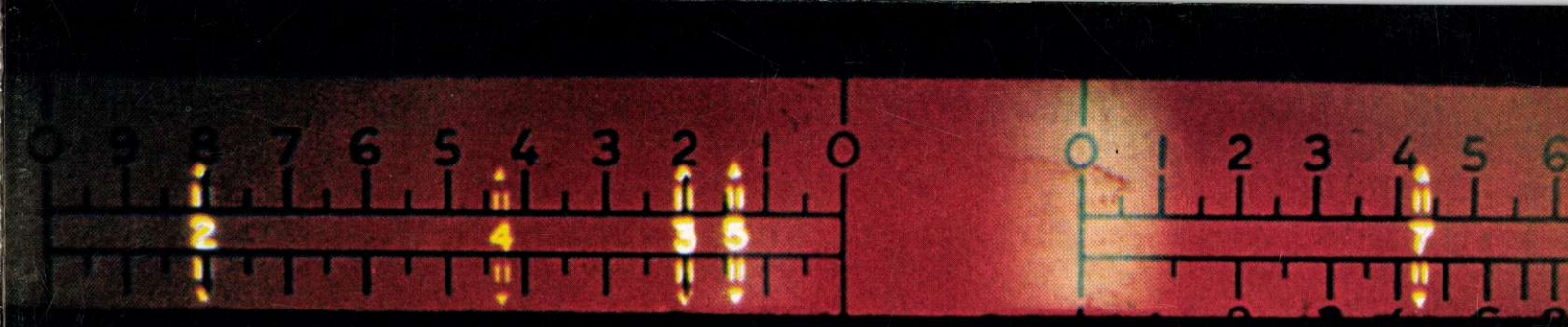
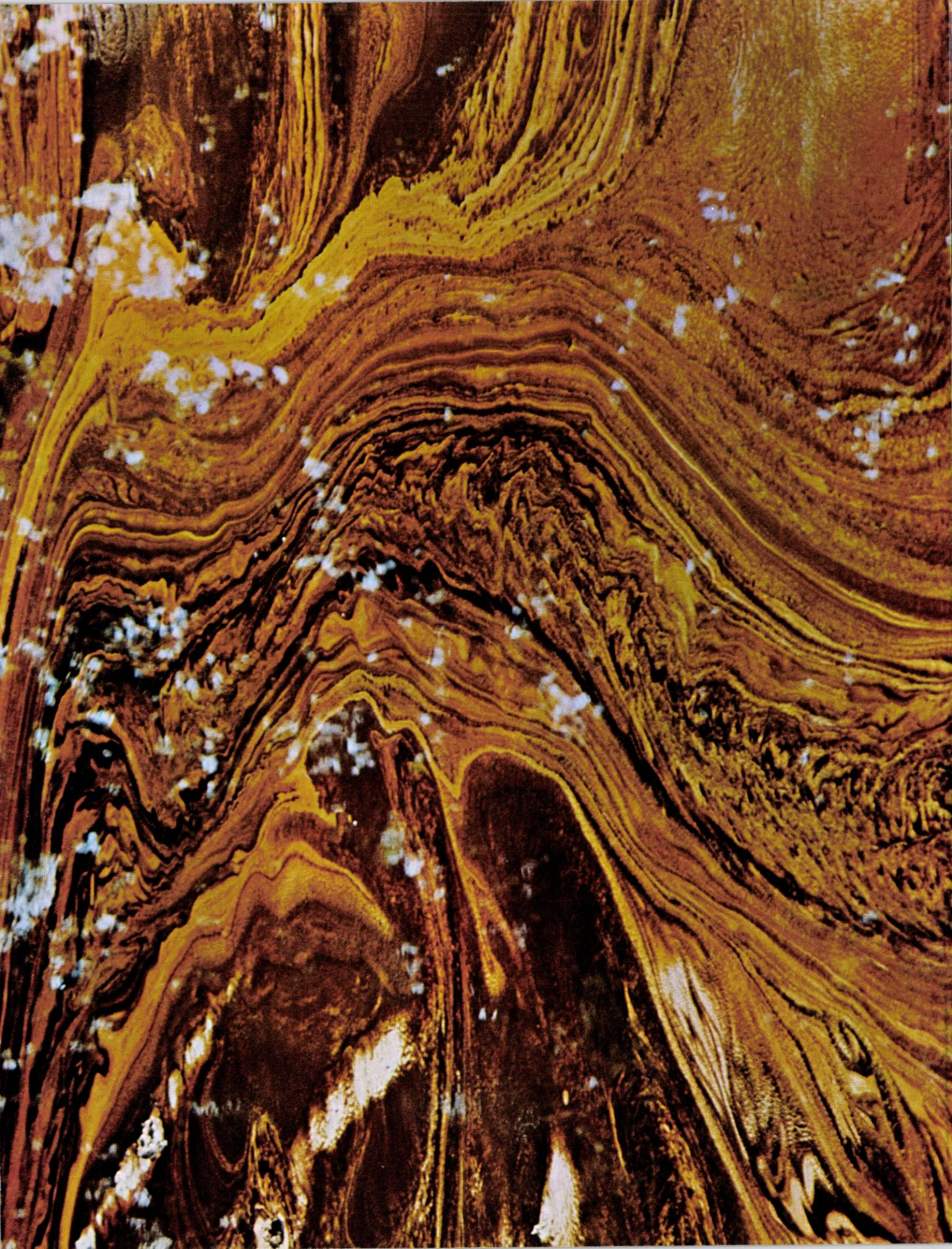


Schlumberger 1968 Annual Report



Contents

Cover: Schlumberger wireline logging recorder.

Inside cover: Mixture of oil and drilling mud.

In Brief	1968	1967	1966
Operating Revenues	$409,085,000	$369,222,000	$343,136,000
Net Income	41,045,000	31,538,000	28,149,000
Per Share			
Net Income	$5.32	$4.12	$3.68
Dividends Paid	1.43	1.20	1.17

To the Shareholders

An increase of 30 percent in earnings points to a successful 1968. The sharp upward trend which started in the fourth quarter of 1967 continued with the same momentum during each quarter of 1968. Increased sales and higher earnings in every single oil field service subsidiary accounted for most of the earnings improvement.

During the year, crude oil production, demand for petroleum products, and exploration expenditures for oil and gas increased worldwide at a higher pace than in any single year of the past decade. The decline in land drilling in the United States was stopped for the first time in ten years. Offshore activity expanded worldwide, mainly in the Eastern Hemisphere.

The difficult question is to assess whether 1968 is the beginning of a new oil economic cycle. Is it possible or even probable that demand for oil products, crude oil production and capital expenditures for exploration will increase at an accelerating rate during the next five years? The staggering figure of world demand for oil products projected for 1980 justifies a positive answer.

Results of electronic operations improved over the previous year. However, profit on sales and return on investment are not yet satisfactory. Substantial losses in our French electronic and instruments subsidiary and at our general aviation instrument plant in Wichita, Kansas had an adverse impact on overall electronic results.

Sales and earnings of the Furniture Division improved significantly.

On February 27, 1969, the Board of Directors increased the quarterly dividend to 50 cents per share. This corresponds to a yearly rate of $2.00 per share compared to the previous rate of $1.50, an increase of 33 percent.

February 28, 1969

Jean Riboud
President

Schlumberger Limited

DIRECTORS

John de Menil*
Chairman of the Board

Robert G. Cowan
Chairman, National Newark & Essex Bank

Leland E. Dake

William J. Gillingham

Joseph C. Hutcheson, III
Partner, Baker, Botts, Shepherd & Coates

Paul A. Lepercq*°
President, Lepercq, de Neuflize & Co.

Amédée Maratier
President, Forex

Charles C. Parlin
Chairman, Celanese Corporation
Partner, Shearman & Sterling

Jean Riboud*°

Françoise Schlumberger Primat

René Seydoux

Ame Vennema*°

**Member Executive Committee*
°*Member Finance Committee*

OFFICERS

Jean Riboud
President and Chief Executive Officer

Ame Vennema
Chairman, Executive Committee

William J. Gillingham
Executive Vice President

John E. Rhodes
Executive Vice President

Leland E. Dake
Senior Vice President

Everett F. Stratton
Vice President

Nick A. Schuster
Vice President

Edwin N. West
Secretary and General Counsel

Paul A. Lepercq
Chairman, Finance Committee

Herbert G. Reid
Controller and Chief Financial Officer

William Niles
Treasurer

STOCK TRANSFER OFFICES

First National City Bank,
New York City

Bank of the Southwest,
Houston, Texas

REGISTRARS

Morgan Guaranty Trust Company
of New York

First City National Bank,
Houston, Texas

SCHLUMBERGER OPERATING SUBSIDIARIES AND DIVISIONS

Schlumberger Limited is a technology-oriented multinational company. It offers more than 70 different technical operations to the oil industry, worldwide. It manufactures electronic and electrical instruments and components for industrial, commercial, educational, aerospace and military applications.

OIL FIELD SERVICES

Schlumberger Well Services
Houston, Texas

Schlumberger of Canada
Calgary, Canada

Schlumberger Surenco
Caracas, Venezuela

Société de Prospection Electrique Schlumberger
Paris, France

Schlumberger Overseas
London, England

These companies perform electrical logging, well completion and production logging services for the oil industry. Anywhere in the world that an oil company drills a well, one of these companies will offer technical services for data gathering or for well completions.

Johnston Testers
Houston, Texas

Mechanical services and tools, well completion equipment and drill stem testing for the oil industry.

Vector Cable
Houston, Texas

Insulated and armored cables, connectors, for well logging, oceanography, nuclear testing, and geophysical exploration.

Plastic Applicators
Houston, Texas

Anti-corrosion plastic coatings for oil field tubular goods and for industrial equipment used in the electrical, chemical and process industries. Non-destructive testing of pipe for the oil, chemical and mining industries.

Forex
Paris, France

The largest European drilling company with 58 rigs for both offshore and land drilling.

Dowell Schlumberger
London, England
(Associated company, 50% owned.)

Cementing, acidizing, fracturing, formation testing and other well services.

ELECTRONICS AND INSTRUMENTATION

EMR
Princeton, New Jersey

EMR TELEMETRY
SARASOTA, FLORIDA

Airborne and ground based telemetry equipment and systems for data acquisition, transmission and processing.

EMR COMPUTER
MINNEAPOLIS, MINNESOTA

Scientific digital computers for specialized markets principally in geophysics, oil well logging, industrial process control, nuclear research, and telemetry applications.

EMR PHOTOELECTRIC
PRINCETON, NEW JERSEY

Photomultiplier tubes, image intensifiers and channel multipliers.

EMR HATBORO
HATBORO, PENNSYLVANIA

Transfer function analysis instruments for dynamic analysis, hydraulic shakers and fatigue testing machines.

Weston Instruments
Newark, New Jersey

Panel meters, portable meters, light meters, aircraft instruments, relays, digital panel meters, bi-metal thermometers, tachometers, laboratory standard calibrators.

Weston Components
Archbald, Pennsylvania

Electronic and mechanical contract work, precision potentiometers, filters, industrial x-ray thickness gages. Miniature servo motors, synchros, and resolvers.

Heath
Benton Harbor, Michigan

World's largest producer of electronic equipment in kit form for home entertainment, marine navigation, amateur radio. Educational, industrial and scientific laboratory instruments.

Solartron
Farnborough, England

Laboratory instruments for electronic test and measurement, principally oscilloscopes and digital voltmeters, data loggers, analog hybrid computers, radar simulators and video map instruments.

Société d'Instrumentation Schlumberger
Paris, France

VILLACOUBLAY GROUP

Digital instrumentation including counters and multimeters, instrumentation tape recorders, pressure and flow transducers, light-sensitive recorders, potentiometers.

ELECTRONICS DIVISION

Professional audio equipment for radio studio and mobile use including tape recorders, mixing amplifiers, turntables.

INDUSTRIAL CONTROL DIVISION

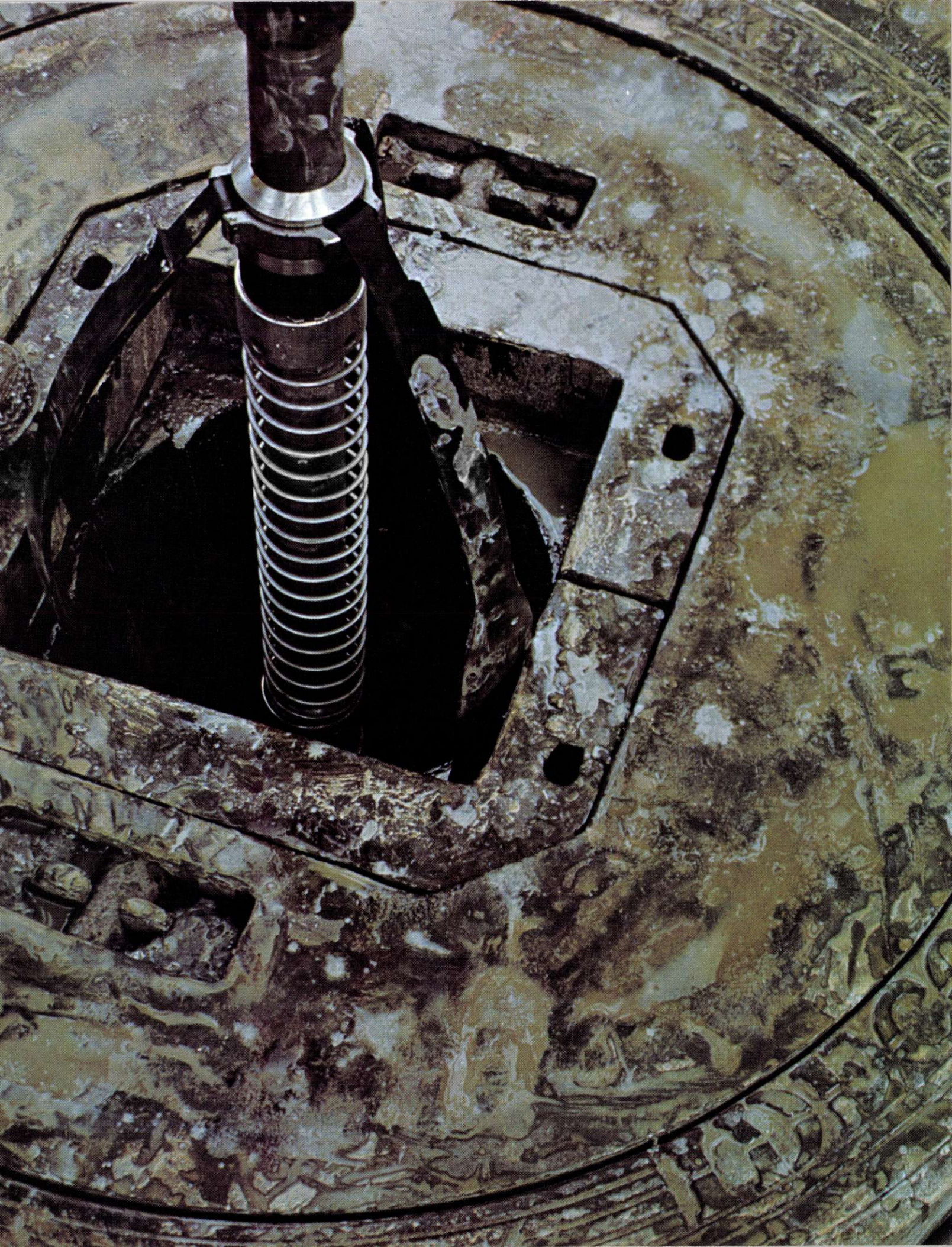
Panel meters, relays, temperature regulators and transducers, gas analyzers.

FURNITURE DIVISION

Daystrom
South Boston, Virginia

Virtue
Compton, California

Dinette sets and other household, commercial and industrial furniture.



Schlumberger Wireline Services

Schlumberger wireline services reached an all time record in 1968 for both revenues and earnings. Service revenue increased 14%, compared to an average 5% annual increase in the past ten years.

Free world crude oil production doubled during the last ten years—from 16 million barrels per day to 32 million barrels per day in 1968. The average yearly increase was 1.6 million barrels per day during this period. In 1968, however, production increased by 2.8 million barrels per day, nearly double the annual rate of increase during the previous decade.

To meet the greatly increased world-wide demand for petroleum products, there were 2200 active drilling rigs throughout the world at year end, or 15% more than were in operation at the end of 1967.

It is widely predicted by oil economists that crude oil production must double in the next ten years, as it has doubled since 1958; this would mean an annual increase of somewhat more than was actually attained during the year 1968. If this is the case, the 1968 rate of increase could be regarded as the necessary level for the coming years.

The Middle East conflict of 1967, resulting in the lengthening of supply routes due to the closing of the Suez Canal, spurred the exploration efforts of the oil companies in new and untried regions. Initial exploratory drilling was undertaken in some six of the recently independent countries of Africa, and several European countries. Offshore exploration moved to the continental shelf area in the South China Sea, the Sea of Japan and Indonesia. Exploratory drilling increased also in many nations of both North and South America in an effort to increase their known reserves and to insure higher production levels.

The most outstanding discovery in many years was announced at the Atlantic Richfield-Humble operations on the North Slope of Alaska, at Prudhoe Bay. This arctic area is largely inaccessible except by airlift, or by tractor-powered sled trains during the winter months when −50°F temperatures are common. In summer, the tundra is an impassable bog. The oil companies and Schlumberger have accelerated activity this winter in further development drilling and evaluation efforts in this vast, potentially rich territory.

The greatest increase of oil production took place in Libya where a 50% rise pushed the daily production to 2.5 million barrels. Active drilling rigs in operation were doubled over the previous year end, and resulted in record levels for Schlumberger activities. It is not impossible that Libya might become in some years the second largest free world oil producer after the United States.

Left: Schlumberger Sonic Caliper instrument entering an oil well through rotary table.

Although the tragic civil war continued in Nigeria, oil companies were actively restoring production facilities, and at year end the daily production was approximately 70% of the pre-war output of some 600,000 barrels per day. Drilling will also resume to insure these rising levels of production.

Schlumberger, with operations in more than 50 countries around the world, and a staff of 850 field engineers of some 30 nationalities, is well equipped to cope with the growing needs of the oil producing industry.

North America

During 1968 in the United States:

☐ Oil production had a 3.8% gain to the 9.2 million barrel per day level.

☐ Wells drilled: 30,939—a decrease of 4%. Recent yearly decrease has been 10–12%.

☐ Footage drilled: 150,012,416—an increase of 2% as result of continuing trend to deeper wells.

☐ Average active rotary drilling rigs: 1170—an increase of 3%. Decreases have occurred every year for the previous ten years.

☐ Active drilling rigs at year end: 1345. This compares to 1045 a year ago.

☐ Offshore drilling completions were the same as the previous year. Increases in Louisiana and Alaska were offset by decreases in Texas and California.

Schlumberger wireline revenues in the United States increased 10%. Offshore revenues increased 15%, and land revenues increased over the previous year for the first time in four years. Contributing to these favorable results were:

☐ Continued deep drilling in West Texas of 22,000 foot wells.

☐ Extensive wildcatting in the Rocky Mountains.

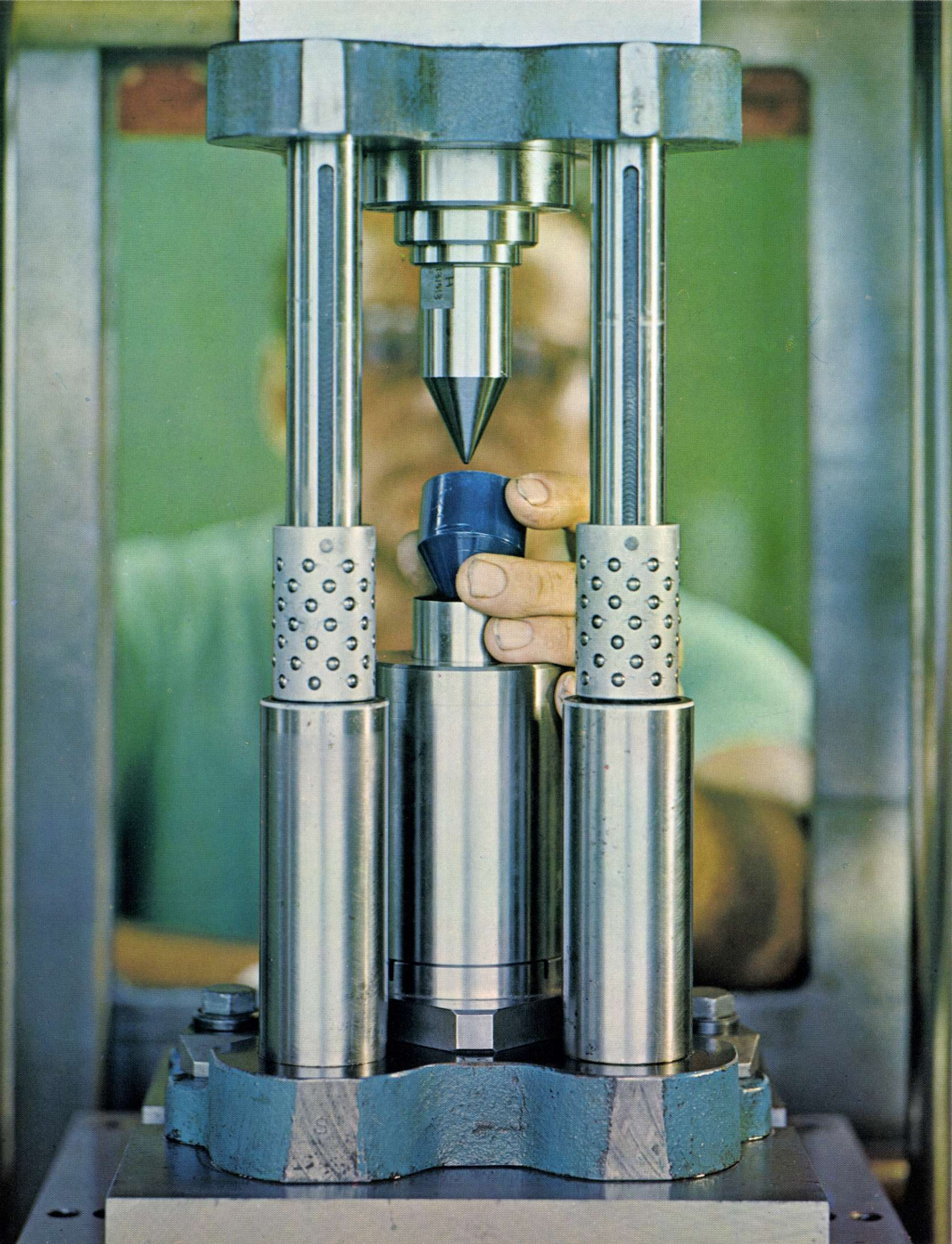
☐ Increased sale of cased hole services, largely due to the wider spread acceptance of the Hyper Jet, the high performance casing perforator which was introduced in 1967. Considerable market improvement was experienced in offshore Louisiana and Alaskan wells.

☐ Notable increases in open hole logging sales through wider use of computer processing. Data from several logging operations may be rapidly processed for interpretation by the use of a digital computer instead of relying on a single log for interpretation. It is estimated that the Schlumberger Synergetic Log Systems have helped increase logging revenues by at least 10%.

☐ High Resolution Dipmeter income, which doubled in 1967 as compared to 1966, registered a 50% increase in 1968.

The United States oil producers must find 80 billion barrels of new oil by 1980 to maintain the generally accepted twelve year historical reserve.

Left: Rig floor on the North Slope in Alaska. Drill pipe is covered with ice.
Right: First look at Schlumberger log.



The change in trend in the oil industry during 1968 indicates that it is moving to accomplish these goals.

During 1968 in Canada:

☐ Oil production showed a 6% gain to the 1.0 million barrel per day level.

☐ Wells drilled: 2965—an increase of 2½%.

☐ Footage drilled: 13,283,000—an increase of 4%.

☐ Average active rotary drilling rigs: 150—an increase of 5% over 1967.

Schlumberger revenues in Canada improved 10% over 1967 with a corresponding increase in earnings.

The improvement resulted largely from a higher ratio of open hole services per well drilled. The Mackenzie River Basin and Delta in the far north have become more attractive exploratory areas because of the major oil discovery at Prudhoe Bay in Alaska. A consortium of Government and private industry plan to drill more than 15 arctic wells during 1969.

Central and South America

☐ Oil production was 5 million barrels per day, a rise of 4% over 1967.

☐ At year end the number of rotary rigs in active operation stood at 310, down 5% from 1967.

Although the above facts would indicate a relatively stable period for drilling activity in Central and South America, actually Schlumberger wireline revenues increased 14%. The principal reasons for the increase were the direct result of the introduction and more extensive use of modern open hole logging techniques. In particular, greater use of the formation density, proximity, and the dipmeter services all contributed to major revenue increases. Net income was also higher. Among the significant operations in the various countries were:

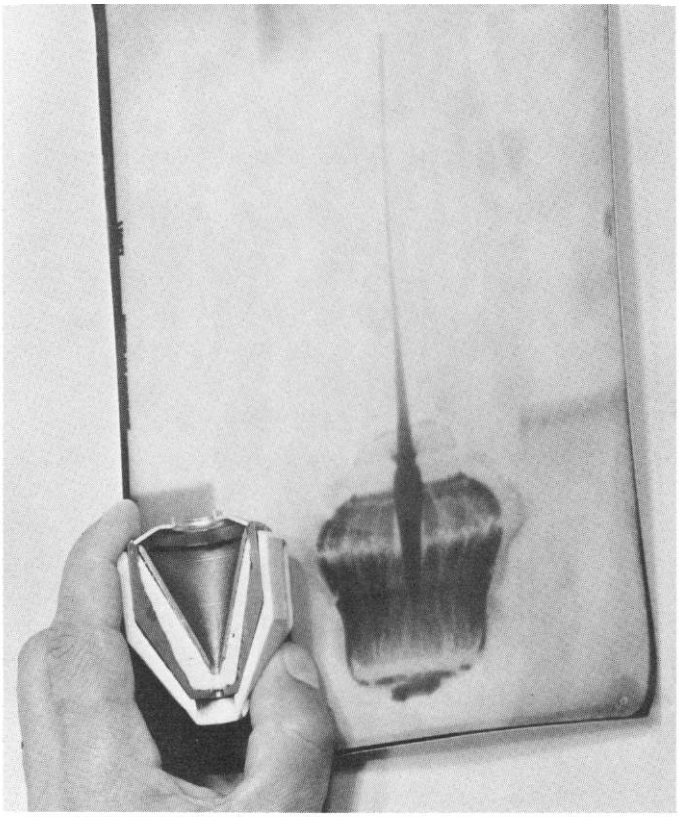
☐ Increased field development drilling in Venezuela, although exploration was at a very low level as no additional areas have been opened for exploratory work since 1967.

☐ Number of wells drilled in Argentina declined by 10% while revenues remained unchanged. Drilling on recently granted offshore and land leases will start in 1969.

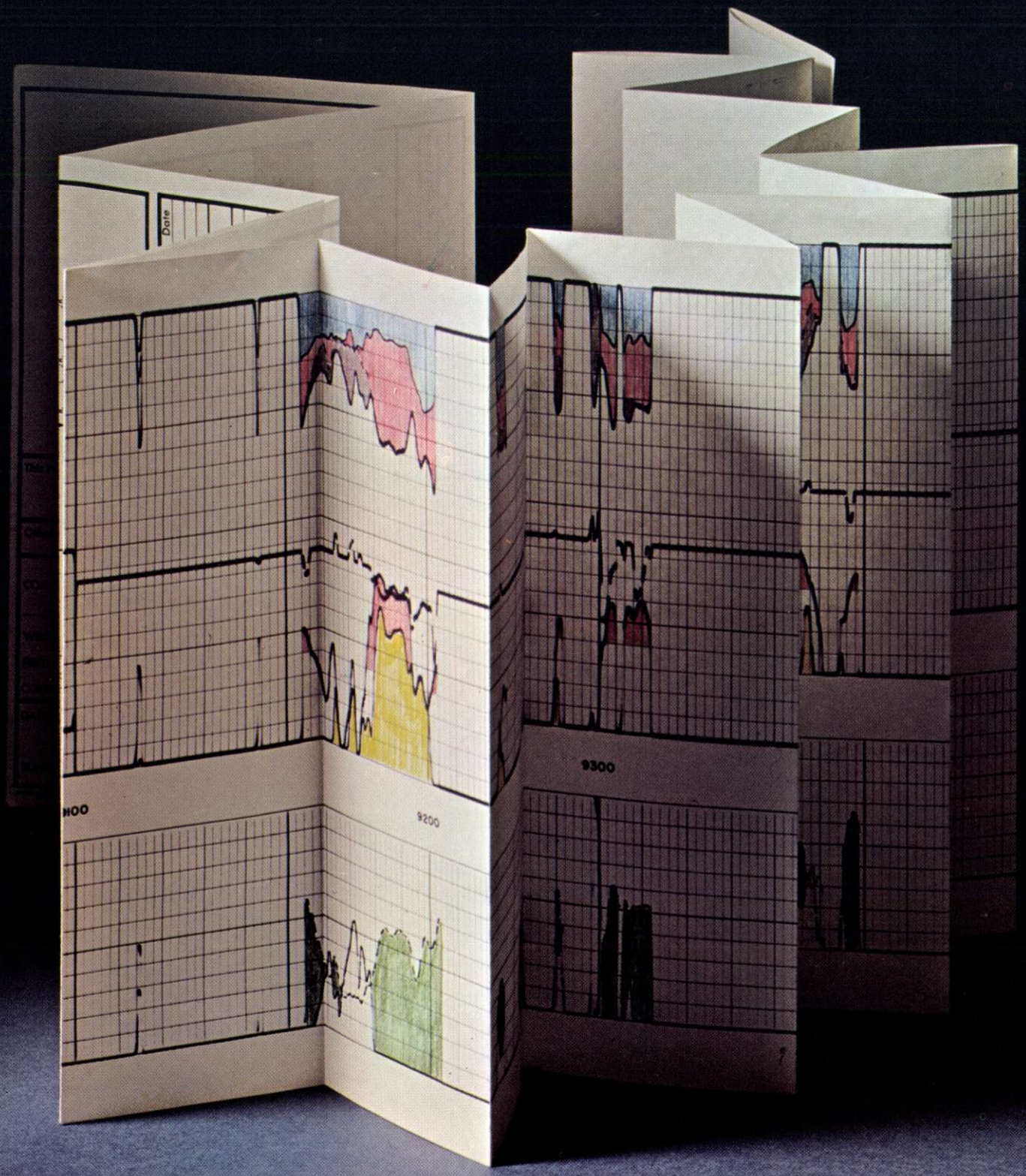
☐ Activity in Colombia increased slightly following favorable legislation along with the active development of the Orito field in the Putumayo area of South Colombia.

☐ In Brazil both operations and revenues were fairly stable with increasing attention to offshore drilling possibilities.

☐ Both Chile and Ecuador had increased revenues due largely to the introduction of newer services. The only major oil field discovery in all of South America was found in northeast Ecuador in 1968.



Left: Inspection of Hyper Jet charge in Schlumberger explosives laboratory at Sandy Point, Texas.
Right: High-speed x-ray photo of detonating Hyper Jet charge.


Date
9300
9200

☐ Activity continued to decline in Trinidad where at present production areas have been extensively drilled.

☐ The level of activity was the same as during the previous year in Peru, Bolivia, and the Caribbean.

It is not to be expected that there will be substantial increases in Schlumberger activities in these regions next year, but oil development will continue at an expanding rate to meet the rising internal demands for petroleum products in most of these countries.

Eastern Hemisphere

During 1968 in Europe, Asia and Africa:

☐ Oil production rose by 16% over 1967 to 16.5 million barrels per day.

☐ Active rotary rigs in operation at year end were 358, an increase of 14% over the prior year.

Schlumberger revenues from Eastern Hemisphere operations were 20% higher than in 1967, a record increase. This improved performance was due to the substantial buildup in offshore drilling throughout the area and record oil discoveries in Libya. Offshore drilling rigs reached the level of 105, up from the 85 which were the peak of operations in 1967. Contributing to these outstanding results were:

☐ Expanded offshore operations in the Adriatic Sea as the result of several gas field discoveries.

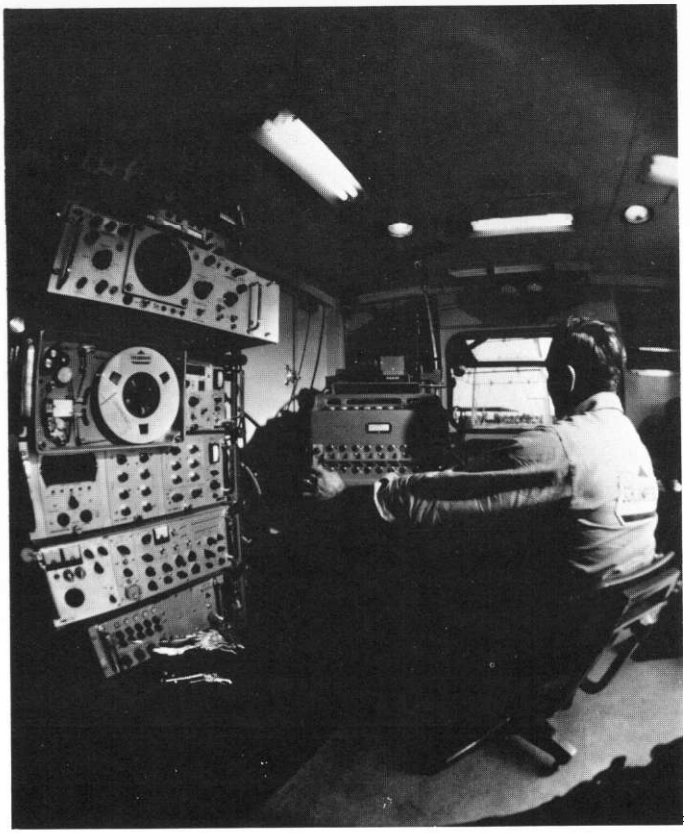
☐ Increased development drilling in the North Sea off the United Kingdom, although exploratory drilling was still curtailed because of the lack of agreement between the oil companies and the Gas Council of the U.K. on the price for gas.

☐ In Holland, new government legislation cleared the way for exploration, drilling resumed, and one new discovery was made.

☐ A hydrocarbon discovery was announced in Norwegian waters, but the commercial value is uncertain owing to the distance from the Norwegian coast.

Almost all of the various types of technical services increased market acceptance throughout the area during 1968. As in the United States, the introduction of computer processed interpretation resulted in increased revenues from use of the proximity, density, sonic and epithermal neutron logs. The High Resolution Dipmeter service was extended to additional customers. The Thermal Decay was introduced in Libya and Kuwait during the year.

The very large rise in production in the eastern area, accompanied by the rise in the number of rigs employed, parallels the world demand for oil. Continuing exploration in this area has been exceptionally fruitful in the past, resulting in the discovery of huge reserves. Further growth in the eastern area will take place.



Left: A Synergetic log; colored areas indicate potential oil bearing zones.

Right: Measurements are recorded on magnetic tape inside logging truck at the well.

Research and Engineering

A great deal of credit for the company's excellent record in 1968 is due to new services developed by Schlumberger research and engineering. More than $8 million was spent on wireline research and engineering during the year. Three basic areas of investigation were:

☐ Logging and wireline testing tools for improved evaluation and interpretation in the determination of commercial quantities of oil or gas.

☐ Improvement of services for well completion work.

☐ Development of better methods or services for the determination of the causes of declining production in a producing well and the improvement of work-over remedial services so as to facilitate the maximum recovery of petroleum from the reservoir.

Within these areas specific projects under investigation were:

☐ Induction logging.

☐ Spectroscopy.

☐ Effect of formation and reservoir fluids on induced gamma rays and neutrons.

☐ Phenomenon of sound propagation.

☐ Effect on current flow of formation fluid and distribution in the rock pores.

Important developments of 1968 were:

☐ Computer processing of logging information stimulated by demand for more comprehensive well evaluation.

☐ Successful transmission of a well log from Paris to the research center in Ridgefield, via commercial satellite, for computer analysis. This demonstration confirmed the future possibility of obtaining computer-interpreted logs within hours any place in the world.

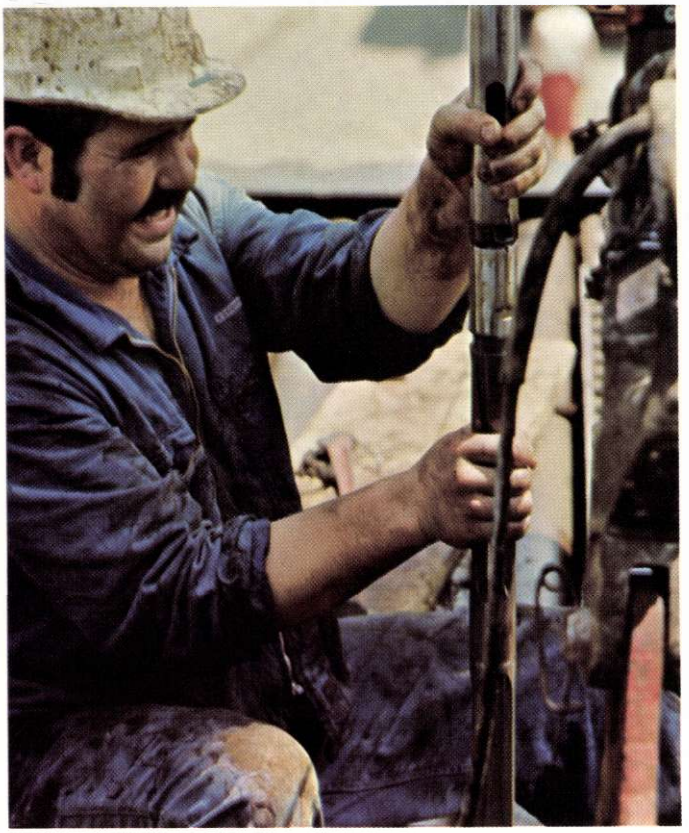
Notable developments in logging tools included:

☐ Combination Production Logging Tool: This tool records complete sets of measurements needed to analyze the producing characteristics of the well. Flow rate, pressure, temperature, and fluid density are recorded simultaneously. Series of tests can be conducted at different production rates to give a complete profile of performance for each producing horizon.

☐ Through-Tubing Bridge Plug: This tool allows a water entry to be shut off without halting well production. Unwanted water production is eliminated efficiently at significant cost saving.

☐ Thermal Decay Time Log: This tool can locate oil, gas and water behind a casing. The $1\frac{11}{16}$″ diameter tool eliminates the need to pull well tubing, so the service can be run without interrupting production.

☐ Borehole Televiewer: This tool, developed under a major oil company license, delineates fractured reservoirs and detects defects in oil well casings.



Left: In laboratory test well, instrument is immersed in emulsion of oil and water.
Right: Production logging survey in Pau, France.

Johnston Testers

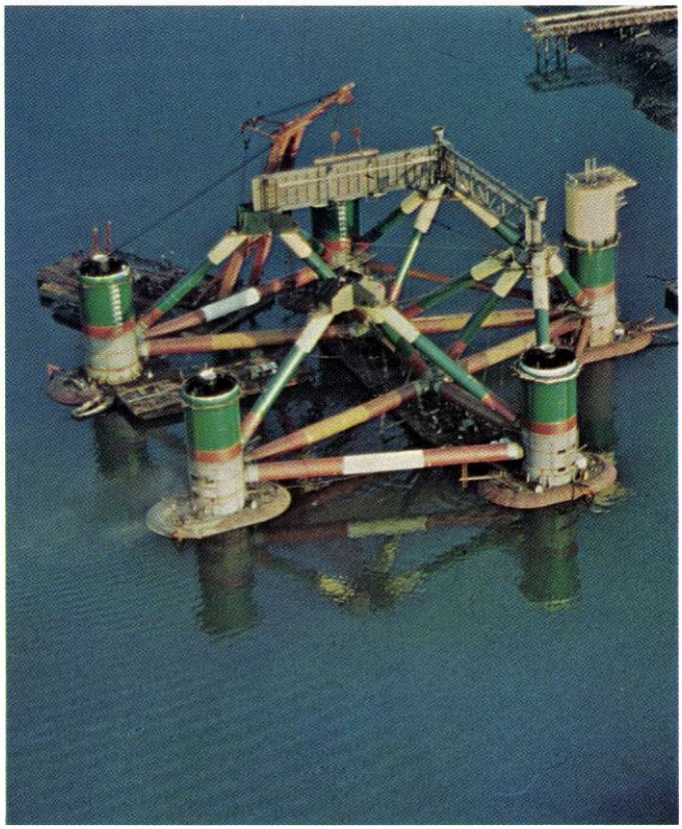
Johnston Testers' activities are in all phases of oil-well drilling and completion. The company provides tools that are lowered on the drill stem or tubing, rather than by a wireline.

Johnston Testers provide drill stem testing services which are a means of testing a potential oil or gas formation under closely controlled and metered conditions so as to evaluate the well's production. Johnston also designs tools for remedial work: squeeze cementing tools to shut off water, and hydraulic jars to assist in the recovery of tools and liners that have been stuck in the well.

Johnston Testers' revenues improved by more than 17% over the previous year. Net income also showed a significant increase.

The "Bobcat Positrieve Cementer," a new cementing tool, was successfully marketed in 1968. This tool, together with its companion tool, the "Bobcat Retrievable Bridge Plug," assures a better cement squeeze job in a well.

A cement squeeze retainer, which offers novel features and superior performance is now undergoing field testing. It will be marketed in early 1969, in combination with a permanent casing bridge plug.



Forex

Forex is the largest contract oil well drilling operator in Europe. Schlumberger has a 66% interest in the company. The company has fifty-eight drilling rigs; seventeen for deep drilling, eleven for medium depth drilling, and thirty for shallow to medium depth drilling or well servicing. At the end of 1968 practically all of the heavy or medium size rigs were active or under contract, as compared to about two-thirds of the smaller units.

The drilling rigs in 1968 were principally engaged in operations in three countries: France, Algeria and Libya. The revenues earned in each country were roughly equal. The remaining 25% of revenues came from operations in Nigeria, Gabon, Tunisia, Holland, Morocco and Niger. Activity in Libya doubled during the year; ten rigs will soon be in operation there for four of the major international oil companies. In southwest France, five deep drilling rigs were engaged constantly. This activity was about the same as the previous year. Operations in Algeria were about 10% higher than in 1967. Although revenues in Nigeria were only about half of the previous year as a result of the civil conflict, it is expected that five out of the six drilling rigs in the area will resume full time operations very soon. The "Unifor," a rig operating on a fixed platform in the North Sea, has kept active throughout the year. One deep drilling rig started to operate in Iraq.

Forex has a fifty percent interest in Neptune, which owns and operates three offshore drilling rigs:

Left: A Johnston "Hornet" Squeeze Retainer used in well completion.
Right: Neptune's semi-submersible platform Pentagone 81 under construction in Le Havre.

Neptune I and Neptune II, Letourneau-type jack up rigs are drilling in the Adriatic Sea; and Neptune IV, a tender assisted rig which is drilling in the Persian Gulf. The construction of a new semi-submersible drilling platform, Pentagone 81, in Le Havre, France at a cost of $12,000,000, is presently scheduled for completion this summer. The rig will then be moved to active operations in the Gulf of Biscay on the French coast and will go later to the North Sea.

Forex revenues for 1968 increased 8% over the previous year. Net income remained about the same largely as a result of exceptional expenditures for reconditioning of drilling equipment. Operations will continue at the same level during 1969 in France, while activities in Algeria might decrease. Revenues from Libya and Nigeria should increase.

Plastic Applicators

Plastic Applicators is a supplier of special plastic corrosion preventive coatings for equipment and pipe supplied to the petroleum, chemical and process industries. Plastic Applicators also performs non-destructive testing of oil field pipe at field locations.

Sales volume for 1968 increased approximately 18% over 1967 and operations were profitable. Six new Scanalog units, for non-destructive testing of casing and tubing, were placed in service during the year in additional market areas. Scanalog units are now operating for the oil industry throughout the southwest, the Rocky Mountains and California.

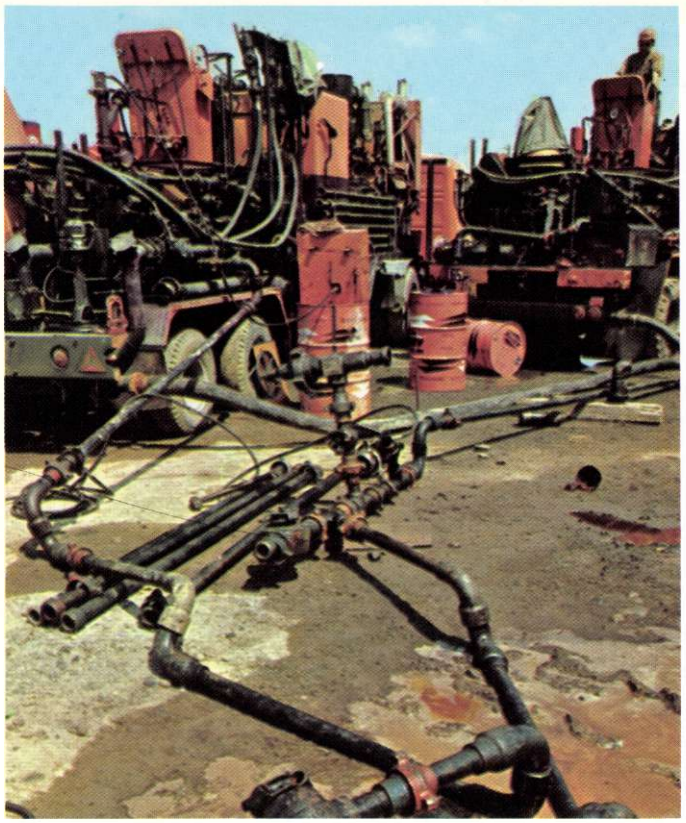
An industrial products plastic coating plant was completed and in operation before midyear. Minor technical problems which developed when the plant was placed on-stream were solved and full production was attained during the fourth quarter of 1968. Major output of the new plant are KorKap™ products, a comprehensive line of coated electrical conduit and fittings. KorKap products are distributed on a nationwide basis and the company is currently operating with a substantial backlog.

Plastic coating of oilfield tubular goods increased at a satisfactory rate. Two jet fuel pipelines were coated by Plastic Applicators for installation at airports. It is expected that other airports will require this new development for fuel pipeline.

Dowell Schlumberger

Owned equally by Schlumberger and the Dow Chemical Company, Dowell Schlumberger performs services for the oil industry in 25 countries of the free world. Principal activities are acidizing, fracturing, and cementing of formations encountered in drilling and producing wells. They also offer technical services such as directional drilling and formation testing.

There was a substantial growth in revenues in



Left: Electrical conduit fittings coated with Plastic Applicators KorKap.
Right: Dowell Schlumberger cementing unit in operation.

1968 and profits improved correspondingly. Operating results improved in all countries, with the exception of Nigeria and Trinidad. In Nigeria, although oil production is returning to normal, the level of drilling has not recovered as rapidly. Trinidad operations have been adversely affected by lower drilling levels resulting from a lack of new oil discoveries.

Expansion of operations to new geographical areas continues, especially in the Middle East and Far East.

Major business increase took place in Libya where all major oil companies employed Dowell Schlumberger for well stimulation. The North Sea operations expanded with company-designed fracturing programs and availability of specially designed turbine powered pumpers to handle difficult fracturing jobs. The largest frac job ever performed in Algeria, involving some 4,000 hydraulic horsepower, was successfully completed.

Vector Cable

Vector Cable continued to be profitable although revenues and profits were less than in 1967. Lower sales of geophysical cables, start-up costs of a new plant in Glendale, California, and a wildcat strike, all contributed to the decline.

Nearly one-third of Vector's revenues come from logging cables used in wireline services for oil wells. Such cables are used to transmit data from wireline tools in the well to the surface. Orders for logging cables are now at an all-time high.

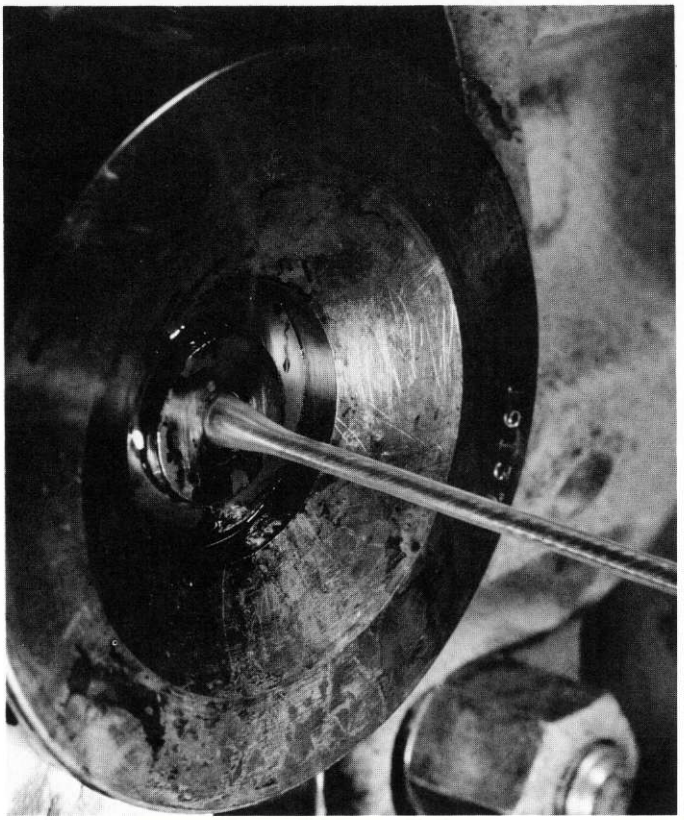
The company also supplies cables for specialized purposes such as nuclear testing. As an important supplier of cables and connectors for undersea requirements, deep-diving submarines, and underwater oil-well completions, Vector has a growing market opportunity in oceanography.

Vector recently supplied the U. S. Navy with an 8,000 foot long 1.5 inch diameter steel double-armored cable for use in the Sealab project.

Current engineering programs are designed to improve the capability of cables and connectors to withstand abnormal temperatures and pressures and to resist intrusions by gas and water.

Continued improvement in the automation of the extruding, cabling, and armoring production machinery will result in higher quality cables and increased production at lower costs.

The cable manufacturing plant in Glendale will supplement the capabilities of the Houston operation. The 100,000 sq. ft. building was leased August 1. West Coast sales and repair operations will be concentrated there, and cable assemblies for use in oceanography, nuclear tests, and deep submersibles will be manufactured in this plant. After staffing and training, full operations will start early in 1969.



Left: Vector connectors, feed-throughs, and cable terminations for oceanography.
Right: Automated extruding machine at Vector plant.

ELECTRONICS AND INSTRUMENTATION

The electronics industry in the United States continued to expand in 1968 with an over-all increase of about 7% in revenues. Consumer electronics, following a disappointing year, recovered better than forecast, and recorded slightly more than 7% increase. Government and military electronics expenditures showed an increase, primarily due to the heavy requirements for electronics in the Vietnam conflict. Government and industrial-commercial electronics gained about 7%. In electronic components manufacturing there was a leveling as no revenue gains were made over the prior year.

The six companies comprising the electronics and instrumentation activities of Schlumberger produced combined revenue increases of 7%. Consumer electronics in Schlumberger accounted for the major part of the growth. Other sectors of Schlumberger electronics equalled industry growth. Although non-military space expenditures suffered a sharp drop, Schlumberger increased its share of this business and achieved a modest gain.

EMR

EMR designs and manufactures data acquisition and processing equipment, scientific digital computers, and photoelectric devices. Total revenues continued upward following higher computer and telemetry product sales. Operational improvements substantially reduced losses compared with last year.

Higher EMR Computer orders reflect market endorsement of the real-time EMR 6130 computers. Over 40 computer systems, including all models, were delivered during the year. Gulf Research and Development and Humble Oil took first deliveries of a new DSF-16 seismic preprocessing system incorporating 6130 computers. Environmental Science Services Administration—which includes the former U. S. Weather Bureau—placed a large computer/telemetry order for a system to process weather satellite data.

EMR Hatboro has placed on the market an advanced transfer function analyzer instrument for dynamic analysis applications. By year end, there was a substantial backlog.

While volume remained stable at EMR Photoelectric, the order backlog at year end was nearly double last year and profits rose significantly. Emphasis has progressively shifted from civilian space programs to military-sponsored engineering activities, principally in night-vision technology.

First orders have been received for a radically improved detector which has resulted from a company-sponsored program on glass fiber technology. Called a channel multiplier, it performs like a multiplier phototube of very small size.

Left: EMR image tube for data gathering.
Right: Solartron and EMR system for the British Black Arrow aerospace project.


LOWER CARGO SMOKE DETECTION
FIRE EXT

EMR Telemetry showed an increase in large contract awards and considerably improved its profitability in 1968. Revenues from EMR's hardware and software telemetry/computer systems more than doubled. Sales of proprietary high-powered S-band and L-band telemetry transmitters increased significantly over the preceding year.

EMR received a multimillion-dollar contract to provide telemetry for NASA's Project Airlock. Airlock is the system that will mate an Apollo spacecraft with a spent Saturn rocket as an orbiting scientific laboratory.

An outstanding success was scored by the EMR-built instrumentation in the Orbiting Astronomical Observatory launched by NASA last December. This program was directed by the Smithsonian Institution.

Weston Instruments

Weston Instruments produces analog and digital meters, aircraft instruments, and other electronic instrumentation. Revenues remained near 1967 levels.

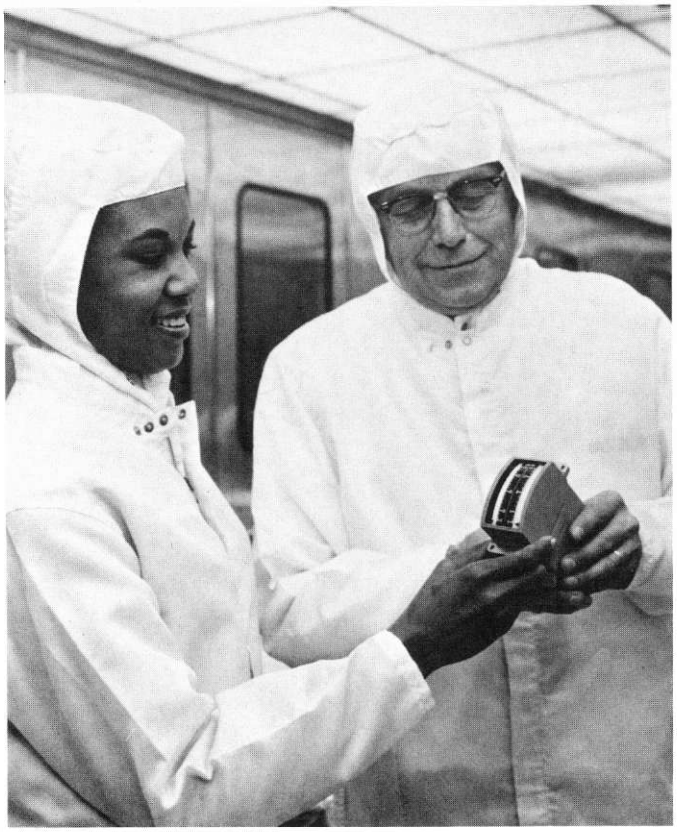
Emphasis was concentrated on three major new product areas and plant facilities were upgraded to assure higher product quality. New product areas included instrumentation for the Boeing 747, expansion of electronic Digital Panel Meters introduced in 1967 and addition of a new Ribbon Indicator to the optical meter line. The latter provides a bar-graph reading like a liquid-filled thermometer.

At Newark, new assembly benches with built-in filtered airflow systems allow an open work area to be as uncontaminated as a typical clean room. The installation has already improved product quality.

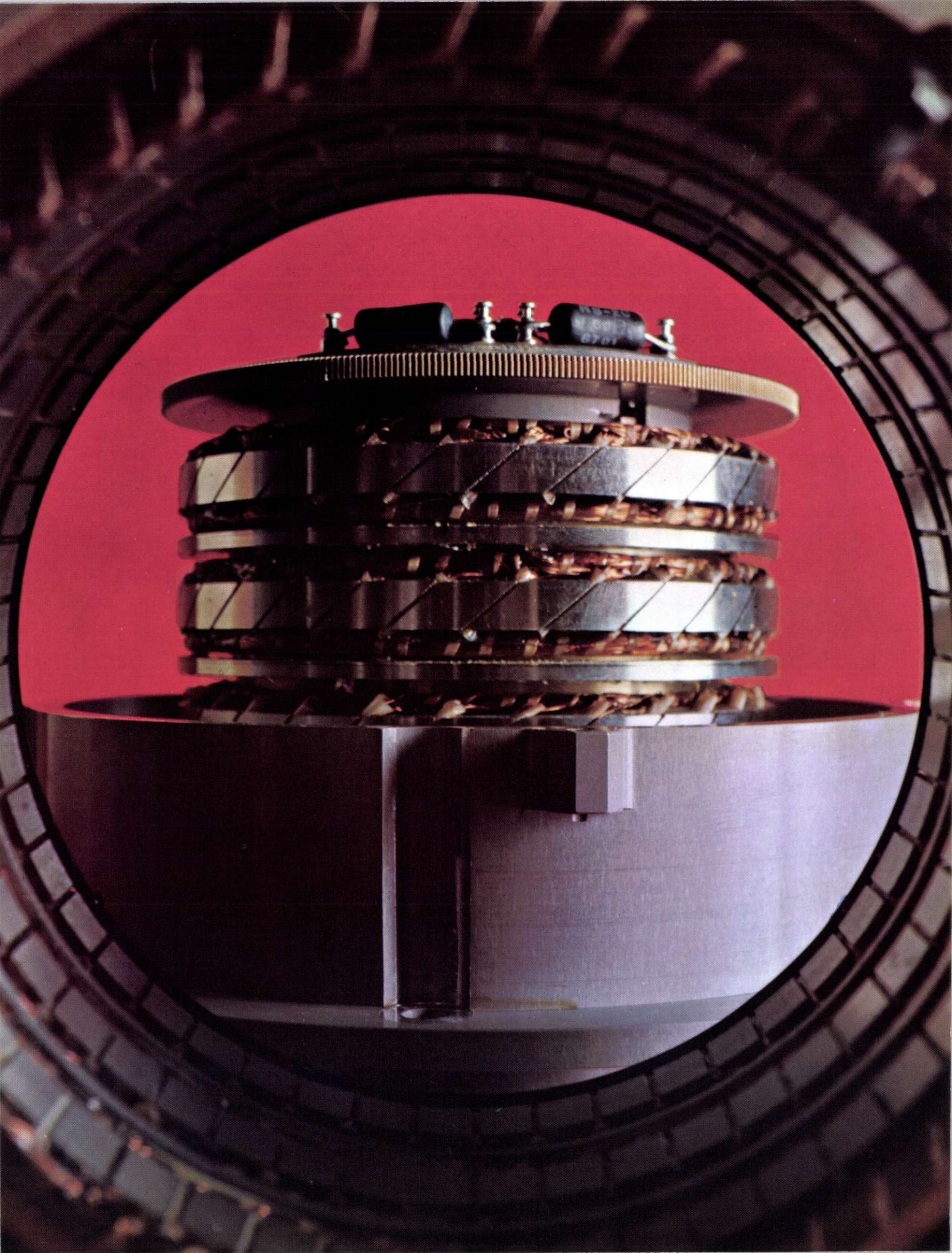
Weston introduced the first Digital Panel Meter last year and gained a lead in this new product area. First generation units are being delivered in production quantities. This success attracted competitors but Weston has already initiated design of a second generation of Digital Panel Meters. This new line of smaller and less costly instruments is ready for marketing.

In addition to Weston Sales/Servicenters in Los Angeles and Chicago, two new centers were established—one in Philadelphia and the other in Newark. Weston Sales/Servicenters provide rapid local service for repairs, and offer simple product modification services on special orders or small quantity requirements.

New accessories have been added to the Continuously Variable Oscillators and Variable Frequency Standards produced at Weston Instruments at Lexington, Mass., assuring a more competitive and general-purpose group of instruments.



Left: More than 50 Weston instruments are used in the Boeing 747.
Right: Inspection of Weston meter for Apollo 8 Moon shot.



Weston Components

Weston Components provides large-scale production of complex electronic and mechanical equipment under contract, and markets lines of trimming potentiometers, industrial x-ray gages, and control system components. Total revenues remained at 1967 levels. At year end total backlogs remained high. Continued investment in automated production and test equipment was made to reduce costs.

Weston Components maintained its important position as a subcontractor for nuclear control instrumentation for the U. S. Navy Nuclear Fleet Program. Significant orders were received during the year.

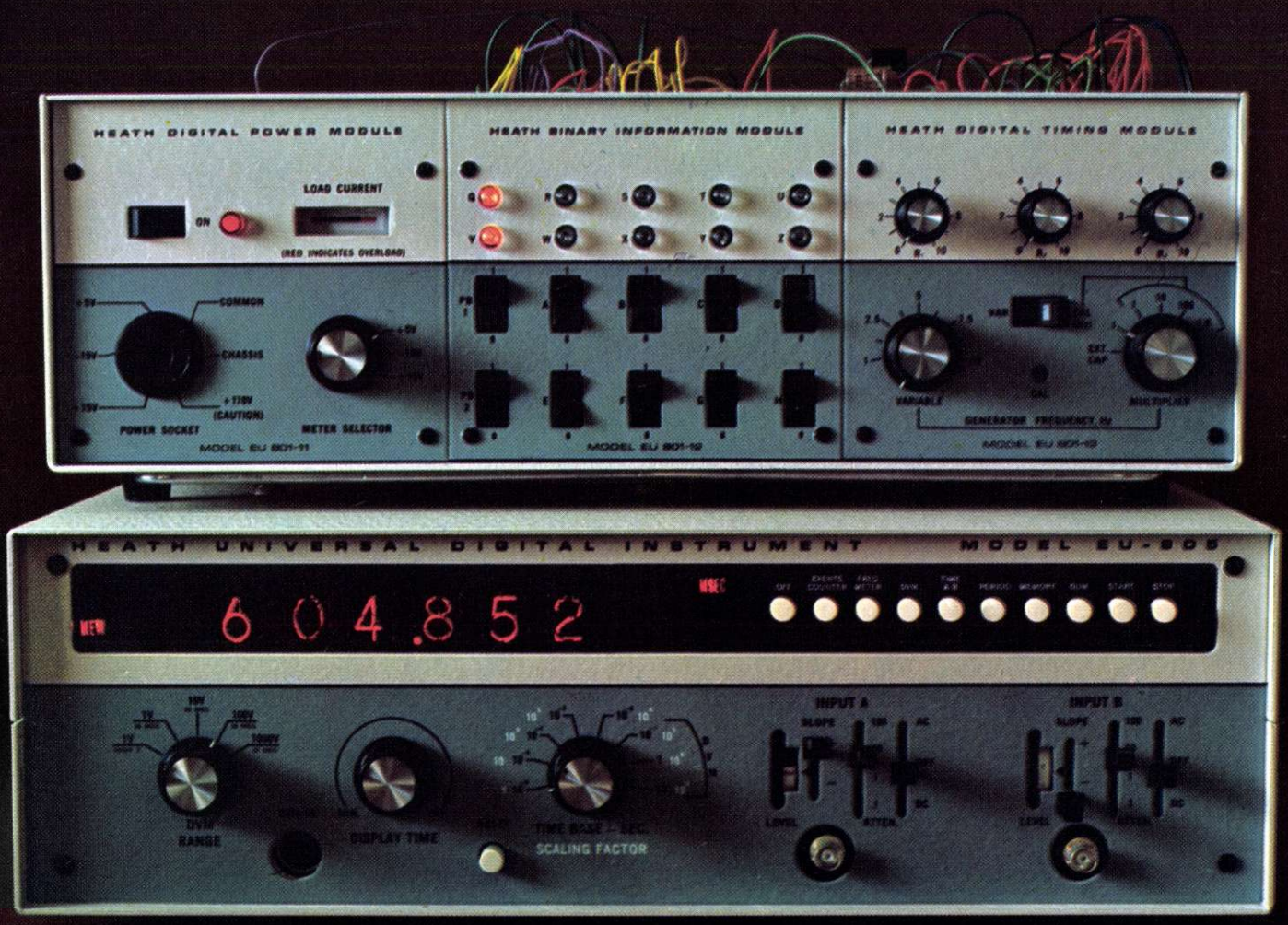
A major contract was received from the U. S. Army for computer logic test sets, created a new area of production capability.

Orders for XactRay Industrial Thickness Gages were above the average rate. Gages for a computerized hot mill system were shipped to Bethlehem Steel at Burns Harbor, Indiana. Outstanding performance of the Weston gages at this plant resulted in a second Bethlehem Steel installation in Maryland. There was also continued market penetration for similar gages in the aluminum industry, both domestic and foreign.

Production started on the Bathythermograph Recorder for the U. S. Navy PC-3 antisubmarine aircraft. An initial contract for mechanical assemblies used in shell fuzes was satisfactorily performed and follow-on production contracts have been signed.

Weston Transicoil experienced growth both in sales volume and profits. This Weston operation worked closely with the Federal Aviation Agency on its Route Traffic Control Program to develop antenna servo equipment now being installed at all major airports throughout the United States.

Left: Weston Transicoil triple tandem resolver for Polaris guidance system.
Right: Weston subminiature trimming potentiometers.


HEATH DIGITAL POWER MODULE
LOAD CURRENT
ON
(RED INDICATES OVERLOAD)
+5V
COMMON
-15V
CHASSIS
+15V
+170V
(CAUTION)
POWER SOCKET
METER SELECTOR
MODEL EU-801-11
HEATH BINARY INFORMATION MODULE
MODEL EU-801-12
HEATH DIGITAL TIMING MODULE
VAR
CAL
EXT CAP
VARIABLE
MULTIPLIER
GENERATOR FREQUENCY, Hz
HEATH UNIVERSAL DIGITAL INSTRUMENT
MODEL EU-505
MSEC
604.852
INPUT A
INPUT B
SLOPE
LEVEL
ATTEN
DVM RANGE
DISPLAY TIME
TIME BASE - SEC
SCALING FACTOR

Heath

This Company is the world's largest producer of electronic equipment in kit form. Heath experienced another record year both in sales and profit. While mail orders increased substantially, retail store sales showed a similar increase. New stores were opened in Seattle, Washington and Redwood City, California. The existing stores, 11 in the United States, three in Canada, two in England, and one each in Germany and France, all had important sales increases.

Most major product lines shared in the sales growth. Of particular interest was the successful introduction of Heath's first radio remote control system kit to guide model airplanes.

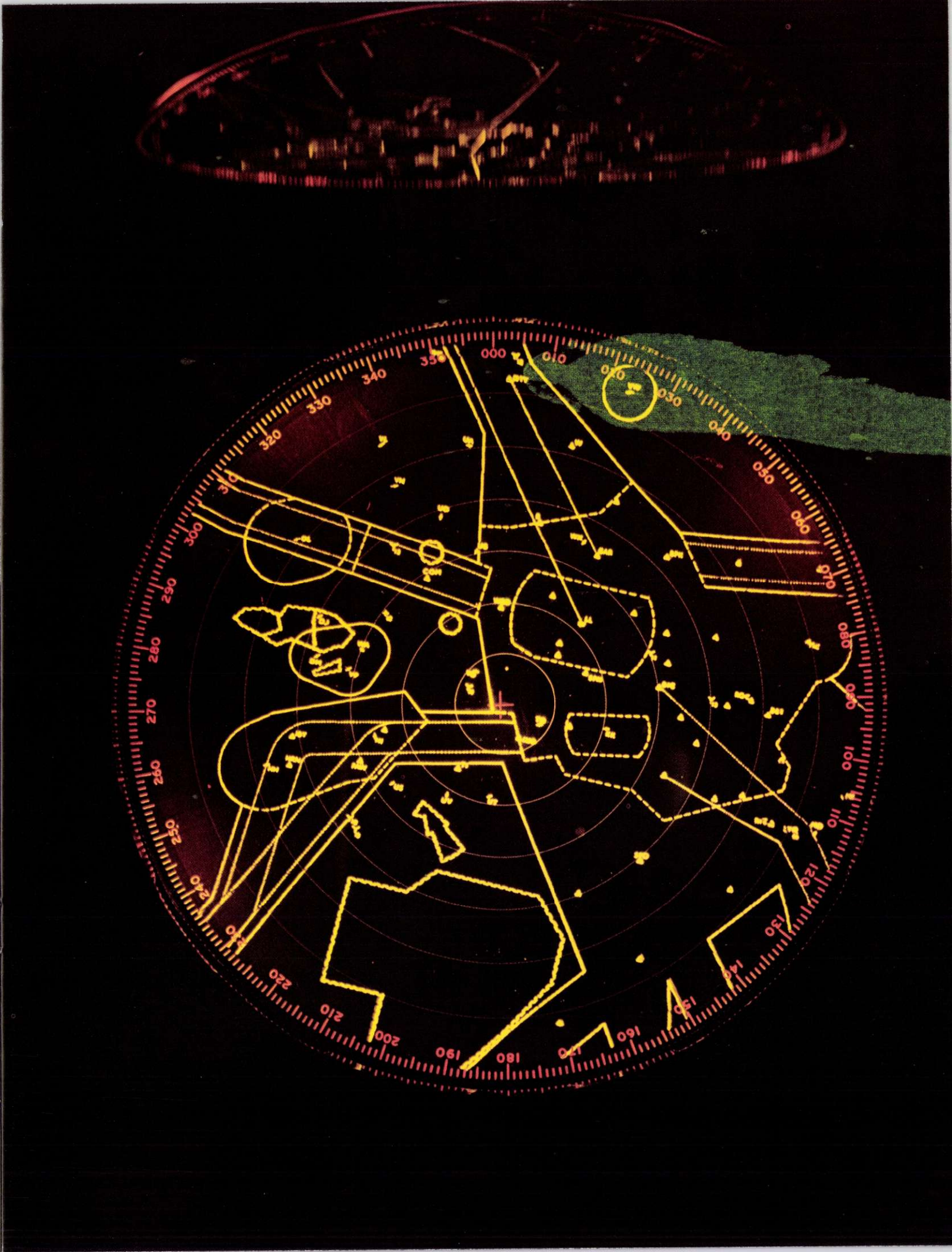
Additional optional equipment was added to the Heath color TV kit line during 1968. Heath is the only company to offer such a kit product to the consumer market and many independent reviews rate the Heath color TV set as better than factory-assembled models. The color TV wireless remote control kit was added to the line in 1968.

The audio product line, both stereo and mono, continues to be a major contributor to Heath's success. Two new stereo compact units were introduced and the tuner and amplifier of the highly successful AR-15 receiver can now be purchased as separate components.

Since the first introduction in 1947 of test instrument kits, they have become a significant part of Heath business. Instrument sales showed large gains in 1968. Modern equipment for radio and TV servicemen was announced, augmented by improvements in a number of popular instruments such as oscilloscopes, voltmeters, and power supplies.

During the year, the plant expansion program initiated in 1967 was completed. The new plant is equipped with computer-controlled warehousing of the thousands of electronic components used in producing over 300 different Heathkit models. In September 1968, construction was started on a 14,600 square foot office addition.

Left: Heath digital training instruments for schools, laboratories, and industries.
Right: Heath radio remote control unit for model airplane.


000
010
020
030
040
050
060
070
080
090
100
110
120
130
140
150
160
170
180
190
200
210
220
230
240
250
260
270
280
290
300
310
320
330
340
350

Solartron

Solartron designs and markets a large line of test and measuring instruments, data loggers, computers, and radar simulators.

In 1968 revenues were 25% above those for 1967; this sales increase, together with a reduction in the cost of manufacturing, resulted in profitable operations. Overseas orders were 30% higher than in 1967.

Cost reduction achieved when electronic production was consolidated at Farnborough has been further improved.

The British Ministry of Technology contracted for additional ground check-out telemetry equipment for the Black Arrow communications satellite. The total value of such equipment, which uses EMR computers and telemetry, is in excess of £400,000.

Additional Data Loggers were ordered by British Aircraft Corporation for use in analyzing engine performance on the Concorde supersonic jet transport.

The product line was expanded during the year by the addition of new models of digital voltmeters and two new data logger data acquisition systems.

The British Army has ordered the new Direct Fire Weapons Effect Simulator, which uses a laser beam and telemetry for the training of tank gunnery crews. Realism is achieved under field conditions with savings in ammunition.

The Ministry of Technology established a British Calibration Service entitling approved companies to calibrate and certify equipment to Government standards. Currently, Solartron is one of the two companies in the UK to receive Ministry certification for direct current and low frequency measuring instruments.

The Tangential Fan Division at Milford Haven, South Wales, produces space heaters, exhaust fans, and mini-fans. This operation has experienced excellent sustained growth resulting in the doubling of revenues and profits during the last three years. A plant expansion was completed and occupied in 1968.

Left: Solartron Video Map picture.
Right: General view of control tower at London Airport, showing Solartron Video Maps. Over 200 instruments are in operation in 34 countries.

Société d'Instrumentation Schlumberger

Société d'Instrumentation Schlumberger produces industrial and laboratory instrumentation, including transducers, indicators, recorders, digital instruments, analyzers and professional audio equipment.

In a year of disappointment for the French economy, SIS experienced reduced revenues. The general strike in France during May-June had an adverse impact on operations. However, at year end the incoming order rate had recovered and the sales backlog was very nearly the same as at the beginning of the year.

SIS has started work on solid state transducers with the employment of a small well qualified group of physical scientists. An advanced development is a precision semiconductor pressure transducer.

Development was largely completed on an automobile exhaust fume analyzer. The unit is of compact, portable design for simple, fast and accurate analysis in automotive repair or service locations. Production units are presently being evaluated by a major French automobile manufacturer.

A new Tolana instrumentation tape recorder for multitrack magnetic recording of telemetry data was introduced during 1968. First performance data from the field indicate good customer acceptance.

As part of the long-range operational plan, the project for constructing a new company plant in Villacoublay near Paris was started in mid-year. Detailed surveys were completed and approved by French authorities. Construction is under way. The 175,000 square foot facility will be completed late in 1969. Apart from the two separate operational units for industrial control and audio equipment activities, all SIS Paris area operations will be concentrated at Villacoublay.

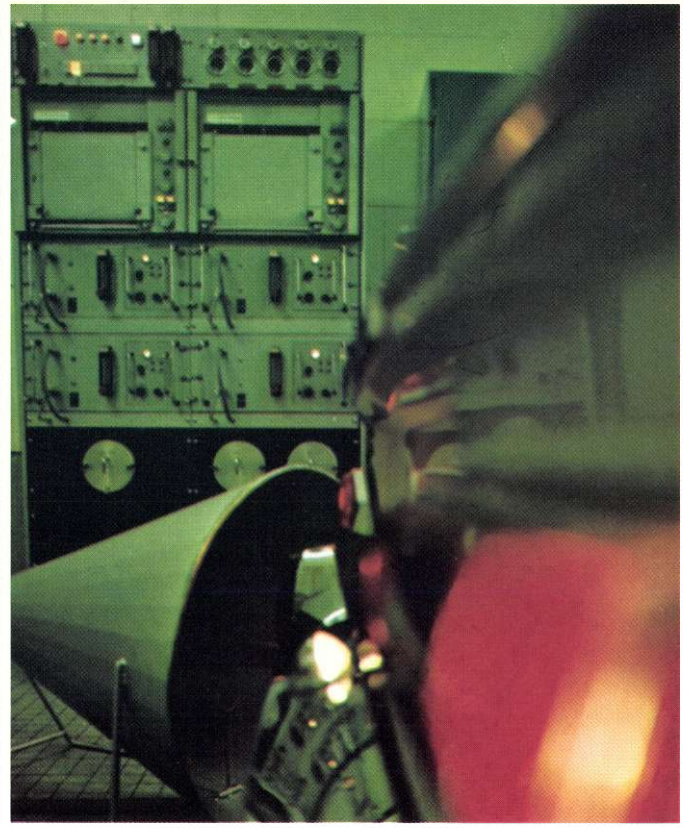
European Marketing Division

Revenues of the European Marketing Division of Schlumberger Electronics and Instrumentation were 23% higher than in 1967.

The sales of Schlumberger electronic products in the principal countries of the Common Market are directed by EMD.

Orders during 1968 improved in all European countries except West Germany where they were at last year's levels.

An important contribution of EMD has been to promote the general acceptance of Schlumberger in Europe as a major factor in the electronics and instrumentation field. Sales of transfer function analyzers, data loggers, and frequency synthesizer instruments have increased as have sales of telemetry and data-processing equipment. Noteworthy results also have been achieved in sales of industrial gages for heavy industry.



Left: Assembly of solid-state strain gage transducer at Société d'Instrumentation Schlumberger.
Right: An SIS automobile exhaust analyzer.

FURNITURE DIVISION

The furniture division had a 23% sales increase over 1967 and profits showed an even greater rise. Daystrom had a very significant improvement in operating results and Virtue was profitable. Both companies exceeded the furniture industry's 10% increase in sales in the United States.

Daystrom Furniture in South Boston, Virginia and Virtue Furniture in Compton, California both manufacture dinette sets. Other products include commercial tables and chairs, and furniture for school and college classrooms and dormitories.

The improvement in manufacturing efficiency and large production runs helped to offset the rising costs of materials and labor at both plants, and profit margins increased.

Daystrom and Virtue have broadened the scope of their market by the introduction of wrought iron furniture, buffets and chests. These additions and new designs using polymer resins such as styrene and urethane, should enable them to continue to exceed average industry growth.

Development is underway at both plants for greater use of plastic materials as well as the processes or methods for producing these materials. Industry sources estimate that by 1975 some form of plastic will be the most widely used material in furniture manufacturing.

During 1968, Daystrom added 60,000 square feet of warehouse space at South Boston, Virginia for storing raw materials and finished goods. Virtue plans to build a similar warehouse facility in 1969.

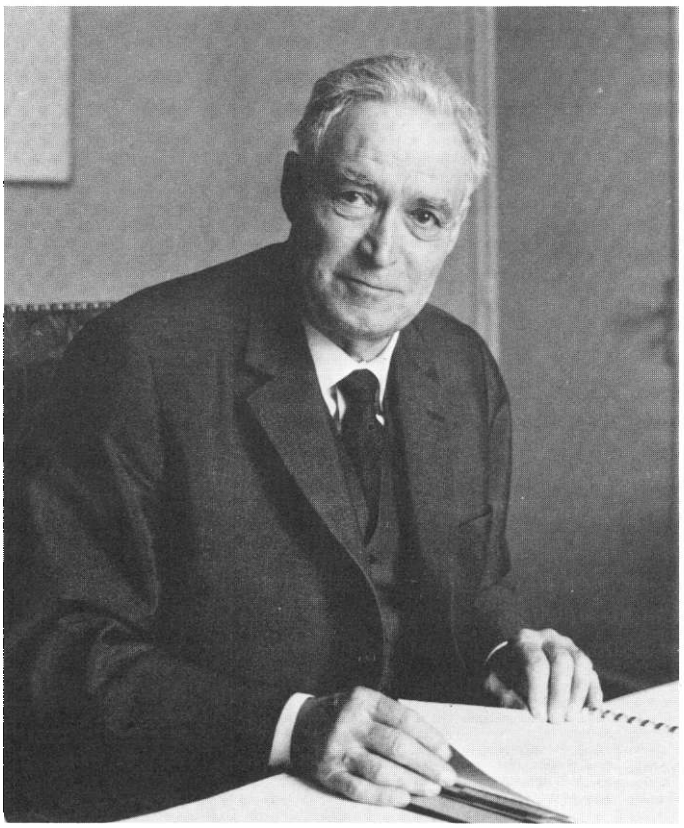
René Seydoux retires from the Board

René Seydoux retires at 65 after 36 years of service with Schlumberger. He was Chairman of the Board of Société de Prospection Electrique Schlumberger and Schlumberger Overseas. Before the war, he was Vice President of Schlumberger Well Surveying Corporation, in Houston.

John de Menil, Chairman of the Board, writes:

"All those who know him like him as a warm human being. He's fascinated by people, fascinated, yet sizing them up.

"He joined Schlumberger in the heroic years. He lived the early days of Schlumberger in Houston. He survived five years of captivity during the war. Then he was the champion of the European contribution to the international mix which is such an important factor of Schlumberger's success."



René Seydoux

Board of Directors

On September 19, 1968, Mr. Leland E. Dake was elected a Director to replace Mr. Enders M. Voorhees, who retired from the Board.

Mr. Voorhees, who was for many years a Director and Chairman of the Finance Committee of U.S. Steel, was elected on February 8, 1954 as a Director of Schlumberger Well Surveying Corporation and has served on the Board of Schlumberger Limited since the inception of the company in 1956. He brought to this Board his wide experience in financial matters and management. His judgment of men and his broad outlook on world problems were invaluable.

Mr. Dake was for ten years a partner of Cresap, McCormick & Paget.

Officers

On February 27, 1969, the Board of Directors elected:

Ame Vennema, Chairman of the Executive Committee.

John E. Rhodes, Executive Vice President in charge of electronics and instrumentation.

Herbert G. Reid, Controller and Chief Financial Officer.

Mr. Vennema joined Schlumberger in 1937 and was elected Executive Vice President in 1962. Mr. Rhodes joined Schlumberger in 1963 as Controller and was elected Vice President-Finance in 1966. Mr. Reid joined Schlumberger in 1968 as Controller. He was formerly Financial Vice President of International Flavors & Fragrances, Inc.

Subsidiaries

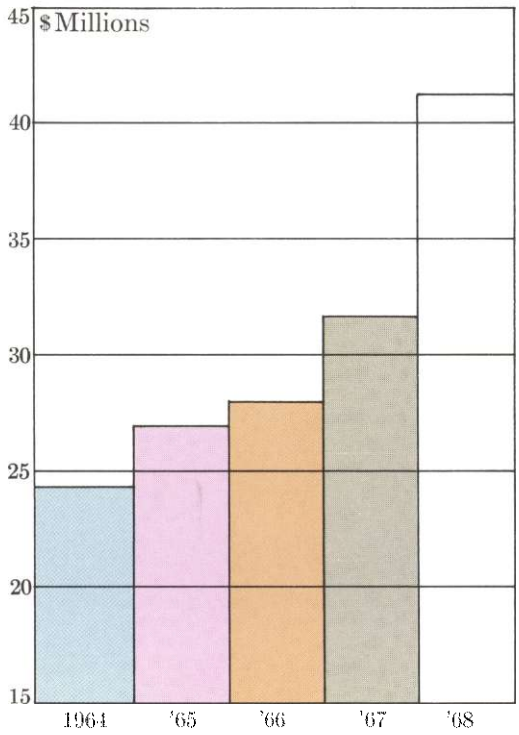
On March 1, 1968, Dr. J. P. Magnin was appointed President of Electro-Mechanical Research, replacing Mr. Gordon Sloughter.

On December 11, 1968, following retirement of Mr. Seydoux, the following appointments were made in our European subsidiaries:

Roland Génin, previously President of Dowell Schlumberger was elected President and Chief Executive Officer of Société de Prospection Electrique Schlumberger and Schlumberger Overseas.

William J. Bowen was elected President of Dowell Schlumberger. He was formerly Vice President Operations of Schlumberger Overseas.

Net Income



Profitability

Net income of $41 million was 30% higher than the previous year. Earnings per share were $5.32 compared to $4.12 in 1967, based upon average number of shares outstanding in each year.

The principal source of earnings growth in 1968 was oilfield services, despite political and economic troubles in many areas of the world where Schlumberger operates. For example, while the Nigerian civil war seriously impaired operations in that country for most of the year, activity in other areas of Africa increased significantly. Record activity was also registered in the Far East and Latin America as well as in the United States and Canada. Continued growth in offshore drilling, together with an increase in activity on land, led to greater demand for wireline and allied services.

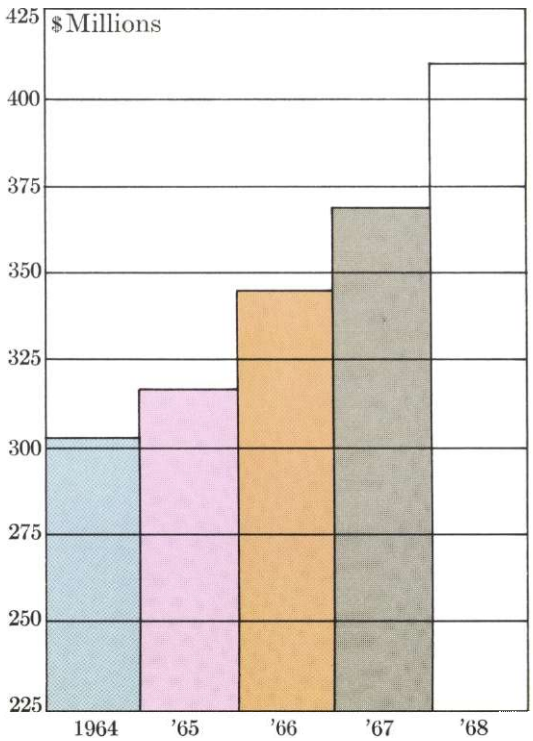
Electronic results were improved over 1967, but were still unsatisfactory overall. Although most of the electronic subsidiaries improved performance over 1967, several were still unprofitable. The civil disturbance in France and the recurring monetary crises had an adverse impact on results of the European companies.

Weston results were better mainly because in 1967 there was a six week strike at the Newark plant; however, operating problems at Wichita division continued to depress earnings.

EMR Telemetry and Photoelectric divisions were both profitable. Computer division revenues increased and losses were reduced despite full absorption of all current costs and conservative accounting for depreciation of leased computers.

Heath Company had another strong year; both revenues and earnings were significantly higher.

Operating Revenues



Revenues

Operating revenues of $409 million were higher than the previous record, increasing 11% over 1967. Each major business category contributed to the improvement as follows:

	Millions		
	1968	1967	Increase
Oilfield Services & Allied Products	$212	$188	13%
Electronic & Instrumentation	170	159	7%
Furniture	27	22	23%
	$409	$369	11%

Wireline service revenues increased 14%. This was more than double the average annual rate of increase of the past several years and is attributable mainly to stepped-up offshore operations, increased land activity (reversing the trend of recent years in the United States), and the introduction of several new services, including extended use of digital computer applications.

Electronic revenues improvement was attributable mainly to significant increases at Heath and the EMR Computer division. Volume was disappointing at Weston, where sales were about equal to the previous year. SIS sales were lower, mainly due to the adverse impact of the civil disruption in France.

Revenues shown as "other income" aggregated $9.5 million, about $1.6 million higher than the previous year. The increase is mainly from improved earnings of 50% owned companies, and better yield from short-term investments. These improvements more than offset the 1967 non-recurring capital gains on sales of securities and real estate.

Taxes on Income

The effective income tax rate was 40% compared to 39% in 1967. The effect of the United States 10% tax surcharge is reflected in the current year; this was substantially offset by the favorable impact of increased business in low tax rate areas.

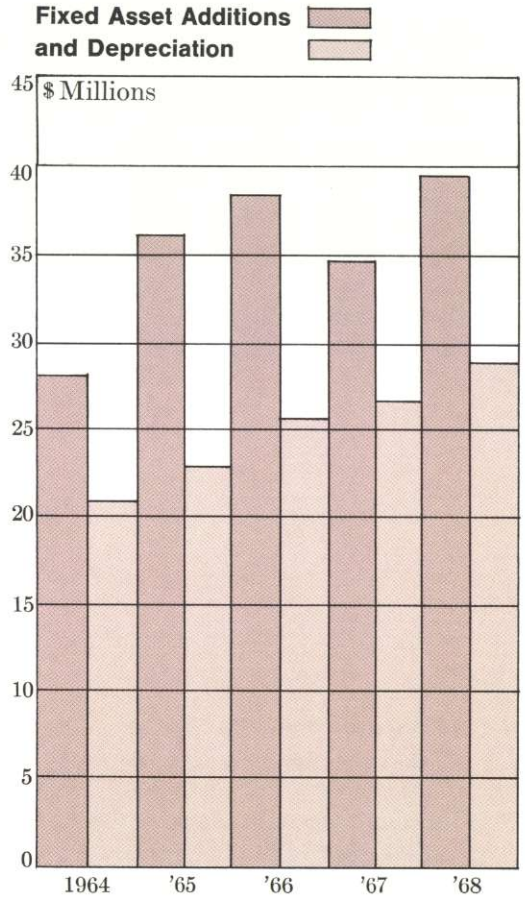
Capital Expenditures

Fixed asset additions in 1968 were $39 million compared with $35 million in 1967. In 1968, $28 million was for oilfield plant and equipment and $11 million for manufacturing plant and equipment. Depreciation expense in 1968 was $29 million compared to $27 million in 1967.

Dividends and Capital Stock

In April 1968 the quarterly dividend payment was increased 25% to an annual rate of $1.50 per share.

During the year 50,000 shares of treasury stock were purchased and 88,062 were sold to employees under stock option plans. At year end, 267,256 shares remained in the Treasury. Additional purchases of treasury shares have been made in 1969 and may continue at the company's discretion.



Schlumberger Limited

(Schlumberger N.V., Incorporated in the Netherlands Antilles)
AND SUBSIDIARY COMPANIES

Consolidated Statement of Income

	Year Ended December 31 1968	1967
	(Stated in thousands)	
Revenues		
Sales and services	$409,085	$369,222
Other income	9,535	7,945
	418,620	377,167
Expenses		
Cost of goods sold and services	267,586	245,741*
Research and engineering	20,434	20,594*
Marketing	24,254	22,937
General	37,966	35,854
Taxes on income	27,335	20,503
	377,575	345,629
Net Income	$ 41,045	$ 31,538
Net Income Per Share	$5.32	$4.12

*Restated for comparative purposes

Consolidated Statement of Stockholders' Equity

	Common stock 1968	1967	Income retained for use in the business 1968	1967
	(Stated in thousands)		(Stated in thousands)	
Balance at Beginning of Year	$55,803	$49,850	$237,769	$216,902
Cost of shares (1968—50,000; 1967—30,400) reacquired	(373)	(204)	(4,766)	(1,471)
Proceeds from sale of shares (1968—88,062; 1967—31,575) to optionees	3,427	1,197		
Exchanged 97,929 shares for shares of Forex and business of Plastic Applicators		4,960		
Net income			41,045	31,538
Dividends declared (1968—$1.50 per share; 1967—$1.20)			(11,589)	(9,200)
Balance at End of Year	$58,857	$55,803	$262,459	$237,769

See notes to financial statements

Schlumberger Limited

(Schlumberger N.V., Incorporated in the Netherlands Antilles)
AND SUBSIDIARY COMPANIES

Consolidated Balance Sheet

ASSETS	December 31 1968	December 31 1967
	(Stated in thousands)	
Current Assets		
Cash	$ 12,540	$ 11,791
Short-term investments, at cost (approximately market)	94,212	62,879
Receivables, less allowance for doubtful accounts (1968—$1,890; 1967—$1,701)	86,713	80,755
Inventories, at cost or less	84,113	77,166
Other current assets	3,145	3,269
	280,723	235,860
Investments and Long-Term Receivables	19,035	17,182
Fixed Assets, at cost less accumulated depreciation	126,442	120,015
Intangible Assets, less amortization	7,590	10,179
Other Assets	2,731	1,581
	$436,521	$384,817
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	$ 45,984	$ 42,948
Estimated liability for taxes on income	22,703	15,869
Bank loans	25,557	9,086
Dividend payable	2,902	2,309
	97,146	70,212
Other Liabilities	11,219	14,570
Minority Interest in Subsidiaries	6,840	6,463
	115,205	91,245
Stockholders' Equity		
Common stock outstanding (1968—7,733,124 shares; 1967—7,695,062 shares)	58,857	55,803
Income retained for use in the business	262,459	237,769
	321,316	293,572
	$436,521	$384,817

See notes to financial statements

Schlumberger Limited

(Schlumberger N.V., Incorporated in the Netherlands Antilles)
AND SUBSIDIARY COMPANIES

Consolidated Statement of Source and Application of Working Capital

	Year Ended December 31 1968	1967
	(Stated in thousands)	
Source		
Net income	$41,045	$31,538
Depreciation	29,130	26,786
Amortization of intangibles	2,595	2,465
	72,770	60,789
Application		
Additions to fixed assets, less retirements	35,557	30,675
Business acquisitions and investments	1,853	3,711
Treasury stock (purchases less sales to optionees)	1,712	478
Dividends declared	11,589	9,200
All other, net	4,130	(775)
	54,841	43,289
Net Increase in Working Capital	$17,929	$17,500

See notes to financial statements

NOTES TO FINANCIAL STATEMENTS

Principles of Consolidation

The consolidated financial statements include all majority-owned subsidiaries. Minority interest of $0.6 million in 1968 net income ($0.8 million in 1967) of less than wholly-owned consolidated subsidiaries is included in general expenses. All items recorded in currencies other than United States dollars are translated at current exchange rates except for fixed assets, investments and inventories which are translated at historical rates.

Approximately 55% of revenues in 1968 and about 60% of net assets at December 31, 1968 were in the United States.

Taxes on Income

Since dividends of subsidiaries are generally paid to the parent company out of current earnings, no provision is deemed necessary for income taxes which would be payable if any portion of the retained income of subsidiaries were to be remitted.

Operating loss carryforwards available to certain foreign subsidiaries as deductions from their future income, if earned, amounted to $15.1 million at December 31, 1968. Of this amount, $1.5 million expires in 1970, $4.0 million in 1971 and $3.1 million in 1973. Substantially all of the remainder can be carried forward until used.

Estimated liability for taxes on income includes approximately $10 million at December 31, 1968 for possible additional assessments, compared with approximately $7 million at December 31, 1967.

Stock Options

Transactions under the stock option plans during 1968 were as follows:

	Number of shares	
	Under Option	Available for Option
At January 1, 1968	226,837	44,375
Five year options granted at $110 to $135 per share (100% of market value)	45,800	(45,800)
Options exercised at $27 to $58 per share	(88,062)	
Options cancelled or terminated	(2,287)	2,287
At December 31, 1968	182,288	862

The 182,288 shares under option at December 31, 1968 were held by 86 officers and key employees at option prices ranging from $40 to $135; options for 102,599 shares were exercisable at that date. The exercise of all options granted would have no material effect on the calculation of net income per share.

Common Stock

Common stock is carried at the stated value of issued shares increased by proceeds from sales of treasury shares and reduced pro-rata for shares reacquired. Any excess of cost of reacquired shares over the pro-rata amount is treated as a reduction of income retained for use in the business. At December 31, 1968 and 1967, there were 20,000,000 authorized shares of U.S. $1 par value each. At these dates there were 8,000,380 issued shares of which 267,256 and 305,318 shares, respectively, were held in Treasury.

Fixed Assets

A summary of fixed assets follows:

	(Stated in millions) December 31	
	1968	1967
Land	$ 7.4	$ 7.0
Buildings & Improvements	67.0	65.3
Machinery & Equipment	224.4	203.3
Total Cost	298.8	275.6
Less Accumulated Depreciation	172.4	155.6
	$126.4	$120.0

Depreciation of fixed assets is recorded by declining balance or straight-line methods over the estimated useful lives of the assets.

Supplementary Information

Short-term investments are collectible mainly in United States dollars.

Interest income was $5.2 million in 1968 and $3.6 million in 1967. Interest expense in 1968 was $1.9 million and $1.4 million in 1967.

Inventories are stated primarily at moving average or standard cost, less allowance for obsolescence. At December 31, 1968, they comprise $23.7 million

of operating materials and supplies for oilfield services and $60.4 million applicable to manufacture of electronic equipment and other products.

Investments include $14.4 million representing investments in 50%-owned companies which are carried at Schlumberger's share of net assets; 50% of the earnings of these companies are included in "other income". Other investments are stated at cost.

Intangible assets represent largely the excess of investments in consolidated subsidiaries over related tangible assets. Intangibles related to investments prior to 1966 are being amortized in the main over ten-year periods. On subsequent investments, intangibles are not amortized unless and until such time as the value is deemed to have diminished.

The company and its subsidiaries have several pension and other deferred benefit plans covering substantially all officers and employees, including those in foreign countries. Total expense of such plans in 1968 was $6.9 million and in 1967 $6.7 million. Pension plans are fully funded with trustees in respect of past as well as current services.

Opinion of Independent Accountants

Price Waterhouse & Co.
60 Broad Street
New York 10004
February 14, 1969

To the Board of Directors and Stockholders
of Schlumberger Limited:

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income and stockholders' equity and the consolidated statement of source and application of working capital present fairly the financial position of Schlumberger Limited and its subsidiaries at December 31, 1968, the results of their operations and the supplementary information on source and application of working capital for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse & Co.

Schlumberger Limited

(Schlumberger N.V., Incorporated in the Netherlands Antilles)
AND SUBSIDIARY COMPANIES

Five-Year Financial Summary

	1968	1967	1966	1965	1964
For the Year—	(Stated in millions)				
Sales and services	$409.1	$369.2	$343.1	$318.1	$302.4
Research and engineering [1]	20.4	20.6	18.1	16.7	14.3
Taxes on income	27.3	20.5	21.2	20.6	20.3
Net income	41.0	31.5	28.1	27.1	24.6
Cash flow	72.7	60.8	55.5	51.9	47.7
Plant and equipment additions	39.2	34.8	38.5	36.1	27.7
Depreciation of fixed assets	29.1	26.8	25.4	22.7	21.1
Amortization of intangible assets	2.6	2.5	2.0	2.1	2.0
At December 31—					
Cash and short-term investments	106.8	74.7	76.2	88.1	87.2
Inventories	84.1	77.2	74.5	61.7	53.3
Working capital	183.6	165.6	148.1	143.4	138.3
Current ratio	2.9	3.4	2.9	2.9	3.0
Plant and equipment—					
Gross book value	298.8	275.6	258.1	235.4	208.8
Accumulated depreciation	172.4	155.6	144.2	131.6	120.4
Net book value	126.4	120.0	113.9	103.8	88.4
Stockholders' equity	321.3	293.6	266.8	252.6	234.3
Average shares outstanding (thousands)*	7,719	7,657	7,652	7,715	7,852
Net income per share*	$5.32	$4.12	$3.68	$3.51	$3.13
Dividends paid per share*	$1.43	$1.20	$1.17	$1.00	$0.73

(1) 1964-1967 Restated for comparative purposes

*Adjusted for three-for-two stock split in March, 1966

Credits

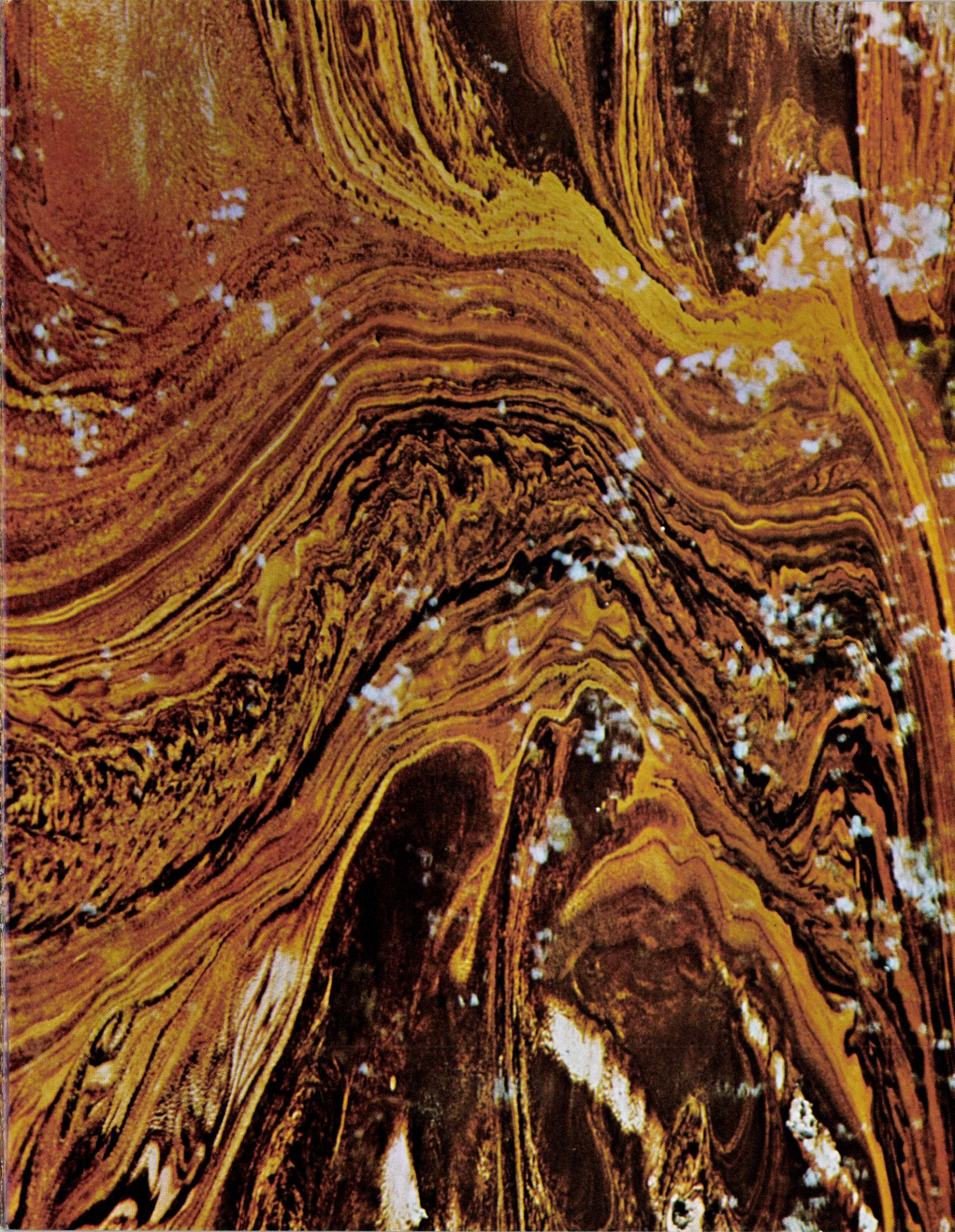
PHOTOS:
Sol Mednick:
pages 12, 13,
16, 18, 20, 22, 26,
27, 28

André Martin:
Cover, and 6, 9, 14,
15, 19, 23, 32, 33, 35

Bruce McAllister: 8

Ed Stewart: 10

DESIGN:
Push Pin Studios



Schlumberger 277 Park Avenue, New York, N.Y. 10017