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

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

DATE OF REPORT (Date of earliest event reported): AUGUST 31, 1998

SCHLUMBERGER N.V.
(Schlumberger Limited)
(Exact name of registrant as specified in charter)

NETHERLANDS ANTILLES	001-04601	52-0684746
(State or other jurisdiction of incorporation)	(Commission File No.)	(I.R.S. Employer Identification No.)

42, RUE SAINT-DOMINQUE PARIS, FRANCE 75007 (33-1) 4062-1000	277 PARK AVENUE NEW YORK NEW YORK, USA 10172 (212) 350-9400	PARKSTRAAT 83 THE HAGUE THE NETHERLANDS 2514 JG (31-70) 310-5447

(Address, including Zip Code, and Telephone Number,
Including Area Code, of Principal Executive Offices)

ITEM 2. ACQUISITION OR DISPOSITION OF ASSETS.

On August 31, 1998, Schlumberger Limited ("Schlumberger") completed the acquisition of Camco International Inc. ("Camco") pursuant to the Agreement and Plan of Merger dated as of June 18, 1998 among Schlumberger Technology Corporation, a Texas corporation and a wholly owned subsidiary of Schlumberger ("STC"), Schlumberger OFS, Inc., a Delaware corporation and a wholly owned subsidiary of STC ("Sub"), and Camco (the "Merger Agreement"). Pursuant to the Merger Agreement, Sub was merged (the "Merger") with and into Camco, with Camco surviving as a wholly owned subsidiary of STC. As a result of the Merger, each outstanding share of Camco common stock, par value $.01 per share ("Camco Common Stock"), has been converted into the right to receive 1.18 shares of Schlumberger common stock, par value $.01 per share ("Schlumberger Common Stock"). In addition, outstanding options to acquire shares of Camco Common Stock have been converted into options to acquire 1.18 times as many shares of Schlumberger Common Stock at an exercise price equal to the old exercise price divided by 1.18. In the aggregate, Schlumberger is issuing approximately 45.1 million shares of Schlumberger Common Stock and reserving for issuance an additional 2.1 million shares of Schlumberger Common Stock in exchange for the Camco Common Stock and outstanding Camco options. The exchange ratio of 1.18 resulted from arms-length negotiations among Schlumberger and Camco.

Camco, the common stock of which was previously publicly traded, is one of the world's leading providers of oilfield equipment and services for numerous specialty applications in key phases of oil and gas drilling, completion and production. In particular, Camco is the leading world producer of gas lift systems. Camco also is one of the world's two leading providers of subsurface safety valve systems, synthetic diamond drill bits and electric submersible pump systems, is the world's third leading provider of roller cone drill bits and also operates a large fleet of coiled tubing units in the United States. Schlumberger currently intends to continue such business activities of Camco. There were no material relationships between Schlumberger and Camco prior to the consummation of the Merger.

A copy of Schlumberger's August 31, 1998 press release that relates to the Merger is attached as Exhibit 99 hereto and incorporated herein by reference.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS

(a) Financial Statements of Business Acquired.

The following consolidated financial statements of Camco and independent auditors' report set forth in the Camco Annual Report on Form 10-K for the year ended December 31, 1997 are incorporated herein by reference:

Report of Independent Public Accountants.

Consolidated Statements of Operations for each of the three years in the period ended December 31, 1997.

Consolidated Balance Sheets as of December 31, 1997 and 1996.

Consolidated Statements of Stockholders' Equity for each of the three years in the period ended December 31, 1997.

Consolidated Statements of Cash Flows for each of the three years in the period ended December 31, 1997.

Notes to Consolidated Financial Statements.

The following unaudited consolidated condensed financial statements of Camco set forth in the Camco Form 10-Q for the quarterly period ended June 30, 1998 are incorporated herein by reference:

Consolidated Condensed Statements of Income for the three months and six months ended June 30, 1998 and 1997.

Consolidated Condensed Balance Sheets as of June 30, 1998 and December 31, 1997.

Consolidated Condensed Statements of Cash Flows for the six months ended June 30, 1998 and 1997.

Consolidated Condensed Statements of Comprehensive Income for the three months and six months ended June 30, 1998 and 1997.

Notes to Consolidated Condensed Financial Statements.

(b) Pro Forma Financial Information.

Provision of pro forma financial information for the Company which this item requires is currently impracticable. The Company will file that information in an amendment to this Current Report as soon as practicable, but not later than 60 days after the required filing date hereof.

(c) Exhibits.

2.1 - Agreement and Plan of Merger among Schlumberger Technology Corporation, a Texas corporation, Schlumberger OFS, Inc., a Delaware corporation, and Camco International Inc., a Delaware corporation, dated as of June 18, 1998 (incorporated by reference to Exhibit 2.1 to Schlumberger's Form 8-K dated June 18, 1998, File 001-04601).

10.1 - Transaction Agreement between Schlumberger Limited and Camco International Inc., a Delaware corporation, dated as of June 18, 1998 (incorporated by reference to Exhibit 10.1 to Schlumberger's Form 8-K dated June 18, 1998, File 001-04601).

13.1 - Portions of the Camco 1997 Annual Report to Shareholders.

13.2 - Portions of the Camco Form 10-Q for the quarterly period ended June 30, 1998.

23.1 - Consent of Arthur Andersen LLP.

99.1 - Press Release dated August 31, 1998, announcing the closing of the Merger.

SIGNATURES

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

SCHLUMBERGER N.V.
(SCHLUMBERGER LIMITED)

/s/ David S. Browning

Dated: August 31, 1998

David S. Browning
Secretary and General Counsel

INDEX TO EXHIBITS

Number	Exhibit
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EXHIBIT 13.1

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Camco International Inc.:

We have audited the consolidated balance sheets of Camco International Inc. (a Delaware Corporation) and subsidiaries as of December 31, 1997 and 1996, and the related consolidated statements of operations, cash flows and stockholders' equity for each of the three years in the period ended December 31, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Camco International Inc. and subsidiaries as of December 31, 1997 and 1996, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1997, in conformity with generally accepted accounting principles.

As explained in Note 1 to the financial statements, effective November 20, 1997, the Company changed its method of accounting for costs of business process reengineering activities associated with systems development projects.

ARTHUR ANDERSEN LLP

Houston, Texas
February 10, 1998

CAMCO INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	YEAR ENDED DECEMBER 31		
	1997	1996	1995
REVENUES:			
Sales	$609,725	$503,235	$459,733
Services	304,116	261,300	208,199
	913,841	764,535	667,932
COST AND EXPENSES:			
Cost of sales	313,551	270,712	253,268
Cost of services	212,923	188,394	153,096
	526,474	459,106	406,364
Gross margin	387,367	305,429	261,568
Selling, general and administrative expenses	219,510	191,706	177,491
Merger expenses	12,500	--	--
Amortization of intangible assets	8,604	6,460	6,022
Operating income	146,753	107,263	78,055
Interest expense	8,473	7,842	8,888
Interest income	(2,802)	(3,303)	(3,754)
Income before provision for income taxes	141,082	102,724	72,921
Provision for income taxes	49,321	34,720	22,626
Income from continuing operations	91,761	68,004	50,295
Loss from discontinued operation	--	--	(7,151)
Cumulative effect of change in accounting principle, net of benefit for income taxes	(2,909)	--	--
Net income	$ 88,852	$ 68,004	$ 43,144
Earnings per share:			
Basic --			
Income from continuing operations	$ 2.45	$ 1.81	$ 1.35
Loss from discontinued operation	--	--	(.19)
Cumulative effect of change in accounting principle	(.08)	--	--
Net income	$ 2.37	$ 1.81	$ 1.16
Average common shares outstanding	37,386	37,506	37,257
Diluted --			
Income from continuing operations	$ 2.39	$ 1.78	$ 1.33
Loss from discontinued operation	--	--	(.19)
Cumulative effect of change in accounting principle	(.08)	--	--
Net income	$ 2.31	$ 1.78	$ 1.14
Average common and common equivalent shares outstanding	38,481	38,230	37,780

The accompanying notes are an integral part of these consolidated financial statements.

CAMCO INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE DATA)

	DECEMBER 31 1997	DECEMBER 31 1996
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 57,255	$ 42,645
Accounts receivable, net of allowances of $16,283 and $14,210	177,112	169,989
Inventories	206,471	169,007
Deferred income taxes	44,088	27,031
Prepaid expenses and other	21,575	19,320
Total current assets	506,501	427,992
PROPERTY, PLANT AND EQUIPMENT, net of depreciation	353,312	308,762
INTANGIBLE ASSETS, net of amortization of $66,448 and $57,844	212,749	214,826
OTHER	45,278	20,125
Total assets	$1,117,840	$971,705
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Current maturities of long-term debt	$ 120	$ 10,345
Accounts payable	57,765	47,595
Accrued liabilities	159,085	134,583
Income taxes payable	31,832	18,750
Total current liabilities	248,802	211,273
LONG-TERM DEBT	110,300	93,551
DEFERRED INCOME TAXES	28,690	24,742
OTHER LONG-TERM LIABILITIES	43,803	47,266
Total liabilities	431,595	376,832
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Common stock, $.01 par value, 100,000,000 shares authorized, 38,583,393 and 38,465,998 shares issued	386	385
Additional paid-in capital	525,662	518,856
Retained earnings	203,911	117,364
Cumulative translation adjustment	(15,194)	(11,405)
Treasury stock, 1,046,372 and 1,264,528 shares, at cost	(28,520)	(30,327)
Total stockholders' equity	686,245	594,873
Total liabilities and stockholders' equity	$1,117,840	$971,705

The accompanying notes are an integral part of these consolidated financial statements.

CAMCO INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(IN THOUSANDS)

	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	CUMULATIVE TRANSLATION ADJUSTMENT	TREASURY STOCK
BALANCE, December 31, 1994, as previously reported	$251	$436,892	$(35,871)	$(19,049)	$(18,430)
Adjustments for pooling-of-interest	133	76,211	57,362	--	--
BALANCE, December 31, 1994	384	513,103	21,491	(19,049)	(18,430)
Net income	--	--	43,144	--	--
Dividends to stockholders ($.22 per share)	--	--	(7,449)	--	--
Common stock issued pursuant to employee stock plans	1	2,673	--	--	--
Deferred compensation related to ESOP	--	87	40	--	--
Currency translation adjustment	--	--	--	473	--
BALANCE, December 31, 1995	385	515,863	57,226	(18,576)	(18,430)
Net income	--	--	68,004	--	--
Purchase of treasury stock	--	--	--	--	(13,413)
Dividends to stockholders ($.22 per share)	--	--	(7,698)	--	--
Common stock issued pursuant to employee stock plans	--	2,131	(211)	--	1,516
Deferred compensation related to ESOP	--	862	43	--	--
Currency translation adjustment	--	--	--	7,171	--
BALANCE, December 31, 1996	385	518,856	117,364	(11,405)	(30,327)
Net income	--	--	88,852	--	--
Change in subsidiary year end	--	612	4,560	--	--
Dividends to stockholders ($.21 per share)	--	--	(6,865)	--	--
Common stock issued pursuant to employee stock plans	1	5,008	--	--	1,807
Deferred compensation related to ESOP	--	1,186	--	--	--
Currency translation adjustment	--	--	--	(3,789)	--
BALANCE, December 31, 1997	$386	$525,662	$203,911	$(15,194)	$(28,520)

The accompanying notes are an integral part of these consolidated financial statements.

CAMCO INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	YEAR ENDED DECEMBER 31		
	1997	1996	1995
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 88,852	$ 68,004	$ 43,144
Adjustments to reconcile net income to net cash provided by operating activities --			
Loss on discontinued operations	--	--	6,702
Cumulative effect of change in accounting principle	2,909	--	--
Depreciation and amortization	62,464	55,384	46,092
Gain from sale of assets	(234)	(4,678)	(3,456)
Provision (benefit) for deferred and other taxes	(14,389)	(4,984)	(5,757)
Increase in accounts receivable	(4,698)	(2,532)	(20,158)
Increase in inventories	(36,425)	(6,566)	(3,810)
Increase (decrease) in accounts payable	11,405	(803)	(529)
Increase in accrued liabilities	31,807	27,614	8,662
Increase (decrease) in income taxes payable	14,065	5,341	(2,932)
(Increase) decrease in other, net	929	10,885	(2,195)
Net cash provided by operating activities	156,685	147,665	65,763
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	(95,754)	(61,848)	(89,155)
Proceeds from sale of assets	386	14,934	14,343
Business acquisitions	(14,503)	(46,373)	(5,750)
Investment in joint venture	(21,700)	--	--
Change in subsidiary year-end	(6,496)	--	--
Other	(5,061)	(2,390)	(5,180)
Net cash used in investing activities	(143,128)	(95,677)	(85,742)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Increase in borrowings under revolving credit facility	110,000	--	--
Decrease in borrowings under term loan	(50,000)	(10,000)	(10,000)
Increase (decrease) in borrowings under revolving loan facility	(30,000)	10,000	(5,000)
Increase (decrease) in other debt	(30,277)	(26,284)	37,213
Dividends paid to stockholders	(6,865)	(7,698)	(7,449)
Proceeds from exercise of stock options	2,404	2,361	1,629
Purchase of treasury stock	--	(13,413)	--
Change in subsidiary year-end and other	6,158	803	68
Net cash provided by (used in) financing activities	1,420	(44,231)	16,461
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(367)	1,613	(215)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	14,610	9,370	(3,733)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	42,645	33,275	37,008
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 57,255	$ 42,645	$ 33,275
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid for interest	$ 5,886	$ 4,519	$ 5,654
Cash paid for income taxes	$ 51,580	$ 34,002	$ 31,389

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Camco International Inc. and subsidiaries ("Camco" or the "Company") manufactures products and provides services to customers in the oil and gas drilling, completion and production sectors of the oilfield services industry. The consolidated financial statements include the accounts of the Company and all of its wholly owned and majority-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated. Investments in 20% to 50% owned joint ventures where the Company exercises significant influence over operating and financial policies are accounted for by the equity method. All other investments are carried at cost, which does not exceed the estimated net realizable value of such investments.

On June 13, 1997, Camco, acquired Production Operators Corp. ("Production Operators") through a merger (the "Merger") of a wholly owned subsidiary of the Company with and into Production Operators. The Merger was effected pursuant to an Agreement and Plan of Merger dated February 27, 1997, by and among the Company, a wholly owned subsidiary of the Company, and Production Operators. A total of 13,300,404 shares of the Company's common stock was issued to the stockholders of Production Operators as consideration for the acquisition. The principle followed in fixing the exchange ratio in the Merger was based on negotiations between the parties. The business combination has been accounted for using the pooling-of-interests method of accounting. Accordingly, the financial statements have been prepared as if Camco and Production Operators were combined as of the beginning of the earliest period presented. All costs of the Merger, which were $12.5 million, or $8.6 million net of tax benefits ($.22 per share), were expensed during the second quarter of 1997.

As a result of the differing year-ends of Camco and Production Operators, financial information for different period-ends have been combined. Camco's financial position, results of operations and cash flows as of and for the years ended December 31, 1996 and 1995, have been combined with Production Operators' financial position, results of operations and cash flows as of and for the years ended September 30, 1996 and 1995, respectively. Effective January 1, 1997, Production Operators' fiscal year-end was changed to conform to Camco's December 31 year-end. Financial information as of and for the year ended December 31, 1997, combines both Camco's and Production Operators' results of operations for comparable periods. Production Operators' unaudited revenues, net income and dividends on its common stock for the three-month period ended December 31, 1996, were $26.7 million, $5.3 million and $.7 million, respectively. Accordingly, adjustments are included in the consolidated statements of operations, stockholders' equity and cash flows for the activity attributed to the three-month period.

Use of Estimates

The preparation of these financial statements required the use of certain estimates by management in determining the Company's assets, liabilities, revenue and expenses. Actual results could differ from these estimates.

Cash and Cash Equivalents

The Company considers all highly liquid financial instruments purchased with original maturities of three months or less to be cash equivalents. The reported amounts of such investments approximate fair value.

Inventories

Inventories, net of allowances, are valued at the lower of cost (first-in, first-out or last-in, first-out) or market. Inventory costs consist of materials, labor and plant overhead.

Property, Plant and Equipment

Property, plant and equipment is recorded at cost and generally depreciated on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives used in computing depreciation range from 10 to 30 years for buildings and 3 to 12 years for machinery and equipment, including service equipment. Expenditures for major additions and improvements are capitalized while minor replacements, maintenance and repairs are charged to expense as incurred. When property is retired or otherwise disposed of, the cost and accumulated depreciation are removed from the related accounts and any resulting gain or loss is included in the consolidated statements of operations.

Intangible Assets

Intangible assets is comprised primarily of goodwill which is amortized over 20 to 40 years using the straight-line method. Camco's management periodically evaluates goodwill, net of accumulated amortization, for impairment based on the undiscounted cash flows associated with the asset compared to the carrying amount of that asset. Management believes that there have been no events or circumstances which warrant revision to the remaining useful life or affect the recoverability of goodwill in any of its business units.

Income Taxes

The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes." This standard requires an asset and liability approach for financial accounting and income tax reporting based on enacted tax rates and laws in effect in the years in which differences are expected to reverse.

Revenue Recognition

The Company's revenues are composed of product sales and rental, service and other revenues. The Company records product sales when the goods are sold to a customer. Rental, service and other revenues are recorded as the services are performed.

Foreign Currency Translation

The Company's financial statements of foreign subsidiaries are reported in U.S. dollars based on the functional currency.

Foreign subsidiaries using the U.S. dollar as their functional currency translate as follows: current assets (except inventories) and all liabilities (except minority interests) at the rates of exchange in effect at year-end, long-term assets and inventories at historical rates and minority interest at the rates in effect at the dates provided. Revenue and expense accounts are translated at the average rates of exchange in effect during the year, except for depreciation and cost of manufactured products sold, which are translated at historical rates. Translation adjustments are charged or credited directly to operations.

Foreign subsidiaries using the local currency as their functional currency translate into U.S. dollars using the current rate method. Assets and liabilities are translated at the rates of exchange in effect at year-end, common stock and paid-in capital are translated using historical rates and revenue and expense accounts are translated at the average rates of exchange in effect during the year. Translation adjustments are recorded as a separate component of stockholders' equity rather than directly to operations.

Concentration of Credit Risk

The Company extends credit to various companies in the oil and gas industry which may be affected by changes in economic or other external conditions. The Company's policy is to manage its exposure to credit risk through credit approvals and limits and, where appropriate, to be secured by collateral, and to provide an allowance for doubtful accounts for potential losses. Management does not believe the Company is exposed to concentrations of credit risk that are likely to have a material impact on the Company's financial position or results of operations.

Environmental Expenditures

Liabilities for environmental expenditures are recorded when it is probable that obligations have been incurred and the costs can be reasonably estimated. Estimates are based on currently available facts and technology, presently enacted laws and regulations and the Company's prior experience in remediation of contaminated sites.

Change in Accounting Principle

The FASB Emerging Issues Task Force Issue No. 97-13, "Accounting for Costs Incurred in Connection with a Consulting Contract or an Internal Project That Combines Business Process Reengineering and Information Technology Transformation," issued November 20, 1997, required the Company to expense certain costs that were previously capitalizable prior to this pronouncement. The cumulative effect of this accounting change decreased income by $4.5 million ($2.9 million, net of tax) for the year ended December 31, 1997.

Earnings Per Share

SFAS No. 128, "Earnings Per Share," was adopted by the Company in the fourth quarter of 1997 and all earnings per share previously reported have been restated. Basic earnings per share is computed by dividing net income by the weighted average common shares outstanding. Diluted earnings per share is computed by dividing net income by the weighted average number of common and common equivalent shares outstanding. The computation of diluted earnings per share includes the dilutive effects of options to purchase common stock and restricted stock grants which aggregated 1,095,000, 724,000 and 523,000 in 1997, 1996 and 1995, respectively.

Pending Accounting Pronouncements

SFAS No. 130, "Reporting Comprehensive Income," was issued in June 1997. The Company will adopt SFAS No. 130 in the first quarter of 1998. Had SFAS No. 130 been adopted in 1997, net income, as reported, would have been adjusted for changes in the cumulative translation for foreign currency.

2. ACQUISITIONS AND DIVESTITURES

During 1997, the Company acquired gas lift valve businesses in the United States and Argentina for a total of $11.8 million in cash.

In September 1996, the Company acquired Lasalle Engineering Limited for $29.5 million in a cash transaction. In December 1996, the Company acquired the gas lift business of Halliburton, including their Venezuelan subsidiary, for $16.9 million in a cash transaction.

In March 1995, the Company acquired Site Oil Tools, a Canadian manufacturer of completion equipment, for $5.8 million in a cash transaction. The Company sold the assets of its safety service business in March 1995. The Company recognized net income of $1.5 million, or 6 cents per share, on the disposal.

The acquisitions described above were accounted for using the purchase method of accounting.

The acquisition of Production Operators in June 1997, which was accounted for using the pooling-of-interests method of accounting, is described in Note 1. Revenues and net income for the periods preceding the Merger were as follows (in thousands):

	REVENUES	NET INCOME
Six months ended June 30, 1997 --		
Camco, as previously reported	$366,092	$29,391
Production Operators	56,537	14,791
Merger expenses	--	(8,600)
	$422,629	$35,582
Year ended December 31, 1996 --		
Camco, as previously reported	$672,732	$50,508
Production Operators	91,803	17,496
	$764,535	$68,004
Year ended December 31, 1995 --		
Camco, as previously reported	$595,131	$36,318
Production Operators	72,801	6,826
	$667,932	$43,144

3. INVENTORIES

Inventories, net of allowances, are summarized as follows (in thousands):

	DECEMBER 31	
	1997	1996
Raw materials	$ 19,916	$ 18,405
Parts and components	69,656	54,786
Work-in-process	24,079	27,180
Finished goods	92,820	68,636
	$206,471	$169,007
Inventories determined using the --		
LIFO basis	$ 43,661	$ 38,107
FIFO basis	162,810	130,900
	$206,471	$169,007

Work-in-process and finished goods inventories include the cost of materials, labor and plant overhead. The excess of current costs, determined using the FIFO basis, over the carrying values of LIFO inventories was approximately $10.0 million and $11.9 million at December 31, 1997 and 1996, respectively.

4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following (in thousands):

	DECEMBER 31 1997	DECEMBER 31 1996
Land	$ 5,120	$ 4,327
Buildings	77,279	71,856
Machinery and equipment	266,137	234,803
Service equipment	366,732	313,997
	715,268	624,983
Accumulated depreciation	(361,956)	(316,221)
	$ 353,312	$ 308,762

5. ACCRUED LIABILITIES

Accrued liabilities consisted of the following (in thousands):

	DECEMBER 31 1997	DECEMBER 31 1996
Salaries, wages and related benefits	$ 45,626	$ 42,979
Accrued insurance	12,978	13,451
Accrued taxes other than income	9,814	11,117
Other	90,667	67,036
	$159,085	$134,583

6. DEBT

Long-term debt consisted of the following (in thousands):

	DECEMBER 31 1997	DECEMBER 31 1996
Revolving credit facility	$110,000	$ --
Term loan	--	50,000
Revolving loan facility	--	30,000
Other	420	23,896
	110,420	103,896
Less -- Current portion of long-term debt	120	10,345
	$110,300	$ 93,551

In October 1997, the Company refinanced its previously outstanding debt under a new $220 million unsecured revolving credit facility. Borrowings outstanding under the revolving credit facility are due October 2002 and interest rates on borrowings are LIBOR based. The weighted average interest rate for borrowings outstanding under the revolving credit facility was 6.2% for 1997. The maximum and average borrowings were $120.0 million and $107.0 million, respectively. The Company had $110.0 million of unused borrowing availability as of December 31, 1997.

In addition to customary representations, warranties, borrowing conditions, affirmative covenants and events of default, the revolving credit facility includes financial covenants, with which Camco is in compliance, relating to maintenance of a minimum level of net worth, maintenance of a minimum interest coverage ratio, a maximum ratio of funded debt to total capital and limitations on payment of dividends, sales of assets, pledges of assets, subsidiary indebtedness, mergers, consolidations and transactions with affiliates.

Maturities of the Company's long-term debt at December 31, 1997, are as follows (in thousands):

1998	$ 120
1999	140
2000	160
2002	110,000
	$110,420

The weighted average interest rate for the Company's previously outstanding loans was 6.4% during 1997, 6.2% during 1996 and 6.5% during 1995.

7. INCOME TAXES

Income before provision for income taxes and provision (benefit) for income taxes is composed of the following (in thousands):

	1997	1996	1995
Income before provision for income taxes			
United States	$ 37,519	$ 24,815	$30,504
Non-United States	103,563	77,909	42,417
	$141,082	$102,724	$72,921
Provision for income taxes			
Current			
United States	$ 27,400	$ 18,604	$18,497
Non-United States	36,310	19,065	11,873
	63,710	37,669	30,370
Deferred			
United States	(14,276)	(5,400)	(9,268)
Non-United States	(113)	2,451	1,524
	(14,389)	(2,949)	(7,744)
	$ 49,321	$ 34,720	$22,626

The table above excludes a tax benefit of $1.6 million recorded in 1997 in connection with the accounting change described in Note 1.

Deferred income taxes in 1997 and 1996 reflect the impact of temporary differences between the amount of assets and liabilities for financial reporting purposes and such amounts as measured by tax laws and regulations. The components of the net deferred tax asset (liability) are as follows (in thousands):

	DECEMBER 31	
	1997	1996
Deferred tax assets:		
Accruals and reserves	$ 31,487	$ 24,813
Compensation and benefits	11,619	11,873
Other	12,366	10,005
	55,472	46,691
Valuation allowance	(11,384)	(19,660)
	44,088	27,031
Deferred tax liabilities:		
Excess of tax over book depreciation	(28,649)	(24,619)
Other	(41)	(123)
	(28,690)	(24,742)
Net deferred tax asset	$ 15,398	$ 2,289

The consolidated provision for income taxes differs from the provision computed at the statutory U.S. Federal income tax rate for the following reasons (in thousands):

	1997	1996	1995
Expected tax provision at U.S. statutory rate	$49,379	$35,953	$25,522
Non-U.S. income, taxed at less than U.S. statutory rate	(3,190)	(1,233)	(3,030)
Change in valuation allowance	(8,276)	--	--
Expenses for which no tax benefit was received	11,408	--	134
	$49,321	$34,720	$22,626

SFAS No. 109 requires that deferred tax assets be reduced by a valuation allowance if it is more likely than not that some portion or all of the deferred tax asset will not be realized. During 1997, the net decrease in the valuation allowance was $8.3 million in connection with the disallowance of a portion of the previously reserved deferred tax assets.

Undistributed earnings of non-U.S. subsidiaries included in consolidated retained earnings amounted to $177.8 million at December 31, 1997. It is the Company's policy that these earnings, which reflect full provision for non-U.S. income taxes, have no additional provision for U.S. taxes on foreign subsidiaries earnings which are expected to be reinvested indefinitely. However, additional income taxes have been provided on planned repatriations of foreign earnings after taking into account tax-exempt earnings and applicable foreign tax credits.

8. RETIREMENT AND EMPLOYEE BENEFIT PLANS

Retirement Plans

The Company and its subsidiaries have defined benefit retirement plans covering substantially all employees. The total cost of all plans for 1997, 1996 and 1995 was $6.0 million, $5.4 million and $5.2 million, respectively.

Annual cost is determined using the projected unit credit actuarial method. Prior service cost is amortized on a straight-line basis over the average remaining service period of employees expected to receive benefits. An assumption is made for modified career average plans such that the average earnings base period will be updated to the years prior to retirement.

It is the Company's practice to fund amounts for pensions sufficient to meet the minimum requirements set forth in applicable employee benefit and tax laws and such additional amounts as the Company may determine to be appropriate from time to time. The assets of the various plans include corporate equities, government securities and corporate debt securities.

The funded status at December 31 was as follows (in thousands):

	U.S. PLANS		NON-U.S. PLANS	
	1997	1996	1997	1996
Actuarial present value of benefit obligations				
Vested benefit obligation	$ 64,446	$ 58,839	$ 9,754	$5,550
Accumulated benefit obligation	$ 67,118	$ 61,285	$10,332	$5,804
Projected benefit obligation	$ 82,121	$ 75,626	$13,126	$7,642
Plan assets at fair value	65,024	63,936	11,670	8,182
Projected benefit obligation in excess of plan assets	(17,097)	(11,690)	(1,456)	540
Unrecognized net loss	4,054	2,284	2,774	51
Unrecognized prior service cost	3,951	2,871	--	--
Additional liability	(3,032)	(2,400)	--	--
(Accrued) prepaid pension cost recognized in the consolidated balance sheets	$(12,124)	$ (8,935)	$ 1,318	$ 591

Net periodic pension cost for the years ended December 31 included the following components (in thousands):

	U.S. PLANS			NON-U.S. PLANS		
	1997	1996	1995	1997	1996	1995
Service cost, benefits earned during the period	$ 3,742	$ 3,695	$ 3,573	$ 976	$ 793	$ 677
Interest cost on the projected benefit obligation	5,916	5,341	4,747	657	525	361
Actual return on plan assets	(5,509)	(5,272)	(4,578)	(788)	(544)	(407)
Net amortization	1,034	890	871	--	2	--
Net periodic pension cost	$ 5,183	$ 4,654	$ 4,613	$ 845	$ 776	$ 631

All defined benefit pension plans sponsored by the Company are funded to the extent required by Federal regulation in each of the years ended December 31, 1997, 1996 and 1995. The assumed long-term rate of return on plan assets was 9.0%, the discount rate used in estimating benefit obligations was 8.0% and the rate of compensation increase assumed for salary-related plans was 6.5%.

Included in the above tables is the funded status and net periodic pension cost of Camco's deferred compensation plan (the "DC Plan"). Under the DC Plan, certain officers and selected key management personnel of the Company may receive an amount upon retirement at age 65 equal to (x) an award level for such individual as determined by the Board (up to a maximum of 60%) multiplied by the average of the individual's highest five consecutive years earnings (including bonuses up to a maximum of 20% of base pay each year) out of the last ten consecutive years before retirement minus (y) the sum of the individual's benefits under the pension plan and other tax-qualified plans sponsored by the individual's former employers. An individual's benefits under the DC Plan vest on the earliest of the date the individual completes ten years of service, the individual's death or age 65. Benefits are subject to adjustment for early retirement (before age 65).

Thrift Plans

All U.S. employees are eligible to participate in the Company-sponsored thrift plans. The plan allows eligible employees to contribute a percentage of compensation, subject to IRS and plan limitations. The plans provide for matching contributions which amounted to annual expense recognized by the Company of $2.6 million, $2.3 million and $1.9 million in 1997, 1996 and 1995, respectively.

Nonpension Postretirement Benefits

The Company offers a postretirement medical plan to substantially all employees in the United States over age 60 who qualify for retirement and, on the last day of active employment, are enrolled as participants in Company medical plans for active employees. Participants under age 65 are required to pay the full average actual cost of providing benefits to active and retired employees. Participants age 65 and older contribute approximately 30% of the actual cost of providing benefits to active and retired employees. Total benefits provided over the lifetime of participants after they reach age 65 are limited to $100,000 per participant.

The expected cost of providing nonpension postretirement benefits is accrued during the years employees render service. The discount rate used in determining costs and future obligations was 8.0% in 1997, 1996 and 1995. The assumed health care cost trend rate was 10.0% in 1995, 9.0% in 1996 and 8.0% in 1997, scaling to 6.0% over six years. A one percent increase in the trend rate for health care costs would increase the accumulated postretirement benefit obligation by approximately 6.5% and the service and interest cost by approximately 7.0%. The Company is not required to fund its future obligation under the plan and does not intend to, unless favorable tax treatment becomes available.

Accumulated postretirement benefit obligations in excess of plan assets is classified in the accompanying balance sheets as other long-term liabilities and consists of the following as of December 31 (in thousands):

	DECEMBER 31	
	1997	1996
Retirees and beneficiaries....	$ 4,669	$ 6,421
Fully eligible participants...	1,172	2,542
Other active participants.....	2,421	3,339
Unrecognized net gain.........	9,611	6,158
Total....................	$17,873	$18,460

Net periodic postretirement cost for the years ended December 31, are as follows (in thousands):

	DECEMBER 31		
	1997	1996	1995
Service cost.......................	$ 214	$ 314	$ 375
Interest cost......................	619	919	1,337
Amortization of unrecognized gain...	(811)	(451)	--
Total.............................	$ 22	$ 782	$1,712

Management Incentive Programs

The Company has an incentive bonus plan in which selected key employees, including executive officers, are eligible to receive cash bonus payments based on measures of profitability and cash flow of the Company and various units of the Company which are established and approved by the Board of Directors for each participant in the program at the beginning of each year. A minimum performance level must be achieved by the Company or a particular unit of the Company before any bonus may be earned.

Stock Plans

The Company has two plans currently in effect under which future stock option grants may be issued: the 1997 Long-Term Incentive Plan (the "1997 Incentive Plan") and the Non-Employee Directors Stock Option Plan (the "Directors' Plan").

The 1997 Incentive Plan provides for the granting of options to officers and key employees at an option price greater than or equal to the fair market value of a Company share on the date of grant. The term of each option is ten years and the options are generally exercisable in either three or four equal annual installments beginning one year after the date of grant. Initially, 1,500,000 shares of the Company's common stock were reserved for issuance under the 1997 Incentive Plan.

The Directors' Plan provides for the granting of options to non-employee directors at an option price greater than or equal to the fair market value of a Company share on the date of grant. The term of each option is ten years and the options are generally exercisable in three equal annual installments beginning one year after the date of grant. Two hundred and fifty thousand shares of the Company's common stock were reserved for issuance under the Directors' Plan.

Information regarding the Company's stock option plans, including predecessor plans, is summarized below:

	SHARES UNDER OPTION	WEIGHTED AVERAGE EXERCISE PRICE	OPTION PRICE RANGE
Balance at December 31, 1994...	1,359,468	$14.86	$3.37-$19.75
Granted......................	141,218	19.31	18.37-23.94
Exercised....................	(200,041)	11.41	3.37-15.00
Canceled.....................	(58,000)	16.09	15.00-22.75
Balance at December 31, 1995...	1,242,645	15.86	3.37-23.94
Granted......................	552,918	28.88	24.14-36.94
Exercised....................	(177,105)	14.49	4.81-22.63
Canceled.....................	(4,875)	17.45	18.00-22.63
Balance at December 31, 1996...	1,613,583	20.47	3.37-36.94
Granted......................	563,372	49.20	27.89-60.81
Exercised....................	(382,256)	18.52	3.37-28.63
Canceled.....................	(30,273)	29.05	15.00-49.06
Balance at December 31, 1997...	1,764,426	$29.67	$3.37-$60.81
Available for grant at December 31, 1997............	1,288,070		
Shares exercisable at December 31, 1997............	733,045		

The Company has adopted the disclosure-only provisions of SFAS No. 123, "Accounting for Stock-Based Compensation." Accordingly, no compensation cost has been recognized for the stock option plans. Had compensation cost for the Company's stock option plans been determined based on the fair value at the grant date for awards in 1997, 1996 and 1995 consistent with the provisions of SFAS No. 123, the Company's net income and earnings per share would have been reduced to the pro forma amounts indicated below (in thousands, except per share amounts):

	1997	1996	1995
Net income -- as reported	$88,852	$68,004	$43,144
Net income -- pro forma	83,999	65,925	42,843
Diluted earnings per share -- as reported	$ 2.31	$ 1.78	$ 1.14
Diluted earnings per share -- pro forma	2.17	1.72	1.13

The effects of applying SFAS No. 123 in this pro forma disclosure are not indicative of future amounts. SFAS No. 123 does not apply to awards prior to 1995, and additional awards in future years are anticipated. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions: expected dividend yield of 0.4% to 0.8%; expected stock price volatility range of 27.6% to 35.9%; risk-free interest rate range of 6.1% to 7.2%; and expected life of 10 years.

The ranges of option fair values granted during 1997, 1996 and 1995 are from $19.59 to $32.21 and from $12.61 to $18.39 and $10.01 to $11.54, respectively. The weighted average of these fair values are $25.77, $14.30 and $10.29, respectively.

Information with respect to stock options outstanding and stock options exercisable as of December 31, 1997, is as follows:

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICE	OPTIONS OUTSTANDING	REMAINING LIFE (YEARS)	WEIGHTED AVERAGE EXERCISE PRICE	OPTIONS EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE
$3.37-$19.75	703,846	5.78	$15.58	500,774	$15.20
$21.54-$36.94	557,080	8.19	29.22	232,271	29.64
$49.06-$60.81	503,499	9.39	49.89	--	--
	1,764,426	7.57	$29.67	733,045	$19.77

The Company's 1997 Incentive Plan also authorizes the granting of restricted stock awards. Under this and previous plans, 158,750 shares of restricted stock were awarded to Company executive officers and other key employees that will vest over periods ranging from three to five years based upon the completion of specified periods of future service with the Company. In addition, 135,000 restricted shares of Common Stock were awarded to executive officers and other key employees and approximately 119,000 shares have been earned based upon the attainment of specified performance objectives. Compensation is charged to income over the vesting period for these awards which resulted in expense recognition of $4.5 million, $2.3 million and $1.7 million in 1997, 1996 and 1995, respectively.

The Company's ESOP covers all full-time domestic employees of Production Operators. ESOP contributions are made at the discretion of the Company's Board of Directors. Contributions to the ESOP by the Company for the years ended December 31, 1997, 1996 and 1995, were $925,000, $891,000 and $818,000, respectively. Dividends received by the ESOP Trust and applied to reduction of the ESOP term loan were $65,000, $126,000 and $119,000 in 1997, 1996 and 1995, respectively.

9. COMMITMENTS AND CONTINGENCIES

Operating Leases

Aggregate minimum rental commitments under noncancelable operating leases with lease terms in excess of one year as of December 31, 1997, are as follows (in thousands):

1998	$ 6,375
1999	4,066
2000	2,784
2001	2,141
2002	1,516
Thereafter	12,834
	$29,716

The Company incurred total rental expense of approximately $10.4 million, $10.0 million and $9.3 million in 1997, 1996 and 1995, respectively.

Construction Commitment

The Company is committed to provide up to $40.0 million in additional funding to its Venezuelan joint venture to fund progress payments on the construction of contract gas compression equipment and facilities. The venture expects to obtain project financing upon completion of construction and repay all advances.

Legal Proceedings

The Company is involved in certain lawsuits and claims, including claims by federal and local authorities under various environmental protection laws, arising in the normal course of business. In the opinion of management, uninsured losses, if any, resulting from the ultimate resolution of these matters will not have a material adverse effect on the financial position or results of operations of the Company.

Foreign Exchange Contracts

Camco enters into a variety of foreign exchange contracts to manage its exposure to fluctuations in foreign currency exchange rates. These contracts generally involve the exchange of one currency for another at a future date. The carrying value of these contracts at December 31, 1997 and 1996, approximated fair value based on exchange rates and quoted market prices at December 31, 1997 and 1996, for comparable contracts and was not significant.

Standby Letters of Credit

As of December 31, 1997, the Company has $16.1 million of standby letters of credit outstanding under various unsecured credit arrangements.

Stockholder Rights Agreement

The Company has a Stockholder Rights Agreement to protect against coercive or unfair takeover tactics. Under the terms of the agreement, the Company distributed to its stockholders one right for each share of Common Stock held.

Each right, as amended, entitles the holder to purchase one share of Common Stock for $250 per share, subject to adjustment or, under certain circumstances, to purchase stock of the Company or of the acquiring entity for one half of the market value. The rights are exercisable only if a person or group acquires 15% or more of the Company's Common Stock or makes a tender offer for 15 percent or more of the Common Stock. The rights expire on December 15, 2004.

Stock Repurchase Plan

In 1996, the Board of Directors authorized a stock repurchase program for up to $20 million of the Company's Common Stock. Shares of the Company's Common Stock purchased pursuant to the program are reserved and used exclusively for employee benefit plans. During 1996, the Company purchased 342,600 shares of the Company's stock for an aggregate amount of $13.4 million.

10. SEGMENT INFORMATION

The Company is a diversified international energy service and manufacturing company that provides a variety of services and equipment to the oil and gas industry.

Revenues by industry segment and geographic area include both revenues from unaffiliated customers and intercompany revenues from related companies. The price at which intercompany sales are made is generally based on the selling price to unaffiliated customers, less a discount, or the direct product cost plus a markup.

Export sales from the United States to other geographic areas, including intercompany sales to foreign subsidiaries, are as follows (in thousands):

	1997	1996	1995
Europe (including Former Soviet Union)...	$ 52,137	$ 43,218	$ 33,519
Mexico and Central and South America.....	56,149	79,978	86,857
Far East.................................	32,827	28,610	30,002
Middle East and Africa...................	25,474	25,610	17,670
Canada...................................	21,598	19,557	16,120
	$188,185	$196,973	$184,168

The following financial information by geographic region for the years ended December 31, 1997, 1996 and 1995, is based on the source from which the equipment and services originate (in thousands):

	OUTSIDE REVENUES	ADDITIONAL INTERCOMPANY REVENUES	OPERATING INCOME	IDENTIFIABLE ASSETS
1997				
USA and Canada	$506,725	$ 157,881	$ 71,853	$ 641,407
Europe (including Former Soviet Union)	106,876	34,055	36,285	152,494
Middle East and Africa	22,104	--	884	11,852
Mexico and Central and South America	110,502	730	13,656	101,516
Far East	167,634	75,004	38,800	210,571
Eliminations	--	(267,670)	(14,725)	--
Consolidated	$913,841	$ --	$146,753	$1,117,840
1996				
USA and Canada	$432,923	$ 114,950	$ 47,757	$ 517,645
Europe (including Former Soviet Union)	136,851	27,182	21,148	134,036
Middle East and Africa	14,541	--	3,705	18,092
Mexico and Central and South America	79,406	207	11,961	94,576
Far East	100,814	53,300	32,761	207,356
Eliminations	--	(195,639)	(10,069)	--
Consolidated	$764,535	$ --	$107,263	$ 971,705
1995				
USA and Canada	$377,709	$ 110,397	$ 46,241	$ 488,424
Europe (including Former Soviet Union)	103,361	17,002	6,988	84,478
Middle East and Africa	10,833	--	1,667	14,807
Mexico and Central and South America	75,063	--	3,777	75,896
Far East	100,966	37,070	22,552	217,894
Eliminations	--	(164,469)	(3,170)	--
Consolidated	$667,932	$ --	$ 78,055	$ 881,499

Information for industry segments is as follows (in thousands):

	OUTSIDE REVENUES	OPERATING INCOME	IDENTIFIABLE ASSETS	DEPRECIATION AND AMORTIZATION	CAPITAL EXPENDITURES
1997					
Oilfield equipment...	$697,015	$125,904	$ 696,494	$34,927	$37,303
Oilfield services....	216,826	48,404	318,835	26,620	57,943
Corporate............	--	(27,555)(a)	102,511	917	508
Consolidated........	$913,841	$146,753	$1,117,840	$62,464	$95,754
1996					
Oilfield equipment...	$568,314	$ 87,893	$ 616,404	$31,473	$28,001
Oilfield services....	196,221	40,121	270,816	23,003	33,685
Corporate............	--	(20,751)	84,485	908	162
Consolidated........	$764,535	$107,263	$ 971,705	$55,384	$61,848
1995					
Oilfield equipment...	$493,397	$ 62,209	$ 532,981	$23,574	$20,766
Oilfield services....	174,535	29,321	272,189	21,906	68,074
Corporate............	--	(13,475)	76,329	612	315
Consolidated........	$667,932	$ 78,055	$ 881,499	$46,092	$89,155

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(a) Includes merger expenses of $12.5 million incurred in connection with the merger between Camco and Production Operators.

11. DISCONTINUED OPERATIONS

The oil and gas production activities of Production Operators were discontinued in 1995 with a $6.7 million provision, net of tax, recorded related to the disposal of assets and $.5 million loss, net of tax, recorded related to operations. The discontinued operation's revenues, operating loss, tax benefit and loss after tax in 1995 were $9.2 million, $.7 million, $.2 million and $.5 million, respectively.

12. UNAUDITED QUARTERLY FINANCIAL DATA

	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER	TOTAL
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)				
1997					
Revenues	$195,484	$227,145	$239,058	$252,154	$913,841
Gross margin	82,246	96,113	99,649	109,359	387,367
Income before provision for income taxes	30,189	24,453	41,579	44,861	141,082
Income before cumulative effect of change in accounting principle	19,810	15,772	27,023	29,156	91,761
Net income	19,810	15,772	27,023	26,247	88,852
Earnings per share:					
Basic --					
Income before cumulative effect of change in accounting principle	$ .53	$ .42	$ .72	$ .78	$ 2.45
Net income	$ .53	$ .42	$ .72	$ .70	$ 2.37
Diluted --					
Income before cumulative effect of change in accounting principle	$ .52	$ .41	$ .70	$ .76	$ 2.39
Net income	$ .52	$ .41	$ .70	$ .68	$ 2.31
1996					
Revenues	$167,648	$185,283	$190,171	$221,433	$764,535
Gross margin	67,763	74,507	75,508	87,651	305,429
Income before provision for income taxes	21,280	23,495	26,538	31,411	102,724
Net income	14,288	15,593	17,452	20,671	68,004
Earnings per share:					
Basic --					
Net income	$ .38	$ .42	$ .47	$ .55	$ 1.81
Diluted --					
Net income	$ .37	$ .41	$ .46	$ .54	$ 1.78

EXHIBIT 13.2

CAMCO INTERNATIONAL INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF INCOME
(In thousands, except per share data)
(unaudited)

	Three Months Ended June 30		Six Months Ended June 30	
	1998	1997	1998	1997
REVENUES:				
Sales	$151,813	$156,319	$303,092	$279,751
Services	83,290	70,826	160,078	142,878
	235,103	227,145	463,170	422,629
COSTS AND EXPENSES:				
Cost of sales	76,837	82,228	151,222	144,451
Cost of services	57,651	48,804	111,722	99,819
	134,488	131,032	262,944	244,270
Gross margin	100,615	96,113	200,226	178,359
Selling, general and administrative expenses	53,090	55,476	105,930	104,185
Merger expenses	--	12,500	--	12,500
Amortization of intangible assets	2,403	2,178	4,573	4,072
Operating income	45,122	25,959	89,723	57,602
Interest expense, net	2,175	1,506	3,768	2,960
Income before provision for income taxes	42,947	24,453	85,955	54,642
Provision for income taxes	14,801	8,681	30,214	19,060
Net income	$ 28,146	$ 15,772	$ 55,741	$ 35,582
Earnings Per Share:				
Basic-				
Net Income	$ .74	$ .42	$ 1.48	$ .95
Average common shares outstanding	37,887	37,320	37,780	37,300
Diluted-				
Net Income	$ .73	$ .41	$ 1.44	$ .93
Average common and common equivalent shares outstanding	38,745	38,348	38,638	38,325
Cash dividends per common share	$ .05	$ .05	$ .10	$ .10

The accompanying notes are an integral part of these consolidated condensed financial statements.

CAMCO INTERNATIONAL INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS
(In thousands, except share data)

	June 30, 1998 (unaudited)	December 31, 1997
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 69,231	$ 57,255
Accounts receivable, net	194,823	177,112
Inventories	225,808	206,471
Prepaid expenses and other	71,670	65,663
Total current assets	561,532	506,501
PROPERTY, PLANT AND EQUIPMENT		
Land	5,708	5,120
Buildings	78,275	77,279
Machinery and equipment	279,800	266,137
Service equipment	397,564	366,732
	761,347	715,268
Accumulated depreciation	(387,850)	(361,956)
Property, plant and equipment, net	373,497	353,312
INTANGIBLE ASSETS, net	223,058	212,749
OTHER	79,930	45,278
Total assets	$1,238,017	$1,117,840
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term debt	$ 120	$ 120
Accounts payable	60,115	57,765
Accrued liabilities	151,726	159,085
Income taxes payable	29,429	31,832
Total current liabilities	241,390	248,802
LONG-TERM DEBT	170,300	110,300
DEFERRED INCOME TAXES	32,213	28,690
OTHER LONG-TERM LIABILITIES	45,064	43,803
Total liabilities	488,967	431,595
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Common stock $.01 par value, 100,000,000 shares authorized, 38,763,668 and 38,583,393 shares issued	388	386
Additional paid-in capital	533,576	525,662
Retained earnings	255,875	203,911
Cumulative translation adjustment	(15,966)	(15,194)
Treasury stock, 799,989 and 1,046,372 shares at cost	(24,823)	(28,520)
Total stockholders' equity	749,050	686,245
Total liabilities and stockholders' equity	$1,238,017	$1,117,840

The accompanying notes are an integral part of these consolidated condensed financial statements.

CAMCO INTERNATIONAL INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(In thousands)
(unaudited)

	Six Months Ended June 30	
	1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 55,741	$ 35,582
Adjustments to reconcile net income to net cash provided by operating activities, net of effects of acquisitions -		
Gain from sale of assets	(687)	(139)
Depreciation and amortization	35,476	30,444
Provision for deferred and other taxes	3,539	7,102
Increase in accounts receivable	(20,776)	(16,402)
Increase in inventories	(14,686)	(24,051)
Increase in accounts payable	4,104	4,753
Increase (decrease) in accrued liabilities	(7,685)	24,201
Decrease in income taxes payable	(2,010)	(11,776)
Decrease in other, net	3,158	2,310
Net cash provided by operating activities	56,174	52,024
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(50,954)	(44,407)
Proceeds from sale of property, plant and equipment	734	223
Business acquisitions, net of cash acquired	(19,496)	(11,753)
Investment in joint venture	(37,288)	--
Change in subsidiary year-end	--	(6,496)
Net cash used in investing activities	(107,004)	(62,433)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in borrowings under revolving credit facility	60,000	--
Increase in other debt	--	4,996
Dividends paid to stockholders	(3,777)	(3,122)
Proceeds from exercise of stock options	6,752	864
Change in subsidiary year-end and other	--	6,158
Net cash provided by financing activities	62,975	8,896
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(169)	(217)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	11,976	(1,730)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	57,255	42,645
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 69,231	$ 40,915
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for interest	$ 3,930	$ 2,981
Cash paid for income taxes	$ 23,779	$ 23,596

The accompanying notes are an integral part of these consolidated condensed financial statements.

CAMCO INTERNATIONAL INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)
(unaudited)

	Three Months Ended June 30		Six Months Ended June 30	
	1998	1997	1998	1997
Net income	$28,146	$15,772	$55,741	$35,582
Other comprehensive income:				
Foreign currency translation adjustments	(2,630)	1,915	(772)	(3,035)
Comprehensive income	$25,516	$17,687	$54,969	$32,547

The accompanying notes are an integral part of these consolidated condensed financial statements.

1. BASIS OF PRESENTATION

In the opinion of Camco International Inc. and subsidiaries ("Camco" or the "Company") management, the accompanying unaudited consolidated condensed financial statements include all adjustments necessary to present fairly the Company's financial position as of June 30, 1998, and its results of operations and cash flows for the three months and six months ended June 30, 1998 and 1997. Although the Company believes that the disclosures are adequate to make the information presented not misleading, certain information and footnote disclosures normally included in annual consolidated financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission. These consolidated condensed financial statements should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 1997. The results of operations for the three months and six months ended June 30, 1998 may not be indicative of the results for the full year.

Merger with Production Operators Corp

On June 13, 1997, Camco acquired Production Operators Corp ("Production Operators"), a market leader in total responsibility gas compression services. The business combination was accounted for using the pooling-of-interests method of accounting. Accordingly, these financial statements have been prepared as if Camco and Production Operators were combined as of the beginning of the earliest period presented.

Other Comprehensive Income

The Company adopted Statement of Financial Accounting Standards ("SFAS") No. 130, "Reporting Comprehensive Income," in the first quarter of 1998. The only current difference between net income and comprehensive income is the change in the cumulative translation adjustment for foreign currency, a separate component of stockholders' equity in the accompanying consolidated condensed balance sheets.

Earnings Per Share

SFAS No. 128, "Earnings Per Share," was adopted by the Company in the fourth quarter of 1997 and all earnings per share previously reported have been restated. Basic earnings per share is computed by dividing net income by the weighted average common shares outstanding. Diluted earnings per share is computed by dividing net income by the weighted average number of common and common equivalent shares outstanding. The computation of diluted earnings per share includes the dilutive effects of options to purchase common stock and restricted stock grants, which aggregated 858,000 and 1,028,000 for the three months ended June 30, 1998 and 1997, respectively, and 858,000 and 1,025,000 for the six months ended June 30, 1998 and 1997, respectively.

2. PROPOSED MERGER WITH SCHLUMBERGER LIMITED

On June 18, 1998, Camco entered into an Agreement and Plan of Merger (the "Merger Agreement") with Schlumberger Technology Corporation ("STC"), and Schlumberger OFS, Inc., a wholly-owned subsidiary of STC ("Sub"), providing for the merger of Sub with and into Camco, with Camco surviving as a wholly-owned subsidiary of STC (the "Merger"). STC is a wholly-owned subsidiary of Schlumberger Limited, a publicly traded Netherlands Antilles corporation ("Schlumberger"). Pursuant to the Merger Agreement, the stockholders of Camco will receive 1.18 shares of common stock of Schlumberger ("Schlumberger Common Stock") for each share of common stock of Camco ("Camco Common Stock"). In addition, outstanding options to acquire shares of Camco Common Stock will be converted into options to acquire 1.18 times as many shares of Schlumberger Common Stock at an exercise price per share equal to the former exercise price per share divided by 1.18.

Closing under the Merger Agreement is conditioned on, among other things, approval by Camco's stockholders and receipt of all regulatory approvals. It is intended that the Merger qualify as a tax-free reorganization for federal income tax purposes and as a pooling-of-interests for accounting purposes. Camco and STC anticipate closing the transaction on August 31, 1998.

Under the Merger Agreement, Camco must pay a termination fee of $90 million if (1) Camco receives a Superior Proposal (as defined in the Merger Agreement) prior to approval of the Merger by the Camco stockholders and elects to terminate the agreement, (2) the Camco Board of Directors recommends or proposes to recommend an alternate proposal and STC exercises its right to terminate the agreement, (3) the Camco Board of Directors withdraws, terminates or modifies its recommendation of the agreement in an adverse manner, STC terminates the agreement and Camco consummates an alternative transaction on or before September 30, 1999 or (4) an alternate acquisition proposal is made and publicly announced, the Camco stockholders do not approve the Merger and Camco consummates an alternative proposal on or before September 30, 1999.

Pursuant to a related Transaction Agreement, Schlumberger agreed to sell to STC such number of shares of Schlumberger Common Stock as are required to be delivered to stockholders of Camco under the Merger Agreement and to register those shares with the Securities and Exchange Commission.

3. BUSINESS ACQUISITIONS

During the first six months of 1998, the Company acquired two well service businesses in the United States, an electric submersible pump business in Argentina and the remaining interest in an electric submersible pump business in Colombia for $19.5 million in cash. The results of operations of these businesses are included in the accompanying financial statements from the dates of acquisition.

4. INVENTORIES

Consolidated inventories, net of allowances, are summarized as follows (in thousands):

	June 30, 1998 (Unaudited)	December 31, 1997
Raw materials	$ 22,969	$ 19,916
Parts and components	64,185	69,656
Work-in-process	25,149	24,079
Finished goods	113,505	92,820
	$225,808	$206,471

Work-in-process and finished goods inventories include the cost of materials, labor and plant overhead. The excess of current costs, determined using the first-in, first-out basis, over the carrying values of those inventories accounted for on a last-in, first-out basis was approximately $7.8 million and $10.0 million at June 30, 1998 and December 31, 1997, respectively.

5. COMMITMENTS AND CONTINGENCIES - LEGAL PROCEEDINGS

The Company is involved in certain lawsuits and claims arising in the normal course of business, including claims by federal and local authorities under various environmental protection laws. In the opinion of management, uninsured losses, if any, resulting from the ultimate resolution of these matters will not have a material adverse effect on the financial position or results of operations of the Company.

EXHIBIT 23.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference in this Current Report on Form 8-K, in Registration Statement No. 333-59961 on Form S-4, as amended by Registration Statement No. 333-62443 on Form S-4 filed pursuant to Rule 462(b) of the Securities Act of 1933, as amended, and in Registration Statement No. 333-62545 on Form S-8 of our report dated February 10, 1998 included in Camco International Inc.'s Form 10-K for the year ended December 31, 1997, and to all references to our Firm included in such documents.

ARTHUR ANDERSEN LLP

Houston, Texas
September 15, 1998

EXHIBIT 99.1

For Immediate Release: Monday August 31, 1998

SCHLUMBERGER AND CAMCO MERGER COMPLETED

NEW YORK, August 31 -- Schlumberger Limited (NYSE: SLB) announced that the merger of Schlumberger Technology Corporation, a wholly owned subsidiary of Schlumberger, and Camco International, Inc. (NYSE: CAM), has been completed following today's approval by the stockholders of Camco.

Under the terms of the merger agreement, approximately 38.2 million shares of Camco common stock will be exchanged for 45.1 million shares of Schlumberger common stock at the exchange rate of 1.18 shares of Schlumberger stock for each share of Camco. Based on the Schlumberger closing price of $48-7/8 on Friday, August 28, the transaction is valued at $2.2 billion, and the combined market capitalization of the two companies is $26.6 billion.

Camco will be operated as a subsidiary of Schlumberger Technology Corporation within the Schlumberger Oilfield Services group. Rene Huck is appointed President of Camco, reporting to Victor Grijalva, Vice Chairman of Schlumberger Limited. Rene Huck was previously the Oilfield Services Solutions President for Europe and the Former Soviet Union area.

The merger further enhances the capability of Schlumberger to offer premium reservoir optimization solutions and systems to our customers worldwide. Schlumberger and Camco have historically been the most profitable companies in their peer group. Both companies have extensive international experience, exhibit an excellent cultural fit and share strengths in relationships with customers, governments and suppliers. This combination reinforces the leadership position of Schlumberger in products and services that improve the productivity of its customers.

Schlumberger is a worldwide leader in technical services with 65,000 employees and operations in over 100 countries. In 1997, revenue was $10.65 billion.

For more information about this release contact:

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