CORE LABORATORIES N.V.

Annual Report for December 31, 2006

Herengracht 424
1017 BZ Amsterdam
The Netherlands

0618982

13-08-2007

PRICEWATERHOUSECOOPERS

Initialled on behalf of
PricewaterhouseCoopers
Accountants N.V.
for identification purposes only
Rotterdam

CORE LABORATORIES N.V.
ANNUAL REPORT FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006

TABLE OF CONTENTS

13-08-2007

Annual Report of the Directors

Currency - United States Dollars ("$")

General

Core Laboratories N.V. ("Core Laboratories", "Company", "we", "our" or "us") is a Netherlands limited liability company publicly traded in the United States on the New York Stock Exchange. 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.

Personnel

We have approximately 4,600 employees. We have maintained similar workforce levels from 2005 and expect to generally maintain the same workforce levels in the future, subject to market conditions.

Results of Operations

Our business units have been aggregated into three complementary segments:

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

- *Production Enhancement*: Includes products and services relating to reservoir well completions, perforations, stimulations and production. We provide integrated services to evaluate the effectiveness of well completions and to develop solutions aimed at increasing the effectiveness of enhanced oil recovery projects.

- *Reservoir Management*: Combines and integrates information from reservoir description and production enhancement services to increase production and improve recovery of oil and gas from our clients' reservoirs.

General Overview and Future Outlook

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.

We continue our efforts to expand our market presence by opening strategic facilities and realizing synergies within our business lines. As companies in the oil and gas industry consolidate, some of our clients have used, and may continue to use, their global presence and market influence to seek economies of scale and pricing concessions. We believe our market presence provides us a unique opportunity to service these customers.

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 North American spending by our clients will increase approximately 10%.

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.

Net revenues for the years ended 2006 and 2005 were $575.7 million and $483.5 million, respectively. We offer our services worldwide through our global network of offices. Services accounted for approximately 75% and 76% of our revenues from operations for the years ended December 31, 2006 and 2005, respectively. We manufacture products primarily in two facilities for distribution on a global basis. Product sales, generated principally in our Production Enhancement segment, accounted for approximately 25% and 24% of our revenues from operations for the years ended December 31, 2006 and 2005, respectively.

We recorded operating income of $119.6 million and $63.6 million for the years ending 2006 and 2005, respectively.

The market for our products and services is characterized by changing technology and frequent product introduction. As a result, our success is dependent upon our ability to develop or acquire new products and services on a cost-effective basis and to introduce them into the marketplace in a timely manner. Many of our acquisitions have allowed us to obtain the benefits of the acquired company's research and development projects without the significant costs that would have been incurred if we had attempted to develop the products and services ourselves. We 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.

Investments

Fixed assets are comprised of tangible fixed asset and intangible fixed assets. During 2006 and 2005 we added $27.0 million and $19.2 million respectively. We expect to add an additional $25.0 million in 2007.

Segment Revenues

	For the Years Ended December 31,		
(USD in thousands)	2006	% Change	2005
Reservoir Description	$ 315,068	12.1%	$ 280,979
Production Enhancement	223,056	26.8%	175,894
Reservoir Management	37,565	41.3%	26,594
Total Revenues	$ 575,689	19.1%	$ 483,467

Segment Operating Income

	For the Years Ended December 31,		
(USD in thousands)	2006	% Change	2005
Reservoir Description	$ 56,263	50.1 %	$ 37,478
Production Enhancement	57,191	87.1 %	30,560
Reservoir Management	8,158	87.7 %	4,347
Corporate and other[1]	(2,011)	(77.2)%	(8,815)
Operating income	$ 119,601	88.1 %	$ 63,570

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

Reservoir Description

Revenues for our Reservoir Description segment increased by 12.1% in 2006 compared to 2005. These revenue increases resulted from continued expansion of oilfield activities world-wide 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.

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.

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™.

Operating income for this segment increased to $57.2 million in 2006 from $30.6 million in 2005, an increase of 87.1%. The continued improvement in operating income was 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. The 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 Gas Shales and Geological, Petrophysical, and Geomechanical Properties of Tight Gas Sands.

Operating income for this segment increased $3.8 million in 2006 over 2005 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.

Corporate and Other

Operating expenses for Corporate and Other are expenses not directly related to a particular segment. In 2006 the overall expense not relating to a particular segment was minimal. In 2005, we incurred one-time charges relating to stock based compensation and an impairment charge on a facility that was being sold.

Liquidity and Capital Resources

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.

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

(USD in thousands)	Year Ended December 31, 2006	Year Ended December 31, 2005
Cash provided by/(used in):		
Operating activities	$ 124,671	$ 73,629
Investing activities	(21,706)	(15,215)
Financing activities	(62,485)	(60,701)
Net change in cash and cash equivalents	$ 40,480	$ (2,287)

The increase in cash flow from operating activities in 2006 compared to 2005 was primarily due to an increase in net income and current liabilities offset by an increase in accounts receivable.

Cash flow used in investing activities increased $6.5 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 and 2005 were for replacement of in-place equipment and for growth through 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. 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 the lesser of 10% of our issued common shares or freely distributable reserves as defined under Dutch law. This authorization was extended by our shareholders at each of our annual meetings beginning in April 1996.

The number of treasury shares reported in our balance sheet as of December 31, 2006 include 2,263,493 shares ($167.5 million) in our capital held by our subsidiaries Core Laboratories LP and Core Laboratories Holding Inc.

As a result of acquisition of shares in our capital by our subsidiaries Core Laboratories LP and Core Laboratories Holding Inc in 2006, these subsidiaries have by operation of the laws of the Netherlands a contingent liability consisting of an obligation to transfer the shares currently held by them in our capital to our (indirect) managing directors and a corresponding contingent asset consisting of a claim against such managing directors for an amount equal to the purchase price paid by Core Laboratories LP and Core Laboratories Holding Inc for such shares.

Upon adoption of our annual accounts for the financial year 2006, the shares in our capital currently held by our subsidiaries Core Laboratories LP and Core Laboratories Holding Inc shall be transferred to us and the contingent asset and contingent liability referred to above in respect of such shares shall be set-off.

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.

Due to the low inflationary rates in 2006 and 2005, the impact of inflation on our results of operations was insignificant.

Significant Events

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 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 International Accounting Standards No. 32 "Financial Instruments: Presentation", we recorded the exchangeable note hedge and warrants in the balance sheet as of the transaction date, and will recognized subsequent changes in fair value.

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.

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.

Corporate Governance

General

The Company is subject to corporate governance requirements in the Netherlands. The management board of the Company supports the principles and best practice provisions of corporate governance set out in the Dutch Corporate Governance Code ("DCGC") issued in December 2003 and effective as from January 1, 2004. Pursuant to the DCGC, the Company has to state in its Annual Report whether it complies with the principles and best practice provisions of the DCGC and, if it does not comply, to explain the reasons for this non-compliance.

Compliance with the Dutch Corporate Governance Code

The Company applies the major part of the principles and provisions of the DCGC, in so far as they are applicable, with the following exceptions:

Best practice provision I.1

The corporate governance structure of the Company is not explained in a separate chapter of the Dutch annual report. Pursuant to the Rule 303A.09 of the New York Stock Exchange ("NYSE"), the Company has adopted Corporate Governance Guidelines, which are described in the Company's Proxy Statement. In addition, a copy of the Corporate Governance Guidelines are available on the Company's website at http://www.corelab.com/corporate/cgg.asp.

Best practice provision II.1.1

The sole managing director of the Company is Core Laboratories International B.V. The composition of the management board of the latter company changes from time to time. Certain members of the management board of Core Laboratories International B.V. have been in office for a longer period than four years in order to have a continuing overview with respect to the ongoing corporate formalities. References to managing directors in this chapter are references to Core Laboratories International B.V. as managing director of the Company and/or the managing directors of Core Laboratories International B.V.

Best practice provision II.1.2

Since the sole managing director of the Company is a legal entity, the decisions mentioned in this best practice provision are submitted to the supervisory board by officers of the Company.

Best practice provision II.2.1 and II.2.2

The Company has not historically complied with the requirement of the DCGC that requires options to acquire shares to become vested only when the management board members have fulfilled predetermined performance objectives for a period of at least three years from the grant date or that options that do not have such performance objectives shall not be exercisable for three years from the grant date. The Company's supervisory directors have been granted options that vest one year from the date of grant. The Company employee options granted on September 26, 2001 vested ratably over a two-year period; all others vest over four years. All options are granted with an exercise price that is equal to the closing price on the day on which the option is granted. The Company does not have any future plans to modify the exercise price of any option during its term except for recapitalization events such as stock splits and stock dividends. The Company feels that it must offer similar arrangements to compete in the global marketplace where similar benefits are offered in order to be able to attract and retain high calibre management personnel. The Company also believes that this type of arrangement closely aligns the interests of management and the Company's shareholders. Currently the company is not planning to grant options but instead has issued stock-based awards as remuneration. As of this date, all options have vested and the senior executives and nonemployee directors have exercised all of their options.

Best practice provision II.2.3

New York Stock Exchange rules do not prescribe to retain shares granted to management board members without financial consideration for a period of at least five years or until at least the end of the employment, if this period is shorter. Therefore the grant of shares to managing directors has not been made subject to such restrictions.

Best practice provision II.2.6

The Company's supervisory board has not drawn up policies concerning ownership of and transactions in securities by management board members, other than securities issued by the Company. To the extent that investments do constitute a conflict of interest both the New York Stock Exchange rules and company policy provide that the director should disclose the conflict and should not take any actions that are inconsistent with their fiduciary duties.

Best practice provision II.2.7

In respect of the dismissal of a senior executive officer, as is customary in our industry, each of the Company's senior executive officers has an employment contract that regulates the termination of the officer's employment and the termination compensation due to that officer. Those employment agreements are filed with the U.S. Securities and Exchange Commission and made publicly available. In addition, the Company describes the material terms of those employment agreements in its annual proxy statement, which is provided to all shareholders as well as being described later in this annual report.

Best practice provision II.2.10

The sole member of the management board of the Company is Core Laboratories International B.V., an entity to which no remuneration is paid. With regards to remuneration paid to the supervisory directors of Core Laboratories N.V., a description of the types and amount of cash and non-cash remuneration paid to those directors is contained in the Company's proxy statement as required by Item 402(g) of Regulation S-K of the U.S. securities laws as well as later in this annual report. In addition, with regard the executive officers of the Company, the Compensation Committee Report, which is contained in the Proxy Statement, describes the objective of the Company's remuneration program, as well as the principle components of the Company's remuneration for those individuals. The Company also discloses in its proxy statement, as required by U.S. securities laws, the types and amount of cash and non-cash remuneration awarded to its executive officers.

Best practice provision II.3.1

The Company does comply with this provision except where gifts are concerned, the Company's policy requires the disclosure to the Company's compliance officer and to the General Counsel of any substantial gift. The gift is then reviewed to see if it compromises the decision making of the executive and if deemed to do so, the gift must be refused.

Best practice provision II.3.4

The Company does have a general policy with regard to conflicts of interest. The Company's policy is described in its code of business conduct and ethics directors, officers and employees pursuant to New York Stock Exchange Rule 303A(10).

Best practice provision III.1.2

Reference is made to the remarks in relation to best practice provision I.1.

Best practice provision III.1.3

The information mentioned in this provision is or will be provided in the Corporate Governance Guidelines.

Best practice provision III.1.5

In respect of the administration concerning the attendance of the supervisory board members, under the Company's Corporate Governance Guidelines, Supervisory Directors are expected to diligently fulfill their fiduciary duties to shareholders, including preparing for, attending and participating in meetings of the supervisory board and the committees of which the supervisory director is a member. The Company does not require its supervisory directors to attend annual meetings of shareholders. As required by Item 7(h)(3) of Schedule 14A of the Securities Exchange Act, the Company discloses its policy with regard to supervisory board members' attendance at annual meetings in its proxy statement.

Best practice provision III.2.3

The Company publishes a statement on the independence (using the SEC's definition thereof) of its supervisory directors in the proxy materials mailed out annually to its shareholders. Therefore, the Company does not include a statement in relation thereto in the Dutch annual report.

Best practice provision III.3.5 and III.3.6

The Company does not have a retirement schedule for the supervisory board. The composition of the supervisory board changes from time to time. However, certain supervisory board members have been in office since the incorporation of the Company and will remain to be supervisory board members in order to make sure that the Company's senior management and supervisory board retain the benefit of their experience.

Best practice provision III.4.1

As described in the Company's Corporate Governance Guidelines and Articles of Association, the Company does comply with this provision except for the duty of the supervisory board to elect a vice-chairman.

Best practice provision III.4.2

In respect of this corporate structure requirement, the Company's CEO acts as chairman of the supervisory board. The CEO has been a supervisory director of the Company since 1994 and was subsequently appointed as chairman for his importance to the Company, and for his experience and knowledge of the business of the Company.

Best practice provision III.5.2

The Company publishes a report of each of the supervisory board committees in the proxy materials mailed out annually to its shareholders. Therefore, the Company does not include such a reference in its Dutch annual report.

Best practice provision III.5.10

The Company's compensation committee does review, evaluate and approve the agreements, plans, policies and programs of the Company to compensate the Company's CEO and non-employee supervisory board members. Also, the Company's compensation committee reviews and evaluates the policy on the remuneration of the Company's senior executives. The remuneration report of the compensation committee is subject to approval by the supervisory board. Additionally, the Company complies with New York Stock Exchange Rule 303A(5)(b)(i) which governs the composition of the Company's compensation committee and requires the committee have a charter that addresses certain topics.

Best practice provision III.6.5

With regard to the policy of the supervisory board concerning conflicts of interest between board members and the Company, the Company's policy is described in its code of business conduct and ethics directors, officers and employees pursuant to New York Stock Exchange Rule 303A(10).

Best practice provision III.7.1

As is customary in the industry in which we compete, the Company does grant annual equity compensation to supervisory board members. The Company believes that widespread common share ownership by its directors is an effective way to align the interests of supervisory directors with those of the Company and its shareholders. The Company also believes that directors with substantial equity positions are more proprietary in their approach to oversight than those with little or no stake in the Company. As required by the rules of the NYSE, the Company has obtained shareholder approval of its equity compensation plans. In addition, all grants of equity compensation are disclosed in the Company's proxy statement as required by Item 402 of Regulation S-K.

Best practice provision III.7.2

U.S. securities laws do not require directors to retain shares for a particular length of time. While the Company had historically granted options to supervisory board members that have a one year vesting requirement it has moved to granting performance-based restricted stock that require the Company to meet or exceed certain targets over a three-year performance period before any of the awarded shares will vest.

Best practice provision IV.1.1

Pursuant to that statutory obligations, current dismissals require a majority vote by the shareholders.

Best practice provision IV.1.4

The Company does not have a policy with regard to additions on reserves and dividends. It decides what reserves are appropriate on a case by case basis in accordance with International Financial Reporting Standards ("IFRS"). Evaluation of dividends is done by the senior executive management of the Company, in consultation with the audit committee of the supervisory board.

Best practice provision IV.3.4.

The Company does convene meetings with analysts and investors periodically throughout the year and conducts these meetings in compliance with Regulation FD of the U.S. securities law, which prohibits the selective disclosure of any material non-public information.

Best practice provision IV.3.7

A proxy which contains all the facts and circumstances relevant for approvals to be granted by the general meeting of the shareholders is annually mailed out to the Company's shareholders. If under U.S. law additional information should be provided, such information will be provided by additional mailing and/or on the website as the case may be.

Best practice provision IV.3.8

The Company does not publish a copy of the minutes of the shareholder meetings. However, it does include on the first quarterly report on Form 10-Q following the date of such meeting a summary of the actions taken at the shareholder meeting.

Best practice provision IV.3.9

The Company does not have specific existing or potential anti-takeover measures in place.

Best practice provision V.2.3

The audit committee is responsible for the supervision of the independence of the auditors and does conduct an assessment of the functioning of the external auditor. In addition, the Company complies with Section 10A(m)(6) of Securities Exchange Act which requires the audit committee, in its capacity as a committee of the supervisory board of directors, to be directly responsible for the appointment, compensation, retention and oversight of the work of any registered public accounting firm engaged (including resolution of disagreements between management and the auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the listed issuer. The Company also complies with Rules 303A.06 and 303A.07 of the New York Stock Exchange, which requires additional requirements regarding the composition and independence of the audit committee.

Best practice provision V.4.1

The external auditor of the Company has a separate meeting with the audit committee shortly after or before the supervisory board meeting to discuss the report of the auditor and to approve the financial statements. The Company does comply with Section 10A(m)(6) of Securities Exchange Act.

Risk Management Approach – Best practice provision II.1.4

Our management is responsible for ensuring that the Company complies with all relevant legislation and regulations. It is responsible for proper financing of the Company and the management of the risks that the Company is facing. It reports on and accounts for internal risk management and control systems to the Supervisory Board and its Audit Committee. Within the Company, risk management forms an integral part of business management. The Company's risk and control policy is designed to provide reasonable assurance that strategic objectives are met by creating focus, by integrating management control over the Company's operations, by ensuring compliance with legal requirements and by safeguarding the reliability of the financial reporting and its disclosures. The Company's risk management approach is embedded in the periodic business planning and review cycle. With respect to financial reporting a structured self-assessment and monitoring process is used company-wide to assess, document, review and monitor compliance with internal control over financial reporting. On the basis of risk assessments, operating division and business management determines the risks related to the achievement of business objectives and appropriate risk responses in relation to business processes and objectives.

Our management is responsible for internal control in the Company and has implemented a risk management and control system that is designed to ensure that significant risks are identified and to monitor the realization of operational and financial objectives of the Company. Furthermore the system is designed to ensure compliance with relevant laws and regulations. The Company has designed its internal control system in accordance with the recommendations of the Committee of Sponsoring Organizations of the Treadway Commission (COSO), which recommendations are aimed at providing a reasonable level of assurance.

The Company's risk management and internal control system is designed to determine risks in relation to the achievement of operational and financial business objectives and appropriate risk responses. The most important risks identified, as well as the structure of the aforesaid risk management and internal control system, are discussed in the Risk Factors section below. Significant changes and improvements in the Company's risk management and internal control system are disclosed below and have been discussed with the Supervisory Board's Audit Committee and the external auditor.

Internal representations received from management, regular management reviews, reviews of the design and implementation of the Company's risk management approach and reviews in business and functional audit committees are integral parts of the Company's risk management approach. On the basis thereof, the Management confirms that internal controls over financial reporting provide a reasonable level of assurance that the financial reporting does not contain any material inaccuracies, and confirms that these controls have properly functioned in 2006 and that there are no indications that they will not continue to do so. The financial statements fairly represent the financial condition and result of operations of the Company and provide the required disclosures.

It should be noted that the above does not imply that these systems and procedures provide certainty as to the realization of operational and financial business objectives, nor can they prevent all misstatements, inaccuracies, errors, fraud and non-compliances with rules and regulations.

In view of all of the above the Board of Management believes that it is in compliance with the requirements of recommendation II.1.4. of the Dutch Corporate Governance Code, taking into account the recommendation of the Corporate Governance Code Monitoring Committee on the application thereof.

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 the Company'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 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.

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.

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. Accordingly, the Industry, Business and International risk factors identified in prior year did not have a material negative impact on the Company's results of operations.

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 harm 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, and 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;
- 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.

As a result of the political and financial instability in Venezuela, the Bolivar ("VEB") declined in value relative to other currencies. In February 2004, the 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 recent and pending 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 regulations relating to the use, storage, discharge and disposal of chemicals and gases used in our analytical and manufacturing processes. Environmental claims or the failure to comply with present or future environmental laws and regulations could result in the assessment of damages or imposition of fines against us or the suspension or cessation of operations. New 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. 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 our operations are international in nature, 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.

Amsterdam, The Netherlands,
June 22, 2007

/s/ David M. Demshur
David M. Demshur
President, Chief Executive Officer and Supervisory Director (Principal Executive Officer)

/s/ Richard L. Bergmark
Richard L. Bergmark
Executive Vice President, Chief Financial Officer, Treasurer and Supervisory Director

/s/ Jacobus Schouten
Jacobus Schouten
Supervisory Director

/s/ Michael C. Kearney
Michael C. Kearney
Supervisory Director

/s/ Alexander Vriesendorp
Alexander Vriesendorp
Supervisory Director

/s/ Jan Willem Sodderland
Jan Willem Sodderland, on behalf of
Core Laboratories International B.V.
sole managing director of Core Laboratories N.V.

/s/ Joseph R. Perna
Joseph R. Perna
Supervisory Director

/s/ Rene R. Joyce
Rene R. Joyce
Supervisory Director

/s/ D. John Ogren
D. John Ogren
Supervisory Director

CORE LABORATORIES N.V.
CONSOLIDATED BALANCE SHEET
December 31, 2006 and 2005
(In thousands of USD, except share and per share data)

	Ref.	2006	2005
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	5	$ 87,734	$ 81,342
Intangible assets	6	184,415	184,617
Investment in associates	7	890	1,141
Deferred income tax asset	17	28,895	25,901
Derivative financial instrument	8	96,620	-
Other financial assets	9	6,730	4,773
Other assets		955	860
TOTAL NON-CURRENT ASSETS		406,239	298,634
CURRENT ASSETS			
Inventories	10	30,199	29,104
Prepaid expenses and other current assets	11	11,671	10,739
Income tax receivable	11	5,897	94
Accounts receivable	12	112,055	99,129
Cash and cash equivalents		54,223	13,743
TOTAL CURRENT ASSETS		214,045	152,809
Non-current asset held for sale	13	3,224	-
TOTAL ASSETS		$ 623,508	$ 451,443
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		66,571	144,690
Retained earnings		223,472	151,091
Other reserves		(393)	(2,439)
Treasury shares (at cost), 2,383,390 at 2006 and 1,023,015 at 2005		(174,834)	(30,557)
		116,266	263,259
Minority interest		1,446	1,065
TOTAL EQUITY	14	117,712	264,324
LIABILITIES			
NON-CURRENT LIABILITIES			
Borrowings	15	206,755	85,580
Conversion option	8	96,620	-
Derivative financial instrument	8	68,210	-
Income tax payable	16	12,882	7,036
Deferred income tax liabilities	17	4,233	5,204
Provisions	18	26,129	18,653
TOTAL NON-CURRENT LIABILITIES		414,829	116,473
CURRENT LIABILITIES:			
Accounts payable	20	37,460	32,557
Borrowings	15	2,762	2,544
Other taxes payable		10,761	6,750
Payroll and social security contributions	19	24,707	17,371
Other accrued expenses		15,277	10,624
Discontinued operations		-	800
TOTAL CURRENT LIABILITIES		90,967	70,646
TOTAL LIABILITIES		505,796	187,119
TOTAL LIABILITIES AND EQUITY		$ 623,508	$ 451,443

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

CORE LABORATORIES N.V.
CONSOLIDATED INCOME STATEMENTS
For the Years Ended December 31, 2006 and 2005
(In thousands of USD, except per share data)

	Ref.	2006	2005
REVENUES:			
Services		$ 430,118	$ 367,401
Sales		145,571	116,066
		575,689	483,467
OPERATING EXPENSES:			
Cost of services	21,23	305,266	279,018
Cost of sales	21,23	118,818	102,084
GROSS PROFIT		151,605	102,365
General and administrative expenses	21,23	37,115	38,110
Other expense (income), net	24	(5,111)	685
OPERATING PROFIT		119,601	63,570
Finance costs	26	9,993	13,887
Variance in fair value of derivative instruments	8	7,170	-
Share of profit/(loss) of associates	7	(123)	36
Profit before income tax expense		102,315	49,719
Income tax expense	27	29,814	13,453
Income from continuing operations		72,501	36,266
Loss from discontinued operations (net of tax benefit of $285)		-	(506)
PROFIT FOR THE YEAR		$ 72,501	$ 35,760
Attributable to:			
Equity holders of the parent		$ 72,381	$ 35,817
Minority interest		120	(57)
		$ 72,501	$ 35,760
EARNINGS PER SHARE INFORMATION:			
Basic earnings per share from continuing operations		$ 2.88	$ 1.39
Basic earnings per share from discontinued operations		-	0.02
Basic earnings per share	28	$ 2.88	$ 1.37
Diluted earnings per share from continuing operations		$ 2.70	$ 1.30
Diluted earnings per share from discontinued operations		-	0.02
Diluted earnings per share	28	$ 2.70	$ 1.28
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:			
Basic	28	25,157	26,038
Diluted	28	26,888	28,008

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

CORE LABORATORIES N.V.
CONSOLIDATED STATEMENT OF RECOGNIZED INCOME AND EXPENSE
For the Years Ended December 31, 2006 and 2005
(In thousands of USD)

	Ref.	2006	2005
Pension	19	2,357	(2,643)
Net income recognized directly in equity		2,357	(2,643)
Profit for the year		72,501	35,760
Total recognized income for the year		$ 74,858	$ 33,117
Attributable to:			
Equity holders of the parent		$ 74,738	$ 33,174
Minority interest		120	(57)
		$ 74,858	$ 33,117

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

CORE LABORATORIES N.V.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2006 and 2005
(In thousands of USD)

	Ref.	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax expense		$ 102,315	$ 49,719
Loss from discontinued operations, net of tax		-	506
Profit from continuing operations		102,315	49,213
Adjustments to reconcile income to net cash provided by operating activities:			
Depreciation	5	16,891	15,938
Amortization	6	468	694
Equity in (earnings) loss of associates	7	124	(36)
Stock-based compensation	23	5,943	9,240
Finance costs	26	9,993	13,887
Gain on sale of assets	5	(1,622)	(1,502)
Fair value (gains)/losses on other financial assets	9	(4,069)	(2,146)
Fair value (gains)/losses on derivative instruments	8	11,710	-
Changes in assets and liabilities:			
Accounts receivable	12	(14,180)	(4,596)
Inventories	10	(2,643)	267
Other assets		(1,137)	6,324
Accounts payable	20	6,254	3,926
Accrued expenses		10,234	(4,427)
Other long-term liabilities		14,297	12,270
Cash provided by operating activities		154,578	99,052
Interest paid		(4,916)	(9,927)
Income tax paid		(25,448)	(15,898)
Net cash provided by operating activities		124,214	73,227
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	5	(24,415)	(19,095)
Patents and other intangibles	6	(266)	(103)
Proceeds from sale of assets	5	2,714	3,930
Minority interest - business combination		261	53
Interest received		457	402
Net cash (used in) provided by investing activities		(21,249)	(14,813)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of debt borrowings	15	(131,504)	(108,982)
Proceeds from debt borrowings	15	342,000	82,000
Stock options exercised	14	14,853	8,215
Repurchase of common shares	14	(251,088)	(41,446)
Proceeds from sale of warrants	8	56,500	-
Purchase of exchangeable note hedge	8	(86,250)	-
Debt refinancing costs	15	(6,996)	(488)
Net cash used in financing activities		(62,485)	(60,701)
NET CHANGE IN CASH AND CASH EQUIVALENTS		40,480	(2,287)
CASH AND CASH EQUIVALENTS, beginning of year		13,743	16,030
CASH AND CASH EQUIVALENTS, end of year		$ 54,223	$ 13,743

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

CORE LABORATORIES N.V.
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 incorporated and domiciled in The Netherlands. The address of the registered office is Herengracht 424, 1017 BZ Amsterdam, The Netherlands. 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 and 4,500 employees in 2006 and 2005, respectively. We are listed on the New York Stock Exchange. These consolidated financial statements were authorized for issuance by the board of directors on June 27, 2007.

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. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of Preparation

Our consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as endorsed by the European Union ("IFRS") and with Part 9 Book 2 of the Netherlands Civil Code. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss. Our consolidated financial statements had been prepared under Dutch GAAP in previous periods. See Note *Consequences of First Time Adoption of IFRS* regarding transition to IFRS. In accordance with article 402 Book 2 of the Netherlands Civil Code the income statement in the Company Financial Statements is presented in abbreviated form

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying our accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

Standards and Interpretations to Existing Standards that are not yet effective and have not been Early Adopted

The following interpretations to existing standards have been published that are mandatory for our accounting periods beginning on or after May 1, 2006 or later periods that we have not early adopted:

- IFRS 7, Financial Instruments: Disclosures, and the complementary Amendment to IAS 1, Presentation of Financial Statements – Capital Disclosures. IFRS 7 introduces new disclosures relating to financial instruments. This standard does not have any impact on the classification and valuation of our financial instruments.
- IFRIC 8, Scope of IFRS 2 (effective for annual periods beginning on or after May 1, 2006). IFRIC 8 requires consideration of transactions involving the issuance of equity instruments – where the identifiable consideration received is less than the fair value of the equity instruments issued – to establish whether or not they fall within the scope of IFRS 2. We will apply IFRIC 8 from January 1, 2007, but it is not expected to have any impact on our accounts;

- IFRIC 9, Reassessment of embedded derivatives (effective for annual periods beginning on or after June 1, 2006). IFRIC 9 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. As none of the group entities have changed the terms of their contracts, IFRIC 9 is not relevant to our operations, and
- IFRIC 10, Interim Financial Reporting and Impairment (effective for annual periods beginning on or after November 1, 2006). IFRIC 10 prohibits the impairment losses recognized in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. We will apply IFRIC 10 from January 1, 2007, but it is not expected to have any impact on our accounts.
- IFRIC 11, IFRS 2 - Group and Treasury Share Transactions (effective for annual periods beginning on or after March 1, 2007). IFRIC 11 provides additional guidance on whether transactions should be accounted for as equity-settled or as cash-settled under the requirements of IFRS 2 and share-based payment arrangements that involve two or more entities within the same group. We will apply IFRIC 10 from January 1, 2007, but it is not expected to have any impact on our accounts.
- IFRIC 12, Service Concession Arrangements (effective for annual periods beginning on or after January 1, 2008). This Interpretation gives guidance on the accounting by operators for public-to-private service concession arrangements. This guidance will not have any impact on our accounts.

Interpretations to Existing Standards that are not yet Effective and not Relevant for Our Operations

The following interpretations to existing standards have been published that are mandatory for our accounting periods beginning on or after May 1, 2006 or later periods but are not relevant for our operations:

- IFRIC 7, Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies (effective from March 1, 2006). IFRIC 7 provides guidance on how to apply requirements of IAS 29 in a reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional Currency, when the economy was not hyperinflationary in the prior period. As none of the group entities have a Currency of a hyperinflationary economy as its functional Currency, IFRIC 7 is not relevant to our operations.

Principles of Consolidation

The accompanying Consolidated Financial Statements include the accounts of Core Laboratories N.V. and its subsidiaries. Subsidiaries are all entities (including special purpose entities) over which we have the power to govern the financial and operating policies generally accompanying a shareholder of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether we control another entity. Subsidiaries are fully consolidated from the date on which control is transferred to us. They are de-consolidated from the date that control ceases. Inter-company transactions, balances and unrealized gains on transactions between consolidated companies are eliminated. Unrealized losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by us. 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.

Transactions and Minority Interests

We apply a policy of treating transactions with minority interests as transactions with parties external to us. Disposals to minority interests result in gains and losses for us that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary

Business Combinations

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of our share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

Foreign Currencies

Our functional and presentation currency is the U.S. Dollar ("USD") which is the currency of the primary economic environment in which we operate. 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, our 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.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated income statement.

Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

Property, Plant and Equipment

Property, plant and equipment are stated at historical cost less subsequent depreciation and impairment, except for land which is shown at historical cost less impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is calculated on all assets, excluding land, 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 and depreciated over their useful life. Historical 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.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. 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. An impairment loss is recognized for the amount by which the asset's carrying amount is higher than an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units). 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. Assets that previously may have suffered an impairment are reviewed for possible reversal of the impairment.

Intangible Assets

Intangibles include patents, trademarks, and trade names and are measured at cost. Intangibles with finite lives are amortized using the straight-line method based on the estimated useful life of the intangible. Intangibles with indefinite lives, which consist primarily of corporate trade names, are evaluated for impairment annually. The useful lives of intangible assets range from three to thirty years.

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 and is carried at historical cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates and is tested for impairment as part of the overall balance. We test goodwill for impairment annually, or more frequently if circumstances indicate that a potential impairment has occurred. Goodwill is recorded in the cash-generating units expected to benefit from the business combination in which the goodwill arose. Groups of cash-generating units equivalent to the segment level reporting are used for the purpose of goodwill impairment testing. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Research and development expenditures are recognized in the profit and loss account as incurred. Expenses incurred for development projects are capitalized as a component of manufacturing price if the projects in question are likely to be commercially and technically viable (i.e. it is likely that economic benefits will be realized and the expenses can be reliably estimated). Capitalized development expenses are amortized as soon as the commercial production process has commenced, with amortization being based on the estimated useful life of the asset.

Associates

Associates are all entities over which we have significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost. Our share of its associates' post-acquisition profits or losses is recognized in the consolidated income statement. When our share of losses in an associate equals or exceeds our interest in the associate, including any other unsecured receivables, we do not recognize further losses, unless we have incurred obligations or made payments on behalf of the associate. Accounting policies of associates have been changed where necessary to ensure consistency with our policies.

Derivative Financial Instruments

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument. Our derivative instruments do not qualify for hedge accounting. Changes in the fair value of the derivative instruments are recognized immediately in the income statement.

Financial Assets

Financial assets consists of cash surrender value of life insurance which is held at fair value.

Inventories

Inventories consist of manufactured goods, materials and supplies used for sales or services to clients. Inventories are stated at the lower of cost or net realizable value, and are reflected net of valuation reserves. The cost of manufactured goods and work in progress comprises design costs, raw materials, direct labor, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Inventory costs are recorded at standard cost which approximates the first-in, first-out method.

Accounts Receivable

Trade accounts receivable are recorded initially at fair value and subsequently at amortized cost, which generally equals their invoiced amounts. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the receivable is impaired. A provision for impairment of trade receivables is established based on our review of this information along with our current aging of client receivables outstanding. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in the income statement in Cost of Sales or Services. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against bad debt expense in the consolidated income statement in Cost of Sales or Services.

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 and time deposits and money market investment accounts. These items are carried at cost, which approximates market value.

Non Current Assets Held for Sale

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Non-current assets held for sale are carried on the consolidated balance sheet at the lower of the net carrying value of the asset or its fair value less cost to sell. Depreciation is ceased for non current assets classified as held for sale.

Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. When we repurchase our own equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to our equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received (net of any directly attributable incremental transaction costs and the related income tax effects) is included in equity attributable to our equity holders. We revalue our common stock at the year end rate for changes in the exchange rate from the Euro par value to the reportable currency.

Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

The fair value of the liability portion of the convertible notes is determined using a market interest rate for an equivalent non-convertible note. This amount is recorded as a liability on an amortized cost basis until extinguished on conversion or maturity of the notes. The remainder of the proceeds is allocated to the conversion option.

Borrowings are classified as current liabilities unless we have an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Operational and Financial Leases

Lease contracts for which a large part of the risks and rewards incidental to ownership of the assets does not lie with the Company, are recognized as operational leases. Obligations under operational leases are recognized on a straight-line basis in the profit and loss account over the term of the contract, taking into account reimbursements received from the lessor.

The Company leases part of the machinery and has, to a large extent, the risks and rewards incidental to ownership of these assets. When the lease contract is entered into, the assets are capitalized on the balance sheet at their fair value, or the cash value of the minimum lease terms, if lower. The lease amounts payable are split on an annuity basis between a redemption and interest part, based on a fixed interest rate. The relating lease obligations, excluding the interest element, are taken up under long-term liabilities. The interest component of the lease term is recognized in the profit and loss account. The relating assets are depreciated over the remaining economic life or lease term, if shorter. The balance in capital lease at December 31, 2006 was $10,000.

Deferred 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 or substantively enacted tax rates and laws 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.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future

Pensions and Other Postretirement Benefits

We operate various pension schemes. One scheme is a defined benefit plan which is funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. We have both a defined benefit plan and defined contribution plans. A defined contribution plan is a pension plan under which we pay fixed contributions into a separate entity. We have no legal or constructive obligations to pay further contributions. A defined benefit plan defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

We maintain a defined benefit pension plan for substantially all of our Dutch employees. We recognize net periodic pension costs associated with this plan in income from current operations and the liability recognized in the consolidated balance sheet is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for recognized actuarial gains or losses and past service costs. We recognize actuarial gains and losses outside of profit or loss in the period in which they occur. Past-service costs are recognized immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortized on a straight-line basis over the vesting period. The projected benefit obligation and fair value of plan assets requires the use of actuarial assumptions and estimates which are calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the Currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability. Actual results could differ from those estimates.

Furthermore, we sponsor several defined contribution plans for the benefit of our employees. For defined contribution plans, we pay contributions to trusts that invest the employer's and participants' contributions as directed by the participants in the plan. We have no further payment obligations during the period in which the contribution was made. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

Provisions

Provisions are recognized when there is a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognized for future operating losses. Provisions are measured at the present value of expenditures expected to be required to settle the obligation using a pre-tax rate which reflects current market assessments of the time value of money and the risks specific to the obligation, if the amount or time is reasonably determinable.

Revenue Recognition

Revenues are recognized as services are completed or as product title is transferred and are measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates. 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.

Stock-Based Compensation

We issue stock-based compensation as a form of compensation for certain employees. This is accounted for under IFRS 2, "Share-Based Payment". This statement requires compensation costs related to share-based payments, including stock options, to be recognized in the consolidated income statement based on their fair values. The expense is recognized over the requisite service period of the award.

We operate a number of equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, we revise our estimates of the number of options that are expected to vest. We recognize the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity. The proceeds received net of any directly attributable transaction costs are credited to common stock and paid-in capital when the options are exercised

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.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Dividend Distribution

We have not distributed dividends on our common shares and management does not intend to distribute dividends in the foreseeable future.

TRANSISTION TO IFRS / CHANGE IN ACCOUNTING PRINCIPLE

These are the first consolidated financial statements which have been prepared in accordance with the requirements of IFRS in which the comparative figures for 2005 have been adjusted. Prior to this, we reported in accordance with the requirements of Dutch GAAP. Our transition date is January 1, 2005. In the transition to IFRS, the transition rules of IFRS No. 1 First-Time Adoption of International Financial Reporting Standards ("IFRS 1") were applied, which are applicable to the first time adoption of IFRS by companies in their financial statements for the financial year beginning on or after January 1, 2004. The underlying assumption is that IFRS has to be applied retrospectively. As a retrospective approach in not possible in all cases, IFRS 1 includes a number of compulsory exceptions and a number of optional exemptions. We reviewed and considered each optional exemption provided by IFRS 1 and have listed and explained the exemptions applicable to us below and all other exemptions provided by IFRS 1 are not relevant and have not been applied. For a reconciliation of the comparative figures for 2005 with Dutch GAAP, see Note *Consequences of First Time Adoption of IFRS.*

Had we continued using Dutch GAAP to prepare our 2006 financial statements, the total equity that we may have reported could possibly have been negative. Due to the IFRS accounting treatment for mergers and acquisitions, we are able to add back the previously amortized goodwill which had the effect of increasing our shareholders equity from what may have been reported if we had used Dutch GAAP causing that equity under IFRS treatment to be positive in all of the reported periods. The increased shareholders equity will enable us to continue to repurchase shares, including the shares referred to in Note 14 Equity and Note 22 Commitments and Contingencies.

Business Combinations before the Opening Consolidated Balance Sheet under IFRS
IFRS 1 permits application of IFRS No 3 Business Combinations ("IFRS 3") to business combinations that took place before the IFRS transition date, including the possibility to capitalize goodwill that has already been charged to equity. In line with the full adoption of IFRS, we have retrospectively applied IFRS 3 to all business combinations which have taken place since April 1997. As a consequence, all goodwill that was amortized since 1997 under Dutch GAAP ($169.2 million) has been reinstated to the intangible asset balance out of equity at January 1, 2005. In addition, the requirements of IAS 36 and IAS 38 have been applied retrospectively from 1997. Within the context of the transition to IFRS, the book value of goodwill on the transition date was reviewed for impairment at year end and each of the years from the date of the first application of IFRS 3.

Defined Benefit Pension Plans
For the valuation of defined benefit pension plans, the value of the net pension liability on the IFRS transition date can be used. We have employed this provision. All actuarial gains and losses not yet recognized as of January 1, 2005 under Dutch GAAP ($0.5 million) will be charged net of tax to equity (impact of $0.3 million).

Stock-Based Compensation
IFRS 1 permits application of IFRS No 2 Share-based Payment ("IFRS 2") to the options assigned before, on or after November 7, 2002 or solely to the share option plans granted after November 7, 2002 which have not yet been exercised or implemented on January 1, 2005. We have opted for the latter.

3. FINANCIAL RISKS AND RISK MANAGEMENT

We are exposed to a number of financial risks inherent in our day to day operations. These risks are connected with the effects of movements in exchange rates, interest rates, credits and liquid assets. Management does not believe we are exposed to risks to suffice entering into hedging or derivative contracts for recurring business operations. To hedge our economic risk associated with the convertible notes we issued, we entered into a derivative contract on our own stock.

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. In order to hedge the economic risk associated with the convertible notes, we purchased an option on our stock that matches the conversion feature that is part of the convertible notes.

Currency Risks

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. Foreign exchange gains and losses are the result of fluctuations in the U.S. dollar against other currencies and are included in other expense (income) in the consolidated income statement. 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.

Interest Rate Risks

Our policy on interest rate risks is aimed to manage the net financing charges due to fluctuations in market rates of interest. We analyze our interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. 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. The current interest bearing debt at December 31, 2006 consists primarily of convertible debt with a fixed rate of interest.

Credit Risk

Our financial instruments that potentially subject us to concentrations of credit risk consist primarily of cash and cash equivalents, accounts receivable and a purchased call option on our own common shares. 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 independent, international and national oil and gas companies, and the call option is with a global investment firm. We consider our credit risk to be limited due to the creditworthiness and financial resources of these financial institutions and companies and the fair value of the derivatives assets in the consolidated balance sheet. We limit this risk by only concluding transactions with companies that have a high credit rating. The aim is to maintain a customer base where no one customer will account for a significant portion of our business. We evaluate our estimate of the allowance for doubtful accounts on an on-going basis throughout the year. We had no clients who provided more than 10% of our revenues for the years ended December 31, 2006 and 2005.

Liquidity Risks

Our financing policy is directed at establishing and maintaining an optimal financing structure that takes into account our current asset base and our investment program. From time to time, we seek access to the capital markets when external funding is required. Our Treasury Department acts as an in-house bank that internally allocates funds that are raised centrally. Operating companies are thus funded through inter-company transactions. To the extent we need outside funding beyond our internally generated free cash flow in order to finance investments, potential acquisitions and repayment of debt, we have a revolving credit facility that matures in December 2010. This may be drawn in US Dollars up to the amount of $100 million. At December 31, 2006, no amounts had been drawn under this facility.

4. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Use of Estimates

The preparation of financial statements 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;
- assumptions used in determining obligations for pensions and other postretirement benefits, see footnote 19;
- determining the fair value of stock-based compensation, see footnote 23;
- income taxes; and
- impairment testing of long-lived assets, intangibles and goodwill.

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

Income Taxes

We are subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. We recognize liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Fair Value Estimation

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. We use a variety of methods and make assumptions that are based on market conditions existing at each balance sheet date. Information and input from dealers are used for long-term debt and the conversion feature and related derivative instruments. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to us for similar financial instruments.

Estimated Impairment of Goodwill

We annually test whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 6).

If the estimated gross margin at December 31, 2007 had been 10% (for example, 22.5% instead of 25%) lower than management's estimates at December 31, 2006, we would not have recognized any impairment of goodwill.

If the estimated pre-tax discount rate applied to the discounted cash flows had been 10% (for example, 14.9% instead of 13.5%) higher than management's estimates, we would have not recognized any impairment against goodwill.

5. PROPERTY, PLANT AND EQUIPMENT

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

	Land	Buildings	Machinery and Equipment	Construction In Progress	Total
At January 1, 2005					
Historical cost	6,002	54,429	106,719	2,660	169,810
Accumulated depreciation	-	(15,322)	(74,866)	-	(90,188)
Net book amount	6,002	39,107	31,853	2,660	79,622
Year ended December 31, 2005					
Opening net book amount	6,002	39,107	31,853	2,660	79,622
Additions	5	388	5,954	12,766	19,113
Disposals	(102)	(1,143)	(210)	-	(1,455)
Transfers	-	1,105	10,077	(11,182)	-
Depreciation charge	-	(2,124)	(13,814)	-	(15,938)
Closing net book amount	5,905	37,333	33,860	4,244	81,342
At December 31, 2005					
Historical cost	5,905	54,779	115,576	4,244	180,504
Accumulated depreciation	-	(17,446)	(81,716)	-	(99,162)
Net book amount	5,905	37,333	33,860	4,244	81,342
Year ended December 31, 2006					
Opening net book amount	5,905	37,333	33,860	4,244	81,342
Additions	-	226	8,821	17,718	26,765
Disposals	-	(64)	(194)	-	(258)
Transfers	-	2,348	11,949	(14,297)	-
Asset held for sale	-	(3,224)	-	-	(3,224)
Depreciation charge	-	(1,840)	(15,051)	-	(16,891)
Closing net book amount	5,905	34,779	39,385	7,665	87,734
At December 31, 2006					
Historical cost	5,905	54,066	131,431	7,665	199,067
Accumulated depreciation	-	(19,287)	(92,046)	-	(111,333)
Net book amount	5,905	34,779	39,385	7,665	87,734

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 and $0.2 million for the years ended December 31, 2006 and 2005, respectively, and has been included in depreciation expense on the accompanying consolidated income statement. Machinery and equipment included assets under construction of $6.9 million and $2.5 million for the years ended December 31, 2006 and 2005, respectively and buildings and improvements included assets under construction of $0.8 million and $1.7 million for the years ended December 31, 2006 and 2005, respectively. In December 2006, we reclassified $3.2 million out of property, plant and equipment for a building that is being held for sale. We recorded no impairment charges related to property, plant and equipment held for use in continuing operations during the years ended December 31, 2006 and 2005.

For the years ended December 31, 2006 and 2005, depreciation expense recognized in the income statement is as follows (in thousands):

	2006	2005
Cost of sales and services	$ 14,753	$ 13,834
General and administrative	2,138	2,104
Total depreciation expense	$ 16,891	$ 15,938

6. INTANGIBLE ASSETS

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

	Goodwill	Other Intangibles	Trade Names	Total
At January 1, 2005				
Cost	$ 179,196	$ 5,855	$ 3,892	$ 188,943
Accumulated amortization	-	(3,735)	-	(3,735)
Net book amount	179,196	2,120	3,892	185,208
Year ended December 31, 2005				
Opening net book amount	179,196	2,120	3,892	185,208
Additions	3	100	-	103
Amortization charge	-	(694)	-	(694)
Closing net book amount	179,199	1,526	3,892	184,617
At December 31, 2005				
Cost	179,199	5,053	3,892	188,144
Accumulated amortization	-	(3,527)	-	(3,527)
Net book amount	179,199	1,526	3,892	184,617
Year ended December 31, 2006				
Opening net book amount	179,199	1,526	3,892	184,617
Additions	-	266	-	266
Amortization charge	-	(468)	-	(468)
Closing net book amount	179,199	1,324	3,892	184,415
At December 31, 2006				
Cost	179,199	5,319	3,892	188,410
Accumulated amortization	-	(3,995)	-	(3,995)
Net book amount	$ 179,199	$ 1,324	$ 3,892	$ 184,415

	Original life in years	2006 Gross Carrying Value	2006 Accumulated Amortization	2005 Gross Carrying Value	2005 Accumulated Amortization
Acquired trade secrets	3-20	$ 1,514	$ 1,295	$ 1,514	$ 1,142
Acquired patents and trademarks	5-10	2,603	1,918	2,337	1,741
Agreements not to compete	3-7	810	433	810	317
Acquired trade names	5-30	392	349	392	327
Acquired trade names	Indefinite	3,892	-	3,892	-
Total other intangibles and trade names		$ 9,211	$ 3,995	$ 8,945	$ 3,527

For the years ended December 31, 2006 and 2005, $0.5 million and $0.7 million of amortization expense was recognized in general and administrative costs in the income statement, respectively.

Impairment

Certain intangibles, primarily related to trade names, are deemed to have an indefinite life and are not amortized. These assets are specific trade names which have been determined will be used and provide future cash flows indefinitely. These intangibles are held by the Core Laboratories N.V and are included in an impairment analysis performed at least annually. We performed this impairment testing at December 31, 2006 assuming a gross margin of 16%, a growth rate of 5% and a discount rate of 13.5%. No impairment was indicated, and therefore, no impairment has been recorded in 2006.

We test goodwill for impairment at least annually or more frequently if circumstances indicate a potential impairment. For purposes of this test, we group our cash-generating units ("CGU") to a level equivalent to our reportable segments, and compare the recoverable amount of CGU groupings to their net carrying value. Fair value less cost to sell is determined by estimating the present value of projected future cash flows discounted using our weighted average cost of capital. We performed this impairment testing at December 31, 2006. No impairment was indicated, and therefore, no impairment has been recorded in 2006. No impairment losses have been reversed in 2006.

Goodwill is recorded in our reportable segments as follows (in thousands):

	2006	2005
Reservoir Description	$ 82,852	$ 82,852
Production Enhancement	77,325	77,325
Reservoir Management	19,022	19,022
Total goodwill	$ 179,199	$ 179,199

The key assumptions used for the impairment calculation are as follows:

	Reservoir Description	Production Enhancement	Reservoir Management
Gross margin (1)	19%	25%	12%
Growth rate (2)	8%	15%	10%
Discount rate (3)	13.5%	13.5%	13.5%

(1) Budgeted gross margin

(2) Weighted average growth rate used to extrapolate cash flows beyond the budget period

(3) Weighted average cost of capital is used as the discount rate applied to the cash flow projections

These assumptions have been used for the analysis for each CGU grouping. Management determined the budgeted gross margin based on past performance and its expectations of market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rate used is pre-tax. We used cash flow projections based on financial budgets approved by management covering a one year period. Cash flows beyond the first year are extrapolated using the estimated growth rates stated above.

7. ASSOCIATES

The investments in associates comprise the financial information of the following companies:

Name	Legal Seat	Ownership Percentage
Saybolt Tunisie	Tunis, Tunisia	49%
Saybolt Saudi Arabia Co., Ltd	Saudi Arabia	45%
Saybolt MED	Tunis, Tunisia	49%
Shanghai SIC - Saybolt Commodities Surveying Co Ltd.	China	50%

These subsidiaries are not consolidated since we do not exercise decisive control over their operations. For Saybolt Saudi Arabia Co., LTD we share in the profit at 45% however, we are responsible for 100% of the losses. At December 31, 2006 we had total receivables from these subsidiaries of $0.3 million and total payables to these subsidiaries of $0.2 million.

Associates consisted of the following (in thousands):

	Assets	Liabilities	Revenues	Profit / (Loss)
2005				
Saybolt Tunisie	549	147	396	17
Saybolt Afrique SARL	429	30	-	3
Saybolt Saudi Arabia Co., Ltd	1,097	431	1,971	(39)
Saybolt MED	664	368	782	91
Shanghai SIC - Saybolt Commodities Surveying Co Ltd.	558	70	277	12
2006				
Saybolt Tunisie	741	187	702	203
Saybolt Saudi Arabia Co., Ltd	988	414	1,567	(92)
Saybolt MED	422	126	747	30
Shanghai SIC - Saybolt Commodities Surveying Co Ltd.	476	32	34	(56)

	2006	2005
Beginning of the year	$ 1,141	$ 1,107
Disposal of investment	(128)	(2)
Share of (loss) income	(123)	36
End of the year	$ 890	$ 1,141

During 2006, we sold Saybolt Afrique SARL in which we held a 49% ownership in for $0.1 million and wrote-off the remaining equity which resulted in a loss of $0.1 million

8. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments consisted of the following (in thousands):

	2006		2005	
	Assets	Liabilities	Assets	Liabilities
Warrant	$ -	$ 68,210	$ -	$ -
Convertible notes-equity option	-	96,620	-	-
Call option	96,620	-	-	-
Total	$ 96,620	$ 164,830	$ -	$ -

In November 2006, we issued convertible notes that are convertible into our common shares if certain conditions are met. Additionally, we purchased a call option on our own common shares to hedge the conversion feature of the convertible notes and recorded this as an asset. We also sold a warrant on our common shares as part of this transaction. All of these instruments are carried on the balance sheet at fair value and changes in fair value are recorded directly through the income statement. See Note 15 Borrowings for further discussions. The full fair value of our derivative instruments are classified as a non-current asset or liability since the remaining maturity of the hedged item is more than 12 months. The fair value of these instruments was calculated using a Black-Scholes model. The significant assumptions used in determining the fair value at December 31, 2006 for the warrant, call option and convertible notes equity option are as follows:

	Warrant	Call Option	Convertible Notes Equity Option
Expiration date	January, 25, 2012	October, 31, 2011	October, 31, 2011
Stock price at valuation date	$ 81.00-	$ 81.00	$ 81.00-
Instrument's strike price	$ 127.56	$ 94.76-	$ 94.76-
Stock volatility	38.2%	41.5%	41.5%-
Interest rate	5.15%	5.15%	5.15%

The maximum exposure to credit risk at the reporting date is the fair value of the derivatives assets in the consolidated balance sheet.

13-03-2007

9. OTHER FINANCIAL ASSETS

Financial assets consisted of the following (in thousands):

	2006	Additions	Usage/Disposal	2005
Cash surrender value of life insurance	$ 6,730	1,957	-	$ 4,773

Life insurance policies with cash surrender value have been purchased by us to assist in funding deferred compensation arrangements with certain employees. These policies are carried at market value.

10. 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

The cost of inventories recognized as expense and included in Cost of Sales was $69.3 million and $59.2 million for the years ended December 31, 2006 and 2005, respectively. We include freight costs incurred for shipping inventory to our clients in the Cost of Sales caption in the accompanying consolidated income statement.

11. PREPAID AND OTHER CURRENT ASSETS AND INCOME TAX RECEIVABLE

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

Income tax receivable relates to estimated tax pre-payments made in excess of actual tax liabilities. These receivables are due back as refunds from the respective taxing authorities.

12. TRADE AND OTHER RECEIVABLES

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

	2006	2005
Trade receivables	104,915	94,384
Other receivables	11,481	9,271
Total receivables	116,396	103,655
Less - valuation reserves	4,341	4,526
Receivables, net	112,055	99,129

The carrying value of trade and other receivables approximates their fair values at December 31, 2006 and 2005.

We had approximately $1.0 million and $2.5 million of receivables written-off as uncollectible in 2006 and 2005, respectively.

13. NON-CURRENT ASSETS HELD FOR SALE

At December 31, 2006 we held a building for sale with a net carrying value of approximately $3.2 million. The net carrying value is less than the current fair value and is expected to be recovered through a sale transaction.

14. EQUITY

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. 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. Under the program, we were authorized to repurchase up to the lesser of 10% of our issued common shares or freely distributable reserves. 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. On April 2, 2007 at our annual shareholders meeting, our shareholders gave us the authority to repurchase a further 10% of our issued shares for a period of 18 months ending on October 2, 2008.

The number of treasury shares reported in our balance sheet as of December 31, 2006 include shares in our capital held by our subsidiaries Core Laboratories LP and Core Laboratories Holding Inc. Reference is made to footnote Note 22 Commitments and Contingencies in respect of a contingent asset and a contingent liability relating to such shares, each for an amount equal to the acquisition price of such share of $ 167.5 million, increased with statutory interest as from the date of acquisition of such shares.

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.

	Number of Shares	Common Shares	Additional Paid-In Capital	Retained Earnings	Other Reserves	Treasury Stock	Minority Interest	Total Shareholders' Equity
BALANCE, January 1, 2005 under Dutch GAAP	26,201,846	$ 497	$ 136,176	$ (27,072)	$ -	$ (41,271)	$ 1,069	$ 69,399
Effect of adoption of IFRS	-	(13)	26,063	142,346	-	-	-	168,396
BALANCE, January 1, 2005	26,201,846	484	162,239	115,274	-	(41,271)	1,069	237,795
Stock options exercised	655,255	8	8,207	-	-	-	-	8,215
Stock-based awards issued	385,753	5	9,235	-	-	-	-	9,240
Stock-based compensation	-	-	8,819	-	-	-	-	8,819
Tax benefit of stock options exercised	-	-	8,327	-	-	-	-	8,327
Repurchases of common shares	(1,468,515)	-	-	-	-	(41,446)	-	(41,446)
Cancellation of common shares	-	(23)	(52,137)	-	-	52,160	-	-
Pension adjustment	-	-	-	-	(2,643)	-	-	(2,643)
Currency translation adjustment- pension	-	-		-	204	-	-	204
Minority interest - business combination	-	-	-	-	-	-	53	53
Net income	-	-	-	35,817	-	-	(57)	35,760
BALANCE, December 31, 2005	25,774,339	474	144,690	151,091	(2,439)	(30,557)	1,065	264,324
Stock options exercised	1,023,754	20	14,833	-	-	-	-	14,853
Stock-based awards issued	264,400	3	5,940	-	-	-	-	5,943
Tax benefit of stock options exercised	-	-	8,872	-	-	-	-	8,872
Repurchases of common shares	(3,837,372)	-	-	-	-	(251,088)	-	(251,088)
Change in par value	-	977	(977)	-	-	-	-	-
Cancellation of common shares	-	(24)	(106,787)	-	-	106,811	-	-
Pension adjustment	-	-	-	-	2,357	-	-	2,357
Currency translation adjustment- pension	-	-	-	-	(311)	-	-	(311)
Minority interest - business combination	-	-	-	-	-	-	261	261
Net income	-	-	-	72,381	-	-	120	72,501
BALANCE, December 31, 2006	23,225,121	$ 1,450	$ 66,571	$ 223,472	$ (393)	$(174,834)	$ 1,446	$ 117,712

Other Reserves is comprised of adjustments directly to equity.

	Pension - Restricted	Translation	Total
Balance at January 1, 2005	$ -	$ -	$ -
Pension adjustment	(2,643)	-	(2,643)
Currency translation adjustment	-	204	204
Balance at December 31, 2005	(2,643)	204	(2,439)
Pension adjustment	2,357	-	2,357
Currency translation adjustment	-	(311)	(311)
Balance at December 31, 2006	(286)	(107)	(393)

15. BORROWINGS

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

	2006	2005
Senior Exchangeable Notes	$ 206,753	$ -
Credit Facility	-	85,476
Finance lease obligations	10	36
Other indebtedness	2,754	2,612
Total debt and capital lease obligations	209,517	88,124
Less - short-term debt included in other indebtedness	2,654	2,412
Less - current maturities of long-term debt and finance lease obligations	108	132
Long-term debt and capital lease obligations, net	$ 206,755	$ 85,580

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 and subsequently filed a registration statement, which became effective immediately, 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.

In November 2006 in connection with the offering of the Notes, Core Laboratories LP used proceeds from 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 gave 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 debt under our Credit Facility.

The purchased call options and sold warrants are separate contracts entered into by us with one financial institution, 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 IAS 39 Financial Instruments: Recognition and Measurement (IAS 39), we recorded the exchangeable note hedge and warrants in the consolidated balance sheet as of the transaction date, and will recognize subsequent changes in fair value in the consolidated income statement.

The fair value of the underlying debt instrument, included in non-current borrowings, was calculated using a market interest rate for an equivalent non-convertible note.

The Notes recognized in the consolidated balance sheet is calculated as follows:

	2006
Face value of the convertible notes	$ 300,000
Discount on convertible notes	(88,261)
Net fair value of convertible notes	211,739
Deferred debt acquisition costs	(4,986)
Long-term debt and capital lease obligations, net	$ 206,753

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 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 "Finance Costs" in the accompanying consolidated income statement.

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

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:

	Total	Less than 1 year	1-5 Years	More than 5 Years
Contractual Obligations (in thousands):				
Long-term debt [1]	$ 302,754	$ 2,754	$ 300,000	$ -
Finance leases	10	8	2	-
Operating leases	38,010	8,240	17,639	12,131
Total contractual obligations	$ 340,774	11,002	$ 317,641	$ 12,131

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

16. INCOME TAX PAYABLE

Long-term income tax payable relates to tax exposures for tax obligations including potential interest and penalties in various taxing jurisdictions.

17. DEFERRED INCOME TAXES

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:		
Deferred income tax asset to be recovered within 12 months	$ 1,898	$ 436
Deferred income tax asset to be recovered after more than 12 months	26,997	25,465
Net deferred tax asset	28,895	25,901
Deferred tax liabilities:		
Deferred income tax liability to be recovered within 12 months	-	-
Deferred income tax liability to be recovered after more than 12 months	(4,233)	(5,204)
Total deferred tax liabilities	(4,233)	(5,204)
Net deferred income tax assets, net	$ 24,662	$ 20,697
The gross movement on the deferred income tax account is as follows:		
Beginning of year	$ 20,697	$ 9,965
Income statement charge	1,070	5,286
Timing differences	2,895	5,446
End of year	$ 24,662	$ 20,697

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred Tax Assets	Tax Losses	Tax Credits	Stock Compensation	Reserves	Other	Total
At January 1, 2005	$ 12,718	$ 367	$ 1,745	$ 2,299	$ 146	$ 17,275
Charged/(credited) to the income statement	1,704	(29)	1,448	33	24	3,180
Charged directly to equity	-	-	4,433	-	1,013	5,446
At December 31, 2005	14,422	338	7,626	2,332	1,183	25,901
Charged/(credited) to the income statement	(10,995)	6,140	2,145	1,657	1,152	99
Charged directly to equity	-	-	2,616	-	279	2,895
At December 31, 2006	$ 3,427	$ 6,478	$ 12,387	$ 3,989	$ 2,614	$ 28,895

Deferred Tax Liabilities	Intangibles	Accelerated Depreciation	Stock Compensation	Reserves	Other	Total
At January 1, 2005	$ (1,334)	$ (2,485)	$ -	$ -	$ (3,491)	$ (7,310)
Charged/(credited) to the income statement	(106)	752	-	-	1,460	2,106
At December 31, 2005	(1,440)	(1,733)	-	-	(2,031)	(5,204)
Charged/(credited) to the income statement	(95)	534	-	-	532	971
At December 31, 2006	$ (1,535)	$ (1,199)	$ -	$ -	$ (1,499)	$ (4,233)

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, $2.1 million in 2009, $2.1 million in 2011, $1.0 million in 2013, $12.7 million in 2015, $14.0 million in 2016 and $7.5 million in 2025. We anticipate that taxable income in future years will allow us to fully utilize our carry-forwards. We recorded $8.9 million and $8.3 million of tax benefit directly to equity relating to the tax benefit on stock-based compensation. 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.

18. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

The components of provisions for 2006 are as follows (in thousands):

	Termination Benefits	Deferred Compensation	Claims from Clients	Other	Total
At January 1, 2006	$ 2,582	$ 7,585	$ 665	$ 7,821	$ 18,653
Charged / (credited) to the income statement:					
Additional provisions	3,049	3,216	983	6,495	13,743
Reversed unused	-	-	-	-	-
Used during the year	(214)	(388)	(604)	(5,061)	(6,267)
At December 31, 2006	$ 5,417	$ 10,413	$ 1,044	$ 9,255	$ 26,129

Termination Benefits

Termination benefits represent an accrual for future payouts guaranteed to employees upon departure from the Company. In 1998, we entered into employment agreements with our four senior executive officers that provided for severance benefits. The 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. The remaining $3.2 million balance is for the non-executive employees of the Company. See Note 19 Pension and Other Postretirement Benefit Plans for further discussion of employee benefits.

Deferred Compensation

Deferred Compensation relates to additional retirement liabilities for certain employees of the Company. These are not payable until the employee retires. The balance reflects the current market condition of the investments held for the participants. See Note 19 Pension and Other Postretirement Benefit Plans for further discussion of employee benefits.

Claims from Clients

Claims from clients occur from disputes that may arise from the providing of services. These are investigated and resolved once a determination is made. The timing of any potential settlement varies for each claim.

Other

Other provisions consist of amounts accrued related to long-term unearned revenue and amounts due under certain service agreements and contractual commitments.

19. 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. We fund 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. The costs related to the Dutch Plan are included in Cost of Services on the consolidated income statement.

The underfunded status of the Dutch Plan is recorded as a liability. In 2006 the plan was amended which increased the projected benefit obligation of the plan by approximately $1.7 million for past service costs. These past service costs associated with the amendment were fully vested by the participant of the plan and have been recognized through pension costs for 2006.

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

Defined Benefit Obligation:		
Defined 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)
Defined 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
Expected return on plan assets		
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 defined 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%
Future pension increase	4.00%	4.00%

The discount rate used to determine our defined 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.

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)
Past service costs	1,702	-
Net periodic pension cost	$ 2,936	$ 578

The net periodic pension cost of $2.9 million and $0.6 million for the years ended December 31, 2006 and 2005, respectively was recognized in Cost of Services in the consolidated Income statement.

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.

	2006	2005
Defined benefit obligation	23,984	21,185
Plan assets	23,375	19,183
Surplus/(deficit)	(609)	(2,002)
Experience adjustments on plan liabilities	69	(239)
Experience adjustments on plan assets	46	(249)

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

Mortality rate

Assumptions regarding future mortality experience are set based on advice, published statistics and experience in each territory

The average life expectancy in years of a pensioner retiring at age 65 on the balance sheet date is as follows:

	2006	2005
Male	17.0	17.0
Female	20.0	20.0

The average life expectancy in years of a pensioner retiring at age 65, 20 years after the balance sheet date, is as follows:

	2006	2005
Male	17.0	17.0
Female	20.0	20.0

Defined Contribution Plans

We maintain three defined contribution plans (the "Defined Contribution Plans") for the benefit of eligible employees in Canada, the United Kingdom and the United States. 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 and 2005, we expensed approximately $3.2 million and $2.5 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 and 2005 was approximately $0.6 million and $0.6 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 deferred compensation plan for employees in the United States (the "Deferred Comp Plan"), due to certain limitations imposed by the U.S. Internal Revenue Code of 1986, as amended. The Deferred Comp 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 Deferred Comp Plan were $0.1 million and $0.1 million of the years ended December 31, 2006 and 2005, 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.

Termination Benefits

We have provided termination benefits to certain executives that provide salary and medical benefits for their post employment period. This liability is recorded in Provisions. See Note 30 on Directors' Compensation for further discussion.

20. ACCOUNTS PAYABLE

Accounts payable represents short term liabilities arising out of normal business activities which will be settled within twelve months. The stated value recorded on the consolidated balance sheet represents the fair value.

21. EMPLOYEE BENEFIT EXPENSE

Employee benefit expenses are comprised of salaries, bonuses and other compensation. For the years ended December 31, 2006 and 2005, employee expense recognized in the income statement is as follows (in thousands):

	2006	2005
Wages and salaries	$ 172,535	$ 150,275
Social security costs	33,535	27,003
Stock based compensation	5,943	11,657
Total employee expense	$ 212,013	$ 188,935

For the years ended December 31, 2006 and 2005, employee expense recognized in the income statement is as follows (in thousands):

	2006	2005
Cost of sales and services	$ 188,277	$ 165,704
General and administrative	23,736	23,231
Total employee expense	$ 212,013	$ 188,935

We had approximately 4,600 and 4,500 employees in 2006 and 2005, respectively

22. 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 which we have established liabilities to cover. It is not anticipated that any material liabilities will arise from these contingent liabilities.

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 and $7.6 million for the years ended December 31, 2006 and 2005, respectively.

By operation of the laws of the Netherlands, our subsidiaries Core Laboratories LP and Core Laboratories Holding Inc have a contingent liability consisting of an obligation to transfer the shares currently held by them in our capital to our (indirect) managing directors and a corresponding contingent asset consisting of a claim against such managing directors for an amount equal to the purchase price paid by Core Laboratories LP and Core Laboratories Holding Inc for such shares.

Upon adoption of our annual accounts for the financial year 2006, the shares in our capital currently held by our subsidiaries Core Laboratories LP and Core Laboratories Holding Inc shall be transferred to us and the contingent asset and contingent liability referred to above in respect of such shares shall be set-off.

23. STOCK-BASED COMPENSATION

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

1995 Long-term Incentive Plan

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

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

2006 Nonemployee Director Stock Incentive Plan

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

Executive Restricted Share Matching Program

The ESMP was implemented in June 2002 to encourage personal investment in our common stock by our executive officers. Under the program, we matched on a one-for-one basis each share that an executive purchased on the open market or held in his deferred compensation, 401(k) or other retirement account as of June 1, 2002, up to a maximum of 50,000 shares per participant. We have 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. We accounted for the Restricted Gross-up Shares 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 and 2005, we recorded $1.0 million and $0.6 million, respectively, of compensation expense for the Restricted Gross-up Shares. As of December 31, 2006, approximately 15% of the Restricted Gross-up Shares remain unvested, assuming that all the awards will ultimately vest, resulting in approximately $0.4 million of compensation expense to be recognized through the ultimate vesting date of June 1, 2007.

Performance Share Award Program

Awards Under the Plan

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

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

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

All of the PSAP awards are classified as equity awards where the fair value of the awards are fixed at the original grant-date fair value with compensation recorded over the vesting period based on the estimated number of awards that management believes will ultimately vest. As of December 31, 2006, there was $0.9 million of unrecognized stock-based compensation expense related to nonvested PSAP awards. That cost is expected to be recognized over an estimated weighted-average amortization period of 12 months. We recognized compensation expense of $1.8 million and $2.7 million in 2006 and 2005, 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 and 142,600 shares in 2006 and 2005, respectively. The shares issued in 2005 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, would accelerate the vesting. The grant issued in 2005 achieved the performance accelerator and became fully vested in 2006. 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. The RSAP is 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 $3.1 million and $5.3 million in 2006 and 2005, 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, 2004	630,153	$ 16.44
Granted	336,800	25.12
Vested	(385,753)	16.09
Forfeited	(2,600)	22.66
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

The fair value of the nonvested restricted stock awards at December 31, 2006 was $43.3 million. 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.

Stock Options

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 and 2005. All options outstanding at December 31, 2006 are fully vested.

	Shares	Range of Exercise Prices	Weighted Average Exercise Price
Balance as of December 31, 2004	3,325,164	0.01 - 61.19	$ 12.94
Options granted	71,000	25.00	25.00
Options exercised	(655,255)	1.50 - 19.52	12.83
Options forfeited	(5,750)	8.84 - 23.00	15.63
Balance as of December 31, 2005	2,735,159	0.01 - 61.19	13.48
Options granted	-	-	-
Options exercised	(1,023,754)	8.38 - 61.19	14.51
Options forfeited	(70,746)	8.38 - 23.00	15.67
Balance as of December 31, 2006	1,640,659	$ 0.01 - 25.00	$ 12.74

The fair value of the outstanding stock options at December 31, 2006 was $132.9 million. The weighted average exercise price for 2006 was $60.93 and for 2005 was $29.80. All stock options expire 10 years from date of grant. The weighted average life remining for the stock options outstanding at December 31, 2006 was 5.1 years. The following table presents the amount of stock options set to expire in the respective years.

Year	Number of Options
2007	18,000
2008	137,979
2009	247,251
2010	181,932
2011	684,371
2012	2,385
2013	361,741
2014	3,000
2015	4,000

The total intrinsic value of options exercised during 2006 and 2005 were $47.8 million and $11.1 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.

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 new option grants:

	2005
Risk free interest rate	4.6%
Expected volatility	55.2%
Expected lives (in years)	9.18

In 2005, the Equity Awards Subcommittee of our Compensation Committee of our Board of Supervisory Directors approved a modification of all unvested options, whereby, all unvested options then outstanding became fully vested. Prior to the modification, there were stock options covering 322,072 common shares that were unvested, which represented less than 12% of the total number of commons shares subject to stock options that were outstanding. 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.

For the years ended December 31, 2006 and 2005, stock-based compensation expense recognized in the income statement is as follows (in thousands):

	2006	2005
Cost of sales and services	$ 1,896	$ 3,129
General and administrative	4,047	8,528
Total stock-based compensation expense	$ 5,943	$ 11,657

24. OTHER EXPENSE (INCOME), NET

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

	Year Ended	
	2006	2005
(Gain) loss on sale of assets	$ (755)	$ (293)
Foreign exchange (gain) loss	(1,443)	1,619
Gain on involuntary sale of asset	(375)	(875)
Gain on insurance recovery	(492)	(334)
Other	(2,046)	568
Total other expense (income), net	$ (5,111)	$ 685

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. Foreign exchange gains and losses are the result of fluctuations in the USD against other currencies and are included in other expense (income) in the consolidated income statement. We recognized foreign exchange losses in countries where the USD weakened against the local currency and we had net monetary liabilities denominated in the local currency; as well as countries where the USD strengthened against the local currency and we had net monetary assets denominated in the local currency. We recognized foreign exchange gains in countries where the USD strengthened against the local currency and we had net monetary liabilities denominated in the local currency and in countries where the USD weakened against the local currency and we had net monetary assets denominated in the local currency. Foreign exchange gains and losses are summarized in the following table (in thousands):

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

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.

25. SEGMENT REPORTING

Primary Reporting Format

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

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

- *Production Enhancement:* Includes products and services relating to reservoir well completions, perforations, stimulations and production. We provide integrated services to evaluate the effectiveness of well completions and to develop solutions aimed at increasing the effectiveness of enhanced oil recovery projects.

- *Reservoir Management:* Combines and integrates information from reservoir description and production enhancement services to increase production and improve recovery of oil and gas from our clients' reservoirs.

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

	Reservoir Description	Production Enhancement	Reservoir Management	Corporate & Other [1]	Consolidated
DECEMBER 31, 2006					
Revenues from unaffiliated customers	$ 315,068	$ 223,056	$ 37,565	$ -	$ 575,689
Inter-segment revenues	670	798	454	(1,922)	-
Segment income (loss)	56,263	57,191	8,158	(2,011)	119,601
Finance costs					9,993
Variance in fair value of derivative instruments					(7,170)
Share of profit/(loss) of associates	(123)				(123)
Profit before income tax expense					102,315
Income tax expense					29,814
Profit for the year					72,501
Total assets	228,440	173,828	33,980	187,260	623,508
Total liabilities	43,391	23,966	9,910	428,529	505,796
Capital expenditures	15,729	6,495	549	3,992	26,765
Intangible asset expenditures	12	240	10	4	266
Depreciation and amortization	9,143	4,837	464	2,918	17,362
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)	37,478	30,560	4,347	(8,815)	63,570
Finance costs					13,887
Share of profit/(loss) of associates	36				36
Profit before income tax expense					49,719
Income tax expense					13,453
Income from continuing operations					36,266
Loss from discontinued operations			(506)		(506)
Profit for the year					35,760
Total assets	220,349	163,223	29,323	38,548	451,443
Total liabilities	39,918	18,639	7,188	121,374	187,119
Capital expenditures	9,667	7,559	472	1,415	19,113
Intangible asset expenditures	-	103	-	-	103
Depreciation and amortization	9,606	4,360	474	2,192	16,632

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.

Inter-segment transfers or transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties.

Segment assets consist primarily of cash and cash equivalents, trade and other receivables, inventories, property, plant and equipment and intangible assets. Unallocated assets comprise deferred taxation and miscellaneous assets related to the corporate function.

Segment liabilities comprise operating liabilities. Unallocated liabilities comprise items such as taxation, borrowings and liabilities related to the corporate function.

Capital expenditures comprise additions to property, plant and equipment.

Our general and administrative costs are allocated to the segments on a proportional basis relative to each segment's costs of sales.

Secondary Reporting Format – Geographical Segments

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 operations by major location for 2006 and 2005 (in thousands):

GEOGRAPHIC INFORMATION	United States	Canada	Europe	Other Countries	Consolidated
DECEMBER 31, 2006					
Revenues	$ 271,498	$ 74,910	$ 92,360	$ 136,921	$ 575,689
Operating income	63,142	27,694	14,968	13,797	119,601
Total assets	341,081	67,796	135,397	79,234	623,508
Capital expenditures	11,623	2,489	4,409	8,244	26,765
DECEMBER 31, 2005					
Revenues	$ 214,843	$ 64,607	$ 88,527	$ 115,490	$ 483,467
Operating income	33,075	15,825	13,901	769	63,570
Total assets	195,868	64,837	128,583	62,155	451,443
Capital expenditures	8,528	2,873	3,316	4,396	19,113

Operating income and total assets associated with our corporate operations have been included in the results for the United States.

26. FINANCE COSTS

The components of finance costs for 2006 and 2005 are as follows (in thousands):

	2006	2005
Bank borrowings	$ 5,805	$ 8,277
Convertible notes	4,645	-
Debt prepayment charge	-	6,012
Finance costs	10,450	14,289
Finance income	(457)	(402)
Net finance costs	$ 9,993	$ 13,887

Finance costs consist of interest expense on borrowings on bank debt and convertible notes, financial leases, amortization of discount on convertible notes and amortization of debt issuance costs. Included in the convertible notes balance for 2006 is $2.1 million for expense of debt issuance costs related to the conversion option in the notes. Included in 2005 is $6.0 million for a make-whole premium related to the early extinguishment of our senior notes.

27. INCOME TAXES

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

	2006	2005
Current tax	28,744	8,167
Deferred tax	1,070	5,286
Income tax expense from continuing operations	$ 29,814	$ 13,453

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 our income tax expense as reported in the accompanying consolidated income statement for 2006 and 2005 are as follows (in thousands):

	2006	2005
Profit before tax	$ 102,315	$ 49,719
Tax at The Netherlands income tax rate	$ 30,285	$ 15,661
International earnings taxed at rates other than The Netherlands statutory rate	(527)	(6,841)
Extraterritorial income exclusion benefit	(495)	(193)
Non-deductible expenses	3,293	2,787
Tax attributes realized	(6,067)	1,156
State and provincial taxes	3,325	883
Income tax expense from continuing operations	$ 29,814	$ 13,453

In 2006, income tax expense increased due to an increase in tax profits which was primarily offset by an increase in our provision for tax controversies in various jurisdictions. The income tax rate changed in The Netherlands due to a law change enacted by The Netherlands government. The change in The Netherlands income tax rate for 2007 to 25.5% will result in a decrease of $1.2 million of the net deferred tax liability.

28. EARNINGS PER SHARE

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
Weighted average basic common shares outstanding	25,157	26,038
Effect of dilutive securities:		
Stock options	1,477	1,573
Contingent shares	151	353
Restricted stock and other	103	44
Weighted average diluted common and potential common shares outstanding	26,888	28,008

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 and 4,315 shares for the years ended December 31, 2006 and 2005, respectively. In 2006, we sold warrants that give the holders the right to acquire approximately 3.2 million of our common shares at a strike price of $127.56 per share. These warrants could have a dilutive impact on our earnings per share if the share price exceeds the strike price of the warrants.

29. CASH FLOW STATEMENT

We have prepared the cash flow statement using the indirect method. Cash and cash equivalents include all short-term, highly liquid instruments purchased with an original maturity of three months or less and time deposits and money market investment accounts. Certain non-cash transactions have been adjusted from the cash flow statement. In 2006, $2.4 million related to financed fixed assets has been adjusted from operating activities and $2.7 million related to financed liability insurance has been adjusted from operating activities and financing activities and $86.3 million related to the conversion feature on the convertible notes has been adjusted from financing activities. In 2005, $2.4 million related to financed liability insurance has been adjusted from operating activities and financing activities.

30. DIRECTORS' AND NON-EMPLOYEE DIRECTORS' REMUNERATIONS

The following table summarizes, with respect to our Supervisory Directors, information relating to the compensation earned for services rendered in all capacities during the fiscal year 2006.

Name and Principal Position	Salary	Non-Equity Incentive Plan Compensation	Stock Awards (1)	All Other Compensation
David M. Demshur President, Chief Executive Officer and Chairman of the Supervisory Board	$ 504,569	$ 766,200	$ 1,088,559	$ 8,953(2)
Richard L. Bergmark Executive Vice President, Chief Financial Officer, Treasurer and Supervisory Director	324,569	330,800	799,096	8,944(2)
Alexander Vriesendorp Supervisory Director	-	-	-	51,500(3)
Jacobus Schouten Supervisory Director	-	-	-	51,500(3)
John Ogren Supervisory Director	-	-	-	56,000(3)
Michael Kearney Supervisory Director	-	-	-	69,500(3)
Joseph Perna Supervisory Director	-	-	-	82,500(3)
Rene Joyce Supervisory Director	-	-	-	62,500(3)

(1) The amounts included in the "Stock Awards" column include the dollar amount of compensation expense we recognized for the fiscal year ended December 31, 2006. The awards for which compensation expense was recognized consist of (1) performance shares granted in 2004; (2) performance shares granted in 2005; (3) restricted shares granted in 2005; (4) restricted shares granted in 2006; and (5) Restricted Gross-up Share awards granted in 2002. See "Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards Table" for a description of the material features of these awards. No options were awarded to our named executive officers in 2006.

(2) Amounts for employee Supervisory Directors consist of our matching contributions and contributions through our retirement plans and amounts paid under certain insurance plans. Amounts for non-employee Supervisory Directors relate to fees paid to outside directors for service on the Supervisory Board and related committees.

(3) Each of our non-employee Supervisory Directors had the following aggregate number of stock awards outstanding as of December 31, 2006: Joyce, 2000; Kearney, 2000; Ogren, 2000; Perna, 2000; Schouten, 2000; and Vriesendorp, 2000. The amounts included in the "All Other Compensation" column include the dollar amount of compensation expense we recognized for the fiscal year ended December 31, 2006.. The grant date fair value of each director's award is $128,580. None of our non-employee Supervisory Directors had any option awards outstanding as of December 31, 2006.

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

2006 Nonemployee Director Stock Incentive Plan

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

Employment Agreements and Change in Control Agreements

We maintain employment agreements with our four executive officers to ensure they will perform their roles for an extended period of time. These agreements provide for severance compensation to be paid if the employment of the executives is terminated under certain conditions, such as following a change in control, termination by him for any reason or termination by us for any reason other than upon his death or disability, for "cause" or upon a material breach of a material provision of his employment agreement, each as defined in the agreements.

The employment agreements between us and our named executive officers and the related severance provisions are designed to meet the following objectives:

Change in Control. As part of our normal course of business, we engage in discussions with other companies about possible collaborations and/or other ways in which the companies may work together to further our respective long-term objectives. In addition, many larger, established companies consider companies at similar stages of development to ours as potential acquisition targets. In certain scenarios, the potential for merger or being acquired may be in the best interests of our shareholders. We provide severance compensation if an executive's employment is terminated following a change in control transaction to promote the ability of our senior executives to act in the best interests of our stockholders even though their employment could be terminated as a result of the transaction.

Termination without Cause. If we terminate the employment of an executive officer without cause as defined in the applicable agreement, we are obligated to continue to pay him certain amounts as described in greater detail in "Potential Payments Upon Termination or Change in Control." We believe these payments are appropriate because the terminated executive is bound by confidentiality, nonsolicitation and non-compete provisions covering two years after termination and because we and the executive have a mutually agreed to severance package that is in place prior to any termination event. This provides us with more flexibility to make a change in senior management if such a change is in our and our shareholders' best interests.

Potential Payments Upon Termination or Change in Control We have entered into certain agreements and maintain certain plans that will require us to provide compensation and/or benefits to our named executive officers in the event of a termination of employment or a change in control of the Company. The compensation and benefits described below assume that any termination of employment was effective as of December 31, 2006, and thus includes amounts earned through that date. The description set forth below provides estimates of the compensation and benefits that would be provided to the executives upon their termination of employment; however, in the event of an executive's separation from the Company, any actual amounts will be determined based on the facts and circumstances in existence at that time.

David M. Demshur.

Mr. Demshur serves as our President and Chief Executive Officer pursuant to an employment agreement entered into on August 1, 1998, restated as of December 31, 2001, and amended as of February 28, 2003. Unless either party gives notice to terminate the agreement, the agreement will automatically renew each year on the anniversary of the effective date for a successive three-year term. Mr. Demshur's employment agreement entitles him to an original base salary of $420,000, subject to increase at the discretion of the Compensation Committee, and the opportunity to earn a yearly bonus of up to 150% of his then current annual base salary dependent upon his reaching certain performance objectives established by the Compensation Committee. The employment agreement provides that Mr. Demshur is entitled to participate in all of our benefit plans and programs that are available to our other executive employees.

Mr. Demshur's employment agreement includes provisions governing the payment of severance benefits if his employment is terminated by him for any reason or by the Company for any reason other than (1) his death or disability, (2) for cause (i.e., his conviction of any felony or a misdemeanor involving moral turpitude), or (3) his material breach of a material provision of his employment agreement. In such event, Mr. Demshur's severance benefits will be comprised of:

(a) the payment of a lump-sum amount equal to the sum of:
- □ 200% of his base salary as in effect immediately prior to the termination; and
- □ two times 45% of the maximum annual incentive bonus he could have earned pursuant to his employment agreement;

(b) provision of a benefits package for Mr. Demshur and his spouse and dependent children consisting of medical, hospital, dental, disability and life insurance benefits at least as favorable as those benefits provided to Mr. Demshur and his spouse and dependent children immediately prior to his termination, for as long as Mr. Demshur and his spouse or dependent children are living;

(c) the payment of a lump-sum amount equal to the non-vested employer contributions allocated to his account under our 401(k) Plan that are forfeited as a result of the termination;

(d) the full and immediate vesting and exercisability of all of his outstanding stock options, which options shall remain exercisable for the greater of (1) three months following such termination, or (2) the period provided in the plan or plans pursuant to which such stock options were granted; and

(e) the provision of outplacement services at a cost not to exceed 100% of the his annual base salary as in effect immediately prior to the termination.

As a result, assuming Mr. Demshur's employment was terminated effective as of December 31, 2006, by him for any reason or by us for any reason other than upon his death or disability, for cause, or due to his material breach of a material provision of his employment agreement, he would have been entitled to:

- a lump-sum payment of $1,711,180, which assumes a base salary of $510,800 and 45% of the maximum annual incentive bonus equal to $340,584;
- benefits described in clause (b) above valued at approximately $239,000; and
- outplacement services in an amount not to exceed $510,800.

As of December 31, 2006, Mr. Demshur was fully vested in the employer contributions allocated to his account under our 401(k) Plan as of December 31, 2006, and in his stock options outstanding as of December 31, 2006.

For purposes of calculating the lifetime medical benefits, we assume the following:

- a discount rate of 6%;
- mortality under the 1994 Group Annuity Reserving Table projected to 2002;
- a medical trend of 5% per annum;
- that medical benefits are to be coordinated with Medicare such that premiums will be reduced by 50% for ages 65 and older; and
- that the health plan is fully insured and community rated and will continue to be so in the future.

For purposes of calculating the welfare benefits, we assume the following:

- the basic life insurance benefit was valued as a whole life premium a discount rate of 5%;
- mortality under the 1994 Group Annuity Reserving Table projected to 2002;
- the accidental death and disability coverage was valued as 11.5% of the value of basic life insurance benefit, per the current premium ratio and this benefit was assumed to continue beyond age 65; and
- the long-term disability premium was escalated at 4% to age 65, reflecting the age-related incidence of disability as well as increased administrative costs; no value is attributed to the benefit beyond age 65, as long-term disability coverage is rarely available once employment ends.

If Mr. Demshur's employment is terminated as a result of his death or disability, Mr. Demshur (if living), his spouse, and/or his dependent children, as applicable, will be entitled to the benefits described under clauses (b) and (d) above. As a result, assuming Mr. Demshur's employment was terminated effective as of December 31, 2006, as a result of his death or disability, we would be obligated to provide severance benefits valued at approximately $239,000 (determined as described above).

If Mr. Demshur's employment is terminated for any reason within three years following a change in control (as defined in his employment agreement), he will be entitled to the same benefits described above except that (a) certain of his outstanding stock options shall remain exercisable for the greater of (i) one year following such termination, or (ii) the period provided in the plan or plans pursuant to which such stock options were granted, and (b) the lump-sum payment described in the first bullet point above shall be equal to three times the sum of:

- his base salary as in effect immediately prior to his termination of employment; and
- the greater of (A) 45% of the maximum annual incentive bonus he could have earned pursuant to his employment contract for the year in which his employment terminates or (B) the highest annual bonus he received in the three fiscal years ending prior to the fiscal year in which occurred the change in control.

Additionally, if any of the payments or benefits described above, or any other payments or benefits that are payable to Mr. Demshur by us, would be subject to the excise tax imposed by Section 4999 of the US Internal Revenue Code of 1986, as amended (the "Code") (so-called "parachute payments"), then Mr. Demshur will be entitled to receive a gross-up payment such that, after the payment of any income, excise or other tax on the gross-up payment, Mr. Demshur retains an amount sufficient to pay all such excise taxes.

As a result, assuming that a change in control of the Company occurred and Mr. Demshur's employment was terminated effective as of December 31, 2006, in addition to the severance benefits he would have been entitled to receive as described above, he would be entitled to receive: (a) a lump-sum payment of $1,220,800 ($510,800 + $710,000) (comprised of an additional 100% of his base salary as of December 31, 2006 and the additional bonus amount); and (b) a tax gross-up payment of $4,466,444. See "—Excise Tax Gross-up" for a discussion of the assumptions we used in connection with the calculation of the tax gross-up payment.

Mr. Demshur's employment agreement contains a standard confidentiality and nonsolicitation provisions and requires that Mr. Demshur not compete with the business conducted by the Company at any time during the period that he is employed by the Company and for the two-year period thereafter unless his employment with the Company is terminated by him for good reason (as defined in his employment agreement), or by the Company for cause. Notwithstanding, the post-employment noncompetition and nonsolicitation restrictions terminate upon a change in control of the Company.

Richard L. Bergmark.

Mr. Bergmark serves as our Chief Financial Officer and Treasurer pursuant to an employment agreement entered into on August 1, 1998, restated as of December 31, 2001, and amended as of February 28, 2003. Unless either party gives notice to terminate the agreement, the agreement will automatically renew each year on the anniversary of the effective date for a successive three-year term. Mr. Bergmark's employment agreement entitles him to an original base salary of $236,250, subject to increase at the discretion of the Compensation Committee, and the opportunity to earn a yearly bonus of up to 100% of his then current annual base salary dependent upon his reaching certain performance objectives established by the Compensation Committee. The employment agreement provides that Mr. Bergmark is entitled to participate in all of our benefit plans and programs that are available to our other executive employees.

The terms of Mr. Bergmark's amended and revised employment agreement relating to severance and change in control benefits are substantially identical to those contained in Mr. Demshur's employment agreement described above.

As a result, assuming Mr. Bergmark's employment was terminated effective as of December 31, 2006, by him for any reason or by us for any reason other than upon his death or disability, for cause, or by reason of his material breach of a material provision of his employment agreement, he would have been entitled to:

- a lump-sum payment of $959,320 (assuming a base salary of $330,800 and 45% of the maximum annual incentive bonus equal to $148,860);
- benefits described in clause (b) contained above in the description of Mr. Demshur's severance benefits provided under his employment agreement valued at approximately $236,500 (this figure is based on the same assumptions used in determining the corresponding amount under Mr. Demshur's employment agreement above); and
- outplacement services of a value not to exceed approximately $330,800.

As of December 31, 2006, Mr. Bergmark was fully vested in the employer contributions allocated to his account under our 401(k) Plan as of December 31, 2006, and in his stock options outstanding as of December 31, 2006.

If Mr. Bergmark's employment is terminated as a result of his death or disability, Mr. Bergmark (if living), his spouse, and/or his dependent children, as applicable, will be entitled to the benefits described under clauses (b) and (d) contained above in the description of Mr. Demshur's severance benefits provided under his employment agreement. Please read "Employment Agreements — Mr. Demshur." As a result, assuming Mr. Bergmark's employment was terminated effective as of December 31, 2006, as a result of his death or disability, we will be obligated to provide severance benefits valued at approximately $1,526,620 (determined as described above).

Assuming that a change in control of the Company occurred and Mr. Bergmark's employment was terminated effective as of December 31, 2006, in addition to the severance benefits he would have been entitled to receive as described above, he would be entitled to receive: (a) a lump-sum payment of $611,800 ($330,800 + $281,000) (comprised of an additional 100% of his base salary as of December 31, 2006, and the additional bonus amount); and (b) a tax gross-up payment of $2,390,683.

Mr. Bergmark's employment agreement contains a standard confidentiality and nonsolicitation provision and requires that Mr. Bergmark not compete with the business conducted by the Company at any time during the period that he is employed by the Company and for the two-year period thereafter unless his employment with the Company is terminated by him for good reason (as defined in his employment agreement), or by the Company for cause. Notwithstanding, the post-employment noncompetition and nonsolicitation restrictions terminate upon a change in control of the Company.

Supplemental Executive Retirement Plans

In 1998, we adopted the Core Laboratories Supplemental Executive Retirement Plan, which we refer to as the "Group SERP," for the benefit of certain key employees and outside directors. The Group SERP was established to provide additional retirement income to the participants and death benefits to the participants' designated beneficiaries as a reward for the participants' contributions to our success and growth. Richard L. Bergmark, David M. Demshur and Joseph R. Perna participate in the Group SERP. Each participant is entitled to receive a retirement benefit of $250,000 per year, which begins on the later of participant's retirement date or attaining the age of 65 years and is paid in annual installments until the participant's death. If a participant dies on or after his retirement date and prior to receiving 15 annual installments of his retirement benefit, then the participant's designated beneficiary is entitled to receive $250,000 each year until such payments have been made for an aggregate of 15 years to both the participant and such designated beneficiary. If the participant dies before his retirement date, the designated beneficiary of the deceased participant is entitled to receive $225,000 each year for 15 years. Each participant's benefit under the Group SERP is fully vested and fully accrued. Additionally, the participant may make a prior election to receive a lump sum payment upon a "change of control" of our Company equal to the discounted present value of the retirement benefits that would have been paid upon the participant's retirement. Benefits under the Group SERP may be forfeited only in the event of a participant's termination for cause.

We have purchased insurance coverage on the lives of Messrs. Demshur, Bergmark and Perna to assist us in providing benefits under the Group SERP. We are the owner and beneficiary of the insurance coverage for which all of the Group SERP premiums are fully paid. Based on actuarial calculations (including a 12% earnings rate assumption), we expect that the death benefits paid to us under the insurance policies will be sufficient to cover the costs of the Group SERP benefits. However, to the extent the death benefits under the policies are insufficient to cover those costs, we are obligated to pay the remainder out of our other general assets to absorb any shortfall.

Executive Compensation Program

The following is a discussion of each of the principal components of the executive total compensation program.

Base Salary

Base salary is the fixed annual compensation we pay to an executive for performing specific job responsibilities. It represents the minimum income an executive may receive in any given year. We target base salaries to result in annual salaries at approximately the market median of our peer group for executives having similar responsibilities. The Compensation Committee may adjust salaries based on its annual review of the following factors:

- the individual's experience and background;
- the individual's performance during the prior year;
- the general movement of salaries in the marketplace; and
- our financial and operating results.

As a result of these factors, a particular executive's base salary may be above or below the targeted median at any point in time. Mr. Bergmark received approximately a 9% merit increase in 2006 as a result of our financial performance and the returns experienced by our shareholders; despite these factors, Mr. Demshur's salary did not change as a result of his request to the Committee that his salary not be increased in 2006. On August 10, 2006, the Supervisory Board also approved a one-time salary adjustment to compensate for the elimination of the car allowance perquisite. Each executive officer's salary increased by approximately $4,570.

Non-Equity Incentive Compensation

The Compensation Committee determines the terms under which the annual incentive compensation will be paid to executive officers. The purpose of these awards is to:

- Share our success with employees;
- Provide a financial incentive to focus on specific performance targets;
- Reward employees based on individual and team performance;
- Promote a sense of shared accomplishment among employees; and
- Encourage employees to continually improve our financial and operating performance and thereby create shareholder value.

Under our annual incentive plan, the Compensation Committee has the discretion to set goals and objectives that it believes are consistent with creating shareholder value, including financial measures, operating objectives, growth goals and other measures. The Compensation Committee also considers individual achievement. The Compensation Committee designs these awards so that cash incentive compensation will approximate the market median when individual and corporate strategic objectives are achieved and will exceed the market median when performance plans are exceeded. Annual incentive awards are designed to put a significant portion of total compensation at risk.

For fiscal 2006, the following performance measures were selected and weighted by the Compensation Committee to give emphasis to performance for which participants have the most direct control:

- 50% of the annual incentive payout was based on an earnings per share target;
- 25% of the annual incentive payout was based on an earnings before interest and taxes, or EBIT, target; and
- 25% of the annual incentive payout was based on a discretionary component, which allows for recognition of outstanding effort and dedication.

Company performance goals include a threshold level below which no award will be payable. Threshold performance is generally set at 85% of budget and over a normal business cycle, we expect to achieve our threshold performance level 80% of the time. Target performance is generally set at the budgeted level for the year and we generally expect to achieve our target performance level 50-60% of the time. Maximum performance is generally set at 115% of budget and we expect to achieve or exceed this level 20% of the time. Since this plan began nine years ago, we have achieved performance in excess of the target four times (or 44% of the time) and have achieved the maximum level three times (or 33% of the time).

Under the annual incentive plan, a target award opportunity is established as a percentage of salary for each executive officer based upon a review of the competitive data for that officer's position, level of responsibility and ability to impact our financial success. The target award opportunity for each of Messrs. Demshur and Bergmark is 75% and 50%, respectively. Under their employment agreements, each of Messrs. Demshur and Bergmark is entitled to receive amounts of up to 150% and 100%, respectively. These percentages result in two times our target amounts, which we believe are consistent with amounts provided by companies in our peer group. Each executive officer received a cash incentive payment as reflected in the Summary Compensation Table, which amounts represent for Mr. Demshur, 150% of his year-end base salary and Mr. Bergmark, 100% of his year-end base salary.

Equity Incentive Compensation

We currently administer long-term incentive compensation awards through our 1995 Long-Term Incentive Plan, as amended, or "LTIP." Specifically, we encourage share ownership by awarding long-term equity incentive awards under programs under our LTIP, consisting of the Performance Share Award Program, or "PSAP," Restricted Share Award Program, or "RSAP," and Executive Restricted Share Matching Program, or "ESMP." We believe that widespread common share ownership by key employees is an important means of encouraging superior performance and employee retention. Our equity-based compensation programs encourage performance and retention by providing additional incentives for executives to further our growth, development and financial success by personally benefiting through the ownership of our common shares and/or rights, which recognize growth, development and financial success over a longer time horizon.

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 do little to retain and motivate 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.

The Equity Awards Committee, a subcommittee of our Compensation Committee, based on recommendations from our Chief Executive Officer, determines the amount and terms of our long-term incentive awards by periodically reviewing competitive market data and each executive's long-term past performance, ability to contribute to our future success, and time in the current job. The subcommittee takes into account the risk of losing the executive to other employment opportunities and the value and potential for appreciation in our shares. The number of shares previously granted or vested pursuant to prior grants is not typically a factor that is used when determining subsequent grants to an executive officer. The subcommittee considers the foregoing factors together and subjectively determines the appropriate magnitude of the award. In 2006, equity-based compensation comprised approximately 48% of total executive officer compensation.

The subcommittee awards restricted shares and performance restricted shares that vest over a period of years. Restricted share awards vest based on an employee's continued employment over a period of time. The subcommittee determines the appropriate length of the vesting period which for most restricted shares is at a rate of 1/6 per year over a period of six years. Prior issuances of restricted shares vested 100% at the end of a seven-year period ("cliff vesting") but the vesting period was subject to acceleration if certain events occurred. The subcommittee selected a slightly shorter vesting period for the 2006 awards and elected to allow a percentage of the awards to vest each year, rather than continue the cliff vesting feature, as a trade-off for the elimination of the accelerator feature contained in the prior awards. Performance restricted shares vest if we achieve certain performance goals generally over a three-year period, which allow us to compensate our employees as we meet or exceed our business objectives.

We have no program, plan or practice to time the grant of restricted shares or performance shares to executives in coordination with material non-public information.

Restricted Share Award Program.

In May 2006, 6,000 restricted shares were granted to Mr. Bergmark. At his request, Mr. Demshur was not granted an award. Subject to continued employment, one-sixth of the shares vest each year for six years on the anniversary of the date of grant. Full vesting will occur if Mr. Bergmark's employment is terminated because of death or disability or upon the occurrence of a change in control if Mr. Bergmark has been continuously employed by us from the date of the grant until the change in control. No performance accelerators for early vesting exist within this award. Compensation expense relating to these awards, which we recognized for financial accounting purposes during fiscal 2006, is reflected in footnote 1 to the Summary Compensation Table.

Compensation expense relating to a restricted share award granted during fiscal 2005 was also recognized for financial accounting purposes during fiscal 2006, as described in footnote 1 to the Summary Compensation Table. The shares fully vested on May 1, 2006.

Performance Share Award Program.

Under the PSAP, our executive officers were awarded rights to receive a pre-determined number of common shares if certain performance targets were met, as defined in the applicable agreements for the respective three-year performance period. The following discussion relates to a PSAP awards granted in 2003, 2004, and 2005.

In January 2006, the subcommittee determined that the performance target criteria had been met relating to the performance shares with a three-year performance period that began on January 1, 2003. The awards covered an aggregate of 125,000 performance shares, of which awards with respect to 60,000 shares were granted to our executive officers, and we issued the common shares pertaining to these awards on January 17, 2006. The awards were structured to compensate efforts of our executive officers that generated a higher return to our shareholders as compared to the companies in our peer group over a three-year performance period that ended on December 31, 2005. The performance target criteria for full vesting required our common shares to perform at or above the 75th percentile of the companies comprising the Philadelphia Oil Service Sector Index ("OSX") at the end of the period. We recognized all compensation expense relating to these awards during fiscal 2005 and therefore no compensation expense relating to the 2003 performance shares is reflected in the summary compensation table.

In January 2007, the subcommittee determined that the performance target criteria had been met relating to the 2004 performance shares, which covered 120,000 performance shares, of which awards with respect to 60,000 shares were granted to our executive officers, and we issued the common shares on January 31, 2007. With respect to the performance shares under the first half of this award, the performance target criteria for full vesting required our common shares to perform at or above the 75th percentile of the companies comprising the OSX at the end of the three-year period. The other half of the performance shares under these awards fully vested if we achieved a return on equity of 18% or more during the performance period. Compensation expense relating to these awards, which we recognized for financial accounting purposes during fiscal 2006, is reflected in footnote 1 to the Summary Compensation Table.

Compensation expense relating to a PSAP award granted during fiscal 2005 was also recognized for financial accounting purposes during fiscal 2006, as described in footnote 1 to the Summary Compensation Table, which covers an aggregate of 120,000 performance shares, of which awards with respect to 60,000 shares were granted to our executive officers. The performance shares will vest 100% if our return on equity for the three-year performance period that began on January 1, 2005 equals or exceeds 24%. Partial vesting will occur if our return on equity for the performance period is less than 24% but is at least 20%.

Executive Restricted Share Matching Program.

The ESMP was implemented in June 2002 to encourage personal investment in our common shares by 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/her deferred compensation, 401(k) or other retirement account as of June 1, 2002, up to a maximum of 50,000 shares per participant. The shares purchased or held by the executives for matching purposes were 47,394 and 49,259 for Messrs. Demshur and Bergmark, respectively. Pursuant to the ESMP, in June 2005, we issued additional restricted shares (the "Restricted Gross-up Shares") to reimburse them for tax liabilities resulting from the vesting of the original grant in June 2002 of 132,853 restricted shares under the ESMP and their eventual vesting in the Restricted Gross-up Shares. Compensation expense relating to these awards, which we recognized for financial accounting purposes during fiscal 2006, is reflected in footnote 1 to the Summary Compensation Table.

Deferred Compensation Plan

Through our subsidiary, Core Laboratories LP, we have adopted a nonqualified deferred compensation plan that permits certain employees, including all executive officers, to elect to defer all or a part of their cash compensation (base, annual incentives and/or commissions) from us until the termination of their status as an employee. Participating employees are eligible to receive a matching deferral under the nonqualified deferred compensation plan that compensates them for contributions they could not receive from us under the 401(k) plan due to the various limits imposed on 401(k) plans by the U.S. federal income tax laws.

The employer matching contributions vest at a rate of 20% per year over a period of 5 years. Discretionary employer contributions may also be made on behalf of participants in the plan and are subject to discretionary vesting schedules determined at the time of such contributions. Vesting in all employer contributions is accelerated upon the death of the participant or a change in control. Employer contributions under the plan are forfeited upon a participant's termination of employment to the extent they are not vested at that time.

Health and Welfare Benefits.

We offer a standard range of health and welfare benefits to all employees, including our executive officers. These benefits include medical, prescription drug, and dental coverages, life insurance, accidental death and dismemberment, long-term disability insurance, and flexible spending accounts. Our plans do not discriminate in favor of our executive officers.

A copy of the Company's Compensation Committee charter may be found on the Company's website, at *http://www.corelab.com/governance.*

31. RELATED PARTIES

In 2006 and 2005, 258,003 shares valued at $15.9 million and 150,915 shares valued at $4.3 million, respectively, were surrendered to the Company pursuant to the terms of a stock-based compensation plan, in settlement by the participants of their exercise cost in the stock options and their personal tax burdens that may result from the issuance of common shares under this arrangement. These shares were surrendered at the then current market price on the date of settlement. See Note 23 on Stock-Based Compensation and Note 30 on Directors' Remuneration

We had no other significant related party transactions for the year ended December 31, 2006.

The following table lists subsidiaries of the parent company that are included in the consolidated group;

Investment in Subsidiaries Listing

Co. No.	Name	Legal Seat	Ownership %
21	Core Laboratories Resources N.V.	Curacao, Netherlands Antilles	100%
23	Core Laboratories International Licensing N.V.	Curacao, Netherlands Antilles	100%
25	Core Laboratories International Trading N.V.	Curacao, Netherlands Antilles	100%
27	Core Laboratories I.P. Inc.	Delaware, United States	100%
35	Core Laboratories Holding Inc.	Delaware, United States	100%
48	Core Laboratories Middle East Services B.V.	Rotterdam, The Netherlands	100%
49	Core Export Sales, Inc.	Bridgetown, Barbados	100%
50	Core Laboratories LP	Delaware, United States	100%
52	Core Laboratories Canada Limited	Alberta, Canada	100%
53	PT Corelab Indonesia	Jakarta, Indonesia	70%
55	Core Laboratories SDN BHD	Kuala Lumpur, Malaysia	100%
56	Core Laboratories Australia PTY LTD	Perth, Australia	100%
62	Core Laboratories International B.V.	Amsterdam, The Netherlands	100%
63	Core Laboratories Sales N.V.	Curacao, Netherlands Antilles	100%
64	Core Laboratories (U.K.) Limited	London, United Kingdom	100%
65	Core Laboratories Netherlands B.V.	Amsterdam, The Netherlands	100%
66	Corelab Nigeria Limited	Lagos, Nigeria	100%
70	Core Laboratories Venezuela S.A.	Caracas, Venezuela	100%
73	Core Laboratories Corporate Holding B.V.	Amsterdam, The Netherlands	100%
74	Corelab Brasil Ltda	Rio de Janeiro, Brazil	100%
75	Core Laboratories (Barbados) Ltd.	Bridgetown, Barbados	100%
76	Abdullah Fuad Core Laboratory Company	Saudi Arabia	51%
100	Saybolt International B.V.	Rotterdam, The Netherlands	100%
101	Saybolt Holding B.V.	Rotterdam, The Netherlands	100%
102	Saybolt Denmark A/S	Copenhagen, Denmark	100%
103	Saybolt van Duyn GmbH	Essen, Germany	100%
104	Saybolt Espana S.A.	Madrid, Spain	100%
105	Saybolt Estonia Ltd.	Tallinn, Estonia	100%
106	Saybolt Finland Oy	Hamina, Finland	100%
108	Saybolt Italia S.R.L.	Siracusa, Italy	100%
109	Saybolt Malta Ltd.	Kalafran, Malta	100%
111	Saybolt Greece, Ltd.	Athens, Greece	100%
112	Saybolt (Portugal) Inspeccao de Productos Petroliferos, Lda.	Lisbon, Portugal	100%
115	Saybolt South Africa PTY LTD	Cape Town, South Africa	73%
116	Saybolt Sweden AB	Gothenburg, Sweden	100%
117	Saybolt Thailand Ltd.	Bangkok, Thailand	100%
118	Saybolt United Kingdom Ltd.	Purfleet, United Kingdom	100%
120	Saybolt Nederland B.V.	Rotterdam, The Netherlands	100%
122	Saybolt North America B.V.	Rotterdam, The Netherlands	100%
123	Saybolt de Mexico S.A. de C.V.	Coatzacoalcos, Mexico	100%
130	Saybolt LP	Delaware, United States	100%
132	Core Laboratories Panama, S.A.	Panama City, Panama	100%
133	E.W. Saybolt & Co. (Cayman) Ltd.	Grand Cayman	100%
134	Saybolt Analyt Holding B.V.	Rotterdam, The Netherlands	100%
137	Saybolt Evrasia ZAO	Moscow, Russia Federation	100%
138	Saybolt-Ukraine	Odessa, Ukraine	100%
139	Saybolt Bulgaria Ltd.	Bourgas, Bulgaria	100%
141	Saybolt Baltija, Ltd.	Klaipeda, Lithuania	100%
142	Saybolt Latvia	Ventspils, Latvia	100%
144	E.W. Saybolt Co N.V.	St. Eustatius, Netherland Antilles	100%
148	Saybolt Bahamas Ltd.	Freeport, Bahamas	100%
151	Saybolt de Costa Rica, S.A.	San Jose, Costa Rica	99%
152	Saybolt West Indies N.V.	Kingston, Jamaica	100%
153	Saybolt Colombia Ltda.	Barranquilla, Colombia	95%
155	Saybolt Aruba N.V.	Aruba	100%
156	Saybolt Bonaire N.V.	Bonaire, Netherlands Antilles	100%
157	Saybolt Caribbean N.V.	Aruba	100%

Co. No.	Name	Legal Seat	Ownership %
158	Saybolt Curacao N.V.	Curacao, Netherlands Antilles	100%
159	Saybolt Trinidad & Tobago Ltd.	Marabella, Trinidad	100%
160	Saybolt Eastern Hemisphere B.V.	Rotterdam, The Netherlands	100%
162	Saybolt Bahrain	Manama, Bahrain	100%
165	Saybolt (M) SDN BHD	Kuala Lumpur, Malaysia	40%
166	PT Citra Wosaji Indonesia	Jakarta, Indonesia	65%
170	Saybolt Azerbaijan, Ltd.	Baku, Azerbaijan	100%
171	Saybolt Azerbaijan B.V.	Rotterdam, The Netherlands	50%
175	Core Laboratories El Salvador S.A. de C.V.	San Salvador, El Salvador	100%
177	Saybolt Belgium	Antwerp, Belgium	100%
179	Saybolt (Tianjin) Meteorology & Inspection Company Ltd.	Tianjin, China	100%
181	Saybolt Latin America Holding B.V.	Rotterdam, The Netherlands	100%
182	Saybolt Qatar	Doha, Qatar	100%
183	Core Laboratories Angola Ltd.	Luanda, Angola	100%
188	Saybolt (Singapore) PTE LTD	Singapore	100%
190	Core Laboratories (H.K.) Limited	Hong Kong	100%
192	Quantoil Ltd.	London, United Kingdom	100%
195	E.W. Saybolt & Co. S.A.	Panama City, Panama	100%
200	Owen Oil Tools LP	Texas, United States	100%
204	Owen Oil Tools de Mexico, S.A. de C.V.	Tabasco, Mexico	100%
205	Owen Oil Tools de Venezuela, C.A.	Anaco, Anzoategui, Venezuela	100%
210	Owen Compliance Services, Inc.	Texas, United States	100%
212	Owen de Mexico S.A. de C.V.	Mexico City, Mexico	100%
213	Owen Oil Tools (U.K.) Ltd.	Croydon, United Kingdom	100%
219	Owen Oil Tools Argentina, S.A.	Buenos Aires, Argentina	100%
226	Core Laboratories LLP (Kazakhstan)	Aktau, Kazakhstan	100%
231	DP Saybolt Turkmenistan	Turkenbashi, Turkmenistan	100%
260	Petroleum Analysts ZAO	Moscow, Russia Federation	100%
261	OOO Lab Technics	Moscow, Russia Federation	100%
262	Saybolt Belarus	Minsk, Belarus	100%
270	Saybolt Test OOO	Bashkortostan, Russian Federation	100%
273	Saybolt Armenia	Yerevan, Armenia	100%
277	SP TOO Saybolt Kazakhstan	Almaty, Kazakhstan	90%
278	Saybolt Mongol HHK	Mongolia	100%
290	Core Lab de Mexico, S.A. de C.V.	Mexico City, Mexico	100%
292	Core Lab Operations S.A. de C.V.	Mexico City, Mexico	100%
293	ProTechnics de Mexico, S.A. de C.V.	Mexico City, Mexico	100%
294	Core Lab Services S.A. de C.V.	Mexico City, Mexico	100%
297	Core Lab Petroleum Services S.A. de C.V.	Mexico City, Mexico	99%
298	Core Lab Executives S.A. de C.V.	Mexico City, Mexico	99%
325	Stim-Lab, Inc.	Oklahoma, United States	100%
350	Core Laboratories Global N.V.	Curacao, Netherlands Antilles	100%
370	Coherence Technology Company, Inc.	Colorado, United States	100%
375	CTC Pulsonic Nigeria Limited	Lagos, Nigeria	80%
381	Production Enhancement Corporation	Delaware, United States	100%
388	PENCOR de Venezuela, C.A.	Maturin, Venezuela	100%
391	PENCOR International Ltd.	Jersey, Channel Islands	100%
400	Coreton Limited	Croydon, United Kingdom	100%
411	FE & FEFH Holding, Inc.	Alberta, Canada	100%
-	China Corelab Ltd.	China	50%
-	Core Laboratories Malta Holding Limited	Malta	99%
-	Core Laboratories Malta Limited	Malta	99%

32. SUBSEQUENT EVENTS

On April 2, 2007, our shareholders approved the cancellation of all shares held in treasury as of the date of the shareholder meeting. This reduced our issued shares by 3.1 million shares. In addition, the shareholders approved the extension of the authority to repurchase up to 10% of our issued share capital until October 2, 2008.

In February 2007, the executive management team exercised 1,266,392 stock options and held for investment, rather than sold, the underlying shares.

Consequences of First Time Adoption of IFRS

Preface

The 2006 consolidated financial statements have been drawn up in accordance with International Financial Reporting Standards ("IFRS"). The comparative figures for 2005 have been restated accordingly. Prior to this, Core Laboratories N.V. reported in accordance with the requirements of Dutch GAAP. The breakdowns below show the reconciliation between Dutch GAAP and IFRS.

(in thousands)	Ref.	Dutch GAAP 2005	Adjustment IFRS	IFRS 2005
REVENUES:				
Services		$ 367,401	-	$ 367,401
Sales		116,066	-	116,066
		483,467	-	483,467
OPERATING EXPENSES:				
Cost of services	34,35	278,439	579	279,018
Cost of sales	34	102,316	(232)	102,084
GROSS PROFIT		102,712	347	102,365
General and administrative expenses	33,34	47,636	(9,526)	38,110
Other expense (income), net		3,116	(2,431)	685
OPERATING PROFIT		51,960	11,610	63,570
Finance costs		13,887	-	13,887
Share of profit/(loss) of associates		-	36	36
Profit before income tax expense		38,073	11,646	49,719
Income tax expense	36	14,565	1,112	13,453
Income from continuing operations		23,508	12,758	36,266
Loss from discontinued operations		(506)	-	(506)
Minority interest		40	(40)	-
PROFIT FOR THE YEAR		$ 23,042	$ 12,718	$ 35,760
Attributable to:				
Equity holders of the parent		$ 23,002	$ 12,718	$ 35,720
Minority interest		40	-	40
		$ 23,042	$ 12,718	$ 35,760
EARNINGS PER SHARE INFORMATION:				
Basic earnings per share		$ 0.88	$ 0.49	$ 1.37
Diluted earnings per share		$ 0.82	$ 0.45	$ 1.28
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:				
Basic		26,038	26,038	26,038
Diluted		28,008	28,008	28,008

Notes on the most important effects:

33. AMORTIZATION OF GOODWILL

Under IFRS goodwill is not longer amortized, but is tested for impairment at least annually or more frequently if circumstances indicate a potential impairment. The difference for 2005 compared with Dutch GAAP is $6.9 million

34. STOCK-BASED COMPENSATION

Under IFRS 2 stock-based awards granted to employees are measured at fair value and recognized through profit or loss over the vesting period. Dutch GAAP permitted the intrinsic value method to be used for stock-based compensation awards. Additionally, IFRS requires awards granted which vest in installments over the vesting period to be recognized as separate awards for each vesting period. Dutch GAAP permitted these awards to be recognized ratably over the vesting period. The difference for 2005 compared with Dutch GAAP was a decrease of $ 3.5 million to compensation expense.

35. EMPLOYEE BENEFIT EXPENSE

Defined benefit schemes (IAS 19): All actuarial gains and losses not yet recognized as at January 1, 2005 under Dutch GAAP have been charged to equity, so there is no allocation to future years. The effect on the gross profit compared with Dutch GAAP is a decrease of $0.1 million.

36. INCOME TAX

Owing to the transition to IFRS, the balance of deferred tax assets and liabilities as of January 1, 2005 has been increased by $0.8 million due to the above mentioned recalculations.

37. CONSOLIDATED BALANCE SHEET

As well as the above mentioned items, there are a number of minor reclassifications made to conform to presentation under IFRS that have no effect on net profit.

Condensed Consolidated Balance Sheet

(in thousands)

	Ref.	Dutch GAAP 01/01/2005	Adjustment IFRS	IFRS 01/01/2005
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment		$ 79,622	$ -	$ 79,622
Intangible assets	38	15,980	169,228	185,208
Investment in associates	40	-	1,107	1,107
Deferred income tax asset	40	-	17,275	17,275
Other financial assets	39,40	26,895	(22,890)	4,005
Other assets	40	-	3,914	3,914
TOTAL NON-CURRENT ASSETS		122,497	168,634	291,131
CURRENT ASSETS				
Inventories		29,426	-	29,426
Prepaid expenses and other current assets	40	10,738	(1,331)	9,407
Income tax receivable		-	907	907
Accounts receivable		95,449	-	95,449
Cash and cash equivalents		16,030	-	16,030
TOTAL CURRENT ASSETS		151,643	(424)	151,219
TOTAL ASSETS		$ 274,140	$ 168,210	$ 442,350
EQUITY				
Shareholders' equity	38,39	$ 68,330	$ 168,396	$ 236,726
Minority interest		1,069	-	1,069
TOTAL EQUITY		69,399	168,396	237,795
LIABILITIES				
NON-CURRENT LIABILITIES				
Borrowings		110,224	(720)	109,504
Income tax payable	40	-	7,036	7,036
Deferred income tax liabilities	40	-	7,310	7,310
Provisions	39,40	27,106	(14,346)	12,760
TOTAL NON-CURRENT LIABILITIES		137,330	(720)	136,610
CURRENT LIABILITIES:				
Accounts payable		28,633	-	28,633
Borrowings		2,976	-	2,976
Other taxes payable	39	4,111	534	4,645
Payroll and social security contributions		20,085	-	20,085
Other accrued expenses		11,606	-	11,606
TOTAL CURRENT LIABILITIES		67,411	534	67,945
TOTAL LIABILITIES		204,741	(186)	204,555
TOTAL LIABILITIES AND EQUITY		$ 274,140	$ 168,210	$ 442,350

(in thousands)

	Ref.	Dutch GAAP 12/31/2005	Adjustment IFRS	IFRS 12/31/2005
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment		$ 81,342	$ -	$ 81,342
Intangible assets	38	8,201	176,416	184,617
Investment in associates	40	-	1,141	1,141
Deferred income tax asset	40	-	25,901	25,901
Other financial assets	39,40	26,840	(22,067)	4,773
Other assets	40	-	860	860
TOTAL NON-CURRENT ASSETS		116,383	182,251	298,634
CURRENT ASSETS				
Inventories		29,104	-	29,104
Prepaid expenses and other current assets	40	11,269	(530)	10,739
Income tax receivable		-	94	94
Accounts receivable		99,129	-	99,129
Cash and cash equivalents		13,743	-	13,743
TOTAL CURRENT ASSETS		153,245	(436)	152,809
TOTAL ASSETS		$ 269,628	$ 181,815	$ 451,443
EQUITY				
Shareholders' equity	38,39	$ 84,080	$ 179,179	$ 263,259
Minority interest		1,065	-	1,065
TOTAL EQUITY		85,145	179,179	264,324
LIABILITIES				
NON-CURRENT LIABILITIES				
Borrowings		86,104	(524)	85,580
Income tax payable	40	-	7,036	7,036
Deferred income tax liabilities	40	-	5,204	5,204
Provisions	39,40	28,823	(10,170)	18,653
TOTAL NON-CURRENT LIABILITIES		114,927	1,546	116,473
CURRENT LIABILITIES:				
Accounts payable		32,557	-	32,557
Borrowings		2,544	-	2,544
Other taxes payable	39	5,660	1,090	6,750
Payroll and social security contributions		17,371	-	17,371
Other accrued expenses		10,624	-	10,624
Discontinued operations		800	-	800
TOTAL CURRENT LIABILITIES		69,556	1,090	70,646
TOTAL LIABILITIES		184,483	2,636	187,119
TOTAL LIABILITIES AND EQUITY		$ 269,628	$ 181,815	$ 451,443

38. BUSINESS COMBINATIONS BEFORE THE OPENING CONSOLDIATED BALANACE SHEET UNDER IFRS

IFRS 1 permits application of IFRS No 3 Business Combinations ("IFRS 3") to business combinations that took place before the IFRS transition date, including the possibility to capitalize goodwill that has already been charged to equity. In line with the full adoption of IFRS, we have retrospectively applied IFRS 3 to all business combinations which have taken place since April 1997. As a consequence, all goodwill that was amortized since 1997 under Dutch GAAP ($169.2 million) has been reinstated to the intangible asset balance out of equity at January 1, 2005.

39. EMPLOYEE BENEFITS

For the valuation of defined benefit pension plans, the value of the net pension liability on the IFRS transition date can be used. We have employed this provision. All actuarial gains and losses not yet recognized as of January 1, 2005 under Dutch GAAP ($0.5 million) will be charged net of tax to equity (impact of $0.3 million).

Obligations for future social benefits associated with employee stock-based compensation have been accrued.

40. RECLASSIFICATIONS

Certain accounts previously combined on the balance sheet under Dutch GAAP have been presented separately under IFRS. The following significant items have been either presented separately or classified differently under IFRS:

- Investments in Associates – presented separately from other financial assets
- Deferred Income taxes – deferred tax assets are presented separate other financial assets and deferred tax liabilities and presented separate from provisions
- Other assets presented separate from other financial assets
- Long-term income taxes payable has been presented separate from provisions
- Debt issuance costs capitalized and amortized over the life of the associated debt instrument have been reclassified from intangible assets and presented net with long-term borrowings

41. CONSOLIDATED EQUITY

The consequences of applying IFRS to the consolidated equity as of January 1, 2005 are as follows (in thousands):

Dutch GAAP at December 31, 2004	$ 69,399
Business combinations	167,503
Net actuarial loss on pension not yet recognized	(317)
Stock-based compensation	1,210
Total adjustments	168,396
IFRS at January 1, 2005	$ 237,795

The consequences of applying IFRS to the consolidated equity as of December 31, 2005 are as follows (in thousands):

Dutch GAAP at December 31, 2005	$ 85,145
Adjustments at January 1, 2005 (see above)	168,396
Business combinations	7,956
Net actuarial loss on pension not yet recognized	(2,497)
Stock-based compensation	5,324
Total adjustments	179,179
IFRS at December 31, 2005	$ 264,324

42. CONSOLIDATED 2005 CASH FLOW STATEMENT

The net cash flow under IFRS is not the same as under Dutch GAAP because of the revised presentation of certain financial instruments and tax benefits realized directly into equity. Hence the application of IFRS has no effect on cash flow, only the classification of certain items.

Company financial statements

13-08-2007

CORE LABORATORIES N.V.
BALANCE SHEET
December 31, 2006 and 2005
(In thousands, except share and per share data)

	Ref.	2006	2005
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		$ -	$ 219
Investment in affiliates	3	360,293	423,330
Deferred income tax asset		8,182	5,917
Other assets	3	3,410	1,286
TOTAL NON-CURRENT ASSETS		371,885	430,752
CURRENT ASSETS			
Prepaid expenses and other current assets		652	427
Receivables from subsidiaries		102,421	35,703
Accounts receivable		125	707
Cash and cash equivalents		1,572	1,352
TOTAL CURRENT ASSETS		104,770	38,189
TOTAL ASSETS		$ 476,655	$ 468,941
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		1,201	445
Additional paid-in capital		66,571	144,690
Retained earnings		223,472	151,091
Other reserves		(144)	(2,410)
Treasury shares (at cost), 2,383,390 at 2006 and 1,023,015 at 2005		(174,834)	(30,557)
TOTAL EQUITY	4	116,266	263,259
LIABILITIES			
NON-CURRENT LIABILITIES			
Borrowings	6	-	17,000
Deferred income tax liabilities	6	1,575	1,575
Long term payable to subsidiaries	6	8,319	8,473
Derivative financial instrument		68,210	
Provisions	5	40,345	40,112
TOTAL NON-CURRENT LIABILITIES		118,449	67,160
CURRENT LIABILITIES:			
Accounts payable		698	744
Borrowings		2,654	2,412
Payables to subsidiaries		235,646	132,280
Other accrued expenses		2,942	3,086
TOTAL CURRENT LIABILITIES		241,940	138,522
TOTAL LIABILITIES		360,389	205,682
TOTAL LIABILITIES AND EQUITY		$ 476,655	$ 468,941

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

CORE LABORATORIES N.V.
INCOME STATEMENTS
For the Years Ended December 31, 2006 and 2005
(In thousands of USD)

	Ref.	2006	2005
Stand alone company net loss after taxation		$ (5,093)	$ (8,284)
Profit from subsidiaries after tax		77,474	44,101
Result after taxation		$ 72,381	$ 35,817

13-08-2007

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

Core Laboratories N.V.
Notes to the Company Financial Statements

1. GENERAL

The description of the Company's activities and the group structure, as included in the notes to the consolidated financial statements, also apply to the Company-only financial statements.

In accordance with article 402 Book 2 of the Dutch Civil Code the Income Statement is presented in abbreviated form.

2. ACCOUNTING PRINCIPLES

General

For the principles for the recognition and measurement of assets and liabilities and determination of the result for its corporate financial statements, Core Laboratories N.V. applies the option provided in Section 2:362 (8) of the Dutch Civil Code. The accounting principles as described in the notes to the consolidated financial statements, prepared under IFRS, also apply to the Parent Company-only financial statements, unless indicated otherwise.

Change in Accounting Principles

The effect from the 2006 financial year, Core Laboratories N.V. has prepared the consolidated financial statements in accordance with the International Financial Reporting Standards as adopted within the European Union. In the consolidated financial statements, first application of these accounting principles resulted in changes in the applied principles and valuation of assets, provisions and equity ("IFRS 1 Adjustments"). These IFRS 1 Adjustments were mainly implemented retroactively in the comparative figures as of January 1, 2005.

In 2006, Core Laboratories N.V. has opted to apply the accounting principles used in the consolidated financial statements to the Company financial statements according to Section 2:362 (8) of Dutch Civil Code. This provides a clearer presentation of the Company's financial statements. Shareholders' equity and results of operations in the Company financial statements will remain equal to shareholders' equity and results of operations (less minority interest) in the consolidated financial statements, which is generally accepted according to Dutch practice.

Compared to the 2005 financial statements, this has resulted in:

- A change in shareholders' equity as of January 1 and December 31, 2005 as a result of IFRS 1 adjustments;
- A change in the results for 2005 as a result of the IFRS 1 adjustments;

The effects of the change of accounting principles on equity and result correspond with the information included in the footnote Consequences of First Time Adoption of IFRS.

Investments in Affiliates

Investments in affiliates and other companies over which Core Laboratories N.V. exercises predominant control or over which it has predominant control are valued at net equity value, the basis of the accounting principles as applied by the consolidated financial statements. Minority interests with an equity deficit are carried at nil. A provision is formed if and when the Company is fully or partially liable for the debts of the affiliate, or has the firm intention to allow the affiliate to pay its debts.

In determining the net equity value, the transitional rules are taken into account for determining the values and the accounting principles of the first application of the IFRS principles applied in the consolidated financial statements.

3. FINANCIAL ASSETS

Investments in Affiliates

(in thousands)	2006	2005
Book value at December 31, 2004	-	$ 185,618
Effect of adoption of IFRS	-	173,434
Book value at January 1:	$ 423,330	$ 359,052
Capital contribution/ (transfers)	(136,665)	(329)
(Reduction of) / Additional negative net asset value stated at nil	(2,362)	18,038
Reserves	(1,484)	2,468
Net income from subsidiaries	77,474	44,101
Book value at December 31:	$ 360,293	$ 423,330

For a listing of directly and indirectly held subsidiaries that are included in the financial fixed assets as investments in affiliates, see Note 1 of the Notes to the consolidated financial statements.

Other assets

Life insurance policies with cash surrender value have been purchased by us to assist in funding deferred compensation arrangements with certain employees. These policies are carried at market value.

4. EQUITY

Share capital

The authorized share capital of the Company as at December 31, 2006 amounts to EUR 4 million and consists of 100,000,000 ordinary shares of EUR 0.04 each.

Issued and paid in share capital amounts to EUR 1.0 million and consists of 25,608,511 issued ordinary shares with a par value of EUR 0.04 each. Repurchased ordinary shares amounts to $0.1 million and consists of 2,383,390 ordinary shares with a par value of EUR 0.04 each.

The movements in the number of shares in 2006 are as follows:

	Ordinary shares	Repurchased ordinary shares
Balance as at January 1, 2006	26,797,354	1,023,015
Issue of ordinary shares	1,288,154	-
Repurchased own shares	-	3,837,372
Shares cancelled	(2,476,997)	(2,476,997)
Balance as at December 31, 2006	25,608,511	2,383,390

The contribution received in 2006 on 1,023,754 shares of stock options exercised was made in cash. The issue-related costs are deducted from paid-in capital. An additional 264,400 shares were issued related to executive compensation plans for no cash.

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, and have cancelled 2,476,997 shares with a historical cost of $106.8 million. These repurchased shares represent 15.0% of total share capital at December 31, 2006.

The movement in shareholders' equity is as follows:

(in thousands)	Common Shares	Additional Paid-In Capital	Accumulated Earnings	Other Reserves - Restricted	Repurchased Shares	Total Shareholders' Equity
BALANCE, December 31, 2005	$ 445	$ 118,222	$ (4,030)	$ -	$ (30,557)	$ 84,080
Effect of adoption of IFRS	-	26,468	155,121	(2,410)	-	179,179
BALANCE, January 1, 2006	445	144,690	151,091	(2,410)	(30,557)	263,259
Stock options exercised, net of capital taxes	20	14,833	-	-	-	14,853
Stock-based awards issued	3	5,940	-	-	-	5,943
Tax benefit of stock options exercised	-	8,872	-	-	-	8,872
Repurchases of common shares	-	-	-	-	(251,088)	(251,088)
Change in par value effect	977	(977)	-	-	-	-
Cancellation of common shares	(24)	(106,787)	-	-	106,811	-
Cumulative translation adjustment	(220)	-	-	220	-	-
Pension adjustment	-	-	-	2,046	-	2,046
Net income	-	-	72,381	-	-	72,381
BALANCE, December 31, 2006	$ 1,201	$ 66,571	$ 223,472	$ (144)	$ (174,834)	$ 116,266

Our functional currency is the U.S. dollar. However, the par value of our common stock is denominated in Euros. We have recorded a cumulative translation adjustment related to the value of our common stock of $221,000 related to this re-measurement, as indicated in the movement schedule above.

The Company enacted a share repurchase program which was approved by shareholders at our annual meeting in 1995 and at each subsequent annual meeting. Under the terms of the most recent approval, the Company is allowed to purchase up to 10% of the outstanding shares of the Company until October 2008. The Company began purchasing shares under this program on October 29, 2002.

It is the intention of the Company to hold these repurchased shares as a temporary investment to use for a future acquisition where it makes sense to do so or to resell to the public when the stock price increases. However, being incorporated in The Netherlands, under the Dutch Civil Code ("DCC") a corporation can hold a maximum of 10% of their outstanding shares in treasury. Therefore, it may be necessary to cancel repurchased shares to remain in compliance with the DCC.

If the repurchased shares are cancelled, the Parent Company treats the repurchased shares as financed with the recognized share capital and paid-in capital for Dutch tax purposes. Should this occur, these shares are amortized against the actual share capital and paid-in capital as included in the Company's equity.

The authorized share capital consists of 100,000,000 authorized common shares of which 25,608,511 shares are issued and 23,225,121 are outstanding at December 31, 2006. The shares have a par value of EUR 0.04. We applied a translation rate of 1.3243 euros per U.S. dollar as of December 31, 2006.

Stock options exercised in 2006 relate to our long-term incentive plan and were exercised at the request of certain employees.

At December 31, 2006, the Company has outstanding stock options of 1,640,659 shares at exercise prices ranging from $0.01 to $25.00 awarded to employees with a weighted average contractual life of 5.1 years.

Treasury Shares

Taking into account the capital protection measures of article 207, Book 2 of the Civil Code, 2,383,390 shares with a nominal value of $174.8 million were acquired by the Company as at the end of the financial year (2005: 1,023,015 shares).

(in thousands)	2006	2005
Balance as at January 1,	$ 30,557	$ 41,271
Repurchase own shares	251,088	41,446
Cancelled shares	(106,811)	(52,160)
Balance as at December 31,	$ 174,834	$ 30,557

The number of treasury shares reported in our balance sheet as of December 31, 2006 include shares in our capital held by our subsidiaries Core Laboratories LP and Core Laboratories Holding Inc. Reference is made to Note 22 Commitments and Contingencies in respect of a contingent asset and a contingent liability relating to such shares, each for an amount equal to the acquisition price of such share of $ 167.5 million, increased with statutory interest as from the date of acquisition of such shares.

Conversion Feature on Notes Issued by Subsidiary

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. The Notes effective interest rate is 0.25%. 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. The exchange is contingent upon the following circumstances:

Satisfaction of sale price condition - If in any calendar quarter beginning after the quarter ending December 31, 2006, the closing sale price per share of Core Laboratories NV common shares for at least 20 trading days during the period of 30 consecutive trading days ending on the last trading day of the previous calendar quarter is greater than approximately $123.18 (this is 130.0% of the exchange price per Core Laboratories NV common shares for the notes assuming no events have occurred that would require an adjustment to the exchange rate);

Satisfaction of trading price condition - During the five business-day period immediately following any ten consecutive trading day period in which the trading price per $1,000 principal amounts of notes for each day of that period was less than 95% of the product of the sales price of Core Laboratories NV common shares and the then applicable exchange rate;

Specified corporate transactions - Upon the occurrence of specified corporate transactions as described in the Notes Agreement (e.g., fundamental change/change of control, distribution of common share rights to purchase shares at less than market price; distribution of assets, debt securities, or rights to purchase securities at a value exceeding 20% of common share market price).

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. Total debt issuance costs were $6.7 million of which $4.7 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 which was recorded as a derivative financial instrument.

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 recorded as a derivative financial instrument.

5. PROVISIONS

All of the provisions are of a long-term nature and are specified as follows (in thousands):

	Deferred Compensation	*Consolidated* Participating Interests	Termination Benefits	Total
At January 1, 2006	$ 4,844	$ 35,268	$ -	$ 40,112
Charged / (credited) to the income statement:				
Additional provisions	386	-	2,209	2,595
Used during the year	-	(2,362)	-	(2,362)
At December 31, 2006	$ 5,230	$ 32,906	$ 2,209	$ 40,345

6. LONG TERM LIABILITIES

Liabilities of a long-term nature are due greater than 5 years are specified as follows (in thousands):

	Credit Facility	Long Term Inter-company Liability	Deferred Tax Liability	Total
At January 1, 2006	$ 17,000	$ 8,473	$ 1,575	$ 25,473
Charged / (credited) to the income statement:				
Additional provisions	-	-	-	-
Release/payments	(17,000)	(154)	-	(17,154)
At December 31, 2006	$ -	$ 8,319	$ 1,575	$ 8,319

7. *INCOME TAXES*

Core Laboratories N.V. and its wholly owned Dutch subsidiaries constitute a fiscal entity. Income taxes are allocated to the companies within the fiscal entity on the basis of their taxable income. For a reconciliation of the effective tax rate with the statutory rate see Note 27, Income Taxes to Consolidated Financial Statements.

8. RELATED PARTIES

For related party discussions, see Note 31 of the Consolidated Financial Statements.

9. SUPERVISORY DIRECTORS

For a discussion of Supervisory Director remuneration and related party transactions, see Note 30 and 31 to the Notes to Consolidated Financial Statements.

/s/ David M. Demshur
David M. Demshur
President, Chief Executive Officer and Supervisory Director (Principal Executive Officer)

/s/ Jan Willem Sodderland
Jan Willem Sodderland, on behalf of Core Laboratories International B.V.
sole managing director of Core Laboratories N.V.

/s/ Richard L. Bergmark
Richard L. Bergmark
Executive Vice President, Chief Financial Officer, Treasurer and Supervisory Director

/s/ Joseph R. Perna
Joseph R. Perna
Supervisory Director

/s/ Jacobus Schouten
Jacobus Schouten
Supervisory Director

/s/ Rene R. Joyce
Rene R. Joyce
Supervisory Director

/s/ Michael C. Kearney
Michael C. Kearney
Supervisory Director

/s/ D. John Ogren
D. John Ogren
Supervisory Director

/s/ Alexander Vriesendorp
Alexander Vriesendorp
Supervisory Director

Amsterdam, The Netherlands,
June 22, 2007

Other information

For a discussion of subsequent events, see Note 32 of the Consolidated Financial Statements.

1 Auditor's Report

The Auditor's report is included on page 75.

2 Statutory Appropriation of Income

The Articles of Incorporation of the Company provide that the results for the year are subject to the disposition of the shareholders decided upon at the Annual Meeting of Shareholders. Income is expected to be fully included in retained earnings.

Proposed appropriation of results

The Company has never paid dividends on its common shares and currently has no plans to pay dividends on its common shares. The Board of Supervisory Directors propose to add the result of $72.4 million to the retained earnings. The Company expects to retain all available earnings generated by our operations for the development and growth of the business along with share repurchases under our share repurchase program. 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 we may deem relevant. Because Core Laboratories N.V. is a holding company that conducts substantially all of its 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.

3 Branches

The consolidated financial statements include the financial information for the following branch locations:

Name	Legal Seat
Core Laboratories International B.V. - Abu Dhabi Branch	Abu Dhabi, United Arab Emirates
Core Laboratories International B.V. - Colombia Branch	Bogota, Colombia
Core Laboratories International B.V. - Pakistan Branch	Karachi, Pakistan
Core Laboratories International B.V. - India Branch	Mumbai, India
Core Laboratories International B.V. - Dubai Branch	Dubai, United Arab Emirates
Core Laboratories International B.V. -Oman Branch	Muscat, Oman
Core Laboratories International B.V. - Ecuador Branch	Quito, Ecuador
Core Laboratories LP - China Rep Office	Beijing, China
Core Laboratories Sales N.V. - Mexico Branch	Villahermosa, Mexico
Saybolt LP. Virgin Islands Branch	St. Croix, USVI
Saybolt LP Puerto Rico Branch	Guayanilla, Puerto Rico
Saybolt International B.V. - Qatar Branch	Doha, Qatar
Saybolt International B.V. - Bahrain Branch	Manama, Bahrain
Saybolt International B.V. - Kuwait Branch	Mangaf, Kuwait
Saybolt International B.V. - Yemen Branch	Aden, Yemen
Saybolt Analyt Holding B.V. - Beijing Rep. Office	Beijing, China
Saybolt Analyt Holding B.V. - Turkmenistan	Turkenbashi, Turkmenistan
Saybolt Analyt Holding B.V. - Georgia Rep. Office	Batumi, Georgia
Saybolt Analyt Holding B.V. Rep. Office	Moscow, Russia
Saybolt West Indies N.V. - Jamaica Branch	Jamaica
Saybolt Tianjin M&I Company Xiamen Branch	Xiamen, China
Saybolt Tianjin M&I - Zhuhai Branch	Zhuhai, China
Saybolt Afrique SARL - Mauritian Branch	Mauritius
EW Saybolt & Co SA - Abu Dhabi Branch	Abu Dhabi, United Arab Emirates
EW Saybolt & Co SA - Egypt Branch	Alexandria, Egypt
Shanghai SIC - Saybolt Commodities Surveying Co Ltd - Taiwan Branch	Tawain
Owen Oil Tools LP - Thailand Branch	Songkhla, Thailand
Production Enhancement Corporation Trinidad Branch	Trinidad
Pencor International Ltd. Sakhalinsk Branch	Sakhalin, Russia Federation
Pencor International Ltd. Kazakhstan Branch	Atyrau, Kazakhstan

To the supervisory board of Directors and Shareholders of Core Laboratories N.V.

Auditor's report

Report on the financial statements

We have audited the accompanying financial statements 2006 of Core Laboratories N.V, Amsterdam as set out on pages 15 to 74. The financial statements consist of the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at 31 December 2006, the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. The company financial statements comprise the company balance sheet as at 31 December 2006, the company profit and loss account for the year then ended and the notes.

The directors' responsibility

The directors of the company are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the management board report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Core Laboratories N.V as at 31 December 2006, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of Core Laboratories N.V as at 31 December 2006, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the Annual Report of the Directors is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Rotterdam, 22 June 2007
PricewaterhouseCoopers Accountants N.V.

N.W. Over de Vest RA