



1969

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*Cover: Thermal
 decay tool (TDT)
 being lowered into
 a production well.*

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In Brief

	1969	1968	1967
Revenues	\$434,503,000	\$418,620,000	\$377,167,000
Net Income	46,274,000	41,045,000	31,538,000
Per share*			
Net Income	\$ 4.00	\$ 3.55	\$ 2.75
Dividends Paid	1.28	0.95	0.80

*Adjusted for three-for-two stock split in May, 1969

During 1968 and the first half of 1969 the oil industry throughout the world showed vigor and health. The outlook in the U.S. oil industry changed in the summer of 1969. Discussions in the Congress on the depletion allowance; threats to the oil price structure resulting from a possible change in the import policy; fear of an extension of the Middle East crisis; the campaign on pollution—all these factors together were reflected in a pronounced decline of oil securities on the New York Stock Exchange.

The vulnerabilities of the U.S. oil industry have been overemphasized, we believe. Basic economics are and will remain the determining factor. Demand for oil products in the world will double before this decade is over. Realistic action against pollution will result very likely in a greater consumption of oil products should, for instance, lead additive be banned from gasoline.

The price of crude oil in the U.S. remained firm throughout the year and shows no sign of softness. Allowables in Texas vaulted to 68%—the highest in 17 years. Allowable restrictions on production have lost much of their impact as many oil fields in America are being produced at the most efficient level and their flow cannot be further increased. Reserves of oil and gas in the U.S. have decreased in the past two years. At the end of 1969, excluding Alaska, reserves of oil in the U.S. were down to about ten years of consumption, the lowest figure since the war; the ratio of gas reserves to annual consumption has declined to half of what it was ten years ago. The oil industry will have to find more gas and more oil in the United States in the next ten years than in the last decade.

With the present uncertainties in the U.S. oil industry we forecast a 4% increase in U.S. wireline logging service revenues in 1970, probably occurring in the second half of the year. Eastern Hemisphere revenues will grow at the same rate as in recent years, namely 15%; this is not only the fastest growing but also the most profitable area. In 1969 net profit from the Eastern Hemisphere was greater than U.S. profit on wireline business.

In January 1970 service prices were increased to offset higher operating costs; our drive to reduce expenses and cut costs will show its full impact in the second half of 1970.

In December Schlumberger announced a plan to acquire Compagnie des Compteurs. The products and business of Compteurs and the features of Schlumberger convertible debentures offered to Compteurs stockholders are described in this report.

The proposed acquisition of Compteurs is in line with our basic strategy for the growth of Schlumberger.

We believe in the future of the oil business—more so today than 5 years ago. We believe that we will remain the most technically oriented and the most profitable oil field service company.

Schlumberger business has been and is *measurement*: oil well logging is the measurement of physical parameters indispensable for oil exploration. An EMR telemetry system or a photomultiplier tube, a Solartron digital voltmeter, an SIS industrial control instrument are also part of the measurement technology and industry.

Compteurs has been and is basically in the technique of measurement.

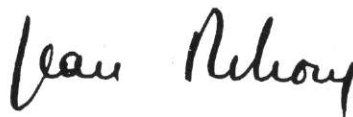
It has a dominant position in Western Europe in the field of counters and meters for public utilities. It is a profitable and growing business.

Combining Compteurs activities in the instrumentation, regulation and process control fields with Schlumberger's own endeavors, (Solartron in the U.K., SIS in France, SOMV in Germany) will double our size and enable us to penetrate the Western Europe market more effectively. With the technical assistance of Schlumberger subsidiaries in the U.S., these activities should expand rapidly on a profitable basis.

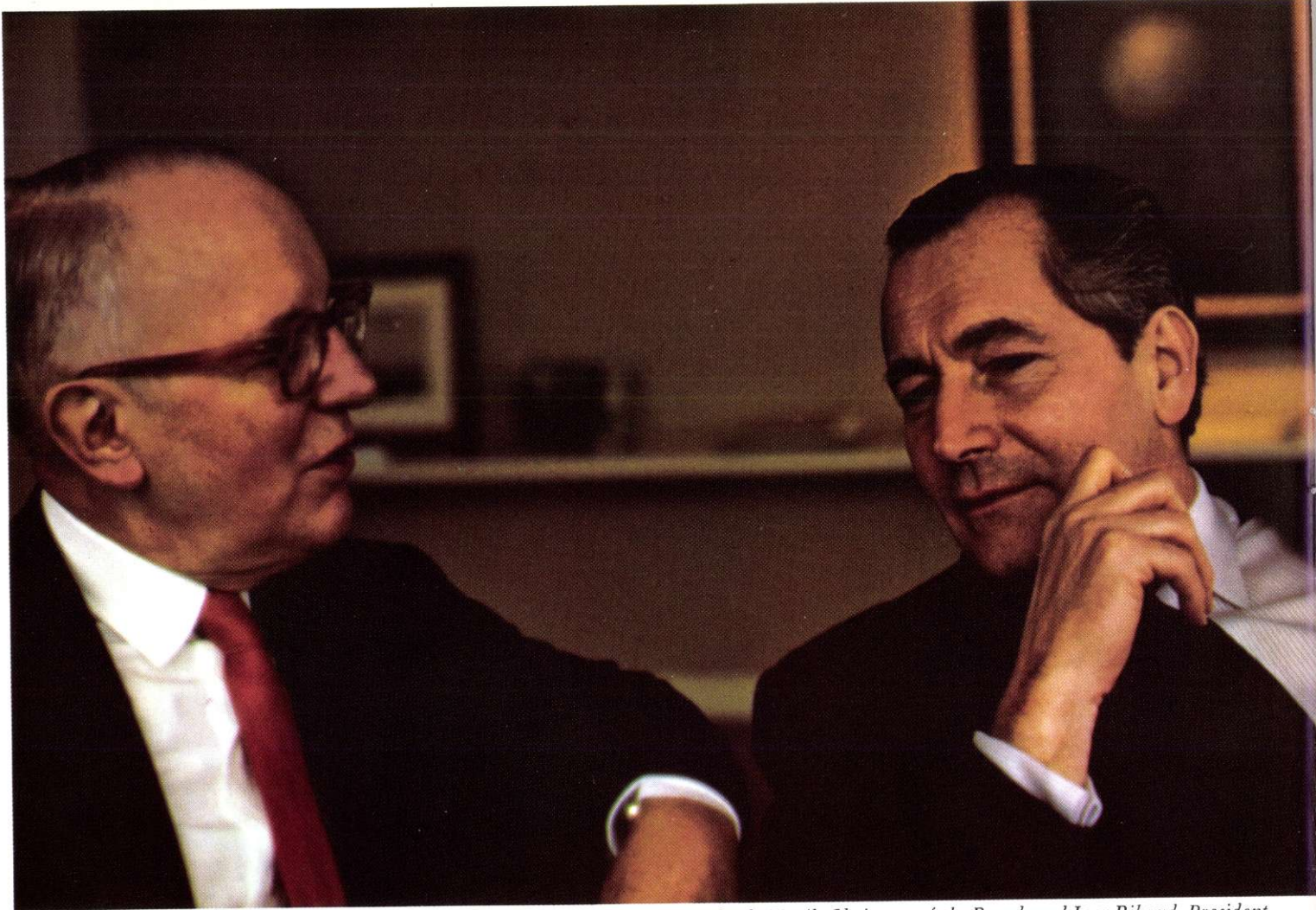
If all Compteurs stockholders were to accept the offer and were to convert the debentures, they would receive 940,000 Schlumberger shares or 8% of outstanding shares. We plan to use Treasury shares now on hand and subsequently purchased to satisfy the conversion.

It is our judgment that the acquisition of Compteurs will not dilute earnings per share in 1970 and will make an important contribution to the future of Schlumberger.

March 4, 1970



Jean Riboud, President



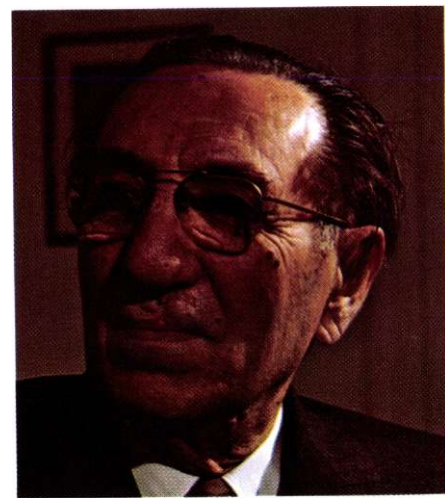
John de Menil, Chairman of the Board, and Jean Riboud, President.

John de Menil retires after 31 years.

“I am forever grateful to Schlumberger for the challenge and the friendship. All those with whom I worked I enjoyed knowing as human beings.

“The going was rough at times, but the game was worth the candle.”

John de Menil

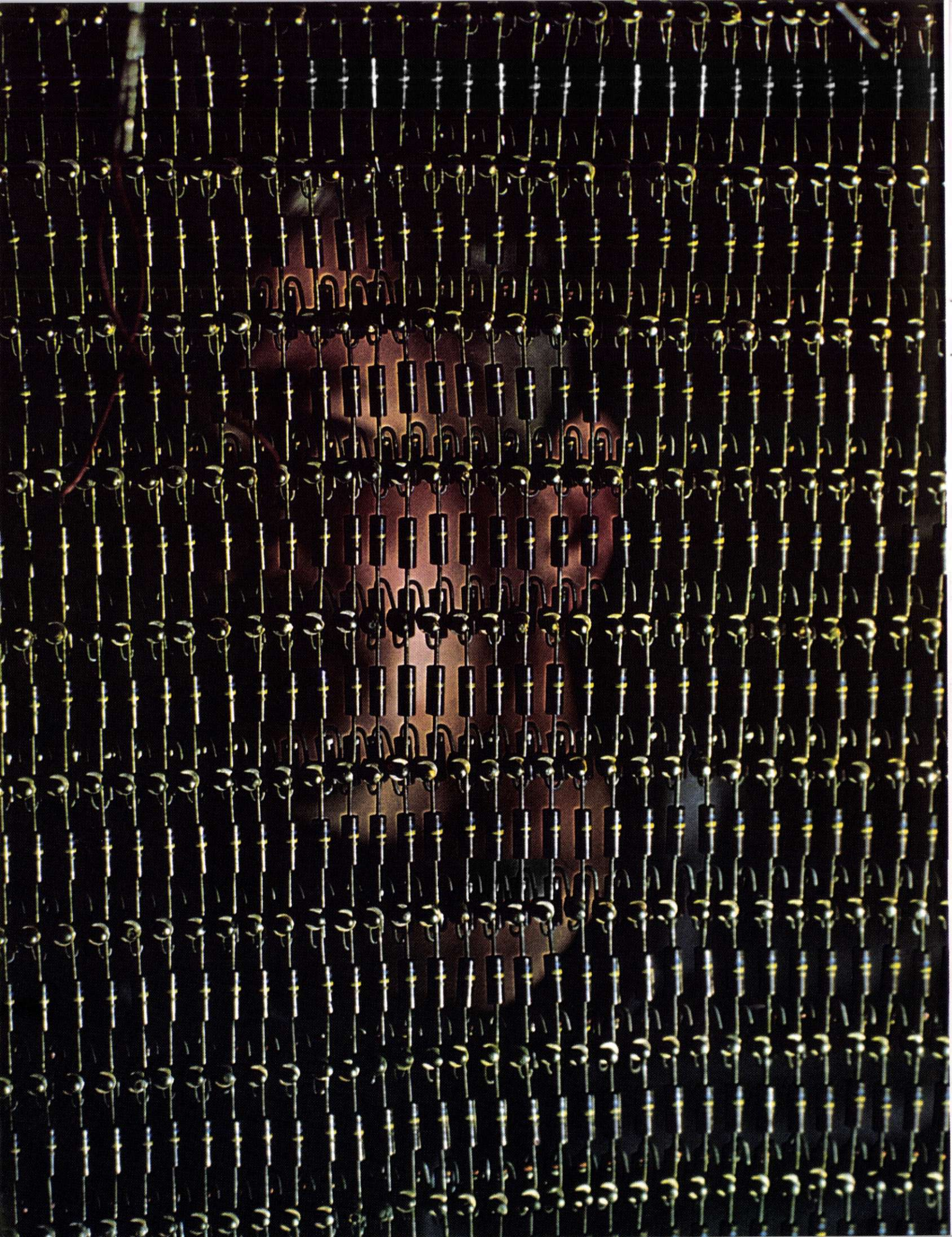


Founder and President of Forex, Amédée Maratier retires from the Board. He spent all his life in the oil industry.

OPERATIONS



A report
of significant
activities of our
companies in
the past year



Oil Field Services

Schlumberger oil field companies offer 79 technical services primarily related to the measurement of physical properties of underground formations. The company also supplies products to the oil industry. Field operations are being conducted in 68 countries.

Wireline Services

Schlumberger Well Services

Houston, Texas
M. E. Loy, President

Schlumberger of Canada

Calgary, Canada
W. H. Hartsell, General Manager

Schlumberger Sureenco

Caracas, Venezuela
L. E. Magne, President

Société de Prospection Electrique Schlumberger

Paris, France
R. Génin, President

Schlumberger Overseas

London, England
R. Génin, President



Hyperjet shaped charges for perforating.

These companies perform oil well logging, well completion and production logging services for the oil industry.

North American operations continued upward with revenues increasing 9% . . . major factors contributing to gains were the steady increase in demand for oil and gas . . . well completions increased for the first time in ten years . . . footage drilled increased 5% over 1968, the first increase in five years.

Substantial improvement in sales, more than 20%, were recorded by the Dual Induction Log, High Resolution Dipmeter, Formation Density, Sidewall Neutron, Cement Bond Logging, Production Logging, Plugs and Packers.

South American operations were level . . . sales of Dipmeter, Formation Density, Neutron, and Production Logging services increased . . . declines in some countries were offset by increases in others . . . Venezuelan activity was slowed by a delay in granting new drilling contracts.

Eastern Hemisphere operations grew . . . wireline service revenues increased 15% . . . there were significant oil discoveries in Indonesia . . . substantial growth of operations mainly offshore, and in Algeria, Iran, Egypt, Italy, and Libya.



Convoy of logging trucks for Canada.

Several new tools showed substantial growth possibilities worldwide particularly:

Thermal Decay Time Log for locating oil through casing in workover wells . . . Thru-Tubing Bridge Plug for setting cement plugs in wells without pulling tubing or requiring a workover rig . . . new Production Combination Tool for complete evaluation of producing wells on one trip in the hole . . . Dual Laterolog for operations in highly resistive formation . . . Borehole Televier for picturing the borehole face . . . Log interpretation by computer gained in North America and Eastern Hemisphere . . . in addition to the two computer centers in Houston and Ridgefield, Connecticut, a new computer center was opened in New Orleans late in the year . . . Schlumberger signed an agreement with the AEC to use californium-252, a new neutron-emitting isotope for logging research.



Experimental nuclear sonde.

Johnston

Houston, Texas
A. Morazzani, President

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

Johnston had a good year, revenues were up 13% . . . service sales from formation testing were level, but substantial increases were recorded by well completion tools, fishing jars, and export sales.

Johnston introduced a new bridge plug and cement retainer . . . drill-stem test evaluation by computer was provided as a new service . . . A new drilling jar, the Earthquaker, was field tested . . . 84% of Johnston's revenues are derived from tools and services developed during the last seven years.

Vector Cable

Houston, Texas
G. M. Rentoumis, President

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

Vector Cable revenues were higher . . . sales of land geophysical and logging cables offset a decline in marine cable sales.

Vector received large orders for electric logging cable from Petroleos Mexicanos, and the largest single order ever recorded for land geophysical cable for North Slope crews . . . a successful underwater color TV picture was transmitted over 20,000 feet of Vector oceanographic cable . . . Vector cables were used in Aleutian underground atomic tests.

Plastic Applicators

Houston, Texas
C. L. Garner, President

Anticorrosion plastic coatings for oil field tubular goods and for industrial equipment used in the electrical, chemical and process industries; nondestructive testing of pipe for oil, chemical and mining industries.

Plastic Applicators' revenues rose 14% . . . sales of oil field coatings increased, as did revenues from Korkap coated electrical fittings.*

Plastic Applicators put into service new type Scanalog units for inspecting tubing and sucker rods . . . field testing was started on a process to log continuously pipe-wall thickness measurement using a gamma-ray source.

*registered trademark



Scanalog truck for inspecting tubing.

Forex

Paris, France
A. Maratier, President
(Subsidiary, 71% owned)

The largest European drilling company with 27 large rigs and a number of small rigs. Owns 50% interest in Neptune—an offshore drilling company.

Forex revenues gained . . . strong Libyan activity, offshore drilling in Adriatic and Persian Gulf were positive factors in these gains.

Forex completed the Lutèce swamp barge scheduled for drilling in Nigerian waters . . . Neptune VII a huge semisubmersible pentagonal drilling platform started operations in the Bay of Biscay in July.



Neptune VII drilling in the Bay of Biscay.

Dowell Schlumberger

London, England
W. J. Bowen, President
(Associated company, 50% owned)

Cementing, acidizing, fracturing, formation testing and related oil well services.

Dowell Schlumberger revenues were up 34% . . . successful Middle East and Far East expansion, a high level of activity in the Persian Gulf and Libya, initial operations in Indonesia were major factors. Dowell Schlumberger purchased Venezuelan Oil Tools, a "fishing-tool" service company specializing in recovery of drilling gear and instruments lost or stuck in drill hole . . . a work boat was equipped with turbines for well-stimulation operations in the Persian Gulf . . . a specially equipped barge for well fracturing and stimulation is scheduled for Lake Maracaibo.

Electronics and Instrumentation

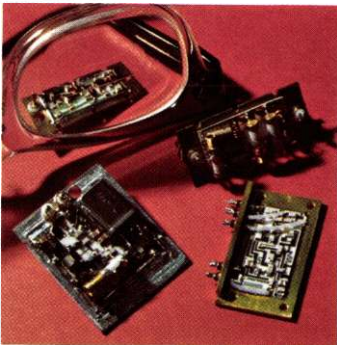
Schlumberger electronic companies produce and sell high-precision instruments, signal and measurement systems, and electronic components for consumer, industrial, educational and governmental applications worldwide.

EMR

Princeton, New Jersey
J. P. Magnin, President

Scientific digital computers, data acquisition and telemetry, light-sensitive tubes, dynamic analysis instrumentation, satellite integration, laboratory standard calibrators.

EMR growth was due to a 40% increase in scientific computer shipments . . . other EMR divisions equalled sales volume of the previous year despite large contract cancellations resulting from tightening Government funds. Net income improvement came mainly from higher computer shipments, and reduced losses at Hatboro, Pennsylvania; in this location the unprofitable hydraulic operation was terminated, retaining the profitable dynamic analysis instrument business. EMR announced industry's fastest small computer, the 6135, also the company's first minicomputer, the 6120, compatible with 6130/6135 systems . . . a contract was received for integration, test and launch of three Interplanetary Monitoring Platform (IMP) spacecraft . . .



Micromodular components of new UHF transmitter.

contracts were awarded to EMR also for a computer-controlled flight-test system for the Lockheed L-1011 Tri Star jet, a computer system for particle research for the European Nuclear Research Center, a data acquisition computer system for Sandia Laboratories, a seismic computer system for Gulf Oil (Canada), and a solar magnetograph for the Office of Naval Research . . . a dozen new telemetry products for data coding, transmitting and decoding were marketed . . . a new image dissector for space observation was introduced . . . A commendation was received for outstanding performance during the successful launch of the Explorer 41 spacecraft . . . the company also was cited for their contribution of transmitters in the Saturn booster, and many ground data-processing instruments, in the success of Apollo missions . . . research was pursued on microchannel light amplifiers, and microelectronics at ultra-high frequencies. . . delivered computer system to process weather satellite data.

Weston Instruments

Newark, New Jersey
R. A. Swanson, President

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

Weston Instruments results in 1969 were disappointing and showed a loss . . . shipments were lower at Newark due mainly to manufacturing deficiencies . . . the unprofitable Wichita business was sold, and losses at Lexington were reduced substantially. Weston Instruments introduced the model 1240 digital multimeter, which has wide applications in electronic testing . . . two new instruments were added to the digital panel meter line . . . NASA awarded commemorative medallions to employees contributing to Apollo 8, man's first flight circling the moon; further recognition was accorded for the Apollo moon landing missions; 65 Weston meters on Apollo displayed various spacecraft functions . . . Weston supplies 55 instruments for Boeing's 747 aircraft, 23 for McDonnell Douglas' DC-10, 14 for Lockheed's L-1011 air-bus.



Model 1240 digital multimeter.

Weston Components

Archbald, Pennsylvania
H. J. Warnken, President

Precision potentiometers, filters, industrial x-ray thickness gages; miniature servo motors, synchros, resolvers; electronic and mechanical contract work.

Weston Components remained profitable in spite of lower revenues from subcontract work . . . year-end order rate improved the backlog.

Weston Components initiated a new product program to expand their potentiometer line and develop additional products for industrial and commercial markets . . . a new laboratory was built to develop cermet, and thin-film elements for potentiometers, and related components . . . automation and product improvements were stressed to reduce cost and meet price competition . . . significant orders of x-ray gages were received from the aluminum industry for use in rolling mills for production as diverse as ultra-wide aircraft skin sections and "pop-top" cans . . . servo elements developed for a helicopter navigation computer are undergoing flight tests . . . cutbacks in defense programs including the F-111 caused a decline in servo business revenues . . . a contract was received for development of a Calorimetric Calibration Instrument to maximize efficiency in the control of a nuclear power reactor . . . plants in Poughkeepsie, New York and Van Nuys, California were closed; both operations were moved to Archbald.

Heath

Benton Harbor, Michigan
D. W. Nurse, President

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

Heath business was up 8% over the previous year to a new high . . . orders and shipments at Heath showed the expected increase for the first three-quarters of the year . . . a definite slowdown in orders was noticeable in October and November . . . a pickup occurred in December which continued through January.

Heath opened four retail stores bringing the total to 25, 17 in the U.S.; ten more are planned for 1970 . . . a retail store "quick service" section was started offering over-the-counter customer service diagnosis . . . a high fidelity receiver, AR-29, was introduced; it is the first kit in modular form offering easy construction, electrical check-out at each stage . . . other new products introduced included: atomic absorption spectrophotometer, color TV's with automatic fine tuning, metal locator, AD-19 console stereo unit . . . 21 acres adjacent to the plant were purchased for future expansion.



New AR-29 AM-FM stereo receiver.

Solartron

Farnborough, England
E. R. Ponsford, Chairman

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

Solartron revenues were lower . . . increased export sales partially offset declining U.K. business . . . reorganization, personnel cutbacks, improved operating margins in late 1969 . . . orders were significantly up at year end. Solartron dynamic analysis equipment was chosen for Concorde supersonic transport tests . . . an automatic dynamic analysis system was introduced for automobile design . . . a high-performance digital voltmeter, LM 1604, was marketed maintaining Solartron's position as the European leader in digital voltmeters . . . a data transfer unit (DTU) was added to the data logger group . . . the Royal Navy ordered a large number of digital voltmeters . . . large orders were received from the Royal Air Force for a radar simulator, from North Africa for video maps, from Scandinavia for a data processing/computer system.



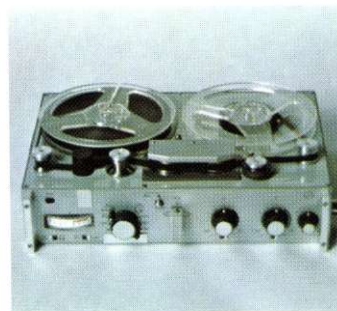
New data-transfer unit, and digital voltmeter.

Société d'Instrumentation

Schlumberger
Paris, France
M. Gouilloud, President

Digital instruments, instrumentation tape recorders, transducers, potentiometers, professional audio equipment, panel meters, temperature regulators, gas analyzers.

Société d'Instrumentation Schlumberger (SIS) improved profitability and reduced losses . . . SIS has three divisions: Low Frequency Audio, Industrial Control, and Electronic Instrumentation . . . all operations of the latter division were consolidated at year end in the \$5 million facility erected at Villacoublay near Paris . . . this major move will improve efficiency, therefore profitability, of SIS' main division starting in 1970. The Low Frequency Audio division was profitable . . . its market position was strengthened by the introduction of a new portable tape recorder, and a large contract from Iran for radio-television station equipment . . . the Industrial Control and Electronic Instrumentation divisions introduced new instruments: electromagnetic flowmeters, pressure transducers for process control applications, infrared gas analyzers, in-flight data recorders and flight crash recorders.



Professional portable audio tape recorder.

Furniture

Dinette sets and other household, commercial and industrial furniture.

Daystrom-Virtue

South Boston, Virginia
F. A. Piechota, President

Furniture company revenues were ahead of 1968 . . . Consumer acceptance of Daystrom dining furniture remained strong. New developments in plastic processes were pioneered . . . a plant expansion in South Boston is underway . . . a permanent showroom was opened in Atlanta for the southeastern U.S. market, bringing to six the number of showrooms in major cities . . . Virtue eliminated low-margin items . . . a new line of contemporary dinettes and modern chairs was introduced . . . a commercial line of library furniture also was marketed . . . Daystrom and Virtue were incorporated as a single company at year end.

FEATURES



A pictorial
presentation of
some facets
of our work and
our products

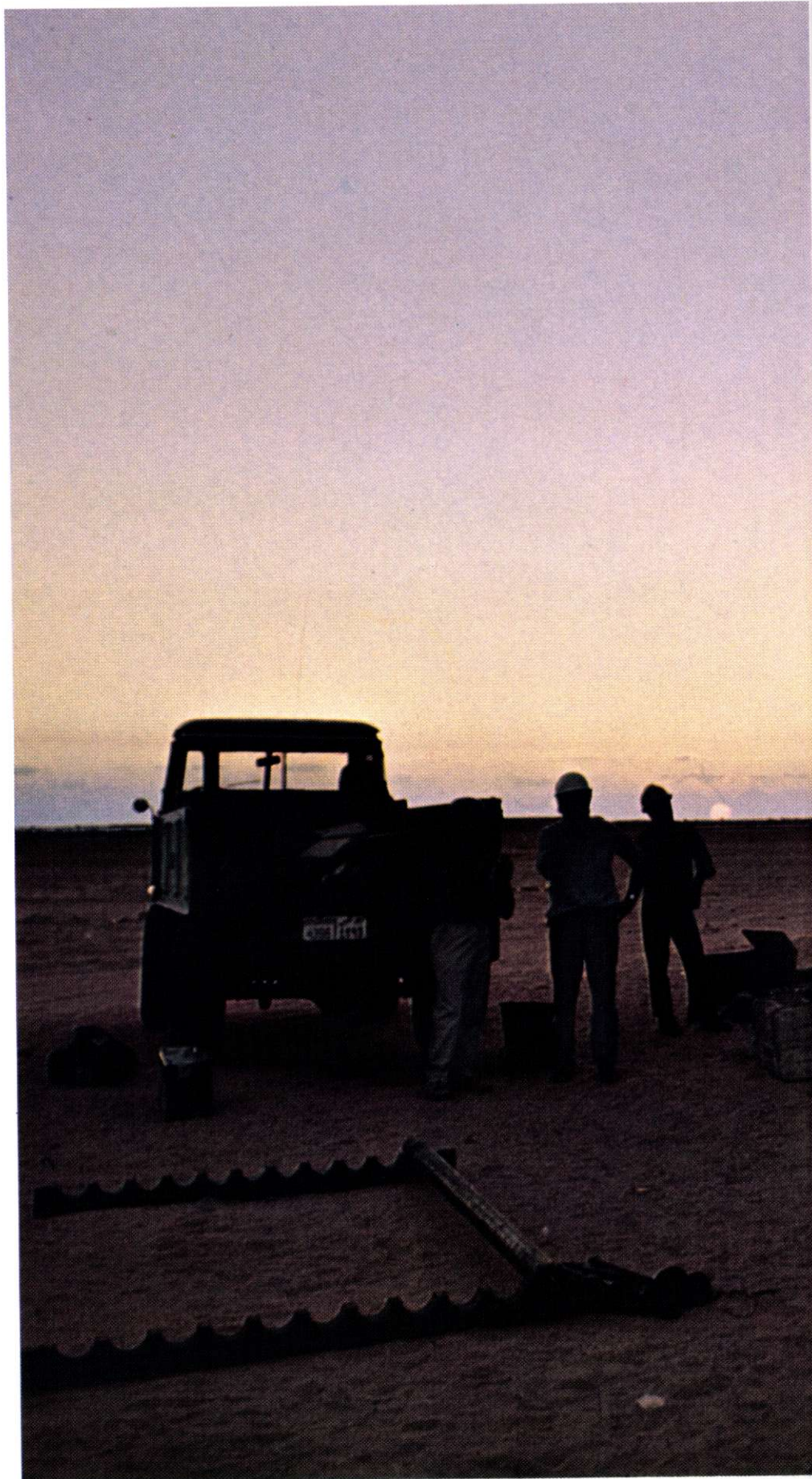
Life of the
field engineer

Two Schlumberger engineers, George Dorman and Jean-François Aubert, are exploring for oil, one on Alaska's North Slope, the other on the coast of the Persian Gulf, in Dubai. George, 33, is American; Jean-François, 26, is French. Their careers have followed different courses. George's assignments have always kept him in the United States; Jean-François, before going to Dubai, had his first job in Holland, then went to Kuwait and Iran.

They belong to a large team of some 1,200 field engineers who serve the oil industry on the spot in 68 countries. George often works outside in wind-chill equivalents of 80°-100° below zero on the North Slope, while Jean-François at the same time of the year in Dubai finds shirt sleeves comfortable at 80°-90° above zero. They could as well be in Norway or Ecuador, in Canada or Indonesia. No matter where the oil rig is, in the tundra, in the desert, or offshore miles away from land, the problems vary, but the job is the same.

What is the job? Some compare it to the work of a radiologist who can take pictures of the invisible;

"A job starting in the middle of the night, that's quite frequent," says Jean-François Aubert.

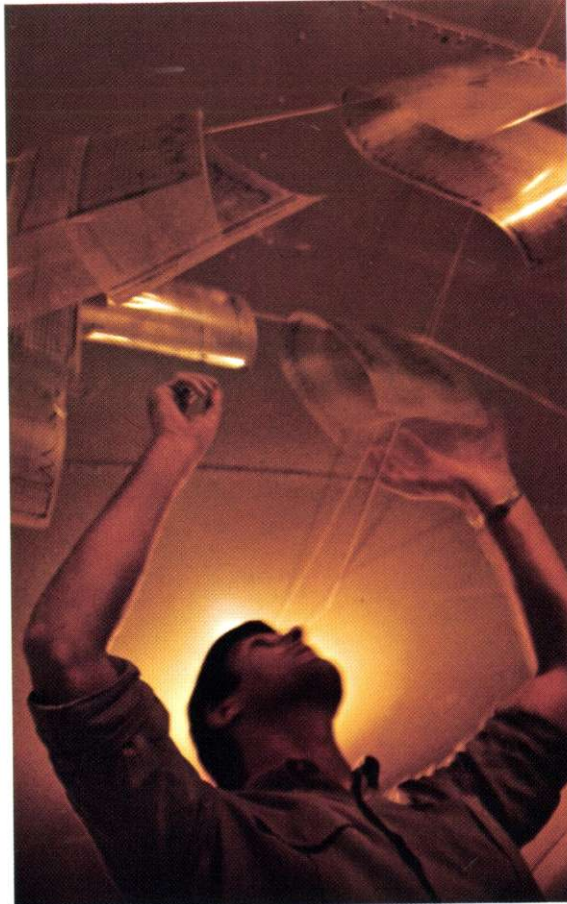


LIFE IN THE FIELD: PERSIAN GULF



Right:
Jean-François Aubert
checks film following
a logging run.

Below:
Jean-François Aubert
meets the oil
company's engineer
on a platform in
the Persian Gulf.



others see a parallel with the doctor who must be on call at any time on short notice. It begins with a hole drilled deep in the earth where oil is thought to be. The hole is expensive, costing as much as \$1 million on land and up to \$10 million offshore. The moment of truth for that costly hole comes when Schlumberger goes to work. From a mobile laboratory unit, Schlumberger engineers lower into the well a long probe crammed with electronic instruments which measure various characteristics of the subsurface formation. These characteristics are recorded on film. This record, called a log, provides information telling where oil is, how much, and whether it is producible. Other tools, other services, aid in producing oil from the well. Because high costs are involved, the Schlumberger man must be available immediately, day or night, when the moment comes to interrupt drilling and log a hole. He must stay on the job until it's over. On big jobs this can mean as much as 72 hours nonstop.



There are a few spare moments which Jean-François spends with his wife. Their home is almost on the beach; a swim is welcome year round since the temperature seldom goes below 72°.

Schlumberger field engineers come from 34 different countries. In a typical Schlumberger field office, like the Mid East center where Jean-François is stationed, it is not unusual that the four engineers on duty represent four different nationalities.

This international mix produces a man for whom only the job and the individual are important. Nationality is not a factor in his success in the company. As a matter of fact, Jean-François' boss is an Englishman who works for a Scotsman. The Scotsman in turn reports to an American whose boss is a Frenchman, topped by an Englishman.

Each year Schlumberger recruits some 300 engineers for oil field activities. They come from universities and engineering schools the world over. When the engineer leaves school his academic record is the only scale of his value. From now on, at Schlumberger, all his other qualities are put to trial. He spends six months in intensive training where he learns about



ALASKA



technical equipment, operating methods, and log interpretation. Then he is assigned to an operating location in an oil producing region of the world and his adventure begins. This young man has to leave his family and often his country.

If he goes overseas, as he gains experience, he may be required to recruit, train, and supervise a crew of local workers whose language he doesn't speak. He will have to become acquainted with labor laws and file tax reports. He may have to acquire facilities in his new country, and he must become expert at moving material across national boundaries and into remote areas. His patience and diplomacy will be tested.

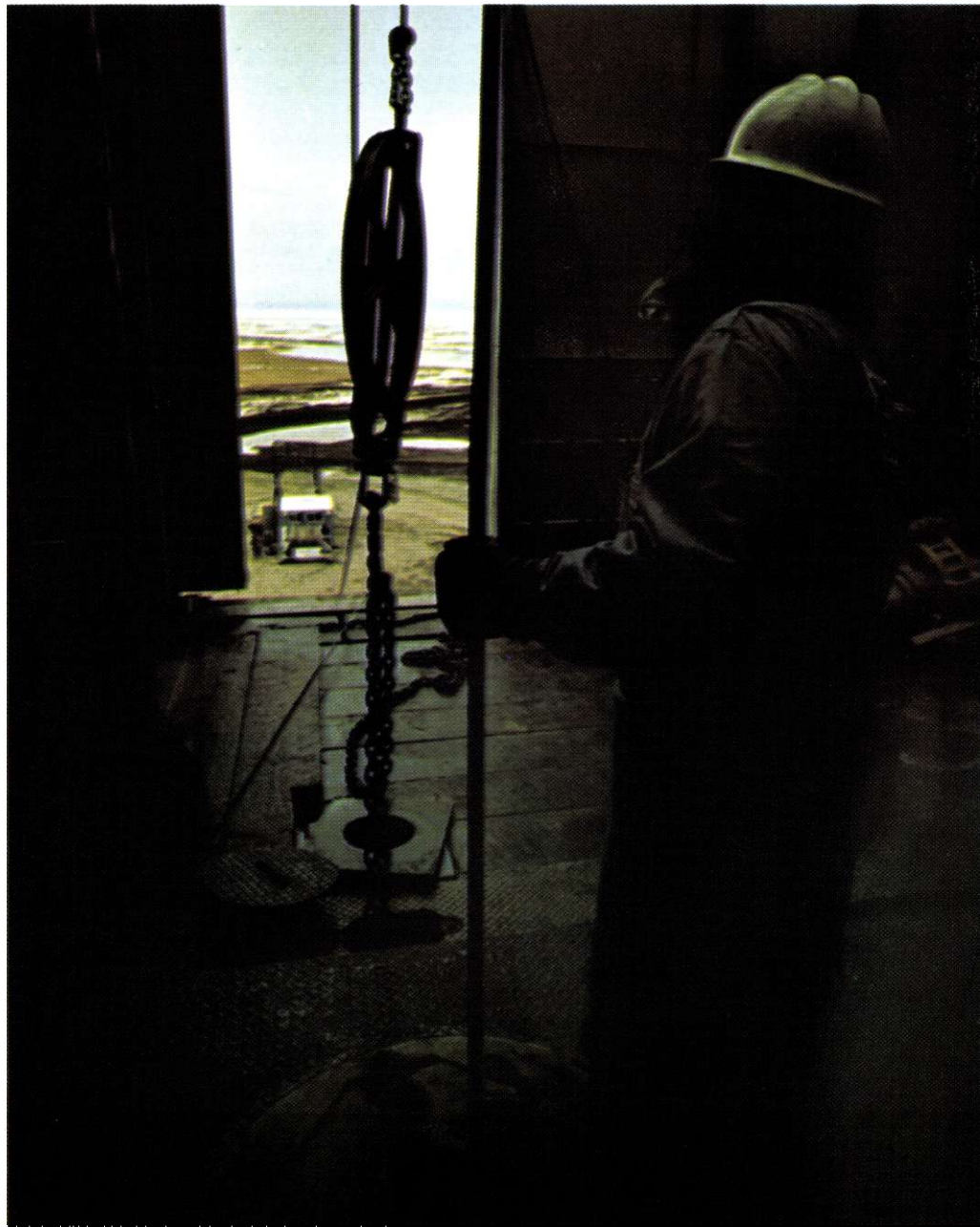
On top of this he must carry out his technical tasks. The equipment he is in charge of is worth a quarter-million dollars. He must know it to the last transistor. He must earn the customer's confidence on important decisions involving millions of dollars. Finally, of course, he must earn a profit for Schlumberger.

"As we log,"
says George,
"mud and water on
the wireline freezes
on the measuring wheel
and pretty soon
there's no depth
measurement.
Sometimes we need a
blow torch to fix it."



Left: George Dorman and helper unload supplies at a North Slope rig.

Below: Schlumberger logging unit on the North Slope seen from the rig floor.



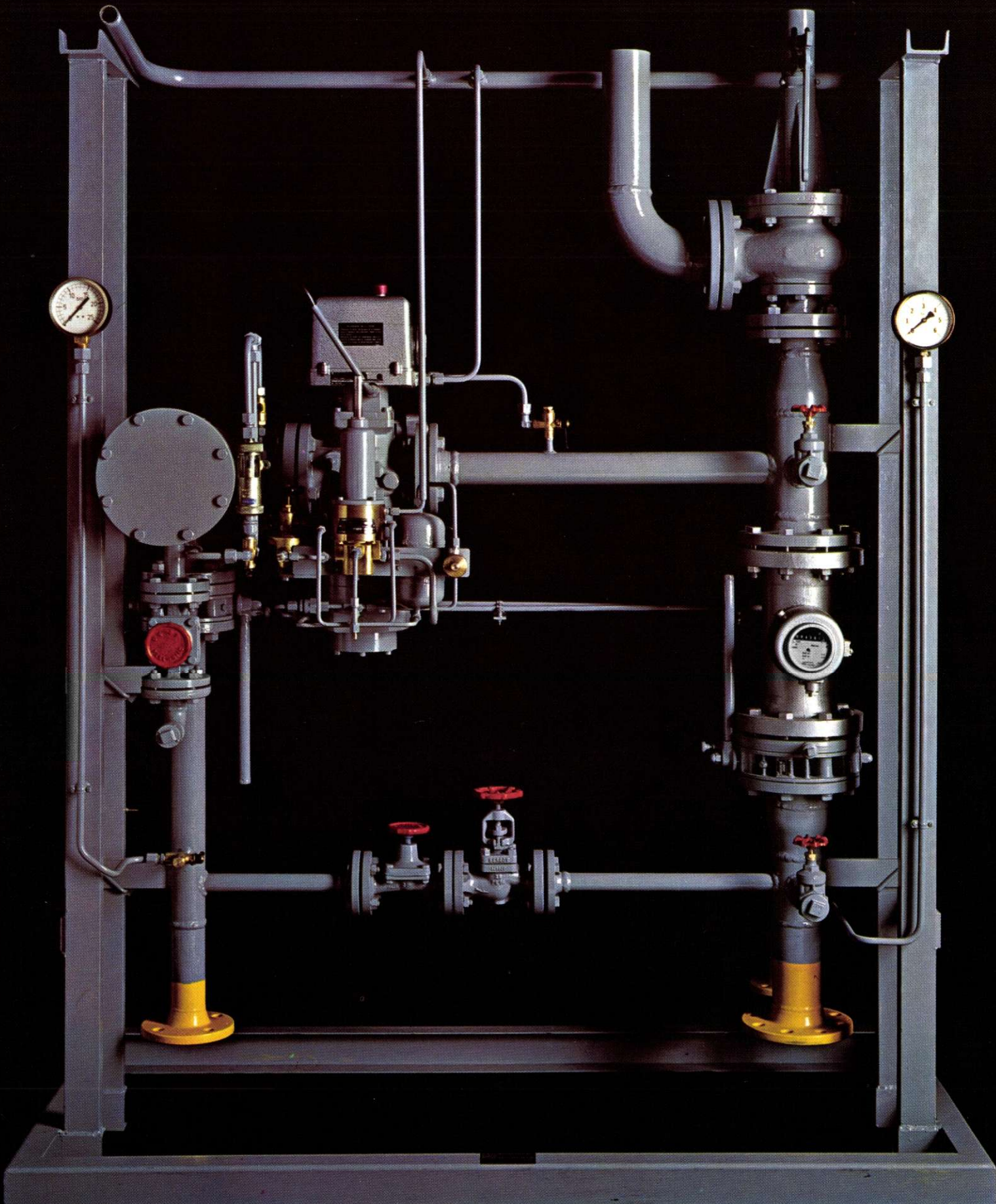


“When we
get off the job,
we often go
duck hunting in
the mud flats near
Cook Inlet.”

A REPORT



Compagnie
des
Compteurs



On December 10, 1969, Schlumberger announced that an agreement in principle had been reached with a French corporation, Compagnie des Compteurs, and its largest stockholder, Banque de Paris et des Pays-Bas, for the acquisition by Schlumberger of a controlling interest in Compteurs. French governmental approvals were obtained on February 16, 1970 to extend an exchange offer to all French Compteurs stockholders. The terms of this offer are described later. The French word "compteurs" means counters or meters.

Compagnie des Compteurs was founded nearly a century ago in 1872. Although the company was chartered originally to produce gas utility meters, it expanded its activities to include water and electric utility meters by 1886. The company has continued to grow, not only in these original measurement areas through internal research and engineering, but also by acquisition of related businesses. Compteurs is a technically oriented company with modern mass production facilities. Its products comprise measurement and control instrumentation supplied to public utilities, laboratories and industrial plants. Their products are mainly manufactured and sold throughout France and Western Europe.



Opposite page:
An expansion unit for gas distribution network.
Top:
A meter to measure home electric-power consumption.
Middle:
Water meter
Bottom:
High-pressure water valve for power station.

LEADING INDUSTRIAL POSITION IN THE UTILITY METER BUSINESS

Compteurs in 1969:

—Accounted for 40% of the total French and Common Market production and sales of gas meters, making it the leading European manufacturer (253,000 meters)

—Accounted for 33% of the total Common Market production and sales of water meters, making it the largest supplier in the world (in excess of 1,000,000 meters)

—Accounted for 20% of the total Common Market production and sales of electric meters, having almost 50% of the French market, and making it the second largest in Europe (2,000,000 meters)

This business is growing with the population increase, housing starts, and increased consumption of energy and water. Compteurs has a highly capable production engineering department which is seeking new methods, as well as cheaper materials. Their efficient mass production facilities include the latest numerical-control machine tools. Their products sell at competitive prices throughout Europe with satisfactory profit margins.

ELECTRONIC INSTRUMENTATION AND INDUSTRIAL PROCESS CONTROL

Compteurs has a diversified line of precision electronic measuring instruments for laboratory, engineering and scientific applications. They manufacture signal generators, nuclear detectors and counters, digital and analog multimeters, and oscilloscopes. In fact they have a particularly strong position in Europe for the sales in the middle specification

range of oscilloscopes. They also are known for instrumentation magnetic tape recorders for data handling. They are well advanced in application of electronic techniques to nuclear measurement, and to meteorological and navigational instruments.

Transducers are manufactured by Compteurs for industrial use in measuring properties such as pressure and temperature, and they produce radioisotope thickness gages for rolling mills, as well as gas chromatographs. They are a leading supplier of closed circuit TV systems for industrial applications in monitoring furnaces, and traffic control.

INDUSTRIAL VALVES

Compteurs is today a leading manufacturer in France of industrial valves and controls as a result of acquisitions in the last few years, the most significant ones occurring in the latter part of 1969. These businesses are profitable and complement the company's position in fluid measurement and control.

COMPTEURS OPERATIONS OUTSIDE OF FRANCE

The company has had foreign operations for many years, primarily in the traditional business of water, gas, and electric utility meters. Compteurs has a manufacturing plant in Holland, and has varying degrees of ownership in subsidiaries in Belgium, Austria, Italy, Spain, Brazil, Chile, and Argentina. In 1969 Compteurs received a total of \$867,000 from their foreign affiliates as dividends, royalties, and other fees.

CONSOLIDATED OPERATING REVENUES

Following standard European practice, Compteurs reports to its stockholders parent company figures only. Financial results for 1969 have not been released, but are estimated to be substantially improved over 1968.

Compteurs has minority interests in related businesses and other investments in nonrelated enterprises, the market value of which is substantially higher than

book value.

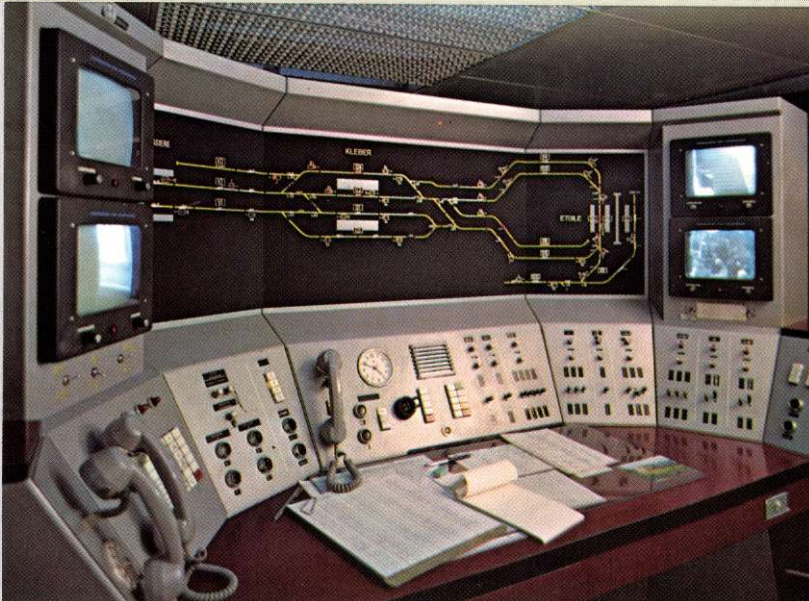
We are advised by Compteurs that if results of parent company only were consolidated with majority owned subsidiaries to conform to U.S. accounting practice, estimated comparable figures for consolidated operating revenues in 1968 and 1969 would be as set out in the table below. These figures are expressed in dollars at the year-end 1969 exchange rate of 5.55 francs to the dollar.

CONSOLIDATED OPERATING REVENUES

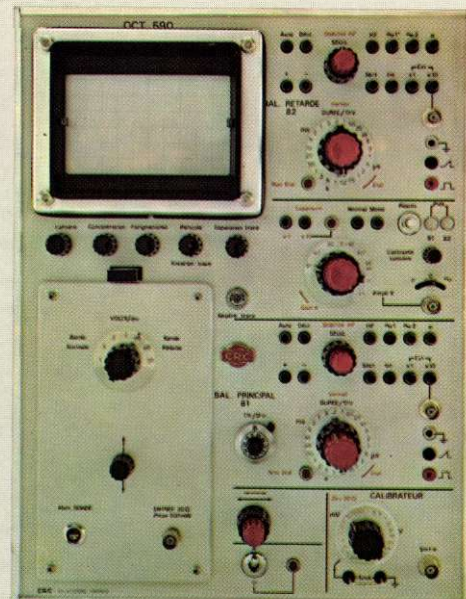
	(\$ Thousands)	
	1968	1969
Utility Meters, related products and services (gas, liquids and electric)	\$ 44,900	\$ 54,600
Electronic Instruments and Process Control	48,600	53,600
Industrial Valves and Controls	—	29,100
Metal working, mechanical assembly, and other	28,000	27,700
	<u>\$121,500*</u>	<u>\$165,000</u>

* Total consolidated operating revenues for 1968, restated to include 1969 acquisition of industrial valve companies would have been \$143 million.

Subway control console incorporates closed-circuit television made by Compagnie des Compteurs.



New ultra-wide-band oscilloscope.



PERSONNEL AND PLANTS

Compteurs (parent company only) has 7,240 employees in France, of whom 600 are engineers.

Nine principal plants of the parent company are located in France.

The total land area now in use for industrial activities is about 150 acres, on which there is 3,100,000 square feet of floor space.

The nine main French plants are:

MONTROUGE 1,249,000 sq. ft.

Head office and main plant

Research center

Production of:

Electrical measuring devices;

Fluid meters; Mechanical parts

MASSY 317,500 sq. ft.

Electronics and process control

REIMS 257,000 sq. ft.

Water and gas meters

POITIERS 140,000 sq. ft.

Electric meters and relays

BESANÇON 130,000 sq. ft.

Precision machine parts

Fabrication and assembly

CHATEAUROUX 202,000 sq. ft.

Tooling and Foundry

LYON 381,000 sq. ft.

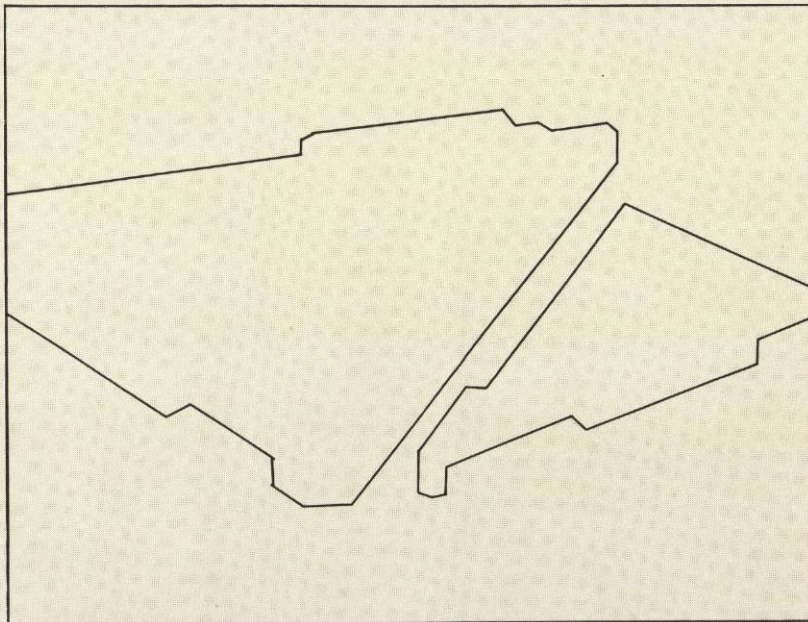
Industrial Valves

MACON 271,000 sq. ft.

Industrial Valves

RUFFEC 172,000 sq. ft.

Industrial Valves



Opposite page: The main plant at Montrouge near Paris is the company's largest with 1,249,000 square feet under roof.



The plant at Poitiers, France manufactures electric meters.



THE PRINCIPAL FEATURES OF SCHLUMBERGER LIMITED CONVERTIBLE DEBENTURES

CURRENCY: French francs.

MAXIMUM PRINCIPAL AMOUNT OF ISSUE: 488,800,000 francs.

PAR VALUE: 260 francs.

EXCHANGE RATIO: one share Compteurs for one convertible debenture.

INTEREST PAYABLE FROM: April 1, 1970.

ANNUAL INTEREST: 4% to April 1, 1972; 6% after April 1, 1972.

MANDATORY REDEMPTION: one eighth each year over eight years following April 1, 1972. (First redemption April 1, 1973.)

REDEMPTION PRICE: face value, 260 francs at April 1, 1972, thereafter with a premium increasing five francs per year to a maximum of 40 francs.

ADVANCE REDEMPTION:

- in full or in part at any time from and after April 1, 1972, at the option of the issuer.
- at face value on April 1, 1972 and with premium thereafter.

CONVERTIBILITY: at the option of the holder from and after April 1, 1972.

CONVERSION BASIS: two convertible debentures for one share of Schlumberger Limited common stock.

The convertible debentures are not offered in the United States or to U. S. citizens.

Application will be made for listing the convertible debentures on the Paris exchange.

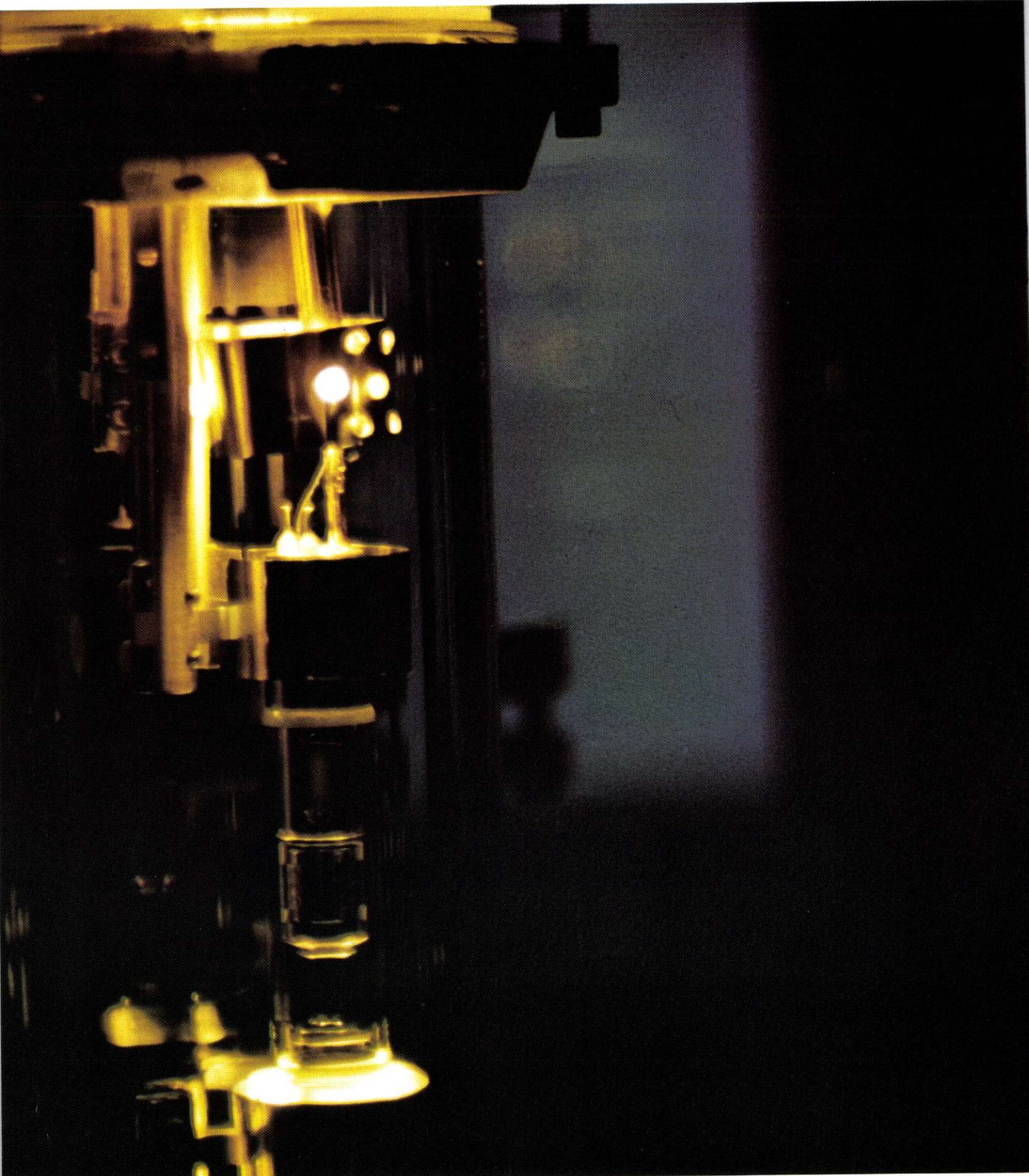
FEATURES



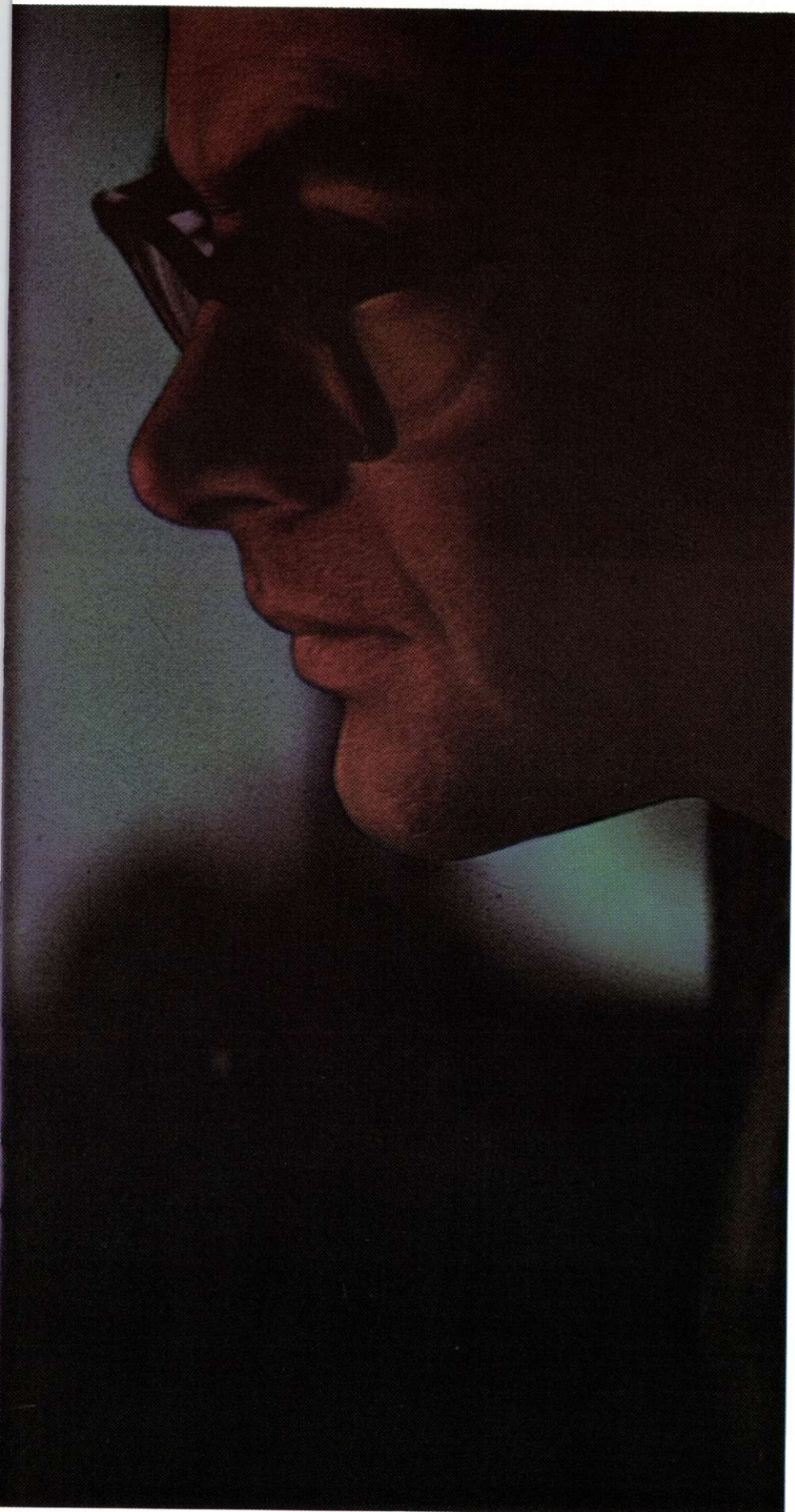
Atoms in
the oil well.

Computing
up a storm

ATOMS IN THE OIL WELL



Assembly of a neutron-generator tube, used in the TDT log.



Recently Schlumberger became one of the few commercial companies to obtain samples of an exotic isotope, californium-252, for well logging experiments. Well logging measures properties of underground formations to help determine the location, quantity, and recoverability of oil or gas.

Nuclear well logging by Schlumberger spans two decades. The two previous decades, well logging relied solely on electrical measurements. Industrial application of atomic physics came of age during World War II. Schlumberger scientists investigated its possible use in well logging.

Schlumberger's first nuclear log measured the natural radioactivity of underground formations. This identifies concentrations of radioactive trace elements, found most often in certain formations important to locating oil.

Later, intensive study concentrated on using neutrons and gamma rays given off by radioactive materials as probes to learn about formations. Certain atomic particles and radiation easily penetrate earth formations.

For example, both water and oil contain large amounts of hydrogen, and hydrogen nuclei are unusually effective in slowing down neutrons so they don't travel very far. This fact was put to work in neutron logs to identify fluid. A neutron emitting isotope is lowered in the well and a detector some distance away measures the effectiveness of the formation in slowing down neutrons. If few neutrons are seen then it's



likely that most were slowed down by water or oil very near the source.

Porosity of formations is important and is related to the density of the formation. A nuclear log measures formation density. It employs a gamma-ray source, cesium-137. As gamma rays penetrate a formation, colliding with atomic electrons, some are reflected. The number coming back is related to formation density so a gamma-ray detector reads density directly.

Neutrons easily penetrate steel casing. On this premise, Schlumberger designed the most advanced logging tool yet devised, the Thermal-Decay Time log, or TDT. Problems were formidable. Schlumberger had to build a controllable source of high-energy neutrons, a 100,000 volt power supply, and special digital-logic circuits small enough to fit in a logging tool and rugged enough to

operate in the downhole environment. The result is a logging tool less than two inches in diameter but 25-feet long that can log through steel casing. A burst of neutrons is shot through the casing into the formation. Millionths of a second later a neutron detector measures the rate at which the neutrons are being absorbed in the formation. Chlorine, a constituent of salt water, absorbs neutrons far more effectively than other common elements, so the TDT is an extremely sensitive detector of salt water. The ability to detect salt water is very important because in many producing oil wells, salt water moves in as oil is taken out. In old wells, the TDT can measure, right through the casing, how much oil is depleted by measuring how high salt water has risen.

New applications of atomic physics soon may show types of rocks surrounding the borehole and their chemistry.

Dr. Barkev Bakamjian, Head of Mathematics, Olive Liu, Research Physicist, and Dr. Jay Tittman, Head of Physics Research at the Schlumberger Doll Research Center, discuss the mathematics of neutron interactions.

Opposite page: Satellite weather pictures help provide details for weather maps in data-sparse areas.

COMPUTING UP A STORM





A new second-generation weather satellite, linked to a high-speed EMR computer system, recently went into action. Its data may well give meteorologists new insights into weather phenomena.

Until a few years ago meteorology was handicapped by lack of data for 80% of the ocean-covered or uninhabited lands, and by the difficulty of manipulating the mass of incoming weather data in time to produce a forecast. Notable progress came with launching of the first weather satellite

a decade ago. Orbiting weather satellites focused cameras and instruments on the most remote corners of the world.

So valuable have satellite data proved to be that the first in a series of second-generation improved global weather satellites was launched recently, in a 900-mile high polar orbit. Called ITOS, for Improved Tiros Operational Satellite, it provides a worldwide view of the weather twice a day and takes cloud-cover pictures at night, both capabilities beyond previous satellites.

The hands of an EMR Field Engineer stress a fine point at the console of EMR's computers in the National Environmental Satellite Center.

While representing a leap ahead in capability, ITOS satellites cause a jump in data load too. Data pours out at more than three times the rate of earlier satellites. Very high-speed computers were needed to digest the ITOS data and read it to giant forecasting computers in their own language. Weather scientists chose an EMR Advance 6130/6050 dual computer and telemetry system to handle ITOS data.

The telemetry portion of the EMR system sorts out all the channels of "housekeeping" data that measure the condition of the satellite itself. The computer monitors these for unusual events that might signal trouble and periodically compares them with past data to diagnose possible deterioration of spacecraft functions.

While keeping a watch over satellite condition, the EMR computers at the same time process television weather pictures and other instrument data. These data are converted to computer language. Television pictures are corrected for optical and electronic distortion, and are referenced to the earth's surface taking into account the satellite's attitude and space location when the picture was taken. Simultaneously the computers "map" each television frame by putting in latitude and longitude lines and coastlines. The data from adjacent overlapping frames and orbits are melded into a single combined global weather picture. This product helps sharpen forecasts in data-sparse areas of the earth; it is transmitted also to more than 50 countries of the world to aid their local forecasts.

ORBITAL AND SATELLITE PARAMETERS					
	2	5	6	7	8
	6501601	6703601	6711401	6806501	6811401
JULIAN DAY	1346	930	726	446	325
NODAL PERIOD	113.523	113.595	114.886	114.938	114.7
SPIN PERIOD	5.502	6.504	5.501	6.502	5.5
PRECESSION	0.9474	1.041	1.0172	0.9941	1.00
REVS PER DAY	12.68	12.67	12.5	12.52	12.5
NODE TIME	1721A	0602D	10	1A	091
PERIGEE	730NM	730NM	7	NM	762
APOGEE	763NM	767NM	80	NM	790
INCLINATION	100.895	101.996	102	.796	101
ECCENTRICITY	00394	00440	004	.269	00
RT ASCENSION	258.030	268.375	33		315
SEMI-MAJ AXIS	4191NM	4193			
ARG OF PER	053.972	05			
DATE OF DATA	09/19	0			
REF-REV	16469				
SPIN DECAY	2.00				
MSEC/REV					
MASC LIMIT	5.489				
REPEAT SPINS	1238				
DRIFT MIN/YR	-56				
LOC INC D					
ATS I	148.69W	1897	0020		
ATS III	47.75W	0201	00140		
LAUNCH DATE					

Left: Orbital parameters of operational weather satellites posted in the Satellite Operations Center.

Below: Two scientists of NESO discuss a means of using satellite pictures to infer wind velocity in remote areas.





FINANCIAL



A review
of business
developments.
Financial
figures

Pegasus, an offshore
drilling platform in
the Persian Gulf.

GENERAL

The year 1969 set a new record for Schlumberger, both in revenues and earnings. Net income of \$46.3 million—\$4.00 per share—was up 13% over 1968 net of \$41 million—\$3.55 per share, adjusted for the 3 for 2 stock split of May 1969. Revenues of \$435 million compare to \$419 million in the previous year.

Net income for the fourth quarter of \$13.2 million was up 7% from the final 1968 quarter. Revenues of \$115 million were 1% below the final quarter of 1968. The fourth quarter gain in net income was at a lower rate than in earlier quarters of the year primarily because of lower oilfield service revenues in the United States where uncertainty about the depletion allowance and the U.S. oil import quota program caused some slowing down of exploration and development drilling. This was particularly noticeable on Alaska's North Slope, where activity actually declined after the September lease sale. Hurricanes in the Gulf of Mexico also interrupted wireline operations in both October and November.

Oilfield service companies led the way again this year with over-all results showing an 11% gain in revenues; nearly all oilfield companies contributed. In electronics and instrumentation operations, Heath had a record year with increased revenues of 8% despite the softness in U.S. retail trade during the latter part of the year.

The following summary shows 1969 operating revenues by major business category:

	(Millions)		Increase
	1969	1968	(Decrease)
Oilfield Services & Allied Products	\$236	\$212	11%
Electronics & Instrumentation	156	170	(8)%
Furniture	29	27	7%
	<u>\$421</u>	<u>\$409</u>	3%

OILFIELD SERVICES & ALLIED PRODUCTS

Wireline service revenues, even after the fourth quarter slowdown in the U.S., were up 11% while the allied oilfield group had a revenue advance of 10%.

The increase in wireline service revenues, coming on top of the 14% increase in 1968, confirms the trend of higher demand for petroleum products and firmness of crude oil prices. During the year service revenues advanced

in almost all operating areas; the most significant increases were in the North Slope of Alaska, Offshore Louisiana, Libya, Algeria, Indonesia, and most areas of the Middle East. An exception was South America where postponement of drilling programs in Venezuela and unfavorable developments in Peru and Bolivia held revenues at just above the 1968 level.

Oilfield service net income increased during the year.

Most of the allied oilfield group had increased volume and net income in 1969. The performance at 50% owned Dowell Schlumberger was outstanding — net income was up 37% and revenues (not included in consolidated revenues) were 34% higher. Operations in Libya contributed notably to the successful 1969 operations, as did those in West Africa to a lesser degree.

Other allied oilfield companies which made noteworthy gains in 1969 were Johnston, Plastic Applicators and Forex, each of which benefited from the worldwide step-up in oil exploration and development. Johnston service and rental income was particularly strong, while the oilfield coating and inspection activities of Plastic Applicators advanced sharply. Earnings increased significantly at both Johnston and Plastic Applicators. More Forex rigs were active in 1969 than in the prior year; revenues in Libya were quite strong, but as expected, revenue in Algeria declined during the year.

Vector Cable Company growth was held back by problems at the Glendale, California plant which was acquired in mid-1968. The situation there has recently improved. Vector had good increases in its geophysical and logging cable business during the year.

ELECTRONICS AND INSTRUMENTATION

The year 1969 was one of consolidation and reorganization of our electronics and instrumentation activities.

Unprofitable lines were sold or terminated (Carruth general aviation instrument business at Wichita, Kansas, and the hydraulic business at Hatboro, Pennsylvania). Weston Components transferred its Poughkeepsie, N.Y. and Van Nuys, California operations to Archbald, Pennsylvania. The major activities of Société d'Instrumentation Schlumberger (SIS) were

relocated at year's end in the newly constructed \$5,000,000 plant at Villacoublay near Paris.

Electronics and instrumentation revenues decreased 8% in 1969 as a result of the reorganization plus cutbacks in contract work for the Defense Department and NASA.

However, noticeable progress has been made during the year in several subsidiaries:

□ The dollar value of EMR computers shipped during 1969 increased 40% over 1968. A substantial portion (considerably greater than 1968) of these shipments represented computers delivered on a lease basis; hence a large part of the favorable impact on net income (improved some \$2 million from 1968) has been deferred to future years. Even with this substantially larger income deferred, EMR-Computer net loss for the year was reduced from 1968 and prospects appear good for further improvement in 1970.

□ EMR-Telemetry remained profitable in 1969, despite government contract cancellations.

□ The incoming order rate of Weston Components improved during the autumn and this division ended 1969 on a strong note, although volume and net income for the full year were behind 1968 — due in part to a reduction in government business and the expense in connection with transfer to Archbald, Pennsylvania of activities previously carried out at Poughkeepsie, New York and Van Nuys, California.

□ The French electronic subsidiary, SIS, ended the year on a strong note; loss for the year was less than in 1968. SIS 1970 results will improve due to a firmer incoming order rate which developed late in the year, better profit margins and anticipated beneficial effects of the recently completed consolidation of most SIS activities at the new Villacoublay location.

□ Sales and net income at Heath continued the strong upward trend of the past several years through the late summer. Low shipments in October and November, together with the expenses of opening several new retail stores, impeded profit growth late in the year so that full year earnings were about level with 1968. A sharp upturn in shipments in December, suggests a continuation of Heath's earnings progress in 1970.

The only significant adverse trend in electronics was at Weston Instruments in Newark

which suffered from disappointing sales volume and an unfavorable product mix.

Solartron sales were lower and profit margins deteriorated from 1968. However, a staff reduction program carried out during the autumn resulted in a significantly smaller loss for the final three months than for the earlier quarters of 1969. Prospects are good for profitable operations at Solartron in 1970, beginning with the first quarter.

FURNITURE

Both divisions of the furniture company were profitable in 1969. This continued the trend of 1968. Daystrom Furniture had a particularly good year with volume up about 7% and earnings up proportionately. Virtue volume increased by 6% but production problems early in the year and lower fourth quarter sales had an unfavorable impact on the year's results.

OTHER INCOME

Revenues shown as "other income" of \$13.9

million for 1969 were up 45% over 1968 — primarily as a result of improved earnings of the 50%-owned Dowell Schlumberger, and increased interest income resulting mainly from higher yields on short-term investments.

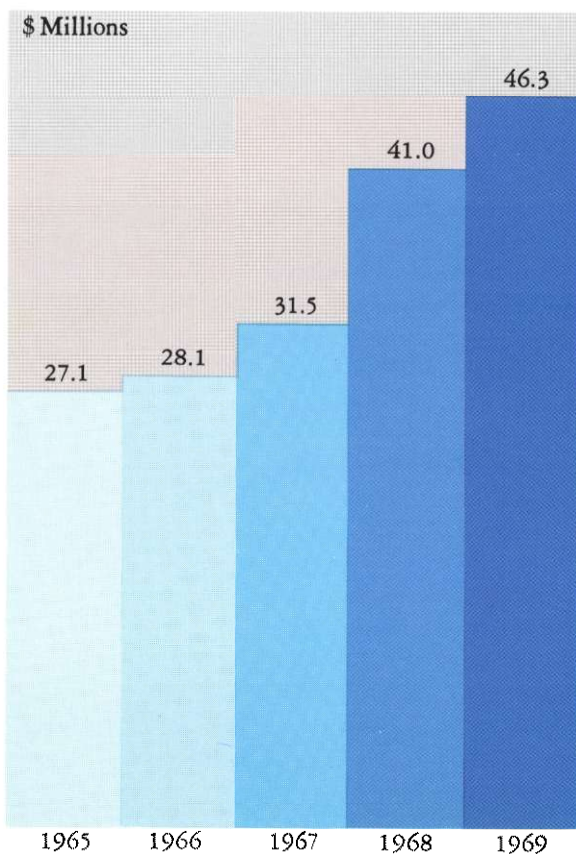
TAXES ON INCOME

The effective tax rate in 1969 was 38% compared to 40% in 1968. The lower effective rate for 1969 results partly from the favorable impact of increased earnings in low tax rate areas.

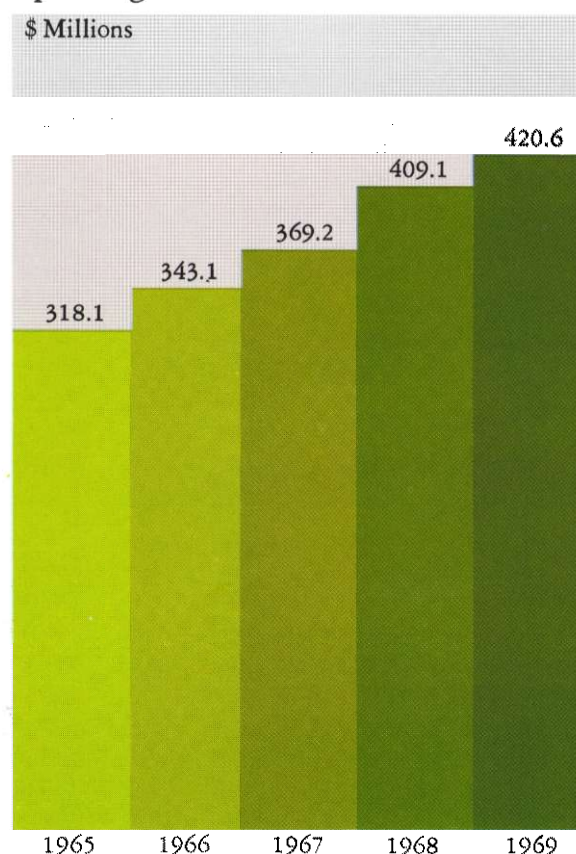
CAPITAL EXPENDITURES

Fixed asset additions in 1969 amounted to \$60 million, up about 50% from the 1968 level. A large part of this step-up was in the area of field technical equipment for Schlumberger's rapidly growing oilfield services business. Expenditures for oilfield equipment amounted to \$46 million while \$14 million was invested in manufacturing plant and equipment. Major projects completed during 1969 were the Villacoublay plant at Société d'Instrumentation Schlumberger, and a drilling barge for Forex operations in West Africa.

Net Income



Operating Revenue



Depreciation expense in 1969 was \$32 million compared to \$29 million in 1968.

RESEARCH AND ENGINEERING

Expenditures on research and engineering in 1969 were \$21.1 million, about 5% of operating revenues. This compares to R&E spending of \$20.4 million in 1968. The 1969 expenditure includes \$10.5 million for oilfield activities and about this same amount for electronics and instrumentation.

DIVIDENDS AND CAPITAL STOCK

In May, the Board of Directors voted a 3 for 2 split in Schlumberger's capital stock. Accordingly, additional shares in the ratio of one new share for each two previously held, were distributed to shareholders in July.

The cash dividend was increased twice during the year — by 33⅓% effective with the April quarterly payment and, in connection with the stock split, by a further 5% for the July payment to an annual rate of \$1.40 per share.

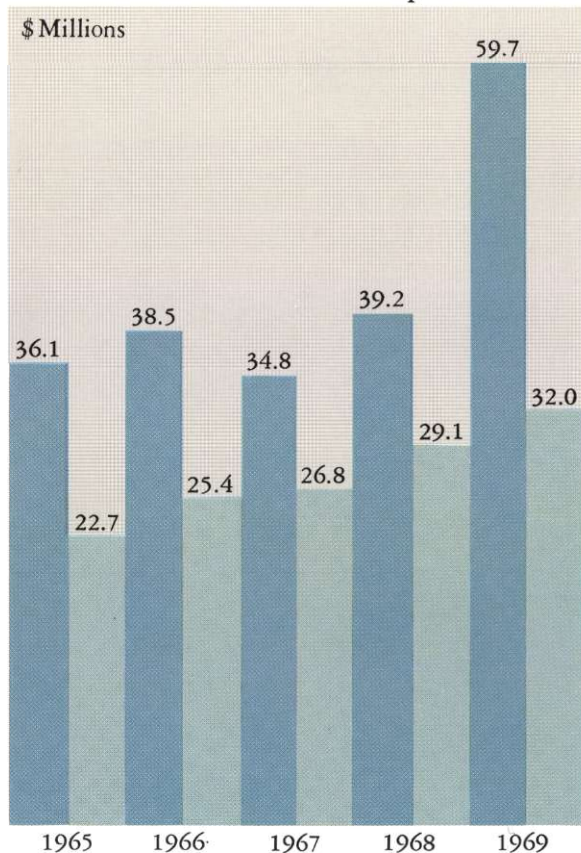
During the year, 110,351 shares of Treasury

stock were purchased and 76,466 shares were sold to employees under stock option plans. At year end, 434,769 shares remained in the Treasury. Treasury share purchases have been and may continue to be made for general corporate purposes, including employee stock options and in order to acquire shares against possible conversion of debentures issuable in connection with the company's February 1970 tender offer to the shareholders of Compagnie des Compteurs.

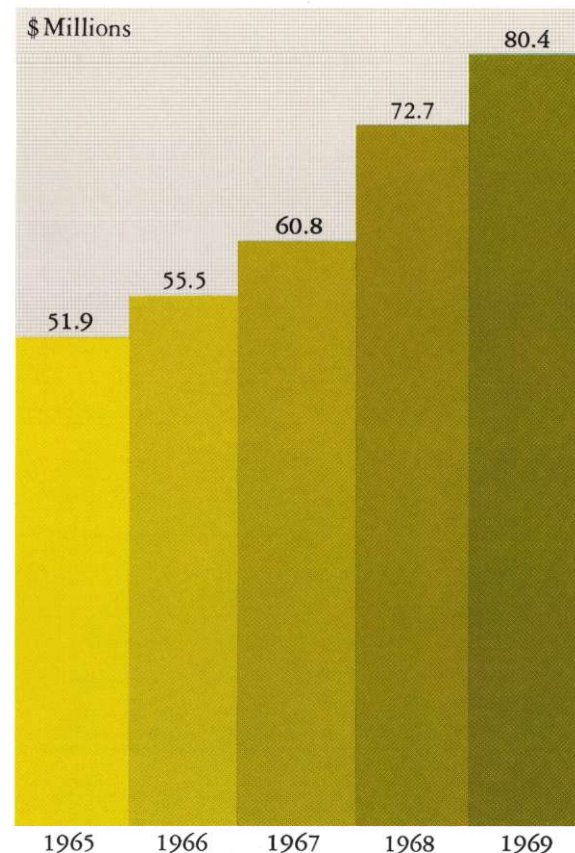
INVENTORIES

Inventories advanced \$18 million — 21% during 1969 and aggregated \$102 million at year end. This increase, disproportionately higher than the 1969 growth in revenues, occurred principally in the subsidiaries which manufacture field technical equipment for wireline services and is related to the significant step-up in the level of wireline operations in each of 1968 and 1969 as well as anticipated further increases in 1970 and beyond.

Fixed Asset Additions ■ Depreciation ■



Cash Flow



Consolidated Statement of Income

	Year Ended December 31	
	1969	1968
	(Stated in thousands)	
REVENUES		
Sales and services	\$420,572	\$409,085
Other income	13,931	9,535
	434,503	418,620
EXPENSES		
Cost of goods sold and services	268,871	267,586
Research and engineering	21,075	20,434
Marketing	29,205	24,254
General	40,567	37,966
Taxes on income	28,511	27,335
	388,229	377,575
NET INCOME	\$ 46,274	\$ 41,045
NET INCOME PER SHARE *	\$4.00	\$3.55
(Based on average shares outstanding)		

Consolidated Statement of Stockholders' Equity

	Common stock		Income retained for use in the business	
	1969	1968	1969	1968
	(Stated in thousands)		(Stated in thousands)	
BALANCE AT BEGINNING OF YEAR	\$58,857	\$55,803	\$262,459	\$237,769
Cost of shares (1969—110,351; 1968—75,000) * reacquired	(596)	(373)	(9,263)	(4,766)
Proceeds from sale of shares (1969—76,466; 1968—132,093) *	2,558	3,427		
Net income			46,274	41,045
Dividends declared (1969—\$1.38 per share; 1968—\$1.00) *			(16,011)	(11,589)
BALANCE AT END OF YEAR	\$60,819	\$58,857	\$283,459	\$262,459

*Adjusted for three-for-two stock split in May 1969

See notes to financial statements

Consolidated Balance Sheet

Schlumberger Limited
(Schlumberger N.V., Incorporated in the Netherlands Antilles)
and Subsidiary Companies

Assets	December 31	
	1969	1968
	(Stated in thousands)	
CURRENT ASSETS		
Cash	\$ 10,850	\$ 12,540
Short-term investments, at cost (approximately market)	80,122	94,212
Receivables, less allowance for doubtful accounts (1969—\$1,759; 1968—\$1,890)	93,461	86,713
Inventories, at cost or less	102,157	84,113
Other current assets	4,644	3,145
	291,234	280,723
LONG-TERM INVESTMENTS AND RECEIVABLES		
	25,180	19,035
FIXED ASSETS, at cost less accumulated depreciation		
	148,048	126,442
OTHER ASSETS		
	9,198	10,321
	<u>\$473,660</u>	<u>\$436,521</u>

Liabilities and Stockholders' Equity

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 48,322	\$ 45,984
Estimated liability for taxes on income	25,592	22,703
Bank loans	33,614	25,557
Dividend payable	4,049	2,902
	111,577	97,146
OTHER LIABILITIES		
	11,511	11,219
MINORITY INTEREST IN SUBSIDIARIES		
	6,294	6,840
	129,382	115,205
STOCKHOLDERS' EQUITY		
Common stock	60,819	58,857
Income retained for use in the business	283,459	262,459
	344,278	321,316
	<u>\$473,660</u>	<u>\$436,521</u>

See notes to financial statements

Consolidated Statement of Source and Application of Working Capital

	Year Ended December 31	
	1969	1968
	(Stated in thousands)	
SOURCE		
Net income	\$46,274	\$41,045
Depreciation	31,975	29,130
Amortization of intangibles	2,167	2,595
	80,416	72,770
APPLICATION		
Additions to fixed assets, less retirements	53,581	35,557
Long-term investments and receivables	6,145	1,853
Treasury stock (purchases less sales to optionees)	7,301	1,712
Dividends declared	16,011	11,589
All other, net	1,298	4,130
	84,336	54,841
NET INCREASE (DECREASE) IN WORKING CAPITAL	<u>\$(3,920)</u>	<u>\$17,929</u>

See notes to financial statements

Notes to Financial Statements

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include all majority-owned subsidiaries. Minority interest of \$0.4 million in 1969 net income (\$0.6 million in 1968) 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 inventories, fixed assets and long-term investments which are translated generally at historical rates.

Approximately 60% of revenues in 1969 and about 60% of net assets at December 31, 1969 were in the United States and Canada.

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 \$20.6 million at December 31, 1969. Of this amount, \$1.5 million expires in 1970, \$4.0 million in 1971, \$3.1 million in 1973 and \$3.9 million in 1974. Substantially all of the remainder can be carried forward indefinitely.

STOCK OPTIONS

Transactions under stock option plans during 1969 were as follows, adjusted for the three for two split in May, 1969:

	Number of Shares	
	Under Option	Available for Option
At January 1, 1969	273,432	1,293
Options authorized by 1969 Plan	— 0 —	375,000
Options granted at \$90 to \$97 per share (100% of market value):		
for five years	32,600	(32,600)
for ten years	45,500	(45,500)
Options exercised at \$27 to \$74 per share	(76,466)	— 0 —
Options lapsed or terminated	(10,317)	10,317
At December 31, 1969	<u>264,749</u>	<u>308,510</u>

The 264,749 shares under option at December 31, 1969, were held by 150 officers and key employees at option prices ranging from \$27 to \$97; options for 125,470 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.

Schlumberger Limited
(Schlumberger N.V., Incorporated in the Netherlands Antilles)
and Subsidiary Companies

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 a meeting held on May 15, 1969, the Board of Directors voted a three-for-two split of the common stock. The additional shares were issued in July 1969. At December 31, 1969 and 1968 there were 20,000,000 authorized shares of US \$1 par value. At these dates, and after adjustment for the stock split mentioned above, there were 11,565,801 and 11,599,686 shares outstanding, excluding 434,769 and 400,884 reacquired shares held in treasury.

FIXED ASSETS

A summary of fixed assets follows:

	(Stated in millions)	
	December 31	
	1969	1968
Land	\$ 7.4	\$ 7.4
Buildings & Improvements	69.7	67.0
Machinery & Equipment	255.9	224.4
Total Cost	333.0	298.8
Less Accumulated Depreciation	185.0	172.4
	<u>\$148.0</u>	<u>\$126.4</u>

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 in United States dollars.

Interest income was \$7.4 million in 1969 and \$5.2 million in 1968. Interest expense in 1969 was \$3.5 million and \$1.9 million in 1968.

Inventories are stated primarily at average or standard cost, less allowance for obsolescence. At December 31, 1969, they comprise \$33.8 million of operating materials and supplies for oilfield services and \$68.3 million applicable to manufacture of electronic equipment and other products.

Long-term investments include \$17.9 million representing interests in 50%-owned companies which are carried at Schlumberger's share of net assets; 50% of the after tax earnings of these companies are included in "other income." The other long term investments are stated at cost.

The company and its subsidiaries have several pension and other deferred benefit plans covering substantially

all officers and employees, including those in countries other than the USA. Total expense of such plans in 1969 was \$8.2 million and in 1968 \$6.9 million. Pension plans are fully funded with trustees in respect of past as well as current services.

SIGNIFICANT SUBSEQUENT EVENT

On December 10, 1969, Schlumberger announced its intention to make an exchange offer for shares of Compagnie des Compteurs on the ratio of one share of Schlumberger for two shares of Compteurs, which has 1,888,000 shares outstanding. This exchange offer in the form of convertible debentures was made on February 16, 1970 and is detailed elsewhere in the Annual Report, together with a summary of the principal activities of Compagnie des Compteurs.

Opinion of Independent Accountants

Price Waterhouse & Co.

60 Broad Street
New York 10004
February 16, 1970

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, 1969, 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.



FOR THE YEAR —	1969	1968	1967	1966	1965
	(Stated in millions)				
Revenues					
Sales and services	\$420.6	\$409.1	\$369.2	\$343.1	\$318.1
Other income	13.9	9.5	8.0	5.9	5.8
	434.5	418.6	377.2	349.0	323.9
Research and engineering	21.1	20.4	20.6	18.1	16.7
Taxes on income	28.5	27.3	20.5	21.2	20.6
Net income	46.3	41.0	31.5	28.1	27.1
Cash flow	80.4	72.7	60.8	55.5	51.9
Plant and equipment additions	59.7	39.2	34.8	38.5	36.1
Depreciation of fixed assets	32.0	29.1	26.8	25.4	22.7
Amortization of intangible assets	2.2	2.6	2.5	2.0	2.1
AT DECEMBER 31 —					
Cash and short-term investments	91.0	106.8	74.7	76.2	88.1
Inventories	102.2	84.1	77.2	74.5	61.7
Working capital	179.7	183.6	165.6	148.1	143.4
Current ratio	2.6	2.9	3.4	2.9	2.9
Plant and Equipment					
Gross book value	333.0	298.8	275.6	258.1	235.4
Accumulated depreciation	185.0	172.4	155.6	144.2	131.6
Net book value	148.0	126.4	120.0	113.9	103.8
Stockholders' equity	344.3	321.3	293.6	266.8	252.6
Total assets	473.7	436.5	384.8	371.7	354.4
Average shares outstanding (thousands) *	11,573	11,579	11,486	11,478	11,573
Net income per share*	\$4.00	\$3.55	\$2.75	\$2.45	\$2.34
Dividends paid per share*	\$1.28	\$0.95	\$0.80	\$0.78	\$0.67

*Adjusted for three-for-two stock splits in March, 1966 and May, 1969

