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

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 OR 15(d) of
The Securities Exchange Act of 1934

October 27, 2006 (October 27, 2006)
Date of Report (Date of earliest event reported)

NATIONAL OILWELL VARCO, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

1-12317
(Commission
File Number)

76-0475815
(IRS Employer
Identification No.)

10000 Richmond Avenue
Houston, Texas
(Address of principal executive offices)

77042
(Zip Code)

Registrant's telephone number, including area code: **713-346-7500**

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02 Results of Operations and Financial Condition

On October 27, 2006, National Oilwell Varco, Inc. issued a press release announcing earnings for the third quarter ended September 30, 2006 and conference call in connection therewith. A copy of the release is furnished herewith as Exhibit 99.1 and incorporated herein by reference.

The information contained in this Current Report shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 (the "Exchange Act") or otherwise subject to the liabilities of that section, nor shall it be incorporated by reference into a filing under the Securities Act of 1933, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

Item 9.01 Financial Statements and Exhibits*(c) Exhibits*

The following exhibit is provided as part of the information furnished under Item 2.02 of this Current Report on Form 8-K:

99.1 National Oilwell Varco, Inc. press release dated October 27, 2006 announcing the earnings results for the third quarter ended September 30, 2006.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: October 27, 2006

NATIONAL OILWELL VARCO, INC.

/s/ Clay C. Williams

Clay C. Williams

Sr. Vice President and Chief Financial Officer

Index to Exhibits

99.1 National Oilwell Varco, Inc. press release dated October 27, 2006 announcing the earnings results for the third quarter ended September 30, 2006.



NEWS

Contact: Clay Williams
(713)346-7606**FOR IMMEDIATE RELEASE****NATIONAL OILWELL VARCO ANNOUNCES
THIRD QUARTER 2006 EARNINGS**

HOUSTON, TX, October 27, 2006 — National Oilwell Varco, Inc. (NYSE: NOV) today reported that it earned net income of \$176.6 million, or \$1.00 per fully diluted share for its third quarter ended September 30, 2006, an increase of 19 percent compared to second quarter ended June 30, 2006 net income of \$147.9 million, or \$0.84 per fully diluted share. Earnings per share increased 100 percent compared to the third quarter of 2005, when the Company earned \$88.5 million or \$0.50 per fully diluted share.

Revenues for the third quarter of 2006 were \$1,777.9 million, an increase of 7 percent from the second quarter of 2006 and an increase of 44 percent from the third quarter of 2005. Operating profit for the quarter was \$285.5 million or 16.1 percent of sales. Operating profit flow-through, or the increase in operating profit divided by the increase in revenue, was 32 percent from the second quarter of 2006 to the third quarter of 2006, and was 26 percent from the third quarter of 2005 to the third quarter of 2006. The third quarter of 2006 contained \$7.9 million in stock-based compensation expense, and the third quarter of 2005 included \$7.6 million in stock-based compensation and integration charges related to the Varco merger.

Backlog for capital equipment orders for the Company's Rig Technology segment at September 30, 2006 rose 30 percent over the prior quarter to \$5.4 billion, compared to \$4.1 billion at June 30, 2006. New capital equipment orders during the third quarter of \$1.8 billion increased 23 percent as compared to the second quarter. The Company's backlog for capital equipment continued to increase as a result of strong demand for its drilling equipment, particularly for offshore rigs.

Pete Miller, Chairman, President and CEO of National Oilwell Varco, remarked, "We executed well this quarter. Orders for our capital drilling equipment have reached record highs, and our quoting activity for land and offshore projects remained strong. Margins in Rig Technology continued to expand from a combination of operating efficiency and improved pricing. Our Distribution Services group posted record margins, and our other rig-driven businesses also performed very well, with expanding margins across most product lines in Petroleum Services & Supplies. We believe that business will continue to remain strong through the end of the year and we are optimistic about our opportunities for the coming year."

Rig Technology

Third quarter revenues for the Rig Technology segment were \$887.3 million, an increase of 5 percent over the second quarter of 2006 and an increase of 55 percent from the third quarter of 2005. Operating profit for this segment increased to \$157.2 million or 17.7 percent of sales during the third quarter. Operating profit flow-through from the second quarter of 2006 to the third quarter of 2006 was 51 percent due primarily to better pricing. Operating profit flow-through from the third quarter of 2005 to the third quarter of 2006 was 28 percent, excluding integration charges from the prior period last year. Revenue out of backlog for the segment was \$593 million, an increase of 12 percent over the second quarter.

Petroleum Services & Supplies

Revenues for the third quarter of 2006 for the Petroleum Services & Supplies segment were \$624.1 million, up 6 percent compared to second quarter results and up 32 percent from the third quarter of 2005. Operating profit was \$142.4 million, or 22.8 percent of revenue, representing an increase of \$12.7 million from the second quarter. Operating profit flow-through from the second quarter of 2006 to the third quarter of 2006 was 37 percent. Third quarter seasonal improvement in Canada following breakup and continued high levels of oilfield production and drilling activity elsewhere contributed to the strong sequential performance.

Distribution Services

The Distribution Services segment generated third quarter revenues of \$353.5 million, an increase of 11 percent from the second quarter of 2006 and an increase of 30 percent from the third quarter of 2005. Third quarter operating profit was \$25.5 million or 7.2 percent of sales, a record level for the group. This segment benefited from sequential seasonal improvements in Canada and stronger sales in the United States and international markets.

The Company has scheduled a conference call for October 27, 2006, at 10:00 a.m. Central Time to discuss third quarter results. The call will be broadcast through the Investor Relations link on National Oilwell Varco's web site at www.nov.com, and a replay will be available on the site for thirty days following the conference. Participants may also join the conference call by dialing 303-262-2075 prior to the scheduled start time.

National Oilwell Varco is a worldwide leader in the design, manufacture and sale of equipment and components used in oil and gas drilling and production operations, the provision of oilfield services, and supply chain integration services to the upstream oil and gas industry.

Statements made in this press release that are forward-looking in nature are intended to be "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934 and may involve risks and uncertainties. These statements may differ materially from actual future events or results. Readers are referred to documents filed by National Oilwell Varco with the Securities and Exchange Commission, including the Annual Report on Form 10-K, which identify significant risk factors which could cause actual results to differ from those contained in the forward-looking statements.

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NATIONAL OILWELL VARCO, INC.
CONSOLIDATED BALANCE SHEETS
(In millions, except share data)

	September 30, 2006 (Unaudited)	December 31, 2005
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 786.7	\$ 209.4
Receivables, net	1,443.7	1,139.2
Inventories, net	1,712.4	1,198.3
Costs in excess of billings	345.3	341.9
Deferred income taxes	61.6	58.6
Prepaid and other current assets	144.5	50.8
Total current assets	4,494.2	2,998.2
Property, plant and equipment, net	924.1	877.6
Deferred income taxes	62.6	52.2
Goodwill	2,153.9	2,117.7
Intangibles, net	585.6	611.5
Other assets	20.1	21.3
	<u>\$ 8,240.5</u>	<u>\$ 6,678.5</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 917.3	\$ 568.2
Accrued liabilities	1,145.0	530.1
Current portion of long-term debt and short-term borrowings	5.8	5.7
Accrued income taxes	93.1	83.2
Total current liabilities	2,161.2	1,187.2
Long-term debt	829.9	835.6
Deferred income taxes	385.2	373.3
Other liabilities	66.2	63.7
Total liabilities	3,442.5	2,459.8
Commitments and contingencies		
Minority interest	30.2	24.5
Stockholders' equity:		
Common stock — par value \$.01; 175,494,290 and 174,362,488 shares issued and outstanding at September 30, 2006 and December 31, 2005	1.8	1.7
Additional paid-in capital	3,449.6	3,400.9
Deferred stock-based compensation	—	(16.5)
Accumulated other comprehensive income (loss)	41.7	(21.8)
Retained earnings	1,274.7	829.9
	<u>4,767.8</u>	<u>4,194.2</u>
	<u>\$ 8,240.5</u>	<u>\$ 6,678.5</u>

NATIONAL OILWELL VARCO, INC.
CONSOLIDATED STATEMENTS OF INCOME (Unaudited)
(In millions, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
Revenue:				
Rig technology	\$ 887.3	\$ 572.8	\$ 2,448.4	\$ 1,572.4
Petroleum services and supplies	624.1	472.0	1,755.0	1,132.6
Distribution services	353.5	272.4	999.1	766.3
Eliminations	(87.0)	(80.7)	(255.4)	(204.2)
Total revenue	<u>1,777.9</u>	<u>1,236.5</u>	<u>4,947.1</u>	<u>3,267.1</u>
Gross profit	442.7	258.7	1,193.2	675.7
Gross profit %	24.9%	20.9%	24.1%	20.7%
Selling, general, and administrative (1)	157.2	110.9	455.4	339.6
Integration costs	—	2.8	7.9	23.1
Operating profit	<u>285.5</u>	<u>145.0</u>	<u>729.9</u>	<u>313.0</u>
Interest and financial costs	(10.0)	(14.6)	(36.6)	(39.4)
Interest income	4.7	1.0	9.7	3.5
Other income (expense), net	(9.1)	1.1	(23.1)	1.5
Income before income taxes and minority interest	271.1	132.5	679.9	278.6
Provision for income taxes	90.8	42.4	228.4	90.2
Income before minority interest	180.3	90.1	451.5	188.4
Minority interest in income of consolidated subsidiaries	3.7	1.6	6.7	3.1
Net income	<u>\$ 176.6</u>	<u>\$ 88.5</u>	<u>\$ 444.8</u>	<u>\$ 185.3</u>
Net income per share:				
Basic	<u>\$ 1.01</u>	<u>\$ 0.51</u>	<u>\$ 2.54</u>	<u>\$ 1.23</u>
Diluted	<u>\$ 1.00</u>	<u>\$ 0.50</u>	<u>\$ 2.52</u>	<u>\$ 1.22</u>
Weighted average shares outstanding:				
Basic	<u>175.4</u>	<u>173.7</u>	<u>175.1</u>	<u>150.5</u>
Diluted	<u>176.9</u>	<u>175.9</u>	<u>176.7</u>	<u>152.2</u>

Note (1): Selling, general, and administrative expense includes stock-based compensation expense of \$7.9 million and \$4.8 million for the three months ended September 30, 2006 and 2005, respectively, and \$23.0 million and \$10.7 million for the nine months ended September 30, 2006 and 2005, respectively.

NATIONAL OILWELL VARCO, INC.
OPERATING PROFIT — PRO FORMA SUPPLEMENTAL SCHEDULE (Unaudited)
(In millions)

	Three Months Ended			Nine Months Ended	
	September 30,		June 30,	September 30,	
	2006	2005	2006	2006	2005 (1)
Revenue:					
Rig technology	\$ 887.3	\$ 572.8	\$ 845.8	\$ 2,448.4	\$ 1,691.3
Petroleum services and supplies	624.1	472.0	589.9	1,755.0	1,325.5
Distribution services	353.5	272.4	319.1	999.1	766.3
Eliminations	(87.0)	(80.7)	(97.4)	(255.4)	(208.1)
Total Revenue	<u>\$ 1,777.9</u>	<u>\$ 1,236.5</u>	<u>\$ 1,657.4</u>	<u>\$ 4,947.1</u>	<u>\$ 3,575.0</u>
Operating profit:					
Rig technology	\$ 157.2	\$ 70.4	\$ 136.1	\$ 394.1	\$ 183.6
Petroleum services and supplies	142.4	87.0	129.7	390.4	227.2
Distribution services	25.5	14.5	20.8	67.1	31.7
Unallocated expenses and eliminations	(31.7)	(19.3)	(31.7)	(90.8)	(62.0)
Total operating profit (before integration costs and stock-based compensation)	<u>\$ 293.4</u>	<u>\$ 152.6</u>	<u>\$ 254.9</u>	<u>\$ 760.8</u>	<u>\$ 380.5</u>
Operating profit %:					
Rig technology	17.7%	12.3%	16.1%	16.1%	10.9%
Petroleum services and supplies	22.8%	18.4%	22.0%	22.2%	17.1%
Distribution services	7.2%	5.3%	6.5%	6.7%	4.1%
Total operating profit (before integration costs and stock-based compensation)	<u>16.5%</u>	<u>12.3%</u>	<u>15.4%</u>	<u>15.4%</u>	<u>10.6%</u>

Note (1): The unaudited pro forma results for the nine months ended September 30, 2005 represent the combined estimated financial results for National-Oilwell, Inc. and Varco International, Inc. as if the merger occurred at the beginning of the period. The results include the estimated effect of purchase accounting adjustments, but do not include any effect from costs savings that may result from the merger. The unaudited pro forma financial statements are presented for informational purposes only and are not necessarily indicative of results of operations or financial position that would have occurred had the transaction been consummated at the beginning of the period presented, nor are they necessarily indicative of future results.

NATIONAL OILWELL VARCO, INC.
PROFORMA EBITDA RECONCILIATION EXCLUDING INTEGRATION COSTS
(Unaudited)
(In millions, except per share data)

	Three Months Ended			Nine Months Ended	
	September 30,		June 30,	September 30,	
	2006	2005	2006	2006	2005
Reconciliation of EBITDA (Note 1):					
GAAP net income	\$ 176.6	\$ 88.5	\$ 147.9	\$ 444.8	\$ 185.3
Provision for income taxes	90.8	42.4	76.3	228.4	90.2
Interest expense	10.0	14.6	13.0	36.6	39.4
Depreciation and amortization	41.6	34.6	38.7	118.7	86.1
Integration costs	—	2.8	—	7.9	23.1
EBITDA (Note 1)	\$ 319.0	\$ 182.9	\$ 275.9	\$ 836.4	\$ 424.1

Note 1: EBITDA means earnings before interest, taxes, depreciation, amortization, and integration costs, and is a non-GAAP measurement. Management uses EBITDA because it believes it provides useful supplemental information regarding the Company's on-going economic performance and, therefore, uses this financial measure internally to evaluate and manage the Company's operations. The Company has chosen to provide this information to investors to enable them to perform more meaningful comparisons of operating results and as a means to emphasize the results of on-going operations.

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