

SCHLUMBERGER ANNUAL REPORT 1991



SCHLUMBERGER IN BRIEF

| | 1991 | 1990 | 1989 |
|----------------------------------|-----------------------------------|------------------|-----------------------------|
| Operating Revenue | \$ 6,145,171,000 | \$ 5,306,217,000 | \$ 4,685,995,000 |
| Income before extraordinary item | \$ 815,652,000¹ | \$ 570,281,000 | \$ 419,954,000 ² |
| Extraordinary item | - | - | 21,500,000 |
| Net income | \$ 815,652,000 | \$ 570,281,000 | \$ 441,454,000 |
| Income per share: | | | |
| Before extraordinary item | \$ 3.42¹ | \$ 2.40 | \$ 1.77 ² |
| Extraordinary item | - | - | 0.09 |
| Net income | \$ 3.42 | \$ 2.40 | \$ 1.86 |
| Dividends declared per share | \$ 1.20 | \$ 1.20 | \$ 1.20 |

¹Includes a gain of \$177 million (\$0.74 per share) on the sale of an investment and a \$25 million (\$0.10 per share) charge for restructuring the North American oilfield operations.

²Includes a gain of \$13 million (\$0.05 per share) on the sale of the Defense Systems division of Schlumberger Industries.



ueled by increased activity in Oilfield Services outside North America and improving profitability in Measurement & Systems, Schlumberger's earnings per share in 1991 grew by 16% excluding the gain on the sale of an investment of \$0.74 per share and a restructuring charge of \$0.10 per share.

1991 had its share of challenges around the world. The war in the Middle East, although short in duration, had a dampening effect on our businesses worldwide in the first quarter. In addition, the major economies of the world slowed throughout much of the year. Following an unexpected, steep decline in rig activity during the third quarter in North America, our oilfield companies there were hardest hit.

Oilfield Services continued to benefit from the steady increase in activity outside North America as the industry worked to maintain its broad base of supply. Oilfield revenue increased 19% despite an 8% decline in rigs worldwide due to firmer pricing outside North America and the introduction of new premium value services worldwide. Deployment of MAXIS 500, our new wireline logging system, was accelerated during 1991, reflecting favorable customer response. Logging While Drilling has rapidly become a routine formation evaluation system worldwide. Sedco Forex, bolstered by the addition of eight drilling rigs, and GECO-PRAKLA, strengthened with the acquisition of 51% of PRAKLA SEISMOS AG, had record years.

Measurement & Systems revenue increased 11%, 7% on a comparable basis. Despite persistent economic slowdown in North America and the United Kingdom, Schlumberger Industries revenue increased 12%. Expanding operations in Europe, especially Germany, contributed to the extension of Industries' leadership position in residential and industrial electric, water and gas metering products worldwide. The development of new metering service operations, including installation, maintenance and reading, adds new products that complement our core metering business and provides a firm base upon which to grow.

Schlumberger Technologies was profitable for the year as revenue increased 7%. Through increasing internal efficiency and favorable market response to our new products, margins improved in all product lines. With a reduced cost base, expanded product lines and a more efficient organization, Schlumberger Technologies results will continue to improve.

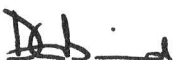
In Health, Safety and Environment, we continue to strive to become a recognized leader. Our ambitious program of risk identification and prevention, scaling-down the use of hazardous materials, training of employees at all levels and setting of health, safety and environmental specifications for each new product, gained momentum during the year.

World events continue to unfold with such bewildering speed that predicting what lies in store for us in 1992 is difficult. However, we are confident that Schlumberger will continue to grow and prosper for three reasons:

Firstly, in spite of large fluctuations in the price of oil, threatened supplies and strong efforts to conserve while trying to develop alternative energy sources, the world remains solidly hooked on hydrocarbons and I believe will remain so for the foreseeable future. Any decrease in oil demand in the industrialized nations of North America and Europe will be more than compensated for by increases in developing nations throughout the world.

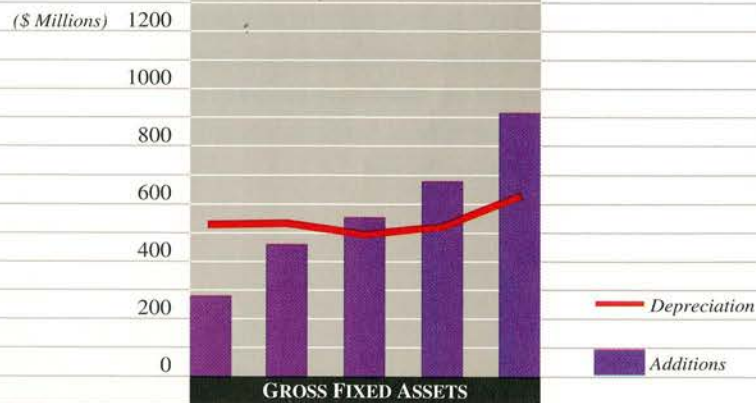
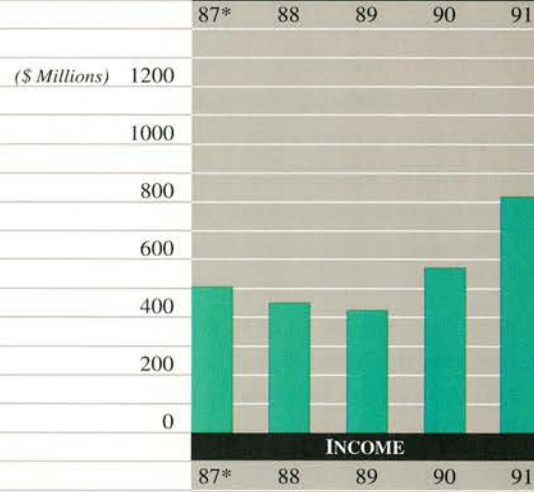
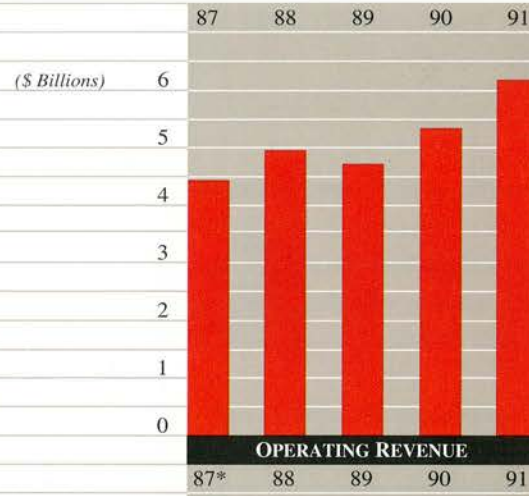
Secondly, the huge changes in the oil industry during the last thirty years have been accompanied by a somewhat acrimonious dialogue between producers, international oil companies and the main consuming nations. It would appear today that we are entering a calmer, more cooperative period. The calmness is undoubtedly due in large part to the broad geographical base of oil supply which has been built up over the last twenty years. The challenge for the oil industry and governments worldwide will be to maintain the wide supply base which guarantees a measure of stability, while oil prices remain as expected between \$15 and \$25 per barrel during the next few years. At this price level, the world's economies can be expected to grow normally. I believe that this challenge can only be met by continuing to improve the efficiency with which the industry finds and develops new reserves. This, in turn, means increased use of new technology which Schlumberger is working hard to provide.

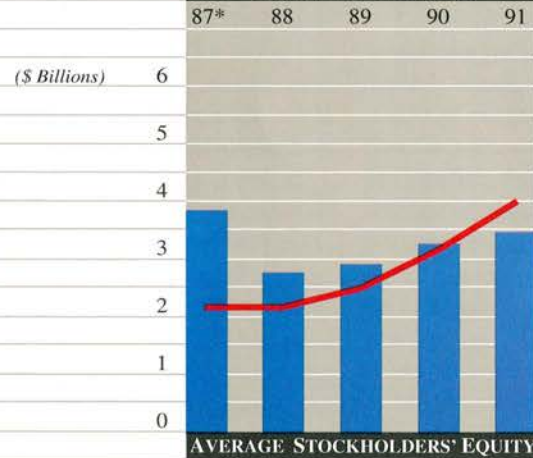
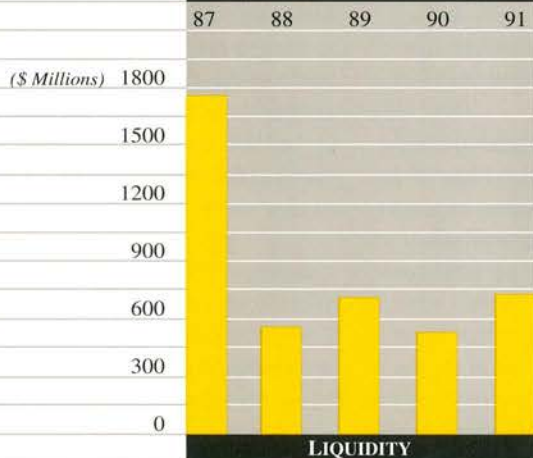
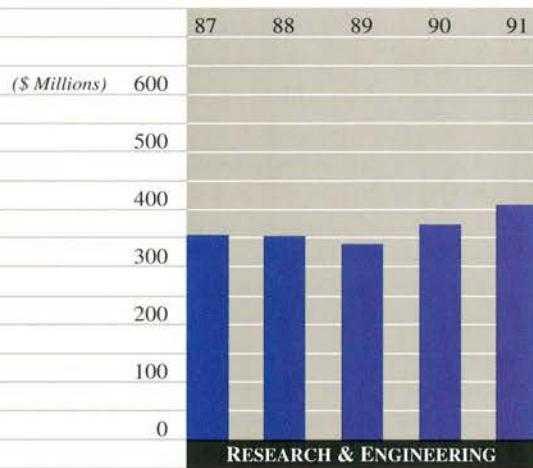
Finally, the world's goal of sustainable growth can only be met by improved efficiency in the development and use of available resources. Schlumberger, through the types of products and services it provides, is deeply committed to improved efficiency, whether it is in oil exploration, electricity management or reducing product cycle times. In addition, the gradual spread of open and competitive markets almost everywhere will create new opportunities to sell efficiency-promoting technology. I am confident that Schlumberger has the people and technology to exploit these opportunities to the full.



Euan Baird
Chairman & Chief Executive Officer
January 22, 1992

ALL CHARTS REFER TO CONTINUING OPERATIONS





FINANCIAL REVIEW

Management's Discussion and Analysis of Results of Operations

| Operating Revenue | (Stated in millions) | | |
|-----------------------|----------------------|----------|----------|
| | 1991 | 1990 | 1989 |
| Oilfield Services | \$ 3,847 | \$ 3,240 | \$ 2,696 |
| Measurement & Systems | \$ 2,298 | \$ 2,066 | \$ 1,990 |

■ OILFIELD SERVICES

Worldwide oilfield activity declined in 1991 as the average number of drilling rigs worldwide fell 8%. Led by steady growth in oilfield activity outside North America, Schlumberger Oilfield Services increased 19%, 11% on a comparable basis. Customer acceptance of newly introduced services, firmer pricing outside North America and the effect of the acquisition of eight drilling rigs and the purchase of 51% of PRAKLA SEISMOS AG were significant contributors to the growth in revenue. Oilfield Services profitability improved during 1991.

North American oilfield activity softened considerably during the second half of 1991, as natural gas prices remained low and oil companies focused their exploration and production expenditures in areas outside North America. Schlumberger oilfield companies in North America were restructured during 1991 to reflect reduced levels of activity there.

In 1990, Oilfield revenue increased 20%.

■ Wireline, Testing & Anadrill

Revenue in 1991 was 5% ahead of 1990 with significant improvement in all geographic areas, except North America where the dramatic decline in activity had an adverse impact on revenue. The rapid growth of new services worldwide continued with the further introduction of MAXIS 500* systems, with 130 units active worldwide at year end, and new MAXIS* technology services such as the Dipole Shear Sonic Imager, Fullbore Formation MicroImager, Modular Formation Dynamics Tester, Combinable Seismic Imager, Array Seismic Imager and Ultra-Sonic Imager tools. During the year, Logging While Drilling services revenue continued to grow as the number of tools increased worldwide.

On January 1, 1992, data services businesses were formed into a single Schlumberger Data Services organization offering a wide range of software, computer and other services designed to move, manage and interpret geoscience data. Data Services revenue grew strongly throughout 1991.

In 1990, revenue grew 14% over 1989 with a strong performance in all business segments and geographic areas.

North America

Revenue in 1991 was down 8% as the average number of rigs fell by 14%, reflecting a shift of activity outside North America. In the U.S. and Canada, the drilling decline averaged 16% and 12%, respectively. In 1991, the average U.S. rig count reached 862, the lowest level since 1942. The drilling activity decline was most severe in the Gulf of Mexico, down 18%, resulting

from depressed prices for natural gas. A major restructuring of the organization was completed during the second half of the year reflecting these lower activity levels.

In 1990, revenue improved 18% on a 14% increase in the average number of active drilling rigs, firmer pricing and the introduction of new services.

Eastern Hemisphere and Latin America

(Australasia, Africa, Far East, Middle East, Europe, Latin America) Despite a level average rig count, revenue in 1991 increased 9% with improvement in all areas except the Middle East and Southeast Asia, which were down slightly. Schlumberger activity resumed in Kuwait and began in the Commonwealth of Independent States, formerly the Soviet Union.

The introduction of testing services, DataLatch* and the Intelligent Remote Implementation System (IRIS*), contributed to the growth in this activity. More efficient high-shot density perforation services are gaining acceptance as a more cost-effective completion technique in certain wells.

In 1990, revenue increased 11% despite a small decline in the average number of rigs. Firmer pricing and the introduction of new services contributed to the growth.

Anadrill

Worldwide revenue improved 21% with the strongest gains in Europe, Africa and Latin America, partially offset by the weaker activity in North America. Substantial growth was reported in the Measurements While Drilling (MWD), Logging While Drilling and directional drilling segments.

New MWD products were introduced to improve the drilling process by using downhole sensor data to reduce the chances of sticking the drilling pipe and to allow the drill bit to be steered to the target zone. Offering significantly improved performance over competitive systems, the M3 MWD telemetry system became commercial. In directional drilling, growth was fueled by demand for Anadrill's SLIM1* tool.

In 1990, revenue increased 34% with strong activity in the North American horizontal drilling market.

■ Drilling & Pumping Services

Sedco Forex

Sedco Forex revenue increased 37% as a result of increased dayrates, higher utilization and the addition of eight drilling rigs to the fleet. With drilling activities mainly in Africa, Europe and Asia, Sedco Forex rig utilization rate increased to 81% in 1991 compared to 72% in 1990; more specifically, land rigs increased from 63% to 72%; and offshore rigs from 81% to 89%, during 1991. Industry-wide competitive offshore rig fleet utilization declined from 77% to 75% over the same period.

In 1991, Sedco Forex entered the semisubmersible Tender Assisted Drilling (TAD) market with two semisubmersibles placed under long-term operations contracts. During TAD operations, a semisubmersible rig is used to provide certain support services including power, drilling fluids pumping and transfer, hotel and medical facilities to a fixed offshore drilling and production structure. Sedco Forex is a clear leader in the emerging TAD market.

The Sedco Forex fleet on December 31, 1991 consisted of 78 rigs: 41 offshore and 37 land. During 1991, one jackup, three tenders, two swamp barges and three land rigs were acquired. Two land rigs were sold to minority joint ventures. At the end of 1991, only three land rigs were stacked.

In 1990, Sedco Forex revenue increased 24% as a direct result of higher rig utilization and improved dayrates.

Dowell Schlumberger (50% owned)

Dowell Schlumberger worldwide revenue increased 9%, following a 22% increase in 1990.

North American revenue fell 6%, compared with a 14% decline in drilling rigs. Weak gas prices and a shift of activity away from North American oilfields caused activity to remain at low levels. The increasing use of EB-CLEAN* encapsulated breaker, which improves fracture clean up and optimizes fracture conductivity, helped to reduce the impact of the drilling decline.

Outside North America, revenue was 21% higher with most regions above last year. Strongest gains were registered in Latin America with substantial growth in Coiled Tubing services on land, mainly Mexico, and in Venezuela on Lake Maracaibo. The Middle East and Africa also grew significantly over 1990.

Industrial Cleaning revenue improved 19%, reflecting stronger U.S. cleaning activity and expansion in the Netherlands and Germany.

The recently introduced EXPRES* Cementing Head received the Petroleum Engineer International 1991 Award for Engineering Innovation at the 1991 Offshore Technology Conference in Houston.

■ *Seismic Services*

GECO-PRAKLA revenue increased 87%, 25% excluding PRAKLA SEISMOS AG (51% owned), which the company acquired on January 2, 1991. Under the terms of the purchase agreement, Schlumberger committed to purchase the remaining 49% interest on or before January 1, 1993.

Marine seismic activity was strong with 21 vessels operating worldwide as compared with 17 in 1990. Improved vessel utilization and strong activity in the North Sea contributed to the overall improvement. During the year, two new seismic acquisition vessels were added to the fleet: GECO Sapphire in the North Sea and Resolution in the Far East. Three additional vessels are under construction which are scheduled for commissioning in 1992 and 1993. All vessels are purpose-built with maximum design flexibility for seismic equipment and operations.

With 39 seismic crews operating worldwide, land activity improved throughout the year. Building on a strong seismic operations presence in Europe, seismic crews were redeployed to South America and Africa during the year.

Reflecting higher data volumes and more efficient use of computing capacity, Data Processing was profitable in 1991. State-of-the-art seismic processing, using massively parallel computing capabilities, was commercially introduced in North America. With continued growth, mainly in Europe, CHARISMA RC* Seismic Interpretation Workstation sales were higher.

In 1990, GECO revenue was 56% higher, reflecting significant improvements in marine seismic activity.

■ *MEASUREMENT & SYSTEMS*

Revenue of these companies increased 11% in 1991 following a 4% increase in 1990. On a comparable basis, revenue was up 7% in 1991 and 12% in 1990. Schlumberger Industries registered improved profitability. Schlumberger Technologies was profitable for the year as improvement in results continued in each product line.

■ *Schlumberger Industries*

Measured in U.S. dollars, revenue and orders rose by 12% and 15%, respectively, in 1991. Excluding the contribution of the recently acquired German gas meter company, revenue and orders rose 6% and 7%, respectively.

In 1990, on a comparable basis, revenue increased 17% while orders increased 14%.

Electricity Management

In 1991, revenue was level and orders rose by 2%, compared with 1990.

Continued growth in France and Spain, together with improvements in Italy, Hungary and Chile, were not sufficient to compensate for the fall in demand for electricity products in the U.K., Brazil, Austria and Scandinavia. France and southern Europe gained from sales of integrated electronic products adding new functions. Sales at the Hungarian joint venture grew as demand increased for load management systems. By contrast, recession in the U.K. deepened, housing starts remained low and recently privatized utilities reduced their inventories of meters. In Scandinavia, decreased demand caused a reduction in load management sales from our Austrian activity while Brazil was affected by an economic freeze.

North American revenue was lower reflecting the current economic weakness in the U.S. and Canada. With U.S. housing starts at a post-World War II low, residential meter sales were lower. In the wake of the recession, industrial meter revenue fell in the U.S., while in Canada exports more than offset weakness in the domestic market.

In 1990, on a comparable basis, revenue and orders increased 12% and 9%, respectively.

Water and Gas

Revenue and orders were up 28% and 32%, respectively, compared with 1990, of which the recent acquisition in Germany accounted for 15% and 16%, respectively.

In Europe and Asia, growth was strong with solid gains in all product lines. Sales of metering and related products were particularly strong in Germany, which grew under the combined effects of economic expansion and integration of the former East German states. Heat metering became a firmly established product line. In Europe, the Service business progressed well with growth of our existing service operation in France and Belgium and the successful start-up of a gas appliance service activity in Italy. In North America, overall revenue was flat. In the U.S., a major order for water meters with remote reading interface and improved demand for gas meters in Canada were offset by the acute recession in Canadian water meter sales.

In 1990, on a comparable basis, revenue and orders were up 20% and 22%, respectively.

Production, Electronics & Systems

In 1991, on a comparable basis, revenue and orders increased 13% and 21%, respectively.

At Data Acquisition & Recorders, demand for linear recorders for civil aerospace test applications increased significantly, more than compensating lower sales in crash and peripheral recorders.

At Security & Control, revenue grew on strong demand for luggage scanners, aided by the climate of insecurity following the Gulf Crisis. Current year orders included the booking of two SYCOSCAN* container scanners for the Eurotunnel project.

Revenue in 1990 increased 35% while orders increased 12%.

■ Schlumberger Technologies

Revenue improved 7% in 1991 following a 3% comparable increase in 1990. Electronic Transactions registered the best performance with excellent growth in all product lines. At Automatic Test Equipment, the impact of new product introductions offset the effects of the worldwide economic slowdown. Margins improved in all product lines.

Automatic Test Equipment – Components

Compared to 1990, orders were 7% lower, mainly from reduced activity for the diagnostic product line in the U.S. and Japan. Gains were achieved for Component Test with the introduction of the new generation ITS9000FX Series Component Tester. Revenue declined 13%. Verisys, our joint venture with NTT in Japan, delivered its first 500 MHz ASIC tester.

Revenue and orders declined slightly in 1990.

Automatic Test Equipment – Systems

Led by a strong performance from the Board Test product line, revenue was up 3%. The s790 Board Tester, first shipped in 1990, continued to be well accepted. Considerably enhancing the Board Test product offering, several new products were introduced in 1991 including s790 vxi, s780 and the s765 vxi. Communications product line sales were flat while orders were 8% lower.

In 1990, revenue declined 8% while orders improved 5%.

Computer Aided Design & Manufacturing

Revenue was down 5% while orders were 2% higher. Bravo3, based on UNIX,** was commercially introduced on the DECstation*** product line of computers, enhancing the CAD/CAM application product line.

Revenue was down 3% and orders decreased 8% in 1990.

Electronic Transactions

Revenue increased 24% while orders were up 20%. All three product lines – Retail Petroleum Systems, Smart Cards & Systems and Urban Terminals & Systems – contributed to the growth. During 1991, there were strong sales increases at Payphones and Cards outside France, and at Retail Petroleum Systems in eastern Germany.

On a comparable basis, revenue gained 25% in 1990, while orders were up 24%.

■ Net Income

(Stated in millions except per share amounts)

| | 1991 | | 1990 | | 1989 | |
|---------------------------|--------|-----------|--------|-----------|--------|-----------|
| | Amount | Per Share | Amount | Per Share | Amount | Per Share |
| Before extraordinary item | \$ 816 | \$ 3.42 | \$ 570 | \$ 2.40 | \$ 420 | \$ 1.77 |
| Extraordinary item | – | – | – | – | 21 | 0.09 |
| Net Income | \$ 816 | \$ 3.42 | \$ 570 | \$ 2.40 | \$ 441 | \$ 1.86 |

Net income in 1991 included a \$177 million (\$0.74 per share) after-tax gain on the sale of an investment and a \$25 million (\$0.10 per share) charge for restructuring the North American oilfield operations; income before extraordinary item in 1989 included a \$13 million (\$0.05 per share) after-tax gain on the sale of Defense Systems, which is included in interest and other income.

Excluding the items described above, net income was up \$93 million in 1991. Net income of Oilfield Services increased, led by significantly improved results at GECO-PRAKLA, Sedco Forex and Wireline & Testing outside North America. Net income for Schlumberger Industries was up, while Schlumberger Technologies was profitable in 1991 compared to a loss in 1990.

Net income in 1989 included an extraordinary gain of \$21 million (\$0.09 per share). This gain resulted from an award from the Iran-U.S. Claims Tribunal related to Iran's seizure of SEDCO, Inc. assets in 1979 prior to its acquisition by the Company.

■ Research & Engineering

Expenditures by business sector were as follows:

| | (Stated in millions) | | |
|------------------------------|----------------------|--------|--------|
| | 1991 | 1990 | 1989 |
| Oilfield Services | | | |
| Wireline, Testing & Anadrill | \$ 196 | \$ 173 | \$ 165 |
| Drilling & Pumping Services | 34 | 30 | 24 |
| Seismic | 17 | 14 | 9 |
| | 247 | 217 | 198 |
| Measurement & Systems | | | |
| Schlumberger Industries | 86 | 78 | 70 |
| Schlumberger Technologies | 74 | 78 | 71 |
| | 160 | 156 | 141 |
| | \$ 407 | \$ 373 | \$ 339 |

■ Interest Expense

Interest expense increased \$16 million in 1991 and declined \$9 million in 1990. The increase was due to the effect of higher average outstanding balances, only partially offset by lower average rates. The decrease in 1990 was primarily due to lower average outstanding debt (primarily in the U.S.).

■ Liquidity

A key measure of financial position is liquidity, defined as cash plus short-term investments less debt. The following table summarizes the Company's change in consolidated liquidity for each of the past three years:

**UNIX is a Trademark of Bell Laboratories

***DECstation is a Trademark of Digital Equipment Corporation

| | (Stated in millions) | | |
|---|----------------------|----------|--------|
| | 1991 | 1990 | 1989 |
| Income before extraordinary item | \$ 816 | \$ 570 | \$ 420 |
| Depreciation & amortization | 660 | 552 | 520 |
| Gain on sale of investment | (177) | - | - |
| Other | (91) | (110) | (53) |
| | 1,208 | 1,012 | 887 |
| Increase in working capital requirements | (109) | (34) | (112) |
| Fixed asset additions | (921) | (675) | (549) |
| Dividends paid | (286) | (286) | (285) |
| Other | 24 | 32 | 23 |
| (Decrease) increase from ongoing operations | (84) | 49 | (36) |
| Purchase of Treasury shares | - | (82) | (59) |
| Proceeds from employee stock plans | 73 | 63 | 40 |
| Proceeds from sale of investment | 354 | - | - |
| Purchase of GECO common stock | - | (53) | - |
| Businesses acquired | (131) | (148) | (93) |
| Proceeds on sale of businesses | - | 36 | 273 |
| Extraordinary item | - | - | 50 |
| Other | (15) | (46) | (22) |
| Net increase (decrease) in liquidity | \$ 197 | \$ (181) | \$ 153 |
| Liquidity – end of period | \$ 724 | \$ 527 | \$ 708 |

The improvement in liquidity during 1991 included the proceeds on the sale of an investment partially offset by the acquisition of PRAKLA SEISMOS AG (\$131 million-net assets acquired included \$107 million of debt) and the purchase of eight drilling rigs from the Techfor Cosifor group (\$136 million). The decrease in liquidity in 1990 resulted primarily from the purchase of GECO common stock and the acquisition of other businesses.

The current consolidated liquidity level, combined with liquidity expected from ongoing operations, should satisfy future business requirements.

■ Fixed Assets

Additions by business sector were as follows:

| | (Stated in millions) | | |
|------------------------------|----------------------|--------|--------|
| | 1991 | 1990 | 1989 |
| Oilfield Services | | | |
| Wireline, Testing & Anadrill | \$ 420 | \$ 400 | \$ 325 |
| Drilling & Pumping Services | 235 | 98 | 90 |
| Seismic | 160 | 62 | 36 |
| | 815 | 560 | 451 |
| Measurement & Systems | | | |
| Schlumberger Industries | 69 | 77 | 65 |
| Schlumberger Technologies | 32 | 36 | 32 |
| | 101 | 113 | 97 |
| Other | 5 | 2 | 1 |
| | \$ 921 | \$ 675 | \$ 549 |

■ *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 1991 and 1990 were:

| | Price Range | | Dividends Declared |
|----------|-----------------------------------|-----------------------------------|--------------------|
| | High | Low | |
| 1991 | | | |
| Quarters | | | |
| First | \$ 64 ³ / ₄ | \$ 50 ¹ / ₂ | \$ 0.30 |
| Second | 65 | 56 | 0.30 |
| Third | 74 | 55 ³ / ₄ | 0.30 |
| Fourth | 70 ³ / ₄ | 58 ¹ / ₈ | 0.30 |
| 1990 | | | |
| Quarters | | | |
| First | \$ 53 | \$ 43 ¹ / ₂ | \$ 0.30 |
| Second | 59 ³ / ₈ | 49 ⁵ / ₈ | 0.30 |
| Third | 69 ⁷ / ₈ | 55 ³ / ₄ | 0.30 |
| Fourth | 63 ¹ / ₈ | 51 ⁵ / ₈ | 0.30 |

The number of holders of record of the Common Stock of the Company at December 23, 1991 was approximately 30,500. 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.

■ Postretirement Benefits Other Than Pensions

In December 1990, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." This statement requires the use of the accrual method for future postretirement benefits rather than accounting for these benefits on a pay-as-you-go basis. Adoption of this statement is required for fiscal years beginning after December 15, 1992.

Although the Company has not completed its evaluation of this statement, management believes that the adoption of this Standard will not have a material effect on the Company's consolidated financial position or income before extraordinary item.

CONSOLIDATED STATEMENT OF INCOME

| Year Ended December 31, | (Stated in thousands except per share amounts) | | |
|--|--|--------------|--------------|
| | 1991 | 1990 | 1989 |
| <i>Revenue</i> | | | |
| Operating | \$ 6,145,171 | \$ 5,306,217 | \$ 4,685,995 |
| Interest and other income | 117,027 | 127,430 | 157,711 |
| Gain on sale of investment (before income taxes of \$58,449) | 235,937 | - | - |
| | 6,498,135 | 5,433,647 | 4,843,706 |
| <i>Expenses</i> | | | |
| Cost of goods sold and services | 4,424,834 | 3,731,454 | 3,342,102 |
| Research & engineering | 407,236 | 372,736 | 339,073 |
| Marketing | 277,296 | 262,152 | 268,343 |
| General | 304,849 | 282,222 | 267,759 |
| Interest | 102,266 | 86,686 | 95,741 |
| Taxes on income | 166,002 | 128,116 | 110,734 |
| | 5,682,483 | 4,863,366 | 4,423,752 |
| <i>Income before Extraordinary Item</i> | 815,652 | 570,281 | 419,954 |
| <i>Extraordinary Item</i> | - | - | 21,500 |
| <i>Net Income</i> | \$ 815,652 | \$ 570,281 | \$ 441,454 |
| <i>Income per share:</i> | | | |
| Before extraordinary item | \$ 3.42 | \$ 2.40 | \$ 1.77 |
| Extraordinary item | - | - | 0.09 |
| Net income | \$ 3.42 | \$ 2.40 | \$ 1.86 |
| Average shares outstanding (thousands) | 239,005 | 238,056 | 237,859 |

*See Notes to Consolidated Financial Statements
Schlumberger Limited (Schlumberger N.V., Incorporated in the Netherlands Antilles) and Subsidiary Companies*

CONSOLIDATED BALANCE SHEET

| Assets | <i>(Stated in thousands)</i> | |
|--|------------------------------|--------------|
| December 31, | 1991 | 1990 |
| <i>Current Assets</i> | | |
| Cash | \$ 38,980 | \$ 47,851 |
| Short-term investments | 1,426,620 | 1,276,508 |
| Receivables less allowance for doubtful accounts (1991 – \$36,020; 1990 – \$47,732) | 1,402,933 | 1,259,127 |
| Inventories | 596,644 | 570,598 |
| Other current assets | 100,368 | 92,451 |
| | 3,565,545 | 3,246,535 |
| <i>Investments in Affiliated Companies</i> | 371,948 | 331,761 |
| <i>Long-Term Investments and Receivables</i> | 51,796 | 217,276 |
| <i>Fixed Assets</i> less accumulated depreciation | 2,364,773 | 1,911,379 |
| <i>Excess of Investment Over Net Assets of Companies Purchased</i> less amortization | 439,647 | 401,372 |
| <i>Other Assets</i> | 59,810 | 67,327 |
| | \$ 6,853,519 | \$ 6,175,650 |
| <i>Liabilities and Stockholders' Equity</i> | | |
| <i>Current Liabilities</i> | | |
| Accounts payable and accrued liabilities | \$ 1,437,590 | \$ 1,337,978 |
| Estimated liability for taxes on income | 561,344 | 559,418 |
| Bank loans | 279,189 | 377,377 |
| Dividend payable | 72,515 | 71,831 |
| Long-term debt due within one year | 121,263 | 88,113 |
| | 2,471,901 | 2,434,717 |
| <i>Long-Term Debt</i> | 341,198 | 331,746 |
| <i>Other Liabilities</i> | 187,534 | 154,371 |
| | 3,000,633 | 2,920,834 |
| <i>Stockholders' Equity</i> | | |
| Common stock | 468,274 | 437,532 |
| Income retained for use in the business | 5,690,588 | 5,161,912 |
| Treasury stock at cost | (2,351,130) | (2,393,176) |
| Translation adjustment | 45,154 | 48,548 |
| | 3,852,886 | 3,254,816 |
| | \$ 6,853,519 | \$ 6,175,650 |

*See Notes to Consolidated Financial Statements
Schlumberger Limited (Schlumberger N.V., Incorporated in the Netherlands Antilles) and Subsidiary Companies*

CONSOLIDATED STATEMENT OF CASH FLOWS

| Year Ended December 31, | 1991 | 1990 | 1989 |
|--|------------|------------|------------------------------|
| | | | <i>(Stated in thousands)</i> |
| Cash flows from operating activities: | | | |
| Net income | \$ 815,652 | \$ 570,281 | \$ 441,454 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 659,591 | 552,297 | 519,727 |
| Earnings of companies carried at equity, less dividends received (1991-\$26,776; 1990-\$13,500; 1989-\$49,023) | (35,270) | (52,926) | 11,479 |
| Gain on sale of subsidiaries | - | (7,342) | (12,783) |
| Gain on sale of investment in Compagnie Générale des Eaux | (177,488) | - | - |
| Extraordinary gain | - | - | (21,500) |
| Provision for losses on accounts receivable | 1,604 | (601) | 9,813 |
| Other adjustments | (54,465) | (49,933) | (60,661) |
| Change in operating assets and liabilities: | | | |
| Increase in receivables | (117,118) | (46,109) | (96,981) |
| (Increase) decrease in inventory | (3,664) | 18,674 | (1,281) |
| Increase in accounts payable and accrued liabilities | 48,878 | 68,810 | 11,214 |
| Decrease in estimated liability for taxes on income | (70,615) | (39,635) | (8,147) |
| Other - net | (58,887) | (35,931) | (21,408) |
| Net cash provided by operating activities | 1,008,218 | 977,585 | 770,926 |
| Cash flows from investing activities: | | | |
| Purchases of fixed assets | (921,313) | (675,412) | (548,554) |
| Sales of fixed assets | 37,949 | 35,560 | 42,153 |
| Proceeds from sale of subsidiaries | - | 36,029 | 236,000 |
| Proceeds from sale of investment in Compagnie Générale des Eaux | 353,669 | - | - |
| Proceeds from extraordinary item | - | - | 50,151 |
| Payment for purchase of businesses | (23,960) | (92,941) | - |
| Payment for purchase of GECO A.S. common stock | - | (53,079) | - |
| Payment for purchase of Thorn Gas Metering (U.K.) | - | - | (93,383) |
| (Increase) decrease in short-term investments | (120,173) | 28,086 | 108,397 |
| Decrease in long-term investments and receivables | 14,202 | 9,979 | 1,188 |
| Increase in investment in Compagnie Générale des Eaux | - | (31,718) | (20,332) |
| Net cash used in investing activities | (659,626) | (743,496) | (224,380) |
| Cash flows from financing activities: | | | |
| Dividends paid | (286,164) | (285,505) | (285,423) |
| Purchase of shares for Treasury | - | (81,776) | (59,415) |
| Proceeds from employee stock purchase plan | 32,701 | 26,884 | 26,276 |
| Proceeds from exercise of stock options | 40,087 | 35,725 | 13,513 |
| Proceeds from issuance of long-term debt | 214,890 | 146,145 | 124,115 |
| Payments of principal on long-term debt | (207,034) | (106,310) | (135,527) |
| Net (decrease) increase in short-term debt | (151,943) | 24,686 | (311,446) |
| Proceeds from issuance of long-term debt relating to Thorn Gas Metering (U.K.) | - | - | 93,604 |
| Net cash used in financing activities | (357,463) | (240,151) | (534,303) |
| Net (decrease) increase in cash | (8,871) | (6,062) | 12,243 |
| Cash, beginning of year | 47,851 | 53,913 | 41,670 |
| Cash, end of year | \$ 38,980 | \$ 47,851 | \$ 53,913 |

See Notes to Consolidated Financial Statements

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

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

(Dollar amounts in thousands)

| | Common Stock | | | | Translation Adjustment | Income Retained for Use in the Business |
|---|--------------|------------|-------------|--------------|---------------------------|--|
| | Issued | | In Treasury | | | |
| | Shares | Amount | Shares | Amount | | |
| Balance, January 1, 1989 | 303,474,780 | \$ 432,899 | 65,751,363 | \$ 2,352,563 | \$ (46,640) | \$ 4,721,322 |
| Translation adjustment, 1989 | | | | | 6,475 | |
| Purchases for Treasury | | | 1,373,000 | 59,415 | | |
| Sales to optionees less shares exchanged | | (5,385) | (395,788) | (18,898) | | |
| Employee stock purchase plan | | (17,171) | (909,316) | (43,447) | | |
| Net income | | | | | | 441,454 |
| Dividends declared (\$1.20 per share) | | | | | | (285,409) |
| Balance, December 31, 1989 | 303,474,780 | 410,343 | 65,819,259 | 2,349,633 | (40,165) | 4,877,367 |
| Translation adjustment, 1990 | | | | | 88,713 | |
| Purchases for Treasury | | | 1,395,985 | 81,776 | | |
| Sales to optionees less shares exchanged and other | | 305 | (1,068,552) | (38,233) | | |
| Employee stock purchase plan | 797,041 | 26,884 | | | | |
| Net income | | | | | | 570,281 |
| Dividends declared (\$1.20 per share) | | | | | | (285,736) |
| Balance, December 31, 1990 | 304,271,821 | 437,532 | 66,146,692 | 2,393,176 | 48,548 | 5,161,912 |
| Translation adjustment, 1991 | | | | | (3,394) | |
| Sales to optionees less shares exchanged and other | | (1,959) | (1,164,963) | (42,046) | | |
| Employee stock purchase plan | 671,626 | 32,701 | | | | |
| Net income | | | | | | 815,652 |
| Dividends declared (\$1.20 per share) | | | | | | (286,976) |
| Balance, December 31, 1991 | 304,943,447 | \$ 468,274 | 64,981,729 | \$ 2,351,130 | \$ 45,154 | \$ 5,690,588 |

See Notes to Consolidated Financial Statements

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

■ *Summary of Accounting Policies*

The Consolidated Financial Statements of Schlumberger Limited and its subsidiaries have been prepared in accordance with accounting principles generally accepted in the U.S.

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. The Company'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. Accordingly, the Translation Adjustment in 1991 decreased \$3 million, and in 1990 and 1989 increased \$89 million and \$6 million, respectively. Revenue and expenses are translated at the weighted average exchange rates for the period. All realized and unrealized transaction gains and losses are included in income in the period in which they occur. Transaction losses included in the results amounted to \$2 million, \$19 million and \$19 million in 1991, 1990 and 1989, respectively.

Currency exchange contracts are entered into as a hedge against the effect of future settlement of assets and liabilities denominated in other than the functional currency of the individual businesses. Gains or losses on the contracts are recognized when the currency exchange rates fluctuate, and the resulting charge or credit substantially offsets the unrealized currency gains or losses on those assets and liabilities. At December 31, 1991, outstanding contracts were to purchase 9 million Australian dollars, 9 million Singapore dollars, 2 billion Italian lire and 18 million Dutch guilders, and to sell 7 million Canadian dollars and 3 million U.K. pounds, at the forward rates on the dates the contracts were entered. These contracts mature on various dates in 1992.

Short-Term Investments

Short-term investments are stated at cost plus accrued interest, which approximates market, and comprise primarily Eurodollar certificates of deposit, Eurodollar commercial paper and Euronotes, denominated in U.S. dollars.

For purposes of the Consolidated Statement of Cash Flows, the Company does not consider short-term investments to be cash equivalents as they generally have original maturities in excess of three months.

Inventories

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

Excess of Investment Over Net Assets of Companies Purchased

Cost in excess of net assets of purchased companies is amortized on a straight-line basis over periods ranging from 10 to 40 years. Accumulated amortization was \$88 million and \$66 million at December 31, 1991 and 1990, respectively.

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 oilfield technical equipment manufactured by subsidiaries of the Company. 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.

Taxes on Income

The Company 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 1991, 1990 or 1989.

Approximately \$2 billion of consolidated income retained for use in the business at December 31, 1991 represented undistributed earnings of consolidated subsidiaries and the Company's pro rata share of 20%-50% owned companies. No provision is made for deferred income taxes on those earnings considered to be indefinitely reinvested or earnings which would not be taxed when remitted.

Tax credits and other allowances are credited to current income tax expense on the flow-through method of accounting.

In February 1992, Financial Accounting Standard No. 109, "Accounting for Income Taxes" was issued by the Financial Accounting Standards Board. As permitted by FAS No. 109, the Company will implement this Standard in 1993. The Company's principal U.S. subsidiary is in an operating loss carryforward position and, as a result, has no deferred tax balances. The adoption of this Standard will not have a material effect on the Company's results of operations or financial position.

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. The effect of stock options, which are common stock equivalents, on the computation of earnings per share was not significant.

Research & Engineering

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

■ Extraordinary Item

In June 1989, Sedco Forex, the Company's drilling services operation, received an award from the Iran-U.S. Claims Tribunal of \$21 million (net of expenses) relating to Iran's seizure of SEDCO, Inc.'s civil and mechanical engineering and construction businesses prior to its acquisition by the Company.

■ Acquisitions

In January 1991, a subsidiary of the Company acquired 51% of the shares of PRAKLA SEISMOS AG, a German seismic company, for \$24 million. Under the agreement, Schlumberger immediately obtained 100% management control and committed to purchase the remaining interest on, or before, January 1, 1993 for \$23 million plus interest. Accordingly, the acquisition was accounted for as a purchase and the accounts were fully consolidated with those of the Company. Net assets acquired included \$107 million of debt. Cost in excess of net assets acquired was \$48 million, which is being amortized on a straight-line basis over 20 years.

During 1990, subsidiaries of the Company made several acquisitions with an aggregate purchase price of \$93 million. These acquisitions were accounted for as purchases and the accounts have been consolidated with those of the Company. Cost in excess of net assets acquired is being amortized on a straight-line basis over periods ranging from 10 to 25 years.

In February 1990, the Company acquired substantially all of the remaining interest in GECO for \$53 million. In November 1986, the Company had acquired, primarily through the subscription of common stock, 50% of GECO A.S. at a cost of \$77 million. In February 1988, the Company had acquired an additional 25% ownership interest at a cost of \$100 million through the subscription of newly issued GECO common stock.

In June 1989, the Company announced the acquisition of the U.K. gas meter business of Thorn-EMI, at a cost of \$93 million. The acquisition was accounted for as a purchase and the accounts have been consolidated with those of the Company. Cost in excess of net assets acquired was \$78 million, which is being amortized on a straight-line basis over 25 years.

■ Fixed Assets

A summary of fixed assets follows:

| December 31, | (Stated in millions) | |
|-------------------------------|----------------------|----------|
| | 1991 | 1990 |
| Land | \$ 71 | \$ 66 |
| Buildings & improvements | 751 | 694 |
| Machinery and equipment | 5,840 | 5,261 |
| Total cost | 6,662 | 6,021 |
| Less accumulated depreciation | 4,297 | 4,110 |
| | \$ 2,365 | \$ 1,911 |

Estimated useful lives of buildings & improvements range from 8 to 50 years and of machinery and equipment from 2 to 18 years.

■ Investments in Affiliated Companies

Investments in affiliated companies at December 31, 1991 comprised mainly the Company's 50% investments in the Dowell Schlumberger business (\$305 million) and joint ventures of Sedco Forex.

Equity in undistributed earnings of all 50% owned companies at December 31, 1991 and 1990 amounted to \$83 million and \$73 million, respectively.

■ Long-Term Debt

Long-term debt of \$341 million is primarily denominated in U.S. dollars, Italian lire, U.K. pounds and German marks, at money market based rates varying up to 14%.

Long-term debt at December 31, 1991 is due \$31 million in 1993, \$86 million in 1994, \$73 million in 1995, \$116 million in 1996 and \$35 million thereafter.

Interest rate swap agreements are entered into to reduce the impact of changes in interest rates on floating rate debt. The differential to be paid or received is accrued as interest rates change and is recognized over the life of the agreements. At December 31, 1991, there were no interest rate swap agreements outstanding. During 1991 and 1990, these agreements had an insignificant effect on consolidated interest expense.

■ Lines of Credit

The Company's principal U.S. subsidiary has an available unused Revolving Credit Agreement with a group of banks. The Agreement provides that the subsidiary may borrow up to \$600 million until December 31, 1994 at money market based rates. In addition, at December 31, 1991, the Company and its subsidiaries had available unused short-term lines of credit of approximately \$764 million.

■ Capital Stock

The Company is authorized to issue 500,000,000 shares of Common Stock, par value \$0.01 per share, of which 239,961,718 and 238,125,129 shares were outstanding on December 31, 1991 and 1990, respectively. The Company is also authorized to issue 200,000,000 shares of cumulative Preferred Stock, par value \$0.01 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.

The Company has a non-compensatory Employee Discounted Stock Purchase Plan. Under the Plan, employees may purchase Common Stock at the end of the Plan year through payroll deductions of up to 10% of compensation. The price per share is equal to 85% of the lower of the beginning or end of Plan year market price. The aggregate number of shares which may be

purchased cannot exceed 3,000,000 shares. During 1991, 671,626 shares were purchased under the Plan. On January 22, 1992, the Board, subject to stockholder approval, amended the Plan to increase the aggregate number of shares available for purchase to 8,000,000 shares.

Options to purchase shares of the Company's Common Stock have been granted under various incentive plans to officers and key employees at prices equal to 100% of the fair market value at the date of grant.

Transactions under stock incentive plans were as follows:

| | Number Of Shares | Option Price Per Share |
|------------------------------|---------------------|---------------------------|
| Outstanding Jan. 1, 1990 | 6,941,764 | \$ 29.25-41.88 |
| Granted | 3,160,075 | \$ 44.62-64.50 |
| Exercised | (1,062,088) | \$ 29.25-41.88 |
| Lapsed or cancelled | (174,551) | \$ 29.25-64.50 |
| Outstanding Dec. 31, 1990 | 8,865,200 | \$ 29.25-64.50 |
| Granted | 597,800 | \$ 62.62-67.00 |
| Exercised | (1,222,146) | \$ 29.25-64.50 |
| Lapsed or cancelled | (142,451) | \$ 29.25-67.00 |
| Outstanding Dec. 31, 1991 | 8,098,403 | \$ 29.25-67.00 |
| Exercisable at Dec. 31, 1991 | 4,012,808 | \$ 29.25-64.50 |
| Available for grant | | |
| Dec. 31, 1990 | 6,605,525 | |
| Dec. 31, 1991 | 6,092,025 | |

■ *Income Tax Expense*

The Company and its subsidiaries operate in over 100 taxing jurisdictions with statutory rates ranging up to about 50%.

The Company's principal U.S. subsidiary is in an operating loss carryforward position. At December 31, 1991, the subsidiary had an unused operating loss carryforward for consolidated financial statement purposes of \$1.1 billion, which approximates the operating loss carryforward on a tax return basis. Most of the carryforward will expire in the years 2000 – 2002. The tax benefit of this carryforward is available to reduce future U.S. federal income tax expense.

■ *Leases and Lease Commitments*

Total rental expense was \$167 million in 1991, \$147 million in 1990 and \$132 million in 1989. Future minimum rental commitments under noncancelable leases for years ending December 31 are: 1992 – \$69 million; 1993 – \$55 million; 1994 – \$38 million; 1995 – \$19 million; and 1996 – \$14 million. For the ensuing three five-year periods, these commitments decrease from \$41 million to \$6 million. The minimum rentals over the remaining terms of the leases aggregate \$28 million.

■ *Contingencies*

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

■ *Segment Information*

The Company's business comprises two segments: (1) Oilfield Services and (2) Measurement & Systems. Services and products are described in more detail on page 48 in this report.

Financial information for the years ended December 31, 1991, 1990 and 1989 by industry segment and by geographic area is as follows:

| | <i>(Stated in millions)</i> | | | |
|---|------------------------------|--------------------------------------|--------------------------------|---------------------|
| | <i>Oilfield Services</i> | <i>Measurement & Systems</i> | <i>Adjust. & Elim.</i> | <i>Consolidated</i> |
| <i>Industry Segment 1991</i> | | | | |
| Operating revenue | | | | |
| Customers | \$ 3,847 | \$ 2,298 | \$ – | \$ 6,145 |
| Intersegment transfers | – | 2 | (2) | – |
| | \$ 3,847 | \$ 2,300 | \$ (2) | \$ 6,145 |
| Operating income | \$ 602 | \$ 170 | \$ (38) ¹ | \$ 734 |
| Interest expense | | | | (102) |
| Interest and other income less other charges – \$3 | | | | 114 |
| Gain on sale of investment | | | | 236 |
| Income before taxes | | | | \$ 982 |
| Depreciation expense | \$ 532 | \$ 93 | \$ 2 | \$ 627 |
| Fixed asset additions | \$ 815 | \$ 101 | \$ 5 | \$ 921 |
| At December 31 | | | | |
| Identifiable assets | \$ 3,533 | \$ 1,789 | \$ (11) | \$ 5,311 |
| Corporate assets | | | | 1,543 |
| Total assets | | | | \$ 6,854 |
| <i>Industry Segment 1990</i> | | | | |
| Operating revenue | | | | |
| Customers | \$ 3,240 | \$ 2,066 | \$ – | \$ 5,306 |
| Intersegment transfers | 1 | 10 | (11) | – |
| | \$ 3,241 | \$ 2,076 | \$ (11) | \$ 5,306 |
| Operating income | \$ 542 | \$ 153 | \$ (17) | \$ 678 |
| Interest expense | | | | (87) |
| Interest and other income less other charges – \$20 | | | | 107 |
| Income before taxes | | | | \$ 698 |
| Depreciation expense | \$ 430 | \$ 88 | \$ 2 | \$ 520 |
| Fixed asset additions | \$ 560 | \$ 113 | \$ 2 | \$ 675 |
| At December 31 | | | | |
| Identifiable assets | \$ 2,829 | \$ 1,825 | \$ (22) | \$ 4,632 |
| Corporate assets | | | | 1,544 |
| Total assets | | | | \$ 6,176 |
| <i>Industry Segment 1989</i> | | | | |
| Operating revenue | | | | |
| Customers | \$ 2,696 | \$ 1,990 ² | \$ – | \$ 4,686 |
| Intersegment transfers | 2 | 14 | (16) | – |
| | \$ 2,698 | \$ 2,004 | \$ (16) | \$ 4,686 |
| Operating income | \$ 340 | \$ 154 | \$ 1 | \$ 495 |
| Interest expense | | | | (96) |
| Interest and other income less other charges – \$26 | | | | 132 |
| Income before taxes | | | | \$ 531 |
| Depreciation expense | \$ 402 | \$ 90 | \$ 1 | \$ 493 |
| Fixed asset additions | \$ 451 | \$ 97 | \$ 1 | \$ 549 |
| At December 31 | | | | |
| Identifiable assets | \$ 2,516 | \$ 1,516 | \$ (20) | \$ 4,012 |
| Corporate assets | | | | 1,470 |
| Total assets | | | | \$ 5,482 |

¹Includes third quarter charge of \$25 million for downsizing the North American oilfield operations.

²Includes revenue of the Defense Systems and Graphics businesses which were sold in mid-year 1989.

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.

During the years ended December 31, 1991, 1990 and 1989, neither sales to any government nor sales to any single customer exceeded 10% of consolidated operating revenue.

Corporate assets largely comprise short-term investments.

(Stated in millions)

| | Western Hemisphere | | Eastern Hemisphere | | | Adjust. & Elim. | Consolidated |
|--|--------------------|--------|--------------------|-------------------|----------|----------------------|--------------|
| | U.S. | Other | France | Other European | Other | | |
| Geographic Area 1991 | | | | | | | |
| Operating revenue | | | | | | | |
| Customers | \$ 1,162 | \$ 544 | \$ 767 | \$ 2,009 | \$ 1,663 | \$ - | \$ 6,145 |
| Interarea transfers | 289 | 18 | 203 | 27 | 7 | (544) | - |
| | \$ 1,451 | \$ 562 | \$ 970 | \$ 2,036 | \$ 1,670 | \$ (544) | \$ 6,145 |
| Operating income (loss) | \$ 55 | \$ 78 | \$ 85 | \$ 217 | \$ 348 | \$ (49) ¹ | \$ 734 |
| Interest expense | | | | | | | (102) |
| Interest and other income less other charges - \$3 | | | | | | | 114 |
| Gain on sale of investment | | | | | | | 236 |
| Income before taxes | | | | | | | \$ 982 |
| At December 31 | | | | | | | |
| Identifiable assets | \$ 1,037 | \$ 388 | \$ 730 | \$ 1,837 | \$ 1,403 | \$ (84) | \$ 5,311 |
| Corporate assets | | | | | | | 1,543 |
| Total assets | | | | | | | \$ 6,854 |
| Geographic Area 1990 | | | | | | | |
| Operating revenue | | | | | | | |
| Customers | \$ 1,278 | \$ 482 | \$ 672 | \$ 1,466 | \$ 1,408 | \$ - | \$ 5,306 |
| Interarea transfers | 265 | 9 | 201 | 32 | 24 | (531) | - |
| | \$ 1,543 | \$ 491 | \$ 873 | \$ 1,498 | \$ 1,432 | \$ (531) | \$ 5,306 |
| Operating income (loss) | \$ 66 | \$ 79 | \$ 68 | \$ 161 | \$ 340 | \$ (36) | \$ 678 |
| Interest expense | | | | | | | (87) |
| Interest and other income less other charges - \$20 | | | | | | | 107 |
| Income before taxes | | | | | | | \$ 698 |
| At December 31 | | | | | | | |
| Identifiable assets | \$ 1,048 | \$ 323 | \$ 721 | \$ 1,472 | \$ 1,194 | \$ (126) | \$ 4,632 |
| Corporate assets | | | | | | | 1,544 |
| Total assets | | | | | | | \$ 6,176 |
| Geographic Area 1989 | | | | | | | |
| Operating revenue | | | | | | | |
| Customers | \$ 1,276 | \$ 444 | \$ 638 | \$ 1,136 | \$ 1,192 | \$ - | \$ 4,686 |
| Interarea transfers | 214 | 3 | 184 | 43 | 32 | (476) | - |
| | \$ 1,490 | \$ 447 | \$ 822 | \$ 1,179 | \$ 1,224 | \$ (476) | \$ 4,686 |
| Operating income (loss) | \$ 11 | \$ 67 | \$ 77 | \$ 102 | \$ 264 | \$ (26) | \$ 495 |
| Interest expense | | | | | | | (96) |
| Interest and other income less other charges - \$26 | | | | | | | 132 |
| Income before taxes | | | | | | | \$ 531 |
| At December 31 | | | | | | | |
| Identifiable assets | \$ 1,125 | \$ 305 | \$ 629 | \$ 1,130 | \$ 1,027 | \$ (204) | \$ 4,012 |
| Corporate assets | | | | | | | 1,470 |
| Total assets | | | | | | | \$ 5,482 |

¹Includes third quarter charge of \$25 million for downsizing the North American oilfield operations.

■ Pension and Other Deferred Benefit Plans

U.S. Pension Plans

The Company and its principal U.S. subsidiary sponsor several defined benefit pension plans that cover substantially all employees. The benefits are based on years of service and compensation on a career-average pay basis. These plans are substantially fully funded with trustees in respect to past and current service. Charges to expense are based upon costs computed by independent actuaries. The funding policy is to contribute annually amounts that can be deducted for federal income tax purposes. These contributions are intended to provide for benefits earned to date and those expected to be earned in the future.

Net pension cost in the U.S. for 1991, 1990 and 1989 included the following components:

| | <i>(Stated in millions)</i> | | |
|--|-----------------------------|--------------|--------------|
| | 1991 | 1990 | 1989 |
| Service cost – benefits earned during the period | \$ 16 | \$ 15 | \$ 15 |
| Interest cost on projected benefit obligation | 36 | 33 | 33 |
| Expected return on plan assets (actual return: 1991 – \$88; 1990 – \$3; 1989 – \$84) | (38) | (36) | (36) |
| Amortization of transition asset | (2) | (2) | (3) |
| Amortization of prior service cost/other | 5 | 4 | 5 |
| Net pension cost | \$ 17 | \$ 14 | \$ 14 |

Effective January 1, 1991, the Company and its subsidiaries amended their pension plans to improve retirement benefits for certain retirees. The funded status at December 31, 1990 reflects the amendment.

The funded status of the plans at December 31, 1991 and 1990 was as follows:

| | <i>(Stated in millions)</i> | |
|--|-----------------------------|----------------|
| | 1991 | 1990 |
| Actuarial present value of obligations: | | |
| Vested benefit obligation | \$ 400 | \$ 380 |
| Accumulated benefit obligation | 402 | 382 |
| Projected benefit obligation | 462 | 438 |
| Plan assets at market value | 504 | 442 |
| Excess of assets over projected benefit obligation | 42 | 4 |
| Unrecognized net gain | (88) | (46) |
| Unrecognized prior service cost | 30 | 34 |
| Unrecognized net asset at transition date | (14) | (16) |
| Pension liability | \$ (30) | \$ (24) |

In each year, assumed discount rate and rate of compensation increases used to determine the projected benefit obligation were 8.5% and 6%, respectively; the expected long-term rate of return on plan assets was 9%. Plan assets at December 31, 1991 consist of common stocks (\$307 million), cash or cash equivalents (\$70 million), fixed income investments (\$113 million) and other investments (\$14 million). Less than 1% of the plan assets at December 31, 1991 represents Schlumberger Limited Common Stock.

Non-U.S. Pension Plans

Outside of the U.S., subsidiaries of the Company sponsor several defined benefit and defined contribution plans that cover substantially all employees who are not covered by statutory plans. For defined benefit plans, charges to expense are based upon costs computed by independent actuaries. These plans are substantially fully funded with trustees in respect to past and current service. For all defined benefit plans, pension expense was \$23 million, \$14 million and \$13 million in 1991, 1990 and 1989, respectively. The only significant defined benefit plan is in the U.K.

Net pension cost in the U.K. plan for 1991, 1990 and 1989 (translated into U.S. dollars at the average exchange rate for the periods) included the following components:

| | <i>(Stated in millions)</i> | | |
|--|-----------------------------|-------------|-------------|
| | 1991 | 1990 | 1989 |
| Service cost – benefits earned during the period | \$ 14 | \$ 11 | \$ 9 |
| Interest cost on projected benefit obligation | 7 | 6 | 5 |
| Expected return on plan assets (actual return (loss): 1991 – \$37; 1990 – \$(10); 1989 – \$23) | (9) | (9) | (6) |
| Amortization of transition asset | (1) | (1) | (1) |
| Net pension cost | \$ 11 | \$ 7 | \$ 7 |

The funded status of the plan (translated into U.S. dollars at year-end exchange rates) was as follows:

| | (Stated in millions) | |
|--|----------------------|--------|
| | 1991 | 1990 |
| Actuarial present value of obligations: | | |
| Vested benefit obligation | \$ 87 | \$ 67 |
| Accumulated benefit obligation | \$ 87 | \$ 67 |
| Projected benefit obligation | \$ 114 | \$ 93 |
| Plan assets at market value | 141 | 105 |
| Excess of assets over projected benefit obligation | 27 | 12 |
| Unrecognized net gain | (25) | (5) |
| Unrecognized net asset at transition date | (9) | (10) |
| Pension liability | \$ (7) | \$ (3) |

The assumed discount rate and rate of compensation increases used to determine the projected benefit obligation were 8.5% and 7%, respectively; the expected long-term rate of return on plan assets was 9%. Plan assets consist of common stocks (\$119 million), cash or cash equivalents (\$5 million) and fixed income investments (\$17 million). None of the plan assets represents Schlumberger Limited Common Stock.

For defined contribution plans, funding and cost are generally based upon a predetermined percentage of employee compensation. Charges to expense in 1991, 1990 and 1989 were \$16 million, \$15 million and \$11 million, respectively.

Other Deferred Benefits

In addition to providing pension benefits, the Company and its subsidiaries have other deferred benefit programs. Expense for these programs was \$70 million, \$74 million and \$51 million in 1991, 1990 and 1989, respectively.

In addition, the Company and its U.S. subsidiary provide certain health care benefits for certain active and retired employees. The cost of providing these benefits is recognized as expense when incurred and aggregated \$46 million, \$43 million and \$40 million in 1991, 1990 and 1989, respectively. Outside of the United States, such benefits are mostly provided through government sponsored programs.

■ Supplementary Information

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

| | (Stated in millions) | | |
|-------------------------|----------------------|-----------------|-----------------|
| Year ended December 31, | 1991 | 1990 | 1989 |
| Operating revenue | | | |
| Sales | \$ 2,245 | \$ 2,037 | \$ 1,949 |
| Services | 3,900 | 3,269 | 2,737 |
| | \$ 6,145 | \$ 5,306 | \$ 4,686 |
| Direct operating costs | | | |
| Goods sold | \$ 1,428 | \$ 1,274 | \$ 1,192 |
| Services | 2,997 | 2,457 | 2,150 |
| | \$ 4,425 | \$ 3,731 | \$ 3,342 |

Cash paid for interest and income taxes was as follows:

| | (Stated in millions) | | |
|-------------------------|----------------------|--------|--------|
| Year ended December 31, | 1991 | 1990 | 1989 |
| Interest | \$ 106 | \$ 86 | \$ 95 |
| Income taxes | \$ 155 | \$ 150 | \$ 120 |

Accounts payable and accrued liabilities are summarized as follows:

| | (Stated in millions) | |
|---|----------------------|-----------------|
| December 31, | 1991 | 1990 |
| Payroll, vacation and employee benefits | \$ 371 | \$ 307 |
| Trade | 406 | 420 |
| Other | 661 | 611 |
| | \$ 1,438 | \$ 1,338 |

The caption "Interest and other income" includes interest income, principally from short-term investments, of \$98 million, \$118 million and \$136 million for 1991, 1990 and 1989, respectively. This caption also includes a gain of \$13 million on the sale of the Defense Systems business in 1989.

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, of stockholders' equity and of cash flows present fairly, in all material respects, the financial position of Schlumberger Limited and its subsidiaries at December 31, 1991 and 1990 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1991, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which

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

Price Waterhouse

New York, New York
January 21, 1992

Quarterly Results (Unaudited)

The following table summarizes results for each of the four quarters for the years ended December 31, 1991 and 1990. Gross profit equals operating revenue less cost of goods sold and services.

| | (Stated in millions except per share amounts) | | | |
|----------------------|---|--------------|------------------|-------------------|
| | Operating | | Net Income | |
| | Revenue | Gross Profit | Amount | Per Share |
| Quarters-1991 | | | | |
| First | \$ 1,511 | \$ 410 | \$ 133 | \$ 0.56 |
| Second | 1,553 | 457 | 181 | 0.76 |
| Third | 1,470 | 410 | 196 ¹ | 0.82 ¹ |
| Fourth | 1,611 | 443 | 306 ² | 1.28 ² |
| | \$ 6,145 | \$ 1,720 | \$ 816 | \$ 3.42 |
| Quarters-1990 | | | | |
| First | \$ 1,222 | \$ 357 | \$ 129 | \$ 0.54 |
| Second | 1,292 | 388 | 145 | 0.61 |
| Third | 1,324 | 403 | 147 | 0.62 |
| Fourth | 1,468 | 427 | 149 | 0.63 |
| | \$ 5,306 | \$ 1,575 | \$ 570 | \$ 2.40 |

¹Includes a \$46 million (\$0.19 per share) gain on the sale of an investment and a \$25 million (\$0.10 per share) charge for restructuring the North American oilfield operations.

²Includes a \$131 million (\$0.55 per share) gain on the sale of an investment.

FIVE YEAR SUMMARY

| Year Ended December 31, | 1991 | 1990 | 1989 | 1988 | 1987 |
|---|--|-----------------|----------------------------|-----------------|----------------------------|
| | <i>(Stated in millions except per share amounts)</i> | | | | |
| <i>Summary of Operations</i> | | | | | |
| Operating revenue: | | | | | |
| Oilfield Services | \$ 3,847 | \$ 3,240 | \$ 2,696 | \$ 2,721 | \$ 2,306 |
| Measurement & Systems | 2,298 | 2,066 | 1,990 | 2,204 | 2,096 |
| | \$ 6,145 | \$ 5,306 | \$ 4,686 | \$ 4,925 | \$ 4,402 |
| <i>% Increase (decrease) over prior year</i> | 16% | 13% | (5%) | 12% | (4%) |
| Operating income: | | | | | |
| Oilfield Services | \$ 602 | \$ 542 | \$ 340 | \$ 320 | \$ 147 |
| Measurement & Systems | 170 | 153 | 154 | 174 | 107 |
| Eliminations | (38) | (17) | 1 | (30) | (2) |
| | \$ 734 | \$ 678 | \$ 495 | \$ 464 | \$ 252 |
| <i>% Increase over prior year</i> | 8% | 37% | 7% | 85% | N/A |
| Interest expense | \$ 102 | \$ 87 | \$ 96 | \$ 129 | \$ 166 |
| Taxes on income | \$ 166 | \$ 128 | \$ 111 | \$ 135 | \$ 116 |
| Income, continuing operations | \$ 816^A | \$ 570 | \$ 420^B | \$ 454 | \$ 503^C |
| <i>% Increase (decrease) from prior year</i> | 43% | 36% | (7%) | (10%) | N/A |
| Loss, discontinued operations | \$ - | \$ - | \$ - | \$ - | \$ (220) |
| Extraordinary item | \$ - | \$ - | \$ 21 | \$ 22 | \$ 70 |
| Net income | \$ 816^A | \$ 570 | \$ 441^B | \$ 476 | \$ 353^C |
| Income per share | | | | | |
| Continuing operations | \$ 3.42 ^A | \$ 2.40 | \$ 1.77 ^B | \$ 1.72 | \$ 1.81 ^C |
| Discontinued operations | - | - | - | - | (0.79) |
| Extraordinary item | - | - | 0.09 | 0.08 | 0.25 |
| Net income | \$ 3.42^A | \$ 2.40 | \$ 1.86^B | \$ 1.80 | \$ 1.27^C |
| Cash dividends declared | \$ 1.20 | \$ 1.20 | \$ 1.20 | \$ 1.20 | \$ 1.20 |
| <i>Summary of Financial Data</i> | | | | | |
| Income as % of revenue, continuing operations | 13% | 11% | 9% | 9% | 11% |
| Return on average stockholders' equity, continuing operations | 24% | 19% | 15% | 13% | 13% |
| Fixed asset additions | \$ 921 | \$ 675 | \$ 549 | \$ 455 | \$ 276 |
| Depreciation expense | \$ 627 | \$ 520 | \$ 493 | \$ 531 | \$ 527 |
| Average number of shares outstanding | 239 | 238 | 238 | 264 | 277 |
| <i>At December 31,</i> | | | | | |
| Liquidity | \$ 724 | \$ 527 | \$ 708 | \$ 555 | \$ 1,759 |
| Working capital | \$ 1,094 | \$ 812 | \$ 884 | \$ 718 | \$ 1,761 |
| Total assets | \$ 6,854 | \$ 6,176 | \$ 5,482 | \$ 5,600 | \$ 6,741 |
| Long-term debt | \$ 341 | \$ 332 | \$ 292 | \$ 191 | \$ 125 |
| Stockholders' equity | \$ 3,853 | \$ 3,255 | \$ 2,898 | \$ 2,755 | \$ 3,836 |
| Number of employees | 53,000 | 50,000 | 46,000 | 48,000 | 50,000 |

^AIncludes a gain of \$177 million (\$0.74 per share) on the sale of an investment and a \$25 million (\$0.10 per share) charge for restructuring the North American oilfield operations.

^BIncludes a gain of \$13 million (\$0.05 per share) on the sale of the Defense Systems division of Schlumberger Industries.

^CIncludes nonrecurring credit relating to continuing operations of \$222 million (\$0.80 per share).

SCHLÜMBERGER PEOPLE



Preceding page: Barbara Zielinska at the research center of Schlumberger Industries in Montrouge, France, works on a prototype of a static industrial gas flowmeter. Understanding fluid dynamics is crucial to smart metering, a technology in which Schlumberger Industries is a leader.



At Schlumberger we believe that our people are our main asset. We invited photographer Bruce Davidson and writer John Steele Gordon to meet our people in action around the world and to record, in words and images, their impressions of how they contribute to the success of Schlumberger.



As a world-wide company with personnel as diverse as the global village itself, only a strong, unified culture and philosophy could weld Schlumberger into a coherent and consistently profitable whole. That culture and philosophy have been developing all during the company's sixty-five years of existence. Today, they are Schlumberger's most important attributes, for together with the company's technological and financial strength, they attract and motivate the more than 53,000 employees who are the ultimate source of the company's competitive advantage.

What makes up the Schlumberger culture and philosophy? How do they attract and motivate the remarkable group called Schlumberger people?

"At some point you suddenly realize that you're a Schlumberger person, that the company is part of you as much as you are part of it."

Left: Alejandro Rojo and Arturo Casimiro, mechanics on board the GECO Searcher seismic vessel operating in the Gulf of Mexico, haul in the seismic airgun array for repair. A total of thirty-eight airguns provide the sound source. They must all fire simultaneously, within a one-millisecond "window", while three miles of geophone streamers pick up the echoes from the rock layers beneath the ocean floor. When the data is analyzed, a three-dimensional map from the sea floor to a depth of up to 30 thousand feet results.

A TRANSNATIONAL COMPANY

Schlumberger was founded by two French brothers in the 1920's. During the Second World War its headquarters was in the United States. Schlumberger Limited is now incorporated in the Netherlands Antilles and its companies have a permanent presence in seventy-five other countries. The citizens of eighty-two nations make up its international staff, the majority working outside their countries of origin. The Chairman of the Board is a Scot. The executives reporting directly to him are American, British, Canadian, Danish, Ecuadorian and French.

Thus Schlumberger is not so much a multinational company as a truly transnational one, respecting all laws but knowing no borders.

PROBLEM SOLVING

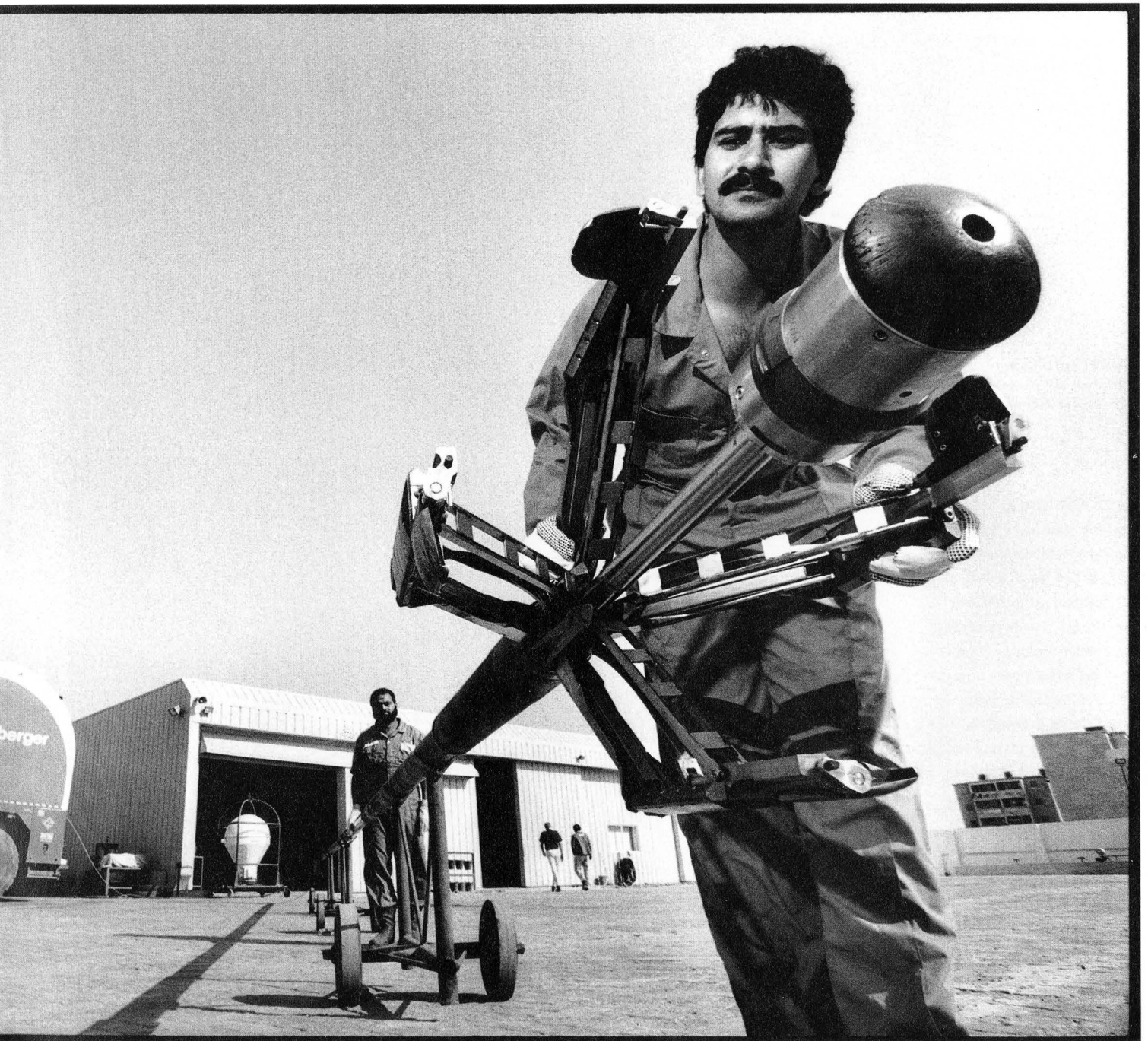
"I like solving problems." Over and over again one hears this when talking with Schlumberger people. The origin of this result-oriented thinking lies deep in the company's history, indeed all the way back to when Schlumberger was founded by Conrad and Marcel Schlumberger who were trained as a physicist and an engineer. Together they developed the first practical means of analyzing the geology and productive potential of an oil well, a revolutionary technique that would help oil producing customers reduce the costs and uncertainties of exploration and drilling. Schlumberger has been the leader in well logging technology ever since.

"In the early days the company had to allow a lot of freedom in the field because communication was so difficult. They found out that decentralization works."

Below: Nathalie Bérardi at the gas meter manufacturing plant in Reims, France. Although the technology of gas metering is more than a century old, the manufacturing technology used at Reims is the most modern in the world. Only fifty-five highly-trained workers are needed to produce more than two hundred meters per hour. The gas meters are designed to be easily adapted to different specifications and are sold in more than thirty countries around the world. Right: Ismail Nawaz inspects the new FMI* (Formation Micro Imager) tool at the company base in Marsah Matrouh, on the edge of the



Western Desert of Egypt. With Schlumberger since 1985, Nawaz was a logging engineer in Abu Dhabi, Oman, and his native Pakistan. He is now a coordinator for the MAXIS 500* system and its imaging tools. MAXIS 500, the Multitask Acquisition and Imaging System, is the most advanced well logging technology in the world, at the surface, down hole, and in between. Down hole, the FMI yields data on eighty per cent of the circumference of the bore hole, four times more than any previous system, and transmits that data up hole at a rate five times faster than any previous system.



And while the company has expanded far beyond its origins, the problem-solving drive so characteristic of engineers and scientists has expanded with it and continues to permeate the company. This is why Schlumberger has consistently been a technological leader in measurement and testing, computer science, and manufacturing as well as oilfield services.

As one employee at the Schlumberger Laboratory for Computer Science explained, "You're given a problem and expected to solve it. How you solve it is your problem."

BORDERLESS CAREERS

It is commonplace for Schlumberger employees, even those in the higher reaches of the company, to radically shift direction in the course of their careers. Someone hired by Schlumberger Industries, for instance, might find his next post is at a research lab, or as a recruiter. Later he or she might be running a training school or taking a stint in the corporate offices. It is not uncommon for someone who starts off in manufacturing to spend three or four years in field operations or sales and then return to manufacturing. The reverse is equally true.

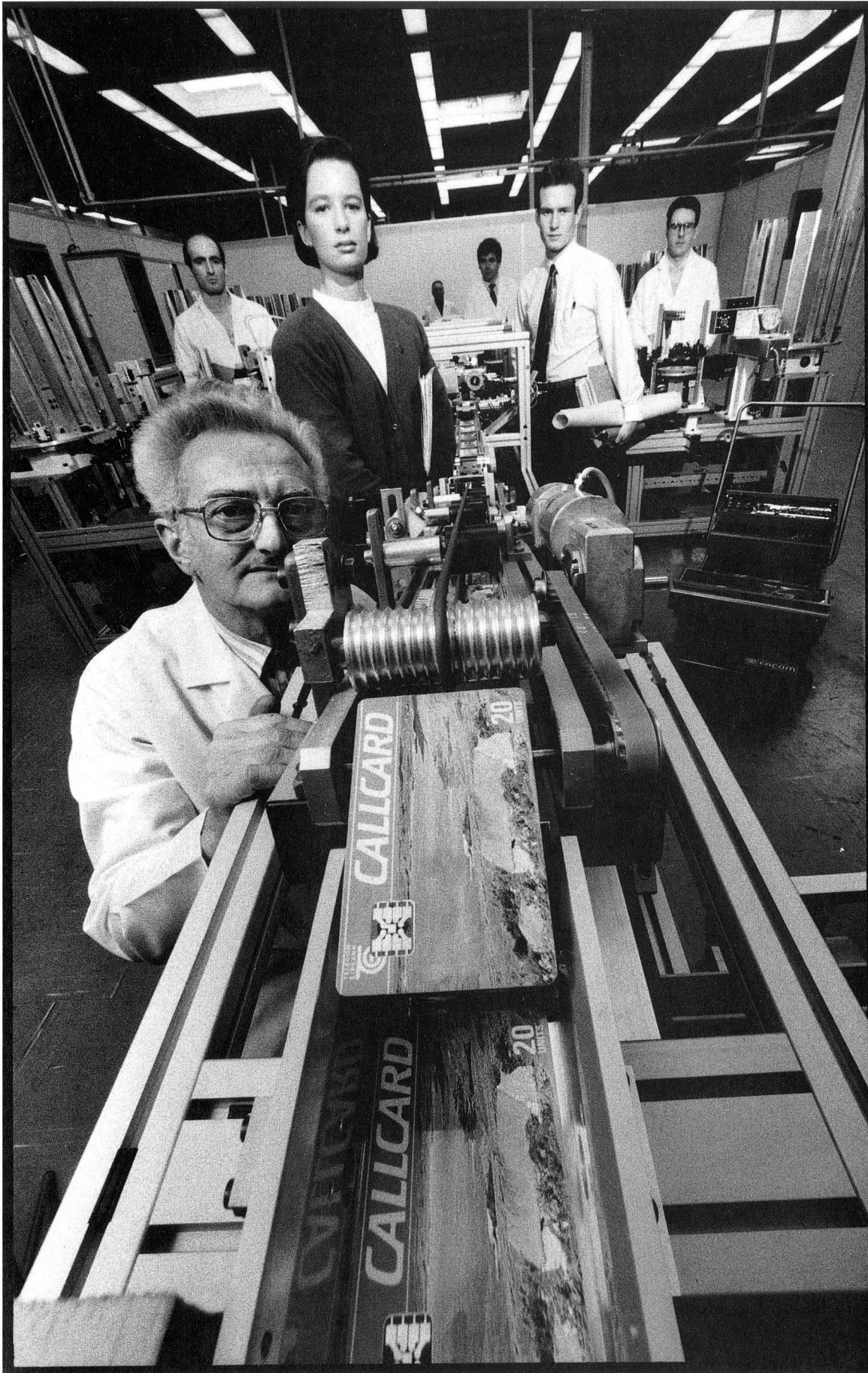


Above: Maria Eugenia Pierre of the office staff in Caracas, Venezuela. Managers generally change geographic assignments every few years. Thus the local staff is vital to the continuity and smooth running of each office.

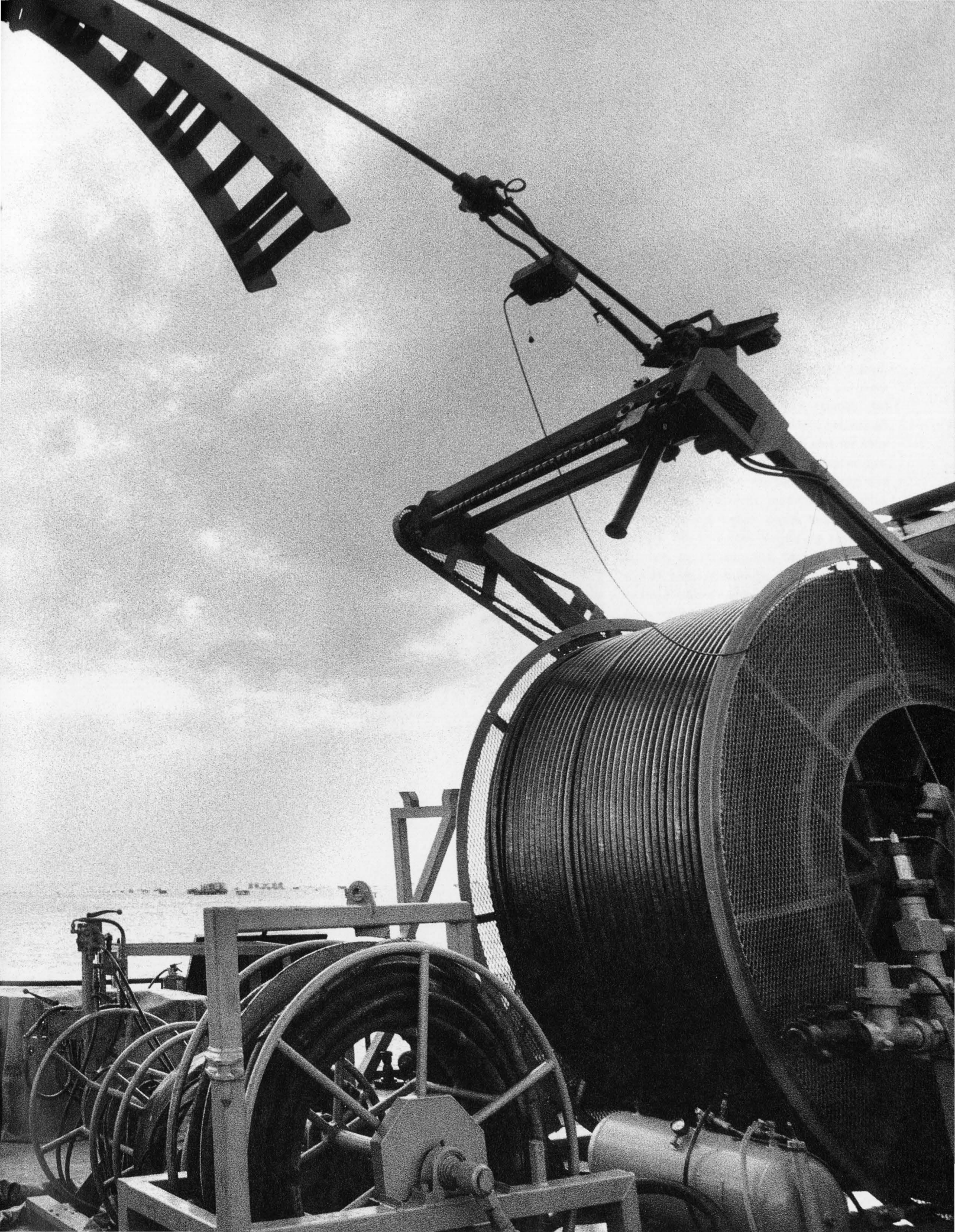
"We sell efficiency; all our products are geared that way."

Right: Alain Jiongo (front) telecommunications project manager for Africa, and Francois Stephan, telecommunications project manager for Asia and North and South America, test new devices related to the smart card pay phone at the Smart Cards and Systems Division in Montrouge, France. Many developing countries have selected smart card pay phones for their first public phone systems. **Far right:** At the Smart Cards & Systems Division in Montrouge, France, a team tests a new smart card production line before it is installed at the manufacturing plant at Pont-Audemer. It produces cards ten times faster than previous systems. Smart cards carry information in an embedded microchip rather than on the magnetic strip found on conventional bank and credit cards. In Europe and elsewhere they are already rapidly replacing cash in such uses as pay phones, parking meters, transportation systems, entertainment facilities, and sales promotion. Smart Cards & Systems has already manufactured more than 150,000,000 smart cards.









The advantages of this policy are many and the drawbacks few. Except in the most highly-technical research jobs, the fundamental skills used in one job are transferable to another. After all, everyone at Schlumberger is daily concerned with doing his job — whatever job — better, faster, cheaper, and safer than it was done before.

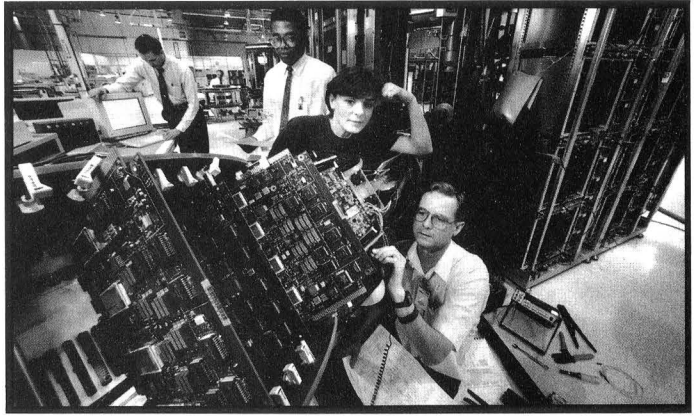
The concept of borderless careers also greatly increases intra-company communications and the spread of new ideas company-wide. Schlumberger's world-wide internal communications network facilitates this easy interaction between friends and colleagues.

Borderless careers is also part of the company policy of moving people to new responsibility every three or four years in order to keep them challenged. "When you've learned what there is to learn in one job," one employee said, "you move to another. You keep learning."

"We look for the independent-minded. At Schlumberger you have to handle what you're given and you get challenged all the time."

Preceding page: A Dowell Schlumberger crew using coiled-tubing technology at a well in Lake Maracaibo, Venezuela. Although it looks, and even feels, much like standard metal piping, coiled tubing can be wound and unwound repeatedly around a drum. This allows more than 20,000 feet of continuous tubing to be utilized, leading to the development of such new techniques as rigless workover in highly-deviated wells and combined pumping and logging services. Dowell Schlumberger leads in the utilization of this demanding as well as promising technology. Coiled tubing requires a complete team effort, with each member of the highly trained crew playing a specific role, as well as rigorous safety procedures including daily safety meetings for crew and client alike, before operations begin.





Above: At the Advanced Manufacturing Center in Simi Valley, California, left to right, Jim Starr, Product Manager, Basie Etukudo, Software Librarian, Tina Bennett, Lead Assembler, and Ken Neuschafer, Test Technician, prepare an ITS9000FX* semiconductor test unit for shipment to a Schlumberger Technologies customer. The ITS9000FX, the latest in integrated circuit test equipment, tests more complex components at higher speeds than previous testers. This translates directly into higher productivity for Schlumberger Technologies' customers. Left: "Man-overboard" drill on the GECO Searcher seismic ship in the Gulf of Mexico. Both regular and surprise drills are held frequently on GECO-PRAKLA ships to assure constant readiness in an emergency.

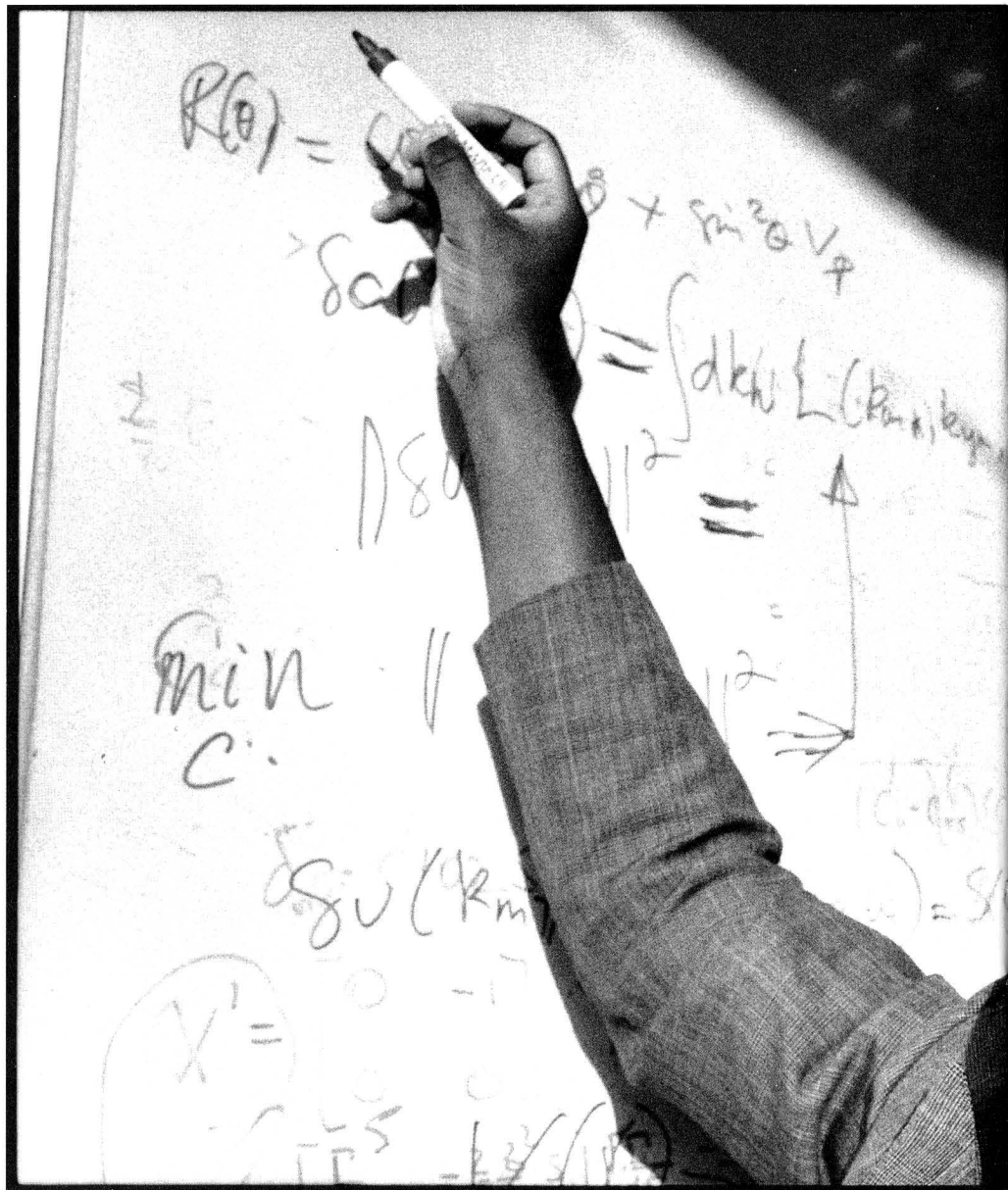


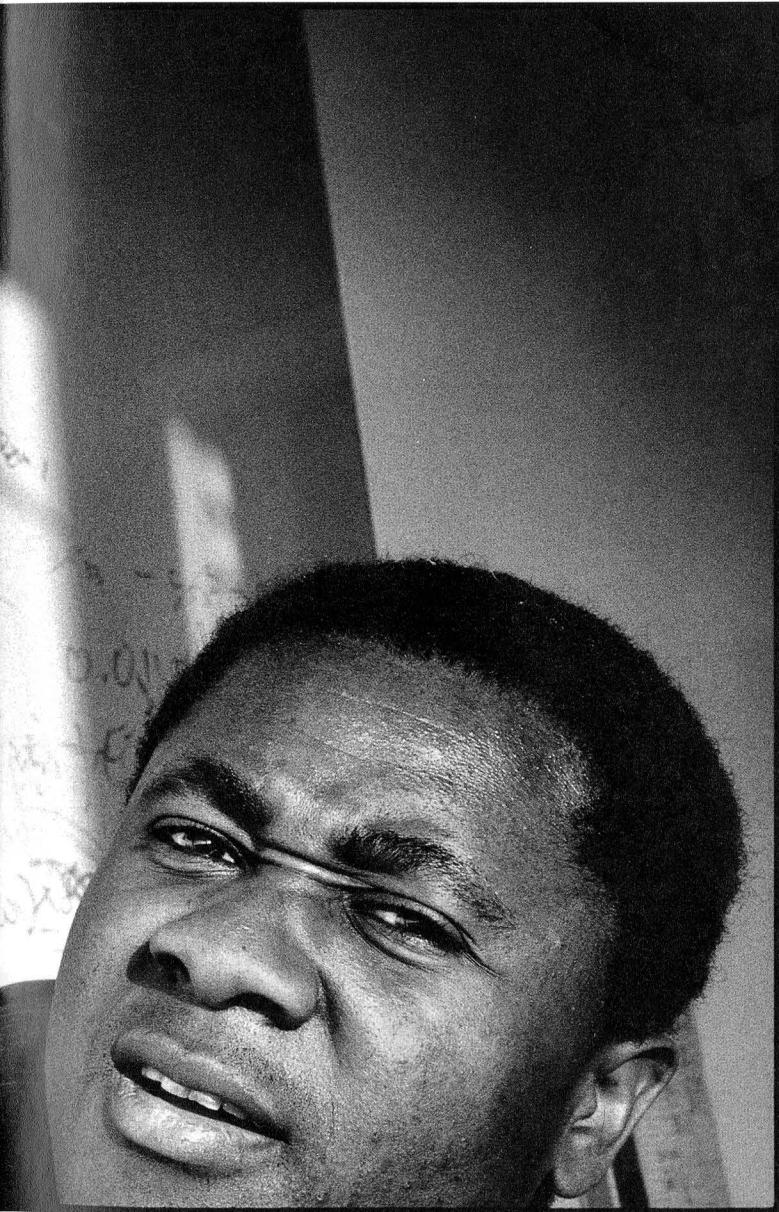
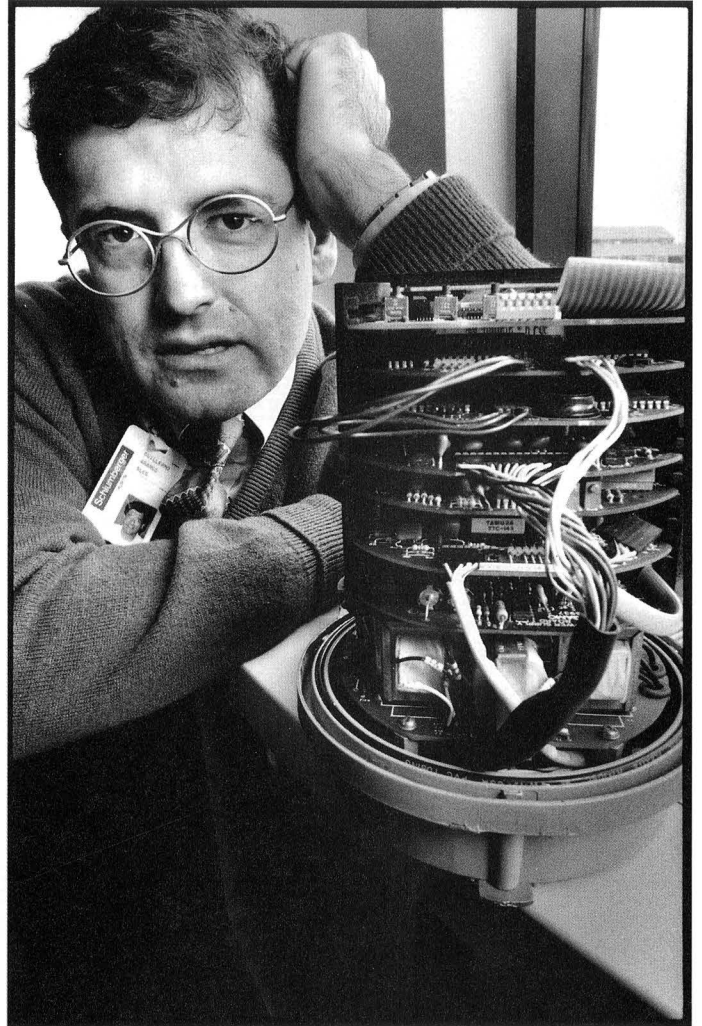
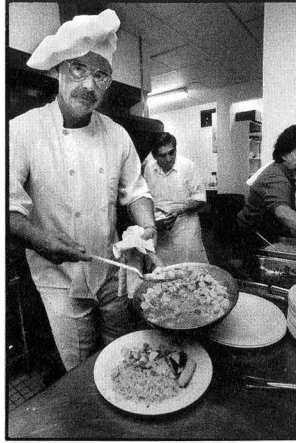
RECRUITING

Schlumberger recruits at the top schools — and only the top schools — around the world. It is standard practice to look for the right people more than the right academic background and then teach them the necessary skills. “We look for the independent-minded,” one recruiter explained. “At Schlumberger, you have to handle what you’re given and you get challenged all the time.” To flourish in this sort of environment takes a particular personality, self-reliant, confident, result-oriented, determined.

That is one reason Schlumberger uses teams of its own technical and managerial personnel to recruit at colleges and universities rather than professional recruiters. They know at first hand what it takes to succeed at Schlumberger and the type of person likely to do so, for they have succeeded with the company themselves.

“You’re given a problem and expected to solve it. How you solve it is your problem.”





Clockwise from top left: Robb Smith, chef at the Schlumberger-Doll Research Center. Schlumberger invests in handsome, functional work places, many of which feature cafeterias with good food, and exercise facilities. These translate into increased productivity.

Guillermo Arango, an Argentine working at the Schlumberger Laboratory for Computer Science in Austin, Texas, with a model of a smart electric meter. Smart meters measure flow, time of use and other data, allowing much more efficient energy management and remote reading, drastically reducing utility labor costs.

Luc Ikelle is a geophysicist at the Cambridge Research Center in England. A native of Cameroon, Ikelle has worked at the research center since July, 1990, and is currently part of the Seismic Team.

Tom Plona and his assistant, Ralph D'Angelo, conduct an experiment on the propagation of shear waves through hardening cement at the Schlumberger-Doll Research Center in Ridgefield, Connecticut.

Another reason is that the Schlumberger name, by the nature of its businesses, is not well known to the public at large. Using real Schlumberger people rather than professional recruiters allows potential employees to get a better idea of what the company is really like. This is precisely why Schlumberger is able to compete successfully for top talent against more widely known companies.

“When I went for my interview at school, I had never heard of well logging,” one division manager admitted, “I thought Schlumberger was some sort of lumber company. But when they set me straight and offered me a job, I figured that if they were willing to take a chance on me, I was willing to take one on them. I’ve been here thirteen years now, so I guess it worked out.”

The Schlumberger approach to recruiting has worked even in the very tight Japanese market for new graduates. Schlumberger Technologies leads the company in a successful recruiting effort every year at Japan’s top universities, competing with leading Japanese companies.

LOW-KEY

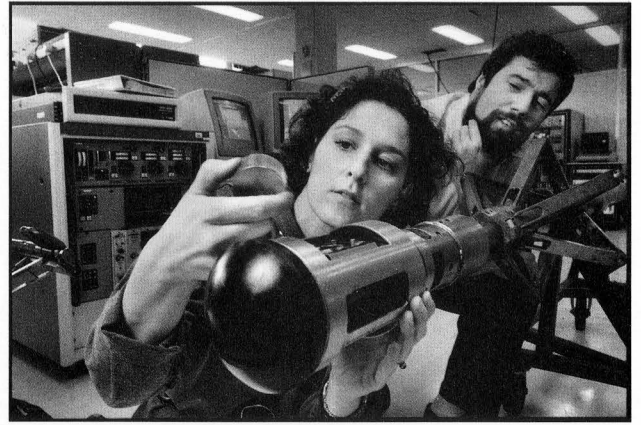
Schlumberger doesn’t believe in corporate ego-trips. There are no stretch limousines, no corporate jets, no image advertising on television. There is little to distinguish upper management from lower management besides increased responsibility. This encourages communications both upwards and downwards.

“...borderless careers, autonomy, values, safety and responsibility are what make Schlumberger different.”

Below: Steve Manning, standing, Mihoko Matsuda and Tetsuri Kimura, foreground, of Schlumberger Technologies sales and marketing, take a break to feed carp, the symbol of energy and determination in Japan. The pond is at the Schlumberger Technologies plant in Fuchinobe, near Tokyo.



Right: H  l  ne Lorioux and Jean-Francois Sandoz work on an UltraSonic Imager tool at the Engineering Center in Clamart, France. The usi* tool can detect millimeter-sized defects in casing and centimeter-sized defects in cement while operating in the high-temperature, high-pressure environment of a producing well. **Below:** Andr  e Girard, foreground, and Frans van de Pol sealing two silicon wafers in the Schlumberger Industries Montrouge Research clean rooms. Sealing is one of the crucial steps in the elaboration of the complicated structures necessary for sensors and their packaging.



RESPONSIBILITY AND OPENNESS

Although Schlumberger employs more than 53,000 people world-wide, there are only about two hundred in the main corporate offices. This means that responsibility for results must be passed down the line. Thus at Schlumberger, the buck quite literally stops at every desk. As one executive vice president told the participants at a management forum recently, "We tell you what you are expected to do, not how to do it."

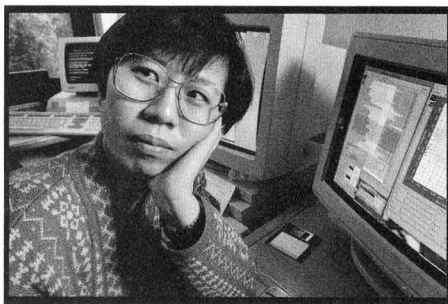
"You're given plenty of rope with which to run at Schlumberger," one employee explained. "Of course, that's plenty of rope with which to hang yourself." That's why Schlumberger is not the right company for some people. But equally that's why, for others, it's the only company.

There are just six layers of management throughout the company and employees at all levels are encouraged to deal directly with whomever they need to deal. This system of openness may be uncomfortable for some people, but for the majority it is an effective, efficient and highly motivating means of communication.

PROFIT-MOTIVATED

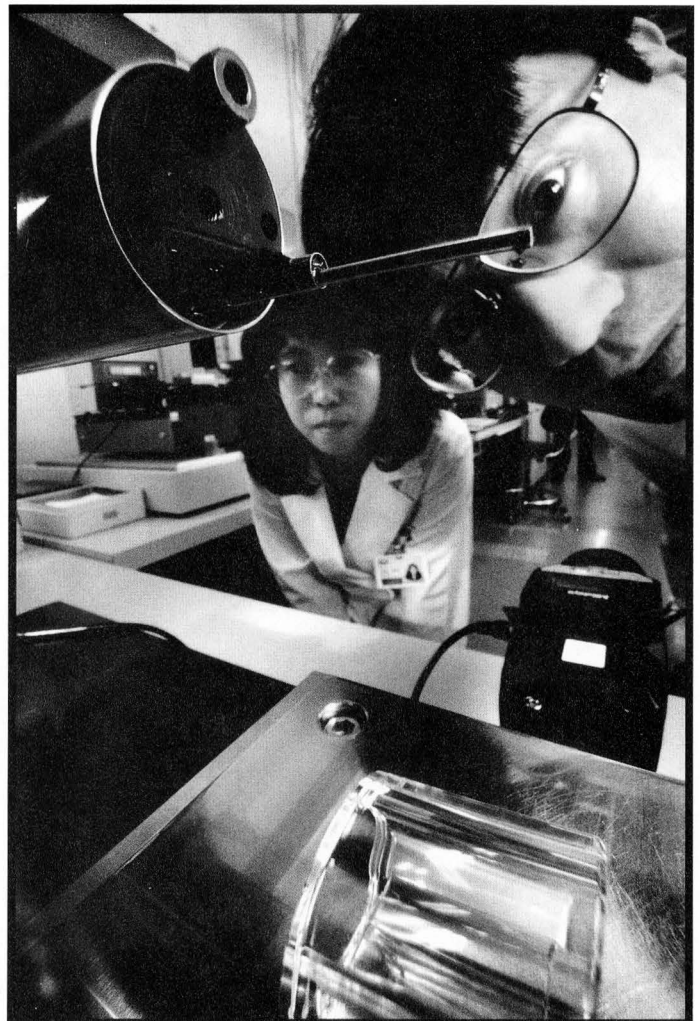
Schlumberger has more than five hundred profit-centers throughout the company. The company is a capitalist organization, dedicated to maximizing the long-term returns on its stockholders' investment. Spreading direct responsibility for achieving this to all levels of the company ensures that employees keep their eyes on the ball at all times. As one Research and Engineering manager recently said, "I don't know any other company that tells an employee, 'here's a million dollars in resources. Go out and make money with it. And quickly if possible.'"

"If you have good people to work with, interesting problems to work on, and the tools and the time with which to work on them, what more can you ask if you're a scientist?"

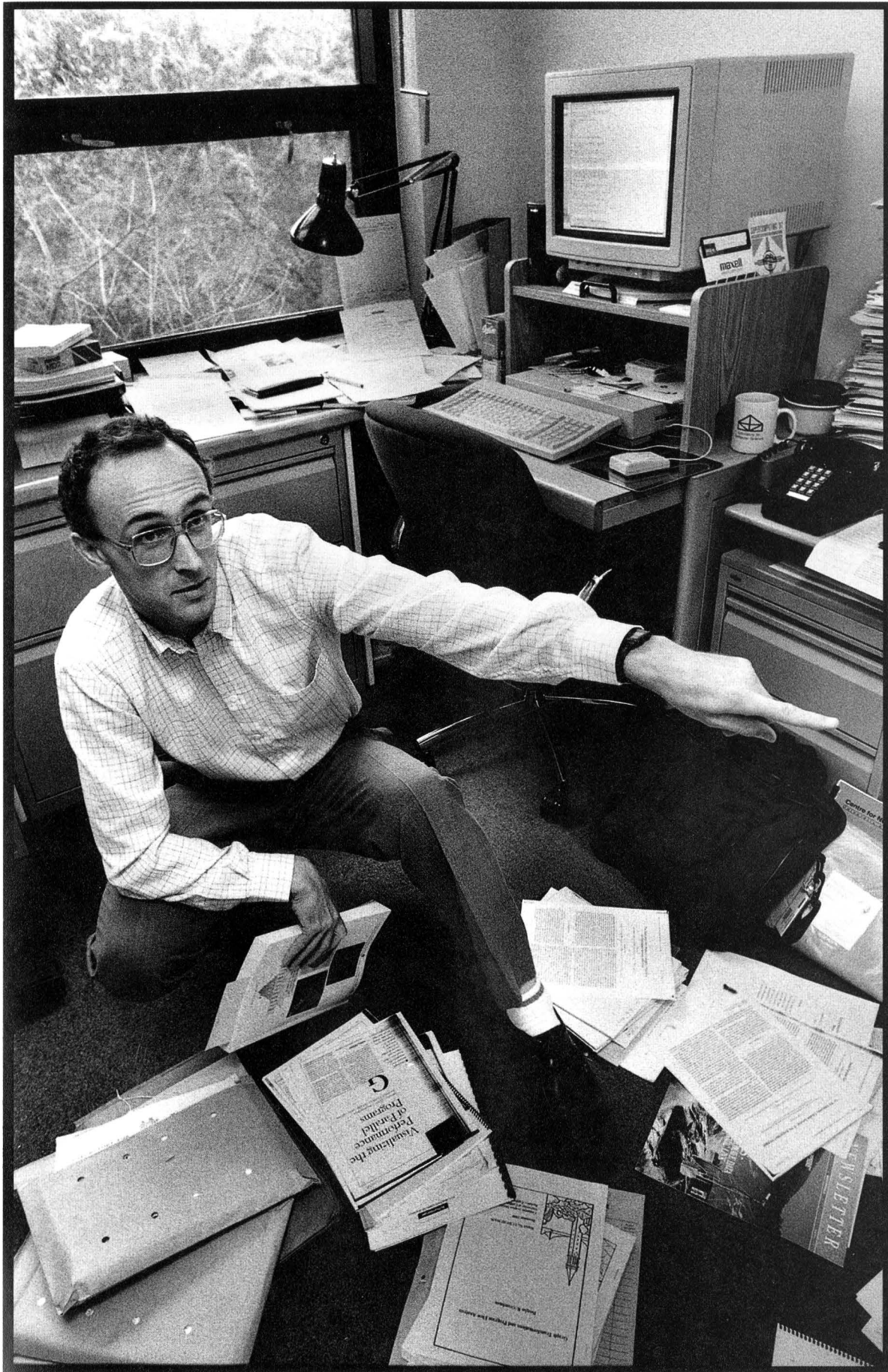


Above: Juliana Salim of the Schlumberger Austin Systems Center in Austin, Texas. A recognized expert in geoscience data interpretation, Ms. Salim, a native of Indonesia, worked in Japan, Africa and South America before her present assignment.

Below: At the manufacturing facility in Fuchinobe, Japan, Shigeru Nakayama, foreground, and Keiko Ohta take a profile measurement of the resonator of a Combinable Quartz Gauge, the heart of a high-accuracy sensor for downhole pressure measurements in oil and gas wells. **Opposite page:** Peter Highnam is in charge of Schlumberger's most advanced computer system, the CM-5† by Thinking Machines, Inc. Among the first to order the CM-5 when it became available in 1991, Schlumberger companies lead in the development of software to exploit the very high-speed massively-parallel processing technology of the CM-5.



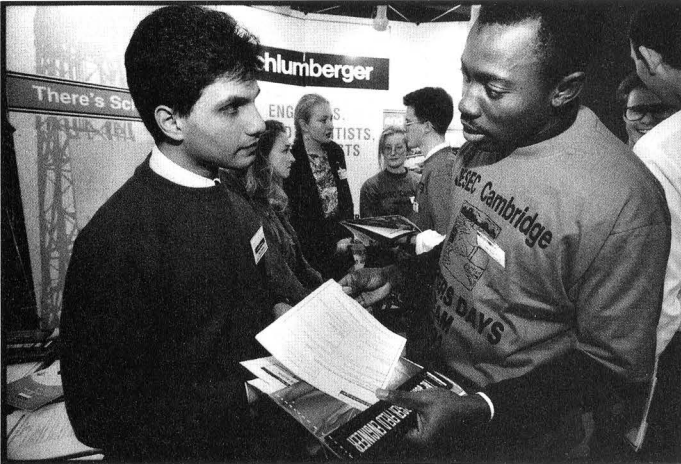
†Mark of Thinking Machines, Inc.



SAFETY

A major part of Schlumberger's business is oilfield services. This is often dirty, dangerous, and difficult work. Only a relentless day-in-day-out-no-exceptions insistence on safety procedures by both the company and its employees keeps injuries to a minimum.

The insistence on safety not only protects employees, clients, and the environment, it is almost always good, simple business sense. Mandated safety glasses reduced eye



"... I figured if they were willing to take a chance on me, I was willing to take one on them. I've been here thirteen years now, so I guess it worked out."

Schlumberger companies recruit at top engineering schools around the world and maintain close contact with these schools and their faculties. Above: At Cambridge University, Roger Gosine from Schlumberger Industries R&D, Felixstone, England, talks with a student at the annual university career fair. Right: At Cornell University in New York, Michael Greenberg, a Cornell graduate and himself a former field engineer, talks with students. Schlumberger uses its engineers as part of the regular recruitment process. They often keep in touch with professors, talk to students, and interview potential employees at their old schools.





injuries from twenty-five per cent of lost-time accidents on oil rigs to zero percent. Defensive-driving courses have reduced accidents in developing countries where roads and driver skills are often poor.

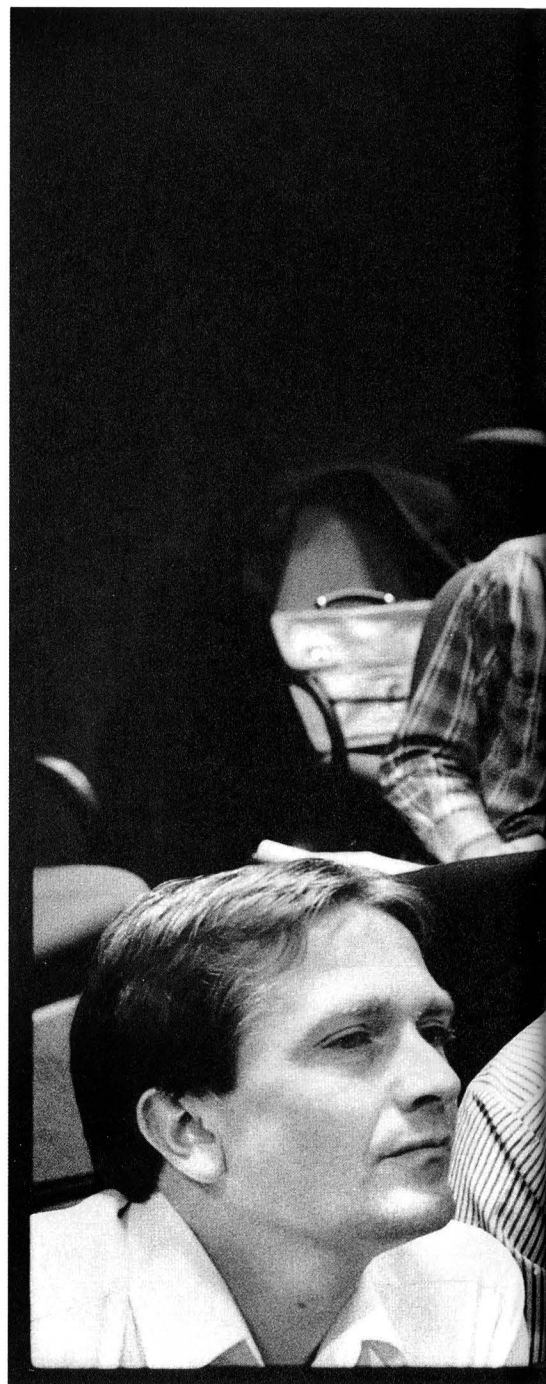
Sometimes the emphasis on safety has even resulted in a commercial product. A computer monitoring system for automobiles developed by Schlumberger has reduced accidents in company vehicles by seventy-five per cent in field tests and has been adopted by several customers.

The emphasis on safety, once initiated, is self-sustaining as employees learn good habits and begin to insist that their fellow-workers learn them too. That is why Schlumberger deliberately fosters this bottom-up approach company-wide through local and regional safety suggestion programs.

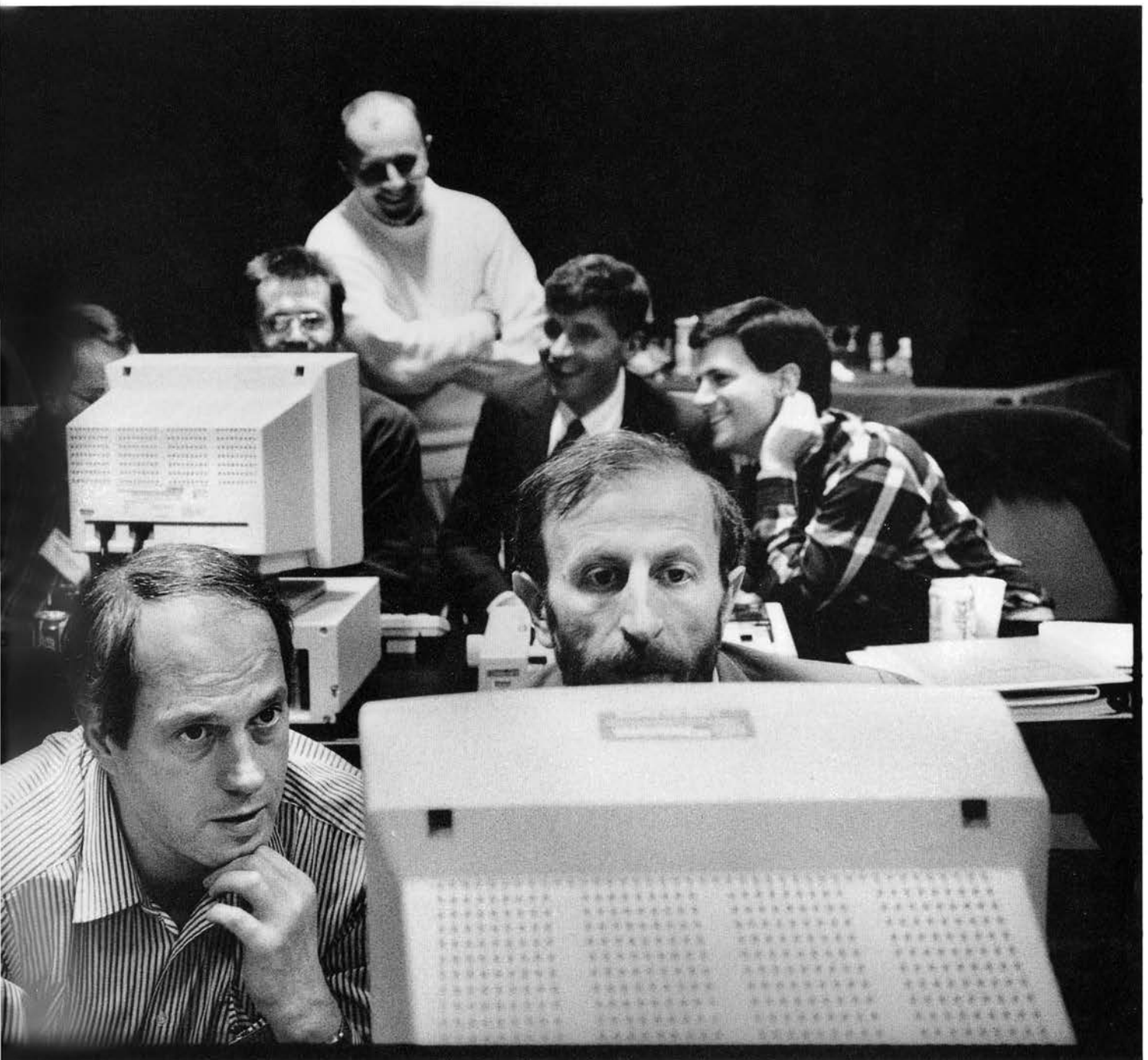
“You’re given plenty of rope with which to run; it keeps you on your toes.”



Above: Trainees Mounir Aswad, left, of Syria and Anthony Western of Australia lower a logging tool in the test well at the Middle East region training school. Once recruited, a trainee spends one month working closely with an engineer in the field before beginning the three-month school course. After graduating, he or she spends another four to five months teamed with senior engineers before working independently. Field engineers work with millions of dollars worth of delicate, ever-more-sophisticated equipment (today’s well logging tools record and transmit ten times as much data as those of only a decade ago). And they often must use this equipment in remote and difficult locations. Their success, and thus Schlumberger’s, depends on a thorough knowledge not only of how these tools work, but how to make them work.



Below: An R&D project management seminar at the Laboratory for Computer Science in Austin, Texas. Divided up into competing teams, the multinational group wrestles with computer-simulated product development problems. Such on-going training allows Schlumberger managers to learn from mistakes in a low-risk environment.



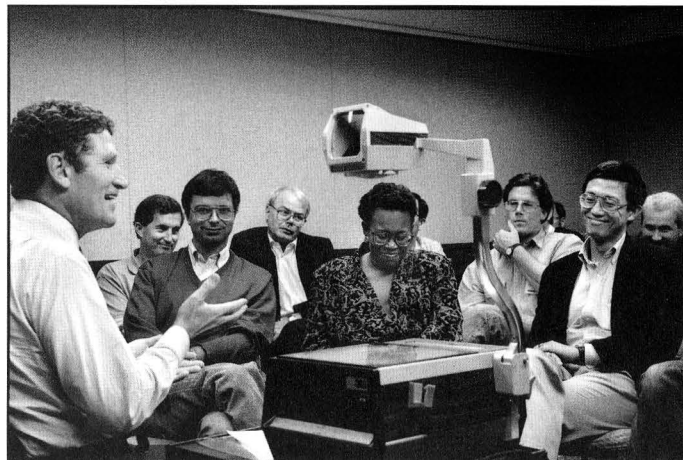
PROMOTION FROM WITHIN

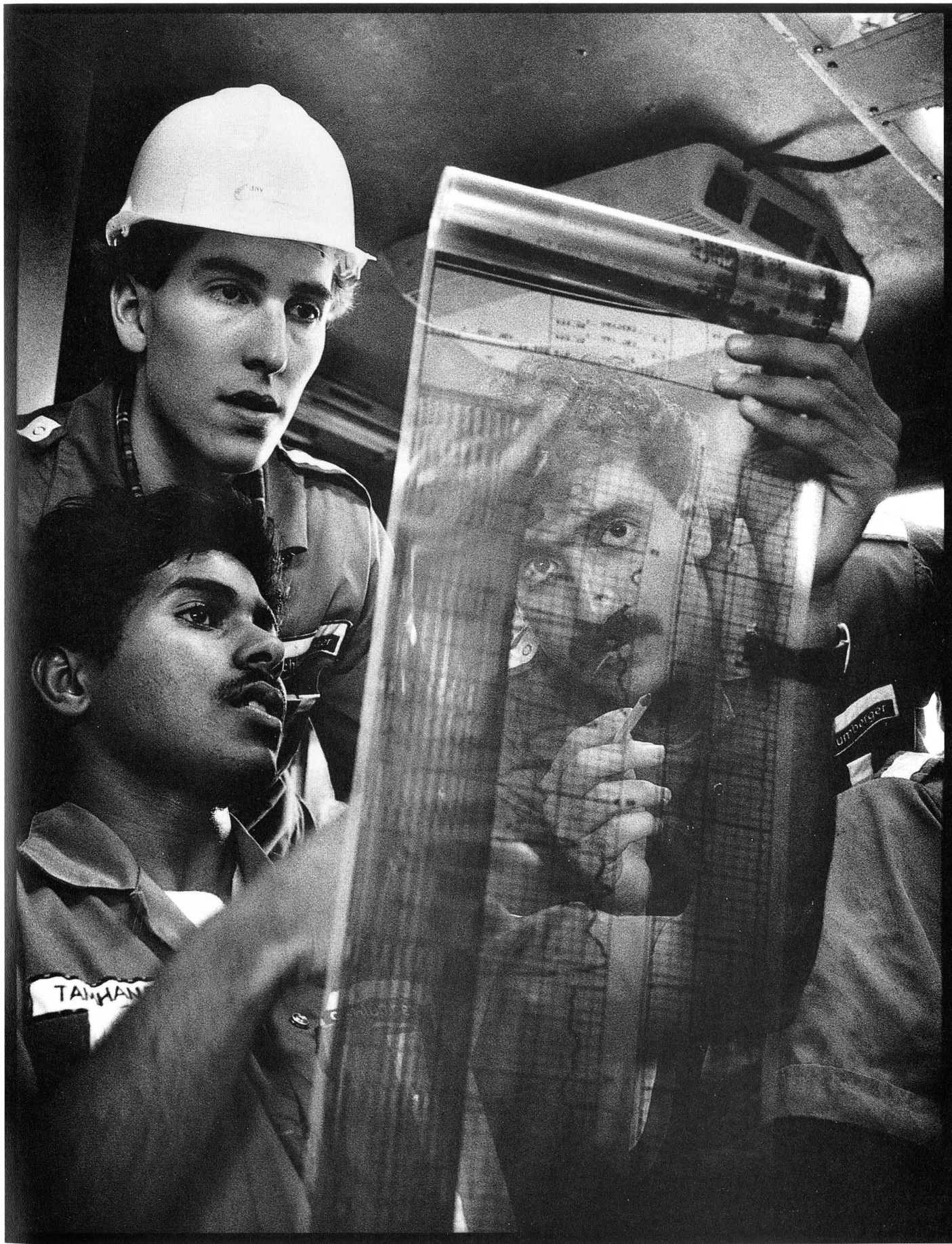
Schlumberger seldom goes outside the company in order to fill positions in upper management. Many of the skills, attitudes, and approaches to business that help make the company the success it is can only be mastered with time. That is why Schlumberger develops its leaders from among its own people. However, one does not become a Schlumberger person overnight. Many new hires leave after a relatively short period. But those who remain with Schlumberger for several years usually remain for their entire careers. "At some point," one explained, "you suddenly realize that you're a Schlumberger person, that the company is part of you as much as you are part of it."

That is why Schlumberger has done so well in the past and why its future is so bright.

"We tell you what you are expected to do, not how to do it."

Below: Susan Rosenbaum of the Schlumberger Laboratory for Computer Science. As with most major companies, software is an ever-larger part of Schlumberger's business. Ms. Rosenbaum's job is to train engineers in consistent and compatible approaches to the use of software. **Bottom:** Schlumberger managers at a Management Forum. Four times a year Schlumberger brings together a small group of key managers from all divisions to get training, meet upper management, and, most important, meet each other in an informal setting. The easy and frequent interaction between people in all parts of Schlumberger is one of the company's greatest assets. Here, Chairman of the Board Euan Baird responds to questions during a round table discussion. **Opposite page:** From left, Shrikant Tamhane of Indonesia, Jay Barbour of Canada, and Hamza Qarooni of Bahrain study a well log at the Wireline training school near Alexandria, Egypt. Nowhere is the Schlumberger international character more evident than at its training schools for field engineers. In this class, there were eighteen students with sixteen nationalities. The instructors at the school, all former Schlumberger field engineers, are Lebanese, Argentine, and Brazilian.







Field service manager Angel Gutierrez takes his daughter Carolina to the school bus in Las Morochas. Gutierrez worked in Peru and Brazil before being assigned to his native Venezuela.

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SCHLUMBERGER ORGANIZATION

OILFIELD SERVICES

WIRELINE, TESTING & ANADRILL

Evaluation Services

Measurement of physical properties of underground formations to help locate, define and produce oil and gas reservoirs.

Testing and Production Services

Well testing; pressure measurements; perforating, completion and workover services; through-casing reservoir evaluation and production monitoring services.

Data Services

Software and services, on mainframe computers and workstation systems, located in customer offices and Data Services Centers, to process and interpret exploration and production data.

Measurements While Drilling/

Directional Drilling

Drilling services that integrate real-time, surface and downhole measurements with geological data to optimize the drilling process; drilling tool and fishing tool rentals (selected geographical areas).

DRILLING & PUMPING SERVICES

Drilling Services

Sedco Forex: Operates more than 70 offshore and land drilling rigs.

Pumping Services

Dowell Schlumberger (50% owned): Well cementing and stimulation, pumping services; coil tubing services; drilling fluids services; industrial pipeline services.

SEISMIC SERVICES

GECO-PRAKLA: Acquisition, processing and interpretation of seismic data to define subsurface structures where prospective oil or gas reservoirs may be trapped.

MEASUREMENT & SYSTEMS

SCHLUMBERGER INDUSTRIES

Electricity

Electricity meters, load and rate management and automatic meter reading and billing systems.

Water & Gas

Meters for measuring water, gas, thermal energy and industrial fluids consumption; automatic meter reading and billing systems.

Security & Control

Non-destructive inspection for security and quality control.

Data Acquisition & Recorders—France

Civil and military mass storage, telemetry and signal processing systems; transducers for aerospace and automotive applications.

SCHLUMBERGER TECHNOLOGIES

ATE Components

Automatic test equipment and software for diagnostic testing of integrated circuits.

Retail Petroleum Systems

Fuel dispensing systems for gasoline stations.

CAD/CAM

Computer Aided Design and Manufacturing: Computer-based solutions for engineering design and manufacturing processes; software for numerically controlled machine tools.

Test & Transactions

Test equipment for telecommunications and mechanical vibration analysis; functional and in-circuit testing of printed-circuit boards; cards, terminals, systems and service to automate point-of-sale payments; parking and mass transit terminals; public pay phones and smart cards.

Stock Transfer Agent

The First National Bank of Boston
Boston, Massachusetts

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The First National Bank of Boston
Boston, Massachusetts

Schlumberger stock is listed on the

New York (trading symbol SLB)
Paris
London
Amsterdam
Frankfurt
Swiss
Tokyo and
Brussels 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.

*Cover: A Sedco Forex
rig in the North Sea.
Drilling for oil is inher-
ently dangerous, and
nowhere more so than
offshore. But rigorous
enforcement of safety
procedures reduces the
risk substantially. As of
the end of 1991, this rig
had worked 1196 days
without a lost-time
accident.*

*Bruce Davidson's
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*John Steele Gordon
writes for major pub-
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where he is now a
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