

Core Laboratories 2006 Annual Report

Expanding Middle East Operations

Iraq

Kuwait

Arabian
Gulf

Bahrain

Qatar

Saudi Arabia

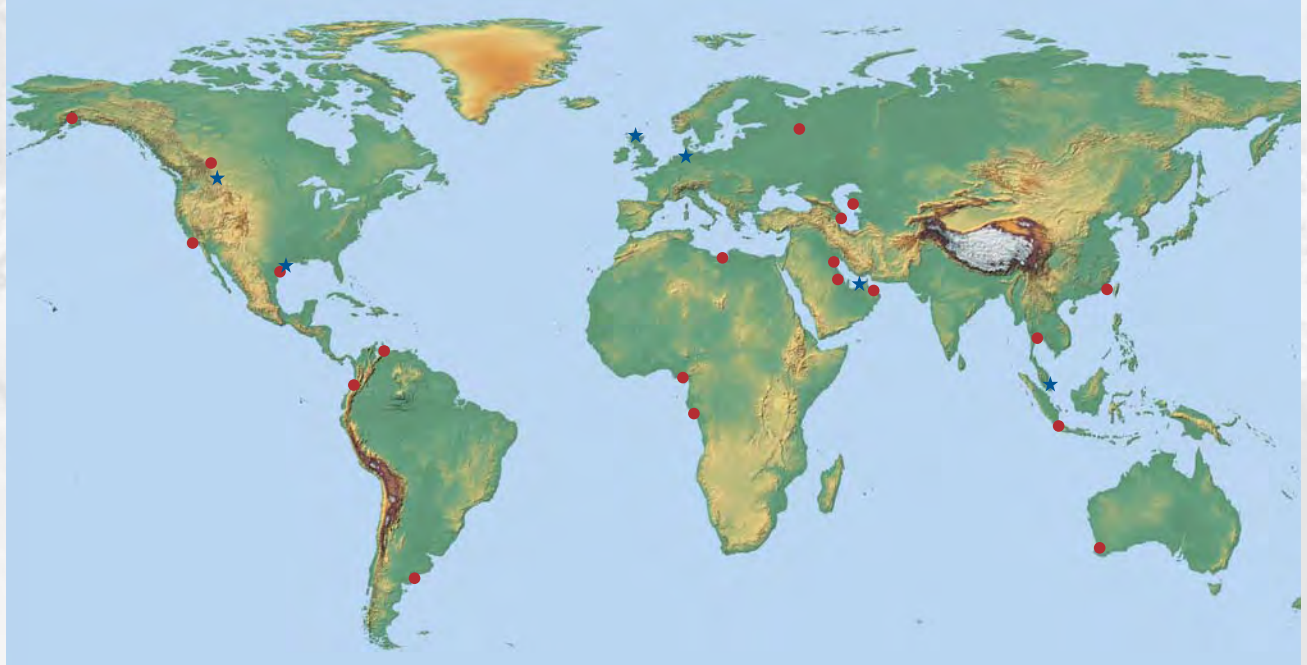
UAE

Oman

Yemen



A Global Presence



- ★ *Advanced Technology Centers*
- *Major Regional Operating Centers*

Core Laboratories is The Reservoir Optimization Company™



Core Lab
RESERVOIR OPTIMIZATION

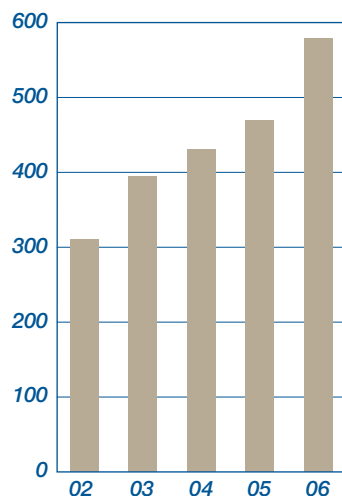
Core Laboratories is a leading provider of proprietary and patented reservoir description, production enhancement, and reservoir management services. These services enable the Company's clients to optimize reservoir performance and maximize hydrocarbon recovery from their producing fields. The Company has over 70 offices in more than 50 countries and is located in every major oil-producing province in the world. The Company provides its services to the world's major, national, and independent oil companies.

Growth Strategies

- Develop new reservoir-optimizing technologies.
- Leverage Core's international office network.
- Acquire complementary technologies.

Record Results from Cutting-Edge Technologies

Revenue
(\$ in millions)

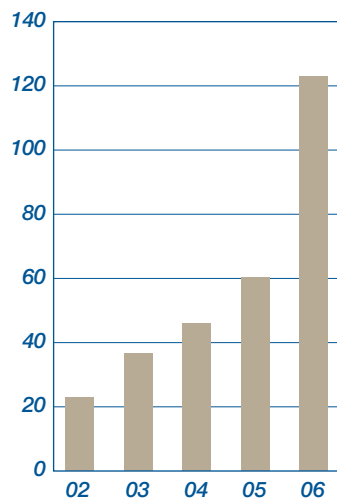


The Record Results

Core Laboratories continues to be a uniquely focused, technologically advanced provider of reservoir optimization services to the global petroleum industry. In 2006, our cutting-edge technologies and associated services were utilized in more oil and natural gas fields around the world than at any other time in Core's 70-plus year history. The increased market acceptance of our recently introduced technologies by the world's largest and most technologically sophisticated petroleum companies produced a record year for Core Laboratories. In 2006, the Company produced all-time annual records for:

- Revenue
- Operating profit
- Cash from operations
- Net income
- Earnings per diluted share
- Return on equity
- Market capitalization

Operating Profit from Continuing Operations
(\$ in millions)



Core Laboratories also generated record amounts of free cash flow, as operating margins and incremental operating margins reached all-time highs. The Company's continued commitment to develop new reservoir-optimizing technologies and to leverage them through our international network of over 70 offices in 50 countries positions Core for further growth in 2007. This is especially the case for Core's Middle East operations, where operators of giant oilfields are challenged to maintain and increase crude oil production to meet increased global demand.

The Cutting-Edge Technologies

Core's reservoir optimization technologies enable our clients to produce more oil and natural gas on a daily basis and to produce more hydrocarbons over the lives of their fields. Moreover, these technologies and associated

services were used increasingly in complementary combinations. In some projects, Core's technical teams integrated large geological, petrophysical, and engineering data sets into regional studies over entire fields and producing regions, enabling oil companies to maximize cash flow from their producing assets.

All three of Core's operating segments benefited from greater market acceptance of, and penetration by, recently introduced reservoir optimization technologies, services, and integrated reservoir studies. Several of the patented and proprietary impact technologies for each of Core's reporting segments are listed below.

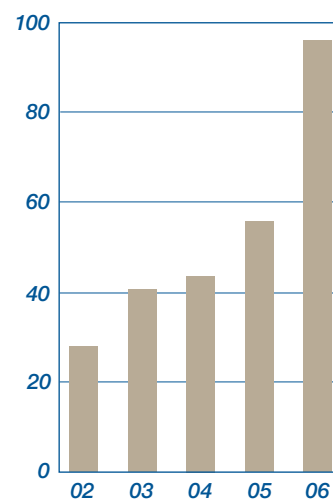
Reservoir Description

Pressurized Fluid Imaging System™ (PFIS) Service – This patented technology utilizes optical scanners to define the high-pressure/high-temperature phase behavior envelope in which pore-plugging asphaltenes could form in the reservoir or production flowlines, thereby limiting hydrocarbon production. The PFIS technology is especially applicable in deepwater producing fields, where reservoir temperatures and the temperatures in the deep-sea flowlines can vary over 400° F.

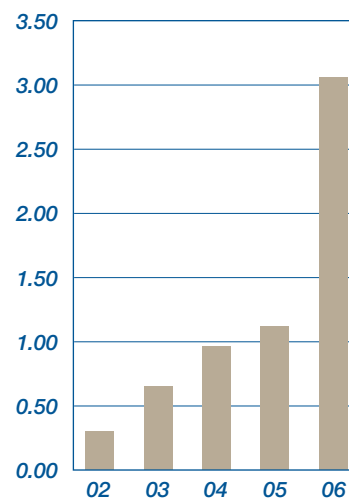
Canadian Oil Sand Technologies – In Canada, Core has introduced client-specific proprietary procedures to determine the salinity of bitumen-carrying water, characterize the types and percentages of swelling clay particulates, and measure the particle size distribution of produced sands. The combination of these proprietary technologies generates data sets that are essential for designing upgraders to maximize bitumen extraction and optimize pipeline size and bitumen/diluent flow in order to minimize scouring of pipe walls.

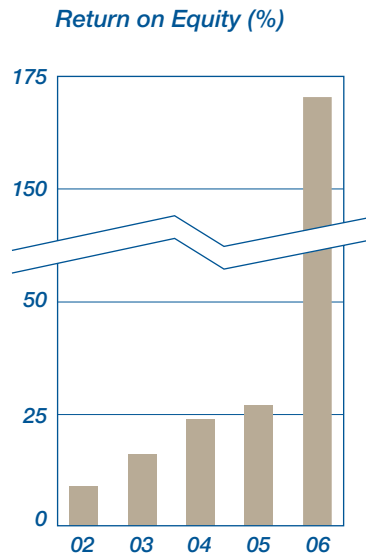
Miscible Gas Floods – Core continues to develop industry-leading miscible gas flood technologies. In miscible gas floods, various combinations of light and heavy hydrocarbon gases, carbon dioxide, and nitrogen are reinjected into aging reservoirs to sweep additional hydrocarbons from them. These

Free Cash Flow from Operations (\$ in millions)



Earnings from Continuing Operations per Diluted Share (\$)





floods have the greatest potential to boost ultimate hydrocarbon recoveries from many of the world's mature and ultra-mature producing fields. Currently, the Company has several active pilot studies underway for aging North Sea and Middle Eastern reservoirs.

Production Enhancement

High Efficiency Reservoir Optimization (HERO™) Perforating Systems – HERO technology, which mitigates formation damage caused by perforating operations, thereby promoting optimal hydrocarbon flow, continues to gain worldwide acceptance. HERO perforating systems were utilized in the Middle East, North Africa, and Asia-Pacific during the year. A technical paper detailing one Asia-Pacific project that utilized HERO technology was presented at the Society of Petroleum Engineers (SPE) Asia-Pacific meeting in September.

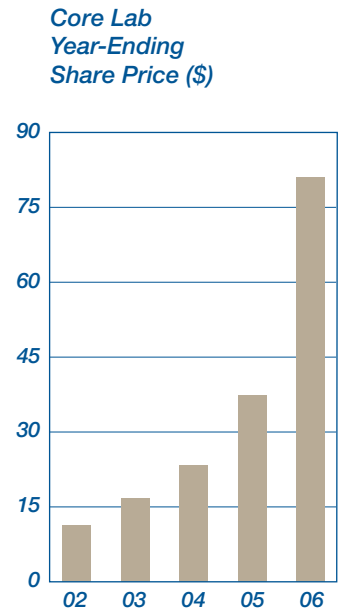
Completion Profiler™ Service – This patented technology enables oil companies to identify production zones that can be optimized using well-bore stimulation techniques. Combined with the Company's SpectraStim™ and SpectraScan™ technologies, the Completion Profiler service can be used to maximize daily hydrocarbon flow and ultimate hydrocarbon recovery from the reservoir.

SpectraFlood™ Tracers – This patented technology utilizes different isomers of a proprietary compound to determine field flood effectiveness by identifying flow barriers and areas of the field that have not been swept by the flooding fluid. One client utilized SpectraFlood technology to identify up to an additional 10 million barrels of recoverable oil.

Reservoir Management

The Reservoir Characteristics and Production Properties of Gas Shales Study – This non-exclusive study has over 40 oil and natural gas company participants. Core samples that are being characterized in the study are from the Barnett, Woodford, Fayetteville, Caney, Floyd, New Albany, Lewis, Mancos, Ohio, Antrim, Pierre, and Bossier plays in the United States and the Colorado and Wilrich plays in Canada. The geological, petrophysical, and geomechanical data sets that are being generated by Core Lab from core samples are mission-critical components of drilling, completion, stimulation, and development programs in the gas shale reservoirs in the study areas.

The Petroleum Geology of Libya Study – This non-exclusive study evaluates the petroleum geology and reservoir potential based on core and cuttings samples from 75-plus wells from the onshore and offshore portions of the Sirte, Murzuq, and Ghadames basins. The study has over 20 participating companies that are interested in establishing production in Libya.



Message from the Executive Team

Core Laboratories and our thousands of shareholders enjoyed another record-setting year in 2006. The Company's execution of our growth strategies continued to be very successful, and we are positioned to help meet the petroleum industry's challenges in 2007. Currently, approximately 80 countries around the world produce about 84,000,000 barrels of oil per day from approximately 4,000 aging fields. These fields have an average natural decline rate of between 2 and 3 percent per year. Therefore, to be able to maintain the current level of daily production, oil companies must add approximately 2,000,000 new barrels of daily production each year. Core Lab's role in meeting the global oil production challenge becomes more important every year.

Over half of the world's daily oil production comes from the world's largest 120 oilfields. Many of these giant oilfields are located in the Middle East region, where Core Laboratories continues its multi-year expansion of locations, services, and technology offerings. Sustaining and increasing production and ultimate recovery from these fields is particularly important because discoveries of giant oilfields anywhere in the world are now rare.

We believe Core Laboratories, with our cutting-edge, reservoir-optimizing technologies and services, will play a critical role in maximizing oil produc-

tion from the Middle East region.

This year's annual report features the importance of the Middle East, the application of Core Lab technologies to optimize reservoir performance, and Core's expansion of operations in the Middle East.

Core Laboratories' laser focus on developing technologies that enable our clients to produce more oil and natural gas on a daily basis and to maximize total hydrocarbon recovery from their fields produced

*David Demshur (seated),
with Monty Davis,
Richard Bergmark,
and John Denson
(standing, left to right).*



record financial results in 2006. New records and the improvements they represent over 2005 – which was also a record year – include:

- Revenue of \$576,000,000 – up 19%
- Operating profit of \$124,000,000 – up 103%
- Net income of \$83,000,000 – up 165%
- Earnings per diluted share of \$3.07 – up 172%
- Cash from operations of \$120,000,000 – up 61%
- Return on equity of 172% – up 504%
- Market capitalization of \$2,015,000,000 – up 92%

All three of Core's operating segments – Reservoir Description, Production Enhancement, and Reservoir Management – established new annual records for revenue and operating profit. Operating margins expanded almost 900 basis points to over 21%, pushing year-over-year incremental margins to almost 70%. Those margins resulted from increased market acceptance for, and further market penetration by, the reservoir-optimizing technologies highlighted in the theme section of this Annual Report.

The Company continued to generate significant amounts of cash from operations and free cash flow. Core's capital expenditure program of \$24,000,000 was only slightly larger than its annual depreciation. Operating activities generated over \$120,000,000 in cash in 2006. Free cash flow, defined as cash flow from operating activities minus capital expenditures, was \$96,000,000. Return on equity, calculated by dividing operating profit by shareholders' equity, rose to 172%.

The Company returned all of its free cash to the owners – our shareholders – through our continued Share Repurchase Program. In addition, the Company issued \$300,000,000 in senior convertible notes in November 2006, the proceeds from which were used to replace higher coupon debt, repurchase additional shares, and for other corporate purposes. The convertible note transaction was immediately accretive to 2006 and full-year projected 2007 earnings per diluted shares.



During 2006 Core returned over \$235,000,000 to our shareholders by repurchasing approximately 3,579,000 shares at an average share price of just over \$65.70. Since the inception of the Share Repurchase Program in October 2002, Core has returned over \$390,000,000 to our shareholders via share repurchases from the Company's free cash flow, sale of a discontinued business, and the convertible note offering. Core has repurchased approximately 13,000,000 shares at an average share price of approximately \$31.00. During the four-plus years of the Company's Share Repurchase Program, the number of outstanding diluted shares has fallen to the current level of just under 25,000,000. Essentially, Core has repurchased 34% of the Company's shares for the benefit of the shareholders over the past four years. Core will seek authorization to repurchase up to 10% of the Company's then-outstanding shares at the upcoming Annual Shareholders Meeting.

Beneficial share ownership among Core's executive and senior management and its Supervisory Board of Directors now exceeds 10%, one of the highest among publicly traded companies in the oilfield services universe, and it aligns Core's management and Board directly with our shareholders. Over the past four years, Core Lab shares have increased in value by 47%, 40%, 60%, and 117%, respectively, placing our share performance near the top of all oilfield services stocks. The Company will continue to explore the best ways to boost shareholder value once again in 2007 as the Board and management of Core remain committed to being the most shareholder-friendly company in the oilfield services universe.

Segment Highlights

Core Laboratories reports financial results under our three operating segments – Reservoir Description, Production Enhancement, and Reservoir Management. The three reporting segments are interrelated, and most large, sophisticated projects on which Core works utilize technology and services from all three segments.

Reservoir Description

Reservoir Description operations reported record levels of revenue, operating profit, and operating margins in 2006. Revenue increased 12% to \$315,000,000; operating profit increased 55% to \$58,000,000; and operating margins expanded over 500 basis points to 18.4%. Revenue growth was driven by the continued expansion of internationally based crude oil-related projects, North American projects related to gas-bearing shale reservoirs, and projects related to Canadian oil-sand developments, among others. Because these projects involve higher levels of recently introduced Reservoir Description services, operating margins expanded to record levels once again.

Reservoir Description services are used to describe the entire reservoir system, which includes the porous and permeable reservoir rock and the three reservoir fluids – crude oil, natural gas, and water – that are present in all the world's oilfields.

Tens of thousands of feet of cored reservoir samples are analyzed in the Company's worldwide network of laboratories. Measurements and calculations are made to determine porosity, permeability, grain density, mineralogy, electrical properties, dynamic flow properties, rock strength, and hundreds of other analytical parameters. Reservoir fluid samples are analyzed for API gravity, sulfur content, hydrocarbon content, BTU value, viscosity, and fluid compatibilities. Crude oils are analyzed for crude oil quality and gasoline content, and many are distilled to quantitatively determine the precise amounts of gasoline, diesel, kerosene, fuel oil, and heavier products that will be produced when an oil is refined. Core's data sets are also used to calculate the value of the crude oil. Other advanced analyses utilize Core's Pressurized Fluid Imaging System™ (PFIS) technology or miscible flood technology to optimize hydrocarbon flow from the reservoir to the surface.

In 2006, the Company analyzed over 30 miles of cored Canadian oil sands. Data sets were used to high-grade the placement of steam injectors and bitumen production wells for Steam-Assisted Gravity Drainage (SAGD) projects and to locate bitumen-rich zones for oil-sand mining operations.



The Company processed thousands of feet of core from offshore West Africa, from which it generated petrophysical, mineralogical, and geological data sets that will help guide field development plans to optimize reservoir performance. Reservoir fluids phase-behavior studies also are being conducted for these offshore West Africa field development projects, and Core's patented PFIS technology is being applied in reservoir flow assurance studies.

During the year, the company continued to analyze tens of thousands of feet of core from gas-bearing shale reservoirs. The miles of core samples represent numerous proprietary studies for individual clients, as well as reservoir intervals being analyzed for the Company's industry-wide *Reservoir Characteristics and Production Properties of Gas Shales* study. Initial petrophysical, mineralogical, geological, and geomechanical data sets from the Barnett, Fayetteville, Woodford, Lewis, Antrim, Ohio, and New Albany formations, among others, clearly indicate significant difference in reservoir properties. Therefore, procedures to effectively and efficiently drill, complete, and most importantly, stimulate gas-shale reservoirs will differ significantly in each individual shale reservoir. Over forty companies are participating in Core's *Gas Shales* study.



Production Enhancement

Production Enhancement operations posted record levels of revenue, operating profit, and operating margins in 2006. Revenue increased 27% to \$223,000,000; operating profit increased 89% to \$57,000,000; and operating margins expanded 800 basis points to 26%. The results reflect the growing market acceptance of cutting-edge, reservoir-optimizing technologies, services, and products introduced by Core.

Production Enhancement services and products are used to increase the daily production of hydrocarbons and to maximize ultimate hydrocarbon recovery from our clients' producing fields.

Demand for Core's patented fracture stimulation diagnostic technology is at an all-time high. SpectraScan™ and SpectraStim™ services are utilized to determine the effectiveness of multi-zoned reservoir fracture stimulation

programs. These patented technologies indicate zones that have not been hydraulically fractured or have been understimulated and are yielding less than optimal hydrocarbon flow. Statistically, Core has determined that only one in three multi-zoned reservoir stimulation programs performs as planned. There is growing client recognition that fracture diagnostic technology is a necessity for optimizing hydrocarbon production.

Core's High Efficiency Reservoir Optimization (HERO™) perforating charges remained in high demand domestically, while penetration into international markets rose. HERO charges continued to be exported to Asia-Pacific, North Africa, Middle East, and European markets. The successful introduction of HERO charges to the North American marketplace is being mirrored on an international scale. Core Lab engineers have identified hundreds of hydrocarbon reservoirs outside of North America in which HERO charges can mitigate formation damage during perforation, thereby helping to maximize hydrocarbon flow and ultimate recovery.



Reservoir Management

Reservoir Management operations reported record levels of revenue, operating profit, and operating margins in 2006. Revenue increased 41% to \$38,000,000; operating profit increased over 100% to \$8,400,000; and operating margins expanded over 700 basis points to 22%.

Core's geological, petrophysical, and engineering teams continued to develop regional reservoir studies, utilizing data from thousands of feet of cored intervals. Two of these studies, *Reservoir Characteristics and Production Properties of Gas Shales* and *Geophysical, Petrophysical and Geomechanical Properties of Tight Gas Sand Reservoirs*, have generated more industry support and participation than any other studies in Company history.



The focus of another regional reservoir project, first detailed by Core in its Third Quarter 2004 Earnings Release, recently drew attention as significant oil discoveries were made in the deepwater Gulf of Mexico. The Company's *Eocene/Paleocene Provenance Study of the Gulf of Mexico* was recommended and commissioned by Core's deepwater geology team over three years ago. The project received strong support from 15 technologically sophisticated exploration and production companies evaluating lower Tertiary reservoir potential in deepwater.

Petrophysical, sedimentological, and mineralogical data sets from over 5,000 feet of conventional core and hundreds of rotary sidewall core samples from 24 onshore and 8 offshore wells have been used to project reservoir quality for deep-shelf and deepwater Eocene/Paleocene targets. Additionally, outcrop samples from Mexico were examined to determine if lower Tertiary sands were also sourced from Mexican highlands. Recent deepwater discoveries in the Mississippi fan and Perdido fold belts in the Alaminos Canyon and Walker Ridge blocks provide evidence of abundant Eocene/Paleocene potential in a wide area of the deepwater Gulf of Mexico.

Bright Future

Core Laboratories' keen focus on providing technologies and services to help our clients produce incremental hydrocarbons from their producing fields has led to another record year for the Company and has brought our market capitalization level at year's end to over \$2,000,000,000 for the first time.

As the demand for hydrocarbons continues to grow, we could not be better positioned. Core Laboratories – the oilfield leader in providing reservoir optimization technologies and services – will be relied on to help companies produce more crude oil and natural gas from existing fields. Opportunities abound, and there is no better region in which to apply Core's technologies than the giant oilfields in the Middle East, as detailed in the theme portion of this year's Annual Report.

Expanding Middle East Operations

Core Laboratories established a small core analysis laboratory in Saudi Arabia back in 1950, as the Company recognized the global importance the Middle East region would have in future oil and natural gas production. Today, Core has expanded its Middle East operations to include eight key locations in six Middle East countries. The Company is currently at mid-point in a multi-year expansion of laboratories, operating facilities, technologies, and service and product offerings. Core's multi-year effort will allow the Company to provide enhanced support to our clients in the most important hydrocarbon-producing province in the world.

This year we profile the Middle East, its petroleum geology, and the difficult challenges it faces to increase, or even maintain, daily crude oil and natural gas production. The report will also detail Core's multi-year expansion in the Middle East region and our cutting-edge technologies, services, and products that enable our clients to optimize reservoir performance.

The Petroleum Geology of the Middle East

Core Laboratories is playing a critical role in helping Middle Eastern national oil companies produce more hydrocarbons every day and maximize the ultimate recovery from their producing fields. In 2006, the world's recoverable crude oil reserves were estimated to range between 900 billion and 1 trillion barrels. The majority of these reserves – 500 to 600 billion barrels – are thought to exist in the Middle East region, where the petroleum geology is perfect for major oil accumulations. There are five geological factors necessary to form major, giant, and supergiant oilfields. The Middle East contains all of them, and most are, by far, the best in the world. Those geologic factors are:

1. Prolific, organic-rich hydrocarbon source rocks (rocks that generate, but do not store, hydrocarbons)
2. Porous and permeable reservoir rocks (rocks that have sufficient pore space to hold hydrocarbons and sufficient pore interconnectedness to allow hydrocarbon flow)

Years Ago (MM)	Age	Formation	Lithology	Rock Type	
65	Paleocene-Eocene	Dammam		Dolomite	Reservoirs and Seals
		Rus		Shale	
		Rudhuma		Anhydrite	
100	Upper Cretaceous			Dolomite	
		Aruma		Limestone	
		Bahra		Shale	
150	Middle Cretaceous	Gudair		Limestone	
		Mishrif		Shale	
		Ahmadi		Limestone	
		Mauddud		Shale	
		Safaniya		Limestone	
200	Early Cretaceous	Kafji		Sandstone	
		Shuaiba		Shale	
		Zubar		Sandstone	
250	Jurassic			Sandstone	
		Arab		Limestone	
		Hanifa		Argillaceous Shale	Source
200	Triassic	Izhara		Limestone	Reservoir
		Minjur		Shale	
250	Permian	Sudair		Unconformity	
		Khuff		Anhydrite	
				Limestone	

Figure 1

3. Non-permeable reservoir-sealing rocks (rocks through which hydrocarbons cannot flow)
4. Proper geologic history to generate and preserve large quantities of hydrocarbons
5. Structural features to trap commercial accumulations of hydrocarbons (faults and rocks that form non-permeable reservoir seals)

As shown in Figure 1, which is the stratigraphic column for the Middle East, the entire region is underlain by a prolific, organic-rich shale that has sourced hundreds of billions of barrels of oil. The Jurassic-aged Hanifa shale contains significant quantities of ancient sea algal material or kerogen. Over geologic time, and in response to heat from burial, the Hanifa shale acted as one of the world's best source rocks for oil.

The stratigraphic column also shows the presence of world-class reservoir rocks. The extremely porous and permeable limestones, dolomites, and sandstones of the Permian, Jurassic, and Cretaceous ages were charged with the hundreds of billions of barrels of oil generated by the Hanifa source rocks. Some of the world's best petroleum reservoirs are found in the Permian Khuff, Jurassic Arab, and

Cretaceous Zubar, Kafji, and Safaniya formations. These great reservoirs were sealed with extensive formations of non-permeable anhydrites and evaporites that are present throughout the Middle East.

Geological movements over the past 250 million years, in combination with preexisting basement features below which hydrocarbons could not accumulate, provided the exact sequence of burial and formation movement to generate large structural features that trapped extremely large quantities of crude oil and natural gas. This “perfect” petroleum geology resulted in some of the largest accumulations of oil in the world.

Middle East Fields

The following fold-out map identifies 44 major, giant, and supergiant oilfields and one supergiant natural gas field. Field sizes are normally classified by total recoverable reserves and daily productive capacity. Although these parameters can vary from region to region, Core used the following parameters to classify the Middle East fields:

<i>Category</i>	<i>Recoverable Reserves</i>	<i>Daily Production</i>
Major	200 – 500 million barrels	50,000 – 100,000 barrels
Giant	Over 500 million barrels	Over 100,000 barrels
Supergiant (oil)	Over 5 billion barrels	Over 1,000,000 barrels
Supergiant (natural gas)	Over 4 trillion cubic feet	Multiple billions of cubic feet

Field classification in the Middle East is complex because many companies and national oil companies do not release individual field statistics. Core’s classifications are estimated based on information available from the technical literature, the *2006 International Petroleum Encyclopedia*, the *Oil and Gas Journal*, and various other publicly available information sources. The map clearly illustrates the vastness of the petroleum-rich Middle East province.

The region contains three supergiant oilfields – each containing tens of billions of barrels of recoverable crude oil. The most impressive field is Saudi Arabia’s Ghawar complex, which stretches 170 miles in length and 15 miles in width. It is the world’s largest oilfield, and as reported in industry technical papers, it is believed to still be producing about 5 million barrels of oil per day from the Arab formation limestone reservoirs.

The Burgan field in Kuwait and the Kirkuk field in Iraq, both with reserves in the tens of billions of barrels, rank among the largest oilfields ever discovered. Dozens of giant oilfields – some which may have supergiant status – are products of the region’s perfect petroleum geology.

Although the Middle East is the world’s largest and richest petroleum province, the producing fields are not exempt from the laws of physics or prudent petroleum engineering practices. Ever-declining production rates and increasing water production rates, problems common to all the giant and supergiant oilfields in the world, present opportunities for Core Laboratories. Core believes that long-term annual decline rates for Middle Eastern limestone and dolomite reservoirs, or carbonate reservoirs, are now approximately 1.75%, up from 1.5% several years ago. Now, more than ever, Core’s cutting-edge, reservoir-optimizing technologies, services, and products are required by the Middle East producers to maintain or increase daily hydrocarbon flow and maximize hydrocarbon recovery from their fields.

Core Lab Offices

Core Laboratories serves Middle East clients from a network of eight offices in six countries. The Company has added locations and laboratories, expanded existing locations, and added mobile labs to better meet client requirements in the region. Although Core does not have a fixed location in Iraq presently, our opportunities there have been addressed successfully by other regional offices in the Middle East.



Bai Hassan
Kirkuk
West Tikrit
East Baghdad

West Quma
Ar Ralawi
Rumailia North
Rumailia South
Al-Zubair
Sabriya
Raudhatain
Minagish
Abu Khairnah

KUWAIT

Burgan
Marjan
Safaniyah
Zuluf
Manifa
Abu Hadriyah
Khursaniyah
Berri
Jalad
Fadhili
Qatif

BAHRAIN

QATAR

North Field

SAUDI ARABIA

Idd Ed Sharadi
Umm-Shaif Zakum
Ghasha
Bab
Bu Hasa

UAE

Fatih
Jaim Yaphour
Asab

OMAN

Daleel
Saih Nihayda
Sahmah
Shuwaihat
Nimr

YEMEN

Core Lab Middle East Offices

Core's largest office in the region is an Advanced Technology Center in Abu Dhabi. This location offers Reservoir Description and Production Enhancement services and supports Reservoir Management operations. Currently, the Reservoir Description laboratory is upgrading its capability to process more core footage and is adding sophisticated advanced rock properties study capabilities. The reservoir fluids laboratory recently relocated to larger facilities in order to handle higher-volume jobs, including technologically complex enhanced oil recovery projects. Capabilities in reservoir geology have also been expanded to offer a full suite of services, including core layout, description, sampling, and photography.

Core Lab Saudi Arabia offers Reservoir Description services and support for Production Enhancement and Reservoir Management operations. The new facility is undergoing rapid expansion and is receiving instrumentation for rock properties and advanced rock properties studies. A full-scale reservoir fluids lab for phase behavior studies of oil and condensates is under consideration. Our expansion parallels the increased emphasis Saudi Aramco has placed on increasing the country's productive capacity. Core also offers crude oil testing and characterization, which are essential to valuation of crude oil and its derived products for export. Core's expansion in Saudi will continue well into 2007, and the Company anticipates many years of increasing workload from Saudi Aramco.



Core Lab Qatar offers Reservoir Description services and support for Production Enhancement and Reservoir Management operations. This operation has been expanded significantly over the past six months as the Company initiated projects associated with the supergiant North Field, one of the world's largest accumulations of natural gas. Core has a fixed laboratory facility near Doha and has placed four mobile reservoir fluids laboratories strategically across the field.

Core has also held discussions with Qatari officials about establishing a research facility and office in the Qatar Science and Technology Park (QSTP). The QSTP is an emerging high-tech

facility for the study and research of petroleum systems and the optimization of petroleum reservoir performance. Core believes that the Company, our clients, and the country of Qatar would benefit from Core's participation in the QSTP.

Core Lab Kuwait offers Reservoir Description services and support for Production Enhancement and Reservoir Management operations. The Kuwait office offers core analyses, reservoir geology, and reservoir fluids characterization services and recently upgraded equipment and instrumentation to handle larger work loads. Kuwait is a large exporter of crude oil, and there is steady demand for Core's crude oil characterization and crude oil testing services.

Core's offices in Bahrain, Dubai, and Fujairah also offer Reservoir Description services and support for Production Enhancement and Reservoir Management operations. These labs characterize crude oils for API gravity, sulfur content, asphaltene content, and many other parameters. In addition, crude oil distillations are used to fractionate the crude into its derived products. The distillations are used to value the crude oil for export from the region to consuming countries in Asia-Pacific, Europe, and the Western Hemisphere.

Core Lab Oman offers Reservoir Description and Production Enhancement services and products, support for Reservoir Management operations, and crude oil testing and analytical services.

Core Oman's Production Enhancement product and service offerings have been expanded to include the High Efficiency Reservoir Optimization (HERO™) perforating charges and gun systems. In addition, Core Oman has successfully introduced products and services used to isolate and shut off water producing zones to the Middle East region.

Core's patented SpectraFlood™ technology has recently been applied to monitor several large field floods in Abu Dhabi, and ZeroWash™ tracers and SpectraScan™ services were used in a five-well project in Oman.



Selected Middle East Projects

Reservoir Description

The majority of Core's projects in the Middle East region are performed by Reservoir Description operations. These projects vary in scope from describing thousands of feet of cored reservoir intervals to analyzing crude oil samples for their hydrocarbon content to determine what the value of the oil and its derived products will be after refining.

Many Reservoir Description projects lead to a better understanding of the dynamics of the petroleum system of a field or sedimentary basin and enable a producing company to increase daily hydrocarbon production while maximizing ultimate hydrocarbon recovery.

In Kuwait, Core Lab geologists and sedimentologists were charged with describing over 4,000 feet of cored reservoir intervals. Core's scientists described macro-sedimentary and diagenetic features such as those seen in Figure 3. This carbonate core is a one-foot section of a reservoir zone similar to many Middle Eastern limestone reservoirs, showing many fossils. The vugs, or holes in the core, are diagenetic features that formed after deposition in



Figure 3

response to heat and pressure from burial over geologic time. These vugs give the reservoir rock additional storage capacity and enable large volumes of fluid to flow through the reservoir to the wellbore. The high quality of many Middle East carbonate reservoirs is tied directly to the vugginess of their rocks.

Core Lab scientists also examined the cores from this reservoir on a microscopic scale. Figure 4 is a photomicrograph of a wafer-thin slice of rock from the reservoir, at a 100-time magnification, showing the microfossils and microfossil fragments that make up the carbonate reservoir. Because carbonate minerals are easily altered by diagenetic processes, vugs that improve reservoir quality are quite common and extensive.

Based on Core Lab's descriptions of the macro and micro properties of the cores, the oil company is able to take actions to optimize hydrocarbon flow.

In several other Reservoir Description projects, Core's engineers designed and tested dynamic flow tests, at in situ reservoir temperature and pressure conditions, injecting various combinations of carbon dioxide, nitrogen, and light and heavy hydrocarbon gases into cored reservoir intervals from the field. This process is illustrated in Figure 5. The dynamic flow tests are used to determine the optimal combination of flooding gases that yield the highest amounts of additional oil. These tests are then scaled to field-wide conditions to determine where and how rapidly the miscible gas combinations should be injected.

Core Lab is the industry leader in miscible gas field flood technology. As detailed in the Production Enhancement segment which follows, Core used its patented and proprietary SpectraFlood technology to monitor the effectiveness and efficiency of the entire field flood.

Production Enhancement

The demand for Core's Production Enhancement technologies, services, and products is growing rapidly in the Middle East region. As described above, several pilot-test projects for miscible gas field floods were performed

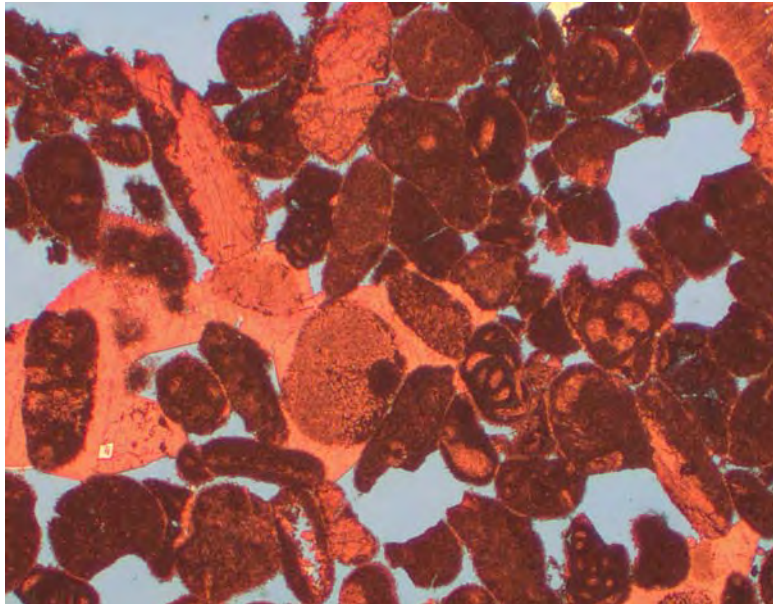


Figure 4



Figure 5

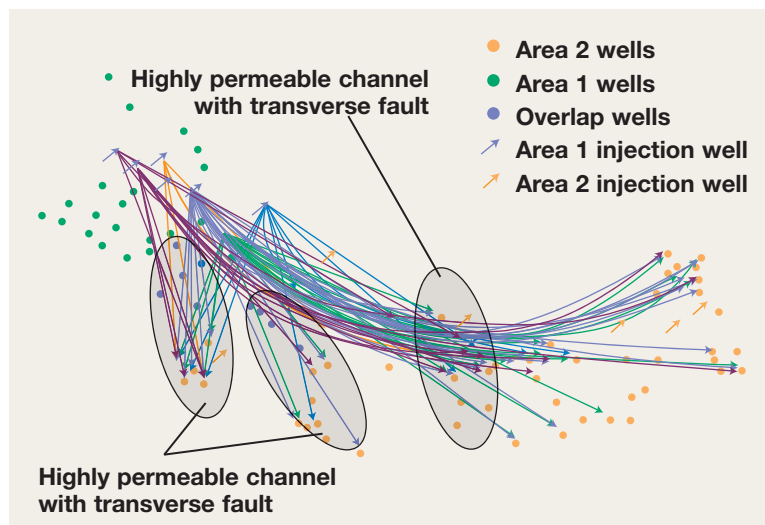


Figure 6

and then scaled up for field-wide application. It had always been difficult to determine the effectiveness of field floods over time because of the heterogeneous nature of reservoir rocks. Core Lab engineers provided an enabling solution when they developed SpectraFlood technology.

Figure 6 shows a field, in plan view, being flooded from the west, pushing oil to the east. SpectraFlood tracers, isomers of a proprietary compound among other tracing agents, are injected along with

the flooding agent. Core Lab scientists then constantly sample fluids from producing wells throughout the field. For a long period, usually many years, the tracers provide reliable indication of the paths along which oil is swept to producing wells. Areas that are not being swept by the flooding agent are mapped, and injection wells are moved or moderated to ensure the entire field is being swept efficiently with the flooding agent.

Core Laboratories HERO charges and perforating gun systems are also in demand in the Middle East region. Although originally designed for shallow-to medium-depth, hard-rock, natural-gas wells, the charges are proving very effective for well completions in Middle East carbonate reservoirs. From Production Enhancement's regional base in Muscat, Oman, Core's completion engineers recently designed a recompletion of wells for a field in southern Iraq. Approximately 20,000 HERO charges were used in Core's patented Shogun™ perforating system. The charges, which mitigate formation damage, allow superior flow of hydrocarbons from the reservoir into the wellbore. Figure 7 illustrates the difference between the flow tunnels made with conventional low-tech charges and those created with Core's high-tech HERO charges. Conventional charges throw off reservoir-damaging slugs of metal debris, while the HERO charge, using patented powdered metal technology, leaves a clean and relatively undamaged flow tunnel. This promotes greater

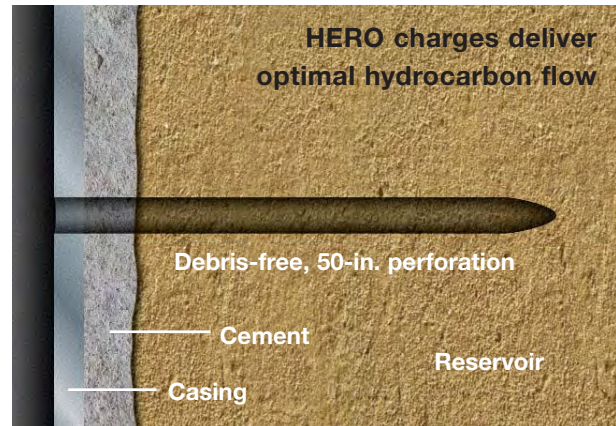
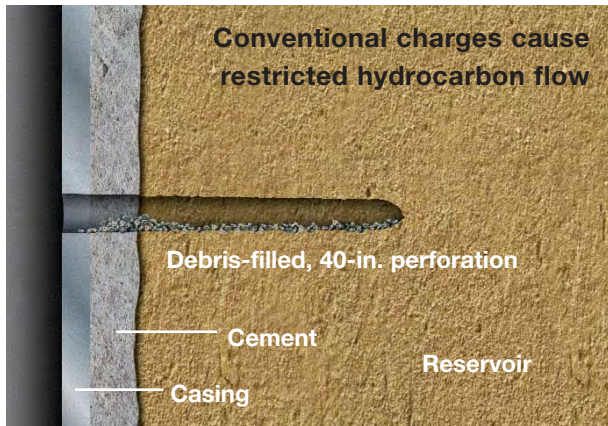


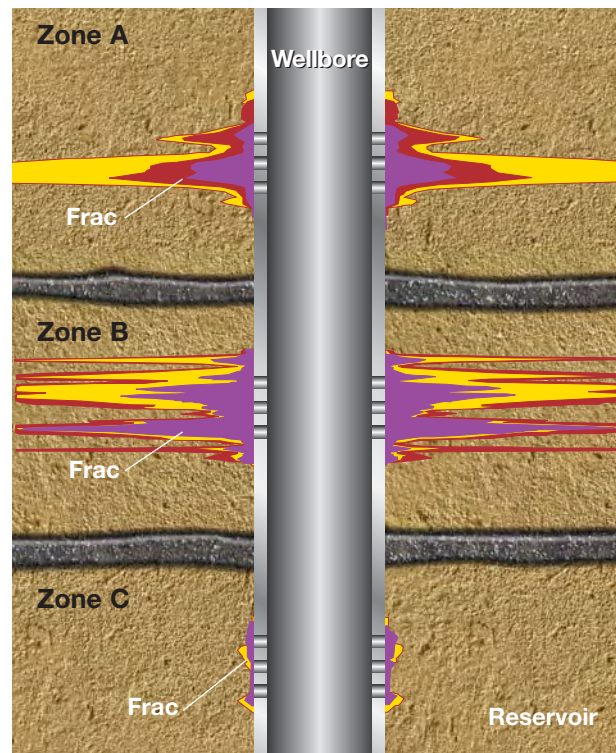
Figure 7

initial hydrocarbon flow and greater ultimate recovery from the reservoir.

As Iraqi field operations begin to expand, we believe Core will play a critical role in advancing Iraqi oil production.

Core Lab Middle East completion engineers were also active in Oman. In one project, a total of 18 frac stages were performed in a five-well cluster. Core's ZeroWash tracers were used in combination with the Company's SpectraScan imaging technology to ensure that all potential producing zones received stimulating proppant. Figure 8 illustrates that Zones A and B were effectively stimulated, while Zone C was not stimulated at all. SpectraScan technology would clearly show the oil company that another frac was needed to stimulate Zone C, and that would enable optimized production from the entire reservoir.

Figure 8



Reservoir Management

Geologists, sedimentologists, petrologists, and petrophysicists from Core's Reservoir Management operations have been commissioned to develop a country-wide petrophysical rock catalog for the Kuwait Oil Company (KOC). KOC is a very technologically sophisticated client who plans to use the rock catalog to:

- improve pay-zone recognition
- improve the accuracy of reserve estimates
- identify underperforming reservoirs
- identify reservoirs for enhanced recovery
- examine deep natural gas potential



Figure 9

The catalog will be constructed using cores and cuttings samples from all producing fields and zones in Kuwait, including the supergiant Burgan field.

Figure 9 shows a thin-section photomicrograph of a prolific sandstone from a Middle Eastern supergiant field that has produced billions of barrels of oil.

Cores from other giant fields in Kuwait (Figure 10), including Minagish, Raudhatain, and Sabriya, will be characterized in the catalog that will help KOC boost

oil production from its existing fields. The forward-looking management of KOC is also having Core scientists characterize deep reservoir sequences for natural gas potential. Permian-aged rock sequences, approximately 250 million years old and known as the Khuff formation, may have abundant potential to produce natural gas.

Core Lab and the Middle East

Core Laboratories is at the midpoint of a multi-year expansion of locations, operations, technologies, services, and product offerings in the Middle East region. We believe the Company will play a critical role in enabling Middle

East producers to maintain, or even increase, the daily production rates needed to meet the increasing global demand for hydrocarbons.

Although the region hosts some of the largest oilfields in the world, the fields are not exempt from the laws of physics or prudent petroleum engineering practices. Opportunities abound, and Core Lab's cutting-edge reservoir optimization technologies will play a critical role in optimizing the producing potential of Middle East oilfields. Core has never been better positioned to meet tomorrow's technical challenges, and that portends another great year in 2007.

Figure 10



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

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2006

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 or 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

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

<u>Title of each class</u>	<u>Name of exchange on which registered</u>
Common Shares, EUR 0.04 Par Value Per Share	New York Stock Exchange

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

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

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

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 No

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

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

Large accelerated filer Accelerated filer Non-accelerated filer

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

As of June 30, 2006, the number of common shares outstanding was 25,404,159. At that date, the aggregate market value of common shares held by non-affiliates of the registrant was approximately \$1,462,007,068.

As of February 16, 2007, the number of common shares outstanding was 23,132,097.

DOCUMENTS INCORPORATED BY REFERENCE

DOCUMENT

1. Proxy statement to be filed pursuant to Regulation 14A under the Securities Exchange Act of 1934 with respect to the 2006 annual meeting of shareholders

Part of 10-K

PART III

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PART I

ITEM 1. BUSINESS

General

Core Laboratories N.V. is a Netherlands limited liability company. We were established in 1936 and are one of the world's leading providers of proprietary and patented reservoir description, production enhancement and reservoir management services to the oil and gas industry. These products and services are directed toward enabling our clients to improve reservoir performance and increase oil and gas recovery from their producing fields. We have over 70 offices in more than 50 countries and have approximately 4,600 employees.

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

Business Strategy

Our business strategy is to provide advanced technologies that improve reservoir performance by (i) continuing the development of proprietary technologies through client-driven research and development, (ii) expanding the services and products offered throughout our global network of offices and (iii) acquiring complementary technologies that add key technologies or market presence and enhance existing products and services.

Development of New Technologies, Services and Products

We conduct research and development to meet the needs of our clients who are continually seeking new services and technologies to lower their costs of finding, developing and producing oil and gas. While the aggregate number of wells being drilled per year has fluctuated relative to market conditions, oil and gas producers have, on a proportional basis, increased expenditures on technology services to improve their understanding of the reservoir and increase production of oil and gas from their producing fields. We intend to continue concentrating our efforts on services and technologies that improve reservoir performance and increase oil and gas recovery.

International Expansion of Services and Products

Another component of our business strategy is to broaden the spectrum of services and products offered to our clients on a global basis. We intend to continue using our worldwide network of offices to offer many of our new services and products that have been developed internally or obtained through acquisitions. This allows us to enhance our revenues through efficient utilization of our worldwide network.

Acquisitions

We continually review potential acquisitions to add key services and technologies, enhance market presence or complement existing businesses.

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

Operations

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

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

- *Reservoir Description*: Encompasses the characterization of petroleum reservoir rock, fluid and gas samples. We provide analytical and field services to characterize properties of crude oil and petroleum products to the oil and gas industry.

Core Laboratories N. V. Form 10-K

- *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.

We offer our services worldwide through our global network of offices. Services accounted for approximately 75%, 76% and 77% of our revenues from operations for the years ended December 31, 2006, 2005 and 2004, respectively.

We manufacture products primarily in four facilities for distribution on a global basis. Product sales, generated principally in our Production Enhancement segment, accounted for approximately 25%, 24% and 23% of our revenues from operations for the years ended December 31, 2006, 2005 and 2004, respectively.

Our product sales backlog at December 31, 2006 was approximately \$23.6 million compared to \$8.8 million at December 31, 2005. Sources of raw material are readily available and our sales backlog should be completed in 2007.

Reservoir Description

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

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

Production Enhancement

We produce data to describe a reservoir system that is used to enhance oil and gas production so that it will exceed the average oilfield recovery factor, which is approximately 40%. Two production enhancement methods commonly used are (i) hydraulic fracturing of the reservoir rock to improve flow and (ii) flooding a reservoir with water, carbon dioxide, nitrogen or hydrocarbon gases to force more oil and gas to the wellbore. Many oilfields today are hydraulically fractured and flooded to maximize oil and gas recovery. Our services and technologies play a key role in the success of both methods.

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

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

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

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

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

In addition to our many patented reservoir analysis technologies, we have established ourselves as a global leader in the manufacture and distribution of high-performance perforating products. Our unique understanding of complex reservoirs supports our ability to supply perforating systems engineered to maximize well productivity by reducing, eliminating and overcoming formation damage caused during the completion of oil and gas wells. Our “systems” approach to the perforating of an oil or gas well has resulted in numerous patented products. Our HEROTM perforating system has quickly become an industry leader in enhancing reservoir performance. Our manufacturing operations in the United States and Canada continue to meet the global demand for our perforating systems through facility expansion in addition to gains in efficiency and productivity.

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

Reservoir Management

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

These projects are of increasing importance to oil companies as the incremental barrel is often the lowest cost and most profitable barrel in the reservoir. Producing incremental barrels increases our clients’ cash flows which we believe will result in additional capital expenditures by our clients, and ultimately further opportunities for us. We also develop and provide industry consortium studies to provide critical reservoir information to a broad spectrum of clients in a cost effective manner.

Marketing and Sales

We market and sell our services and products through a combination of print advertising, technical seminars, trade shows and sales representatives. Direct sales and marketing are carried out by our sales force, technical experts and operating managers, as well as by sales representatives and distributors in various markets where we do not have offices.

Research and Development

The market for our products and services is characterized by changing technology and frequent product introduction. As a result, our success is dependent upon our ability to develop or acquire new products and services on a cost-effective basis and to introduce them into the marketplace in a timely manner. Many of our acquisitions have allowed us to obtain the benefits of the acquired company's research and development projects without the significant costs that would have been incurred if we had attempted to develop the products and services ourselves. Research and development expenditures are charged to expense as incurred. We intend to continue committing substantial financial resources and effort to the development and acquisition of new products and services. Over the years, we have made a number of technological advances, including the development of key technologies utilized in our operations. Substantially all of the new technologies have resulted from requests and guidance from our clients, particularly major oil companies. While we have acquired many of our new technologies, we incur expenses relating to our ongoing research and development program.

Patents and Trademarks

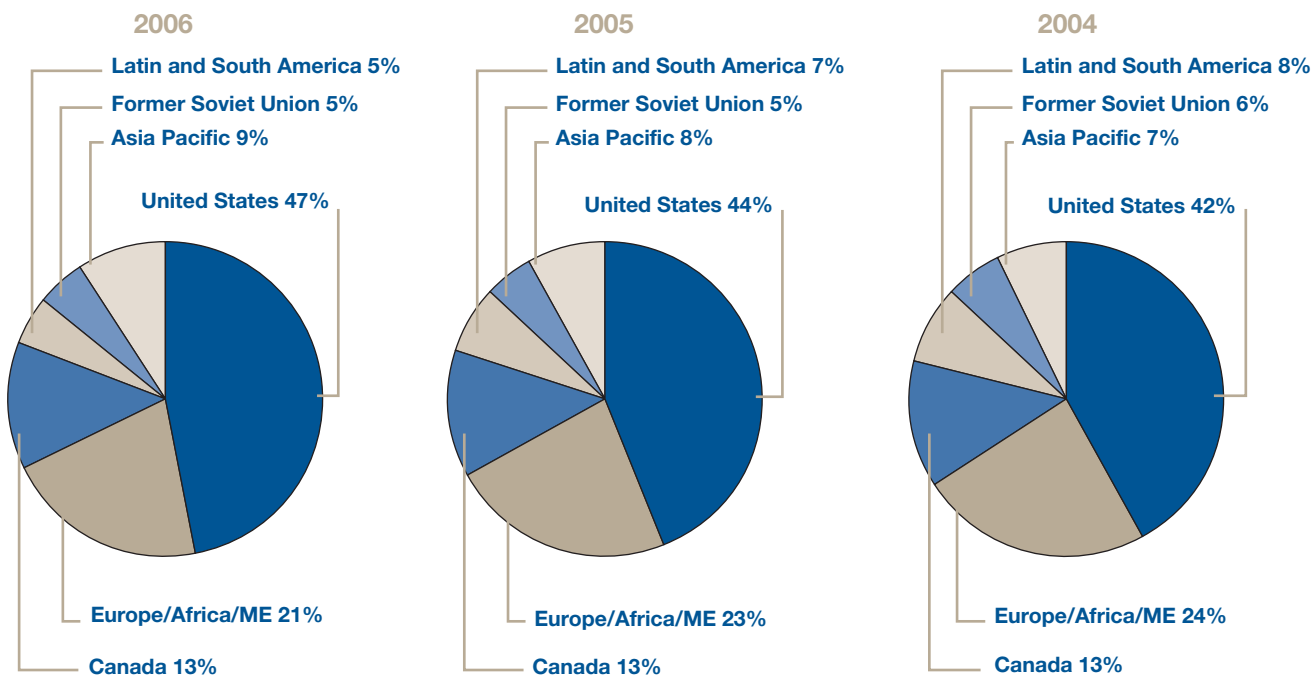
We believe our patents, trademarks and other intellectual property rights are an important factor in maintaining our technological advantage, although no one patent is considered essential to our success. Typically, we will seek to protect our intellectual technology in all jurisdictions where we believe the cost of such protection is warranted. While we have patented some of our key technologies, we do not patent all of our proprietary technology even where regarded as patentable. In addition to patents, in many instances we protect our trade secrets through confidentiality agreements with our employees and our clients.

International Operations

We operate facilities in more than 50 countries. Our non-U.S. operations accounted for approximately 53%, 56% and 58% of our revenues from operations during the years ended December 31, 2006, 2005 and 2004, respectively. Significant levels of our revenues in the U.S. are generated by projects on oilfields which are located outside the U.S.

While we are subject to fluctuations and changes in currency exchange rates relating to our international operations, we attempt to limit our exposure to foreign currency fluctuations by limiting the amount in which our foreign contracts are denominated in a currency other than the U.S. dollar to an amount generally equal to the expenses expected to be incurred in such foreign currency. However, the ultimate decision as to the proportion of the foreign currency component within a contract usually resides with our clients. Consequently, we are not able to always match our currency exposure. We have not historically engaged in and are not currently engaged in any significant hedging or currency trading transactions designed to compensate for adverse currency fluctuations. The following graphs summarize our revenues by geographic region for the years ended December 31, 2006, 2005 and 2004:

Geographic Breakdown of Revenues



Environmental Regulation

We are subject to stringent governmental laws and regulations pertaining to protection of the environment and the manner in which chemicals and gases used in our analytical and manufacturing processes are handled and disposed. Consistent with our quality assurance and control principles, we have established proactive environmental policies for the management of these chemicals and gases as well as the handling and disposal of wastes resulting from our operations. Compliance with these laws and regulations may require the acquisition of permits for regulated activities, capital expenditures to limit or prevent emissions and discharges, and special precautions for disposal of certain wastes. Failure to comply with these laws and regulations may result in the assessment of administrative, civil and criminal penalties, the imposition of remedial obligations, and even the issuance of injunctive relief. Changes in environmental laws and regulations occur frequently, and any changes that result in more stringent and costly waste handling, disposal or cleanup requirements have the potential to have a material adverse effect on our operations and financial position.

Our analytical and manufacturing processes involve the handling and use of numerous chemicals and gases as well as the generation of wastes. Spills or releases of these chemicals, gases, and wastes at our facilities or at offsite locations where they are transported for disposal could subject us to environmental liability, which may be strict, joint and several, for the costs of cleaning up chemicals and wastes released into the environment and for damages to natural resources, and it is not uncommon for neighboring landowners and other third parties to file claims for personal injury and property damage allegedly caused by such spills or releases. Under such laws, we could be required to remove previously disposed wastes, remediate environmental contamination, and undertake measures to prevent future contamination. While we believe that we are in substantial compliance with current applicable environmental laws and regulations and that continued compliance with existing requirements will not have a material adverse impact on us, we cannot give any assurance that this trend will continue in the future.

Competition

The businesses in which we engage are competitive. Some of our competitors are divisions or subsidiaries of companies that are larger and have greater financial and other resources than we have. While no one company competes with us in all of our product and service lines, we face competition in these lines, primarily from independent regional companies. We compete in different product and service lines to various degrees on the basis of price, technical performance, availability, quality and technical support. Our ability to compete successfully depends on elements both within and outside of our control, including successful and timely development of new products and services, performance and quality, client service, pricing, industry trends and general economic trends.

Reliance on the Oil and Gas Industry

Our business and operations are substantially dependent upon the condition of the global oil and gas industry. Future downturns in the oil and gas industry, or in the oilfield services business, may have a material adverse effect on our financial position, results of operations or cash flows.

The oil and gas industry is highly cyclical and has been subject to significant economic downturns at various times as a result of numerous factors affecting the supply of and demand for oil and natural gas, including the level of capital expenditures of the oil and gas industry; the level of drilling activity; the level of production activity; market prices of oil and gas; economic conditions existing in the world; interest rates and the cost of capital; environmental regulations; tax policies; political requirements of national governments; coordination by the Organization of Petroleum Exporting Countries (“OPEC”); cost of producing oil and natural gas; and technological advances.

Employees

As of December 31, 2006, we had approximately 4,600 employees. We do not have any material collective bargaining agreements and consider relations with our employees to be good.

Web Site Access to Our Periodic SEC Reports

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

Materials we file with the SEC may be read and copied at the SEC’s Public Reference Room at 100F Street, N.E., Washington, D.C. 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. The SEC also maintains an internet website at <http://www.sec.gov> that contains reports, proxy and information statements, and other information regarding our company that we file electronically with the SEC.

NYSE Corporate Governance Matters

As a listed company with the New York Stock Exchange, our Chief Executive Officer, as required under Section 303A.12(a) of the NYSE Listed Company Manual, must certify to the NYSE each year whether or not he is aware of any violation by the company of NYSE Corporate Governance listing standards as of the date of the certification. On July 27, 2006, Core’s Chief Executive Officer submitted such a certification to the NYSE which stated that he was not aware of any violation by Core of the NYSE Corporate Governance listing standards. On February 22, 2006, Core filed its 2005 Form 10-K with the SEC, which included as Exhibits 31.1 and 31.2 the Chief Executive Officer and Chief Financial Officer certifications required under Section 302 of the Sarbanes-Oxley Act of 2002.

ITEM 1A. RISK FACTORS

Our forward-looking statements are based on assumptions that we believe to be reasonable but that may not prove to be accurate. All of our forward-looking information is, therefore, subject to risks and uncertainties that could cause actual results to differ materially from the results expected. Although it is not possible to identify all factors, these risks and uncertainties include the risk factors discussed below.

Future downturns in the oil and gas industry, or in the oilfield services business, may have a material adverse effect on our financial condition or results of operations.

The oil and gas industry is highly cyclical and demand for the majority of our oilfield products and services is substantially dependent on the level of expenditures by the oil and gas industry for the exploration, development and production of crude oil and natural gas reserves, which are sensitive to oil and natural gas prices and generally dependent on the industry's view of future oil and gas prices. There are numerous factors affecting the supply of and demand for our products and services, which include:

- market prices of oil and gas and expectations about future prices;
- cost of producing oil and natural gas;
- the level of drilling and production activity;
- mergers, consolidations and downsizing among our clients;
- coordination by OPEC;
- the impact of commodity prices on the expenditure levels of our clients;
- financial condition of our client base and their ability to fund capital expenditures;
- adverse weather conditions;
- civil unrest in oil producing countries;
- level of consumption of oil, gas and petrochemicals by consumers; and
- availability of services and materials for our clients to grow their capital expenditures.

The oil and gas industry has historically experienced periodic downturns, which have been characterized by diminished demand for our oilfield products and services and downward pressure on the prices we charge. A significant downturn in the oil and gas industry could result in a reduction in demand for oilfield services and could adversely affect our operating results.

We depend on the results of our international operations, which expose us to risks inherent in doing business abroad.

We conduct our business in over 50 countries; business outside of the United States accounts for approximately 53%, 56% and 58% of our revenues during the years ended December 31, 2006, 2005 and 2004, respectively. Our operations are subject to the various laws and regulations of those respective countries as well as various risks peculiar to each country, which may include:

- global economic conditions;
- political actions and requirements of national governments including trade restrictions, embargoes and expropriations of assets;

Core Laboratories N. V. Form 10-K

- potential adjustments to tax liabilities in multiple jurisdictions;
- civil unrest;
- acts of terrorism;
- fluctuations and changes in currency exchange rates;
- the impact of inflation; and
- current conditions in Venezuela, Nigeria, Iran and Iraq.

Historically, economic downturn and political events have resulted in lower demand for our products and services in certain markets. The ongoing conflict in Iraq and the potential for activity from terrorist groups that the U.S. government has cautioned against have further heightened our exposure to international risks. The global economy is highly influenced by public confidence in the geopolitical environment and the situation in the Middle East continues to be highly fluid; therefore, we expect to experience heightened international risks.

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.

If we are not able to develop or acquire new products or our products become technologically obsolete, our results of operations may be adversely affected.

The market for our products and services is characterized by changing technology and frequent product introduction. As a result, our success is dependent upon our ability to develop or acquire new products and services on a cost-effective basis and to introduce them into the marketplace in a timely manner. While we intend to continue committing substantial financial resources and effort to the development of new products and services, we may not be able to successfully differentiate our products and services from those of our competitors. Our clients may not consider our proposed products and services to be of value to them; or if the proposed products and services are of a competitive nature, our clients may not view them as superior to our competitors' products and services. In addition, we may not be able to adapt to evolving markets and technologies, develop new products, or achieve and maintain technological advantages.

If we are unable to continue developing competitive products in a timely manner in response to changes in technology, our businesses and operating results may be materially and adversely affected. In addition, continuing development of new products inherently carries the risk of inventory obsolescence with respect to our older products.

If we are unable to obtain patents, licenses and other intellectual property rights covering our products and services, our operating results may be adversely affected.

Our success depends in part on our ability to obtain patents, licenses and other intellectual property rights covering our products and services. To that end, we have obtained certain patents and intend to continue to seek patents on some of our inventions and services. While we have patented some of our key technologies, we do not patent all of our proprietary technology, even when regarded as patentable. The process of seeking patent protection can be long and expensive. There can be no assurance that patents will be issued from currently pending or future applications or that, if patents are issued, they will be of sufficient scope or strength to provide meaningful protection or any commercial advantage to us. In addition, effective copyright and trade secret protection may be unavailable or limited in certain countries. Litigation, which could demand financial and management resources, may be necessary to enforce our patents or other intellectual property rights. Also, there can be no assurance that we can obtain licenses or other rights to necessary intellectual property on acceptable terms.

There are risks related to our acquisition strategy. If we are unable to successfully integrate and manage businesses that we have acquired and any businesses acquired in the future, our results of operations and financial condition could be adversely affected.

One of our key business strategies is to acquire technologies, operations and assets that are complementary to our existing businesses. There are financial, operational and legal risks inherent in any acquisition strategy, including:

- increased financial leverage;
- increased interest expense; and
- difficulties involved in combining disparate company cultures and facilities.

The success of any completed acquisition will depend on our ability to integrate effectively the acquired business into our existing operations. The process of integrating acquired businesses may involve unforeseen difficulties and may require a disproportionate amount of our managerial and financial resources. In addition, possible future acquisitions may be larger and for purchase prices significantly higher than those paid for earlier acquisitions. No assurance can be given that we will be able to continue to identify additional suitable acquisition opportunities, negotiate acceptable terms, obtain financing for acquisitions on acceptable terms or successfully acquire identified targets. Our failure to achieve consolidation savings, to incorporate the acquired businesses and assets into our existing operations successfully or to minimize any unforeseen operational difficulties could have a material adverse effect on our financial condition and results of operation.

We are subject to a variety of environmental laws and regulations, which may result in increased costs to our business.

We are subject to a variety of governmental laws and regulations both in the United States and abroad relating to protection of the environment and the use, storage, discharge and disposal of chemicals and gases used in our analytical and manufacturing processes. These laws and regulations may impose joint and several, strict liability and failure to comply with such laws and regulations could result in the assessment of damages or imposition of fines against us or the suspension or cessation of operations. New laws and regulations could require us to acquire costly equipment or to incur other significant expenses. If we fail to control the use, or adequately restrict the discharge of, hazardous substances, we could be subject to future material liabilities including remedial obligations. In addition, public interest in the protection of the environment has increased dramatically in recent years. We anticipate that the trend of more expansive and stricter environmental laws and regulations will continue, the occurrence of which may require us to increase our capital expenditures or could result in increased operating expenses.

Because we are a Netherlands company, it may be difficult for you to sue our supervisory directors or us and it may not be possible to obtain or enforce judgments against us.

Although we are a Netherlands company, our assets are located in a variety of countries. In addition, not all members of our supervisory board of directors are residents of the same countries as other supervisory directors. As a result, it may not be possible for you to effect service of process within certain countries upon our supervisory directors, or to enforce against our supervisory directors or us judgments of courts of certain countries predicated upon civil liabilities under a country's federal securities laws. Because there is no treaty between certain countries and The Netherlands providing for the reciprocal recognition and enforcement of judgments, some countries' judgments are not automatically enforceable in The Netherlands or in the United States, where the principal market for our shares is located. In addition, there is doubt as to whether a court in one country would impose civil liability on us or on the members of our supervisory board of directors in an original action brought against us or our supervisory directors in a court of competent jurisdiction in another country and predicated solely upon the federal securities laws of that other country.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Currently, we have over 70 offices (totaling approximately 1.8 million square feet of space) in more than 50 countries. In these locations, we lease approximately 1.3 million square feet of space and own approximately 0.5 million square feet of space. We serve our worldwide clients through six Advanced Technology Centers (“ATCs”) that are located in Houston, Texas; Calgary, Canada; Kuala Lumpur, Malaysia; Rotterdam, The Netherlands; Abu Dhabi, UAE; and Aberdeen, Scotland. The ATCs provide support for our 50 regional specialty centers located throughout the global energy producing provinces. In addition, we have manufacturing facilities located in Godley, Texas, and Red Deer, Alberta, Canada, which are included in our Production Enhancement business segment. Our facilities are adequately utilized for current operations. However, expansion into new facilities may be required to accommodate future growth.

ITEM 3. LEGAL PROCEEDINGS

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

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

PART II

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

Price Range of Common Shares

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

	High	Low
2006		
First Quarter	\$ 48.31	\$ 38.60
Second Quarter	68.05	48.14
Third Quarter	79.97	55.25
Fourth Quarter	91.92	58.36
2005		
First Quarter	\$ 27.34	\$ 21.59
Second Quarter	27.15	23.12
Third Quarter	33.06	26.91
Fourth Quarter	39.25	27.94

On February 16, 2007, the closing price, as quoted by the NYSE, was \$79.98 per share and there were 23,132,097 common shares issued and outstanding held by approximately 710 record holders and approximately 11,200 beneficial holders. These amounts exclude shares held by us as treasury shares.

See “Item 12. Security Ownership of Certain Beneficial Owners and Management” for discussion of equity compensation plans.

Dividend Policy

We have never paid dividends on our common shares and currently have no plans to pay dividends on the common shares. We expect that we will retain all available earnings generated by our operations for the development and growth of our business. Any future determination as to the payment of dividends will be made at the discretion of our Supervisory Board and will depend upon our operating results, financial condition, capital requirements, income tax treatment of payments, general business conditions and such other factors as they deem relevant. Because we are a holding company that conducts substantially all of our operations through subsidiaries, our ability to pay cash dividends on the common shares is also dependent upon the ability of our subsidiaries to pay cash dividends or otherwise distribute or advance funds to us and on the terms and conditions of our existing and future credit arrangements. See “Liquidity and Capital Resources” included in “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Share Repurchases in the Fourth Quarter of 2006

The following table provides information about purchases of equity securities that are registered by us pursuant to Section 12 of the Exchange Act during the three months ended December 31, 2006:

Period	Total Number of Shares Purchased	Average Price Paid Per Share
October 1-31, 2006	–	–
November 1-30, 2006	1,925,269	\$ 75.30
December 1-31, 2006 ¹	20,179	\$ 82.50
Total	<u>1,945,448</u>	\$ 75.37

1) 20,179 shares valued at \$1.7 million, or \$82.50 per share, surrendered to us by participants in a stock-based compensation plan to settle any personal tax liabilities which may result from the award.

Under Dutch law and our articles of association, and subject to certain Dutch statutory provisions, we may repurchase up to 10% of our outstanding share capital in open market purchases. In connection with our initial public offering in September 1995, our shareholders authorized our Management Board to make such repurchases for a period of 18 months. At each annual meeting subsequent to 1995, our shareholders have renewed that authorization. At our Annual Shareholders’ Meeting on June 28, 2006, our shareholders approved a further extension of this authority for an additional 18-month period from the date of the annual meeting until December 28, 2007 and authorized the repurchase of an additional 2,542,126 shares. The number of shares that may yet be purchased under the announced program was 158,736 at December 31, 2006.

ITEM 6. SELECTED FINANCIAL DATA

The selected consolidated financial information contained below is derived from our Consolidated Financial Statements and should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our audited Consolidated Financial Statements.

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	Years Ended December 31,				
<i>(in thousands, except per share and other data)</i>	2006	2005	2004 ¹	2003	2002
Financial Statement Data: ²					
Revenues	\$ 575,689	\$ 483,467	\$ 427,427	\$ 373,167	\$ 330,768
Income from continuing operations	82,662	31,717	28,022	20,792	9,594
Income before cumulative effect of change in accounting principle ³	82,662	31,211	12,290	18,700	6,478
Net income (loss)	82,662	31,211	12,290	18,700	(9,062)
Working capital	136,632	83,689	84,233	105,079	125,589
Total assets	501,215	394,601	388,797	426,731	421,601
Long-term debt and capital lease obligations, including current maturities	302,764	88,648	113,200	128,101	89,180
Shareholders' equity	71,836	214,257	190,296	220,412	258,146
Earnings Per Share Information:					
Income from continuing operations:					
Basic	\$ 3.29	\$ 1.22	\$ 1.04	\$ 0.69	\$ 0.29
Diluted	\$ 3.07	\$ 1.13	\$ 0.97	\$ 0.67	\$ 0.29
Net income (loss):					
Basic	\$ 3.29	\$ 1.20	\$ 0.46	\$ 0.62	\$ (0.27)
Diluted	\$ 3.07	\$ 1.11	\$ 0.43	\$ 0.60	\$ (0.27)
Weighted average common shares outstanding:					
Basic	25,157	26,038	26,896	30,209	33,174
Diluted	26,888	28,008	28,761	31,179	33,174
Other Data:					
Current Ratio ⁴	2.5:1	2.2:1	2.3:1	2.7:1	3.5:1
Debt to Capitalization Ratio ⁵	71%	28%	35%	35%	25%

1) See Note 3 of the Notes to Consolidated Financial Statements for a discussion of acquisitions made in 2004.

2) All periods have been restated to reflect discontinued operations sold in 2004. See Note 2 of the Notes to the Consolidated Financial Statements.

3) In 2002, impairment charge recorded upon adoption of SFAS 142.

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

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

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

Core Laboratories N.V. is a Netherlands limited liability company. We were established in 1936 and are one of the world's leading providers of proprietary and patented reservoir description, production enhancement and reservoir management products and services to the oil and gas industry, primarily through customer relationships with many of the world's major, national and independent oil companies.

Our business units have been aggregated into three complementary segments:

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

In April 2004, we sold our specialized geophysical and seismic-related business, which was previously included as a component of our Reservoir Management business. We recorded a loss of \$15.7 million, net of tax, related to this discontinued operation during the year ended December 31, 2004.

General Overview

We provide services and design and produce products which enable our clients to evaluate reservoir performance and increase oil and gas recovery from new and existing fields. These services and products are generally in higher demand when our clients are investing capital in exploration and development efforts to explore new fields or to increase productivity in existing fields. Our clients' investment in capital expenditure programs tends to correlate to oil and natural gas commodity prices. During periods of higher prices, our clients generally invest more in capital expenditures and, during periods of lower commodity prices, they tend to invest less. Accordingly, the level of capital expenditures by our clients impacts the demand for our services and products.

Commodity prices for crude oil fluctuated throughout 2006 ending the year down from levels attained earlier in the year. However, activity levels in the oilfield service sector increased during the year. The following table summarizes the average worldwide and U.S. rig counts for the years ended December 31, 2006, 2005 and 2004, as well as the spot price of a barrel of West Texas Intermediate crude and an mcf of natural gas at the dates then ended:

Rig Count/Oil and Gas Prices

	As of December 31,			
	2006	2005	2004	
Worldwide Rig Count ¹	3,125	2,993	2,555	
U.S. Rig Count ¹	1,718	1,470	1,246	
Crude Oil Price per Barrel (WTI Spot)	\$ 60.85	\$ 59.82	\$	43.36
Natural Gas Price Spot Average per MCF ²	\$ 5.51	\$ 9.52	\$	6.15

1) Baker Hughes Incorporated - World-wide Rig Count

2) Obtained from Lehman Brothers - U.S. Department of Energy Henry Hub spot price at 12/29/06, 12/30/05 and 12/30/04 per the New York Mercantile Exchange

The price of natural gas in 2006 declined throughout the year when compared with the price in 2005 and 2004. These lower prices were attributable to various market factors including a general decline in natural gas consumption. General oil market conditions in the United States improved and contributed to maintaining the price for derivative crude-oil products and petrochemical products in 2006.

Our activity levels continue to increase as oilfield activities by our customers increase. These higher activity levels resulted in increased revenues for us in 2006, primarily for our Reservoir Description and Production Enhancement business segments.

Given these higher revenues, in conjunction with efforts to contain our cost structure, we were able to generate operating income that was 102% greater than the prior year. Our Reservoir Description segment showed improvement in almost all operations, primarily as a result of the spending levels of our clients aimed at characterizing and analyzing reservoirs, crude oil, and derivative products. Operating income from our Production Enhancement segment was up 89% over the prior year as more wells in North America were drilled and stimulated than in the prior year, which provides greater opportunity for our clients to use our products and services. In April 2004, we sold our seismic-related business, which had become less profitable in recent years, due to increased competition which contributed to lower margins. The results for our Reservoir Management group improved over the prior year due primarily to a re-focus of our efforts on integrated solutions for clients.

Outlook

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

We have established internal earnings targets that are based on current market conditions. Based on discussions with our clients and our view of the industry, we anticipate that in 2007 spending by our clients will increase approximately 10%. Attaining our internal targets is dependent on sustained oilfield activity.

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We expect to meet ongoing working capital needs, capital expenditure requirements and funding of our share repurchase program from a combination of cash on hand, cash flow from operating activities and available borrowings under our revolving credit facility.

Critical Accounting Policies and Estimates

Our financial statements are prepared in conformity with generally accepted accounting principles in the U.S. (“U.S. GAAP”) and require us to make estimates and assumptions during their preparation which requires judgment. Our accounting policies and procedures are explained in Note 2 to the Notes to the Consolidated Financial Statements contained elsewhere in this Annual Report on Form 10-K. The following transaction types require significant judgment and, therefore, are considered critical accounting policies as of December 31, 2006:

Revenue Recognition

Revenues are recognized as services are completed or as product title is transferred. All advance client payments are classified as unearned revenues until services are performed or product title is transferred. We recognize revenue when we determine that the following criteria are met: (i) persuasive evidence of an arrangement exists; (ii) delivery has occurred or services have been rendered; (iii) the fee is fixed or determinable; and (iv) collectibility is reasonably assured. Revenues from long-term contracts are recorded as services are rendered in proportion to the work performed. All known or anticipated losses on contracts are provided for currently. Training and consulting service revenues are recognized as the services are performed.

Allowance for Doubtful Accounts

We perform ongoing credit evaluations of our clients and monitor collections and payments in order to maintain a provision for estimated uncollectible accounts based on our historical collection experience and our current aging of client receivables outstanding in addition to clients’ representations and our understanding of the economic environment in which our clients operate. Based on our review, we establish or adjust allowances for specific customers and the accounts receivable as a whole. Our allowance for doubtful accounts at December 31, 2006 was \$4.3 million compared to \$4.5 million at December 31, 2005.

Long-Lived Assets, Intangibles and Goodwill

Property, plant and equipment are carried at cost. Major renewals and improvements are capitalized and depreciated over the respective asset’s remaining useful life. Maintenance and repair costs are charged to expense as incurred. When long-lived assets are sold or retired, the remaining costs and related accumulated depreciation are removed from the accounts and any resulting gain or loss is included in income.

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

Provisions for asset impairment are charged to income when the net book value of the assets, or carrying value, is determined to be unrecoverable and the carrying value exceeds the fair value of the assets, calculated as the present value of estimated future cash flows. The calculation of fair value requires estimates of future cash flows, and such estimates can change based on market conditions, technological advances in the industry or changes in regulations governing the industry. We did not record impairment charges related to our long-lived assets held for use in continuing operations during the years ended December 31, 2006, 2005 or 2004.

We review our goodwill, the excess of the purchase price over the fair value of net assets acquired in business combinations, at least annually for impairment or more frequently if an event occurs which may indicate impairment during the year. We evaluated assets with indefinite lives, including goodwill and certain intangible assets, for impairment comparing the fair value of our reportable segments to their net carrying value as of the balance sheet date, after excluding inter-company transactions and allocating corporate assets to the reportable segments. Fair value is determined by projecting future cash flows on a discounted basis. If the carrying value of the reportable

segment exceeds the fair value determined, impairment may be indicated. If impairment is indicated, the fair value of the reportable segment would be determined. Any remaining goodwill would be deemed impaired and charged to income during the period the impairment was identified. Any subsequent impairment loss could result in a material adverse effect upon our financial position and results of operations.

Inventory Valuation Allowances

Our valuation reserve for inventory is based on historical regional sales trends, and various other assumptions and judgments including future demand for this inventory. Should these assumptions and judgments not occur, our valuation allowance would be adjusted to reflect actual results. Our industry is subject to technological change and new product development that could result in obsolete inventory. Our valuation reserve for inventory at December 31, 2006 was \$2.5 million compared to \$2.4 million at December 31, 2005. If we over or underestimate demand for inventory, it could result in a material adverse effect upon our financial position and results of operations.

Income Taxes

Our income tax expense includes income taxes of The Netherlands, the U.S. and other foreign countries as well as local, state and provincial income taxes. We recognize deferred tax assets or liabilities for the differences between the financial statement carrying amount and tax basis of assets and liabilities using enacted tax rates in effect for the years in which the asset is recovered or the liability is settled. Any valuation allowance recorded is based on estimates and assumptions of taxable income into the future and a determination is made of the magnitude of deferred tax assets which are more likely than not to be realized. Valuation allowances of our net deferred tax assets aggregated \$7.7 million and \$13.8 million at December 31, 2006 and 2005, respectively. If these estimates and related assumptions change in the future, we may be required to record additional valuation allowances against our deferred tax assets and our effective tax rate may increase which could result in a material adverse effect on our financial position, results of operations and cash flows.

Stock-Based Compensation

Effective January 1, 2006, we adopted Statement of Financial Accounting Standard No. 123R, "Share-Based Payment" ("SFAS 123R") SFAS 123R using the modified prospective transition method. Under that transition method, compensation expense that we recognized for the year ended December 31, 2006 included: (a) compensation expense for all stock-based payments granted prior to, but not yet vested as of, January 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of SFAS 123, "Accounting for Stock-Based Compensation", and (b) compensation expense for all stock-based payments granted on or after January 1, 2006, based on the grant date fair value estimated in accordance with the provisions of SFAS 123R. Results from prior periods have not been restated. This statement requires compensation costs related to share-based payments, including stock options, to be recognized in the Consolidated Statement of Operations based on their fair values. The expense is recognized over the requisite service period of the award. We previously recognized expense for stock-based compensation arrangements in accordance with the provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees", and related interpretations ("APB 25"). Accordingly, compensation expense was recognized for the excess, if any, of the stock price on the grant date over the option exercise price. No compensation expense was recorded under APB 25 for awards granted under our employee stock option plan as all options issued had exercise prices at least equal to the fair value of the stock on the grant date. The pro forma effects upon net income and earnings per share for stock options are disclosed below per SFAS Statement No. 123, "Accounting for Stock-Based Compensation."

Estimates

The preparation of financial statements in accordance with U.S. GAAP requires us to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. We evaluate our estimates on an ongoing basis and determine the adequacy of our estimates based on our historical experience and various other assumptions that we believe are reasonable under the circumstances. By nature, these judgments are subject to an inherent degree of uncertainty. We consider an accounting estimate to be critical if it is highly subjective and if changes in the estimate under different assumptions would result in a material impact on

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our financial condition and results of operations. The following table summarizes key estimates and assumptions used to prepare our Consolidated Financial Statements for the years ended December 31, 2006, 2005 and 2004.

Account	Nature of Estimates Required	Assumptions Used
Allowance for doubtful accounts	We evaluate whether client receivables are collectible.	See "Allowance for Doubtful Accounts."
Inventory reserves	We forecast client demand, considering changes in technology which could result in obsolescence.	See "Inventory Valuation Allowances."
Depreciation and amortization	We estimate the useful lives and salvage values of our assets.	Useful lives assigned reflect our best estimate based on historical data of the respective asset's useful life and salvage value. These assets could become impaired if our operating plans or business environment changes.
Pensions and other postretirement benefits	We utilize an actuary to determine the value of the projected benefit obligation under a Dutch pension plan. This valuation requires various estimates and assumptions concerning mortality, future pay increases and discount rate used to value our obligations. In addition, we recognize net periodic benefit cost based upon these estimates.	The actuarial assumptions used are based upon professional judgment and historical experience, including trends in mortality rates, and credit market rates (discount rate).
Stock-based compensation	We evaluate the probability that certain of our stock-based plans will meet targets established within the respective agreements and result in the vesting of such awards. In addition, we derive a forfeiture rate that is used in calculating the expense for these awards.	See "Stock-Based Compensation." Comparisons to either our stock price, a return on our stock price compared to certain stock indices or a return on equity calculation.
Income taxes	We estimate the likelihood of the recoverability of our deferred tax assets (particularly, net operating loss carry-forwards).	See "Income Taxes." We examine our historical and projected operating results, review the eligible carry-forward period and tax planning opportunities and consider other relevant information. Changes in tax laws for the jurisdictions in which we operate could significantly impact our estimates.
Long-lived assets, intangibles and goodwill	We evaluate the recoverability of our assets periodically, but at least annually, by examining current and projected operating results to identify any triggering events, which may indicate impairment. We compare the carrying value of the assets to a projection of fair value, utilizing judgment as to the identification of reporting units, the allocation of corporate assets amongst reporting units and the determination of the appropriate discount rate.	See "Long-Lived Assets, Intangibles and Goodwill." Our impairment analysis is subjective and includes estimates based on assumptions regarding future growth rates and operating expenses.

Off-Balance Sheet Arrangements

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

Results of Operations

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

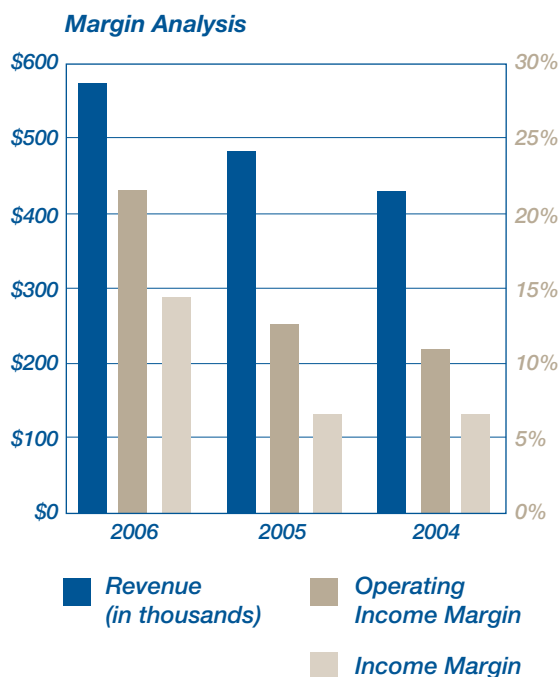
	Year Ended						% Change	
	2006		2005		2004		2006/ 2005	2005/ 2004
REVENUES:								
Services	\$ 430,118	74.7%	\$ 367,401	76.0%	\$ 329,511	77.1%	17.1%	11.5%
Product Sales	145,571	25.3%	116,066	24.0%	97,916	22.9%	25.4%	18.5%
	<u>575,689</u>	<u>100.0%</u>	<u>483,467</u>	<u>100.0%</u>	<u>427,427</u>	<u>100.0%</u>	<u>19.1%</u>	<u>13.1%</u>
OPERATING EXPENSES:								
Cost of services ¹	300,663	69.9%	277,423	75.5%	256,202	77.8%	8.4%	8.3%
Cost of sales ¹	106,436	73.1%	90,700	78.1%	80,190	81.9%	17.3%	13.1%
Total cost of services and sales	407,099	70.7%	368,123	76.1%	336,392	78.7%	10.6%	9.4%
General and administrative expenses	33,082	5.7%	37,846	7.8%	28,140	6.6%	(12.6)%	34.5%
Depreciation and amortization	17,275	3.0%	16,376	3.4%	17,142	4.0%	5.5%	(4.5)%
Other expense (income), net	(5,324)	(0.9)%	191	–	(761)	(0.2)%	NM ²	(125.1)%
OPERATING INCOME	<u>123,557</u>	<u>21.5%</u>	<u>60,931</u>	<u>12.6%</u>	<u>46,514</u>	<u>10.9%</u>	<u>102.8%</u>	<u>31.0%</u>
Debt prepayment charge	–	–	6,012	1.2%	–	–	(100.0)%	100.0%
Interest expense	5,805	1.0%	8,277	1.7%	8,275	1.9%	(29.9)%	–
Income before income tax expense	117,752	20.5%	46,642	9.6%	38,239	8.9%	152.5%	22.0%
Income tax expense	35,090	6.1%	14,925	3.1%	10,217	2.4%	135.1%	46.1%
Income from continuing operations	82,662	14.4%	31,717	6.6%	28,022	6.6%	160.7%	13.2%
Discontinued operations	–	–	(506)	(0.1)%	(15,732)	(3.7)%	(100.0)%	NM ²
NET INCOME	<u>\$ 82,662</u>	<u>14.4%</u>	<u>\$ 31,211</u>	<u>6.5%</u>	<u>\$ 12,290</u>	<u>2.9%</u>	<u>164.9%</u>	<u>154.0%</u>

1) Percentage based on applicable revenue rather than total revenue.

2) "NM" means not meaningful.

Operating Results for the Year Ended December 31, 2006 Compared to the Years Ended December 31, 2005 and 2004

We evaluate our operating results by analyzing revenues, operating income margin (defined as operating income divided by total revenue) and income margin (defined as income from continuing operations divided by total revenue). Since we have a relatively fixed cost structure, increases in revenues generally translate into higher operating income margin and income margin percentages. Results for the years ended December 31, 2006, 2005 and 2004 are summarized in the following chart:



Service Revenues

Service revenues increased to \$430.1 million for 2006 from \$367.4 million for 2005 and \$329.5 million for 2004. These year-over-year increases in service revenues were largely attributable to an overall increase in worldwide oilfield activities and acceptance of recently introduced services by our customers. The worldwide operating rig count increased to 3,125 at December 31, 2006 from 2,993 and 2,555 at December 31, 2005 and 2004, respectively, as derived from published reports from Baker Hughes Incorporated. This overall increase in drilling-related activity created greater demand for our services. As in 2005, our revenues increased in 2006 primarily as a result of greater demand across all three business segments from increased oilfield activities in North America, Europe, West Africa and the Far East.

Product Sale Revenues

Product sale revenues increased to \$145.6 million for 2006 from \$116.1 million for 2005 and \$97.9 million for 2004. These incremental improvements in revenue were consistent with the higher revenues we experienced for our services, a 25% year-over-year increase for the period ended December 31, 2006. The continuing increases we have realized were primarily the result of increased drilling activity on a global basis, but more specifically for natural gas in the North American markets which resulted in higher demand for our well completion products along with the acceptance of new products and technologies we have recently introduced to the market.

Cost of Services

Cost of services increased to \$300.7 million for 2006 from \$277.4 million for 2005 and \$256.2 million for 2004. When 2006 is compared to 2005 as a percentage of service revenue, cost of services decreased from 75.5% to 69.9%. The decline in the cost of services relative to service revenue was primarily a result of incremental margins earned on higher revenues over our relatively fixed cost structure. Incremental margins are calculated as the change in operating income divided by the change in revenues. For 2005 compared to 2004, as a percentage of service revenue, cost of services decreased by two percentage points. This decrease was primarily a result of incremental margins earned on higher revenues over our relatively fixed cost structure.

Cost of Sales

Cost of sales increased to \$106.4 million for 2006 from \$90.7 million for 2005 and \$80.2 million for 2004. As a percentage of product sale revenues, cost of sales decreased to 73.1% for 2006 compared to 78.1% for 2005 and 81.9% for 2004. The improvement in margin for 2006 compared to 2005 and 2004 was largely attributable to the growing demand for our new technologies which are our higher margin products, from an overall increase in sales, continued efforts to enhance our manufacturing efficiencies and improved inventory management.

General and Administrative Expense

General and administrative expenses include corporate management and centralized administrative services that benefit our operating subsidiaries. Our general and administrative expenses decreased \$4.8 million in 2006 compared to 2005 due primarily to an additional charge related to our stock-based compensation plans in 2005. This additional charge contributed to the \$9.7 million increase in general and administrative expenses in 2005 compared to 2004 as well as higher accounting fees of \$1.0 million relating to the implementation of Rule 404 of the Sarbanes-Oxley Act of 2002 and various other elements.

Depreciation and Amortization Expense

Depreciation and amortization expense increased \$0.9 million in 2006 compared to 2005. This increase in depreciation and amortization expense was primarily due to an increase in capital expenditures as we continue to grow the company. Depreciation and amortization expense decreased \$0.8 million in 2005 compared to 2004. This decrease in depreciation and amortization expense was primarily due to a general run-off of depreciation expense associated with older assets offset by an increase in capital expenditures in 2005.

Other Expense (Income), Net

The components of other expense (income), net, were 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 a 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 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.

Debt Prepayment Charge

In December 2005, we repaid our Senior Notes. In connection with the early prepayment, we incurred a prepayment penalty of \$6.0 million. See "Credit Facilities and Available Future Liquidity".

Interest Expense

Interest expense decreased \$2.5 million in 2006 compared to 2005, due to the refinancing of our debt positions over the past year in which we utilized our revolving credit facility to extinguish our senior notes which bore an average interest rate of 8.16% at the end of 2005. In the fourth quarter of 2006 we issued senior exchangeable debt securities at 0.25% which the proceeds were used to pay off our credit facility at which time bore an average interest rate of 6.00% for the period outstanding in 2006. Interest expense remained basically unchanged in 2005 compared to 2004, due to higher borrowing rates under our long-term revolving credit facility, which increased to an average of 4.40% for 2005 compared to an average of 2.95% for 2004, which was offset by a lower outstanding balance.

Income Tax Expense

Income tax expense increased \$20.2 million in 2006 compared to 2005. This change was due to an increase in income before income taxes of \$71.1 million off-set by a decrease in the effective tax rate for the year. Income tax expense increased \$4.7 million in 2005 compared to 2004. This increase was due to an increase in income before income taxes of \$8.5 million coupled with an increase in the effective tax rate for the year. The effective tax rate was 29.8% for 2006, 32.0% for 2005 and 26.7 % for 2004. 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. The change in the 2005 tax rate from 2004 is primarily a result in a change in activity levels between jurisdictions with different tax rates.

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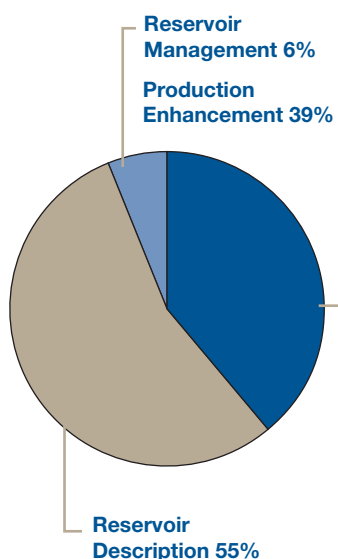
Discontinued Operations

As a result of the sale of our seismic business in April 2004, 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.

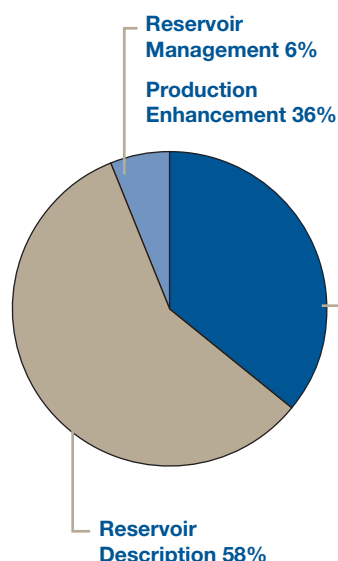
Segment Analysis

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

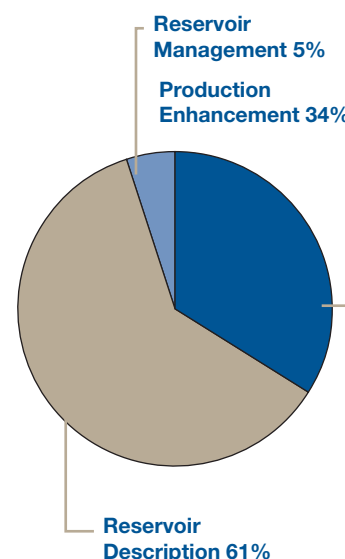
2006 Revenues by Segment



2005 Revenues by Segment



2004 Revenues by Segment



Segment Revenues

(dollars in thousands)	For the Years Ended December 31,					
	2006	% Change	2005	% Change	2004	
Reservoir Description	\$ 315,068	12.1%	\$ 280,979	8.5%	\$ 258,864	
Production Enhancement	223,056	26.8%	175,894	19.6%	147,119	
Reservoir Management	37,565	41.3%	26,594	24.0%	21,444	
Total Revenues	<u>\$ 575,689</u>	19.1%	<u>\$ 483,467</u>	13.1%	<u>\$ 427,427</u>	

Segment Operating Income

(dollars in thousands)	For the Years Ended December 31,					
	2006	% Change	2005	% Change	2004	
Reservoir Description	\$ 58,049	55.5%	\$ 37,341	33.9%	\$ 27,877	
Production Enhancement	57,494	89.0%	30,413	56.2%	19,472	
Reservoir Management	8,381	107.7%	4,035	55.9%	2,588	
Corporate and other ¹	(367)	NM ²	(10,858)	NM ²	(3,423)	
Operating Income	<u>\$ 123,557</u>	102.8%	<u>\$ 60,931</u>	31.0%	<u>\$ 46,514</u>	

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

2) "NM" means not meaningful

Segment Operating Income Margins¹

	For the Years Ended December 31,		
	2006 Margin	2005 Margin	2004 Margin
Reservoir Description	18.4%	13.3%	10.8%
Production Enhancement	25.8%	17.3%	13.2%
Reservoir Management	22.3%	15.2%	12.1%
Total Company	21.5%	12.6%	10.9%

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

Reservoir Description

Revenues for our Reservoir Description segment increased by 12.1% in 2006 compared to 2005, and grew 8.5% in 2005 compared to 2004. These revenue increases resulted from continued expansion of oilfield activities worldwide and North American projects related to unconventional gas reservoirs. As in 2005, revenues for 2006 were also positively impacted by increased demand for our fluid characterization services in Europe and the U.S. For 2005 compared to 2004, we experienced an increase in demand for our reservoir rock analysis as well as our fluid analysis services in North America, West Africa, Middle East and the Far East.

Operating income and operating income margin for the Reservoir Description segment increased due to continued growth of higher value-added and consequently higher margin products which resulted in increases in margins throughout the majority of the regions with significant increases in Asia Pacific and the U.S. For 2005 compared to 2004, operating income increased primarily as a result of incremental margins earned on higher revenues over our relatively fixed cost structure. Increases in North America and Europe more than offset operating income declines in Mexico and certain regions of the former Soviet Union, where we continued to experience margin erosion due to increased competition.

Production Enhancement

Revenues for our Production Enhancement business segment grew 26.8% in 2006 compared to 2005, primarily due to the acceptance of recently introduced products and services coupled with a continued expansion in global drilling activities in 2006. With the increase in drilling activities, demand for our well perforating and completion products and diagnostic services has also increased, facilitated by the continued improvements in our technologies such as the Completion Profiler™, GTX-SPAN™ and HERO™. Revenues grew 19.6% in 2005 compared to 2004, primarily due to the introduction of new technology and to the increase in North America natural gas drilling activity in 2005 relative to 2004. With the increase in drilling activities, the demand for our well perforating and completion products and diagnostic services has also increased, the primary products and services offered by this segment.

Operating income for this segment increased to \$57.5 million in 2006 from \$30.4 million in 2005, an increase of 89.0%. Operating income increased 56.2% to \$30.4 million in 2005, up from \$19.5 million in 2004. These continued improvements were due primarily to increased sales of higher-margin services and products including new enhanced recovery technology, such as SpectraScan™, SpectraStim™, and Completion Profiler™. Also, higher-margin GTX-SPAN™ casing patches and HERO™ perforating charges and gun systems increased with global demand, while improvements in manufacturing efficiencies resulted in higher productivity per employee and lower overall costs per unit. Additionally, the demand for our technology in fracture diagnostics continued to increase as drilling activity increased in unconventional gas reservoirs.

Reservoir Management

Revenues for our Reservoir Management segment increased by 41.3% in 2006 compared to 2005 and 24.0% in 2005 compared to 2004. The continued increase was due to higher revenue for multi-client reservoir studies, especially studies pertaining to unconventional gas reservoirs, and increased international demand for our reservoir monitoring systems. Significant studies in 2006 and 2005 were *Reservoir Characterization and Production Properties of*

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Gas Shales and Geological, Petrophysical, and Geomechanical Properties of Tight Gas Sands and in 2004 they included *A Regional Study of the Reservoir Lithologies from Fields and Basins in Libya*, as well as *Reservoir Quality, Reservoir Quality Prediction and Seal Rock Evaluation Deep Shelf Gulf of Mexico* and several other proprietary studies.

Operating income for this segment increased 107.7% in 2006 compared to 2005 and 55.9% in 2005 compared to 2004 primarily due to incremental margins earned from the continued expansion of the multi-client reservoir study sales in the U.S. and expansion of studies being performed both onshore and offshore Libya.

Liquidity and Capital Resources

General

We have historically financed our activities through cash on hand, cash flows from operations, bank credit facilities, equity financing and the issuance of debt. Cash flow from operating activities provides the primary source of funds to finance operating needs, capital expenditures and our share repurchase program. If necessary, we supplement this cash flow with borrowings under bank credit facilities to finance some capital expenditures and business acquisitions. As we are a Netherlands holding company, we conduct substantially all of our operations through subsidiaries. Our cash flow is largely dependent upon the ability of our subsidiaries to pay cash dividends or otherwise distribute or advance funds to us.

We utilize the non-GAAP financial measure of free cash flow to evaluate our cash flows and results of operations. Free cash flow is defined as net cash provided by operating activities from continuing operations before the impact of the debt prepayment charge, less capital expenditures. Management believes that free cash flow provides useful information to investors as it represents the cash, in excess of capital expenditures, available to operate the business and fund non-discretionary obligations. 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, 2006, 2005 and 2004:

	Year Ended December 31,		
(unaudited, in thousands)	2006	2005	2004
Free Cash Flow Calculation			
Net cash provided by operating activities - continuing operations	\$ 120,305	\$ 74,778	\$ 54,196
Add: debt prepayment charge	-	6,012	-
Less: capital expenditures	(24,415)	(19,095)	(10,888)
Free cash flow	\$ 95,890	\$ 61,695	\$ 43,308

The increase in free cash flow in 2006 compared to 2005 and 2004 was due to an increase in cash provided by operating activities primarily as a result of higher net income. Working capital was \$136.6 million and \$83.7 million at December 31, 2006 and 2005, respectively.

Cash Flows

The following table summarizes cash flows from continuing operations for the years ended December 31, 2006, 2005 and 2004 (in thousands):

	Year Ended December 31,		
	2006	2005	2004
Continuing Operations			
Cash provided by (used in):			
Operating activities	\$ 120,305	\$ 74,778	\$ 54,196
Investing activities	(23,595)	(16,364)	(12,008)
Financing activities	(56,230)	(60,701)	(60,327)
Net change in cash and cash equivalents	\$ 40,480	\$ (2,287)	\$ (18,139)

The increase in cash flow from operating activities in 2006 compared to 2005 was primarily due to an increase in net income, accounts receivable and current liabilities offset by a decrease in stock compensation. The increase in cash flow from operating activities in 2005 compared to 2004 was primarily due to an increase in net income adjusted for stock-based compensation, debt refinancing charges, and the increase in long term deferred revenue from the sale of analysis studies.

Cash flow used in investing activities increased \$7.2 million in 2006 over 2005 due to an increase in capital expenditures for 2006 and a lower level of proceeds received from disposal of property. Capital expenditures made in 2006 were for replacement of in-place equipment and for growth through additional equipment and instrumentation in growing markets. Cash flow used for investing activities increased \$4.4 million in 2005 over 2004 due to an increase in capital expenditures for 2005 offset by no acquisitions being made and a higher level of proceeds received from disposal of property, principally as a result of a settlement we reached with the British government after they exercised their right of eminent domain over one of our locations. Capital expenditures made in 2005 were for replacement of in-place equipment and for additional equipment and instrumentation in growing markets.

Cash flow used in financing activities in 2006 was comparable to 2005 but decreased slightly overall. There were several significant financing activities conducted in 2006. In November 2006, we issued \$300 million of exchangeable notes, and in connection with this transaction we purchased a call option hedge on the notes and issued a warrant on our stock. These transactions net of the debt financing costs generated cash flow of approximately \$263 million. The net proceeds received from these transactions were primarily used on other financing activities, such as paying off the \$100 million outstanding balance of our existing credit facility and common stock repurchases under our share repurchase program. In 2006, we repurchased 3,837,372 of our common shares at a cost of \$251.1 million which was \$209.6 million more than 2005. Additionally, cash received from exercised stock options and the tax benefit received from stock-based payments was \$12.9 million greater in 2006 as compared to 2005. Cash flow used in financing activities increased in 2005 compared to 2004, as we paid down debt in 2005. Our financing activities reflected a net repayment of debt of \$26.8 million in 2005 and \$17.1 million in 2004. In 2005, we used \$41.4 million to repurchase 1,468,515 shares of our common stock, while in 2004 we used \$51.3 million to repurchase 2,378,500 shares of our common stock. This share repurchase program was approved by our shareholders in connection with our initial public offering in September 1995 and repurchases began on October 10, 2002. Under the program, we were authorized to repurchase up to 10% of our issued common shares. This authorization was extended by our shareholders at each of our annual meetings beginning in April 1996.

At our June 2006 annual meeting of shareholders, we were authorized to cancel 2,476,997 of our repurchased shares, with a cost of \$106.8 million. Pursuant to this authorization, these shares were cancelled during the second quarter of 2006. In addition, we were authorized to continue our share repurchase program of up to 10% of our issued common shares through December 28, 2007. During the year ended December 31, 2006, we repurchased 3,837,372 shares of our common stock for an aggregate amount of \$251.1 million, or an average price of \$65.43 per share. Subsequent to year end, we have repurchased the remaining authorized shares. The repurchase of shares in the open market is at the discretion of management pursuant to shareholder authorization. We regard these treasury shares as a temporary investment which may be used to finance future acquisitions. However, under the Dutch Commercial Code (“DCC”), we can only hold a maximum of 10% of our issued shares in treasury. Therefore, it may be necessary to cancel some or all of these shares to remain in compliance with the DCC. We believe this share repurchase program has been beneficial to our shareholders. Our share price has increased from \$8.05 per share in 2002, when we began to repurchase shares, to \$81.00 per share on December 31, 2006, an increase of over 906%.

In 2004, we recorded a net cash inflow of \$17.6 million as a result of our discontinued operations which included \$18.2 million of proceeds from the sale of the specialized geophysical and seismic business and cash received from the settlement of a patent infringement lawsuit, partially offset by a use of operating cash flows.

Credit Facilities and Available Future Liquidity

On November 6, 2006 Core Laboratories LP, a wholly owned subsidiary, issued \$250 million aggregate principal amount of Senior Exchangeable Notes due 2011 (“Notes”) to qualified institutional buyers. The Notes bear interest

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at a rate of 0.25% per year and are guaranteed by Core Laboratories N.V. These notes are exchangeable into shares of Core Laboratories N.V. under certain circumstances at an initial conversion rate of 10.5533 per \$1,000 principal amount of notes, which is equal to a conversion price of approximately \$94.76 per share. Upon exchange, holders will receive cash up to the principal amount, and any excess exchange value will be delivered in Core Laboratories N.V. common shares. On November 17, 2006, the initial purchasers exercised their option to purchase an additional \$50 million of the 0.25% senior exchangeable notes due 2011, increasing the aggregate issuance of such notes to \$300 million. We sold the Notes to the initial purchasers in reliance on Rule 144A of the Securities Act and subsequently filed a registration statement on Form S-3, which became effective immediately, pursuant to the Securities Act with respect to resale of the notes and shares received in exchange for the notes on December 22, 2006. The Notes bear interest at a rate of 0.25% per year payable semiannually on May 6 and November 6 of each year, beginning on May 6, 2007.

Core Laboratories LP used proceeds of the offering to enter into exchangeable note hedge transactions with a financial institution which is an affiliate of one of the initial purchasers. The exchangeable note hedge transactions are designed to cover, subject to customary anti-dilution adjustments, the net number of our common shares that would be deliverable to exchanging note holders in the event of an exchange of the notes. We paid an aggregate amount of approximately \$86.3 million of the proceeds from the sale of the Notes to acquire the call options.

Core Laboratories N.V. also entered into separate warrant transactions at the time of the sale of the Notes whereby we sold warrants which give the holders the right to acquire approximately 3.2 million of our common shares at a strike price of \$127.56 per share. Upon exercise of the warrants, we have the option to deliver cash or our common shares equal to the difference between the then market price and strike price. All of the warrants will expire on January 25, 2012. We received aggregate proceeds of \$56.5 million from the sale of the warrants which was used to repay our outstanding debt.

The purchased call options and sold warrants are separate contracts entered into by us with two financial institutions, and are not part of the terms of the notes and will not affect the holders' rights under the notes. The purchased call options are expected to offset the potential dilution upon exchange of the notes in the event that the market value per share of our common shares at the time of exercise is greater than the strike price of the purchased call options, which corresponds to the initial exchange price of the Notes and is simultaneously subject to certain customary adjustments. The warrants will effectively increase the exchange price of the notes to \$127.56 per share of our common shares, from our perspective, representing a 75% premium based on the last reported bid price of \$72.89 per share on October 31, 2006. In accordance with Emerging Issues Task Force Issue No. 00-19, "Accounting for Derivative Financial Instruments Indexed To and Potentially Settled In, a Company's Own Stock" and SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity," we recorded the exchangeable note hedge and warrants in capital in excess of par value as of the transaction date, and will not recognize subsequent changes in fair value. We also recognized a deferred tax asset of \$31.9 million in the fourth quarter of 2006 for the effect of the future tax benefits related to the exchangeable note hedge.

We maintain a revolving credit facility (the "Credit Facility"). In November, 2006, we amended this facility to decrease the aggregate borrowing commitment from \$125.0 million to \$100.0 million, and added an option to increase the commitment under the credit facility to \$150.0 million, if certain conditions are met. The Credit Facility bears interest at variable rates from LIBOR plus 0.5% to a maximum of LIBOR plus 1.125%. The Credit Facility matures in December 2010 and requires interest payments only until maturity. These interest payments are based on the interest period selected. Our available borrowing capacity under the Credit Facility at December 31, 2006 was \$93.1 million. Our available capacity is reduced by outstanding unsecured letters of credit and performance guarantees and bonds totaling \$6.9 million at December 31, 2006 related to certain projects in progress.

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

In July 1999, we issued \$75.0 million in senior notes (“Senior Notes”), which bore interest at an average fixed rate of 8.16%. On December 29, 2005, we repurchased all of our outstanding Senior Notes, in accordance with the Note and Guarantee Agreement, for face value plus accrued and unpaid interest and a make-whole premium as prescribed in the Senior Note agreement. Such redemption was completed on December 29, 2005 and was funded utilizing a combination of excess cash and borrowings under the Credit Facility. 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.

In addition to our repayment commitments under our credit facilities and the Notes, we have capital lease obligations related to the purchase of equipment, and non-cancelable operating lease arrangements under which we lease property including land, buildings, office equipment and vehicles.

The following table summarizes our future contractual obligations under these arrangements:

<i>(in thousands)</i>	Total	Less than 1 year	1-3 Years	3-5 Years	More than 5 Years
Contractual Obligations:					
Long-term debt ¹	\$ 302,754	\$ 2,754	\$ –	\$ 300,000	\$ –
Capital leases	10	8	2	–	–
Operating leases	38,010	8,240	11,311	6,328	12,131
Pension and other ²	1,957	1,707	250	–	–
Total contractual obligations	\$ 342,731	\$ 12,709	\$ 11,563	\$ 306,328	\$ 12,131

1) We anticipate cash payments for interest of \$0.8 million a year for 2007-2011 for a total of \$3.8 million

2) Our Dutch pension plan requires annual employer contributions. Amounts payable in the future will be based on future workforce factors which cannot be projected beyond one year.

We have no significant purchase commitments or similar obligations outstanding at December 31, 2006.

We had tax net operating loss carry-forwards in various tax jurisdictions of approximately \$39.4 million at December 31, 2006. If unused, those carry-forwards which are subject to expiration may expire during the years 2006 through 2025. For 2006, \$0.7 million of operating loss carry-forwards which carried a full valuation allowance expired unused. Although we cannot assure that these operating loss carry-forwards will be utilized, we anticipate that we will have sufficient taxable income in future years to allow us to fully utilize the carry-forwards that are not subject to a valuation allowance as of December 31, 2006.

We expect our investment in capital expenditures to be approximately \$25.0 million in 2007. In addition, we plan to continue to repurchase our common shares on the open market through our stock repurchase program. Our ability to continue this repurchase program depends on, among other things, market conditions and our ability to generate free cash flow.

Our ability to maintain and increase our operating income and cash flows is largely dependent upon continued investing activities. We believe our future cash flows from operating activities, supplemented by our borrowing capacity under existing facilities and our ability to issue additional equity should be sufficient to meet our contractual obligations, capital expenditures, working capital needs and to finance future acquisitions.

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

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December 15, 2006. We will adopt FIN 48 as of January 1, 2007 as required. The cumulative effect of adopting FIN 48 will be recorded in retained earnings and other long term liabilities by the end of the first quarter 2007 as provided for in FIN 48. 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.

Forward-Looking Statements

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

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

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

The above description of risks and uncertainties is by no means all-inclusive, but is designed to highlight what we believe are important factors to consider. For a more detailed description of risk factors, please see Item 1A. Risk Factors above and similar discussions in our SEC filings.

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

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risk

We are exposed to market risk, which is the potential loss arising from adverse changes in market prices and rates. We have not entered, 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, is material.

Interest Rate Risk

We are exposed to interest rate risk on our Credit Facility debt, which carries a variable interest rate. At December 31, 2006, we had no variable rate debt outstanding.

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 U.S. dollar ("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 and in 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		
	2006	2005	2004
Losses (gains) by currency			
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.

Credit Risk

Our financial instruments that potentially subject us to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. All cash and cash equivalents are on deposit at commercial banks or investment firms. Our trade receivables are with a variety of domestic, international and national oil and gas companies. Management considers this credit risk to be limited due to the creditworthiness and financial resources of these financial institutions and companies.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

For the financial statements and supplementary data required by this Item 8, see Index to Consolidated Financial Statements and Schedules at Item 15.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Our management, under the supervision of and with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of Core Laboratories N.V.'s disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of the end of the period covered by this report. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, our disclosure controls and procedures are effective to provide reasonable assurance that the information required to be disclosed by the Company in its reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission and such information is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure. Our management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all errors and all fraud. Further, the design of disclosure controls and internal control over financial reporting must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

Management's Report on Internal Control over Financial Reporting

The management of Core Laboratories N.V. (the "Company") is responsible for establishing and maintaining adequate internal control over financial reporting, as that term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management conducted an evaluation of our internal control over financial reporting as of December 31, 2006. In making this assessment, management used the criteria set forth in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment using these criteria, our management determined that our internal control over financial reporting was effective as of December 31, 2006.

Management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2006, has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included herein.

Changes in Internal Control over Financial Reporting

There have not been any changes in our internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act, during our fiscal quarter ended December 31, 2006 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

Part III (Items 10 through 14) will be incorporated by reference pursuant to Regulation 14A under the Securities Exchange Act of 1934. The Registrant expects to file a definitive proxy statement with the SEC within 120 days after the close of the year ended December 31, 2006.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) Financial Statements

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

	Page
Report of Independent Registered Public Accounting Firm-PricewaterhouseCoopers LLP	36
Consolidated Balance Sheets as of December 31, 2006 and 2005	38
Consolidated Statements of Operations for the Years Ended December 31, 2006, 2005 and 2004	39
Consolidated Statements of Changes in Shareholders' Equity for the Years Ended December 31, 2006, 2005 and 2004	40
Consolidated Statements of Cash Flows for the Years Ended December 31, 2006, 2005 and 2004	41
Notes to Consolidated Financial Statements	42

2. Financial Statement Schedule

Schedule II - Valuation and Qualifying Account	70
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(b) Exhibits

The following exhibits are incorporated by reference to the filing indicated or are filed herewith.

<u>Exhibit No.</u>	<u>Exhibit Title</u>	<u>Incorporated by Reference from the Following Documents</u>
3.1	— Articles of Association of the Company, as amended (including English translation)	Form F-1, September 20, 1995 (File No. 000-26710)
3.2	— Amendments to the Articles of Association of Core Laboratories N.V.	Proxy Statement dated May 17, 2006 for Annual Meeting of Shareholders
4.1	— Form of certificate representing Common Shares	Form 10-K, March 31, 1999 (File No. 000-26710)
4.2	— Purchase Agreement, dated October 31, 2006 among Core Laboratories LP, Core Laboratories N.V., Lehman Brothers Inc. and Banc of America Securities LLC	Form 8-K, November 6, 2006 (File No. 001-14273)
4.3	— Indenture, dated November 6, 2006, among Core Laboratories LP, as Issuer, Core Laboratories N.V., as guarantor, and Wells Fargo Bank, National Association, as trustee, including the form of 0.25% Senior Exchangeable Notes due 2011	Form 8-K, November 6, 2006 (File No. 001-14273)
4.4	— Registration Rights Agreement, dated as of November 6, 2006, among Core Laboratories LP, Core Laboratories N.V., Lehman Brothers Inc. and Banc of America Securities LLC	Form 8-K, November 6, 2006 (File No. 001-14273)
4.5	— Note Hedge Confirmation, dated October 31, 2006, among Core Laboratories LP, and Lehman Brothers OTC Derivatives Inc.	Form 8-K, November 6, 2006 (File No. 001-14273)
4.6	— Warrant Confirmation, dated October 31, 2006 among Core Laboratories N.V. and Lehman Brothers OTC Derivatives Inc.	Form 8-K, November 6, 2006 (File No. 001-14273)
4.7	— Amendment to Note Hedge Confirmation, dated November 15, 2006, among Core Laboratories LP, and Lehman Brothers OTC Derivatives Inc.	Form 8-K, November 20, 2006 (File No. 001-14273)
4.8	— Amendment to Warrant Confirmation, dated November 15, 2006 among Core Laboratories N.V. and Lehman Brothers OTC Derivatives Inc.	Form 8-K, November 20, 2006 (File No. 001-14273)
10.1	— Core Laboratories N.V. 1995 Long-Term Incentive Plan (as amended and restated effective as of May 29, 1997)	Proxy Statement dated May 2, 1997 for Annual Meeting of Shareholders
10.2	— Form of Indemnification Agreement to be entered into by the Company and certain of its directors and officers	Form F-1, September 20, 1995 (File No. 33-96466)

Core Laboratories N. V. Form 10-K

Exhibit No.	Exhibit Title	Incorporated by Reference from the Following Documents
10.3	— Amended and Restated Credit Agreement among Core Laboratories N.V., Core Laboratories, Inc., Core Laboratories (U.K.) Limited, Bankers Trust Company, NationsBank, N.A. and the Bank Group, dated as of July 18, 1997	Form S-3, October 31, 1997 (File No. 333-392655)
10.4	— Core Laboratories Supplemental Executive Retirement Plan effective as of January 1, 1998 ¹	Form 10-K, March 31, 1998 (File No. 000-26710)
10.5	— Core Laboratories Supplemental Executive Retirement Plan for John D. Denson effective January 1, 1999 ¹	Form 10-Q, August 16, 1999 (File No. 001-14273)
10.6	— Core Laboratories Supplemental Executive Retirement Plan for Monty L. Davis effective January 1, 1999 ¹	Form 10-Q, August 16, 1999 (File No. 001-14273)
10.7	— Amendment to Core Laboratories Supplemental Executive Retirement Plan filed January 1, 1998, effective July 29, 1999 ¹	Form 10-Q, August 16, 1999 (File No. 001-14273)
10.8	— Note and Guarantee Agreement by Core Laboratories, Inc. for Guaranteed Senior Notes, Series A, and Guaranteed Senior Notes, Series B, dated as of July 22, 1999	Form 10-Q, August 16, 1999 (File No. 001-14273)
10.9	— First Amendment to Core Laboratories N.V. 1995 Long-Term Incentive Plan (as amended and restated effective as of May 29, 1997)	Form 10-K, March 15, 2001 (File No. 001-14273)
10.10	— Second Amendment to Core Laboratories N.V. 1995 Non-employee Director Stock Option Plan (as amended and restated effective as of May 29, 1997)	Form 10-K, March 15, 2001 (File No. 001-14273)
10.11	— Form of Restated Employment Agreement between Core Laboratories N.V. and David Michael Demshur dated as of December 31, 2001 ¹	Form 10-K, March 25, 2002 (File No. 001-14273)
10.12	— Form of Restated Employment Agreement between Core Laboratories N.V. and Richard Lucas Bergmark dated as of December 31, 2001 ¹	Form 10-K, March 25, 2002 (File No. 001-14273)
10.13	— Form of Restated Employment Agreement between Core Laboratories N.V. and John David Denson dated as of December 31, 2001 ¹	Form 10-K, March 25, 2002 (File No. 001-14273)
10.14	— Form of Restated Employment Agreement between Core Laboratories N.V. and Monty Lee Davis dated as of December 31, 2001 ¹	Form 10-K, March 25, 2002 (File No. 001-14273)
10.15	— Form of Executive Share Matching Restricted Share Agreement between Core Laboratories N.V. and David Demshur dated as of June 1, 2002 ¹	Form 10-K, April 4, 2003 (File No. 001-14273)
10.16	— Form of Executive Share Matching Restricted Share Agreement between Core Laboratories N.V. and Richard Bergmark dated as of June 1, 2002 ¹	Form 10-K, April 4, 2003 (File No. 001-14273)

Exhibit No.	Exhibit Title	Incorporated by Reference from the Following Documents
10.17	— Form of Executive Share Matching Restricted Share Agreement between Core Laboratories N.V. and John Denson dated as of June 1, 2002 ¹	Form 10-K, April 4, 2003 (File No. 001-14273)
10.18	— Form of Executive Share Matching Restricted Share Agreement between Core Laboratories N.V. and Monty Davis dated as of June 1, 2002 ¹	Form 10-K, April 4, 2003 (File No. 001-14273)
10.19	— Amendment to Core Laboratories N.V. 1995 Long-Term Incentive Plan (as Amended and Restated Effective as of May 29, 1997)	Form 10-Q, May 15, 2003 (File No. 001-14273)
10.20	— Amendment to Core Laboratories Supplement Executive Retirement Plan ¹	Form 10-Q, May 15, 2003 (File No. 001-14273)
10.21	— Amendment to Restated Employment Agreement dated December 31, 2001 between Core Laboratories N.V. and David Demshur ¹	Form 10-Q, May 15, 2003 (File No. 001-14273)
10.22	— Amendment to Restated Employment Agreement dated December 31, 2001 between Core Laboratories N.V. and Richard L. Bergmark ¹	Form 10-Q, May 15, 2003 (File No. 001-14273)
10.23	— Amendment to Restated Employment Agreement dated December 31, 2001 between Core Laboratories N.V. and Monty L. Davis ¹	Form 10-Q, May 15, 2003 (File No. 001-14273)
10.24	— Amendment to Restated Employment Agreement dated December 31, 2001 between Core Laboratories N.V. and John D. Denson ¹	Form 10-Q, May 15, 2003 (File No. 001-14273)
10.25	— Summary of Director Compensation	Filed Herewith
10.26	— Form of Restricted Share Award Program Agreement	Form 8-K, September 9, 2004 (File No. 001-14273)
10.27	— Form of Performance Share Award Restricted Share Agreement (ROE Based)	Form 8-K, September 9, 2004 (File No. 001-14273)
10.28	— Form of Performance Share Award Restricted Share Agreement (Restated)	Form 8-K, September 9, 2004 (File No. 001-14273)
10.29	— Third Amended and Restated Credit Agreement among Core Laboratories N.V., Core Laboratories LP, JP Morgan Chase Bank, N.A., Bank of America, N.A., JP Morgan Securities Inc. and Banc of America Securities LLC, dated as of March 24, 2005	Form 10-Q, May 4, 2005 (File No. 001-14273)
10.30	— Form of Restricted Share Award Program Agreement	Form 10-Q, May 4, 2005 (File No. 001-14273)
10.31	— Form of Performance Share Award Restricted Share Agreement (ROE Based)	Form 10-Q, May 4, 2005 (File No. 001-14273)

Core Laboratories N. V. Form 10-K

Exhibit No.	Exhibit Title	Incorporated by Reference from the Following Documents
10.32	— First Amendment to the Third Amended and Restated Credit Agreement among Core Laboratories N.V., Core Laboratories LP, JP Morgan Chase Bank, N.A., Bank of America, N.A., JP Morgan Securities Inc. and Banc of America Securities LLC, dated as of December 20, 2005	Form 8-K, December 23, 2005 (File No. 001-14273)
10.33	— Core Laboratories N.V. 2006 Nonemployee Director Stock Incentive Plan	Proxy Statement dated May 17, 2006 for Annual Meeting of Shareholders
10.34	— Second Amendment to the Third Amended and Restated Credit Agreement among Core Laboratories N.V., Core Laboratories LP, JP Morgan Chase Bank, N.A., Bank of America, N.A., JP Morgan Securities Inc. and Banc of America Securities LLC, dated as of July 7, 2006	Form 8-K, November 7, 2006 (File No. 001-14273)
10.35	— Third Amendment to the Third Amended and Restated Credit Agreement among Core Laboratories N.V., Core Laboratories LP, JP Morgan Chase Bank, N.A., Bank of America, N.A., JP Morgan Securities Inc. and Banc of America Securities LLC, dated as of November 6, 2006	Form 8-K, November 7, 2006 (File No. 001-14273)
10.36	— Form of Director Performance Share Award Restricted Share Agreement (ROE Based) ¹	Filed Herewith
10.37	— Form of Restricted Share Award Program Agreement ¹	Filed Herewith
21.1	— Subsidiaries of the Registrant	Filed Herewith
23.1	— Consent of PricewaterhouseCoopers LLP	Filed Herewith
31.1	— Certification of Chief Executive Officer Pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, As Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed Herewith
31.2	— Certification of Chief Financial Officer Pursuant to Rule 13a-14 of the Securities Exchange Act of 1934, As Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed Herewith
32.1	— Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Furnished Herewith
32.2	— Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Furnished Herewith

¹) Management contracts or compensatory plans or arrangements.

SIGNATURES

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

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

Date: February 16, 2007

By: /s/ JAN WILLEM SODDERLAND

Jan Willem Sodderland
Managing Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated, on the 16th day of February 2007.

Signature	Title
<u>/s/ DAVID M. DEMSHUR</u> <i>David M. Demshur</i>	President, Chief Executive Officer, Chairman and Supervisory Director
<u>/s/ RICHARD L. BERGMARK</u> <i>Richard L. Bergmark</i>	Executive Vice President, Chief Financial Officer, Treasurer and Supervisory Director
<u>/s/ C. BRIG MILLER</u> <i>C. Brig Miller</i>	Chief Accounting Officer
<u>/s/ JOSEPH R. PERNA</u> <i>Joseph R. Perna</i>	Supervisory Director
<u>/s/ JACOBUS SCHOUTEN</u> <i>Jacobus Schouten</i>	Supervisory Director
<u>/s/ RENE R. JOYCE</u> <i>Rene R. Joyce</i>	Supervisory Director
<u>/s/ MICHAEL C. KEARNEY</u> <i>Michael C. Kearney</i>	Supervisory Director
<u>/s/ D. JOHN OGREN</u> <i>D. John Ogren</i>	Supervisory Director
<u>/s/ ALEXANDER VRIESENDORP</u> <i>Alexander Vriesendorp</i>	Supervisory Director

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have completed integrated audits of Core Laboratories N.V.'s consolidated financial statements and of its internal control over financial reporting as of December 31, 2006, in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our opinions, based on our audits, are presented below.

Consolidated financial statements and financial statement schedule

In our opinion, the consolidated financial statements listed in the index appearing under Item 15(a)(1) present fairly, in all material respects, the financial position of Core Laboratories N.V. (a Netherlands corporation) and its subsidiaries at December 31, 2006 and 2005, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2006 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(a)(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 13 to the consolidated financial statements, the Company changed its method of accounting for share based payments effective January 1, 2006, in accordance with SFAS 123(R). Additionally, as discussed in Note 10 to the consolidated financial statements, the Company has changed its method of accounting for defined benefit pension plans effective December 31, 2006, in accordance with SFAS 158.

Internal control over financial reporting

Also, in our opinion, management's assessment, included in Management's Report on Internal Control Over Financial Reporting appearing under Item 9A of Part II of this Form 10-K, that the Company maintained effective internal control over financial reporting as of December 31, 2006 based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), is fairly stated, in all material respects, based on those criteria. Furthermore, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control - Integrated Framework issued by the COSO. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express opinions on management's assessment and on the effectiveness of the Company's internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

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

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PricewaterhouseCoopers LLP

Houston, Texas
February 16, 2007

CONSOLIDATED BALANCE SHEETS

December 31,

(In thousands, except share and per share data)

2006 2005

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 54,223	\$ 13,743
Accounts receivable, net of allowance for doubtful accounts of \$4,340 and \$4,526 at 2006 and 2005, respectively	112,055	99,129
Inventories, net	30,199	29,104
Prepaid expenses and other current assets	29,075	11,269
TOTAL CURRENT ASSETS	225,552	153,245

PROPERTY, PLANT AND EQUIPMENT, net	87,734	81,342
INTANGIBLES, net	6,602	6,720
GOODWILL	132,618	132,618
DEFERRED TAX ASSET	33,032	11,452
OTHER ASSETS	15,677	9,224
TOTAL ASSETS	\$ 501,215	\$ 394,601

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES:

Current maturities of long-term debt and capital lease obligations	\$ 2,762	\$ 2,544
Accounts payable	37,460	32,557
Accrued payroll and related costs	24,707	17,371
Taxes other than payroll and income	8,714	5,660
Unearned revenues	6,853	3,233
Other accrued expenses	8,424	8,191
TOTAL CURRENT LIABILITIES	88,920	69,556

LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS	300,002	86,104
DEFERRED COMPENSATION	10,413	7,585
OTHER LONG-TERM LIABILITIES	28,598	16,034
COMMITMENTS AND CONTINGENCIES		
MINORITY INTEREST	1,446	1,065

SHAREHOLDERS' EQUITY:

Preference shares, EUR 0.04 par value in 2006 and EUR 0.01 par value in 2005; 3,000,000 shares authorized, none issued or outstanding	-	-
Common shares, EUR 0.04 par value in 2006 and EUR 0.01 par value in 2005; 100,000,000 shares authorized, 25,608,511 issued and 23,225,121 outstanding at 2006 and 26,797,354 issued and 25,774,339 outstanding at 2005	1,450	474
Additional paid-in capital	23,182	103,832
Deferred compensation	-	(940)
Retained earnings	224,110	141,448
Accumulated other comprehensive income (loss)	(2,072)	-
Treasury shares (at cost), 2,383,390 at 2006 and 1,023,015 at 2005	(174,834)	(30,557)
TOTAL SHAREHOLDERS' EQUITY	71,836	214,257
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 501,215	\$ 394,601

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

CONSOLIDATED STATEMENTS OF OPERATIONS

<i>(In thousands, except per share data)</i>	For the Years Ended December 31,		
	2006	2005	2004
REVENUES:			
Services	\$ 430,118	\$ 367,401	\$ 329,511
Sales	145,571	116,066	97,916
	575,689	483,467	427,427
OPERATING EXPENSES:			
Cost of services, exclusive of depreciation shown below	300,663	277,423	256,202
Cost of sales, exclusive of depreciation shown below	106,436	90,700	80,190
General and administrative expenses	33,082	37,846	28,140
Depreciation	16,891	15,938	16,800
Amortization	384	438	342
Other expense (income), net	(5,324)	191	(761)
OPERATING INCOME	123,557	60,931	46,514
Debt prepayment charge	–	6,012	–
Interest expense	5,805	8,277	8,275
Income before income tax expense	117,752	46,642	38,239
Income tax expense	35,090	14,925	10,217
Income from continuing operations	82,662	31,717	28,022
Loss from discontinued operations (net of tax benefit of \$285 and \$111 in 2005 and 2004, respectively)	–	(506)	(15,732)
NET INCOME	\$ 82,662	\$ 31,211	\$ 12,290
EARNINGS PER SHARE INFORMATION:			
Basic earnings per share before loss from discontinued operations	\$ 3.29	\$ 1.22	\$ 1.04
Loss from discontinued operations	–	(0.02)	(0.58)
Basic earnings per share	\$ 3.29	\$ 1.20	\$ 0.46
Diluted earnings per share before loss from discontinued operations	\$ 3.07	\$ 1.13	\$ 0.97
Loss from discontinued operations	–	(0.02)	(0.54)
Diluted earnings per share	\$ 3.07	\$ 1.11	\$ 0.43
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:			
Basic	25,157	26,038	26,896
Diluted	26,888	28,008	28,761

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the Years Ended December 31, 2006, 2005 and 2004

<i>(In thousands, except share data)</i>	Common Shares		Additional Paid-In Capital	Deferred Compensation	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock		Total Shareholders' Equity
	Number of Shares	Par Value					Number of Shares	Amount	
BALANCE, December 31, 2003	30,099,578	\$ 509	\$152,547	\$ -	\$ 97,947	\$ -	2,216,558	\$ (30,591)	\$ 220,412
Stock options exercised, net of capital taxes	697,326	9	8,478	-	-	-	-	-	8,487
Stock-based compensation	-	-	2,900	(2,900)	-	-	-	-	-
Amortization of deferred compensation	-	-	-	414	-	-	-	-	414
Repurchases of common shares	-	-	-	-	-	-	2,378,500	(51,307)	(51,307)
Cancellation of common shares	(2,758,117)	(34)	(40,593)	-	-	-	(2,758,117)	40,627	-
Net income	-	-	-	-	12,290	-	-	-	12,290
BALANCE, December 31, 2004	28,038,787	484	123,332	(2,486)	110,237	-	1,836,941	(41,271)	190,296
Stock options exercised, net of capital taxes	655,255	8	8,207	-	-	-	-	-	8,215
Stock-based awards issued	385,753	5	9,235	-	-	-	-	-	9,240
Stock-based compensation	-	-	11,300	(3,740)	-	-	-	-	7,560
Amortization of deferred compensation	-	-	-	5,286	-	-	-	-	5,286
Tax benefit of stock options exercised	-	-	3,895	-	-	-	-	-	3,895
Repurchases of common shares	-	-	-	-	-	-	1,468,515	(41,446)	(41,446)
Cancellation of common shares	(2,282,441)	(23)	(52,137)	-	-	-	(2,282,441)	52,160	-
Net income	-	-	-	-	31,211	-	-	-	31,211
BALANCE, December 31, 2005	26,797,354	474	103,832	(940)	141,448	-	1,023,015	(30,557)	214,257
Stock options exercised, net of capital taxes	1,023,754	20	14,833	-	-	-	-	-	14,853
Stock-based awards issued	264,400	3	4,803	-	-	-	-	-	4,806
Reclassification in connection with adoption of SFAS 123R	-	-	(940)	940	-	-	-	-	-
Tax benefit of stock options exercised	-	-	6,255	-	-	-	-	-	6,255
Repurchases of common shares	-	-	-	-	-	-	3,837,372	(251,088)	(251,088)
Change in par value effective	-	977	(977)	-	-	-	-	-	-
Purchase of call options	-	-	(86,250)	-	-	-	-	-	(86,250)
Sale of warrants	-	-	56,500	-	-	-	-	-	56,500
Tax benefit from purchase of call options	-	-	31,913	-	-	-	-	-	31,913
Cancellation of common shares	(2,476,997)	(24)	(106,787)	-	-	-	(2,476,997)	106,811	-
Adjustment to initially adopt SFAS 158, net of tax	-	-	-	-	-	(2,072)	-	-	(2,072)
Net income	-	-	-	-	82,662	-	-	-	82,662
BALANCE, December 31, 2006	25,608,511	\$1,450	\$ 23,182	\$ -	\$ 224,110	\$ (2,072)	2,383,390	\$(174,834)	\$ 71,836

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	For the Years Ended December 31,		
	2006	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 82,662	\$ 31,211	\$ 12,290
Loss from discontinued operations, net of tax	–	506	15,732
Income from continuing operations	82,662	31,717	28,022
Adjustments to reconcile income to net cash provided by operating activities:			
Net provision for (recoveries of) doubtful accounts	623	789	(441)
Provision for inventory obsolescence	1,495	3,255	2,887
Equity in (earnings) loss of affiliates	123	(36)	265
Minority interest	120	(57)	1
Stock-based compensation	4,806	15,683	5,535
Depreciation and amortization	17,275	16,376	17,142
Debt issuance costs amortization and finance charges	418	685	255
(Gain) loss on sale of assets	(755)	(293)	468
Gain on the involuntary sale of fixed assets	(375)	(875)	–
Gain on insurance recovery	(492)	(334)	–
Increase in value of life insurance policies	(484)	(282)	(301)
Deferred income taxes	8,063	81	(2,739)
Changes in assets and liabilities, net of effects of acquisitions:			
Accounts receivable	(14,803)	(5,331)	(5,804)
Inventories	(4,138)	(2,988)	(904)
Prepaid expenses and other current assets	(2,216)	1,889	2,709
Other assets	(59)	2,199	(687)
Accounts payable	6,254	3,926	3,142
Accrued expenses	13,852	4,550	3,844
Other long-term liabilities	7,936	3,824	802
Net cash provided by operating activities	120,305	74,778	54,196
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	(24,415)	(19,095)	(10,888)
Patents and other intangibles	(266)	(103)	(209)
Acquisitions, net of cash acquired	–	–	(1,782)
Proceeds from sale of assets	2,714	3,930	1,670
Premiums on life insurance	(1,628)	(1,096)	(799)
Discontinued operations	–	–	17,944
Net cash (used in) provided by investing activities	(23,595)	(16,364)	5,936
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of debt borrowings	(131,478)	(108,766)	(32,108)
Proceeds from debt borrowings	342,000	82,000	14,962
Capital lease obligations	(26)	(216)	(361)
Stock options exercised	14,853	8,215	8,487
Repurchase of common shares	(251,088)	(41,446)	(51,307)
Proceeds from sale of warrants	56,500	–	–
Purchase of exchangeable note hedge	(86,250)	–	–
Debt refinancing costs	(6,996)	(488)	–
Excess tax benefits from stock-based payments	6,255	–	–
Net cash used in financing activities	(56,230)	(60,701)	(60,327)
NET CHANGE IN CASH AND CASH EQUIVALENTS	40,480	(2,287)	(195)
CASH AND CASH EQUIVALENTS, beginning of year	13,743	16,030	16,225
CASH AND CASH EQUIVALENTS, end of year	\$ 54,223	\$ 13,743	\$ 16,030
Supplemental disclosures of cash flow information:			
Cash payments for interest	\$ 4,916	\$ 9,927	\$ 7,576
Cash payments for income taxes	\$ 25,448	\$ 15,898	\$ 11,540
Non-cash investing and financing activities:			
Financed capital expenditures	\$ 2,350	\$ 18	\$ 5
Insurance premium financed	\$ 2,654	\$ 2,412	\$ 2,601
Common stock issued related to compensation plans	\$ 4,806	\$ 9,240	\$ –

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2006

1. DESCRIPTION OF BUSINESS

Core Laboratories N.V. (“Core Laboratories”, “we”, “our” or “us”) is a Netherlands limited liability company. We were established in 1936 and are one of the world’s leading providers of proprietary and patented reservoir description, production enhancement and reservoir management services to the oil and gas industry. These services are directed toward enabling our clients to improve reservoir performance and increase oil and gas recovery from their producing fields. We have over 70 offices in more than 50 countries and have approximately 4,600 employees.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The accompanying Consolidated Financial Statements include the accounts of Core Laboratories and its subsidiaries and have been prepared in accordance with generally accepted accounting principles in the U.S. (“U.S. GAAP”). All inter-company transactions and balances have been eliminated in consolidation. The equity method of accounting is used to record our interest in investments in which we have less than a majority interest and do not exercise significant control. We use the cost method to record certain other investments in which we own less than 20% of the outstanding equity and do not exercise significant control. We record minority interest associated with consolidated subsidiaries that are less than 100% owned. In addition, we consolidate an entity over which we have significant influence, but we have no stock ownership. We are considered the primary beneficiary of this entity, but our exposure is limited to our investment, which was insignificant at December 31, 2006.

Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. We evaluate our estimates on an ongoing basis and utilize our historical experience, as well as various other assumptions that we believe are reasonable in a given circumstance, in order to make these estimates. Actual results could differ from our estimates, as assumptions and conditions change.

The following accounts, among others, require us to use critical estimates and assumptions:

- allowance for doubtful accounts;
- inventory reserves;
- depreciation and amortization;
- pensions and other postretirement benefits;
- stock-based compensation;
- income taxes; and
- long-lived assets, intangibles and goodwill.

Accounting policies related to these accounts and the nature of these estimates are further discussed under the applicable caption. For each of these critical estimates it is at least reasonably possible that changes in these estimates will occur in the short term which may impact our financial position or results of operations.

Comprehensive Income

Comprehensive income is comprised of net income and other charges or credits to equity that are not the result of transactions with owners. For the years ended December 31, 2006, 2005 and 2004, there were no items of other comprehensive income except net income. Effective December 31, 2006, we adopted FASB Statement No. 158, Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, An Amendment of FASB Statements No. 87, 88, 106, and 132(R) ("SFAS 158"), which resulted in us recording prior service costs and unrecognized actuarial loss of \$2.1 million to Accumulated Other Comprehensive Income (Loss) as of December 31, 2006. See Note 10, Pensions and Other Postretirement Benefit Plans.

Cash and Cash Equivalents

Cash and cash equivalents include all short-term, highly liquid instruments purchased with an original maturity of three months or less. These items are carried at cost, which approximates market value. For the years ended December 31, 2006 and 2005, cash equivalents included time deposits and money market investment accounts.

Concentration of Credit Risk

Our financial instruments that potentially subject us to concentrations of credit risk relate primarily to cash and cash equivalents and trade accounts receivable. All cash and cash equivalents are on deposit at commercial banks or investment firms with significant financial resources. Our trade receivables are with a variety of domestic, international and national oil and gas companies. We had no clients who provided more than 10% of our revenues for the years ended December 31, 2006, 2005 and 2004. We consider our credit risk related to trade accounts receivable to be limited due to the creditworthiness and financial resources of our clients. We evaluate our estimate of the allowance for doubtful accounts on an on-going basis throughout the year.

Accounts Receivable

Trade accounts receivable are recorded at their invoiced amounts and do not bear interest. We perform ongoing credit evaluations of our clients and monitor collections and payments in order to maintain a provision for estimated uncollectible accounts based on our historical collection experience and our current aging of client receivables outstanding, in addition to client's representations and our understanding of the economic environment in which our clients operate. Based on our review we establish or adjust allowances for specific customers and the accounts receivable as a whole, and recognize expense. When an account is determined to be uncollectible, we charge the receivable to our allowance for doubtful accounts. Our allowance for doubtful accounts totaled \$4.3 million and \$4.5 million at December 31, 2006 and 2005, respectively.

Inventories

Inventories consist of manufactured goods, materials and supplies used for sales or services to clients. Inventories are stated at the lower of average cost or estimated net realizable value, and are reflected net of valuation reserves. Inventory costs are recorded at standard cost which approximates the first-in, first-out method.

Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets are comprised primarily of prepaid insurance, value added taxes and rents. In addition, at December 31, 2006 an asset held for sale with a carrying value of \$3.2 million was included in other current assets.

Property, Plant and Equipment

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

Buildings and leasehold improvements	3 – 40 years
Machinery and equipment	3 – 10 years

Expenditures for repairs and maintenance are charged to expense as incurred and major renewals and improvements are capitalized. Cost and accumulated depreciation applicable to assets retired or sold are removed from the accounts, and any resulting gain or loss is included in operations.

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We review our assets for impairment when events or changes in circumstances indicate that the net book value of property, plant and equipment may not be recovered over its remaining service life. We evaluate our property, plant and equipment for impairment if a triggering event occurs which may indicate that an impairment is probable. Under these circumstances, we compare the sum of the estimated future cash flows related to the asset group, on an undiscounted basis, and an estimate of realizable value to the carrying value of the assets. If impairment is still indicated, we compare the fair value of the assets, determined using discounted cash flows over the remaining useful life of the asset, to the carrying amount, and recognize an impairment loss for the amount by which the fair value exceeds the carrying value. The determination of fair value requires the estimation of future cash flows, and such estimates can change based on market conditions, technological advances in the industry or changes in regulations governing the industry. We recorded no impairment charges related to property, plant and equipment held for use in continuing operations during the years ended December 31, 2006, 2005 and 2004.

Intangibles and Goodwill

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

We record goodwill as the excess of the purchase price over the fair value of the net assets acquired in acquisitions accounted for under the purchase method of accounting. In accordance with Statement of Financial Accounting Standards (“SFAS”) No. 142, “Goodwill and Other Intangible Assets,” we test goodwill for impairment annually, or more frequently if circumstances indicate that a potential impairment has occurred. See Note 7, Goodwill.

Other Assets

Other assets consisted of the following (in thousands):

	2006	2005
Cash surrender value of life insurance	\$ 6,730	\$ 4,773
Pension asset	–	1,928
Investments	890	1,141
Debt issuance costs	7,102	524
Other	955	858
Total other assets	\$ 15,677	\$ 9,224

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

Income Taxes

We recognize deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the Consolidated Financial Statements or tax returns.

Deferred tax assets and liabilities are determined based on the difference between the financial statement and the tax basis of assets and liabilities using enacted tax rates in effect for the year in which the asset is recovered or the liability is settled. We include interest and penalties from tax judgments in income tax expense.

Revenue Recognition

Revenues are recognized as services are completed or as product title is transferred. All advance client payments are classified as unearned revenues until services are provided or product title is transferred. We recognize revenue when

we determine that the following criteria are met: (i) persuasive evidence an arrangement exists; (ii) delivery has occurred or services have been rendered; (iii) the fee is fixed or determinable; and (iv) collectibility is reasonably assured. Revenues from long-term contracts are recorded as services are rendered in proportion to the work performed. All known or anticipated losses on contracts are provided for currently. Revenues are recorded exclusive of taxes. Training and consulting service revenues are recognized as the services are performed.

Foreign Currencies

Our functional currency is the U.S. Dollar ("USD"). All inter-company financing, transactions and cash flows of our subsidiaries are transacted in USD. Additionally, certain significant operations transact contractual business denominated in the USD. Accordingly, foreign entities remeasure monetary assets and liabilities to USD at year-end exchange rates, while non-monetary items are measured at historical rates. Revenues and expenses are remeasured at the applicable month-end rate, except for depreciation and amortization and certain components of cost of sales, which are measured at historical rates. For the year ended December 31, 2006, we incurred a net remeasurement gain of approximately \$1.4 million. For the year ended December 31, 2005, we incurred a net remeasurement loss of approximately \$1.6 million, while for the year ended December 31, 2004 we incurred a net remeasurement gain of approximately \$0.8 million. These amounts were included in Other Expense (Income), net in the accompanying Consolidated Statements of Operations.

Pensions and Other Postretirement Benefits

We maintain a defined benefit pension plan for substantially all of our Dutch employees. We account for this plan in accordance with SFAS No. 87, "Employers' Accounting for Pensions", SFAS No. 132(R), "Employers' Disclosures about Pensions and Other Postretirement Benefits - An Amendment to FASB Statements No. 87, 88, and 106" and SFAS 158. We adopted SFAS 158 as of December 31, 2006. As required by these pronouncements, we recognize net periodic pension costs associated with this plan in income from current operations and recognize the unfunded status of the plan, if any, as a long-term liability. In addition, we recognize as a component of other comprehensive income, the gains or losses and prior service costs or credits that arise during the period but are not recognized as components of net periodic pension cost. The projection of benefit obligation and fair value of plan assets requires the use of assumptions and estimates. Actual results could differ from those estimates. See Note 10, Pensions and Other Postretirement Benefit Plans. Furthermore, we sponsor several defined contribution plans for the benefit of our employees. We expense these contributions in the period the contribution is made.

Stock-Based Compensation

Effective January 1, 2006, we adopted Statement of Financial Accounting Standard No. 123R, "Share-Based Payment" ("SFAS 123R") using the modified prospective transition method. Under that transition method, compensation expense that we recognized for the year ended December 31, 2006 included: (a) compensation expense for all stock-based payments granted prior to, but not yet vested as of, January 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of SFAS 123, "Accounting for Stock-Based Compensation", and (b) compensation expense for all stock-based payments granted on or after January 1, 2006, based on the grant date fair value estimated in accordance with the provisions of SFAS 123R. Results from prior periods have not been restated. This statement requires compensation costs related to share-based payments, including stock options, to be recognized in the Consolidated Statement of Operations based on their fair values. The expense is recognized over the requisite service period of the award. We previously recognized expense for stock-based compensation arrangements in accordance with the provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees", and related interpretations ("APB 25"). Accordingly, compensation expense was recognized for the excess, if any, of the stock price on the grant date over the option exercise price. No compensation expense was recorded under APB 25 for awards granted under our employee stock option plan as all options issued had exercise prices at least equal to the fair value of the stock on the grant date. The pro forma effects upon net income and earnings per share for stock options are disclosed below per SFAS Statement No. 123, "Accounting for Stock-Based Compensation."

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The effect on net income and earnings per share if we had applied the fair value recognition provisions of SFAS 123R to stock-based employee compensation in the prior year comparable period is as follows (in thousands, except per share data):

	Year ended December 31,	
	2005	2004
Net income:		
As reported	\$ 31,211	\$ 12,290
Add: stock-based compensation expense included in reported income, net of tax	10,665	4,056
Less: stock-based compensation expense determined under fair value method, net of tax	12,404	5,239
Pro forma	\$ 29,472	\$ 11,107
Basic earnings per share:		
As reported	\$ 1.20	\$ 0.46
Pro forma	\$ 1.13	\$ 0.41
Diluted earnings per share:		
As reported	\$ 1.11	\$ 0.43
Pro forma	\$ 1.05	\$ 0.39
Weighted average fair value of options granted	\$ 16.96	\$ 15.56

The determination of the fair value of stock options was estimated using a Black-Scholes option-pricing model and required the use of highly subjective assumptions related to the volatility of our common stock, the expected term that the options would be outstanding and a risk-free rate. We do not include an estimated dividend yield in our calculations, since we have not paid dividends on our common stock historically and do not foresee paying dividends in the future. The following assumptions were used to calculate compensation expense for purposes of these pro forma results:

	New Option Grants	
	2005	2004
Risk free interest rate	4.6%	4.0%
Expected volatility	55.2%	56.6%
Expected lives (in years)	9.18	9.12

Prior to the adoption of SFAS 123R, we presented all tax benefits for deductions resulting from the exercise of stock options as operating cash flows in our Consolidated Statement of Cash Flows. SFAS 123R requires the cash flows resulting from the tax benefits for tax deductions in excess of the compensation expense recorded for those options to be classified as financing cash flows.

For the year ended December 31, 2006, stock-based compensation expense recognized under SFAS 123R in the income statement is as follows (in thousands):

	December 31,
	2006
Cost of sales and services	\$ 1,533
General and administrative	3,273
Total stock-based compensation expense	\$ 4,806

Earnings Per Share

We compute basic earnings per common share by dividing net income available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per common and potential common share include additional shares in the weighted average share calculations associated with the

incremental effect of dilutive employee stock options, restricted stock awards and contingently issuable shares, as determined using the treasury stock method. The following table summarizes the calculation of weighted average common shares outstanding used in the computation of diluted earnings per share (in thousands):

	For the Year Ended December 31,		
	2006	2005	2004
Weighted average basic common shares outstanding	25,157	26,038	26,896
Effect of dilutive securities:			
Stock options	1,477	1,573	1,438
Contingent shares	151	353	348
Restricted stock and other	103	44	79
Weighted average diluted common and potential common shares outstanding	26,888	28,008	28,761

We exclude the effect of anti-dilutive shares associated with these securities from the calculation of the diluted weighted average shares. If these shares had been included, the impact would have been a decrease in diluted weighted average shares outstanding of 94 shares, 4,315 shares, and 33,693 shares for the years ended December 31, 2006, 2005 and 2004, respectively.

Discontinued Operations

We account for discontinued operations in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." In April 2004, we sold our specialized geophysical and seismic-related assets and business. Based on the sale price and estimates of fair value, we adjusted the related assets to their estimated fair value in 2004 and recognized impairment charges related to the sale. Historical results for discontinued operations were adjusted to eliminate corporate allocations and inter-company transactions. See Note 17, Discontinued Operations.

Reclassifications

Certain reclassifications were made to prior year amounts in order to conform to the current year's presentation. These reclassifications had no impact on reported net income for the years ended December 31, 2006, 2005 and 2004.

3. ACQUISITIONS

2004 Acquisitions

On November 5, 2004, we acquired certain assets from Authentix, Inc., a product authentication company located in Texas for \$1.8 million in cash. The assets acquired consisted of licenses and intellectual property and certain analytical equipment. The purchase price was allocated to inventory of \$0.1 million, other assets of \$0.1 million, property, plant and equipment of \$0.1 million and licenses and intellectual property which constituted intangible assets of \$1.1 million. The excess of the purchase price over the fair value of the assets acquired of approximately \$0.4 million was recorded as goodwill.

4. INVENTORIES

Inventories consisted of the following at December 31, 2006 and 2005 (in thousands):

	2006	2005
Finished goods	\$ 24,747	\$ 22,896
Parts and materials	6,749	7,381
Work in progress	1,238	1,183
Total inventories	32,734	31,460
Less - valuation reserves	2,535	2,356
Inventories, net	\$ 30,199	\$ 29,104

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

5. PROPERTY, PLANT AND EQUIPMENT

The components of property, plant and equipment were as follows at December 31, 2006 and 2005 (in thousands):

	2006	2005
Land	\$ 5,905	\$ 5,905
Building and leasehold improvements	54,847	56,537
Machinery and equipment	138,314	118,062
Total property, plant and equipment	199,066	180,504
Less - accumulated depreciation and amortization	111,332	99,162
Property, plant and equipment, net	\$ 87,734	\$ 81,342

Our property, plant and equipment amounts include assets held under capital lease arrangements which totaled \$0.1 million at December 31, 2005. Amortization of these capital lease amounts was \$0.1 million, \$0.2 million and \$0.2 million for each of the years ended December 31, 2006, 2005 and 2004, respectively, and has been included in depreciation expense on the accompanying Statements of Operations.

6. INTANGIBLES

The components of intangibles as of December 31, 2006 and 2005 are as follows (in thousands):

	Original life in years	2006		2005	
		Gross Carrying Value	Accumulated Amortization	Gross Carrying Value	Accumulated Amortization
Acquired trade secrets	3-20	\$ 1,514	\$ 539	\$ 1,514	\$ 427
Acquired patents and trademarks	10	2,603	1,657	2,337	1,508
Agreements not to compete	3-7	810	372	810	257
Acquired trade names	30	392	41	392	33
Acquired trade names	Indefinite	3,892	-	3,892	-
Total intangibles		\$ 9,211	\$ 2,609	\$ 8,945	\$ 2,225

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

2007	\$ 339
2008	310
2009	303
2010	303
2011	287

Certain intangibles, primarily related to trade names, are deemed to have an indefinite life and are not amortized. These intangibles are included in an impairment analysis performed at least annually.

7. GOODWILL

The changes in the carrying amount of goodwill for each business segment for the years ended December 31, 2006, 2005 and 2004 were as follows (in thousands):

	Reservoir Description	Production Enhancement	Reservoir Management	Total
Balance at December 31, 2003	\$ 64,950	\$ 64,383	\$ 2,845	\$ 132,178
Goodwill acquired during the year	–	437	–	437
Balance at December 31, 2004	64,950	64,820	2,845	132,615
Other	–	3	–	3
Balance at December 31, 2005	64,950	64,823	2,845	132,618
Goodwill acquired during the year	–	–	–	–
Balance at December 31, 2006	\$ 64,950	\$ 64,823	\$ 2,845	\$ 132,618

We test goodwill for impairment at least annually or more frequently if circumstances indicate a potential impairment. For purposes of this test, we compare the fair value of our reporting units, which are our reportable segments, to their net carrying value as of the balance sheet date, after excluding inter-company transactions and allocating corporate assets to the reportable segments. Fair value is determined by determining the present value of projecting future cash flows discounted at our cost of capital rate. If the carrying value of the reportable segment exceeds the fair value determined, impairment may be indicated. If impairment is indicated, the fair value of the reportable segment would be determined, much like a purchase price allocation under the purchase accounting method prescribed in SFAS No. 141, "Business Combinations." Any remaining goodwill would be deemed impaired and charged to income during the period the impairment was identified. We performed this impairment testing at December 31, 2006. No impairment was indicated, and therefore, no impairment has been recorded in 2006 related to continuing operations. See Note 16, Discontinued Operations.

The increase in goodwill for the years ended December 31, 2005 and 2004 were related to the acquisition of certain assets of Authentix, Inc., as discussed at Note 3, Acquisitions.

8. DEBT AND CAPITAL LEASE OBLIGATIONS

Debt at December 31, 2006 and 2005 is summarized in the following table (in thousands):

	2006	2005
Senior Exchangeable Notes	\$ 300,000	\$ –
Credit Facility	–	86,000
Capital lease obligations	10	36
Other indebtedness	2,754	2,612
Total debt and capital lease obligations	302,764	88,648
Less - short-term debt included in other indebtedness	2,654	2,412
Less - current maturities of long-term debt and capital lease obligations	108	132
Long-term debt and capital lease obligations, net	\$ 300,002	\$ 86,104

On November 6, 2006 Core Laboratories LP, a wholly owned subsidiary, issued \$250 million aggregate principal amount of Senior Exchangeable Notes due 2011 ("Notes") to qualified institutional buyers. The Notes bear interest at a rate of 0.25% per year and are guaranteed by Core Laboratories N.V. These notes are exchangeable into shares of Core Laboratories N.V. under certain circumstances at an initial conversion rate of 10.5533 per \$1,000 principal amount of notes, which is equal to a conversion price of approximately \$94.76 per share. Upon exchange, holders will receive cash up to the principal amount, and any excess exchange value will be delivered in Core Laboratories N.V. common shares. On November 17, 2006, the initial purchasers exercised their option to purchase an additional \$50 million of the 0.25% senior exchangeable notes due 2011, increasing the aggregate issuance of such notes to \$300 million. We sold the Notes to the initial purchasers in reliance on Rule 144A of the Securities Act and subsequently filed a registration statement on Form S-3, which became effective immediately, pursuant to the Securities

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Act with respect to resale of the notes and shares received in exchange for the notes on December 22, 2006. The Notes bear interest at a rate of 0.25% per year payable semiannually on May 6 and November 6 of each year, beginning on May 6, 2007. Debt issuance costs of \$6.7 million were capitalized in connection with the issuance of the Notes in other long-term assets on our consolidated balance sheet and are being amortized through November 2011.

Core Laboratories LP used proceeds of the offering to enter into exchangeable note hedge transactions with a financial institution which is an affiliate of one of the initial purchasers. The exchangeable note hedge transactions are designed to cover, subject to customary anti-dilution adjustments, the net number of our common shares that would be deliverable to exchanging note holders in the event of an exchange of the notes. We paid an aggregate amount of approximately \$86.3 million of the proceeds from the sale of the Notes to acquire the call options.

Core Laboratories N.V. also entered into separate warrant transactions at the time of the sale of the Notes whereby we sold warrants which give the holders the right to acquire approximately 3.2 million of our common shares at a strike price of \$127.56 per share. Upon exercise of the warrants, we have the option to deliver cash or our common shares equal to the difference between the then market price and strike price. All of the warrants will expire on January 25, 2012. We received aggregate proceeds of \$56.5 million from the sale of the warrants which was used to repay our outstanding debt.

The purchased call options and sold warrants are separate contracts entered into by us with two financial institutions, and are not part of the terms of the notes and will not affect the holders' rights under the notes. The purchased call options are expected to offset the potential dilution upon exchange of the notes in the event that the market value per share of our common shares at the time of exercise is greater than the strike price of the purchased call options, which corresponds to the initial exchange price of the Notes and is simultaneously subject to certain customary adjustments. The warrants will effectively increase the exchange price of the notes to \$127.56 per share of our common shares, from our perspective, representing a 75% premium based on the last reported bid price of \$72.89 per share on October 31, 2006. In accordance with Emerging Issues Task Force Issue No. 00-19, "Accounting for Derivative Financial Instruments Indexed To and Potentially Settled In, a Company's Own Stock" and SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity," we recorded the exchangeable note hedge and warrants in capital in excess of par value as of the transaction date, and will not recognize subsequent changes in fair value. We also recognized a deferred tax asset of \$31.9 million in the fourth quarter of 2006 for the effect of the future tax benefits related to the exchangeable note hedge.

We maintain a revolving credit facility (the "Credit Facility"). In November 2006, we amended this facility to decrease the aggregate borrowing commitment from \$125.0 million to \$100.0 million, and added an option to increase the commitment under the credit facility to \$150.0 million, if certain conditions are met. The Credit Facility bears interest at variable rates from LIBOR plus 0.5% to a maximum of LIBOR plus 1.125%. The Credit Facility matures in December 2010 and requires interest payments only until maturity. These interest payments are based on the interest period selected. Our available borrowing capacity under the Credit Facility at December 31, 2006 was \$93.1 million. Our available capacity is reduced by outstanding unsecured letters of credit and performance guarantees and bonds totaling \$6.9 million at December 31, 2006 related to certain projects in progress.

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

In July 1999, we issued \$75.0 million in senior notes ("Senior Notes"), which bore interest at an average fixed rate of 8.16%. On December 29, 2005, we repurchased all of our outstanding Senior Notes, in accordance with the Note and Guarantee Agreement, for face value plus accrued and unpaid interest and a make-whole premium as prescribed in the Senior Note agreement. Such redemption was completed on December 29, 2005 and was funded utilizing a combination of excess cash and borrowings under the Credit Facility. 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

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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%

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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 effective 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.

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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 non-vested 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	<u>1,640,659</u>	\$ 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 common 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		
	2006	2005	2004
Losses (gains) by currency			
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 and 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 (loss)	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.

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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

December 31, 2006

<i>(In thousands)</i>	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)	\$ 501,215
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

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Condensed Consolidating Statements of Operations

Year Ended December 31, 2006

<i>(In thousands)</i>	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

Year Ended December 31, 2006

<i>(In thousands)</i>	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
CASH AND CASH EQUIVALENTS, end of period	\$ 1,572	\$ 35,385	\$ 17,266	\$ –	\$ 54,223

Condensed Consolidating Balance Sheets

Year Ended December 31, 2005

<i>(In thousands)</i>	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	\$ 32	\$ -	\$ 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

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Condensed Consolidating Statements of Operations

Year Ended December 31, 2005

<i>(In thousands)</i>	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
Income from continuing operations	31,211	5,550	246,266	(251,310)	31,717
Discontinued operations	-	-	(506)	-	(506)
NET INCOME	\$ 31,211	\$ 5,550	\$ 245,760	\$ (251,310)	\$ 31,211

Condensed Consolidating Statements of Cash Flows

Year Ended December 31, 2005

<i>(In thousands)</i>	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

Year Ended December 31, 2004

<i>(In thousands)</i>	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

Year Ended December 31, 2004

<i>(In thousands)</i>	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.

Core Laboratories N. V. Form 10-K

Schedule II - Valuation and Qualifying Account

<i>(In thousands)</i>	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.

Senior Corporate Management

D. M. Demshur

Chairman of the Board, President,
and Chief Executive Officer

R. L. Bergmark

Executive Vice President
and Chief Financial Officer

M. L. Davis

Senior Vice President and
Chief Operating Officer

J. D. Denson

Vice President, Secretary,
and General Counsel

C. B. Miller

Chief Accounting Officer

Senior Operations Management

J. L. Gresham

Vice President, Business Development

J. T. Hampton III

Vice President, Production
Enhancement

J. W. Heinsbroek

Vice President, Reservoir Description

S. J. Lee

Vice President, Reservoir Description

R. S. Miller

Vice President, Reservoir Management

J. M. West

Vice President, Production
Enhancement

Board of Supervisory Directors

Richard L. Bergmark, Director & Officer

Executive Vice President and
Chief Financial Officer

David M. Demshur, Chairman of the Board

President and Chief Executive Officer

Rene R. Joyce, Director

Chief Executive Officer,
Targa Resources, Inc.

Michael C. Kearney, Director

Former Chief Financial Officer,
TESCO Corporation

D. John Ogren, Director

Former Senior Vice President,
Conoco, Inc.

Joseph R. Perna, Director

Private Investor

Jacobus Schouten, Director

Director, International Mezzanine
Capital B.V.

Alexander Vriesendorp, Director

Partner, Shamrock Partners B.V.

Stephen D. Weinroth, Chairman Emeritus

Managing Member,
Hudson Capital Advisors, LLC

Independent Auditors

PricewaterhouseCoopers LLP
1201 Louisiana, Suite 2900
Houston, Texas 77002

Transfer Agent and Registrar

American Stock Transfer Co.
40 Wall Street
New York, New York 10005

Market Information

Listed on NYSE
Symbol: CLB



*David M.
Demshur*



*Richard L.
Bergmark*



*Rene R.
Joyce*



*Michael C.
Kearney*



*D. John
Ogren*



*Joseph R.
Perna*



*Jacobus
Schouten*



*Alexander
Vriesendorp*



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U.S. Headquarters

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Houston, Texas 77040
Telephone: 713-328-2673
Fax: 713-328-2150

Major Operating Locations

Advanced Technology Centers

Houston, Texas, USA
Calgary, Alberta, Canada
Aberdeen, Scotland, UK
Abu Dhabi, UAE
Vlaardingen, Rotterdam,
The Netherlands
Kuala Lumpur, Malaysia

www.corelab.com