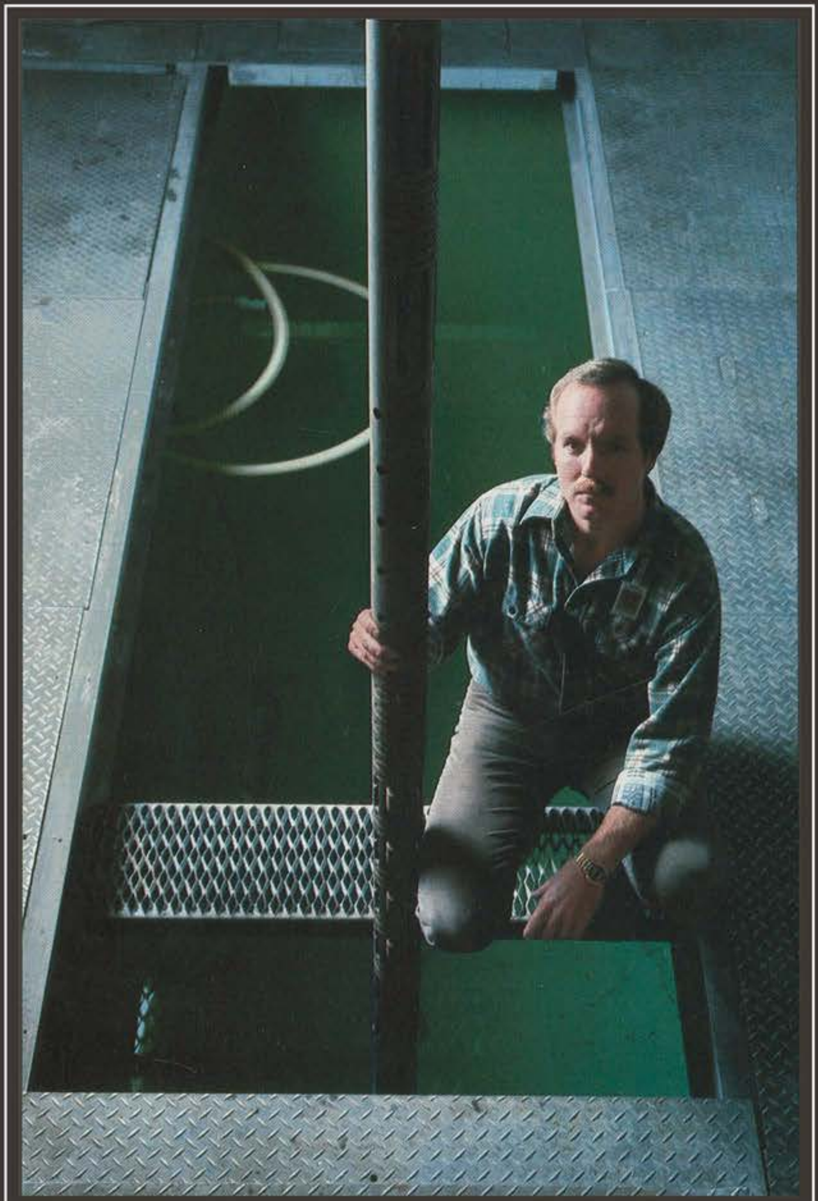
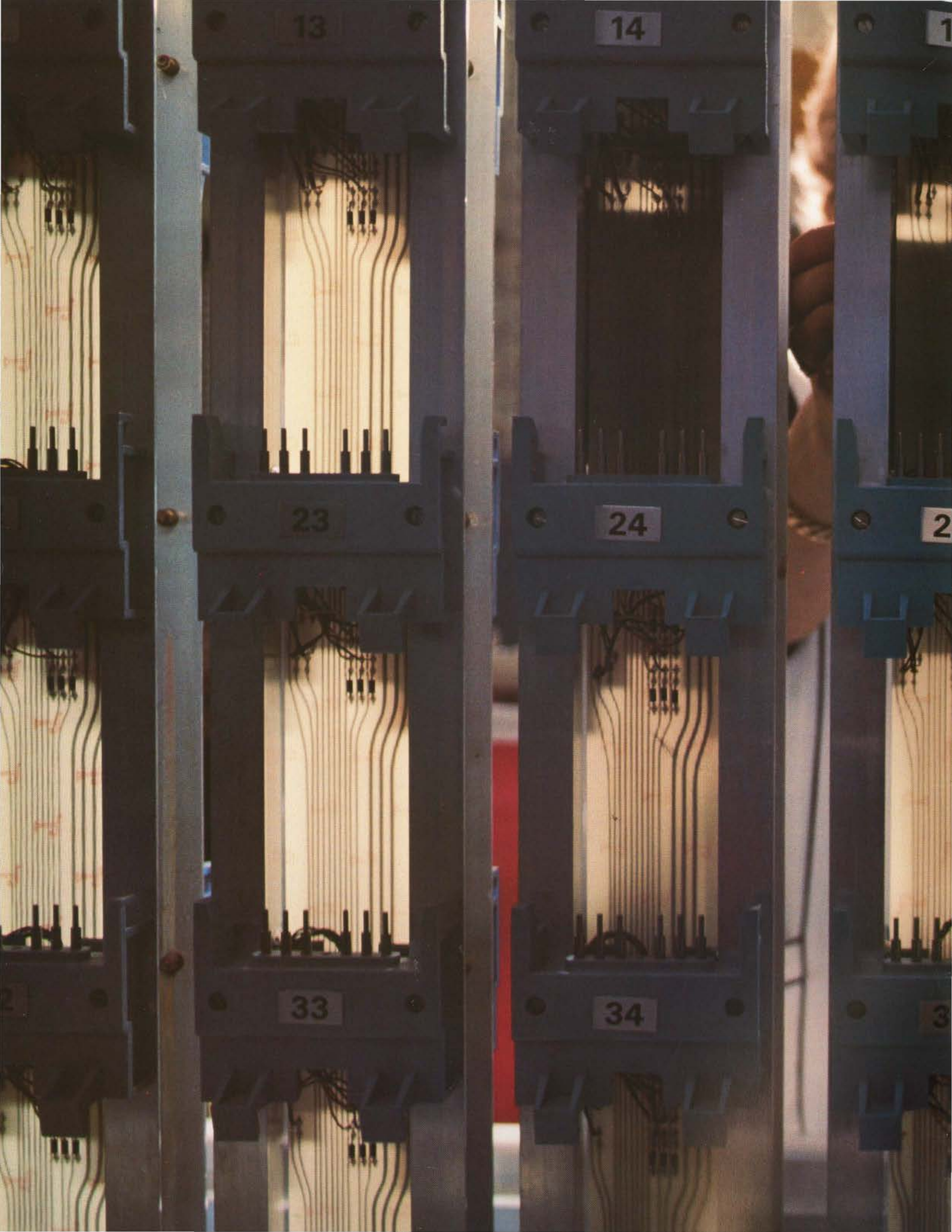
Schlumberger Annual Report 1982

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Schlumberger Limited

IN BRIEF	1982	1981	1980
REVENUE	$6,283,810,000	$5,977,938,000	$5,137,115,000
NET INCOME	$1,348,165,000	$1,265,975,000	$ 994,347,000
NET INCOME PER SHARE	$4.60	$4.37	$3.47
DIVIDENDS DECLARED PER SHARE	$0.92	$0.77	$0.63

Cover: Mike McBroom, senior laboratory technician, tests logging tools in this tank at Schlumberger Well Services in Houston.

Net income for the year 1982 was $1.35 billion, up 6% over the previous year. Revenue of $6.28 billion was 5% higher. Altogether, a reasonable performance in the economic environment of what is certainly the worst recession since the war. The trend is more disturbing than the actual results. The growth of the first quarter (net income increased 31%) was due mainly to the strong oil field activity outside North America. Then, quarter by quarter, a definite softness moved in. For the fourth quarter, net income was 13% below the last quarter of 1981 and revenue was 7% lower.

Revenue from oilfield services worldwide was up 7%, a considerable slowdown compared to the rate of growth experienced since 1974. The decline, particularly in the United States, was more brutal and deeper than had been expected. The drop of North American drilling was spectacular. From a high of 4700 active drilling rigs in January, the count declined steadily to a low of 2550 in October, climbing back to 3130 at the end of December. The recovery was quickly curtailed by the seasonal slowdown. The last count on February 14 was down to 2450 rigs. Revenue from oilfield services outside North America was up 18%. However, soft spots showed up in South America in the second quarter, followed by Africa and Europe in the third and fourth quarters. Overcapacity in oilfield services operations has brought and will continue to bring pressure on prices during 1983. Daily rates for drilling rigs on land and offshore are down markedly compared to a year ago.

The recession in the United States has also affected the results of all units outside the oil industry: Semiconductors, Measurement & Control, Computer Aided Systems. The worst hit was Fairchild; revenue declined 6% for the year, as the slight recovery in orders in the first quarter did not last; losses in 1982 were substantially greater than in the prior year.

Although less severe than in the United States, the recession did not spare Europe. The situation was further impaired by the wide fluctuation of currencies, basically a unilateral appreciation of the dollar vis-à-vis the European currencies and the yen. Expressed in national currencies, revenue of Measurement & Control operations in Europe improved 13% but declined 4% when translated into dollars.

How did we react to this situation?

- We undertook a major cost reduction program to cut waste (the unavoidable leftover of a period of boom and inflation), to control inventories and receivables, to reduce manpower.
- We maintained our R&D effort, unabated. R&D expenditures increased 36% to $326 million. At Fairchild, R&D reached $105 million, up 41%. This program weighed heavily on Fairchild results, but is preparing the future with new products.
- We invested in fixed assets at the same level as the previous year, in excess of one billion dollars. At Fairchild alone, fixed asset additions were $188 million to improve manufacturing efficiency and product quality.
- We invested in the future by new acquisitions in the Computer Aided Systems field. Early in January, Applicon became a part of Schlumberger. In October, Schlumberger acquired Benson, a manufacturer of computer-aided drafting systems. The same month, Fairchild acquired Accutest, a small test equipment manufacturer (see Fairchild Business Review, page 8). The Federal Trade Commission announced on February 1 an Administrative Complaint seeking divestiture. This means that, unless the matter can be settled promptly with the FTC, Schlumberger cannot integrate Accutest with its own operations and Accutest is not viable as a separate entity.

The long term future of Schlumberger is not too difficult to visualize. We are in the right businesses. There is no limit to one's imagination for the future of high technology, whether it is to solve the problems of oil exploration, to modernize electricity distribution systems, to provide the computer and telecommunications industry with faster, smaller, cheaper components and circuits, to revolutionize the innumerable ways to design or to manufacture. We have the resources to meet these challenges.

What is more difficult to analyze is the immediate future, the years 1983 and 1984. Will the price of crude oil tumble on the world market? Will OPEC disintegrate? Will the coming spring see an economic recovery in the United States? Will this recovery be sustained long enough so that it becomes the locomotive of a worldwide recovery? Predictions are difficult and dangerous. The only thing I am sure of is that these two parameters—oil price and economic recovery—are closely related. The main factor responsible for the present oil surplus is the stagnation of the world economy. A limited and orderly reduction in the price of oil to the $25 to $30 level will have a minimal effect, if any, on the exploration and production programs of the oil operators, whether national companies or private companies. It will increase the demand for hydrocarbons. If such a reduction in the price were to be concomitant with a stabilization of the dollar at a reasonable level, these two combined factors could be a major contribution to the economic recovery, first in the United States followed gradually by the rest of the world. I believe that all countries will be reasonable enough to prevent the pessimistic scenario of a lengthy price war in the wake of the collapse of OPEC.

Will reason suffice to ensure a long-lasting recovery of the world economy? I do not think so. The industrial nations will need plenty of reason and wisdom but also bold imagination. As long as the three main economic issues of the world are not faced in earnest and dealt with, the world economy at best will remain stagnant. The first problem is to recreate an international monetary system adapted to the present conditions of the world. The second urgency is for the industrial nations to take concerted and coordinated action to get industry moving forward on a consistent and durable pattern of growth. No country can do it alone. Finally, the industrial nations must devise and implement a plan—a sort of an international and modern version of the Marshall Plan—to prevent the financial collapse of the developing nations.

It is not easy to translate these hopes into the reality of Schlumberger's immediate future. The most likely Schlumberger environment for the next two years will be along the following directions:

- Drilling will stabilize in the United States at today's levels. The likelihood of a major decline or of a major surge is not in the cards. Offshore exploration will continue to grow, offsetting the decline on land, particularly for gas. As we maintain our R&D effort, as we keep on working on new tools and looking for new answers in the Wireline, in the completion and production technologies, in the Measurements-While-Drilling, we will improve the quality of our services and will grow faster than the drilling activity.
- Outside North America, the slowdown in oilfield operations will continue in South America and Africa; the Middle East activity is likely to be stable and some progress should materialize in the Far East, particularly in India and China.
- Fairchild will be on its way to recovery in 1983. Losses will be cut, revenues should start to increase by the middle of the year. New products, lower costs, better quality will start to show results this year.
- The Computer Aided Systems (CAS) group will be put in place this year. It will not contribute to Schlumberger earnings in a significant way in 1983, but it will be on the map and will become an important factor in this new technology and this new business.
- The Measurement & Control group has fewer problems than Fairchild and the CAS groups. If its ultimate potential for growth is more limited, it can better resist an economic slowdown. During 1983, its revenue and net income will improve over the previous year.

The overall conclusion of this brief analysis is for a slow start of the year, with the first two quarters results likely to be lower than last year, continuing the trend of the second half of 1982. An improvement is likely in the second half, particularly if an economic recovery in the United States materializes. Altogether, there are reasonable prospects that the year 1983 will not be very different from 1982.

February 16, 1983

Jean Riboud

Jean Riboud
Chairman & Chief Executive Officer

A Wireline engineer guides a logging tool being lowered in an oil well in the Middle East.

Wireline Services: measurements of the physical properties of underground rock formations provide the petroleum industry with information necessary to discover and produce oil and gas efficiently. Instruments are lowered into a well on an armored electrical cable called a "wireline"; measurements are transmitted to the surface where they are recorded on magnetic tape and also plotted on a graph called a "log". Computer-processed interpretation of several different measurements can produce Answer Products specially tailored to the specific needs of geophysicists, geologists and engineers. Operations were conducted in 92 countries during the year.

Revenue from worldwide Wireline operations in 1982 was 5% higher than in 1981; growth rates varied from country to country.

In North America, Wireline revenue during 1982 was 10% below the previous year. This drop reflected the dramatic decline of drilling activity, both in the U.S. and Canada. The average 1982 rig count in North America was 3318, 22% below the level of 1981. However, revenue from cased-hole operations, performed in producing wells, was higher than in 1981.

Revenue of Wireline Atlantic (Europe, Africa and Latin America) was 16% higher than in 1981. The highest growth was in Europe, up 22%. Wireline revenue in Africa was up 15% and Latin America 10%. Demand softened in the second half of the year, the downturn occurring mainly in Argentina, Brazil, Libya and Algeria.

The best revenue growth occurred in Wireline Asia (Middle East, Far East and Australia) with a 28% gain over the previous year. India, Australia, the United Arab Emirates, China and Egypt had the largest increases.

Wireline data processing services continued to grow faster than log acquisitions. Data processing revenue in 1982 was 20% above 1981. This was chiefly due to new interpretation products as well as an increase in the number of computing centers, now at 44 worldwide.

- The FACIOLOG is a new log interpretation program that is tailored to the needs of geologists. Facies define the characteristics of a sedimentary layer that allows it to be distinguished from another layer. The FACIOLOG differentiates the various geological facies present in a well and is based on correlating and combining a number of wireline logging measurements. This information helps define reservoir potential and performance.

During 1982, a number of new logging services were successfully field tested and are now introduced on a commercial basis:

- The Dual Porosity CNL tool detects both thermal and epithermal neutrons. The combined information greatly improves the ability to detect hydrocarbons in shaly formations which constitute some of the more important reservoirs throughout the world. It also enhances the detection of gas and the evaluation of hydrocarbons in carbonate reservoirs.
- The Gamma Spectrometry tool performs an analysis of chemical elements such as carbon, oxygen, hydrogen, silicon, calcium, chlorine and iron that are present in subsurface formations. Information on these key elements permits the detection and evaluation of hydrocarbons, regardless of the salinity of the water present in the formation. This is an important feature for monitoring enhanced recovery projects and detecting bypassed oil.
- The Stratigraphic High Resolution Dipmeter is designed to determine the dip and direction of formation layers as thin as one-fifth of an inch. This new system, together with associated software, provides information that clearly defines sedimentary and stratigraphic features. In the hands of an expert interpreter, these details reveal the nature and history of the geological environment. This allows for more efficient development of the reservoir and provides clues as to the way it will behave on production.
- The Cement Evaluation tool, using eight ultrasonic transducers positioned in a spiral 360° around the tool, gives a precise circumferential picture of the cement bonding the casing and the formation. This information is required to insure the presence of a hydraulic seal between productive and nonproductive zones, in order to keep unwanted fluids from mixing with produced hydrocarbons.
- The new Directional Survey tool, using a type of aerospace guidance gyroscope adapted to the borehole environment, can determine accurately the hole deviation and direction, even in wells cased with steel pipe. The Directional Survey can locate within 30 feet the bottom of a 10,000-foot hole deviated 45° from vertical. This accuracy is required to help the oil company drill a well to target in a producing reservoir, or to locate a relief well that might have to be drilled to intercept a well out of control.

Trident III, an offshore jack-up drilling rig under tow to a new location.

DRILLING SERVICES
Forex Neptune: contract drilling on land and offshore.

The Analysts: well site computer analysis of surface and downhole drilling data, gathered while drilling.

TESTING & COMPLETION SERVICES
Flopetrol Johnston: well testing; pressure measurements; production and workover services; drilling tool rentals.

PUMPING SERVICES
Dowell Schlumberger (50% owned): cementing and well stimulation outside North America.

Drilling & Production Services revenue was 12% higher than in 1981. All divisions operating outside of North America gained. A slight decline in revenue from U.S. operations was attributable to the severe drop in U.S. oil field activity during the year.

In 1982, the Drilling & Production Services group created a new research center in Cambridge, England. The permanent facilities will include a large test station with physical simulators of various drilling and production operations. Work has already started, mainly on developing mathematical models and computer simulation of drilling processes.

DRILLING SERVICES

Forex Neptune revenue was up 11% over the prior year as activity was higher, mostly in the Middle East, Far East and West Africa. At the end of 1982, the Forex Neptune group owned 56 land rigs and 19 offshore rigs. Under labor contracts, the group also operated 13 drilling rigs owned by others. Overall, rig utilization averaged 79% during 1982. However, rig demand and day rates for land rigs softened by year end, notably in Europe and North Africa. Two new offshore drilling rigs went into service during the year: Trident 9, a jack-up, and Drill Star, a semisubmersible. Three new land rigs also were put into service.

Revenue of The Analysts was 7% below 1981. Activity in North America was affected by the drop in U.S. and Canadian drilling during 1982; this was partially offset by increased revenue in Latin America and Africa.

Measurements-While-Drilling jobs picked up by year end; 9″ and 7″ diameter tools were introduced in 1982.

TESTING AND COMPLETION SERVICES

Overall revenue of the Flopetrol Johnston group was 11% higher than last year; 40% gains in the Far East and Africa more than offset a 2% decline in North America.

Testing services remained strong in the Far East, the North Sea and the U.S. Well performance analysis, an interpretation based on computer processing of down-hole data obtained during a flow test, is gaining wide customer acceptance and has increased demand for testing. These analyses provide the basic information needed for optimizing the design of well completions. High-accuracy pressure measurement services increased 67% in the Eastern Hemisphere and Latin America. Workover services declined.

PUMPING SERVICES

Revenue of Dowell Schlumberger increased 15% in 1982, although activity slowed down in the second half of the year.

Strong growth was achieved in the Middle East and the Far East, while activity declined in Africa. Good gains were recorded in cementing, coiled tubing, drill-stem testing and directional drilling, but well stimulation showed weakness in most areas.

In the newly created Research & Development Center at Saint-Etienne, France, which became fully operational in 1982, a new instrument and a new product were successfully tested: a wellsite recorder that monitors pumping parameters; and GASBLOK™, a chemical additive that avoids weakening the cement bond between casing and formation by preventing gas from channeling through the cement. Both developments should improve well cementing services.

The new Flonic electronic payment card developed for use in public telephones.

Enertec: meter and load management equipment for electricity distribution; relays, network protection systems and measuring transformers for electricity transmission; electronic instruments and systems; magnetic tape recorders and data acquisition systems.

Flonic: water meters and water distribution systems; gas meters and gas distribution products; high-precision mechanical and plastic products; electronic payment systems.

Sereg: industrial process control equipment; petroleum, nuclear and industrial valves.

Service Division: services related to water distribution and gas heaters; gasoline pumps; industrial ducting.

International Division: electricity, water and gas meters and related systems in several countries in Europe (outside of France and the U.K.) and Latin America.

United Kingdom Division: electricity meters and relays; aircraft and industrial instruments; electronic instruments; training systems; transducers.

Revenue of Measurement & Control-Europe, expressed in U.S. dollars, declined 4% in 1982; however, expressed in national currencies, revenue increased 13%.

Research & engineering expenses were $39 million and capital expenditures $52 million.

In the following summaries, year-to-year comparisons of revenue are in French francs for Enertec, Flonic, Sereg and the Service Division, in U.S. dollars for the International Division and in pounds sterling for the U.K. Division.

ENERTEC

Revenue was 14% higher despite a 3% decline in revenue from measuring transformers, primarily due to the peso devaluation which affected the Mexican unit. Sales of electricity meters, load management systems and network protection equipment increased 16%. Sales of magnetic tape recorders, data acquisition systems and instruments were up 24%.

A new electronic assembly plant was opened in Pont-Audemer, France and has been in operation since July 1982.

FLONIC

Revenue increased 5%. Shipments of water meters, gas meters and gas network equipment remained flat as a result of continuing weakness in the building industry in Europe.

An order was received from the French Telecommunications Service for the development of a public pay telephone which will use an electronic card, incorporating a microprocessor, in place of cash for telephone calls.

SEREG

Revenue grew 10% in 1982. The first significant orders for oil field well-head equipment, 34 high-pressure Christmas trees, were received from overseas customers. Production started in early 1983.

SERVICE DIVISION

Revenue increased 20% as services related to energy savings were substantially ahead. Strong billings for the installation of industrial piping in nuclear plants and electric power plants also contributed to this growth.

INTERNATIONAL DIVISION

Revenue, expressed in U.S. dollars, was down 12% mainly due to the strengthening of the dollar relative to most currencies. Sales of electricity meters were strong in Spain and Brazil, while results in Chile and Argentina suffered from both the economic recession and several devaluations of currencies.

UNITED KINGDOM DIVISION

Revenue was 39% higher than in 1981. Export sales were strong, particularly at Solartron instruments, transducers and training systems. Sales of electricity meters and teleswitches also gained. The backlog remained good.

At EMR Photoelectric, fabrication of a high-temperature multiplier phototube used as a radiation detector in well logging.

Electricity Management: electricity meters and equipment for electric power distribution systems.

Fairchild Weston Systems: optical and electro-optical data acquisition equipment and signal processing systems for aerospace and defense applications; also controls for nuclear power systems.

Data Systems: data acquisition and telemetry systems; magnetic tape data recorders.

Instruments: scientific and aerospace instruments; vehicle performance recorders; photoelectric devices.

Rixon: modems—modulator/demodulator—multiplexers and associated equipment used for data communication between computer terminals.

Capacitor: capacitors for both electronic and electric power applications.

Revenue in North America decreased 6% in 1982 primarily as a result of depressed business conditions in both the U.S. and Canada and lower demands in export markets. Overall, orders were off 18% and backlog was down at year end. Research and engineering expenses were $18 million and capital expenditures were $14 million.

ELECTRICITY MANAGEMENT

Revenue was 5% lower than the previous year. Shipments of electricity revenue meters were down 10%. Sales of domestic revenue meters were up 6% despite a low level of housing starts and industrial construction. Export billings were down significantly, partially due to the strong U.S. dollar and also to economic problems of some important customers. Sales of electrical load and rate control equipment were weak as continued conservation and reduced industrial activity left a large unused power generation capacity. Sales of microprocessor-based time-of-use multitariff revenue meters more than doubled over the previous year; these meters permit electric utilities to apply different rates for power consumed at different times of the day.

FAIRCHILD WESTON SYSTEMS

Revenue increased 21%. Sales of electro-optical data acquisition equipment were well ahead of 1981. Reconnaissance and surveillance equipment volume was up 46%; avionics equipment and military electronic assemblies also showed strong gains. Revenues of nuclear instrumentation and control systems were up 44% over the prior year. Orders for nuclear systems strengthened in the second half and backlog increased substantially.

DATA SYSTEMS

Revenue was off 20%. Telemetry systems revenue declined 22% reflecting a slowdown in major airframe programs. However, orders for telemetry systems picked up in the second half and closed 69% over the depressed level of the previous year. Sales of remote monitoring systems dropped 36%. Magnetic tape recorder revenue was higher, led by a strong performance in commercial aviation recorders; magnetic tape recorder backlog was up 38% at year end.

INSTRUMENTS

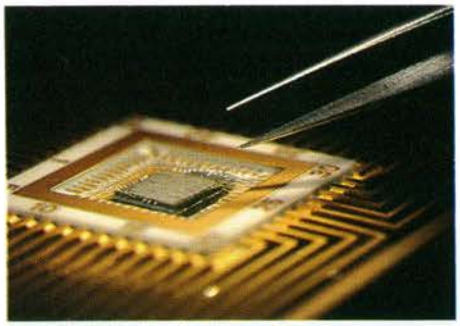
Revenue declined 19%. Aerospace instruments revenue was down 27% due to a slowdown in commercial airframe manufacture, but several contracts were obtained for new short-range commuter aircraft. Electronic test instrumentation was down 23% due to depressed capital spending in the U.S. Engler sales of vehicle performance recorders were down 26% reflecting the continued depressed levels in the U.S. trucking industry.

RIXON

Revenue declined 15%. Strong competition and radical changes in markets brought about by the restructuring of the U.S. telecommunications industry have impacted high-speed modem sales which were about half of the previous year. Revenue and orders for statistical multiplexers more than doubled over the previous year.

CAPACITOR

Revenue was down 1% as the market for passive electronic components remained depressed throughout the year. All product line sales were close to 1981 levels. Orders were adversely affected by the slowdown in the electronics industry, increased competition from offshore manufacturers and production delays on a new power capacitor line.



A custom integrated circuit produced by the Fairchild MOS Division.

SEMICONDUCTORS

LSI Products: integrated and large-scale integrated circuits (LSI) such as logic, memories, microprocessors, gate arrays and imaging devices using MOS, bipolar and CCD technologies.

Analog and Components: discrete components such as transistors and diodes; linear circuits such as voltage regulators; operational amplifiers and computer interface devices; hybrid devices such as new microprocessor-based automobile ignition systems.

TEST SYSTEMS

Test Systems: computer-based systems for testing semiconductors, printed-circuit boards and subassemblies.

Fairchild revenue declined 6% due to the general economic recession in the United States and Western Europe. Orders rose 4%. Order rates for both semiconductors and test systems improved somewhat in the fourth quarter. Fairchild was stronger than when the year began: manufacturing efficiency, product quality and delivery schedule were improved; management controls were strengthened and a number of new product programs were near completion. The recovery for semiconductors is still not here; when it does come, Fairchild should be in a better position to respond.

SEMICONDUCTORS

Semiconductor revenue decreased 12% compared to the preceding year as increased unit volume was more than offset by severe price erosion. Orders were up 6% primarily due to a strong demand for large-scale integration products during the first half of the year; demand softened during the balance of the year.

Revenue of the LSI Products Group decreased 9%; orders improved over 1981 but remained slightly below shipments. Declining market prices were partially offset by new product introductions including gate arrays and the FAST line of digital logic and by improved deliveries of the new 9445 microprocessor, the F100K logic family and bipolar memory products.

Analog and Components revenue declined 10% and orders were down 6%. Demand for all products was weak except for Hybrid products for the automotive industry.

Semiconductor sales in Europe and Asia were down 13% and 20% respectively, due to weak demand and the strength of the U.S. dollar compared to national currencies. Orders also declined in both areas.

TEST SYSTEMS

Revenue rose 8% and orders were up slightly in 1982. The slump in the semiconductor business affected orders for most component test systems; however, demand for the new Series 80 analog tester was strong. Demand for functional testers also was good, but the order rate for in-circuit testers softened during the year.

In 1982, Test Systems established a sales organization in Japan.

Capital spending increased 12%. New manufacturing facilities for semiconductor operations were completed at Puyallup, Washington and Wasserburg, Germany. The company upgraded facilities at the Digital Division, in South Portland, Maine; Microprocessor Division, Wappingers Falls, New York; Linear Division, Mountain View, California; and Discrete Division, San Rafael, California.

Expenditures for research and development were 41% above the 1981 level. The Advanced Research Laboratory at Palo Alto completed the chip design of the 9450, a 16-bit high performance microprocessor for the U.S. Air Force. Development work was near completion on a 64K static random-access memory, using a 2 micron complementary metal-oxide (CMOS) technology, and a second generation 64K dynamic random-access memory incorporating redundancy to improve manufacturing yields.

Early in 1982, Fairchild opened a Gate Array Design Center at Milpitas, California where customers can design their own custom LSI chips to solve specific problems using a computer-aided design system. The gate array center introduced two state-of-the-art product families in TTL and ECL technologies.

In October, Fairchild acquired Accutest, a small test equipment manufacturer located in Chelmsford, Massachusetts. A proper filing was made with the Federal Trade Commission, as required by law. The legal thirty-day waiting period having passed without any response or inquiry from the FTC, $15 million was paid to the stockholders of Accutest on October 22. On November 5, the FTC informed Fairchild that an investigation was under way. The FTC announced on February 1, 1983 an Administrative Complaint seeking divestiture.

In December 1981, Fairchild discovered a leakage in a solvent tank at its South San Jose, California semiconductor manufacturing plant. Appropriate authorities were informed immediately. Tests showed that a nearby water well was contaminated and the well was shut down. During 1982, legal actions were brought against Fairchild and others in this matter. Fairchild has sued the manufacturer of the tank and other involved parties. Fairchild does not believe it has any material liability in this matter.

Benson plotters in final assembly and test in the Guérande, France manufacturing plant.

COMPUTER AIDED SYSTEMS

Computer Aided Design: computer-driven interactive graphics systems to automate the engineering and design of products and processes.

Computer Aided Manufacturing: computer-based systems to integrate design with manufacturing processes to improve productivity and quality.

Numerical Control: computer-based systems to translate part descriptions into punched tapes for numerically controlled machine tools.

BENSON

Graphics Products: pen and electrostatic plotters for drafting applications.

COMPUTER AIDED SYSTEMS

Applicon revenue increased 14%. Sales of CAD/CAM systems declined 2% in the U.S. In Europe, revenue was 39% higher than in 1981. Research and software development was 14% of revenue.

During the second quarter of 1982, Applicon introduced the Series 4000, a new generation of modular CAD/CAM systems. The core of the system incorporates a 32-bit processing unit. The Series 4000 is made up of compatible hardware and software modules that can be configured to meet the technical and budget requirements of individual customers. As a user's needs grow, a Series 4000 system can be easily upgraded. In addition, a user can implement communications between systems so that design and manufacturing operations can share information.

Applicon began delivering Series 4000 systems to customers in July.

MDSI revenue dropped 20% from the 1981 level. Both time-sharing services and sales of turnkey systems were down. The largest percentage of revenue decrease was in the U.S. Software development expenses accounted for 12% of sales.

Early in 1982, MDSI introduced the N/C Graphics system. This new software program permits the user to describe part shapes and tool motions graphically using an interactive color display screen. By visually determining tool motion, both complexity and time to produce N/C tapes are reduced. Customer deliveries started in May 1982. The N/C Graphics program is also available as an application module within the Applicon CAD/CAM system.

BENSON

In October, Schlumberger acquired a majority share in Benson, a privately held company that manufactures computer-aided drafting systems.

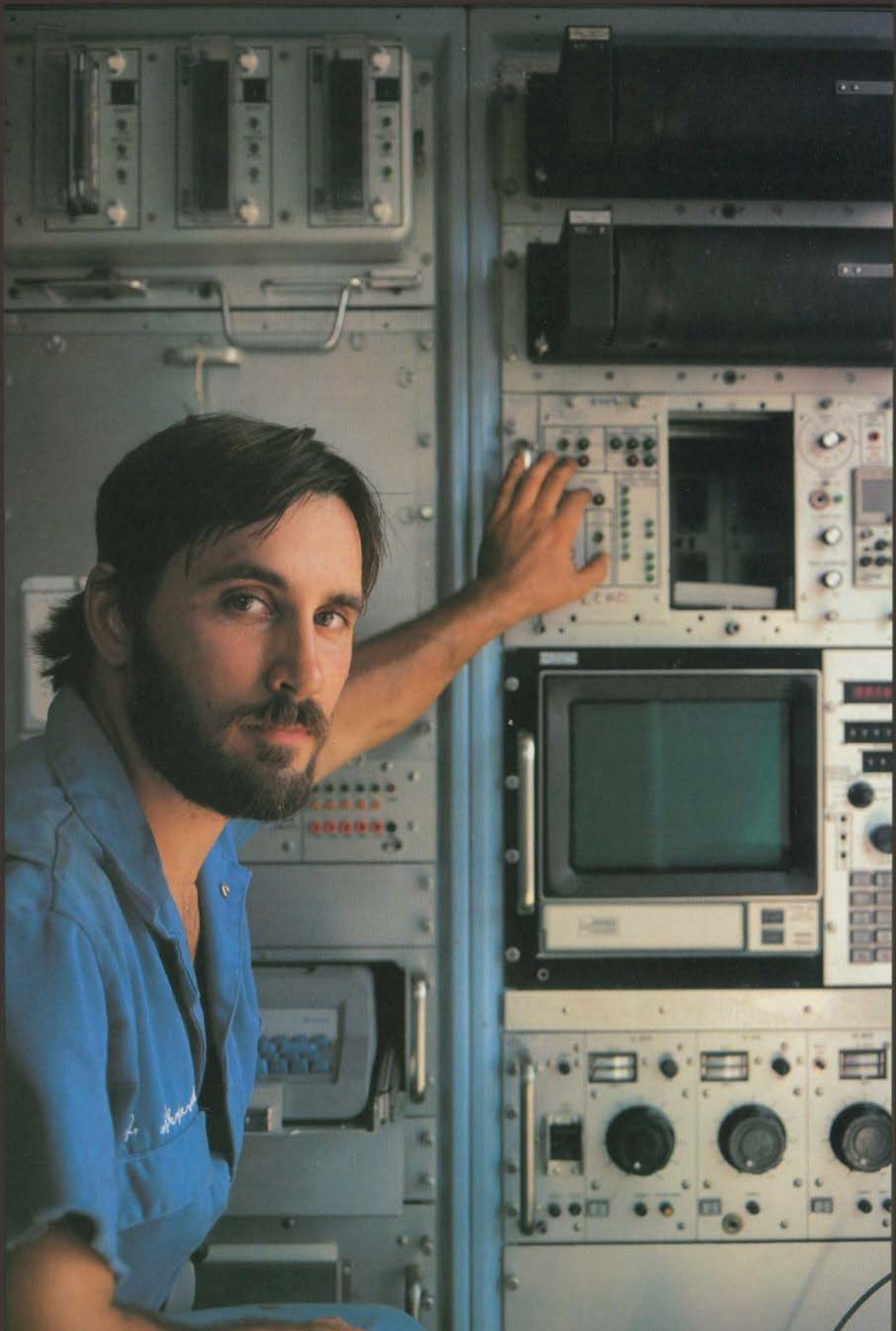
Benson revenue grew more than 30% in 1982. European subsidiaries of Benson had a 35% improvement in revenue and orders were ahead. Sales in the U.S. were down due mainly to a lack of orders from the seismic industry. Sales of Benson equipment to Japan grew significantly.

Several products were added to the Benson line in 1982: a new generation of electromechanical drafting machines was put into production, and a new high-density electrostatic plotter, having twice the resolution of existing models, was introduced in the fourth quarter.

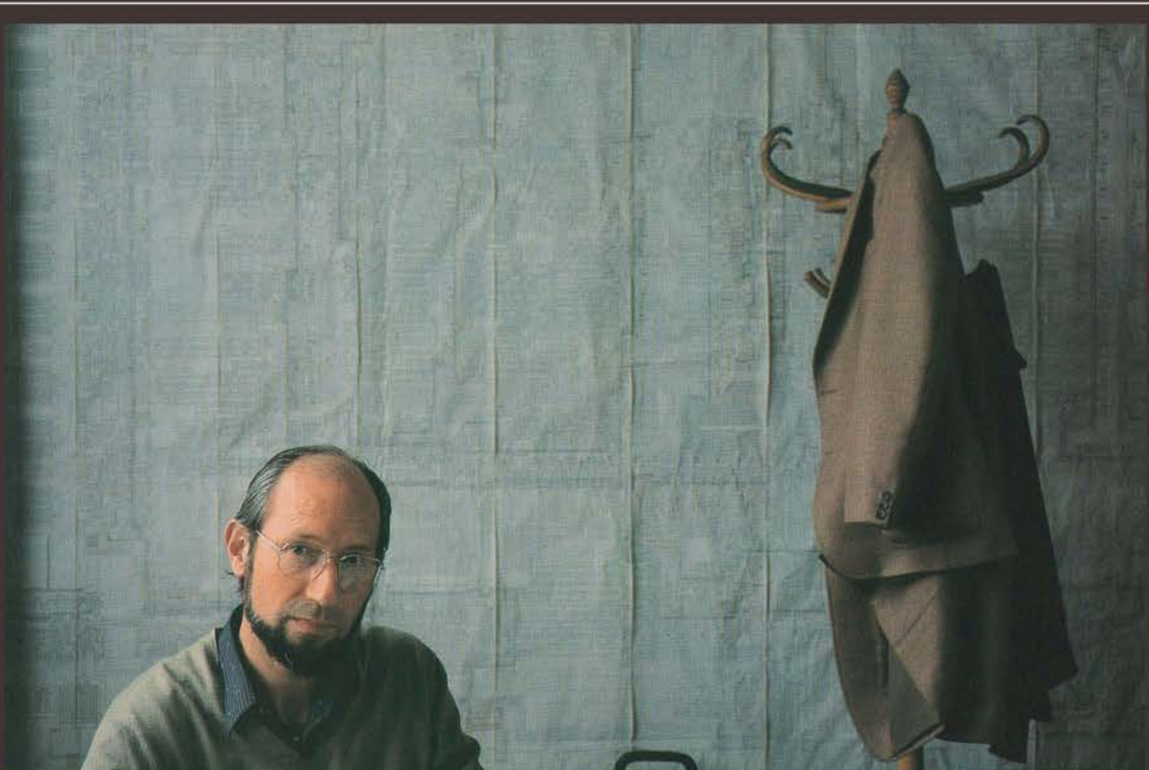
The men and women
who work for Schlumberger
worldwide are the
company's greatest asset.
This report
introduces you to a
few of them.

Photographs by Jay Maisel.

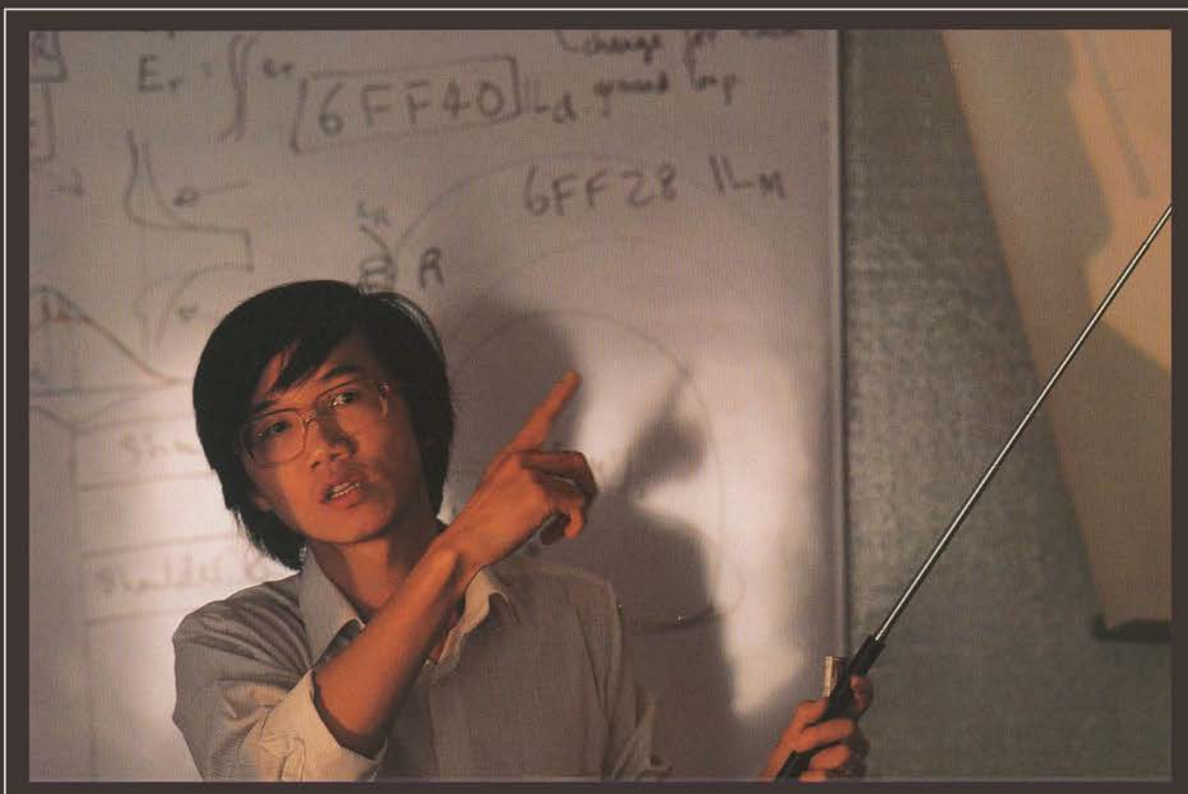
In France, electronics engineer Ghislaine Palloix develops automatic test methods for logging tool components.



Senior field engineer Anson Alexander in a CSU *Wireline logging truck at a producing well in Louisiana.*



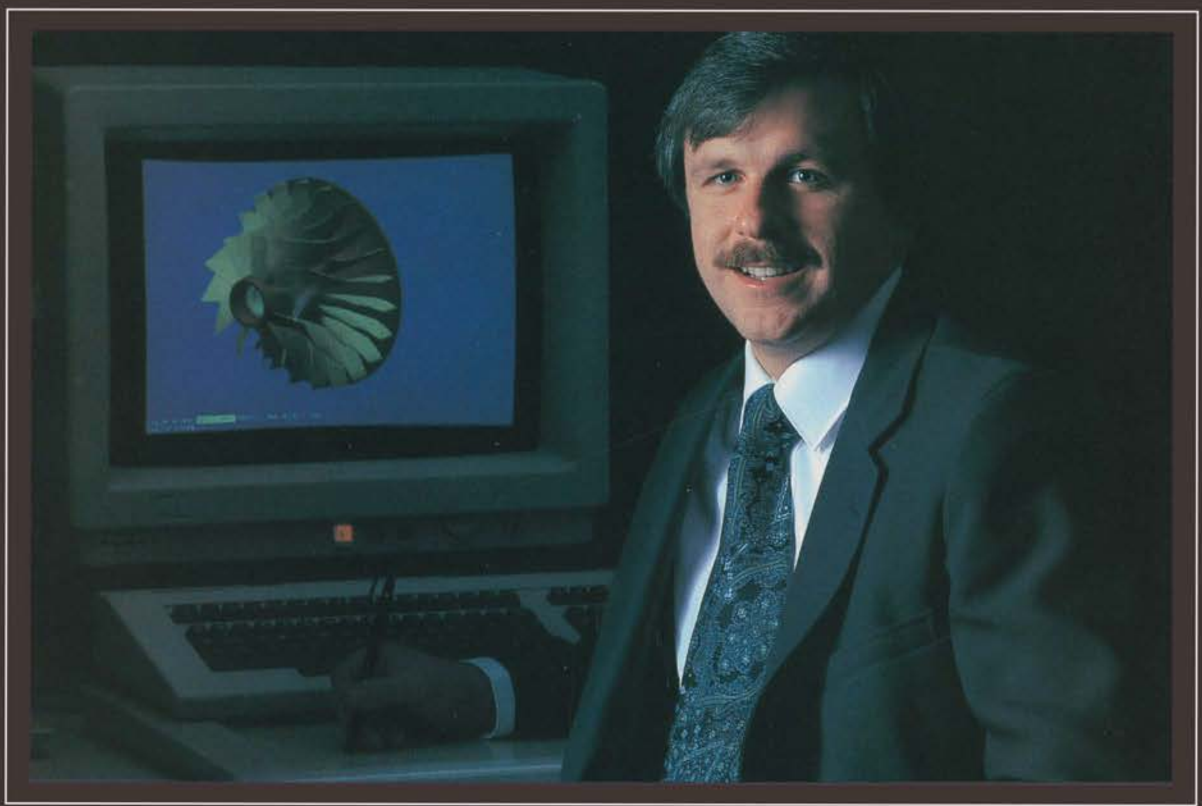
At the GIERS research center, near Paris, Alain Bazin helped design the new solid-state electricity meter.



Sze Meng Chew, a Wireline engineer, teaches future field engineers at the training center located in Pau, France.

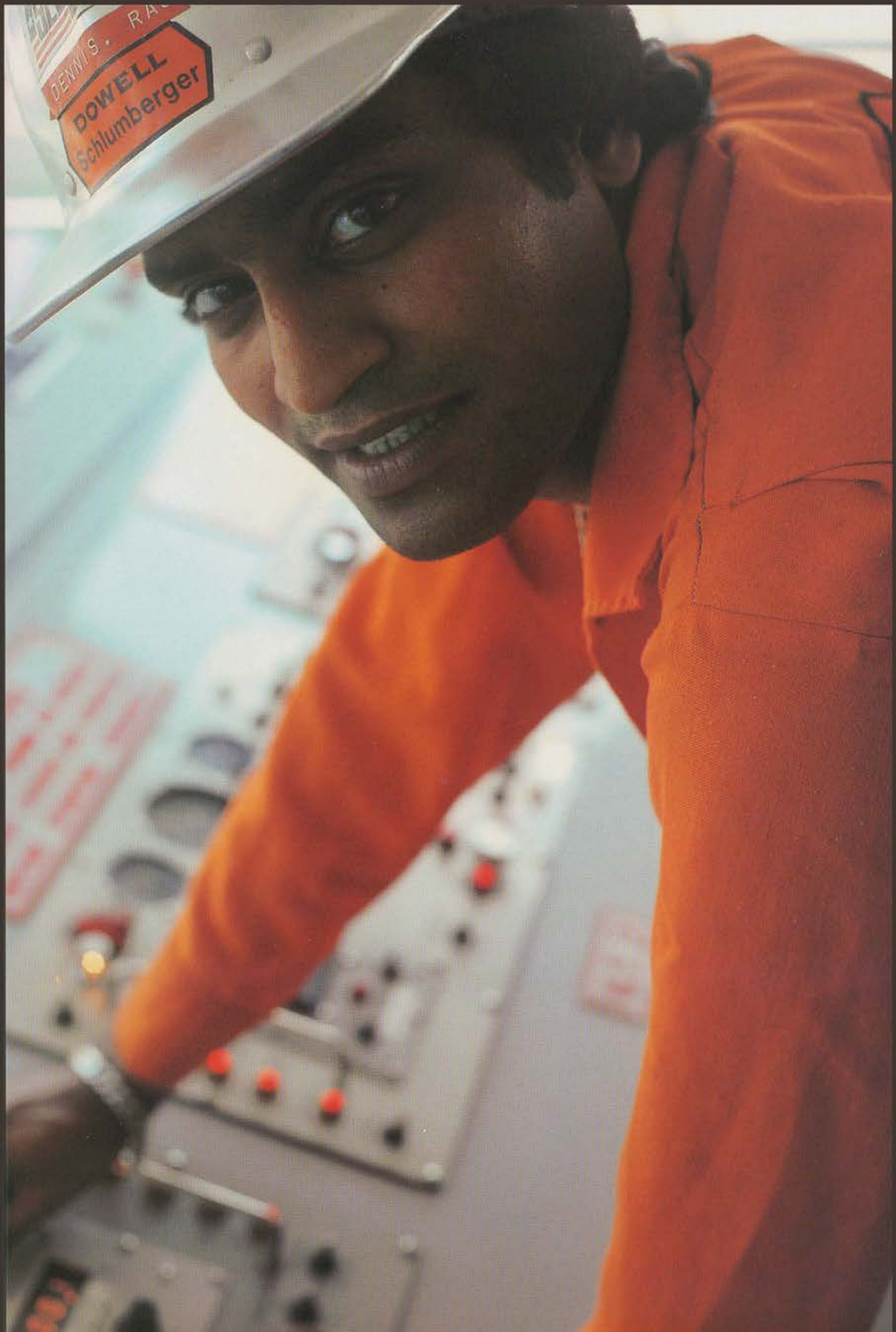
Yvette Goldsmith performs final assembly of single-phase electricity meters for Electricity Management in South Carolina.

For 35 years Charles Bertrand was associated with the production of Wireline logging units in France.

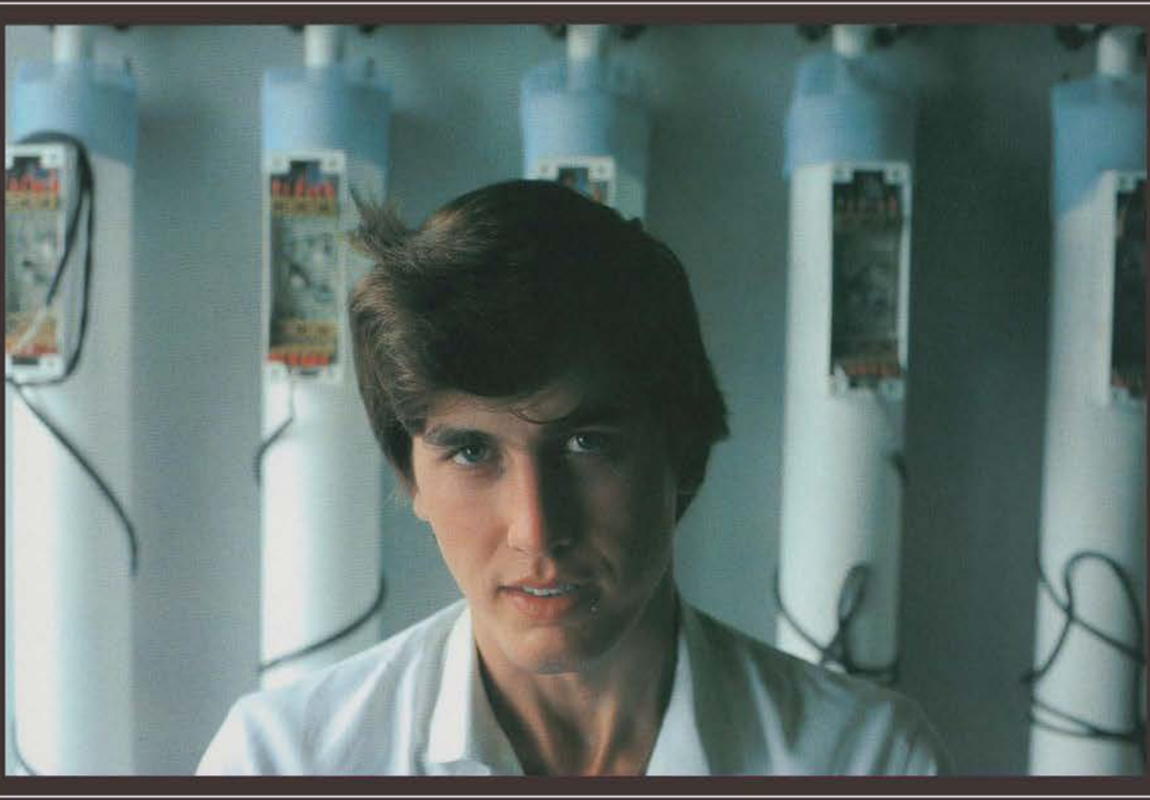


Applicon's Gary Parent helps customers define CAD/CAM system needs and assists on applications.

Martine Dhal is with the Communications group of the Wireline manufacturing unit in France.



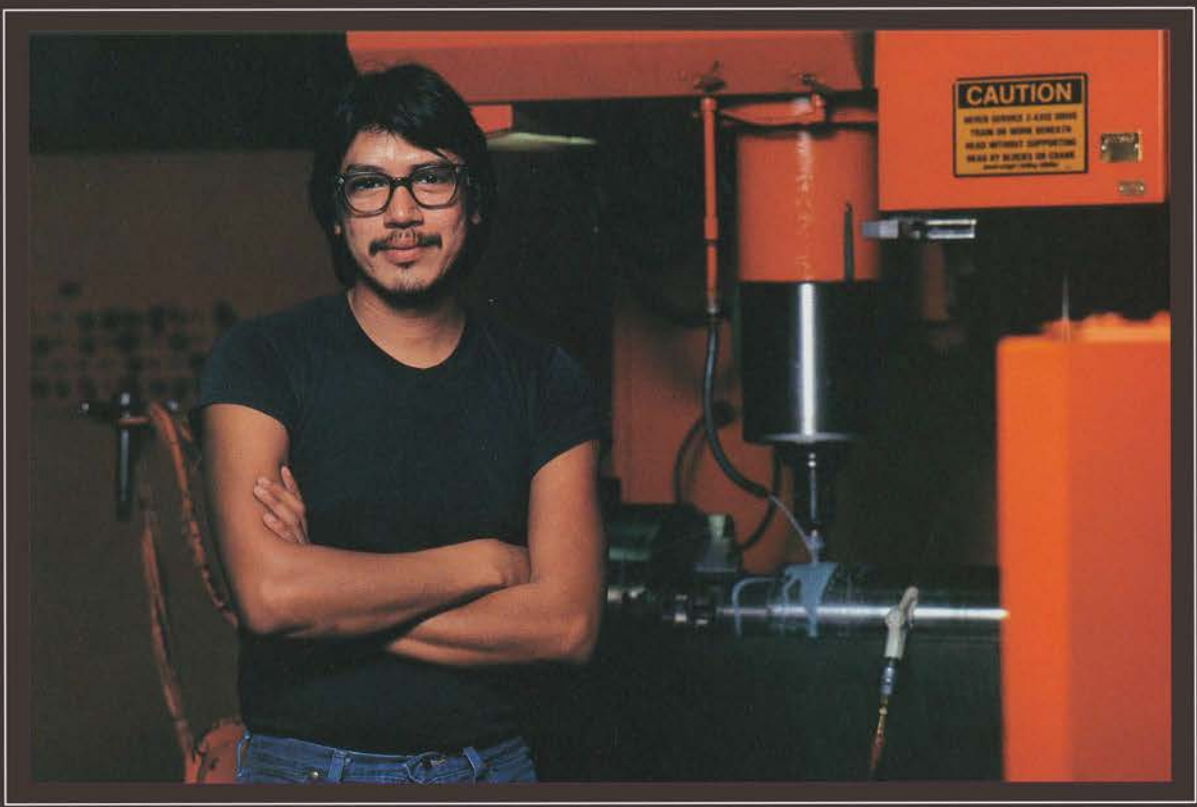
Denis Raj is lead engineer of Big Orange 15, a Dowell Schlumberger stimulation ship operating in the Middle East Gulf.



At Solartron, England, Tony Cuthbert tests and calibrates industrial gas and liquid transducers.

Nicole Roy does final tests on the new AIT *7000 electronic ripple control receivers at the Enertec plant in Poitiers.*

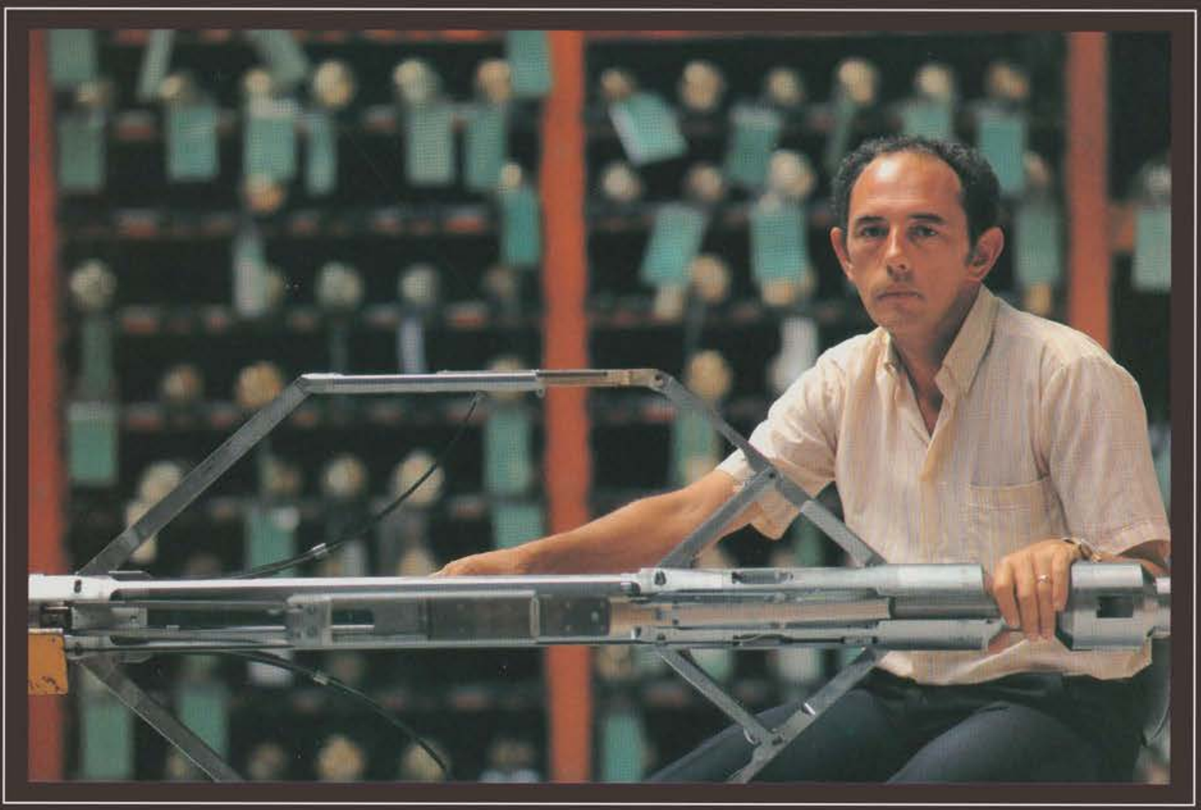
Herb Stever installed this system used in Fairchild's research to analyze chemical films on wafer surfaces.



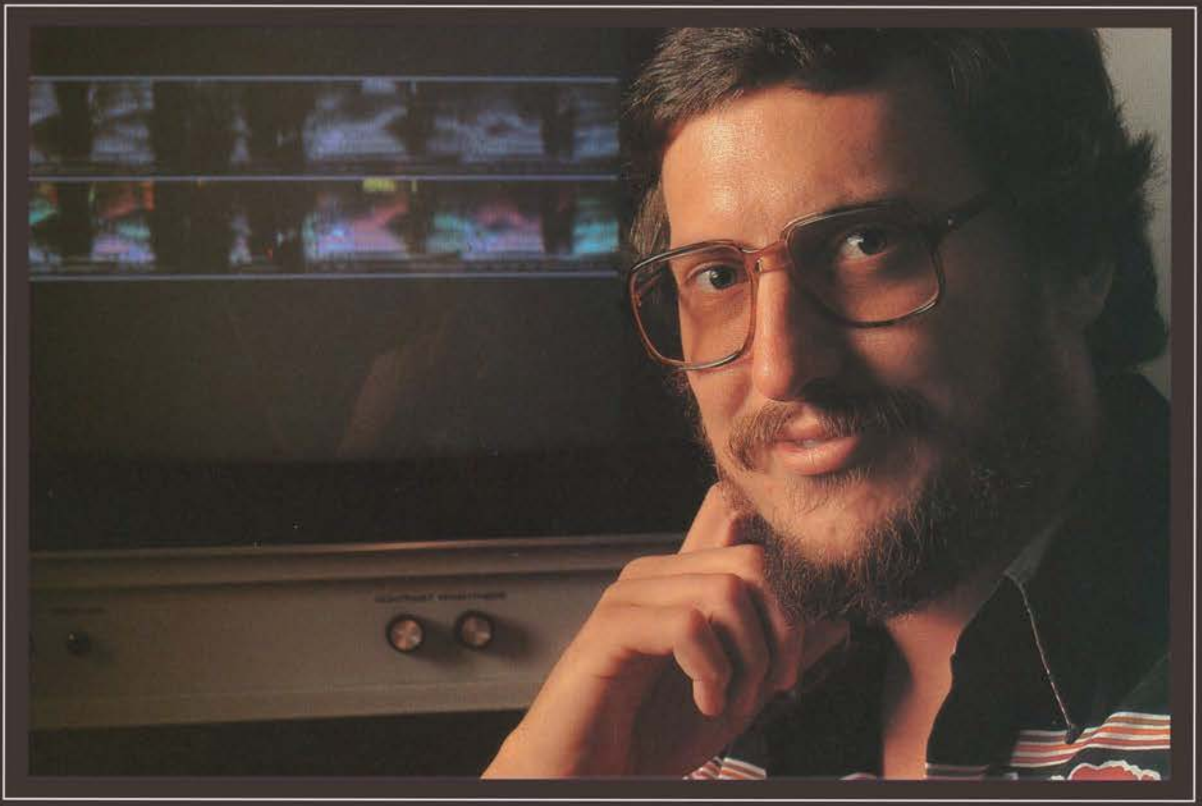
John Mauricio machines Flopetrol - Johnston oil field tools on a computer-controlled mill in Sugar Land, Texas.

J. Terry Kite, driller, is assigned to Forex Neptune's Rig 50, drilling a deep well in Lea County, New Mexico.

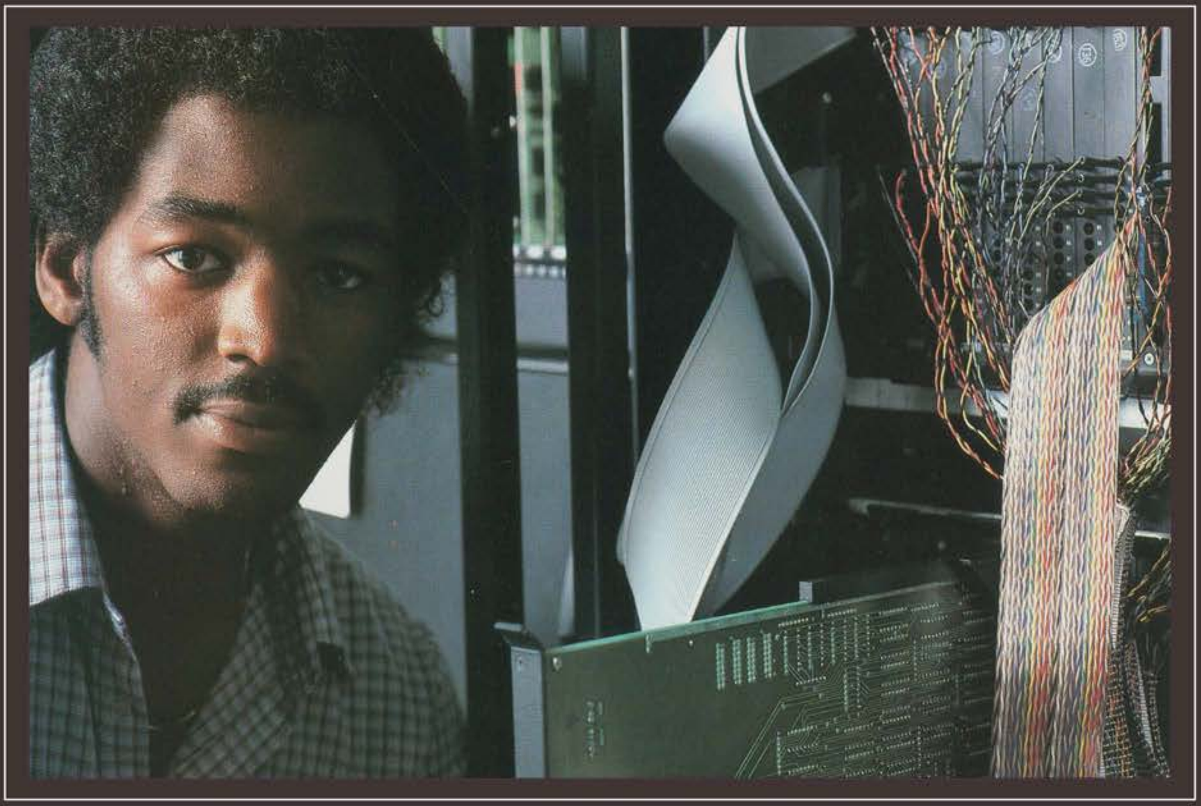
Brenda Scotland does several jobs on the single-phase meter assembly line in Electricity Management's South Carolina plant.



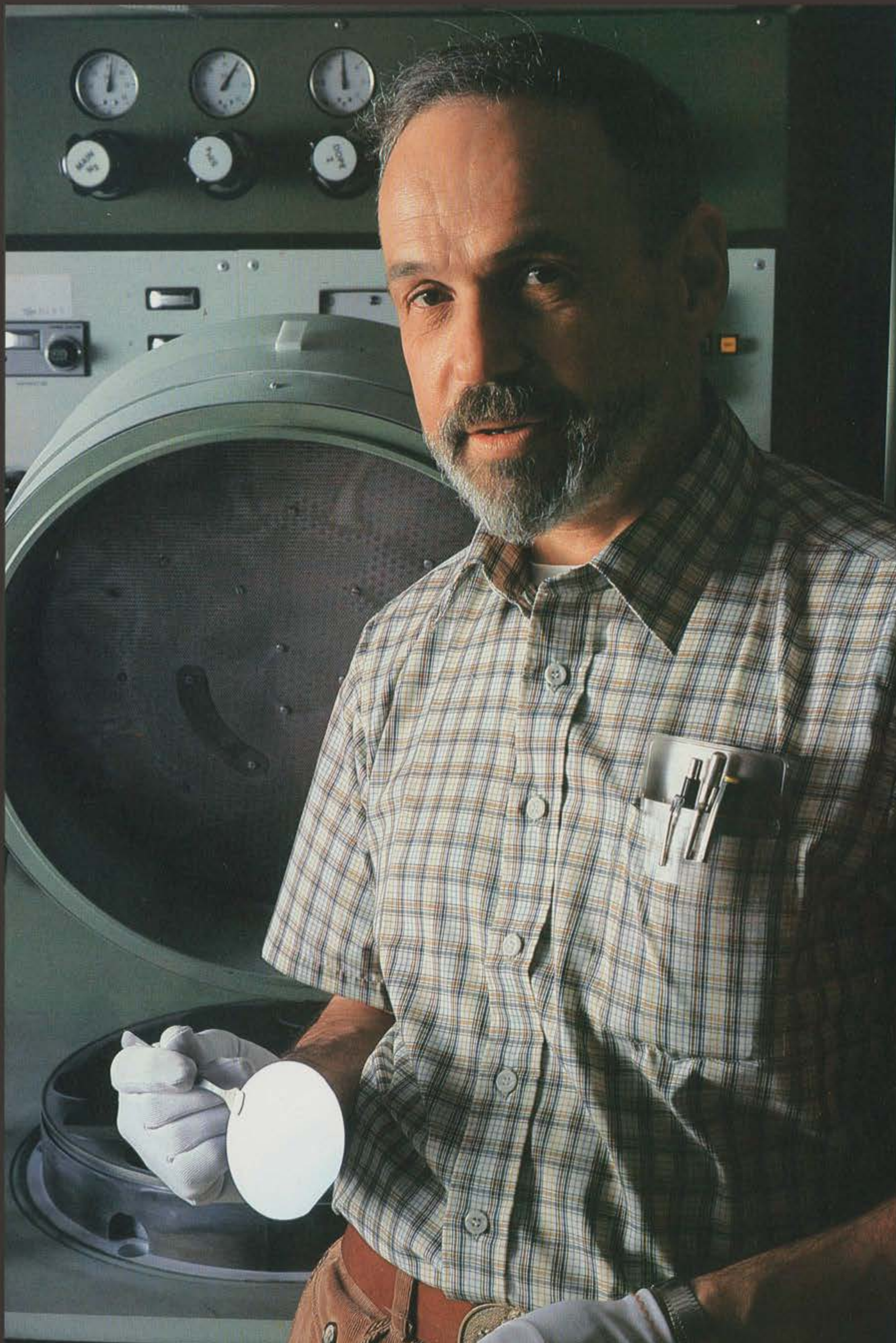
Engineer Jean-Claude Barbarit supervises final tests of logging tools like this high resolution dipmeter in Clamart, France.



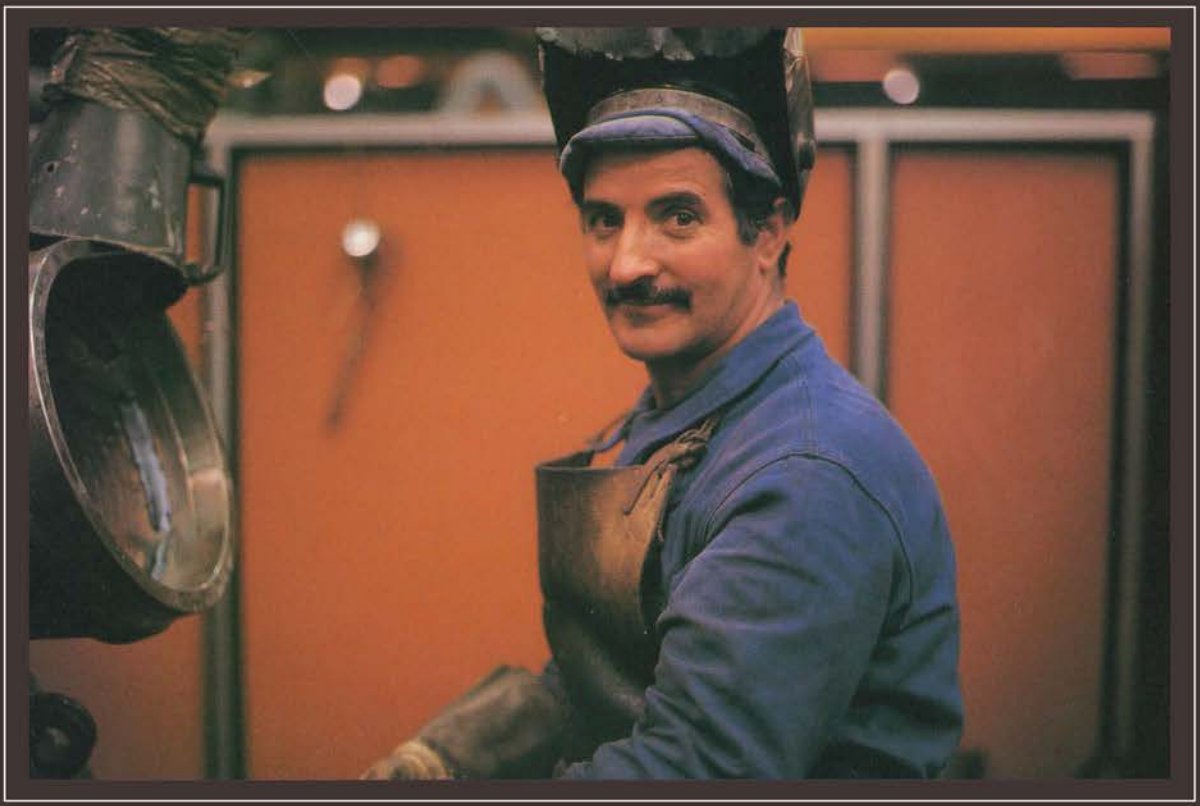
Richard Lyon conducts research on speech recognition at the Fairchild Laboratory for Artificial Intelligence.



Wilmer Clark supervises functional tests of printed-circuit boards before their assembly in a Fairchild digital test system.



William Lehrer applies solid-state chemistry to new ways of connecting elements on Fairchild integrated-circuit chips.



Ameziane Mohad, with Sereg in Lyon, performs critical arc welding on high performance valves used in nuclear plants.

RESULTS OF OPERATIONS

Net income for 1982 was $1.35 billion as compared to $1.27 billion in 1981 and $994 million in 1980. Net income for 1980 included a fourth quarter gain of $70 million or $0.24 per share as a result of the sale of Rowan Companies common stock. Excluding this gain, year-to-year net income growth for 1982, 1981 and 1980 was 6%, 37% and 40%, respectively. Net income per share was $4.60 as compared to $2.30 in 1979.

Oilfield Services operating revenue increased 7% in 1982 as compared to the 35% and 38% growth in 1981 and 1980, respectively. Wireline revenue worldwide grew by 5%. In North America, revenue declined 10% as drilling activity dropped sharply. The number of active drilling rigs at year end declined 35% to 3,134 rigs from the record 4,792 rigs at the end of 1981. During 1982, the average number of active rigs declined 22% to 3,318 rigs. Outside of North America, Wireline revenue grew 21% as compared to the 35% and 45% growth in 1981 and 1980, respectively. Wireline activity in 1982 was strong in the Middle East, Central East Asia and Indonesia/Australasia as revenue increased 28% over 1981. Revenue in Europe, Africa and Latin America increased 16% over last year. Drilling & Production Services revenue, primarily from outside of North America, increased 12%, 28% and 33% in 1982, 1981 and 1980, respectively. Overall rig utilization during 1982 was 79% compared with 91% in 1981 and 93% in 1980.

Measurement, Control & Components operating revenue declined 1% in both 1982 and 1981, after increasing 37% in 1980. A substantial part of the 1980 increase was due to the inclusion of Fairchild results from July 1, 1979. Operating revenue continues to be impacted by the severe recession in the semiconductor industry affecting Fairchild and lower revenue at Measurement & Control-Europe when translated into dollars. These effects were only partially offset by the inclusion of Applicon for the first time in 1982. Revenue at Measurement & Control-Europe expressed in U.S. dollars declined 4% in 1982 and 1981. When expressed in national currencies, revenue improved 13% in 1982 and 18% in 1981. Fairchild revenue declined 6% in 1982 following a 12% decline in 1981 as an increase in volume was more than offset by a substantial drop in prices. Measurement & Control-North America revenue declined 6% in 1982, following increases of 8% and 9% in 1981 and 1980, respectively. For the most part, sales have been adversely affected by the recession, including lower sales to the Wireline. Fairchild Weston Systems revenue improved 21% over 1981 due to higher sales of nuclear instrumentation and defense products. On a comparable basis, including Applicon in 1981, revenue of the Computer Aided Systems group decreased 2% from 1981. MDSI revenue declined 20% from 1981 due to the recession and high interest rates which have depressed capital spending by industrial companies. Applicon revenue increased 14% due primarily to the shipments of the new Series 4000 CAD/CAM products and systems, and a significant increase in customer service revenue resulting from growth in the installed equipment base.

INTEREST INCOME

Interest income reached a high of $254 million in 1982 as compared to $183 million and $135 million in 1981 and 1980, respectively. The 39% increase in 1982 compared to 1981 was due primarily to increased funds available for investment. At the end of 1982, the Company had $2.3 billion in short-term investments, an increase of 38% over 1981.

RESEARCH & ENGINEERING

Research & engineering expenditures were $326 million, $86 million above 1981 and $138 million higher than 1980. Oilfield Services expenditures for research & engineering totaled $138 million, $106 million and $80 million in 1982, 1981 and 1980, respectively. Measurement, Control & Components spent $188 million, $134 million and $108 million for the same years. The largest contributor to the increase in research & engineering was Fairchild with expenditures of $105 million, $74 million and $50 million for 1982, 1981 and 1980, respectively.

TAXES

On a worldwide basis the effective income tax rate was 25%, 31% and 34% for the years of 1982, 1981 and 1980, respectively. The six percentage point decrease in the effective tax rate for 1982 as compared to 1981 resulted primarily from a lower proportion of income earned in high tax countries.

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

INVESTMENTS

In October 1982, the Company acquired for cash a majority interest in Benson S.A. Benson designs and manufactures computer-aided drafting systems in France and the United States.

In September 1982, a subsidiary of the Company, along with Metropolitan Life Insurance Company and an independent privately held company, entered into a limited partnership agreement with J.H. Whitney & Co., a private venture capital investment firm. The subsidiary of the Company has contributed $5 million to the partnership and has committed to invest an additional $10 million over the next two years. A partner in J.H. Whitney & Co. and the former Chairman and Chief Executive Officer of Metropolitan Life Insurance Company are both members of the Schlumberger Limited Board of Directors.

On January 12, 1982, the Company completed the merger of Applicon Incorporated into a subsidiary of the Company. The transaction, which was an exchange of stock, was accounted for as a pooling-of-interests beginning in 1982. The Company issued approximately 4 million shares of its stock in exchange for the outstanding Applicon shares.

On January 21, 1981, the Company completed the merger of Manufacturing Data Systems Inc. (MDSI) into a subsidiary of the Company. The transaction, which was an exchange of stock, was accounted for as a pooling-of-interests beginning in 1981. The Company issued approximately 2.9 million shares of its stock in exchange for the outstanding shares of MDSI.

FIXED ASSETS

Expenditures for fixed assets in 1982 were $1.09 billion compared to $1.06 billion in 1981.
Additions by business sector were as follows:

	1982	1981
	(Stated in millions)	
Oilfield Services		
Wireline	$ 536	$ 526
Drilling & Production Services	266	255
	802	781
Measurement, Control & Components		
Measurement & Control-North America	14	20
Fairchild	188	166
Measurement & Control-Europe	52	67
Computer Aided Systems	35	25
	289	278
Other	3	4
	$1,094	$1,063

COMMON STOCK, MARKET PRICES AND DIVIDENDS PAID 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 paid per share in each quarter of 1982 and 1981 were:

	PRICE RANGE HIGH	PRICE RANGE LOW	DIVIDENDS PAID
1982			
Quarters			
First	$55 7/8	$40	$0.200
Second	49 3/4	37 5/8	0.200
Third	40 1/4	30	0.240
Fourth	47 3/4	33 3/8	0.240
1981*			
Quarters			
First	$78 1/2	$65	$0.167
Second	70 7/8	58	0.167
Third	71	49 1/8	0.200
Fourth	58 7/8	51 5/8	0.200

*Adjusted for three-for-two stock split in June 1981.

The number of holders of record of the Common Stock of the Company at December 20, 1982 was approximately 40,000. There are no legal or charter 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.

CURRENCY

On January 1, 1982, the Company adopted Financial Accounting Standard No. 52—Foreign Currency Translation. As a result of the adoption of this new standard, a significant portion of the Company's non-oilfield operations conducted outside of the United States, primarily in France, are measured in national currencies. The effect of adopting FAS #52 in 1982 is not precisely determinable, however, it is estimated that net income was increased by $18 million ($0.06 per share) over that which would have been reported under the generally accepted method used in previous years (FAS #8). Had FAS #52 been in effect during 1981 and 1980, net income would have been increased by approximately $30 million ($0.11 per share) and $11 million ($0.04 per share), respectively.

FINANCIAL POSITION

At year end, working capital was $2.17 billion, $534 million over the prior year; the current ratio was 2.06 to 1.
Liquidity, which represents cash and short-term investments less debt was $1.35 billion and $962 million at December 31, 1982 and 1981, respectively. The increase in liquidity primarily reflects increased funds generated from operations.

INFORMATION ON EFFECTS OF CHANGING PRICES

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

As the Company measures a significant portion of its operations in currencies other than the U.S. dollar, the information presented has been remeasured under the current cost method only. This method shows the impact on net income that would have occurred if all products sold by the Company were purchased in the current year, and additionally if all fixed assets were completely replaced and depreciated at year-end values. The current cost of fixed assets was calculated using various internally and externally generated price indexes. The current cost amounts of inventory and fixed assets were measured in the functional currency and then translated into U.S. dollars. The effect of general inflation on this information was calculated using indexes which approximate the U.S. CPI (U).

CONSOLIDATED STATEMENT OF INCOME ADJUSTED FOR EFFECTS OF CHANGING PRICES

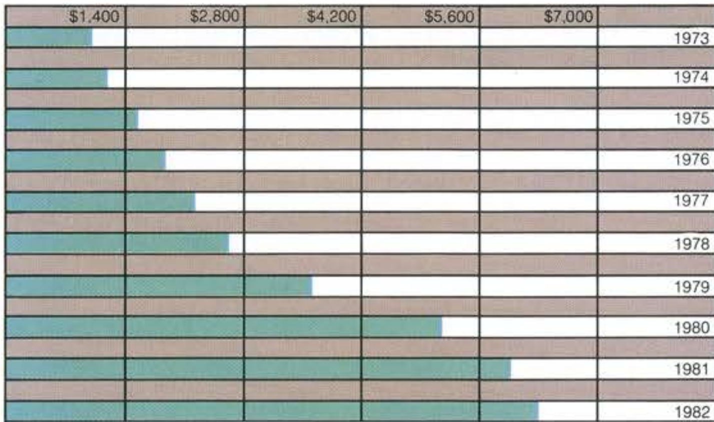
FOR THE YEAR ENDED		DECEMBER 31, 1982
	AS REPORTED	IN CURRENT COSTS
		(Stated in millions)
		(In average 1982 dollars, except "As reported" amounts)
Revenue	$6,284	$6,284
Expense		
Cost of goods sold and services	3,479	3,610
Interest	117	117
Other	889	891
Taxes on income	451	451
Net income	$1,348	$1,215

Note: At December 31, 1982, the current cost of inventories was $692 million and the current cost of fixed assets net of accumulated depreciation was $3.2 billion. Depreciation expense as reported was $584 million; adjusted for current cost, it amounted to $674 million.

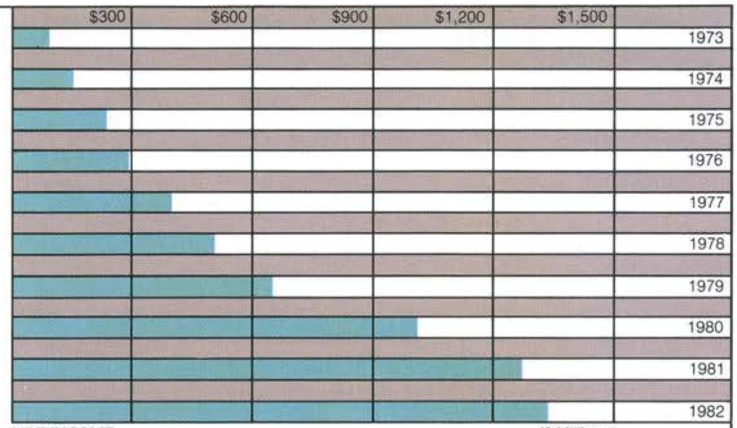
FIVE-YEAR COMPARISON OF SELECTED FINANCIAL DATA ADJUSTED FOR EFFECTS OF CHANGING PRICES

YEAR ENDED DECEMBER 31,	1982	1981	1980	1979	1978
			(In average 1982 dollars, except "As reported" amounts; dollar amounts in millions except per share)		
Revenue					
As reported	$6,284	$5,978	$5,137	$3,641	$2,684
Net income					
As reported	1,348	1,266	994	658	502
In current costs	1,215	1,145	995	722	
Net income per share					
As reported	4.60	4.37	3.47	2.30	1.75
In current costs	4.15	3.95	3.47	2.53	
Excess of inflation over current costs	(9)	(4)	93	49	
Net assets at year end					
As reported	5,226	4,235	3,218	2,400	1,900
In current costs	5,531*	4,818	4,137	3,553	
Average consumer price index	289.2	272.3	246.8	217.4	195.4

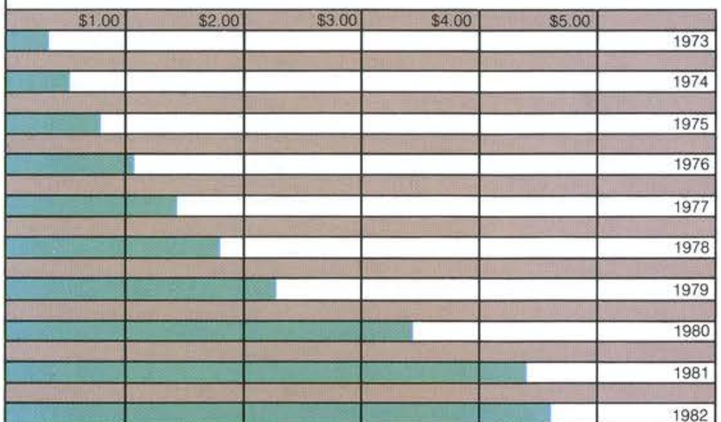
*Translation adjustment as reported was $82 million; adjusted for current cost, it amounted to $110 million.



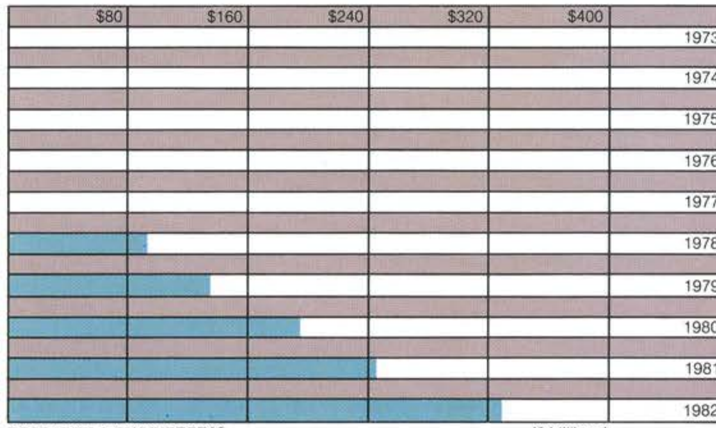
REVENUE ($ Millions)



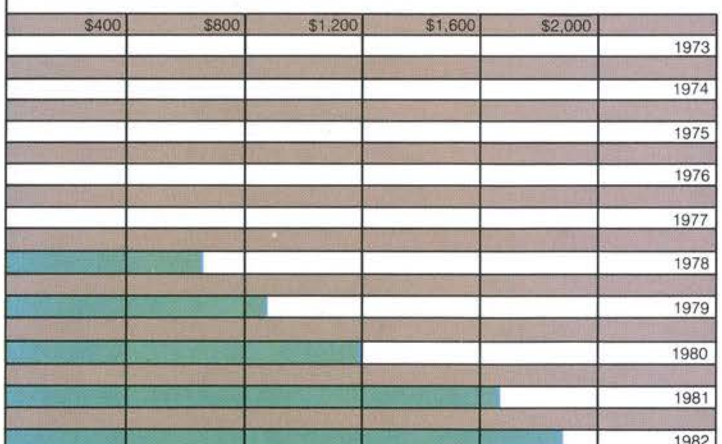
NET INCOME ($ Millions)



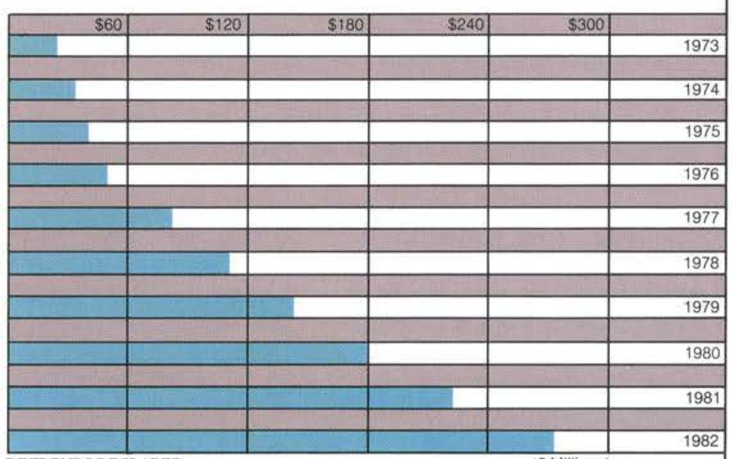
EARNINGS PER SHARE (Dollars)



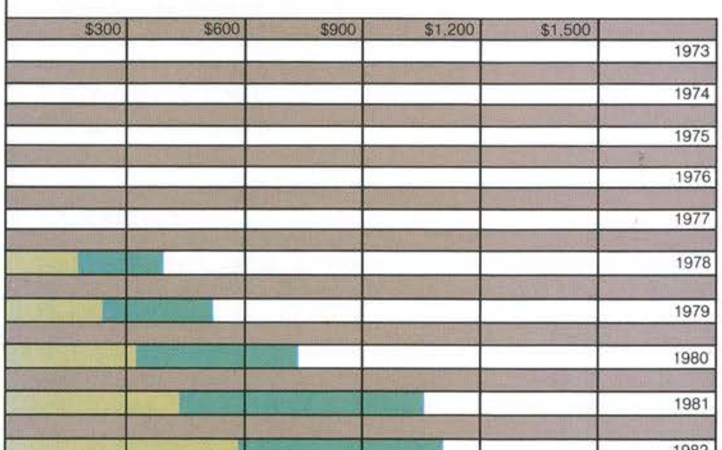
RESEARCH & ENGINEERING ($ Millions)



FUNDS FROM OPERATIONS ($ Millions)

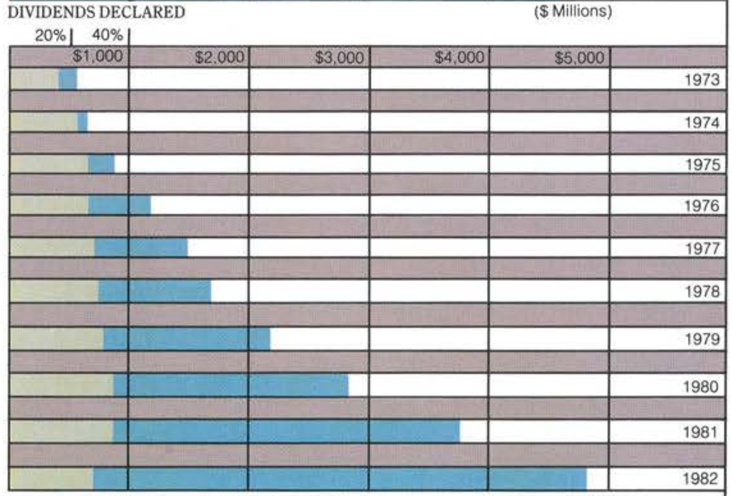


DIVIDENDS DECLARED ($ Millions)



GROSS FIXED ASSETS ($ Millions)

ADDITIONS DEPRECIATION



AVERAGE SHAREHOLDERS' EQUITY ($ Millions)

RETURN ON SHAREHOLDERS' EQUITY (%)

CONSOLIDATED STATEMENT OF INCOME

YEAR ENDED DECEMBER 31,	**1982**	1981	1980
			(Stated in thousands)
REVENUE			
Operating	**$6,025,380**	$5,783,269	$4,883,944
Interest and other income	**258,430**	194,669	153,333
Gain on sale of Rowan shares (before income taxes, $30,131)	**—**	—	99,838
	6,283,810	5,977,938	5,137,115
EXPENSES			
Cost of goods sold and services	**3,478,525**	3,243,837	2,813,089
Research & engineering	**326,458**	240,289	188,152
Marketing	**258,875**	215,100	217,685
General	**303,965**	324,914	299,731
Interest	**116,634**	107,854	101,752
Taxes on income	**451,188**	579,969	522,359
	4,935,645	4,711,963	4,142,768
NET INCOME	**$1,348,165**	$1,265,975	$ 994,347
Net income per share	**$ 4.60**	$ 4.37	$ 3.47
Average shares outstanding (thousands)	**293,119**	289,486	286,146

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SCHLUMBERGER LIMITED (SCHLUMBERGER N.V.,
INCORPORATED IN THE NETHERLANDS ANTILLES) AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET — ASSETS

DECEMBER 31,	1982	1981
		(Stated in thousands)
CURRENT ASSETS		
Cash	$ 20,267	$ 18,371
Short-term investments	2,302,316	1,663,817
Receivables less allowance for doubtful accounts (1982—$32,327; 1981—$24,854)	1,125,981	1,182,776
Inventories	676,095	612,384
Other current assets	89,549	63,017
	4,214,208	3,540,365
INVESTMENTS IN AFFILIATED COMPANIES	302,632	221,472
LONG-TERM INVESTMENTS AND RECEIVABLES	60,383	49,583
FIXED ASSETS less accumulated depreciation	2,844,077	2,390,909
EXCESS OF INVESTMENT OVER NET ASSETS OF SUBSIDIARIES PURCHASED less amortization	384,444	291,212
OTHER ASSETS	39,921	31,792
	$7,845,665	$6,525,333

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SCHLUMBERGER LIMITED (SCHLUMBERGER N.V., INCORPORATED IN THE NETHERLANDS ANTILLES) AND SUBSIDIARY COMPANIES

DECEMBER 31,	**1982**	1981
		(Stated in thousands)
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	**$ 844,159**	$ 780,066
Estimated liability for taxes on income	**618,503**	623,048
Bank loans	**500,608**	428,894
Dividend payable	**70,204**	57,900
Long-term debt due within one year	**9,392**	13,065
	2,042,866	1,902,973
LONG-TERM DEBT	**462,239**	278,339
OTHER LIABILITIES	**99,273**	90,308
MINORITY INTEREST IN SUBSIDIARIES	**14,843**	19,080
	2,619,221	2,290,700
STOCKHOLDERS' EQUITY		
Common stock	**352,881**	307,210
Deduct Treasury stock at cost	**(300,130)**	(239,889)
Income retained for use in the business	**5,255,693**	4,167,312
Translation adjustment	**(82,000)**	—
	5,226,444	4,234,633
	$7,845,665	$6,525,333

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SCHLUMBERGER LIMITED (SCHLUMBERGER N.V.,
INCORPORATED IN THE NETHERLANDS ANTILLES) AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

	COMMON STOCK					INCOME
	IN TREASURY		ISSUED		TRANSLATION	RETAINED FOR USE IN
	SHARES	AMOUNT	SHARES	AMOUNT	ADJUSTMENT	THE BUSINESS
					(Dollar amounts in thousands)	
Balance, January 1, 1980	14,617,140	$163,525	300,596,328	$268,172		$2,295,680
Purchases for Treasury	205,200	10,208				
Sales to optionees			731,805	13,298		
Net income						994,347
Dividends declared ($0.63 per share)						(179,363)
Balance, December 31, 1980	14,822,340	173,733	301,328,133	281,470		3,110,664
Purchases for Treasury	1,090,750	67,229				
Sales to optionees	(51,554)	(537)	919,432	19,810		
Net income						1,265,975
Issued for MDSI	(2,883,220)	(536)		5,930		12,730
Dividends declared ($0.77 per share)						(222,057)
Balance, December 31, 1981	12,978,316	239,889	302,247,565	307,210		4,167,312
Translation adjustment, opening					$(25,561)	
Translation adjustment, 1982					(56,439)	
Purchases for Treasury	1,569,500	63,279				
Sales to optionees	(137,766)	(1,435)	337,046	7,804		
Net income						1,348,165
Issued for Applicon	(4,005,634)	(1,603)		37,867		9,842
Dividends declared ($0.92 per share)						(269,626)
Balance, December 31, 1982	10,404,416	$300,130	302,584,611	$352,881	$(82,000)	$5,255,693

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

YEAR ENDED DECEMBER 31,	**1982**	1981	1980
			(Stated in thousands)
SOURCE OF WORKING CAPITAL			
Net income	**$1,348,165**	$1,265,975	$ 994,347
Add (deduct) amounts not affecting working capital			
Depreciation and amortization	**596,044**	444,856	335,313
Gain on sale of Rowan shares	**—**	—	(69,707)
Earnings of companies carried at equity less dividends received (1982—$15,272; 1981—$10,022; 1980—$11,249)	**(62,390)**	(54,843)	(46,897)
Other—net	**(20,894)**	(10,841)	(28,355)
Working capital provided from operations	**1,860,925**	1,645,147	1,184,701
Net worth of companies acquired for shares	**49,312**	19,196	—
Increase in long-term debt	**192,047**	61,579	49,605
Retirement and sale of fixed assets	**51,510**	30,626	24,157
Decrease in other long-term investments and receivables	**—**	—	9,265
Proceeds from sale of shares to optionees	**9,239**	20,347	13,298
Proceeds from sale of Rowan shares less related income taxes	**—**	—	136,669
Other—net	**(12,202)**	(13,308)	4,413
Total working capital provided	**2,150,831**	1,763,587	1,422,108
APPLICATION OF WORKING CAPITAL			
Increase in excess of investment over net assets of subsidiaries purchased	**104,029**	—	—
Increase in other long-term investments and receivables	**40,971**	1,408	—
Additions to fixed assets	**1,094,334**	1,063,316	748,235
Dividends declared	**269,626**	222,057	179,363
Reduction of long-term debt	**13,336**	20,941	301,533
Effect of exchange rate changes on working capital	**31,306**	—	—
Purchase of shares for Treasury	**63,279**	67,229	10,208
Total working capital applied	**1,616,881**	1,374,951	1,239,339
NET INCREASE IN WORKING CAPITAL	**$ 533,950**	$ 388,636	$ 182,769
INCREASE IN WORKING CAPITAL CONSISTS OF			
Increase (decrease) in current assets			
Cash and short-term investments	**$ 640,395**	$ 446,295	$ 212,240
Receivables	**(56,795)**	131,984	174,901
Inventories	**63,711**	22,502	101,525
Other current assets	**26,532**	7,870	10,227
(Increase) decrease in current liabilities			
Accounts and dividend payable	**(76,397)**	(59,528)	(92,996)
Estimated liability for taxes on income	**4,545**	19,892	(151,412)
Bank loans and debt due within one year	**(68,041)**	(180,379)	(71,716)
NET INCREASE IN WORKING CAPITAL	**$ 533,950**	$ 388,636	$ 182,769

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SCHLUMBERGER LIMITED (SCHLUMBERGER N.V.,
INCORPORATED IN THE NETHERLANDS ANTILLES) AND SUBSIDIARY COMPANIES

SUMMARY OF ACCOUNTING POLICIES

The Consolidated Financial Statements of Schlumberger Limited have been prepared in accordance with accounting principles generally accepted in the United States. Within those principles, the Company's more important accounting policies are set forth below.

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 Dowell Schlumberger, a 50% owned Oilfield Services company, is included in the individual captions in the Consolidated Statement of Income. Schlumberger's pro rata share of after tax earnings of other equity companies is included in interest and other income.

TRANSLATION OF NON-U.S. CURRENCIES

Effective January 1, 1982, the Company adopted Financial Accounting Standard No. 52 - Foreign Currency Translation. As permitted by this Statement, the Consolidated Financial Statements for years prior to 1982 have not been restated. Under this method, all assets and liabilities recorded in functional currencies other than U.S. dollars are translated at current exchange rates. The resulting adjustments are charged or credited directly to the Stockholders' Equity section of the balance sheet. Stockholders' Equity has been reduced in 1982 by $82 million, of which $25.6 million was the beginning January 1, 1982 translation adjustment resulting from translating at current rates those items previously translated at historical rates. Revenue and expenses are translated at the weighted average exchange rates for the period.

All transaction gains and losses are included in income in the period in which they occur. Transaction gains included in 1982 net income amounted to $11 million as compared to currency exchange losses of $32 million and $19 million in 1981 and 1980, respectively.

SHORT-TERM INVESTMENTS

Short-term investments are stated at cost plus accrued interest, and comprised mainly U.S. dollar time deposits.

INVENTORIES

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

FIXED ASSETS AND DEPRECIATION

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

EXCESS OF INVESTMENT OVER NET ASSETS OF SUBSIDIARIES PURCHASED

Costs in excess of net assets of purchased subsidiaries having an indeterminate life are amortized on a straight-line basis over 40 years. Accumulated amortization was $40 million and $32 million at December 31, 1982 and 1981, respectively.

DEFERRED BENEFIT PLANS

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

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

TAXES ON INCOME

Schlumberger and its subsidiaries compute taxes on income in accordance with the tax rules and regulations of the many taxing authorities where the income is earned. The income tax rates imposed by these taxing authorities vary substantially. Taxable income may differ from pretax income for financial accounting purposes. To the extent that differences are due to revenue or expense items reported in one period for tax purposes and in another period for financial accounting purposes, appropriate provision for deferred income taxes is made. The provisions were not significant in 1982, 1981 or 1980.

Approximately $5.1 billion of consolidated income retained for use in the business at December 31, 1982 represents undistributed earnings of consolidated subsidiaries and Schlumberger's pro rata share of 20%-50% owned companies. It is the policy of the Company to reinvest substantially all such undistributed earnings and, accordingly, no provision is made for deferred income taxes on those earnings considered to be indefinitely reinvested.

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

NET INCOME PER SHARE

Net income per share is computed by dividing net income by the average number of common shares outstanding during the year.

RESEARCH & ENGINEERING

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

GAIN ON SALE OF ROWAN SHARES

During the fourth quarter of 1980, the Company sold common shares of Rowan Companies for a gain of $100 million before income taxes. Income taxes amounting to $30 million are included in the taxes on income caption in the Consolidated Statement of Income. The Company's net income for the year and for the fourth quarter of 1980 was increased by $70 million or $0.24 per share as a result of the sale.

FIXED ASSETS

A summary of fixed assets follows:

DECEMBER 31,	1982	1981
	(Stated in millions)	
Land	$ 65	$ 58
Buildings & improvements	599	509
Machinery and equipment	3,965	3,284
Total cost	4,629	3,851
Less accumulated depreciation	1,785	1,460
	$2,844	$2,391

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

EXCESS OF INVESTMENT OVER NET ASSETS OF SUBSIDIARIES PURCHASED

In 1982, the Company acquired a majority interest in Benson, a privately held company, and has offered to acquire the remaining shares. Total purchase cost is estimated at $54 million. The accounts of Benson have been consolidated with those of Schlumberger effective October 31, 1982. Cost in excess of net assets acquired in the amount of $40 million is being amortized on a straight-line basis over 40 years. In addition, costs of $63 million were incurred relating to preacquisition liabilities of Fairchild.

LONG-TERM DEBT

Long-term debt, excluding amounts due within one year, consisted of the following:

DECEMBER 31,	1982	1981
	(Stated in millions)	
Bank loan due 1988, interest at prime or other money market based rates	$350	$200
Other bank loans	112	78
	$462	$278

Long-term debt at December 31, 1982 is payable principally in U.S. dollars and is due $18 million in 1984, $22 million in 1985, $33 million in 1986, $18 million in 1987 and $371 million thereafter.

LINES OF CREDIT

The Company's principal U.S. subsidiary has a Revolving Credit Agreement with a group of banks. The agreement provides that the subsidiary may borrow up to $600 million until December 31, 1988 at prime or other money market based rates, of which $350 million was outstanding as of December 31, 1982. In addition, at December 31, 1982 the Company had unused short-term lines of credit of $151 million.

COMMON STOCK

Common Stock, par value $1.00 per share, comprised the following number of shares:

DECEMBER 31,	1982	1981
Authorized–500,000,000		
Issued	302,584,611	302,247,565
In Treasury	(10,404,416)	(12,978,316)
Outstanding	292,180,195	289,269,249

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

Options granted by Manufacturing Data Systems and Applicon to its employees and their terms and conditions were assumed by the Company.

Transactions under stock option plans were as follows:

	NUMBER OF SHARES	OPTION PRICE PER SHARE
Outstanding Jan. 1, 1981	3,084,934	$14.09-72.04
Granted	992,550	$54.38-69.42
Assumed from MDSI	333,320	$ 1.56-74.82
Exercised	(963,865)	$ 1.56-57.06
Lapsed or terminated	(144,347)	$ 1.57-69.42
Outstanding Dec. 31, 1981	3,302,592	$ 1.57-74.82
Granted	314,200	$35.06-49.94
Assumed from Applicon	162,269	$ 4.76-56.60
Exercised	(475,336)	$ 1.57-41.83
Lapsed or terminated	(243,090)	$ 1.57-74.82
Outstanding Dec. 31, 1982	3,060,635	$ 1.57-74.72
Exercisable at Dec. 31, 1982	1,361,455	$ 1.57-74.72
Available for grant		
Dec. 31, 1981	11,889,951	
Dec. 31, 1982	11,753,773	

INCOME TAX EXPENSE

The Company is incorporated in the Netherlands Antilles where it is subject to an income tax rate of 3%. The Company and its subsidiaries operate in over 100 taxing jurisdictions with statutory rates ranging up to about 50%. Consolidated operating revenue of $6.0 billion in 1982 shown elsewhere in this report includes $2.4 billion derived from operations within the United States and Canada. On a worldwide basis, the Company's effective income tax rate was 25% in 1982, 31% in 1981 and 34% in 1980.

LEASES AND LEASE COMMITMENTS

Total rental expense was $149 million in 1982, $125 million in 1981 and $93 million in 1980. Future minimum rental commitments under noncancelable leases for years ending December 31 are: 1983–$52 million; 1984–$39 million; 1985–$26 million; 1986–$18 million; and 1987–$13 million. For the ensuing three five-year periods, these commitments decrease from $41 million to $10 million. The minimum rentals over the remaining terms of the leases aggregate $16 million. Noncancelable rental commitments are principally for real estate and office space.

TAX ASSESSMENTS

The U.S. Internal Revenue Service has completed its examinations for the years 1970 through 1978 and, as previously reported, has proposed assessments based upon income from continuing Wireline operations on the outer continental shelf. Similar assessments are expected for years subsequent to 1978. The Company is contesting these assessments.

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

CONTINGENCY

During 1980, a floating hotel, the Alexander Kielland, functioning as a dormitory for offshore work crews in the North Sea, capsized in a storm. The substructure of the floating hotel had been originally built as a drilling rig by an independent shipyard from a design licensed by a subsidiary of the Company. The Company's subsidiary was not involved in the ownership or operation of the drilling rig or in its conversion or use as a floating hotel. The accident has been investigated by a Commission appointed by the Norwegian Government, which has published its report. In October of 1981 and in February of 1982, the Company's subsidiary, the independent shipyard and one of its subcontractors were sued in France by Phillips Petroleum Company Norway and eight others operating as a group in the Ekofisk Field in the North Sea and by the Norwegian insurers of the Alexander Kielland seeking recovery for losses of approximately $115 million resulting from the accident.

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

INVESTMENTS IN AFFILIATED COMPANIES

Investments in affiliated companies are principally 20%-50% owned companies.

At December 31, 1982 and 1981, equity in undistributed earnings of 20%-50% owned companies amounted to $267 million and $204 million, respectively.

PENSION AND DEFERRED BENEFIT PLANS

Expense for pension and deferred benefit plans was $90 million, $77 million and $79 million, and for compulsory contributions for French retirement benefits $24 million, $24 million and $26 million in 1982, 1981 and 1980 respectively.

Actuarial present value of accumulated benefits at January 1, 1982 and 1981 for U.S. and Canadian defined benefit plans was $168 million and $139 million, respectively, substantially all of which were vested. Net assets available for benefits at January 1, 1982 and 1981 for such plans were $229 million and $230 million, respectively.

The assumed rate of return used in determining the actuarial present value of accumulated plan benefits in both years was between 6% and 7%.

SEGMENT INFORMATION

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

Financial information for the years ended December 31, 1982, 1981 and 1980 by industry segment and by geographic area is as follows:

INDUSTRY SEGMENT 1982

(Stated in millions)

	OILFIELD SERVICES	MEASUREMENT CONTROL & COMPONENTS	ADJUST. AND ELIM.	CONSOLIDATED
Operating revenue				
Customers	$4,054	$1,971	$ —	$6,025
Intersegment transfers	—	131	(131)	—
	$4,054	$2,102	$ (131)	$6,025
Operating income	$1,656	$ 34	$ (18)	$1,672
Interest expense				(117)
Interest and other income less other charges—$14				244
Income before taxes				$1,799
Depreciation expense	$ 483	$ 99	$ 2	$ 584
Fixed asset additions	$ 802	$ 289	$ 3	$1,094
At December 31				
Identifiable assets	$3,242	$2,325	$ (95)	$5,472
Corporate assets				2,374
Total assets				$7,846

INDUSTRY SEGMENT 1981

	OILFIELD SERVICES	MEASUREMENT CONTROL & COMPONENTS	ADJUST. AND ELIM.	CONSOLIDATED
Operating revenue				
Customers	$3,788	$1,995	$ —	$5,783
Intersegment transfers	—	124	(124)	—
	$3,788	$2,119	$ (124)	$5,783
Operating income	$1,702	$ 131	$ (25)	$1,808
Interest expense				(108)
Interest and other income less other charges—$49				146
Income before taxes				$1,846
Depreciation expense	$ 351	$ 81	$ 1	$ 433
Fixed asset additions	$ 781	$ 278	$ 4	$1,063
At December 31				
Identifiable assets	$2,873	$2,012	$ (86)	$4,799
Corporate assets				1,726
Total assets				$6,525

INDUSTRY SEGMENT 1980

	OILFIELD SERVICES	MEASUREMENT CONTROL & COMPONENTS	ADJUST. AND ELIM.	CONSOLIDATED
Operating revenue				
Customers	$2,814	$2,070	$ —	$4,884
Intersegment transfers	—	77	(77)	—
	$2,814	$2,147	$ (77)	$4,884
Operating income	$1,184	$ 230	$ (14)	$1,400
Interest expense				(102)
Interest and other income less other charges—$34				119
Gain on sale of Rowan shares				100
Income before taxes				$1,517
Depreciation expense	$ 256	$ 66	$ 1	$ 323
Fixed asset additions	$ 565	$ 178	$ 5	$ 748
At December 31				
Identifiable assets	$2,173	$1,837	$ (48)	$3,962
Corporate assets				1,280
Total assets				$5,242

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

Corporate assets largely comprise short-term investments.

During the years ended December 31, 1982, 1981 and 1980 neither sales to any government nor sales to any single customer exceeded 10% of consolidated operating revenue.

GEOGRAPHIC AREA 1982

(Stated in millions)

	U.S. AND CANADA	FRANCE	OTHER EUROPEAN COUNTRIES	OTHER	ADJUST. AND ELIM.	CONSOLIDATED
Operating revenue						
Customers	$1,954	$632	$824	$2,615	$ —	$6,025
Interarea transfers	424	231	11	365	(1,031)	—
	$2,378	$863	$835	$2,980	$(1,031)	$6,025
Operating income	$ 306	$ 63	$229	$1,068	$ 6	$1,672
Interest expense						(117)
Interest and other income less other charges—$14						244
Income before taxes						$1,799
At December 31						
Identifiable assets	$2,224	$724	$651	$2,077	$(204)	$5,472
Corporate assets						2,374
Total assets						$7,846

GEOGRAPHIC AREA 1981

	U.S. AND CANADA	FRANCE	OTHER EUROPEAN COUNTRIES	OTHER	ADJUST. AND ELIM.	CONSOLIDATED
Operating revenue						
Customers	$2,112	$700	$721	$2,250	$ —	$5,783
Interarea transfers	363	208	10	318	(899)	—
	$2,475	$908	$731	$2,568	$(899)	$5,783
Operating income	$ 603	$ 84	$208	$ 958	$ (45)	$1,808
Interest expense						(108)
Interest and other income less other charges—$49						146
Income before taxes						$1,846
At December 31						
Identifiable assets	$1,971	$702	$485	$1,818	$(177)	$4,799
Corporate assets						1,726
Total assets						$6,525

GEOGRAPHIC AREA 1980

	U.S. AND CANADA	FRANCE	OTHER EUROPEAN COUNTRIES	OTHER	ADJUST. AND ELIM.	CONSOLIDATED
Operating revenue						
Customers	$1,747	$745	$677	$1,715	$ —	$4,884
Interarea transfers	288	180	23	256	(747)	—
	$2,035	$925	$700	$1,971	$(747)	$4,884
Operating income	$ 486	$ 93	$177	$ 657	$ (13)	$1,400
Interest expense						(102)
Interest and other income less other charges—$34						119
Gain on sale of Rowan shares						100
Income before taxes						$1,517
At December 31						
Identifiable assets	$1,563	$714	$401	$1,406	$(122)	$3,962
Corporate assets						1,280
Total assets						$5,242

SUPPLEMENTARY INFORMATION

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

YEAR ENDED DECEMBER 31,	1982	1981	1980
			(Stated in millions)
Operating revenue			
Sales	$2,045	$2,058	$2,128
Services	3,980	3,725	2,756
	$6,025	$5,783	$4,884
Direct operating costs			
Goods sold	$1,383	$1,402	$1,393
Services	2,096	1,842	1,420
	$3,479	$3,244	$2,813

The caption "Interest and Other Income" includes interest income, principally from short-term investments, of $254 million, $183 million and $135 million for 1982, 1981 and 1980, respectively.

Accounts payable and accrued liabilities are summarized as follows:

DECEMBER 31,	1982	1981
		(Stated in millions)
Payroll, vacation and employee benefits	$240	$228
Trade	275	302
Other	329	250
	$844	$780

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders of Schlumberger Limited:

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income, stockholders' equity and changes in financial position present fairly the financial position of Schlumberger Limited and its subsidiaries at December 31, 1982 and 1981, and the results of their operations and the changes in their financial position for each of the three years in the period ended December 31, 1982, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse

New York, New York
February 9, 1983

QUARTERLY RESULTS (UNAUDITED)

The following table summarizes results for each of the four quarters for the years ended December 31, 1982 and 1981:

	OPERATING		NET INCOME	
	REVENUE	GROSS PROFIT*	AMOUNT	PER SHARE
			(Stated in millions)	(Dollars)
Quarters—1982				
First	$1,580	$ 686	$ 354	$1.21
Second	1,550	667	356	1.21
Third	1,455	604	327	1.12
Fourth	1,440	589	311	1.06
	$6,025	$2,546	$1,348	$4.60
Quarters—1981				
First	$1,404	$ 625	$ 271	$0.94
Second	1,414	618	298	1.03
Third	1,398	611	338	1.16
Fourth	1,567	685	359	1.24
	$5,783	$2,539	$1,266	$4.37

*Operating revenue less cost of goods sold and services.

FIVE YEAR SUMMARY

(Amounts in millions except per share amounts)

YEAR ENDED DECEMBER 31,	**1982**	1981	1980*	1979**	1978
SUMMARY OF OPERATIONS					
Revenue					
Oilfield Services	**$4,054**	$ 3,788	$ 2,814	$ 2,037	$ 1,636
Measurement, Control & Components	**1,971**	1,995	2,070	1,513	983
Interest and other income	**259**	195	153	91	65
Gain on sale of Rowan shares	**—**	—	100	—	—
	$6,284	$ 5,978	$ 5,137	$ 3,641	$ 2,684
% Increase over prior year	**5%**	16%	41%	36%	22%
Cost of goods sold and services	**$3,479**	$ 3,244	$ 2,813	$ 2,061	$ 1,499
Operating income					
Oilfield Services	**$1,656**	$ 1,702	$ 1,184	$ 809	$ 648
Measurement, Control & Components	**34**	131	230	189	122
Eliminations	**(18)**	(25)	(14)	(14)	(6)
	$1,672	$ 1,808	$ 1,400	$ 984	$ 764
% Increase over prior year	**(8%)**	29%	42%	29%	21%
Interest expense	**$ 117**	$ 108	$ 102	$ 52	$ 18
Taxes on income	**$ 451**	$ 580	$ 522	$ 355	$ 295
Net income	**$1,348**	$ 1,266	$ 994	$ 658	$ 502
% Increase over prior year	**6%**	27%	51%	31%	25%
Per common share					
Net income	**$ 4.60**	$ 4.37	$ 3.47	$ 2.30	$ 1.75
Cash dividends declared	**$ 0.92**	$ 0.77	$ 0.63	$ 0.49	$ 0.37
SUMMARY OF FINANCIAL DATA					
Net income as % of revenue	**21%**	21%	19%	18%	19%
Return on average stockholders' equity	**28%**	34%	36%	31%	29%
Fixed asset additions	**$1,094**	$ 1,063	$ 748	$ 503	$ 393
Depreciation expense	**$ 584**	$ 433	$ 323	$ 242	$ 184
Average number of shares outstanding	**293**	289	286	286	286
AT DECEMBER 31,					
Working capital	**$2,171**	$ 1,637	$ 1,249	$ 1,066	$ 910
Total assets	**$7,846**	$ 6,525	$ 5,242	$ 4,350	$ 2,930
Long-term debt	**$ 462**	$ 278	$ 238	$ 490	$ 85
Stockholders' equity	**$5,226**	$ 4,235	$ 3,218	$ 2,400	$ 1,900

*Net income includes $70 million after-tax gain ($0.24 per share) on sale of Rowan shares.

**Results of Fairchild were consolidated beginning July 1, 1979. If the accounts had been consolidated for the full year 1979, the Company's revenue would have been $4 billion, with an immaterial effect on net income and net income per share.

DIRECTORS

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

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

ROLAND GENIN *
Chairman of the Executive Committee, Schlumberger

BERNARD HANON
Chairman and Chief Executive Officer, Régie Renault, Paris

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

PAUL LEPERCQ * □
Managing Director, Lepercq International N.V., London

GEORGE DE MENIL
Economist; Senior Visiting Fellow, Council on Foreign Relations, New York City

JEAN RIBOUD * □
Chairman and Chief Executive Officer, Schlumberger

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

PIERRE MARCEL SCHLUMBERGER ○
Attorney, Houston, Texas

NICOLAS SEYDOUX
Chairman and Chief Executive Officer, Gaumont, Paris

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

MICHEL VAILLAUD *
President and Chief Operating Officer, Schlumberger

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

○ Member Audit Committee
* Member Executive Committee
□ Member Finance Committee

OFFICERS

JEAN RIBOUD
Chairman and Chief Executive Officer

MICHEL VAILLAUD
President and Chief Operating Officer

ROLAND GENIN
Chairman of the Executive Committee

ARTHUR LINDENAUER
Executive Vice President—Finance

BERNARD ALPAERTS
Executive Vice President

D. EUAN BAIRD
Executive Vice President

THOMAS C. ROBERTS
Executive Vice President

ROY R. SHOURD
Executive Vice President

DAVID S. BROWNING
Secretary and General Counsel

ARTHUR W. ALEXANDER
Vice President and Director of Personnel

JEAN BABAUD
Vice President

HENRI FREYSS
Vice President

MICHEL GOUILLOUD
Vice President

ALLEN D. KLEIN
Vice President

WILLIAM T. LONG
Vice President

THOMAS A. LONGO
Vice President

ANDRE MISK
Vice President

WILLIAM W. DUNN
Controller

MICHEL SOUBLIN
Treasurer

JAMES A. MACKENZIE
Assistant Secretary

ANDRE LALOUX
Assistant Secretary

MANAGEMENT CHANGES

On December 9, 1982, the Board of Directors announced the following elections:

Michel Vaillaud as President and Chief Operating Officer.

Roland Génin as Chairman of the Executive Committee.

Roy R. Shourd as Executive Vice President responsible for Drilling & Production Services.

STOCK TRANSFER AGENTS
Citibank, N.A.
New York, New York

Bank of the Southwest
Houston, Texas

REGISTRARS
Citibank, N.A.
New York, New York

Bank of the Southwest
Houston, Texas

SCHLUMBERGER STOCK IS LISTED ON THE
New York (trading symbol: SLB)
Paris
London
Amsterdam
Frankfurt
and Swiss
stock exchanges

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

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Milton Glaser Inc.

PHOTOGRAPHY
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PHOTOS ON PAGES 6 AND 9
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