1985

SCHLUMBERGER
ANNUAL REPORT

Grief and shock – this is how we will remember 1985.

Jean Riboud, after 34 years with the Company and 20 years at the helm, has left us too soon. We will remember him for his long-term vision and sense of detail, for his charisma and sense of modesty, for his patience and sense of urgency. The Schlumbergers and Jean Riboud have created and forged Schlumberger. What a challenge to follow them.

It was a difficult year for our businesses:

□ The oil industry, mainly in the United States and the OPEC countries, went into disarray: oversupply, expectation of an oil price decline, excessive debt after restructuring, difficulty in securing financing, uncertainty about taxation, all of this drastically reduced the activity in the United States and in the Middle East and created turbulence throughout the rest of the world.

□ The semiconductor industry went through its worst recession since its origin.

□ The other industries, in the United States, in Europe, in Japan, were waiting for a clear signal that the world was finally getting out of inflation and away from austerity, that the banks would hold, that protectionism would not ruin their investment plans.

Earnings of the Company for the past year were $862 million, down 27%, and for the first time since 1980, below the one billion dollar mark. Furthermore, we decided to reduce the value of Fairchild in the Company books to reflect current conditions. This caused an exceptional charge to earnings of $511 million, reducing 1985 net income to $351 million.

Crises have their value: they force us to concentrate on the essentials, to reconsider every option.

What are our businesses?

□ First, we are an *oilfield services company*, bringing technology to the oil industry anywhere, anytime. Whenever I am among the Schlumberger people in the oilfield, in China, in the North Sea, in Alaska, I see the team at work and it works extremely well. It is lean, conscious of its quality, eager to serve the client, and fighting for margins.

But we want more: Schlumberger has to emerge from the present crisis, stronger, better and not stunted. The key to this lies with the research and engineering centers. Despite the oil recession, we have spent at a record level for research and engineering, in dollars and as a percentage of revenue. We have the financial means to continue but we will demand results. New tools in Wireline logging, testing, pumping and drilling will place us in a unique position to fight the present recession and to take full advantage of the recovery.

Our goal in the oilfields is to be the best, not only in the Wireline but also in the other services. We shall continue recruiting from all countries, placing priority on continuous training, giving full responsibility through decentralization to the field organization, appraising people on results and on human qualities. In addition to our present oilfield businesses, Wireline, Flopetrol Johnston, Dowell Schlumberger, Sedco Forex, and Anadrill, we are starting our own surface seismic activity oriented toward reservoir description.

□ Schlumberger is also an *electronics company.*

Having access from within to the world of semiconductors, measurement technology, graphics and software helps our oilfield sector stay ahead. But it does not justify losses.

People tend to forget that more than half of our electronics activities, which we call Measurement & Control, are solid, profitable and growing. It took perseverance, faith and conviction to reach this result. Today, we are ready to expand in the international markets through leadership in electricity, water and gas management, electronic payments, transducers, instruments, bringing technology to the utilities, to the aerospace industry, to the banking community...

Fairchild Semiconductor has turned one corner: reaching stability and improving manufacturing efficiency. We are moving aggressively toward new products designed for specific applications or for individual customer needs. The first signs of a change in client attitude are apparent. But Fairchild has a second corner to turn, to make money.

Computer Aided Systems represents a unique attempt to bring together four companies helping industry to build paperless factories: Applicon in CAD-CAM, Benson in computer graphics, Sentry in electronic component testing, Factron in electronic subassembly testing. We made progress in organizing each company; we now have to link them into a coherent group.

Our goal for electronics is to make it profitable. It means quality, professionalism and selectivity. We shall continue to move away from the intense competition of low technology products and toward the more difficult but also more rewarding service of helping the engineering departments, from design through manufacturing.

Are we at the bottom?

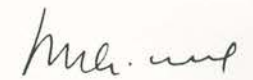
Even if the price of oil does fluctuate widely in the coming months, we have now entered a period of lower prices. This should help most countries revive their economies.

Demand for energy will grow again; oil and gas will supply most of the increase. Slowly but certainly, oversupply will disappear and the Nineties could be similar to the Seventies and the Fifties, even more so if the oil industry stops looking for new oil.

A stronger economy means also a better environment for the electronics part of Schlumberger. Measurement & Control is already benefiting from increased orders and a higher value of the European currencies. Orders are coming back at Fairchild and at Applicon.

Nothing worthwhile is easy and we are fighting. But we are in the right business, bringing technology to industry – we have the best people, we have the imagination, the courage and the patience.

February 19, 1986



Michel Vaillaud
Chairman & Chief Executive Officer

SCHLUMBERGER

IN BRIEF	1985	1984	1983
Revenue	**$6,557,087,000**	$6,370,442,000	$5,797,459,000
Net income	**$ 351,036,000***	$1,182,073,000	$1,084,299,000
Net income per share	**$1.17***	$4.10	$3.73
Dividends declared per share	**$1.20**	$1.12	$1.00

*Net income for 1985 includes nonrecurring charges of $511 million ($1.71 per share). Excluding these charges, net income is $862 million ($2.88 per share).

JEAN RIBOUD
A TRIBUTE

Jean Riboud, Chairman and Chief Executive Officer of Schlumberger for the past 20 years, died on October 20 at the age of 65 after a long illness.

The son of a banker from Lyon in France, he joined the Resistance during World War II, was captured and sent to Buchenwald. This experience helped shape a lifelong conviction. Riboud once said that "in the presence of death there are the ones who fight and the ones who give up." He fought to the end.

After the war, Riboud came to New York as an investment banker. He was a skilled financier, but it was his personal qualities that caught the eye of Marcel Schlumberger, one of the two brothers who founded the company. Marcel offered the young man an undefined position with Schlumberger.

It did not surprise Marcel that Riboud accepted, for he sensed in the young Frenchman his own qualities... seeking a cause bigger than self, marrying personal beliefs with a professional career.

In May 1951, Riboud became Marcel Schlumberger's assistant. He watched and learned as Marcel, a rigorous taskmaster, asked penetrating questions or listened patiently to associates. At a celebration of the fiftieth anniversary of Schlumberger's first log, Riboud declared, "I should say that the most important thing I learned from Marcel Schlumberger was to have an independent mind – to think for oneself, to analyze by oneself, not to follow fashions, not to think like everyone else, not to seek honor or decorations, not to become part of the establishment."

In 1965, Jean Riboud became President and Chief Executive Officer. Over the next two decades, Riboud compiled an enviable record. In that time, Schlumberger revenue grew 20 times, net income multiplied 44 times, and the value of a share of Schlumberger stock was 35 times larger.

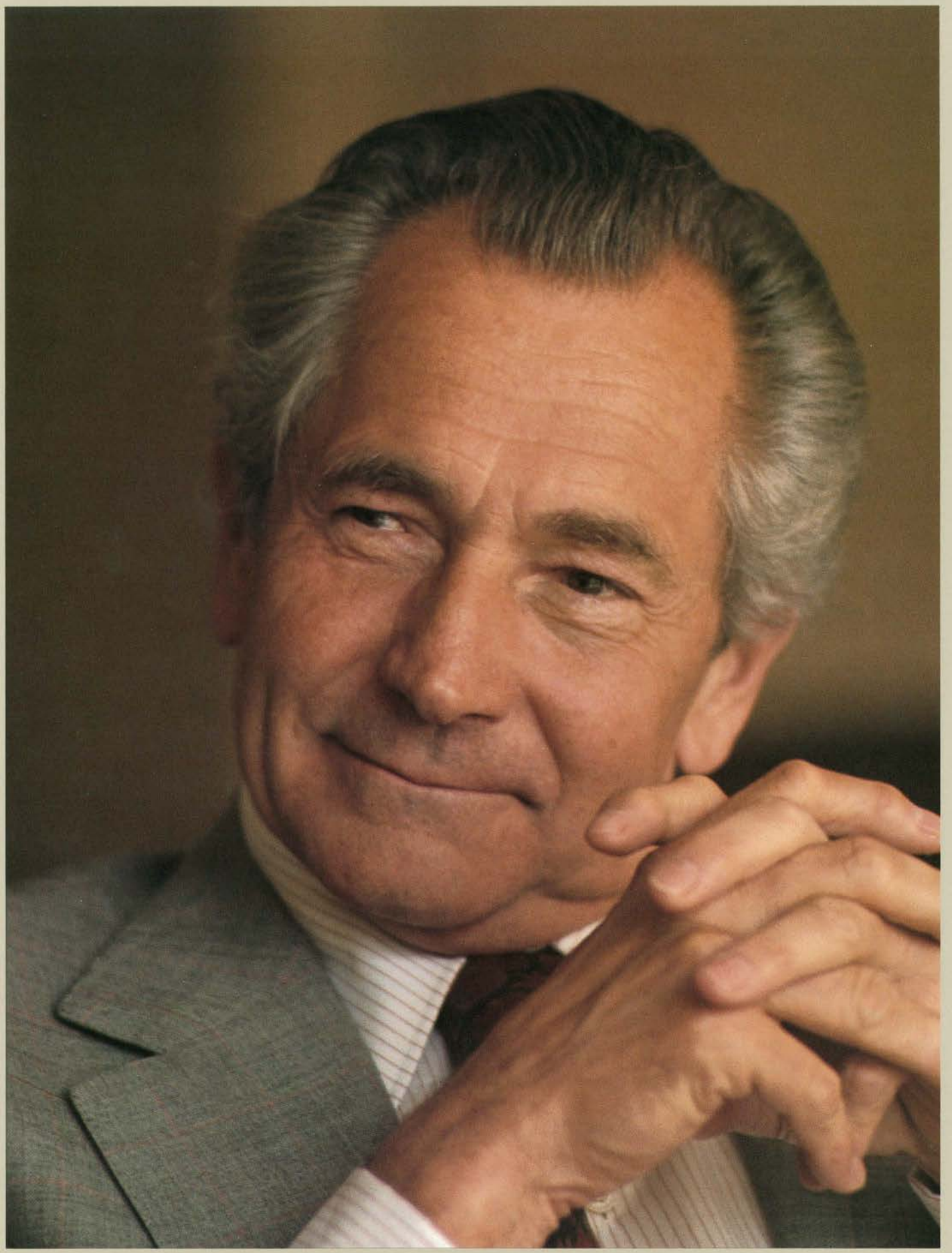
For Riboud, Schlumberger was a marriage of private and public belief. He did not compromise his convictions, his vision, in 35 years: that Schlumberger came first, that people mattered, that truth is the key to leadership. He opposed establishments so he worried that Schlumberger might become one. He was not a nationalist, seeking to impose his vision on other nations. He saw Schlumberger as a vehicle to assist Third World nations. He was proud that one-third of its employees came from the non-developed world, and since its birth in 1927, Schlumberger had never become a one-nationality company. A great company, like a great nation, he thought, manages to instill a sense of shared values, a common culture that unites people. Riboud likened "the Schlumberger spirit," as he called it, to a religion.

Riboud disliked complacency. He transferred executives whose bottom-line numbers were good when he thought their jobs were becoming too comfortable. He kept score in a different way. Not satisfied that Schlumberger was the best, Riboud measured success against another standard. "It's easy to be the best," he would say, "that's not enough. The goal is to strive for perfection."

Unlike executives who are threatened by criticism, Riboud welcomed people who, he said, don't "float like a cork". Over the years Riboud managed to surround himself with talented, but sometimes difficult people. Restless people who would challenge convention, freely speak out and, above all, strive for perfection. Others focused on details. Riboud had a vision for the company. His support of research and development, his conserving of cash for future opportunities, were but expressions of his eye on the future, 5-10-20 years ahead. On September 11, 1985, when Riboud told the Board of Schlumberger he wished for health reasons to step aside, he said, "You must have the courage to face difficult decisions at the right time."

In the broadest sense of the word, Jean Riboud was a humanist. He raised listening to an art form. His door was always open. Employees felt free to express contrary opinions, knowing that independence was rewarded. He helped infuse Schlumberger with a sense of freedom, a sense that everyone mattered.

These convictions will continue at Schlumberger. What is gone is a giant who graced Schlumberger not just with his vision and wisdom but with the force of his character.



WIRELINE, SEISMIC & TESTING SERVICES

Wireline, Seismic & Testing Services has three principal activities: □ *Wireline Services:* measurements of the physical properties of underground rock formations. Instruments are lowered into a well on an armored electrical cable called a "wireline"; measurements are transmitted to the surface where they are recorded on magnetic tape and also plotted on a graph called a "log." □ *Testing Services:* Flopetrol Johnston provides well testing, pressure measurements and completion & workover services. □ *Seismic Services:* Merlin offers marine seismic data acquisition and processing services.

□ *Schlumberger Doll Research* located in Ridgefield, Connecticut.

Wireline Services

Wireline revenue in 1985 was down 4% compared with the previous year.

NORTH AMERICA Revenue was 11% below the prior year. Activity in the United States was adversely affected by concerns over falling oil and gas prices caused by worldwide overcapacity. On land in the U.S., revenue was down 15% as the average rig count dropped 20% to 1,775. At the beginning of 1985, the number of active land rigs was 2,334, fell to a low of 1,670 in April and was only 1,765 at year end, 24% below the level of the year before. The decline in rig count is continuing into 1986, and on February 10, the number of land rigs stood at 1,316, down 32% from the same date in 1985.

In Canada, however, activity increased as drilling for gas remained strong and the average rig count was up 21%.

Offshore North America, the average number of rigs was 226, down 7%.

ATLANTIC *(Europe, Africa, Latin America)* Revenue was down 1% compared with the prior year. Reduced activity in the United Kingdom, Mexico and Nigeria was compensated by increases in Norway, Denmark, Trinidad, Colombia and West Africa. A decline started during the second half, with the fourth quarter 7% below the same quarter of 1984.

ASIA *(Middle East, Far East, Australasia)* Revenue was down 1% as declining activity in OPEC was offset by strong gains in China, particularly offshore. Here again, activity started declining at midyear, reaching a low in the fourth quarter, 4% below the same quarter of 1984.

The engineering and manufacturing facility in Fuchinobe near Tokyo was completed in March. The Fuchinobe facility provides technical support for Wireline Asia operations and works on engineering projects in optics, cased hole services and multiwell interpretation.

Testing Services

Flopetrol Johnston revenue in 1985 was 6% above the preceding year. In North America, revenue was up 8% as increased testing services and shipments of testing equipment to China more than offset price erosion elsewhere. Outside North America, revenue was up 5%. Activity in the North Sea, Africa and Latin America was up, while the Middle East and Far East declined.

Flopetrol Johnston has marketed integrated testing services which combine test design, wellsite operations, data interpretation and, finally, a detailed report and recommendation for the well completion. The success of this program and the introduction of newly developed tools have resulted in increased market share and an appreciable increase in testing revenue in a declining market.

Completion, maintenance and light workover services revenue continued to decline mostly because of pressure on prices.

Seismic Services

As a result of the growth in borehole seismology, a downhole logging service, the Wireline has become increasingly involved in the reprocessing of surface seismic surveys; a decision was made to establish a surface seismic business within Schlumberger. In December 1985, Merlin Profilers, Ltd., a British seismic data processing company, was purchased as a core group for the new business which will be developed internally. A team has been assembled, based in London, to begin marine seismic data acquisition in the North Sea.

Schlumberger Doll Research

An important advance in borehole seismic processing

THE PEOPLE OF WIRELINE

Representatives of the Wireline borehole seismic services in front of a downhole geophone tool in a laboratory at Clamart, France are, from the left: David Mullen, Field Geophysicist, Vincent de Montmollin, Tool Design Team Leader, François Jullien, Manufacturing, Leon Horowicz, Software Engineer, André Erlich, Software Team Leader, Philip Christie, Borehole Seismic Department Head, Michael Oristaglio, Theoretical Seismic Researcher, Ghislaine Palloix, Surface Instrumentation Team Leader, Gilbert Galland, Technician, Gordon Ballantyne, Field Engineer, Jean-Pierre Lippi, Technician.

was made recently at Schlumberger Doll Research (SDR). In borehole seismics, a logging tool records the downhole acoustical disturbance caused by explosions on the surface. The new processing, an advanced "migration" technique based on tomographic principles, has dramatically improved the ability to reconstruct a picture of the subsurface formations from borehole seismic data. The method, which has been tested in North America, is being prepared for general commercial release.

Ongoing geochemistry research at SDR is showing how chemical data measured by nuclear spectrometry logging tools can be given a firm mineralogical interpretation. This research also may connect mineralogy with rock properties such as grain size and possibly permeability. These parameters are needed for making accurate predictions of reservoir production.

WIRELINE BOREHOLE SEISMOLOGY

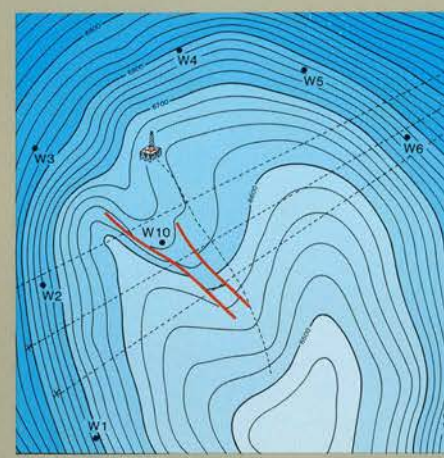
Oil companies have long used seismology as a way of mapping subsurface geological structures in order to drill an exploratory well in the most favorable location for finding hydrocarbons. The method, called surface seismics, employs powerful sound waves, which are often created by explosives, propagated through the earth.

The sound waves travel down and are partially reflected at each rock layer boundary. Then, they travel up and are detected on the surface by specialized microphones called geophones. The signals received at the geophones are plotted to create an image of the subsurface structure. This image represents the time it took the sound wave to make the round trip from the surface source, down to each reflector and back to the surface geophones.

The seismic image is plotted against sound travel time and must be translated into an image based upon depth measured in feet or meters. Wireline borehole seismology can provide the relationship between travel time and depth.

In its simplest form, Wireline borehole seismology consists of measuring the time taken by a pulse to travel from a sound source, located on the surface near the well-head, to a detector, or geophone, lowered by wireline and clamped at a precise depth in a well. This information allows the time scale of seismic sections to be calibrated in terms of actual depth.

The same sound pulse, after passing the geophone going down, may subsequently be reflected back up to the geophone from deeper layer boundaries. In fact, the train of pulses recorded by the geophone contains information from layers both above and below the geophone's position in the well. In this way, a detailed image of the earth's structure near the borehole can be built up from many geophone recordings taken every 20 meters or so in the well. This set of recordings is called a Vertical Seismic Profile or VSP.



A contour map showing the top of the reservoir. The two red lines indicate the fault system detected by the offset VSP; the 150 m section of the reservoir between these lines has slipped down by 40 m.

Combined and interpreted with other wireline log and surface seismic data, the VSP enables the geophysicist to match seismic reflections with geological boundaries. In addition, it is unique among wireline measurements in that it shows horizons below the current depth of the well.

Schlumberger can enhance the VSP method to describe structures much farther away from the borehole than the 100 meters offered by the usual VSP survey. Simply by moving the sound source away from the well-head, the subsurface image can be extended in any chosen direction. This technique is termed Offset VSP. By directing sound pulses from multiple source points at the surface into a number of geophone positions in the well, a detailed image can be produced of subsurface structures extending over a kilometer out from the borehole.

An example from the North Sea shows the value of the Offset VSP technique. The sediments overlying the reservoir contain pockets of trapped gas which have prevented clear delineation of the reservoir by surface seismic methods; the gas scatters sound signals, reducing the resolution of regular seismic surveys. The problem is analogous to looking through a window obscured by raindrops. However, a Schlumberger borehole geophone was placed at a depth below the gas pockets and a sharp image of the reservoir away from the well was obtained using the Offset VSP technique. After an extensive survey, comprising three Offset VSP lines, the existence of a large fault system, indicated by the red lines in the subsea contour maps, was discovered. In this case a 150 meter wide section of the reservoir rock slipped down by 40 meters relative to the rest of the structure.

These faults could strongly affect fluid flow within the oilfield. Consequently, they have great impact upon the siting of waterflood injector wells in the planned secondary recovery program.

The revised structural interpretation of the field, together with the projected distribution of the waterflood wells (W prefix), is shown. Well W 10, originally intended as a water injection well, was not relocated since it was important to prove the existence of the faulting. W 10 was drilled through the western fault into the undisturbed structure confirming the VSP interpretation and allowing a reassessment of the drainage pattern.

Schlumberger Wireline has focused research and engineering on Seismic Services as a result of their acceptance by the industry. The objective is the integration of borehole seismic with wireline logs and surface seismic data. Eventually, a three-dimensional reservoir data base may be offered to facilitate the understanding and subsequent economic exploitation of an oilfield.

DRILLING & PUMPING SERVICES

Drilling & Pumping Services has three operating units: □ *Sedco Forex:* contract drilling offshore and on land. □ *Anadrill:* wellsite computer analysis of data acquired during drilling, including formation characteristics, drilling efficiency and directional data. □ *Dowell Schlumberger (50% owned):* cementing and stimulation of oil wells.

□ *Schlumberger Cambridge Research* located in Cambridge, England.

Revenue of Drilling & Pumping Services was 49% higher than the prior year. Excluding the revenue of SEDCO, Inc., acquired in December 1984, and of Dowell Schlumberger in North America acquired in the second quarter of 1984, revenue was 3% lower.

Oilfield activities strengthened slightly in the early part of 1985, notably in Africa and Latin America. In the second half, drilling and pumping services came under pricing pressure due to lower activity, primarily in the United States, together with continuing overcapacity worldwide.

Research & engineering expenditures were $33 million, up 24%. Schlumberger Cambridge Research occupied new facilities in 1985.

Sedco Forex

On December 24, 1984, SEDCO, Inc. was merged into Schlumberger. The operations of Forex Neptune and SEDCO were combined in a new drilling division, Sedco Forex.

Drilling activity in the U.S. declined 19%; outside of North America it increased slightly, mainly in Europe. Day rates, on average, however, continued to deteriorate throughout the year, reflecting industry overcapacity for both land and offshore rigs. Sedco Forex activity offshore was flat compared to last year, but decreased 18% on land. Average rig utilization was 81% offshore and 54% on land, representing a slight decline over the previous year but in line with the rest of the industry.

At year end, Sedco Forex owned 99 drilling rigs (54 offshore and 45 on land), of which 27 were idle, and also operated 9 rigs owned by others. During the year, 15 rigs were retired from service.

Anadrill

Anadrill continued to grow, mainly from increased market share by Measurement While Drilling (MWD) and expanded directional drilling operations. During 1985, Anadrill acquired two small directional drilling companies: a company with operations in Europe, Africa and the Middle East, and another active in the Gulf of Mexico and West Africa. Later in the year, Anadrill took over the North American drilling tool rental activity of Flopetrol Johnston.

MWD revenue was 27% higher. Average active jobs increased significantly throughout 1985, due mainly to an 80% improvement in downhole tool reliability resulting from design changes. Field tests of second generation MWD tools began towards the end of the year. By the end of 1985, one-third of Anadrill's surface logging jobs were run with The Advisor,™ a surface data acquisition and computing system, which is a premium service that provides comprehensive wellsite data interpretation during drilling operations.

Dowell Schlumberger *(50% owned)*

In North America, pumping services revenue declined 3%. Eroding prices resulting from overcapacity in the pumping industry, coupled with reduced drilling activity, affected most areas. The central United States, West Texas and the Rockies were the hardest hit, while offshore work in the Gulf of Mexico declined in the second half of the year. However, hydraulic fracturing services in Alaska and South Texas were up significantly, and Canada revenue improved following the increase in drilling activity.

Outside North America, pumping services revenue decreased 3%. Cementing and stimulation activity improved as exploration and production drilling in Africa and Latin America more than offset the decline in the Middle East. A new offshore stimulation boat, Big-Orange 21, began operations in the Gulf of Campeche in Mexico.

New technology compensated for the continuing deterioration of prices. In cementing: CemCADE,™ a cementing simulation computer program; GASBLOK,™ a cement system preventing gas channeling; PACR,™ a wellsite data recorder, were well received. In stimulation: POD Blender,™ a programmable gel and sand mixer; YF600™ and YFGOIII,™ two new fracturing fluids, also gained

THE PEOPLE OF DOWELL SCHLUMBERGER

At Saint-Etienne (France), some of the DS cementing services group with a new cementing truck and portable automatic cement recorder (foreground): from the left, back row, Guy Devaux, Electrical Project Leader, Bernard Piot, Atlantic-Asia Completion Manager, and Philippe Jamet, Software Project Leader; front row, Mike Schneider, District Technical Engineer, Paul Buisine, Electrical Section Head, Philippe Parcevaux, Cementing Department Head, George Birch, Completion Manager North America and Herman Bruins, Project Engineer.

customer acceptance.

Schlumberger Cambridge Research

In 1985, Schlumberger Cambridge Research (SCR) moved into a new facility. This building houses a fluid flow loop and a unique drilling test station together with laboratories and offices. Research is conducted by five departments: Drilling Mechanics, Fluid Mechanics, Rock Physics, Wellbore Physics and Mathematical Modeling. During the year, SCR expanded and now has about 60 scientific staff members.

The research center has made progress analyzing drilling processes through both physical measurements and mathematical modeling. The results ultimately will benefit clients through services offered by Sedco Forex and Anadrill. One application now being applied combines Anadrill's downhole measurements of torque and weight on bit with surface measurements of drill rotation speed and rate of penetration. This new service, called Mechanical Efficiency Log,™ measures the wear of the drilling bit and now is being incorporated into Anadrill's Advisor system.

DOWELL SCHLUMBERGER CEMENTING TECHNOLOGY

Cementing revenue of Dowell Schlumberger (DS) was stable worldwide primarily due to the continuing success of new cementing technology developed over the recent years.

Cementing is a basic pumping service offered by DS to the oil industry. In the course of drilling a well, it is necessary to run one or more strings of steel casing in the hole to prevent it from collapsing. Cement is injected in the space, called the annulus, between the casing and the formation to keep the casing in place and seal off formation fluids.

This cementing operation is an important step in drilling and completing a well. The quality of the cementing operation can affect oil and gas production and, ultimately, the amount of reserves recovered.

Engineering and manufacturing of cementing equipment and products take place both in Saint-Etienne, France and Tulsa, Oklahoma. Development focuses on the three phases of a cementing operation: prejob design, execution at the wellsite and postjob evaluation. To insure correct application of new cementing technology in the field, DS has stepped up recruiting and training of graduate engineers throughout the world.

Prejob Design

The mixture of cement and water – known as slurry – must be custom designed for the known downhole conditions of a particular well: temperatures, pressures, formation fluids and drilling mud. This is accomplished by adding chemicals to the slurry and by adjusting its physical properties such as density. In more than 60 DS field laboratories throughout the world, specially trained technicians conduct a variety of tests before reaching a final slurry design. These tests determine: predicted setting time of the slurry; optimum pumping rates for placing the slurry in the annulus; potential water loss from the slurry to the producing formation; and the final strength of the cement around the casing. All tests are conducted using samples of additives, cement and water from the actual drilling site.

PACR (portable automatic cement recorder) is a rugged, on-site instrument for monitoring and recording data during cementing jobs.

A patented cement system, developed under the trade name GASBLOK, has gained wide industry recognition. GASBLOK overcomes a common problem in cementing jobs, that of gas forcing its way through the fresh cement, causing fluid flow paths. GASBLOK is based on a synthetic latex which is added to the slurry to prevent gas migration.

Prejob design also includes simulation of the downhole slurry placement. A computer simulation program, CEMCADE, developed in 1985, predicts pumping rate, pressure, mud displacement and return rate. Computers are being installed throughout the field to run CEMCADE.

Job Execution

DS has made recent improvements in several areas of job execution.

To improve the accuracy of the composition and the speed of mixing a slurry, DS has developed and introduced a programmable Liquid Additive System in conjunction with a new continuous recirculating jet mixer, the Slurry Chief™.

Also, Portable Automatic Cement Recorders (PACR), combining sensors and data acquisition systems, have been installed on wellsite equipment to record pumping parameters while a cementing operation is in progress. The continuous monitoring and recording of slurry density, pumping rate and pressure insures that the operation conforms with design. More than 10,000 cementing jobs were recorded in 1985 with the PACR.

Postjob Evaluation

Acoustic wireline techniques, such as Schlumberger's Cement Scan, are currently the best means available for in situ evaluation of cementing jobs.

Studies are in progress at Dowell Schlumberger to understand fully the relationship between known hydraulic zone isolation and acoustic cement bond measurements, to improve log interpretation.

The comparison between prejob design and its actual execution is also an important source of information concerning cementing service quality. This is accomplished by comparing the CEMCADE simulator data with the measurements recorded during the job with the PACR. Such a comparison allows not only a postjob evaluation, but is key to improving the quality of subsequent jobs.

Postjob evaluation data bases also are being developed so that local experience can be applied to future jobs.

MEASUREMENT & CONTROL

Measurement & Control consists of six operating units: □ *Electricity Management:* electricity meters and equipment for electric power distribution; load and rate management systems; network protection systems and measuring transformers for electric power transmission. □ *Water and Gas:* water meters and distribution systems; gas meters and distribution systems. □ *Instruments:* magnetic tape recorders, data acquisition systems; electronic instruments for industrial, laboratory and aerospace applications; radar simulation, training systems; industrial data logging and telemetry systems; transducers. □ *Paymatec:* electronic payment terminals, smart cards, card-operated public payphones, fuel dispensing systems, parking terminals. □ *Fairchild Weston:* data acquisition and recording; signal processing and electronic countermeasures systems; control equipment for nuclear power systems; miniature CCD cameras and high-performance reconnaissance cameras. □ *Control, Valves & Technology:* process control equipment; petroleum, nuclear and industrial valves.

□ *Schlumberger Montrouge Research* located in Montrouge, near Paris.

Revenue of Measurement & Control gained 4%. In Europe, revenue increased 9%, when expressed in national currencies.

Orders were up 4%; in Europe, orders increased 10% when expressed in national currencies.

Research & engineering expenditures were $65 million, up 10%, and capital investment was $64 million, the same level as a year ago.

Unless otherwise specified, comparisons given in this presentation refer to U.S. dollars.

Electricity Management

Revenue of Electricity Management in Europe was up 5% when expressed in local currencies, owing mostly to strong sales of measurement transformers, high-voltage network protection equipment and remote disturbance recorders, in spite of a slowdown in the world demand for electricity.

The new Sangamo facility in Felixstowe, England began production of solid-state electricity meters and radio-teleswitch meters.

Residential meter sales in Europe were flat due to a slump in housing starts, but increased elsewhere especially in Brazil and Indonesia, where a new plant in Jakarta is manufacturing meters for Asian markets.

Revenue of Electricity Management in North America was 4% ahead of the prior year. Sales of industrial meters increased 27% in both the U.S. and Canada, reflecting the pickup in industrial construction. Lower housing starts, on the other hand, adversely affected residential meter shipments.

Water and Gas

Overall revenue was up 7%. Excluding Sprague, acquired in July, Water and Gas revenue increased 1%.

Sprague, the third largest producer of gas meters in the United States, was acquired from Textron in July, bringing additional annual sales of over $30 million and opening up new markets for other Schlumberger gas products. Excluding Sprague, revenue of gas distribution products was flat.

Revenue of water meters and water distribution equipment was up 3% as the new Flostar meter received good customer acceptance.

Instruments

Instruments revenue grew 5% overall. Excluding Statham, acquired in October, Instruments revenue was up 2%.

Test and measurement equipment sales were 21% higher as a number of Solartron Instruments product lines gained market share.

In France, Enertec revenue from high-speed data recorders for the aerospace industry increased 12%.

Sales of transducers were up 13% with growth in both the aerospace and industrial markets. Sales of special

THE PEOPLE OF PAYMATEC

These people, grouped around a smart card testing station at Colombes (France), are associated with various parts of the Paymatec electronic transactions business: from the left, front row, Huynh Aï Linh, Chip Bonding Operator, Smart Cards & Systems, François Baubrand, R&D Technician, Smart Cards & Systems, Bruno Paoli, R&D Engineer, Aster Boutillon; back row, Denis Vasdeboncœur, Field Service Manager, Aster Boutillon, Piet Bongers, Manufacturing Manager, Koppens, Michèle Martin, Quality Control Engineer, Smart Cards & Systems and Michel Abhervé, Parking Systems Sales.

transducers for oil industry applications were flat.

The Statham division of Gould was acquired in October. Located in Oxnard, California, Statham is a leading manufacturer of precision transducers for measuring physical parameters like strain and pressure.

Revenue from training systems declined 39% as major contracts were completed early in the year.

Paymatec

Paymatec posted a revenue gain of 17%. The largest increases were in the smart card, public payphone and parking terminal product lines. Revenue from automated fuel dispensing systems for self-service gasoline stations was flat. A second smart card manufacturing line started up in December.

Fairchild Weston

Revenue was 13% above 1984 due to strong sales of data systems, up 26%, particularly signal processing and telemetry systems. Overall orders were up 7%, with signal processing systems showing a 30% growth.

Control, Valves & Technology

Revenue was 4% down, but increased 6% when expressed in national currencies. Sales of valves dropped 13% due to continuing low levels of capital investment in the nuclear and oil industries. Process control revenue was 4% lower. Sales of the Modumat 800 digital control systems and industrial sensors were significantly higher.

Schlumberger Montrouge Research

Significant progress has been made at Schlumberger Montrouge Research (SMR) in applying optics to problems confronting the Measurement & Control companies. Several years ago, an SMR team developed an optics-based measurement transformer for electrical networks. Successful field tests of a current measuring prototype were conducted by Electricité de France in 1985. An industrial version that measures both voltage and current is under construction. This same team is evaluating new ideas for optical sensors for measuring pressures and temperatures under a wide range of environmental conditions.

Another team is working on a method for the non-destructive examination of large objects, using sophisticated nuclear detectors and imaging techniques. A prototype unit is being built to test the concept.

Other current projects range from modeling the response of vibrating element densitometers to the mathematical description of magnetic heads for data tape recorders.

PAYMATEC/ELECTRONIC TRANSACTIONS

More and more, the exchange of money involves electronic transactions between terminals and computers without physical records, such as cash, checks or notes, having to change hands. Paymatec is now helping to extend this technology to individuals.

Electronic transactions involve a chain of interactive links: millions of individual cards, thousands of terminals to read these cards, and a telecommunications network that centralizes the information, checks it against a central data bank, and authorizes and records transactions.

The cards can be either the traditional magnetic-stripe kind used in automatic tellers or the newer "smart" cards, like those made by Paymatec. The smart card features an embedded microcircuit providing logic functions and a memory capacity of as much as 64 thousand bits, enough to contain an article four times the size of this one.

When a smart card is read by a terminal, the card holder's Personal Identification Number (PIN) is checked by the microcircuit within the card. This provides significantly improved protection against fraudulent use.

Paymatec was the first company to mass produce smart cards. Two types of cards are used in a new generation of public payphones in France. One type is discarded after the stored value has been used up, and the other is used as a credit card that charges the call automatically on the user's phone bill.

This smart card, with an embedded microcircuit chip, allows cardholders to pay for calls automatically on the new generation of French payphones.

Paymatec has delivered two million of these cards to the French Telecommunications, and currently is producing them at the rate of 500,000 a month with plans to double the output in the next year.

Paymatec is a major producer of terminals, the second link in the electronic transactions chain. These include smart card-operated terminals such as the public payphone itself, and magnetic-stripe card actuated equipment such as point of sale terminals, parking meters and gasoline dispensers.

Paymatec has delivered 5,000 smart card-actuated payphones to the French Telecommunications Agency in 1985, a fourfold increase over 1984. These payphone terminals are expected to cut back vandalism and improve the quality of service.

Another new product, the smart parking terminal, accepts credit cards and can replace traditional parking meters. From the user's standpoint, these terminals offer an answer to the frustrating problem of insufficient loose change. From the communities' standpoint, it offers the advantages of eliminating coin collection and reducing vandalism.

For the same reasons, oil companies have become interested in the electronic transactions technology. Two of Paymatec's companies, Aster Boutillon and Koppens, have introduced smart gasoline pumps on both sides of the Atlantic. Card-operated filling stations have been installed: the first 24-hour unmanned station in Britanny; another, perhaps the world's largest, in Chicago.

Paymatec has begun selling point-of-sale terminals to retail stores. These terminals can read both traditional magnetic-stripe credit cards and smart cards.

FAIRCHILD SEMICONDUCTOR

Fairchild Semiconductor includes five main operating units: □ *Digital:* digital logic including FAST,™ FACT™ and low-power Schottky logic, and semicustom logic products. □ *Memory & High-Speed Logic:* static RAMs, PROMs, 100K ECL Logic, and programmable logic products. □ *Analog & Microprocessor:* power and small signal discrete, hybrids, linear, telecommunications, signal processing, and microprocessor products. □ *Asia:* marketing, sales and manufacturing of various semiconductor products to local markets. □ *Europe:* marketing, sales and manufacturing of various semiconductor products to local markets.
□ *Schlumberger Palo Alto Research-Fairchild* located in Palo Alto, California.

Fairchild revenue declined 26% as the semiconductor industry experienced its worst down-cycle in history. Orders were 41% lower but, by year end, had started to firm; fourth quarter revenue gained 3% over the third quarter and the book-to-bill (orders to shipments) ratio reached 0.86; in January 1986, it improved further to 1.05. In North America, a drop in commercial product demand was partially offset by growth in the aerospace and defense market. Fairchild divisions introduced approximately 100 new products in 1985, including 30 utilizing the new two-micron CMOS process.

Research & engineering expenses were $80 million.

During the year, Fairchild reorganized several divisions to improve efficiency. In addition, $511 million in nonrecurring charges were recorded, including a write-off of goodwill, provisions for the consolidation of certain manufacturing operations and disposal of certain assets.

Digital

Digital revenue was down 31% and orders 42%. Revenue of FAST commercial products was depressed due to a sharp slowing of orders from computer manufacturers. However, revenue from aerospace and defense FAST products was up substantially. Revenue of low-power Schottky logic products was far below the peak levels of the previous year due to reduced demand and severe pricing pressures. The FACT (Fairchild Advanced CMOS Technology) logic family, utilizing the new two-micron CMOS technology, was introduced. FACT addresses the need for low power consumption required in applications such as portable equipment without sacrificing circuit speed. Gate Array revenue came primarily from new designs although some production orders were received in the fourth quarter.

Memory & High-Speed Logic

Memory & High-Speed Logic revenue was down 29% in 1985, while orders were down 49%. Bipolar memory and 100K ECL logic revenues were depressed due to the general slump in mainframe computers. High-performance 64K CMOS SRAMs (64,000-bit static random access memory) were produced in volume. Additionally, new ECL memory products and programmable logic arrays were added to the product line.

Analog & Microprocessor

Analog & Microprocessor revenue was down 35% and orders off 36%. In 1985, the high volume commodity type semiconductors came under severe pricing pressure. Several new power, telecommunications and computer interface products were introduced. Demand for aerospace and defense discrete and linear products held up well, and orders from defense contractors for the 9450 microprocessor were strong. CLIPPER™, a new high-performance 32-bit microprocessor, was introduced by the Advanced Processor division.

Asia

Asia revenue was down 29% and orders down 37%. A new design center was opened in Tokyo and more than 15 semicustom gate array designs were completed during the year for Japanese customers. Ground was broken for a CMOS wafer fabrication facility in Nagasaki, Japan. The plant will make CMOS static memory and logic products.

Europe

Fairchild Europe revenue was off 5%. Shipments were well ahead in the first half but then revenue fell off sharply as European orders ended the year down 53%. A new wafer fabrication facility is near completion in Wasserburg, Germany; production will begin late in 1986.

THE PEOPLE OF FAIRCHILD

This group is part of the more than 250 Fairchild Gate Array people worldwide. With the Cray supercomputer in Milpitas, California are: Lanny Ross (foreground), Vice President and General Manager of the Gate Array division, and, from the left, Dr. Zoilo Tan, Staff Process Engineer, Jim Dorsey, CAD Applications Engineer, Susan Wong, ECL/CMOS Support Group Leader, Toshi Anderberg, Assembly Supervisor, Ravi Kunjithapadam, Senior Applications Engineer and Gina Kim, Design Draftsman.

Schlumberger Palo Alto Research - Fairchild

Research on semiconductor fabrication processes and circuit designs are conducted by facilities in Palo Alto, California, and Reading, England. Projects include the development of next generation high speed/low power ECL bipolar devices and sub-one-micron CMOS processes. Also being developed, using CAD techniques, are integrated circuits which incorporate intelligent functions for the next generation of supercomputers, avionics, vision and data communication systems.

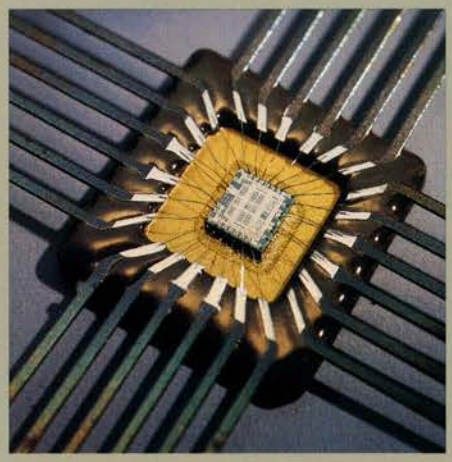
FAIRCHILD GATE ARRAYS

A bright spot in an otherwise dark year for the semiconductor industry was the growth in the market for semicustom products. Industry sales of semicustom devices approached $1 billion, double the preceding year.

Traditional techniques for designing and building electronic systems are time consuming and comparatively costly. After the project engineer makes a block diagram of the system, he must find standard "off the shelf" integrated circuits to create the function of each block: chips to process data, count, compare, convert signals, output results and so on. Further time is consumed in designing and specifying subassemblies, like printed circuit boards, and in assembling and interconnecting the components; in addition, testing is required at every step.

In contrast, a single semicustom chip, such as a gate array, can replace hundreds of off-the-shelf integrated circuits, simplifying associated design, assembly and test.

A gate array is a type of semicustom integrated circuit which is made up of numerous, sometimes thousands, of identical transistor logic circuits, called gates, in a repeating pattern. Gate arrays are customized in the last wafer fabrication step, called metallization, when a metal pattern is deposited on the chip to interconnect its gates. In specifying a design, a few gates may be grouped to perform a small logic function. These groups then may be joined with others to make up more complex functions.



A new ECL (emitter-coupled logic) gate array, the FGE050, with 100 equivalent gates, can be configured to build special logic functions.

This process is continued until the chip performs all the functions needed for a particular application.

At the heart of semicustom technology is computer aided design. Fairchild trains gate array designers and gives them access to FAIRCAD, a computer aided design system which is available at centers in the United States, Europe and Japan. FAIRCAD allows a designer at a graphic terminal to enter his design in the form of standard functional blocks that he calls up from a database library and interconnects graphically on his computer screen. This design is translated to the gate array format automatically. Testing, or circuit simulation, also is performed by FAIRCAD utilizing a Cray supercomputer in the Milpitas, California facility. Simulations that average 48 hours on standard industry computers, take less than an hour.

Also linked with FAIRCAD is an E-beam Direct Write-on Silicon system which uses an electron beam to draw the wiring pattern for metallic interconnections directly on each chip of the wafer. This reduces the design cycle to a matter of hours versus up to two weeks required for conventional processing.

Fairchild customers have been able to complete designs, from CAD input to prototype, in as little as four weeks.

One example is provided by the Stanford Linear Accelerator Center of Palo Alto, California, which needed a high performance chip in a hurry for use in the SLAC Linear Collider timing and control system. The designer chose a Fairchild gate array. The design was completed in five weeks and surpassed targeted performance.

For future generations of semicustom products, Fairchild is working on technologies such as standard cells and compiled silicon which will integrate up to 100,000 logic (gate) or memory functions on a chip, dwarfing today's eight and ten thousand gate designs. These products will further reduce chip size while increasing performance.

COMPUTER AIDED SYSTEMS

Computer Aided Systems consists of five operating units: □ *Sentry:* computer controlled systems for testing semiconductors. □ *Factron:* computer controlled systems for testing printed-circuit board subassemblies. □ *Applicon:* computer aided engineering, design and manufacturing (CAE/CAD/CAM) systems for electronic and mechanical design. □ *Benson:* graphics products for use with computer systems. □ *Nissec:* the business unit in Japan responsible for all CAS activities in Asia.

□ *Schlumberger Palo Alto Research — CAS* located in Palo Alto, California.

Computer Aided Systems (CAS) revenue was down 9% and orders declined 18% compared to 1984. Demand for CAS products declined in North America, but was above the level of the prior year in both Europe and Asia. Weakening demand from semiconductor and electronic equipment manufacturers in North America impacted revenue in all product lines.

During the year, Applicon and MDSI were merged into one business unit called Applicon.

Research & engineering expenses were $78 million, up 6%, and capital expenditures were $35 million, down 16%.

Sentry

Revenue of Sentry was 11% lower and orders were down 42%. As a result of a severe recession, the semiconductor industry substantially cut back capital spending, sharply reducing demand for integrated circuit testers. The Sentry 50, a tester for very large-scale integrated circuits (VLSI) was introduced. A new low-cost VLSI production tester, Sentry 15, was marketed in Europe in the second quarter and first orders were received by year end.

Factron

Revenue was 20% lower and orders were down 12%. Revenue in Europe was up 12% and orders were 8% lower. In North America, the market for in-circuit test systems was depressed while functional testing is more in demand. During 1985, the sales of the Series 700 functional tester expanded substantially in the U.S. and Europe.

Applicon

Revenue was 7% lower and orders were 3% below the previous year. The new Applicon unit, which includes former MDSI operations, provides broader and more complete systems which can better integrate engineering, design and manufacturing processes. The merger of Applicon and MDSI sales and service had some short-term impact on orders. However, orders recovered and were at their highest level in the fourth quarter; backlog also improved steadily throughout the second half and into the early months of 1986. European revenue and orders improved 22% and 12%, respectively.

Benson

Revenue was level with the previous year with improvement in Europe offset by lower shipments in North America. Orders were down 3%. Near year end, Benson booked orders for a new high-speed single-pass color electrostatic plotter.

Nissec

Nissec, a Japanese unit responsible for Asian CAS activities, was formed in the second quarter of 1985. Sales and service of most product lines have begun. An office was opened in the People's Republic of China.

Schlumberger Palo Alto Research-CAS

Schlumberger Palo Alto Research-CAS conducts basic and applied research for the entire CAS group in computer aided engineering, computer integrated manufacturing and automated test and repair. The three major units cover artificial intelligence, measurement and systems science.

Principal efforts are being focused on the use of artificial intelligence in the engineering, design and manufacturing processes. The measurement and systems science units are developing applications in the areas of automatic test generation, automatic design and layout generation for integrated circuits and printed-circuit boards.

THE PEOPLE OF APPLICON

Part of the Applicon team that has helped contribute to the success of the BRAVO CAD/CAM system. Grouped around a BRAVO workstation (in Billerica, Massachusetts) are (standing, from the left): Chin Shiau, Principal Hardware Development Engineer, Charlie Huseman, Senior Software Engineer, Mike Larj, Test Technician, Gene DiCesare, Graphic System Software Engineer, David MacKinnon, Senior Planner-Service Operations, Teri Muskavitch, Manager of Product Test, and seated are Deborah Pettee, Assembler and Walter Army, Director of Technical Operations.

APPLICON/COMPUTER AIDED ENGINEERING & MANUFACTURING

Engineering, design and manufacturing are basic tasks in developing and building products. For the last two decades, these jobs have benefited from computer driven workstations that have given the engineer the power to create, visualize, refine, and test products on a computer screen. The result has been unprecedented efficiency throughout a product cycle.

Applicon, since 1969, has been one of the pioneers in both hardware and software for computer aided design and manufacturing (CAD/CAM). Over 9,000 Applicon workstations have been installed.

First-generation CAD/CAM systems were optimized for a specific task such as engineering documentation, drafting or product design. Then, in 1983, after several years' development, Applicon introduced BRAVO, an integrated CAD/CAM system. For the first time, each specialist – the engineer, draftsman, production planner, manufacturing engineer – could share data created by the others. The common database streamlined the transition from design idea to factory floor by providing an efficient flow of consistent, accurate information at each step.

Capabilities for both electronic and mechanical design are offered in BRAVO with integrated database management.

These include electronic circuit design simulation, routing of printed-circuit board wiring as well as output for PCB manufacturing. Mechanical designs can be modeled in two or three dimensions and then refined with design analysis and simulation techniques. Drawing and dimensioning aids simplify drafting, and when a drawing is modified, all related drawings are automatically updated to reflect the change. Layout of plants and facilities, and numerical control machine toolpath capabilities also are available. Within the past two years, nearly 2,000 BRAVO workstations have been sold.

A solid model of a portion of a bicycle wheel on the screen of a new BRAVO workstation.

In 1984, MDSI, another Schlumberger company introduced EQINOX, a flexible and easy to use CAD/CAM system that primarily addressed manufacturing tasks such as process planning, facilities layout, programming of numerical control machine tools, and tool design. The system was organized around workstations interconnected in a network so that a design engineer in an office and a process planner on the production floor could share data and communicate.

After Applicon and MDSI were joined under the Applicon name in mid-1985, the EQINOX system was integrated into the BRAVO system.

One Applicon customer, Flow Systems, Kent, Washington, the world's leading manufacturer of waterjet cutting systems, uses BRAVO workstations. Flow Systems designs and manufactures work cells for waterjet cutting. A work cell typically consists of several hundred components.

The manager of engineering computer systems for Flow Systems says, "We see our CAD system as the centerpiece of our entire design and manufacturing process. Now, a three-dimensional model of our product is created for use throughout the company for drafting, design analysis, process planning, tool design and NC programming. With Applicon, only one database management system takes us all the way from initial concept to production".

In 1985, the first CAD/CAM system for mechanical design, engineering and manufacturing was installed in the People's Republic of China at Shanghai Jiao Tong University. In addition, Applicon is establishing a CAD/CAM training center at the University in collaboration with the Shanghai Research Institute of Tool and Die Technology, to train customers.

Also in 1985, a CAD/CAM technical support center in Beijing was established to install systems and provide technical assistance for Applicon products sold in China.

BUILDING FOR THE FUTURE

During his 20 years at the head of Schlumberger, Jean Riboud gave personal attention to the design of buildings, for he believed that the quality of the working environment had significant impact on the creativity and motivation of the people.

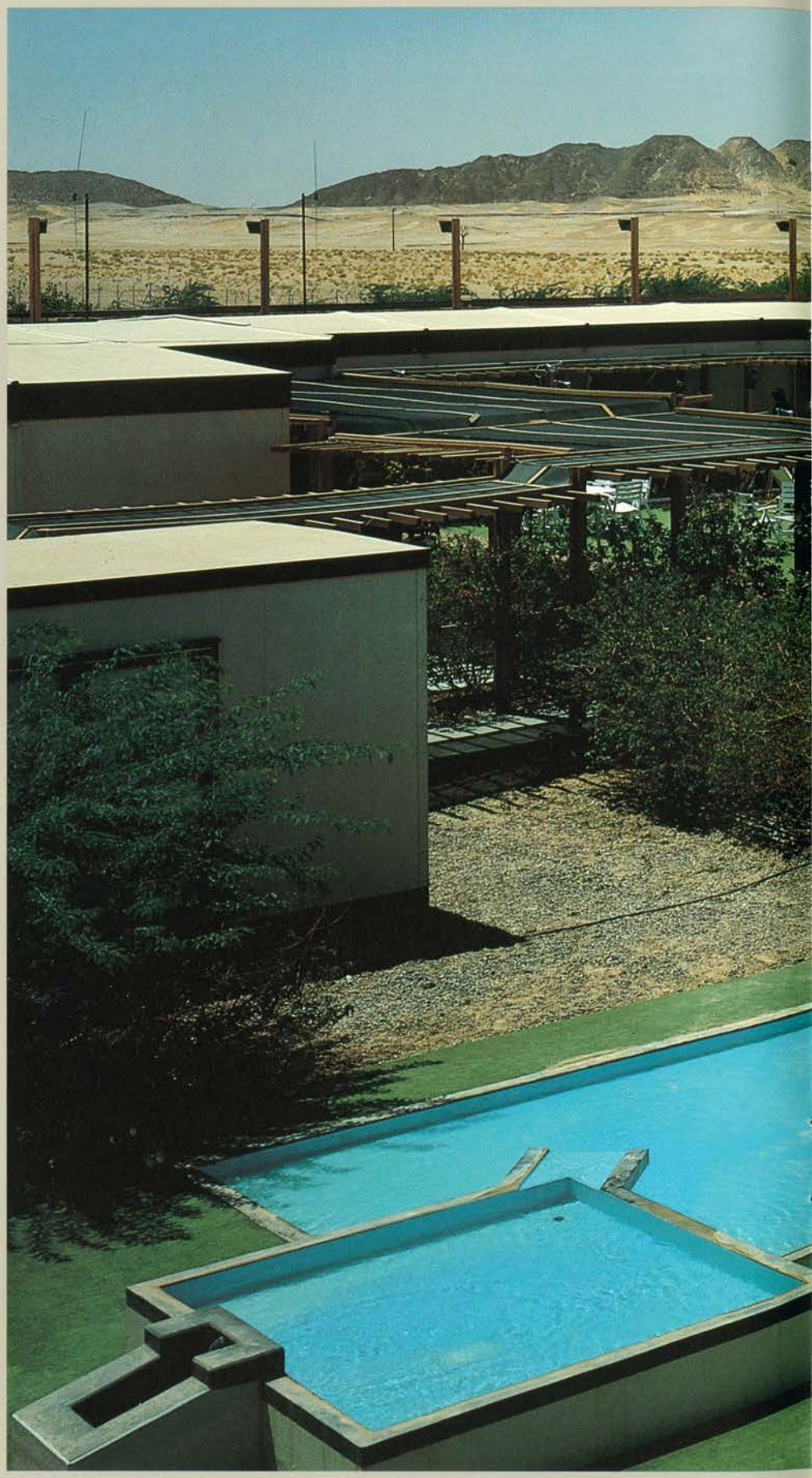
The following pages are a portfolio of a few examples of Schlumberger places of business, some old, some new and some renovated. These research and engineering facilities, field service locations and manufacturing plants were chosen from the 750 buildings our people work in every day in some 115 countries.

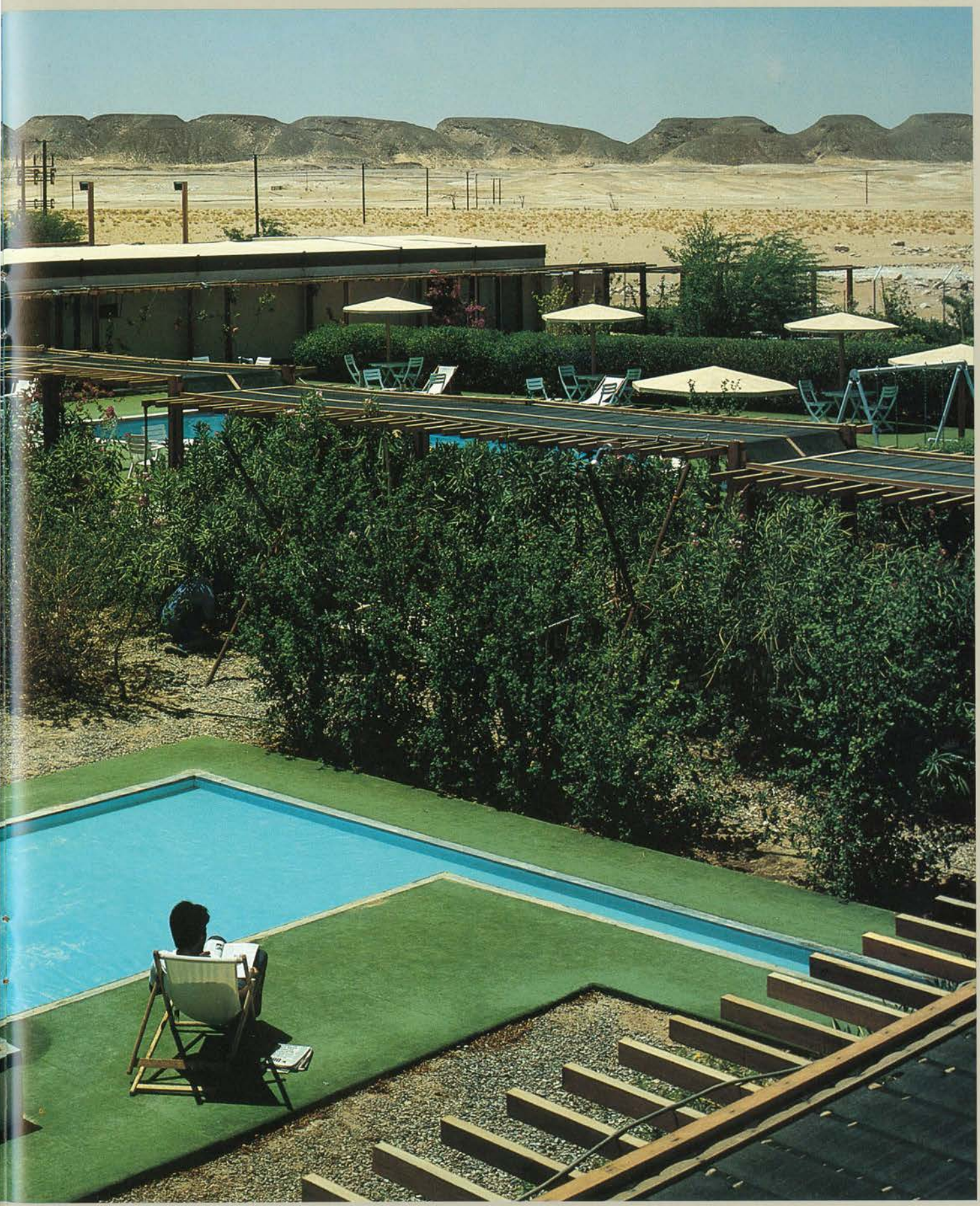
WIRELINE BASE IN OMAN

Schlumberger field engineers must be on call wherever oil is found, even in remote and hostile territories. Housing engineers and their families in such circumstances can be a problem. One solution is seen in the living compound that Wireline built in 1984 in Fahud 400 km south of Muscat, in the desert of Oman.

Fahud is the center of an isolated but important oil producing region. The compound provides comfortable living quarters for up to 13 field engineers and their families as well as about 25 other employees. On the 5-acre site, each portacabin housing unit is arranged to overlook a small private garden with flowers, running water and greenery. Units are connected by a network of natural wood pergolas. Facilities include a swimming pool and air-conditioned rooms for activities ranging from physical conditioning to reading.

French architect Jean-Michel Regnault designed the facility.





Oman/A typical housing unit is surrounded by flowers and shaded paths.

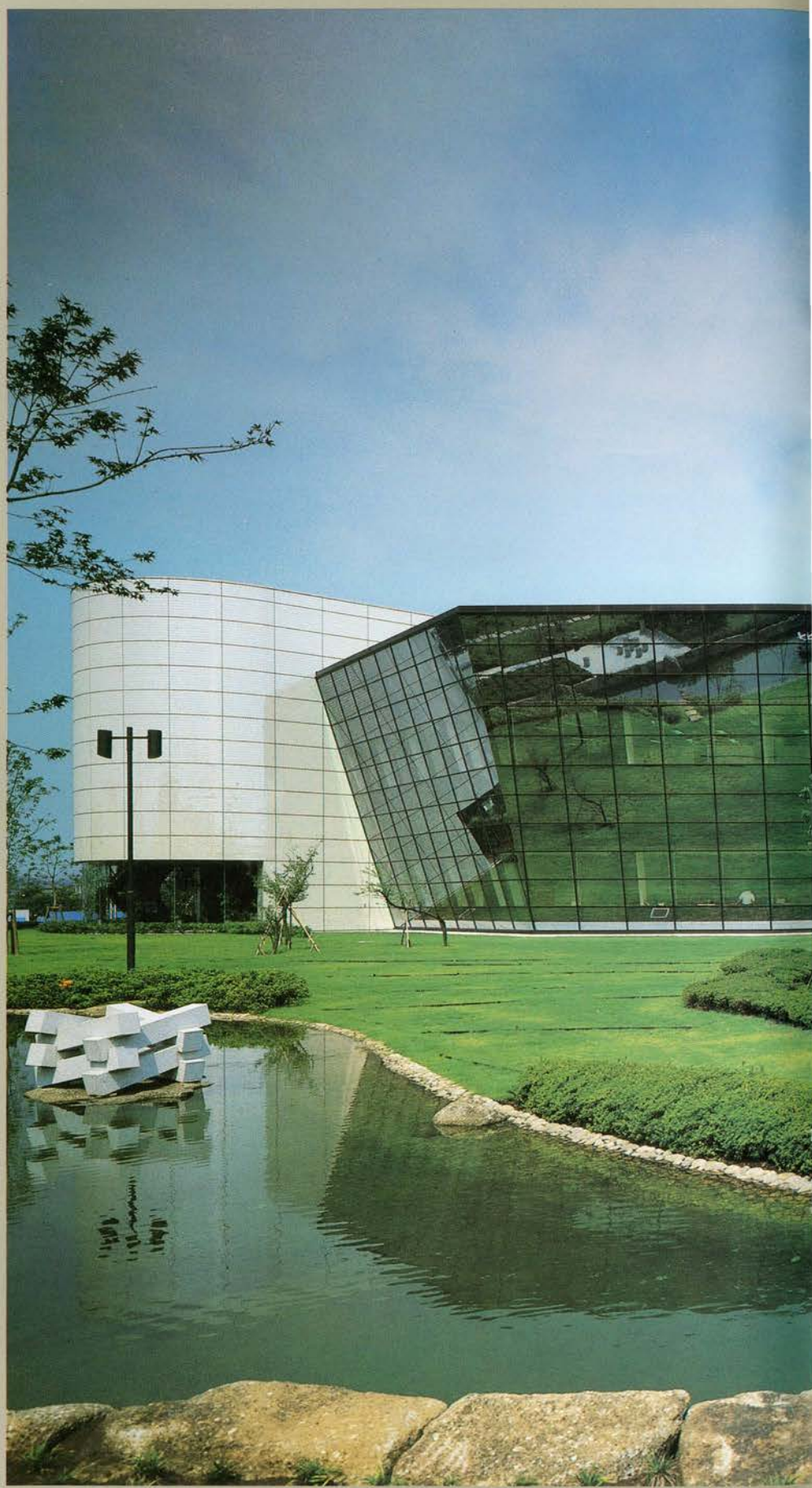
WIRELINE ASIA ENGINEERING AND MANUFACTURING IN FUCHINOBE

Engineering and manufacturing centers have been established in each of the three major Wireline units in North America, Europe and Asia. Most recently completed is a facility in Fuchinobe, Japan, 25 km south of Tokyo. As with similar organizations in the U.S. and Europe, the Wireline Asia engineering and manufacturing center works on projects for the Wireline group worldwide. Development work at Fuchinobe lies principally in the areas of optics, specialized cased hole services and multiwell interpretation.

The plant, with 12,000 m^2 of laboratory and manufacturing space, was completed on a 12-acre site in 1985. The 160 member staff, 90% scientists and engineers, occupy buildings which combine modularity and flexibility. Reinforced concrete and steel buildings have striking white tile cladding on the tower exteriors in a setting of gardens and reflecting pools.

Among the special engineering facilities are a 300m deep test well, a test station with a 10m deep, 4m × 6m pit and a fully computerized storage and distribution system.

The Japanese architectural firm of Yamashita developed the master plan for the site.



Fuchinobe/Wireline Asia engineering and manufacturing center.

MONTROUGE – HOME FOR ELEVEN COMPANIES

When Schlumberger acquired Compagnie des Compteurs in 1970, it inherited a group of old office-factory buildings, dating to the twenties, on a 20-acre site in Montrouge, just south of Paris.

In 1979, it was decided to develop the site so that various Schlumberger companies, then scattered about Paris, could be brought together. There was a need to create a sense of belonging to the larger corporate family, to improve communications and to encourage the exchange of ideas.

Today, the Montrouge complex houses 2,000 people and occupies 80,000 m^2 of buildings. Eleven different Schlumberger companies from both the Oilfield Services and Measurement, Control & Components groups occupy the site.

Between 1980 and 1985, 16 phases of demolition, remodeling, rebuilding and moving were accomplished without interrupting normal business activities. Today, the transformation is virtually complete. Building exteriors have been unified by color. In the center of landscaping and water, stands an artificial hill known as the Forum with a teflon tent roof. This central area houses facilities common to the whole site.

The master plan was designed, developed and supervised by Italian architect Renzo Piano.

Montrouge/An administrative and manufacturing complex for eleven Schlumberger companies.

SCHLUMBERGER CAMBRIDGE RESEARCH

Schlumberger Cambridge Research (SCR) was founded in 1981 to serve the Schlumberger group of companies which provide drilling, testing and pumping services to the oilfield.

The SCR group has begun to produce results in analyzing drilling processes, particularly in the areas of drilling models, wellbore mechanical instability and bit vibrations and wear.

Early in 1985, the research staff of about 60 moved into the offices and laboratories on a 17-acre site on the outskirts of Cambridge, England. The 5,600 m^2 building houses the Drilling Mechanics, Wellbore Physics, Rock Physics, Fluid Mechanics and Mathematical Modeling departments. The concept is simple: a 24 m wide central testing area, covered by a roof of teflon-coated glass fiber, separates the two research wings. Test facilities include a unique drilling simulator and a flow loop in a 17 m high test station.

Other facilities include three drilling pits up to 20 m deep, a gantry crane and a full-scale mud treatment plant in an outside compound.

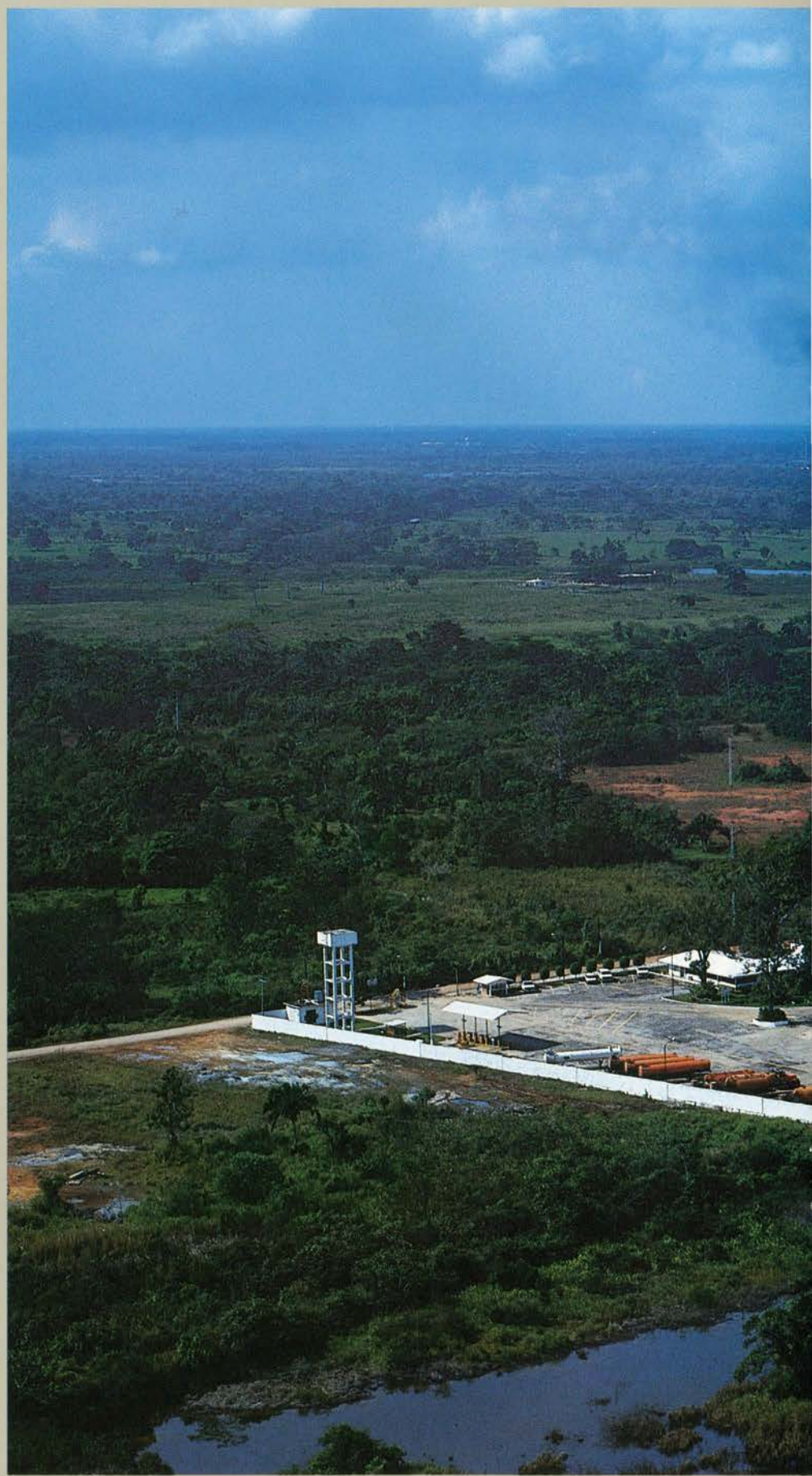
Michael Hopkins, a British architect, conceived the plan.

Cambridge/Research center serves Schlumberger companies providing drilling, testing, and pumping services.

DOWELL SCHLUMBERGER FIELD LOCATION IN VILLAHERMOSA, MEXICO

Dowell Schlumberger has a large field location for oilfield pumping services in Villahermosa about 400 kilometers southeast of Mexico City. Villahermosa, a city of 300,000, is in the heart of a large oil producing region. This area alone produces more than two-million barrels of oil per day from prolific reservoirs throughout southern Mexico, both offshore and on land. In the 1970s, a base was established in Villahermosa to perform pumping services for land drilling operations in the region. As oilfield activity increased, plans were made to establish a major field location.

Construction of the Villahermosa location began in 1980 on ten acres of land, and the last building was finished in 1983. Today, it is one of the largest Dowell Schlumberger bases consisting of offices, cementing and stimulation laboratory, acid and cement blending facilities, warehouses to store chemicals and shops for maintaining pumping equipment and vehicles. About 80 technical people work in Villahermosa. Well cementing, acidizing and fracturing services are provided out of this location.



Villahermosa / An aerial view of the Dowell Schlumberger base for pumping operations.

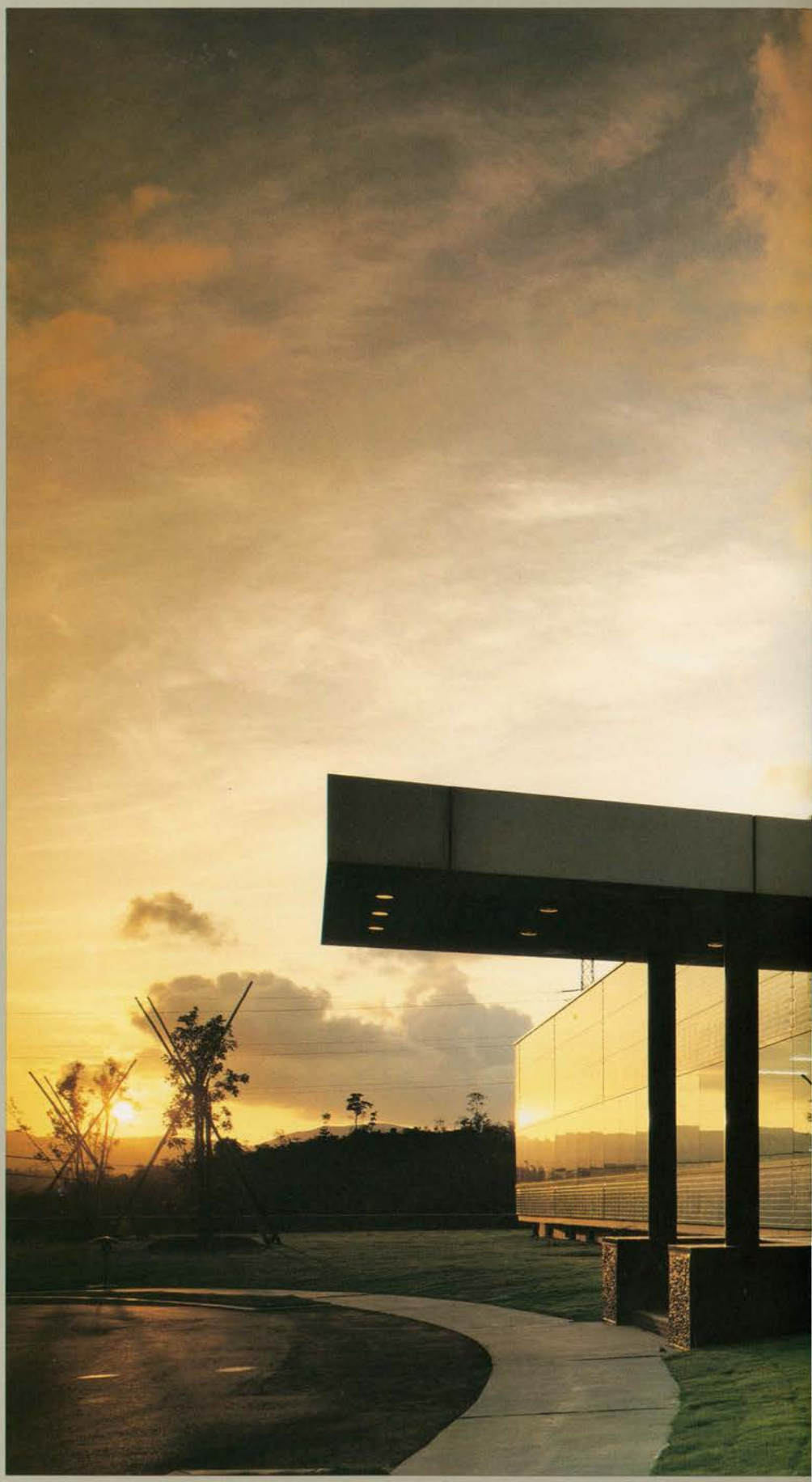
NAGASAKI SEMICONDUCTOR PLANT

In 1984, Fairchild Semiconductor completed an assembly and test plant located in Nagasaki, Japan. The plant gives Fairchild a foothold in the important Far Eastern semiconductor markets.

The 24-acre site is in the Isahaya city industrial park on a hilltop overlooking the bay. The integrated circuits assembled and tested in the Nagasaki plant will be sold throughout Asia. At present, digital logic devices are in production.

The 5,200 m^2 single-story plant is being expanded to include a 20,000 m^2 facility to fabricate wafers with submicron dimension integrated circuits. Such products as gate arrays and static random-access memories will be produced.

Japanese architectural firm Nikken Sekkei designed the factory.



Nagasaki/A Fairchild semiconductor plant in Japan.

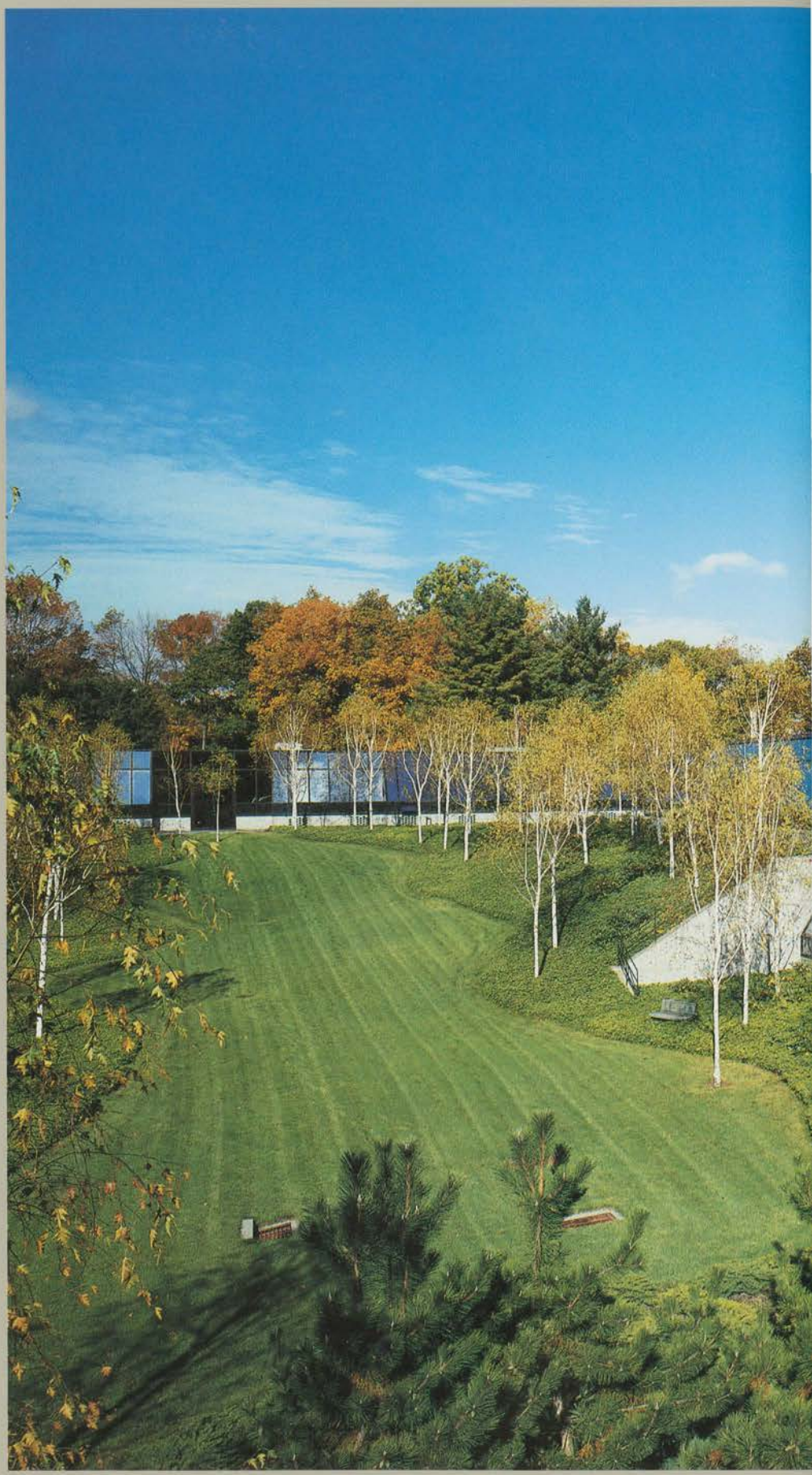
SCHLUMBERGER DOLL RESEARCH IN RIDGEFIELD

Research in wireline logging is carried out by Schlumberger Doll Research (SDR) 65 miles north of New York City. The laboratory was named for Henri G. Doll, its founder and a prolific inventor of wireline services.

The first offices and laboratories for SDR were built in 1948 on a 40-acre woodland site in Ridgefield, Connecticut. Today, SDR has a staff of 255 with 150 scientists working on advanced technology: to obtain a better understanding of the complex subsurface rocks and to devise new measurements to evaluate their characteristics. The seven departments are Geoacoustic, Electromagnetic, Ultrasonic, Interpretation, Nuclear, Systems and Physical Sciences.

In 37 years, SDR has grown substantially, both through renovation of existing facilities and new construction, to a complex of 40 laboratories and 175 offices. The site has evolved into an ordered 11,000 m^2 grouping of glass-walled multilevel buildings, set in naturally landscaped grounds on top of a hill. Additional laboratories are under construction. Recent investments include a Cray supercomputer and satellite equipment linking SDR with all other Wireline engineering centers worldwide.

Philip Johnson and Howard Barnstone were the principal architects.



Ridgefield/Research laboratory for wireline logging .

Ridgefield/A typical office of a research scientist.

FINANCIAL REVIEW

FINANCIAL REVIEW

RESULTS OF OPERATIONS Net income for 1985 was $351 million as compared to $1.18 billion in 1984 and $1.08 billion in 1983. Net income per share was $1.17, $4.10 and $3.73 in 1985, 1984 and 1983, respectively. Net income for 1985 included nonrecurring charges of $511 million or $1.71 per share. These charges relate to the Fairchild Semiconductor division and include the write-off of the balance of goodwill ($250 million). Excluding these unusual charges, net income for 1985 would have been $862 million, or $2.88 per share. The SEDCO acquisition reduced 1985 earnings per share by $0.33. The acquisition of 50% of the Dowell business and assets in North America had a minor effect on 1985 earnings but reduced 1984 earnings per share by $0.10.

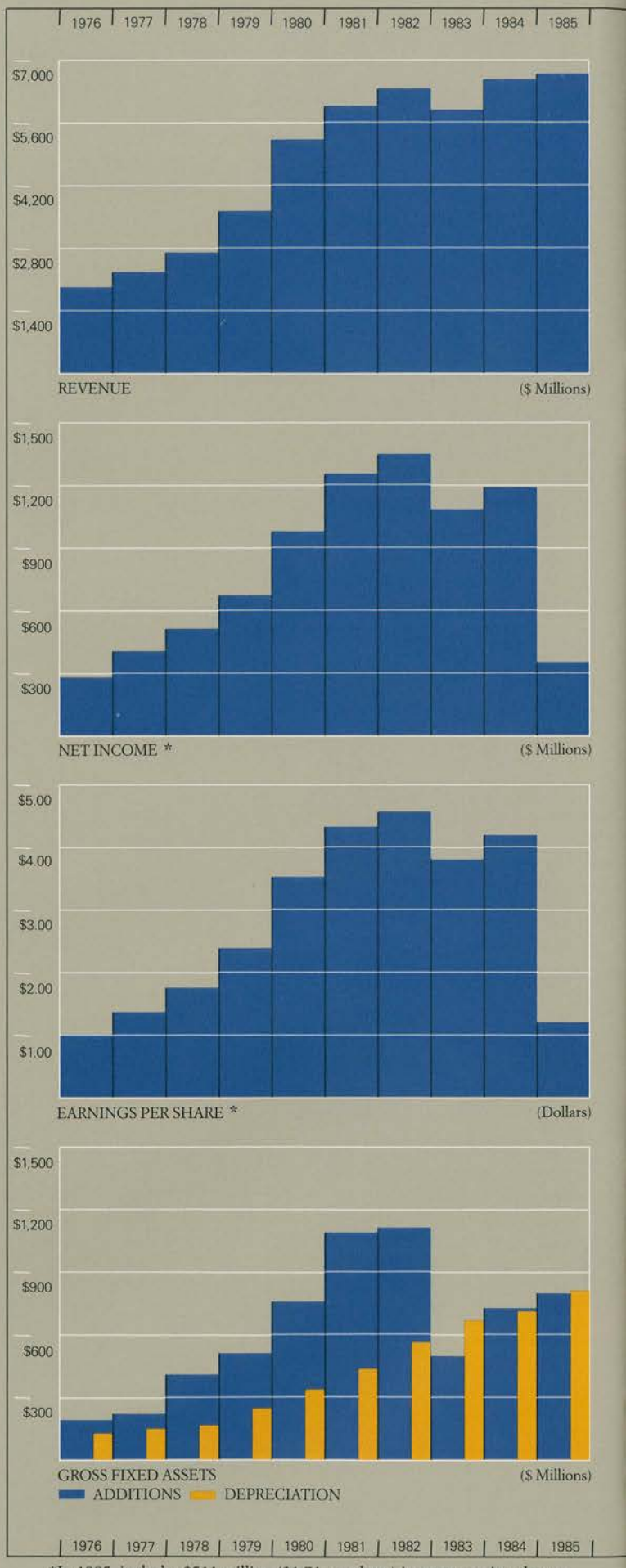
• OILFIELD SERVICES Oilfield Services operating revenue increased 10% in 1985 as compared to a 6% increase in 1984 and a 16% decrease in 1983. Excluding the acquisitions of SEDCO and 50% of the Dowell business and assets in North America, Oilfield Services revenue decreased 2% in 1985 and was flat in 1984.

Wireline & Testing Services revenue was down 3% after increasing 3% in 1984 and decreasing 14% in 1983. Wireline revenue in North America decreased 11% as revenue on land in the United States declined 15%, reflecting a drop of 20% in the average number of active land rigs. Wireline Atlantic (Europe, Africa, Latin America) revenue declined 1% as increases in Africa and South America were offset by lower results in Mexico and Europe. Wireline Asia (Middle East, Far East, Australasia) revenue was also 1% lower than 1984 as higher activity in China/Japan was offset by lower revenue in the Middle East. Testing revenue (Flopetrol Johnston) was 6% above last year due primarily to increased shipments of testing equipment to China, the introduction of new tools and higher activity outside North America.

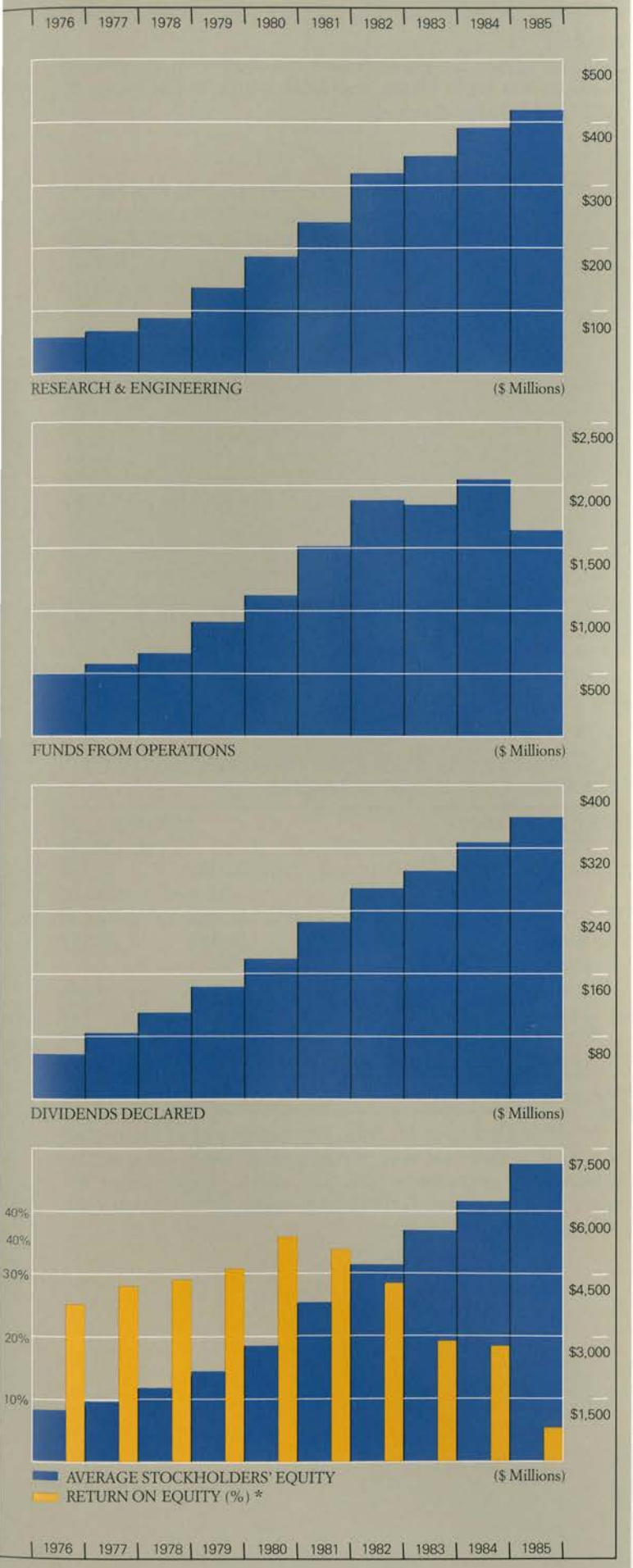
Drilling & Pumping Services revenue, after adjusting for the 1984 acquisitions of SEDCO and 50% of the Dowell business and assets in North America, decreased 3%, 15% and 21% in 1985, 1984 and 1983, respectively. Excluding the effect of SEDCO, revenue from contract drilling operations declined 6% due to lower day rates and rig utilization. Dowell Schlumberger revenue was 3% below 1984. In North America, revenue decreased 3%; revenue outside North America also was 3% lower; both declines were due to lower activity and pricing pressures. Anadrill revenue was 7% higher than 1984 reflecting strong Measurement While Drilling (MWD) activity.

• MEASUREMENT, CONTROL & COMPONENTS Measurement, Control & Components operating revenue decreased 8% in 1985 as compared to increases of 11% and 2% in 1984 and 1983, respectively. Increased revenue at Measurement & Control only partially offset declines at Fairchild and Computer Aided Systems.

Measurement & Control revenue was up 4% compared to flat results in 1984 and a 6% decline in 1983. In Europe, revenue increased 9% when expressed in national currencies. Electricity Management revenue was flat as a 4% increase in North America was offset by lower demand in Europe. Fair-



*In 1985, includes $511 million ($1.71 per share) in nonrecurring charges.



child Weston revenue increased 13% due to strong demand for signal processing and telemetry systems. Revenue from other activities was about equal to last year.

Fairchild revenue decreased 26% in 1985 after increasing 42% and 15% in 1984 and 1983, respectively. All divisions experienced significantly lower results due to depressed market conditions in the semiconductor industry, although orders in early 1986 were encouraging. To reduce costs, two U.S. plants were closed and a consolidation of the remaining production facilities was begun.

Revenue at Computer Aided Systems decreased 9% in 1985 compared to increases of 18% and 4% in 1984 and 1983, respectively. At Sentry and Factron, revenue decreased 11% and 20%, respectively, reflecting the downturn in the semiconductor industry. Computer aided design and manufacturing (Applicon) revenue was down 7% due to a worldwide decline in demand for CAD/CAM systems. Computer aided graphics (Benson) revenue was level with the previous year.

INTEREST INCOME Interest income was $444 million in 1985 as compared to $390 million and $298 million in 1984 and 1983, respectively. The 14% increase in 1985 compared to 1984 was due to increased funds available for investment, partially offset by lower interest rates.

RESEARCH & ENGINEERING Research & engineering expenditures were $420 million, $27 million above 1984 and $71 million higher than 1983. Oilfield Services expenditures for research & engineering totaled $197 million, $176 million and $157 million in 1985, 1984 and 1983, respectively. Measurement, Control & Components spent $223 million, $217 million and $192 million for the same years.

TAXES On a worldwide basis the effective income tax rate was 43%, 25% and 22% for the years 1985, 1984 and 1983, respectively. The increase in the effective tax rate resulted primarily from losses in the United States on which full tax benefit was not recorded for financial statement purposes. At December 31, 1985, the Company's U.S. subsidiary was in an operating loss carryforward position.

The estimated liability for taxes on income provides for taxes on current earnings as well as provisions for income taxes which may be payable in future years depending upon interpretation of tax laws and regulations of taxing authorities in various countries.

ACQUISITIONS In April 1984, a subsidiary of the Company acquired 50% of the Dowell business in the United States from The Dow Chemical Company and in July 1984 a subsidiary of the Company acquired 50% of Dowell in Canada at a combined cost of $439 million. The acquisitions have been accounted for as purchases and are carried in investments in affiliated companies.

On December 24, 1984, the Company completed the merger of SEDCO, Inc. into a subsidiary of the Company. The cost of the acquisition was $968 million ($482 million in cash and approximately 13 million shares of Schlumberger Common Stock valued at $486 million).

FIXED ASSETS Expenditures for fixed assets in 1985 were $787 million compared to $727 million in 1984.

Additions by business sector were as follows:

	1985	1984
	(Stated in millions)	
Oilfield Services		
Wireline & Testing Services	**$464**	$308
Drilling & Pumping Services	**84**	133
	548	441
Measurement, Control & Components		
Measurement & Control	**64**	64
Fairchild	**137**	168
Computer Aided Systems	**35**	42
	236	274
Other	**3**	12
	$787	$727

COMMON STOCK, MARKET PRICES AND DIVIDENDS DECLARED PER SHARE Quarterly high and low prices for the Company's Common Stock as reported by the New York Stock Exchange (composite transactions), together with dividends declared per share in each quarter of 1985 and 1984 were:

	PRICE RANGE		DIVIDENDS
	HIGH	LOW	DECLARED
1985			
Quarters			
First	$43⅞	$34½	$0.300
Second	41¾	35⅝	0.300
Third	39⅝	33⅛	0.300
Fourth	37	32⅜	0.300
1984			
Quarters			
First	$54⅜	$43⅝	$0.260
Second	55	44	0.260
Third	49¼	37¼	0.300
Fourth	45⅞	35⅞	0.300

The number of holders of record of the Common Stock of the Company at December 23, 1985 was approximately 43,000. There are no legal restrictions on the payment of dividends or ownership or voting of such shares. United States stockholders are not subject to any Netherlands Antilles withholding or other Netherlands Antilles taxes attributable to ownership of such shares.

FINANCIAL POSITION At year end, working capital was $3.3 billion, $128 million over the prior year; the current ratio was 2.02 to 1.

Liquidity, which represents cash and short-term investments less debt was $2.51 billion and $2.18 billion at December 31, 1985 and 1984, respectively.

INFORMATION ON EFFECTS OF CHANGING PRICES The following selected supplementary financial data adjusted for effects of changing prices are presented in compliance with current disclosure requirements. Under these requirements, which are experimental in nature, the information presented represents only a partial restatement of financial statements and the specified inflation index may not necessarily represent the true impact of inflation on the Company. Therefore, this information should not be viewed as a precise measurement of the effects of inflation on the Company and caution should be exercised in using this information to assess the effects of inflation or for comparative evaluations.

The current cost method used below shows the impact on net income that would have occurred if all products sold by the Company were purchased in the current year, and additionally if all fixed assets were completely replaced and depreciated at year-end values. The current cost of fixed assets was calculated using various internally and externally generated price indexes. The current cost amounts of inventory and fixed assets were measured in the functional currency and then translated into U.S. dollars. The effect of general inflation on this information was calculated using indexes which approximate the U.S. CPI(U).

CONSOLIDATED STATEMENT OF INCOME ADJUSTED FOR EFFECTS OF CHANGING PRICES

FOR THE YEAR ENDED	DECEMBER 31, 1985	
	AS REPORTED	IN CURRENT COSTS
	(Stated in millions)	
(In average 1985 dollars, except "As reported" amounts)		
Revenue	$6,557	$6,557
Expenses		
Cost of goods sold and services	4,169	4,276
Interest	219	219
Other	1,552	1,562
Taxes on income	266	266
Net income	$ 351	$ 234

Note: At December 31, 1985, the current cost of inventories was $710 million and the current cost of fixed assets net of accumulated depreciation was $3.5 billion. Depreciation expense as reported was $803 million; adjusted for current cost, it amounted to $902 million.

FIVE-YEAR COMPARISON OF SELECTED FINANCIAL DATA ADJUSTED FOR EFFECTS OF CHANGING PRICES

YEAR ENDED DECEMBER 31,	**1985**	1984	1983	1982	1981
		(In average 1985 dollars, except "As reported" amounts; dollar amounts in millions except per share)			
Revenue					
As reported	**$6,557**	$6,370	$5,797	$6,284	$5,978
Net income					
As reported	**351**	1,182	1,084	1,348	1,266
In current costs	**234**	1,030	979	1,354	1,275
Net income per share					
As reported	**1.17**	4.10	3.73	4.60	4.37
In current costs	**0.78**	3.57	3.37	4.62	4.41
Excess of inflation over current costs	**—**	7	5	(10)	(5)
Net assets at year end*					
As reported	**6,877**	6,992	5,819	5,226	4,235
In current costs	**7,212**	7,432	6,516	6,160	5,365
Average consumer price index	**322.1**	311.1	298.4	289.2	272.3

*Translation adjustment as reported: 1985 — $134 million, 1984 — $210 million, 1983 — $140 million, 1982 — $82 million; adjusted for current cost: 1985 — $176 million, 1984 — $259 million, 1983 — $191 million, 1982 — $123 million.

CONSOLIDATED BALANCE SHEET
ASSETS

DECEMBER 31,	1985	1984
		(Stated in thousands)
CURRENT ASSETS		
Cash	**$ 41,339**	$ 41,349
Short-term investments	**4,548,785**	3,964,119
Receivables less allowance for doubtful accounts (1985 — $29,597; 1984 — $25,526)	**1,272,968**	1,215,143
Inventories	**699,961**	689,748
Other current assets	**77,144**	87,802
	6,640,197	5,998,161
INVESTMENTS IN AFFILIATED COMPANIES	**720,479**	731,964
LONG-TERM INVESTMENTS AND RECEIVABLES	**230,372**	219,982
FIXED ASSETS less accumulated depreciation	**3,125,216**	3,145,158
EXCESS OF INVESTMENT OVER NET ASSETS OF COMPANIES PURCHASED less amortization	**534,319**	760,756
OTHER ASSETS	**31,649**	57,173
	$11,282,232	$10,913,194

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET
LIABILITIES AND STOCKHOLDERS' EQUITY

DECEMBER 31,	1985	1984
		(Stated in thousands)
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	**$ 1,188,271**	$ 942,196
Estimated liability for taxes on income	**948,409**	890,894
Bank loans	**1,046,780**	829,555
Dividend payable	**89,357**	86,597
Long-term debt due within one year	**18,516**	27,884
	3,291,333	2,777,126
LONG-TERM DEBT	**1,013,746**	965,580
OTHER LIABILITIES	**81,486**	159,806
MINORITY INTEREST IN SUBSIDIARIES	**18,458**	18,480
	4,405,023	3,920,992
STOCKHOLDERS' EQUITY		
Common stock	**421,186**	421,583
Income retained for use in the business	**6,900,894**	6,908,246
Treasury stock at cost	**(310,528)**	(127,472)
Translation adjustment	**(134,343)**	(210,155)
	6,877,209	6,992,202
	$11,282,232	$10,913,194

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF INCOME

YEAR ENDED DECEMBER 31,	1985	1984*	1983*
			(Stated in thousands)
REVENUE			
Operating	**$6,119,447**	$5,978,552	$5,513,246
Interest and other income	**437,640**	391,890	284,213
	6,557,087	6,370,442	5,797,459
EXPENSES			
Cost of goods sold and services	**4,169,403**	3,659,163	3,385,706
Research & engineering	**420,462**	393,441	349,377
Marketing	**298,745**	287,480	270,756
General	**355,379**	305,029	287,005
Interest	**218,697**	153,436	115,578
Nonrecurring charges	**477,433**	—	—
Taxes on income	**265,932**	389,820	304,738
	6,206,051	5,188,369	4,713,160
NET INCOME	**$ 351,036**	$1,182,073	$1,084,299
Net income per share	**$ 1.17**	$ 4.10	$ 3.73
Average shares outstanding (thousands)	**298,872**	288,580	290,933

*Reclassified, in part, for comparative purposes.

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

YEAR ENDED DECEMBER 31,	1985	1984	1983
			(Stated in thousands)
Funds provided from:			
Net income	**$ 351,036**	$1,182,073	$1,084,299
Depreciation and amortization	**841,330**	735,276	692,194
Excess of dividends over earnings of companies carried at equity (Dividends: 1985 — $88,715; 1984 — $99,000; 1983 — $61,164)	**30,719**	77,764	12,328
Net change in other working capital accounts	**263,534**	72,632	34,871
Nonrecurring charges — writedown of goodwill/fixed assets	**320,667**	—	—
Other — net	**(188,171)**	(51,460)	30,910
Funds provided from operations	**1,619,115**	2,016,285	1,854,602
Retirement and sales of fixed assets	**56,581**	59,337	84,179
Proceeds from sale of shares to optionees	**287**	9,663	7,302
Total funds provided	**1,675,983**	2,085,285	1,946,083
Funds required for:			
Additions to fixed assets	**787,289**	726,578	517,030
Dividends declared	**358,388**	323,050	290,769
Purchase of shares for Treasury	**183,740**	110,867	150,483
Increase (decrease) in other long-term investments and receivables	**(6,451)**	14,029	57,233
Increase in excess of investment over net assets of companies purchased	**38,562**	35,417	—
Other — net	**(14,178)**	4,656	1,757
Total funds required	**1,347,350**	1,214,597	1,017,272
Resulting in an increase in cash and short-term investments before acquisition and financing activities	**328,633**	870,688	928,811
Acquisition and financing activities:			
Purchase of Dowell business and assets in North America	**—**	(438,661)	—
Net assets of SEDCO, excluding cash and indebtedness	**—**	(1,014,478)	—
Value of shares exchanged for SEDCO	**—**	485,745	—
Debt transactions (including bank loans):			
Debt incurred to acquire —			
Dowell business and assets in North America	**—**	438,661	—
Net assets of SEDCO	**—**	482,236	—
Other increase (decrease) in indebtedness	**256,023**	(7,364)	(62,753)
Net acquisition and financing activities	**256,023**	(53,861)	(62,753)
Resulting in an increase in cash and short-term investments	**584,656**	816,827	866,058
Beginning of year	**4,005,468**	3,188,641	2,322,583
End of year	**4,590,124**	4,005,468	3,188,641
Less: All indebtedness	**2,079,042**	1,823,019	909,486
LIQUIDITY	**$2,511,082**	$2,182,449	$2,279,155

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

	COMMON STOCK				TRANSLATION ADJUSTMENT	INCOME RETAINED FOR USE IN THE BUSINESS
	ISSUED		IN TREASURY			
	SHARES	AMOUNT	SHARES	AMOUNT		
					(Dollar amounts in thousands)	
Balance, January 1, 1983	302,584,611	$352,881	10,404,416	$300,130	$ (82,000)	$5,255,693
Translation adjustment, 1983					(57,943)	
Purchases for Treasury			3,011,000	150,483		
Sales to optionees less shares exchanged	395,170	6,656	(60,425)	(646)		
Net income						1,084,299
Dividends declared ($1.00 per share)						(290,769)
Balance, December 31, 1983	302,979,781	359,537	13,354,991	449,967	(139,943)	6,049,223
Translation adjustment, 1984					(70,212)	
Purchases for Treasury			2,328,000	110,867		
Issued for SEDCO		52,564	(12,996,526)	(433,181)		
Sales to optionees less shares exchanged	391,000	9,482	(17,449)	(181)		
Net income						1,182,073
Dividends declared ($1.12 per share)						(323,050)
Balance, December 31, 1984	303,370,781	421,583	2,669,016	127,472	(210,155)	6,908,246
Translation adjustment, 1985					75,812	
Purchases for Treasury			4,747,300	183,740		
Sales to optionees less shares exchanged	6,076	(397)	(13,591)	(684)		
Net income						351,036
Dividends declared ($1.20 per share)						(358,388)
Balance, December 31, 1985	303,376,857	$421,186	7,402,725	$310,528	$(134,343)	$6,900,894

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SUMMARY OF ACCOUNTING POLICIES The Consolidated Financial Statements of Schlumberger Limited have been prepared in accordance with accounting principles generally accepted in the United States.

• PRINCIPLES OF CONSOLIDATION The Consolidated Financial Statements include the accounts of majority-owned subsidiaries. Significant 20%–50% owned companies are carried in investments in affiliated companies on the equity method. The pro rata share of revenue and expenses of 50% owned companies is included in the individual captions in the Consolidated Statement of Income. Schlumberger's pro rata share of after tax earnings of other equity companies is included in interest and other income.

• TRANSLATION OF NON-U.S. CURRENCIES All assets and liabilities recorded in functional currencies other than U.S. dollars are translated at current exchange rates. The resulting adjustments are charged or credited directly to the Stockholders' Equity section of the balance sheet. Stockholders' Equity was increased $76 million in 1985 following decreases of $70 million and $58 million in 1984 and 1983, respectively. Revenue and expenses are translated at the weighted average exchange rates for the period.

All transaction gains and losses are included in income in the period in which they occur. Transaction losses included in 1985 net income amounted to $27 million compared to gains of $9 million in 1984 and $14 million in 1983.

• SHORT-TERM INVESTMENTS Short-term investments are stated at cost plus accrued interest, which approximates market, and comprised mainly time deposits in U.S. dollars and U.S. Government obligations.

• INVENTORIES Inventories are stated principally at average or standard cost, which approximates average cost, or at market, if lower.

• FIXED ASSETS AND DEPRECIATION Fixed assets are stated at cost less accumulated depreciation, which is provided for by charges to income over the estimated useful lives of the assets by the straight-line method. Fixed assets include the cost of Company manufactured oilfield technical equipment. Expenditures for renewals, replacements and betterments are capitalized. Maintenance and repairs are charged to operating expenses as incurred. Upon sale or other disposition, the applicable amounts of asset cost and accumulated depreciation are removed from the accounts and the net amount, less proceeds from disposal, is charged or credited to income.

• EXCESS OF INVESTMENT OVER NET ASSETS OF COMPANIES PURCHASED Costs in excess of net assets of purchased companies having an indeterminate life are amortized on a straight-line basis over 40 years. Accumulated amortization was $45 million and $59 million at December 31, 1985 and 1984, respectively.

• DEFERRED BENEFIT PLANS The Company and its subsidiaries have several voluntary pension and other deferred benefit plans covering substantially all officers and employees, including those in countries other than the United States. These plans are substantially fully funded with trustees in respect to past and current services. Charges to expense are based upon costs computed by independent actuaries.

In France, the principal pensions are provided for by union agreements negotiated by all employers within an industry on a nationwide basis. Benefits when paid are not identified with particular employers, but are made from funds obtained through concurrent compulsory contributions from all employers within each industry based on employee salaries. These plans are accounted for on the defined contribution basis and each year's contributions are charged currently to expense.

• TAXES ON INCOME Schlumberger and its subsidiaries compute taxes on income in accordance with the tax rules and regulations of the many taxing authorities where the income is earned. The income tax rates imposed by these taxing authorities vary substantially. Taxable income may differ from pretax income for financial accounting purposes. To the extent that differences are due to revenue or expense items reported in one period for tax purposes and in another period for financial accounting purposes, an appropriate provision for deferred income taxes is made. The provisions were not significant in 1985, 1984 or 1983.

Approximately $6.5 billion of consolidated income retained for use in the business at December 31, 1985 represented undistributed earnings of consolidated subsidiaries and Schlumberger's pro rata share of 20%–50% owned companies. It is the policy of the Company to reinvest substantially all such undistributed earnings and, accordingly, no provision is made for deferred income taxes on those earnings considered to be indefinitely reinvested.

Investment credits and other allowances provided by income tax laws of the United States and other countries are credited to current income tax expense on the flow-through method of accounting.

• NET INCOME PER SHARE Net income per share is computed by dividing net income by the average number of common shares outstanding during the year.

• RESEARCH & ENGINEERING All research & engineering expenditures are expensed as incurred, including costs relating to patents or rights which may result from such expenditures.

NONRECURRING CHARGES In the second quarter of 1985, the Company recorded a charge against earnings of $42 million for the closing of two semiconductor plants and one electronics plant.

Fourth quarter results included a charge against earnings of $486 million of which $51 million ($0.17 per share) is included in cost of goods sold and services. This charge concerned the Fairchild Semiconductor division of the Company and in-

cluded the write-off of the balance of goodwill of $250 million, a provision of $106 million for disposal of certain assets and $81 million for the consolidation of certain production facilities.

The net after tax effect of the above charges was $511 million, or $1.71 per share.

ACQUISITIONS In April 1984, a subsidiary of the Company acquired 50% of the Dowell business and assets in the United States from The Dow Chemical Company and in July 1984, a subsidiary of the Company acquired 50% of the Canadian operation of Dowell at a combined cost of $439 million. Dowell Schlumberger provides cementing, stimulation and other oilfield services. The acquisitions have been accounted for as purchases and are carried in investments in affiliated companies, including cost in excess of the fair values of the net assets acquired amounting to $196 million which is being amortized on a straight-line basis over 40 years. The pro rata share of revenue and expenses, from the dates of acquisition, is included in the individual captions in the Consolidated Statement of Income.

On December 24, 1984, a subsidiary of the Company acquired SEDCO, Inc., an offshore drilling contractor operating mainly outside the United States, at a total cost of $968 million ($482 million in cash and approximately 13 million shares of Schlumberger Common Stock valued at $486 million). The acquisition has been accounted for as a purchase and the accounts of SEDCO have been consolidated with those of Schlumberger effective December 31, 1984 after assigning estimated fair values to the individual assets acquired and liabilities assumed. Cost in excess of net assets acquired was $393 million which is being amortized on a straight-line basis over 40 years.

If these acquisitions had taken place on January 1, 1983, the consolidated pro forma results of Schlumberger would have been:

YEAR ENDED DECEMBER 31,	1984	1983
(Unaudited)	*(Stated in millions)*	
Revenue	$7,035	$6,727
Net income	$1,236	$1,117
Net income per share (dollars)	$ 4.10	$ 3.68
Average shares outstanding (thousands)	301,577	303,930

FIXED ASSETS A summary of fixed assets follows:

DECEMBER 31,	**1985**	1984
	(Stated in millions)	
Land	**$ 78**	$ 81
Buildings & improvements	**870**	722
Machinery and equipment	**5,436**	4,990
Total cost	**6,384**	5,793
Less accumulated depreciation	**3,259**	2,648
	$3,125	$3,145

Estimated useful lives of buildings & improvements range from 8 to 50 years and of machinery and equipment from 2 to 15 years.

INVESTMENTS IN AFFILIATED COMPANIES Investments in affiliated companies at December 31, 1985 comprised mainly the Company's 50% investment in the worldwide Dowell Schlumberger business which aggregated $556 million and investments in 50% owned companies acquired through the acquisition of SEDCO. The excess of the Company's investment in all 50% owned affiliated companies over its underlying equity is $264 million, representing primarily the goodwill arising from the acquisition of 50% of the Dowell business and assets in North America.

Combined financial data for all 50% owned affiliated companies are as follows:

DECEMBER 31,	**1985**	1984
	(Stated in millions)	
Current assets	**$ 687**	$ 683
Fixed assets	**921**	1,039
Other assets	**17**	29
	$1,625	$1,751
Liabilities	**$ 752**	$ 857
Equity	**873**	894
	$1,625	$1,751

Equity in undistributed earnings of all 50% owned companies at December 31, 1985 and 1984, amounted to $156 million and $172 million, respectively.

LONG-TERM DEBT Long-term debt consisted of the following:

DECEMBER 31,	**1985**	1984
		(Stated in millions)
Bank loan due 1990, interest at money market based rates	**$ 800**	$800
Other bank loans	**214**	166
	$1,014	$966

Long-term debt at December 31, 1985 is payable principally in U.S. dollars and is due $11 million in 1987, $65 million in 1988, $29 million in 1989, $893 million in 1990 and $16 million thereafter.

LINES OF CREDIT The Company's principal U.S. subsidiary has a Revolving Credit Agreement with a group of banks. The agreement provides that the subsidiary may borrow up to $1.2 billion until December 31, 1989 at money market based rates, of which $800 million was outstanding as of December 31, 1985. In addition, at December 31, 1985, the Company had available unused short-term lines of credit of $246 million.

CAPITAL STOCK The Company is authorized to issue 500,000,000 shares of Common Stock, par value $.01 per share, of which 295,974,132 and 300,701,765 shares were outstanding on December 31, 1985 and 1984, respectively. The Company is also authorized to issue 200,000,000 shares of cumulative Preferred Stock, par value $.01 per share, which may be issued in series with terms and conditions determined by the Board of Directors. No shares of Preferred Stock have been issued. Holders of Common Stock and Preferred Stock are entitled to one vote for each share of stock held.

In December, 1985, the Board of Directors authorized a

stock repurchase program which allows the Company to purchase up to 25 million shares of Common Stock, depending on market conditions. The purchases may be made from time to time, within a two year period. As of December 31, 1985 1,098,300 shares had been purchased under this program.

Options to officers and key employees to purchase shares of the Company's Common Stock were granted at prices equal to 100% of fair market value at date of grant.

Transactions under stock option plans were as follows:

	NUMBER OF SHARES	OPTION PRICE PER SHARE
Outstanding Jan. 1, 1984	3,227,103	$ 1.57–74.82
Granted	1,744,800	$37.38–51.38
Exercised	(555,005)	$ 1.57–43.75
Lapsed or terminated	(400,304)	$ 2.09–74.82
Outstanding Dec. 31, 1984	4,016,594	$ 2.09–74.72
Granted	556,600	$33.56–42.75
Exercised	(19,341)	$ 2.09–35.06
Lapsed or terminated	(488,945)	$19.08–74.72
Outstanding Dec. 31, 1985	4,064,908	$ 4.76–69.42
Exercisable at Dec. 31, 1985	1,534,133	$ 4.76–69.42
Available for grant		
Dec. 31, 1984	9,509,329	
Dec. 31, 1985	9,438,867	

INCOME TAX EXPENSE The Company is incorporated in the Netherlands Antilles where it is subject to an income tax rate of 3%. The Company and its subsidiaries operate in over 100 taxing jurisdictions with statutory rates ranging up to about 50%. Consolidated operating revenue of $6.1 billion in 1985 shown elsewhere in this report includes $2.4 billion derived from operations within the United States. On a worldwide basis, the Company's effective income tax rate was 43% in 1985, 25% in 1984 and 22% in 1983.

At December 31, 1985, the Company had unused U.S. operating loss carryforwards for financial reporting purposes of $235 million which expire in the year 2000. The tax benefit of the operating loss carryforward ($109 million) has not been recorded for financial statement purposes. In addition to the loss carryforward, the Company had investment tax credit carryforwards of $20 million (expiring in the year 2000). These carryforwards are available to reduce future U.S. federal income tax expense.

LEASES AND LEASE COMMITMENTS Total rental expense was $168 million in 1985, $159 million in 1984 and $144 million in 1983. Future minimum rental commitments under noncancelable leases for years ending December 31 are: 1986 — $74 million; 1987 — $64 million; 1988 — $51 million; 1989 — $34 million; and 1990 — $24 million. For the ensuing three five-year periods, these commitments decrease from $56 million to $9 million. The minimum rentals over the remaining terms of the leases aggregate $16 million.

TAX ASSESSMENTS The U.S. Internal Revenue Service has completed its examinations for the years 1970 through 1980 and, as previously reported, has proposed assessments based upon income from continuing Wireline operations on the outer continental shelf. Similar assessments are expected for years subsequent to 1980. The Company is contesting these assessments. This issue for years 1970 through 1975 is pending before the U.S. District Court in Houston.

Management is of the opinion that the reserve for estimated liability for taxes on income is adequate and that any adjustments which may ultimately be determined will not materially affect the Company's financial position.

CONTINGENCIES During 1980, a floating hotel, the Alexander Kielland, functioning as a dormitory for offshore work crews in the North Sea, capsized in a storm. The substructure of the floating hotel had been originally built as a drilling rig by an independent shipyard from a design licensed by a subsidiary of the Company. The Company's subsidiary was not involved in the ownership or operation of the drilling rig or in its conversion or use as a floating hotel. The accident has been investigated by a Commission appointed by the Norwegian Government, which has published its report. In October of 1981 and in February of 1982, the Company's subsidiary, the independent shipyard and one of its subcontractors were sued in France by Phillips Petroleum Company Norway and eight others operating as a group in the Ekofisk Field in the North Sea and by the Norwegian insurers of the Alexander Kielland seeking recovery for losses resulting from the accident of approximately $91 million (at December 31, 1985 currency exchange rates).

While the Company does not believe it has liability in this matter, the litigation will involve complex international issues which could take several years to resolve and involve substantial legal and other costs. In the opinion of the Company, any liability that might ensue would not be material in relation to its financial position or results of operations.

In 1981, a solvent tank failure was discovered at a Fairchild Semiconductor manufacturing plant in South San Jose, California. The failure allegedly contaminated soil and ground water. Legal actions claiming actual and punitive damages in an unspecified amount resulting from the failure are pending. The Company does not believe it has any material liability in this matter.

The Company is party to various other legal proceedings, including other environmental matters. Although the ultimate disposition of these proceedings is not presently determinable, any liability that might ensue would not be material in relation to the financial position or results of operations of the Company.

PENSION AND DEFERRED BENEFIT PLANS Expense for pension and deferred benefit plans was $110 million, $104 million and $90 million, and for compulsory contributions for French retirement benefits was $16 million, $17 million and $20 million in 1985, 1984 and 1983, respectively.

Actuarial present value of accumulated benefits at January 1, 1985 and 1984 for U.S. and Canadian defined benefit plans was $275 million and $235 million, respectively, substantially all of which were vested. Net assets available for benefits at January 1, 1985 and 1984 for such plans were $334 million and $326 million, respectively. The assumed rate of return used in determining the actuarial present value of accumulated plan benefits for 1985 and 1984 was 7%.

SEGMENT INFORMATION The Company's business comprises two segments: (1) Oilfield Services and (2) Measurement, Control & Components. The Oilfield Services segment offers wellsite and contract drilling services to the petroleum industry throughout the world. The Measurement, Control & Components segment provides computer-aided design, manufacturing and testing products, and manufactures measurement and control products and electronic components, which are sold to public utilities, governments, laboratories and industrial plants primarily in the U.S. and Europe. Services and products are described in more detail earlier in this report.

Financial information for the years ended December 31, 1985, 1984 and 1983 by industry segment and by geographic area is as follows:

INDUSTRY SEGMENT 1985	OILFIELD SERVICES	MEASUREMENT, CONTROL & COMPONENTS	ADJUST. AND ELIM.	CONSOLIDATED
Operating revenue				*(Stated in millions)*
Customers	$3,966	$2,153	$ —	$ 6,119
Intersegment transfers	—	43	(43)	—
	$3,966	$2,196	$(43)	$ 6,119
Operating income	$1,039	$ (70)	$ (3)	$ 966
Nonrecurring charges				(528)
Interest expense				(219)
Interest and other income less other charges — $40				398
Income before taxes				$ 617
Depreciation expense	$ 627	$ 173	$ 3	$ 803
Fixed asset additions	$ 548	$ 236	$ 3	$ 787
At December 31				
Identifiable assets	$4,371	$2,184	$(50)	$ 6,505
Corporate assets				4,777
Total assets				$11,282
INDUSTRY SEGMENT 1984				
Operating revenue				
Customers	$3,617	$2,362	$ —	$ 5,979
Intersegment transfers	—	30	(30)	—
	$3,617	$2,392	$(30)	$ 5,979
Operating income	$1,170	$ 161	$ 10	$ 1,341
Interest expense				(153)
Interest and other income less other charges — $7				384
Income before taxes				$ 1,572
Depreciation expense	$ 554	$ 155	$ 3	$ 712
Fixed asset additions	$ 441	$ 274	$ 12	$ 727
At December 31				
Identifiable assets	$4,473	$2,338	$(91)	$ 6,720
Corporate assets				4,193
Total assets				$10,913
INDUSTRY SEGMENT 1983				
Operating revenue				
Customers	$3,414	$2,099	$ —	$ 5,513
Intersegment transfers	—	55	(55)	—
	$3,414	$2,154	$(55)	$ 5,513
Operating income	$1,187	$ 61	$(23)	$ 1,225
Interest expense				(116)
Interest and other income less other charges — $4				280
Income before taxes				$ 1,389
Depreciation expense	$ 540	$ 136	$ 2	$ 678
Fixed asset additions	$ 287	$ 224	$ 6	$ 517
At December 31				
Identifiable assets	$2,900	$2,239	$(95)	$ 5,044
Corporate assets				3,309
Total assets				$ 8,353

Transfers between segments and geographic areas are for the most part made at regular prices available to unaffiliated customers. Certain Oilfield Services segment fixed assets are manufactured within that segment and some are supplied by Measurement, Control & Components.

Corporate assets largely comprise short-term investments.

During the years ended December 31, 1985, 1984 and 1983 neither sales to any government nor sales to any single customer exceeded 10% of consolidated operating revenue.

	WESTERN HEMISPHERE		EASTERN HEMISPHERE				
GEOGRAPHIC AREA 1985	U.S.	OTHER	FRANCE	OTHER EUROPEAN	OTHER	ADJUST. AND ELIM.	CONSOLIDATED
							(Stated in millions)
Operating revenue							
Customers	$1,983	$825	$606	$1,067	$1,638	$ —	$ 6,119
Interarea transfers	432	7	180	40	283	(942)	—
	$2,415	$832	$786	$1,107	$1,921	$ (942)	$ 6,119
Operating income	$ (99)	$238	$ 69	$ 277	$ 523	$ (42)	$ 966
Nonrecurring charges							(528)
Interest expense							(219)
Interest and other income less other charges — $40							398
Income before taxes							$ 617
At December 31							
Identifiable assets	$2,664	$594	$879	$1,063	$1,557	$ (252)	$ 6,505
Corporate assets							4,777
Total assets							$11,282
GEOGRAPHIC AREA 1984							
Operating revenue							
Customers	$2,113	$750	$573	$ 981	$1,562	$ —	$ 5,979
Interarea transfers	361	7	161	61	471	(1,061)	—
	$2,474	$757	$734	$1,042	$2,033	$(1,061)	$ 5,979
Operating income	$ 210	$231	$ 45	$ 296	$ 581	$ (22)	$ 1,341
Interest expense							(153)
Interest and other income less other charges — $7							384
Income before taxes							$ 1,572
At December 31							
Identifiable assets	$2,979	$843	$625	$ 985	$1,527	$ (239)	$ 6,720
Corporate assets							4,193
Total assets							$10,913
GEOGRAPHIC AREA 1983							
Operating revenue							
Customers	$1,652	$712	$619	$ 867	$1,663	$ —	$ 5,513
Interarea transfers	300	9	147	22	389	(867)	—
	$1,952	$721	$766	$ 889	$2,052	$ (867)	$ 5,513
Operating income	$ 81	$191	$ 35	$ 255	$ 681	$ (18)	$ 1,225
Interest expense							(116)
Interest and other income less other charges — $4							280
Income before taxes							$ 1,389
At December 31							
Identifiable assets	$1,957	$585	$650	$ 677	$1,354	$ (179)	$ 5,044
Corporate assets							3,309
Total assets							$ 8,353

SUPPLEMENTARY INFORMATION Operating revenue and related cost of goods sold and services comprised the following:

YEAR ENDED DECEMBER 31,	**1985**	1984	1983
		(Stated in millions)	
Operating revenue			
Sales	**$2,317**	$2,499	$2,140
Services	**3,802**	3,480	3,373
	$6,119	$5,979	$5,513
Direct operating costs			
Goods sold	**$1,648**	$1,571	$1,454
Services	**2,521**	2,088	1,932
	$4,169	$3,659	$3,386

The caption "Interest and other income" includes interest income, principally from short-term investments, of $444 million, $390 million and $298 million for 1985, 1984 and 1983, respectively.

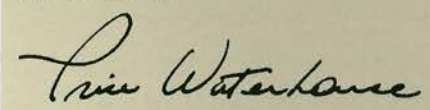
Accounts payable and accrued liabilities are summarized as follows:

DECEMBER 31,	**1985**	1984
	(Stated in millions)	
Payroll, vacation and employee benefits	**$ 293**	$268
Trade	**344**	320
Other	**551**	354
	$1,188	$942

REPORT OF INDEPENDENT ACCOUNTANTS

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, stockholders' equity and changes in financial position present fairly the financial position of Schlumberger Limited and its subsidiaries at December 31, 1985 and 1984, and the results of their operations and the changes in their financial position for each of the three years in the period ended December 31, 1985, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were 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.



New York, New York
February 7, 1986

QUARTERLY RESULTS (UNAUDITED) The following table summarizes results for each of the four quarters for the years ended December 31, 1985 and 1984. Gross profit equals operating revenue less cost of goods sold and services.

	OPERATING		NET INCOME (LOSS)	
	REVENUE	GROSS PROFIT	AMOUNT	PER SHARE
			(Stated in millions)	*(Dollars)*
Quarters — 1985				
First	$1,587	$ 601	$ 304	$1.01
Second	1,521	518	212*	0.71*
Third	1,448	464	208	0.70
Fourth	1,563	367	(373)**	(1.25)**
	$6,119	$1,950	$ 351	$1.17
Quarters — 1984				
First	$1,404	$ 560	$ 274	$0.95
Second	1,466	566	292	1.01
Third	1,516	588	305	1.06
Fourth	1,593	605	311	1.08
	$5,979	$2,319	$1,182	$4.10

*Includes nonrecurring charges with an after tax effect of $24 million, or $0.08 per share, for the closing of two semiconductor and one electronics plant.
**Includes nonrecurring charges with an after tax effect of $486 million, or $1.63 per share, relating to the Fairchild Semiconductor division; they include the write-off of goodwill and provisions for disposal of certain assets and the consolidation of certain production facilities.

FIVE YEAR SUMMARY

YEAR ENDED DECEMBER 31,	1985	1984	1983	1982	1981
		(Amounts in millions except per share amounts)			
SUMMARY OF OPERATIONS					
Revenue:					
Oilfield Services	**$ 3,966**	$ 3,617	$3,414	$4,054	$3,788
Measurement, Control & Components	**2,153**	2,362	2,099	1,971	1,995
Interest and other income	**438**	391	284	259	195
	$ 6,557	$ 6,370	$5,797	$6,284	$5,978
% Increase (decrease) over prior year	**3%**	10%	(8%)	5%	16%
Cost of goods sold and services	**$ 4,169**	$ 3,659	$3,386	$3,477	$3,286
Operating income:					
Oilfield Services	**$ 1,039**	$ 1,170	$1,187	$1,656	$1,702
Measurement, Control & Components	**(70)**	161	61	34	131
Eliminations	**(3)**	10	(23)	(18)	(25)
	$ 966	$ 1,341	$1,225	$1,672	$1,808
% (Decrease) increase over prior year	**(28%)**	9%	(27%)	(8%)	29%
Interest expense	**$ 219**	$ 153	$ 116	$ 117	$ 108
Taxes on income	**$ 266**	$ 390	$ 305	$ 451	$ 580
Net income	**$ 351****	$ 1,182	$1,084	$1,348	$1,266
% (Decrease) increase over prior year	**(70%)**	9%	(20%)	6%	27%
Per common share:					
Net income	**$ 1.17****	$ 4.10	$ 3.73	$ 4.60	$ 4.37
Cash dividends declared	**$ 1.20**	$ 1.12	$ 1.00	$ 0.92	$ 0.77
SUMMARY OF FINANCIAL DATA					
Net income as % of revenue	**5%**	19%	19%	21%	21%
Return on average stockholders' equity	**5%**	19%	20%	28%	34%
Fixed asset additions	**$ 787**	$ 727	$ 517	$1,094	$1,063
Depreciation expense	**$ 803**	$ 712	$ 678	$ 584	$ 433
Average number of shares outstanding	**299**	289	291	293	289
AT DECEMBER 31,*					
Working capital	**$ 3,349**	$ 3,221	$3,030	$2,171	$1,637
Total assets	**$11,282**	$10,913	$8,353	$7,846	$6,525
Long-term debt	**$ 1,014**	$ 966	$ 455	$ 462	$ 278
Stockholders' equity	**$ 6,877**	$ 6,992	$5,819	$5,226	$4,235
Number of employees	**72,810**	74,970***	68,920	75,330	84,550

*The December 31, 1984 balance sheet includes SEDCO which was acquired in December 1984.
**Net income for 1985 includes nonrecurring charges with an after tax effect of $511 million ($1.71 per share). Excluding these charges, net income is $862 million ($2.88 per share).
***Includes 8,900 employees of SEDCO, Inc. and Dowell in North America, acquired in 1984.

Michel Vaillaud

Michel Vaillaud was born in Paris in 1931. He is a graduate of Ecole Polytechnique and has advanced degrees in mining and petroleum engineering.

Vaillaud joined Schlumberger in 1973 at the invitation of Jean Riboud. For the previous 18 years, he held various positions with the French government dealing with the oil and gas industry, foreign relations and research. In 1969, he was appointed head of the Oil & Gas Agency at the Ministry of Industry.

Vaillaud's previous knowledge and extensive experience in the oil industry seemed a good introduction for a position in Schlumberger's Oilfield Services. However, after nearly two decades with the oil industry, he wanted a new challenge. Riboud accepted this and asked him to take on the management of Schlumberger's electronic companies in the United States and in 1975, in Europe. In 1981, he became responsible for Schlumberger's Oilfield Services and, in December 1982, was appointed President and Chief Operating Officer.

In September 1985, on Jean Riboud's recommendation, the Board of Directors unanimously elected Michel Vaillaud Chairman, President & Chief Executive Officer.

In 1985, the following officers also were elected:

D. Euan Baird, Executive Vice President, responsible for Wireline, Seismic & Testing Services.

Ian Strecker, Executive Vice President, responsible for Drilling & Pumping Services.

Jean-Dominique Percevault, Vice President-Personnel.

At its February 13, 1986 meeting, the Board of Directors nominated D. Euan Baird for election as a Director at the shareholders' meeting to be held May 6, 1986.

Euan Baird, Executive Vice President responsible for the Wireline, Seismic & Testing oilfield services group, has been with Schlumberger for 26 years. He has held various engineering and management positions with the Wireline group in Africa, the Middle East, Far East, Europe and the United States.

At the same meeting, Jerome B. Wiesner announced his retirement from the Schlumberger Board after 17 years of service. Dr. Wiesner, President Emeritus of the Massachusetts Institute of Technology, throughout his association with Schlumberger has been a forceful advocate for a commitment to technological excellence through research. His contribution and advice will be missed.

PIERRE SCHLUMBERGER

Pierre Schlumberger, Chief Executive Officer and a Director of Schlumberger from 1957 until 1965, died in Paris on February 18, 1986. Active with the Company for 25 years, Pierre Schlumberger played a major role in the establishment of Schlumberger Limited as a public company. He was the son of Marcel Schlumberger, one of the two brothers who founded the Company 60 years ago.

SCHLUMBERGER

OILFIELD SERVICES

WIRELINE, SEISMIC & TESTING SERVICES

Wireline Services
Measurement of physical properties of underground formations to help locate and define oil and gas reservoirs and assist in the completion, development and production phases of oil wells. Measurements are made by lowering electronic instruments in the wells at the end of an electric cable called the "wireline".

Seismic Services
Merlin: marine seismic data acquisition and processing services.

Testing Services
Flopetrol Johnston: well testing; pressure measurements; completion and workover services; production services.

DRILLING & PUMPING SERVICES

Drilling Services
Sedco Forex: drilling offshore and on land.
Anadrill: well-site computer analysis of surface and downhole drilling and geological data; directional drilling services; drilling tool rentals.

Pumping Services
Dowell Schlumberger (50% owned): well cementing and stimulation.

MEASUREMENT, CONTROL & COMPONENTS

MEASUREMENT & CONTROL

Electricity Management: electricity meters and equipment for electric power distribution; network protection systems, measuring transformers.

Water and Gas: water meters and distribution systems; gas meters and distribution systems.

Instruments: magnetic tape data recorders; data acquisition systems; electronic instruments; radar simulators; training systems; industrial data logging and telemetry systems; transducers.

Paymatec: electronic payment terminals, smart cards, card-operated public payphones; gasoline dispensing systems, parking terminals.

Fairchild Weston: data acquisition and recording; signal processing and electronic countermeasures systems; control equipment for nuclear power systems; miniature CCD cameras and high performance reconnaissance cameras.

Control, Valves and Technology: process control equipment; petroleum, nuclear and industrial valves.

FAIRCHILD SEMICONDUCTOR

Digital: digital logic including FAST, FACT and low-power Schottky logic, and semicustom logic products.

Memory & High-Speed Logic: static RAMs, PROMs, 100K ECL Logic, and programmable logic products.

Analog & Microprocessor: power and small signal discrete, hybrids, linear, telecommunications, signal processing, and microprocessor products.

COMPUTER AIDED SYSTEMS

Sentry: computer controlled systems for testing semiconductors.

Factron: computer controlled systems for testing printed-circuit board subassemblies.

Applicon: computer aided engineering, design and manufacturing (CAE/CAD/CAM) systems for electronic and mechanical design.

Benson: graphics products for use with computer systems.

DIRECTORS

DON E. ACKERMAN ○
Partner, J.H. Whitney & Co.
New York City

ROBERT A. CHARPIE ✻
President, Cabot Corporation
Boston, Massachusetts

WILLIAM P. CLEMENTS, JR. ✻
Founder, SEDCO, Inc.
Dallas, Texas

ROLAND GENIN ✻
Chairman of the Executive Committee
Schlumberger

BERNARD HANON
Former Chief Executive Officer
Régie Renault, Paris

GEORGE H. JEWELL ○
Partner, Baker & Botts
Houston, Texas

PAUL LEPERCQ ✻ □
President, Lepercq International
Holdings Ltd
Hamilton, Bermuda

GEORGES DE MENIL
Economist, Professor
Ecole des Hautes Etudes
en Sciences Sociales, Paris

YOSHIHIKO MOROZUMI
Chairman
Schlumberger Companies in Japan
Tokyo

FELIX G. ROHATYN ✻ □
General Partner, Lazard Frères & Co.
New York City

PIERRE MARCEL SCHLUMBERGER ○
Attorney, Houston, Texas

NICOLAS SEYDOUX
Chairman and Chief Executive Officer
Gaumont, Paris

RICHARD R. SHINN ○ □
Former Chairman and Chief Executive
Officer, Metropolitan Life Insurance
Company, New York City

MICHEL VAILLAUD ✻ □
Chairman and Chief Executive Officer
Schlumberger

JEROME B. WIESNER ✻
Institute Professor, President Emeritus
Massachusetts Institute of Technology
Cambridge, Massachusetts

OFFICERS

MICHEL VAILLAUD
Chairman and Chief Executive Officer

ROLAND GENIN
Chairman of the Executive Committee

ARTHUR LINDENAUER
Executive Vice President and
Chief Financial Officer

D. EUAN BAIRD
Executive Vice President

DONALD W. BROOKS
Executive Vice President

MICHEL GOUILLOUD
Executive Vice President

JIMMY G. LEE
Executive Vice President

RENE MITIEUS
Executive Vice President

ROY R. SHOURD
Executive Vice President

IAN STRECKER
Executive Vice President

DAVID S. BROWNING
Secretary and General Counsel

ALLEN D. KLEIN
Vice President

ANDRE MISK
Vice President

JEAN-DOMINIQUE PERCEVAULT
Vice President

PATRICK J.B. CORSER
Treasurer

WILLIAM W. DUNN
Controller

ANDRE LALOUX
Assistant Secretary

JAMES A. MACKENZIE
Assistant Secretary

THOMAS O. ROSE
Assistant Secretary

○ Member Audit Committee
✻ Member Executive Committee
□ Member Finance Committee

STOCK TRANSFER AGENTS

Morgan Guaranty Trust Co.
New York, New York

MBank Houston, N.A.
Houston, Texas

REGISTRARS

Morgan Guaranty Trust Co.
New York, New York

MBank Houston, N.A.
Houston, Texas

SCHLUMBERGER STOCK
IS LISTED ON THE

New York (trading symbol SLB)
Paris

London
Amsterdam

Frankfurt and
Swiss stock exchanges

FORM 10-K

Stockholders may receive
without charge a copy of
Form 10-K filed with the
Securities and Exchange
Commission on request to
the Secretary, Schlumberger
Limited, 277 Park Avenue,
New York, New York 10172.

DESIGN
Milton Glaser Inc.

PHOTOGRAPHY

PAGE 5
Jean-Marie Delmoral

PAGES 7, 10, 13, 16, 19
Matthew Klein

PAGES 22-36
Norman McGrath

PAGE 54
Donald L. Miller

Schlumberger

SCHLUMBERGER LIMITED

277 Park Avenue, New York, New York 10172 □ 42, rue Saint-Dominique, 75007 Paris □ 7-1, Nishi-Shinjuku 2-chome, Shinjuku-ku, Tokyo 160