directly related to a particular segment, eliminations and the assets and liabilities of discontinued operations.

We are a Netherlands company and we derive our revenues from services and product sales to customers primarily in the oil and gas industry. No single client accounted for 10% or more of revenues in any of the periods presented. The following is a summary of our U.S. and non-U.S. operations for 2006, 2005 and 2004 (in thousands):

GEOGRAPHIC INFORMATION	United States	Canada	Other Countries	Consolidated
DECEMBER 31, 2006				
Revenues	$ 271,498	$ 74,910	$ 229,281	$ 575,689
Operating income	65,393	27,774	30,390	123,557
Total assets	250,195	41,427	209,593	501,215
DECEMBER 31, 2005				
Revenues	$ 214,843	$ 64,607	$ 204,017	$ 483,467
Operating income	30,693	15,624	14,614	60,931
Total assets	168,470	38,921	187,210	394,601
DECEMBER 31, 2004				
Revenues	$ 177,918	$ 56,553	$ 192,956	$ 427,427
Operating income	25,082	10,299	11,133	46,514
Total assets	159,890	36,527	192,380	388,797

U.S. revenues derived from exports were approximately $45.6 million, $35.5 million and $30.6 million in 2006, 2005 and 2004, respectively. Operating income and total assets associated with our corporate operations have been included in the results for the United States.

16. CONDENSED CONSOLIDATING FINANCIAL INFORMATION

Core Laboratories N.V. has fully and unconditionally guaranteed all of the $300 million 0.25% convertible debt securities due 2011 issued by Core Laboratories LP on November 6, 2006.

The following condensed consolidating financial information is included so that separate financial statements of Core Laboratories LP are not required to be filed with the U.S. Securities and Exchange Commission. The condensed consolidating financial statements present investments in both consolidated and unconsolidated affiliates using the equity method of accounting.

The following condensed consolidating financial information presents: condensed consolidating balance sheets as of December 31, 2006 and 2005, statements of income and the consolidating statements of cash flows for each of the three years in the period ended December 31, 2006 of (a) Core Laboratories N.V., parent/guarantor, (b) Core Laboratories LP, issuer of public debt securities guaranteed by Core Laboratories N.V. and (c) the non-guarantor subsidiaries, (d) consolidating adjustments necessary to consolidate Core Laboratories N.V. and its subsidiaries and (e) Core Laboratories N.V. on a consolidated basis.

Condensed Consolidating
Balance Sheets

(In thousands)	December 31, 2006				
	Core Laboratories N.V. (Parent/ Guarantor)	Core Laboratories LP (Issuer)	Other Subsidiaries (Non-Guarantors)	Consolidating Adjustments	Consolidated Total
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	$ 1,572	$ 35,385	$ 17,266	$ -	$ 54,223
Accounts receivable, net	125	19,717	92,213	-	112,055
Inventories, net	-	1,677	28,522	-	30,199
Prepaid expenses and other current assets	495	14,441	14,139	-	29,075
	2,192	71,220	152,140	-	225,552
PROPERTY, PLANT AND EQUIPMENT, net	-	21,654	66,080	-	87,734
GOODWILL AND INTANGIBLES, net	46,986	2,009	90,225	-	139,220
INTERCOMPANY RECEIVABLES	38,390	198,654	351,316	(588,360)	-
INVESTMENT IN AFFILIATES	150,090	-	788,555	(937,755)	890
DEFERRED TAX ASSET	5,815	26,286	13,707	(12,776)	33,032
OTHER ASSETS	3,410	10,460	917	-	14,787
TOTAL ASSETS	$ 246,883	$ 330,283	$ 1,462,940	$ (1,538,891)	$ 01,215
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT LIABILITIES:					
Current maturities of long-term debt and capital lease obligations	$ 2,654	$ 100	$ 8	$ -	$ 2,762
Accounts payable	698	7,078	29,684	-	37,460
Other accrued expenses	2,785	18,915	26,998	-	48,698
	6,137	26,093	56,690	-	88,920

LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS	-	300,000	2	-	300,002
DEFERRED COMPENSATION	5,230	4,920	263	-	10,413
DEFERRED TAX LIABILITY	12,776	-	-	(12,776)	-
INTERCOMPANY PAYABLES	140,376	2,553	445,431	(588,360)	-
OTHER LONG-TERM LIABILITIES	10,528	7,645	10,425	-	28,598
MINORITY INTEREST	-	-	1,446	-	1,446
TOTAL SHAREHOLDERS' EQUITY	71,836	(10,928)	948,683	(937,755)	71,836
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 246,883	$ 330,283	$ 1,462,940	$ (1,538,891)	$ 501,215

Condensed Consolidating Statements of Operations

(In thousands)	Year Ended December 31, 2006				
	Core Laboratories N.V. (Parent/ Guarantor)	Core Laboratories LP (Issuer)	Other Subsidiaries (Non-Guarantors)	Consolidating Adjustments	Consolidated Total
REVENUES					
Operating revenues	$ -	$ 111,425	$ 464,264	$ -	$ 575,689
Intercompany revenues	388	15,894	114,392	(130,674)	-
Earnings from consolidated affiliates	85,425	-	68,220	(153,645)	-
Total revenues	85,813	127,319	646,876	(284,319)	575,689
OPERATING EXPENSES					
Operating costs	827	69,977	377,225	(40,930)	407,099
General and administrative expenses	7,354	25,700	28	-	33,082
Depreciation and amortization	21	5,298	11,956	-	17,275
Other expense (income), net	(10,985)	(13,695)	107,199	(87,843)	(5,324)
Operating income	88,596	40,039	150,468	(155,546)	123,557
Interest expense	709	5,062	71	(37)	5,805
Income before income tax expense	87,887	34,977	150,397	(155,509)	117,752

Income tax expense (benefit)	5,226	13,608	16,256	-	35,090
NET INCOME	$ 82,661	$ 21,369	$ 134,141	$ (155,509)	$ 82,662

Condensed Consolidating Statements of Cash Flows

(In thousands)	Year Ended December 31, 2006				
	Core Laboratories N.V. (Parent/ Guarantor)	Core Laboratories LP (Issuer)	Other Subsidiaries (Non-Guarantors)	Consolidating Adjustments	Consolidated Total
Net cash provided by operating activities	$ 194,078	$ (95,773)	$ 22,000	$ -	$ 120,305
				-	
CASH FLOWS FROM INVESTING ACTIVITIES:					
Capital expenditures	-	(4,892)	(19,523)	-	(24,415)
Patents and other intangibles	-	(66)	(200)	-	(266)
Proceeds from sale of assets	-	333	2,381	-	2,714
Premiums on life insurance	-	(1,628)	-	-	(1,628)
Net cash used in investing activities	-	(6,253)	(17,342)	-	(23,595)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Repayment of debt	(28,378)	(103,100)	-	-	(131,478)
Proceeds from debt borrowings	8,000	334,000	-	-	342,000
Capital lease obligations	-	-	(26)	-	(26)
Stock options exercised	14,853	-	-	-	14,853
Repurchase of common shares	(251,088)	-	-	-	(251,088)
Proceeds from sale of warrants	56,500	-	-	-	56,500
Purchase of exchangeable note hedge	-	(86,250)	-	-	(86,250)
Debt issuance costs	-	(6,996)	-	-	(6,996)
Excess tax benefit from stock-based payments	6,255	-	-	-	6,255
Net cash used in financing activities	(193,858)	137,654	(26)	-	(56,230)
NET CHANGE IN CASH AND CASH EQUIVALENTS	220	35,628	4,632	-	40,480
CASH AND CASH EQUIVALENTS, beginning of period	1,352	(243)	12,634	-	13,743
	$ 1,572	$ 35,385	$ 17,266	$ -	$ 54,223

CASH AND CASH EQUIVALENTS, end of period					

Condensed Consolidating Balance Sheets

(In thousands)	December 31, 2005				
	Core Laboratories N.V. (Parent/ Guarantor)	Core Laboratories LP (Issuer)	Other Subsidiaries (Non-Guarantors)	Consolidating Adjustments	Consolidated Total
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	$ 1,352	$ (243)	$ 12,634	$ -	$ 13,743
Accounts receivable, net	707	17,148	81,274	-	99,129
Inventories, net	-	1,336	27,768	-	29,104
Prepaid expenses and other current assets	427	1,682	9,160	-	11,269
TOTAL CURRENT ASSETS	2,486	19,923	130,836	-	153,245
PROPERTY, PLANT AND EQUIPMENT, net	219	21,766	59,357	-	81,342
GOODWILL AND INTANGIBLES, net	46,986	2,117	90,235	-	139,338
INTERCOMPANY RECEIVABLES	10,752	68,955	323,781	(403,488)	-
INVESTMENT IN AFFILIATES	289,653	-	526,586	(815,098)	1,141
DEFERRED TAX ASSET	18,228	5,645	664	(13,085)	11,452
OTHER ASSETS	3,026	2,421	2,636	-	8,083
TOTAL ASSETS	$ 371,350	$ 120,827	$ 1,134,095	$ (1,231,671)	$ 394,601
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT LIABILITIES:					
Current maturities of long-term debt and capital lease obligations	$ 2,412	$ 100	$ 2	$ -	$ 2,544
Accounts payable	743	5,841	25,973	-	32,557
Other accrued expenses	2,928	10,942	19,785	-	33,655
Current liabilities of discontinued operations	-	-	800	-	800
TOTAL CURRENT LIABILITIES	6,083	16,883	46,590	-	69,556

LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS	17,000	69,100	4	-	86,104
DEFERRED COMPENSATION	4,844	2,598	143	-	7,585
DEFERRED TAX LIABILITY	-	-	13,085	(13,085)	-
INTERCOMPANY PAYABLES	120,691	27,887	254,910	(403,488)	-
OTHER LONG-TERM LIABILITIES	8,475	4,742	2,817	-	16,034
MINORITY INTEREST	-	-	1,065	-	1,065
TOTAL SHAREHOLDERS' EQUITY	214,257	(383)	815,481	(815,098)	214,257
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 371,350	$ 120,827	$ 1,134,095	$ (1,231,671)	$ 394,601

Condensed Consolidating Statements of Operations

(In thousands)	Year Ended December 31, 2005				
	Core Laboratories N.V. (Parent/ Guarantor)	Core Laboratories LP (Issuer)	Other Subsidiaries (Non-Guarantors)	Consolidating Adjustments	Consolidated Total
REVENUES					
Operating revenues	$ -	$ 88,083	$ 395,384	$ -	$ 483,467
Intercompany revenues	-	8,924	90,795	(99,719)	-
Earnings from consolidated affiliates	37,236	-	214,074	(251,310)	-
Total revenues	37,236	97,007	700,253	(351,029)	483,467
OPERATING EXPENSES					
Operating costs	-	60,049	337,331	(29,257)	368,123
General and administrative expenses	14,530	23,304	12	-	37,846
Depreciation and amortization	37	5,151	11,188	-	16,376
Other expense (income), net	(8,517)	(14,749)	93,872	(70,415)	191
Operating income	31,186	23,252	257,850	(251,357)	60,931
Interest expense	1,080	13,110	146	(47)	14,289
Income before income tax expense	30,106	10,142	257,704	(251,310)	46,642
Income tax expense (benefit)	(1,105)	4,592	11,438	-	14,925
	31,211	5,550	246,266	(251,310)	31,717

Income from continuing operations					
Discontinued operations	-	-	(506)	-	(506)
NET INCOME	$ 31,211	$ 5,550	$ 245,760	$ (251,310)	$ 31,211

Condensed Consolidating Statements of Cash Flows

(In thousands)	Year Ended December 31, 2005				
	Core Laboratories N.V. (Parent/ Guarantor)	Core Laboratories LP (Issuer)	Other Subsidiaries (Non-Guarantors)	Consolidating Adjustments	Consolidated Total
Net cash provided by operating activities	$ 43,058	$ 22,435	$ 9,285	$ -	$ 74,778
				-	
CASH FLOWS FROM INVESTING ACTIVITIES:					
Capital expenditures	(218)	(4,463)	(14,414)	-	(19,095)
Patents and other intangibles	-	(4)	(99)	-	(103)
Proceeds from sale of assets	-	1,155	2,775	-	3,930
Premiums on life insurance	-	(1,096)	-	-	(1,096)
Net cash used in investing activities	(218)	(4,408)	(11,738)	-	(16,364)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Repayment of debt	(9,105)	(99,661)	-	-	(108,766)
Proceeds from debt borrowings	-	82,000	-	-	82,000
Debt issuance costs	-	(488)	-	-	(488)
Capital lease obligations	-	-	(216)	-	(216)
Stock options exercised	8,215	-	-	-	8,215
Repurchase of common shares	(41,446)	-	-	-	(41,446)
Net cash used in financing activities	(42,336)	(18,149)	(216)	-	(60,701)
NET CHANGE IN CASH AND CASH EQUIVALENTS	504	(122)	(2,669)	-	(2,287)
CASH AND CASH EQUIVALENTS, beginning of period	848	(121)	15,303	-	16,030
CASH AND CASH EQUIVALENTS, end of period	$ 1,352	$ (243)	$ 12,634	$ -	$ 13,743

Condensed Consolidating Statements of Operations

(In thousands)	Year Ended December 31, 2004				
	Core Laboratories N.V. (Parent/ Guarantor)	Core Laboratories LP (Issuer)	Other Subsidiaries (Non-Guarantors)	Consolidating Adjustments	Consolidated Total
REVENUES					
Operating revenues	$ -	$ 72,910	$ 354,517	$ -	$ 427,427
Intercompany revenues	-	10,206	83,267	(93,473)	-
Earnings from consolidated affiliates	24,129	-	12,591	(36,720)	-
Total revenues	24,129	83,116	450,375	(130,193)	427,427
OPERATING EXPENSES					
Operating costs	120	56,916	302,965	(23,609)	336,392
General and administrative expenses	6,004	19,210	2,926	-	28,140
Depreciation and amortization	169	11,947	5,026	-	17,142
Other expense (income), net	(896)	(11,554)	76,405	(64,716)	(761)
Operating income	18,732	6,597	63,053	(41,868)	46,514
Interest expense	5,650	7,176	597	(5,148)	8,275
Income before income tax expense	13,082	(579)	62,456	(36,720)	38,239
Income tax expense (benefit)	792	(782)	10,207	-	10,217
Income from continuing operations	12,290	203	52,249	(36,720)	28,022
Discontinued operations	-	-	(15,732)	-	(15,732)
NET INCOME	$ 12,290	$ 203	$ 36,517	$ (36,720)	$ 12,290

Condensed Consolidating Statements of Cash Flows

(In thousands)	Year Ended December 31, 2004				
	Core Laboratories N.V. (Parent/ Guarantor)	Core Laboratories LP (Issuer)	Other Subsidiaries (Non-Guarantors)	Consolidating Adjustments	Consolidated Total
Net cash provided by operating activities	$ 45,574	$ 15,627	$ (7,005)	$ -	$ 54,196
				-	

CASH FLOWS FROM INVESTING ACTIVITIES:					
Capital expenditures	-	(2,750)	(8,138)	-	(10,888)
Patents and other intangibles	-	-	(209)	-	(209)
Acquisitions	-	-	(1,782)	-	(1,782)
Proceeds from sale of assets	328	163	1,179	-	1,670
Premiums on life insurance	-	(799)	-	-	(799)
Discontinued operations	-	-	17,944	-	17,944
Net cash used in investing activities	328	(3,386)	8,994	-	5,936
CASH FLOWS FROM FINANCING ACTIVITIES:					
Repayment of debt	(3,838)	(28,150)	(120)	-	(32,108)
Proceeds from debt borrowings	962	14,000	-	-	14,962
Capital lease obligations	-	(6)	(355)	-	(361)
Stock options exercised	8,487	-	-	-	8,487
Repurchase of common shares	(51,307)	-	-	-	(51,307)
Net cash used in financing activities	(45,696)	(14,156)	(475)	-	(60,327)
NET CHANGE IN CASH AND CASH EQUIVALENTS	206	(1,915)	1,514	-	(195)
CASH AND CASH EQUIVALENTS, beginning of period	642	1,794	13,789	-	16,225
CASH AND CASH EQUIVALENTS, end of period	$ 848	$ (121)	$ 15,303	$ -	$ 16,030

17. DISCONTINUED OPERATIONS

In April 2004, we sold our specialized geophysical and seismic-related assets and business for approximately $18.2 million in cash proceeds in addition to certain assumed liabilities. As a result of the sale of our seismic business we recorded a loss for discontinued operations totaling $15.7 million, net of tax. This loss included charges related to the impairment of goodwill, certain intangible assets and other long-lived assets totaling $11.2 million and a charge of $1.2 million to the provision for doubtful accounts, as well as other working capital adjustments. In 2005, we finalized the terms under the contract for sale of the business through a negotiated payment of $0.5 million, net of taxes.

18. RECENT ACCOUNTING PRONOUNCEMENTS

In June 2006, the FASB issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes-An Interpretation of FASB Statement No. 109, Accounting for Income Taxes ("FIN 48"), to create a single model to address accounting for uncertainty in tax positions. FIN 48 clarifies the accounting for income taxes, by prescribing a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. FIN 48 also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. We will adopt FIN 48 as of January 1, 2007 as required. We expect that the adoption of FIN 48 will not have a significant impact on our financial position and results of operations and our effective income tax rate to vary from period to period as a result of this new guidance.

19. UNAUDITED SELECTED QUARTERLY RESULTS OF OPERATIONS

Summarized below is our quarterly financial data for the quarters ended December 31, 2006 and 2005 (in thousands, except per share data).

Quarter ended 2006	December 31	September 30	June 30	March 31
Services and sales revenues	$ 152,811	$ 145,526	$ 140,017	$ 137,335
Cost of services and sales	106,234	100,522	100,195	100,148
Other operating expenses	9,815	11,214	11,205	12,799
Operating income	36,762	33,790	28,617	24,388
Interest expense	1,020	1,930	1,531	1,324
Income before income tax expense	35,742	31,860	27,086	23,064
Income tax expense	10,569	9,476	8,126	6,919
Net income	$ 25,173	$ 22,384	$ 18,960	$ 16,145
Per share information:				
Basic earnings per share	$ 1.05	$ 0.88	$ 0.74	$ 0.63
Diluted earnings per share [1]	$ 0.98	$ 0.83	$ 0.70	$ 0.58
Weighted average common shares outstanding:				
Basic	23,989	25,304	25,560	25,794
Diluted	25,653	26,951	27,191	27,767

Quarter ended 2005	December 31	September 30	June 30	March 31
Services and sales revenues	$ 128,947	$ 120,184	$ 118,381	$ 115,955
Cost of services and sales	94,775	92,764	90,523	90,061
Other operating expenses	17,571	13,283	11,693	11,866
Operating income	16,601	14,137	16,165	14,028
Debt prepayment charge	6,012	-	-	-
Interest expense	2,243	1,923	2,075	2,036
Income before income tax expense	8,346	12,214	14,090	11,992
Income tax expense	3,091	4,724	3,841	3,269
Income from continuing operations	5,255	7,490	10,249	8,723
Loss from discontinued operations	(506)	-	-	-
Net income	$ 4,749	$ 7,490	$ 10,249	$ 8,723
Per share information:				
Basic earnings per share	$ 0.18	$ 0.29	$ 0.39	$ 0.33
Diluted earnings per share [1]	$ 0.17	$ 0.27	$ 0.37	$ 0.31
Weighted average common shares outstanding:				
Basic	25,867	26,108	26,086	26,092
Diluted	28,044	28,121	27,870	27,996

1.The sum of the individual quarterly diluted earnings per share amounts may not agree with the year-to-date diluted earnings per share amounts as each quarterly
computation is based on the weighted average number of diluted common shares outstanding during that period.

Index

CORE LABORATORIES N.V.

Schedule II - Valuation and Qualifying Account

(In thousands)

	Balance at Beginning of Period	Additions Charged to Expense	Write-offs	Other [1]	Balance at End of Period
Year ended December 31, 2006					
Reserve for doubtful accounts	$ 4,526	$ 623	$ (982)	$ 173	$ 4,340
Year ended December 31, 2005					
Reserve for doubtful accounts	$ 6,064	$ 789	$ (2,546)	$ 219	$ 4,526
Year ended December 31, 2004 [2]					
Reserve for doubtful accounts	$ 7,094	$ (441)	$ (1,607)	$ 1,018	$ 6,064

1 Comprised primarily of differences due to changes in exchange rate.
2 Adjusted for Discontinued Operations.

Index

Exhibit 10.25

NON-EMPLOYEE DIRECTOR COMPENSATION SUMMARY

Each Supervisory Director of Core Laboratories N.V. who is not our full-time employee is reimbursed for all out-of-pocket expenses incurred in attending any Supervisory Board or committee meeting. Effective January 1, 2005, each Supervisory Director who is not our full-time employee is paid: (1) an annual retainer of $30,000, payable semiannually in arrears; or if the Audit Committee Chair, an annual retainer of $45,000, or if the chair of either the Compensation Committee or Nominating and Governance Committee, an annual retainer of $35,000; (2) $1,500 per meeting of the Supervisory Board at which the individual is present in person; and (3) $1,500 per meeting for each committee meeting at which the individual is present in person. Supervisory Directors who are our full-time employees receive no compensation for serving as Supervisory Directors.

Our 2006 Nonemployee Director Stock Incentive Plan, as amended, which we refer to as the "Director Plan," provides for the issuance of up to 700,000 of our common shares to eligible Supervisory Directors. Under the Director Plan, each nonemployee Supervisory Director is generally granted 2,000 performance restricted shares (4,000 shares if such nonemployee Supervisory Director is the Chairmen) that will vest at the end of a three-year measurement period subject to our performance as measured against certain predetermined metrics. Only nonemployee Supervisory Directors are eligible for these equity-based awards.

Exhibit 21.1

Investment in Subsidiaries Listing

Co. No.	Name	Legal Seat	Ownership %
21	Core Laboratories Resources N.V.	Curacao, Netherlands Antilles	100%
23	Core Laboratories International Licensing N.V.	Curacao, Netherlands Antilles	100%
25	Core Laboratories International Trading N.V.	Curacao, Netherlands Antilles	100%
27	Core Laboratories I.P. Inc.	Delaware, United States	100%
35	Core Laboratories Holding Inc.	Delaware, United States	100%
48	Core Laboratories Middle East Services B.V.	Rotterdam, The Netherlands	100%
49	Core Export Sales, Inc.	Bridgetown, Barbados	100%
50	Core Laboratories LP	Delaware, United States	100%
52	Core Laboratories Canada Limited	Alberta, Canada	100%
53	PT Corelab Indonesia	Jakarta, Indonesia	70%
55	Core Laboratories SDN BHD	Kuala Lumpur, Malaysia	100%
56	Core Laboratories Australia PTY LTD	Perth, Australia	100%
62	Core Laboratories International B.V.	Amsterdam, The Netherlands	100%
63	Core Laboratories Sales N.V.	Curacao, Netherlands Antilles	100%
64	Core Laboratories (U.K.) Limited	London, United Kingdom	100%
65	Core Laboratories Netherlands B.V.	Amsterdam, The Netherlands	100%
66	Corelab Nigeria Limited	Lagos, Nigeria	100%
70	Core Laboratories Venezuela S.A.	Caracas, Venezuela	100%
73	Core Laboratories Corporate Holding B.V.	Amsterdam, The Netherlands	100%
74	Corelab Brasil Ltda	Rio de Janeiro, Brazil	100%
75	Core Laboratories (Barbados) Ltd.	Bridgetown, Barbados	100%
76	Abdullah Fuad Core Laboratory Company	Saudi Arabia	51%
100	Saybolt International B.V.	Rotterdam, The Netherlands	100%

101	Saybolt Holding B.V.	Rotterdam, The Netherlands	100%
102	Saybolt Denmark A/S	Copenhagen, Denmark	100%
103	Saybolt van Duyn GmbH	Essen, Germany	100%
104	Saybolt Espana S.A.	Madrid, Spain	100%
105	Saybolt Estonia Ltd.	Tallinn, Estonia	100%
106	Saybolt Finland Oy	Hamina, Finland	100%
108	Saybolt Italia S.R.L.	Siracusa, Italy	100%
109	Saybolt Malta Ltd.	Kalafran, Malta	100%
111	Saybolt Greece, Ltd.	Athens, Greece	100%
112	Saybolt (Portugal) Inspeccao de Productos Petroliferos, Lda.	Lisbon, Portugal	100%
115	Saybolt South Africa PTY LTD	Cape Town, South Africa	73%
116	Saybolt Sweden AB	Gothenburg, Sweden	100%
117	Saybolt Thailand Ltd.	Bangkok, Thailand	100%
118	Saybolt United Kingdom Ltd.	Purfleet, United Kingdom	100%
120	Saybolt Nederland B.V.	Rotterdam, The Netherlands	100%
122	Saybolt North America B.V.	Rotterdam, The Netherlands	100%
123	Saybolt de Mexico S.A. de C.V.	Coatzacoalcos, Mexico	100%
130	Saybolt LP	Delaware, United States	100%
132	Core Laboratories Panama, S.A.	Panama City, Panama	100%
133	E.W. Saybolt & Co. (Cayman) Ltd.	Grand Cayman	100%
134	Saybolt Analyt Holding B.V.	Rotterdam, The Netherlands	100%
137	Saybolt Evrasia ZAO	Moscow, Russia Federation	100%
138	Saybolt−Ukraine	Odessa, Ukraine	100%
139	Saybolt Bulgaria Ltd.	Bourgas, Bulgaria	100%
141	Saybolt Baltija, Ltd.	Klaipeda, Lithuania	100%
142	Saybolt Latvia	Ventspils, Latvia	100%
144	E.W. Saybolt Co N.V.	St. Eustatius, Netherland Antilles	100%
148	Saybolt Bahamas Ltd.	Freeport, Bahamas	100%
151	Saybolt de Costa Rica, S.A.	San Jose, Costa Rica	99%
152	Saybolt West Indies N.V.	Kingston, Jamaica	100%
153	Saybolt Colombia Ltda.	Barranquilla, Colombia	95%
155	Saybolt Aruba N.V.	Aruba	100%
156	Saybolt Bonaire N.V.	Bonaire, Netherlands Antilles	100%
157	Saybolt Caribbean N.V.	Aruba	100%
158	Saybolt Curacao N.V.	Curacao, Netherlands Antilles	100%
159	Saybolt Trinidad & Tobago Ltd.	Marabella, Trinidad	100%
160	Saybolt Eastern Hemisphere B.V.	Rotterdam, The Netherlands	100%
162	Saybolt Bahrain	Manama, Bahrain	100%
165	Saybolt (M) SDN BHD	Kuala Lumpur, Malaysia	40%
166	PT Citra Wosaji Indonesia	Jakarta, Indonesia	65%
170	Saybolt Azerbaijan, Ltd.	Baku, Azerbaijan	100%
171	Saybolt Azerbaijan B.V.	Rotterdam, The Netherlands	50%
175	Core Laboratories El Salvador S.A. de C.V.	San Salvador, El Salvador	100%
177	Saybolt Belgium	Antwerp, Belgium	100%
179	Saybolt (Tianjin) Meteorology & Inspection Company Ltd.	Tianjin, China	100%

181	Saybolt Latin America Holding B.V.	Rotterdam, The Netherlands	100%
182	Saybolt Qatar	Doha, Qatar	100%
183	Core Laboratories Angola Ltd.	Luanda, Angola	100%
188	Saybolt (Singapore) PTE LTD	Singapore	100%
190	Core Laboratories (H.K.) Limited	Hong Kong	100%
192	Quantoil Ltd.	London, United Kingdom	100%
195	E.W. Saybolt & Co. S.A.	Panama City, Panama	100%
200	Owen Oil Tools LP	Texas, United States	100%
204	Owen Oil Tools de Mexico, S.A. de C.V.	Tabasco, Mexico	100%
205	Owen Oil Tools de Venezuela, C.A.	Anaco, Anzoategui, Venezuela	100%
210	Owen Compliance Services, Inc.	Texas, United States	100%
212	Owen de Mexico S.A. de C.V.	Mexico City, Mexico	100%
213	Owen Oil Tools (U.K.) Ltd.	Croydon, United Kingdom	100%
219	Owen Oil Tools Argentina, S.A.	Buenos Aires, Argentina	100%
226	Core Laboratories LLP (Kazakhstan)	Aktau, Kazakhstan	100%
231	DP Saybolt Turkmenistan	Turkenbashi, Turkmenistan	100%
260	Petroleum Analysts ZAO	Moscow, Russia Federation	100%
261	OOO Lab Technics	Moscow, Russia Federation	100%
262	Saybolt Belarus	Minsk, Belarus	100%
270	Saybolt Test OOO	Bashkortostan, Russian Federation	100%
273	Saybolt Armenia	Yerevan, Armenia	100%
277	SP TOO Saybolt Kazakhstan	Almaty, Kazakhstan	90%
278	Saybolt Mongol HHK	Mongolia	100%
290	Core Lab de Mexico, S.A. de C.V.	Mexico City, Mexico	100%
292	Core Lab Operations S.A. de C.V.	Mexico City, Mexico	100%
293	ProTechnics de Mexico, S.A. de C.V.	Mexico City, Mexico	100%
294	Core Lab Services S.A. de C.V.	Mexico City, Mexico	100%
297	Core Lab Petroleum Services S.A. de C.V.	Mexico City, Mexico	99%
298	Core Lab Executives S.A. de C.V.	Mexico City, Mexico	99%
325	Stim-Lab, Inc.	Oklahoma, United States	100%
350	Core Laboratories Global N.V.	Curacao, Netherlands Antilles	100%
370	Coherence Technology Company, Inc.	Colorado, United States	100%
375	CTC Pulsonic Nigeria Limited	Lagos, Nigeria	80%
381	Production Enhancement Corporation	Delaware, United States	100%
388	PENCOR de Venezuela, C.A.	Maturin, Venezuela	100%
391	PENCOR International Ltd.	Jersey, Channel Islands	100%
400	Coreton Limited	Croydon, United Kingdom	100%
411	FE & FEFH Holding, Inc.	Alberta, Canada	100%
-	Saybolt Tunisie	Tunis, Tunisia	49%
-	China Corelab Ltd.	China	50%
-	Core Laboratories Malta Holding Limited	Malta	99%
-	Core Laboratories Malta Limited	Malta	99%
-	Saybolt Maroc	Morocco	49%
-	Shanghai SIC - Saybolt Commodities Trading Co Ltd.	China	50%

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (Nos. 333-73772, 333-73774, 333-80473 and 333-43859) and Form S-3 (No. 333-139506-01) of Core Laboratories N.V. of our report dated February 16, 2007 relating to the financial statements, financial statement schedule, management's assessment of the effectiveness of internal control over financial reporting and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

PricewaterhouseCoopers LLP

Houston, Texas

February 16, 2007

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

OF CORE LABORATORIES N.V.

PURSUANT TO 15 U.S.C. SECTION 7241, AS ADOPTED

PURSUANT TO SECTION 302 OF THE

SARBANES-OXLEY ACT OF 2002

I, David M. Demshur, certify that:

1. I have reviewed this Annual Report on Form 10-K of Core Laboratories N.V. (the "Registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial

reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

	/s/ David M. Demshur
Date: February 16, 2007	___
	David M. Demshur Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

OF CORE LABORATORIES N.V.

PURSUANT TO 15 U.S.C. SECTION 7241, AS ADOPTED

PURSUANT TO SECTION 302 OF THE

SARBANES-OXLEY ACT OF 2002

I, Richard L. Bergmark, certify that:

1. I have reviewed this Annual Report on Form 10-K of Core Laboratories N.V. (the "Registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 16, 2007

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

Exhibit 32.1

Certification By

David M. Demshur, Chief Executive Officer

of Core Laboratories N.V.

Pursuant to 18 U.S.C. Section 1350

I, David M. Demshur, Chief Executive Officer of Core Laboratories N.V. (the "Company"), hereby certify that the accompanying Annual Report on Form 10-K for the year ended December 31, 2005, filed by the Company with the Securities and Exchange Commission on the date hereof fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (the "Report").

I further certify that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ David M. Demshur

Date: February 16, 2007

David M. Demshur
Chief Executive Officer

Exhibit 32.2

Certification By

Richard L. Bergmark, Chief Financial Officer

of Core Laboratories N.V.

Pursuant to 18 U.S.C. Section 1350

I, Richard L. Bergmark, Chief Financial Officer of Core Laboratories N.V. (the "Company"), hereby certify that the accompanying Annual Report on Form 10-K for the year ended December 31, 2005, filed by the Company with the Securities and Exchange Commission on the date hereof fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (the "Report").

I further certify that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 16, 2007

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