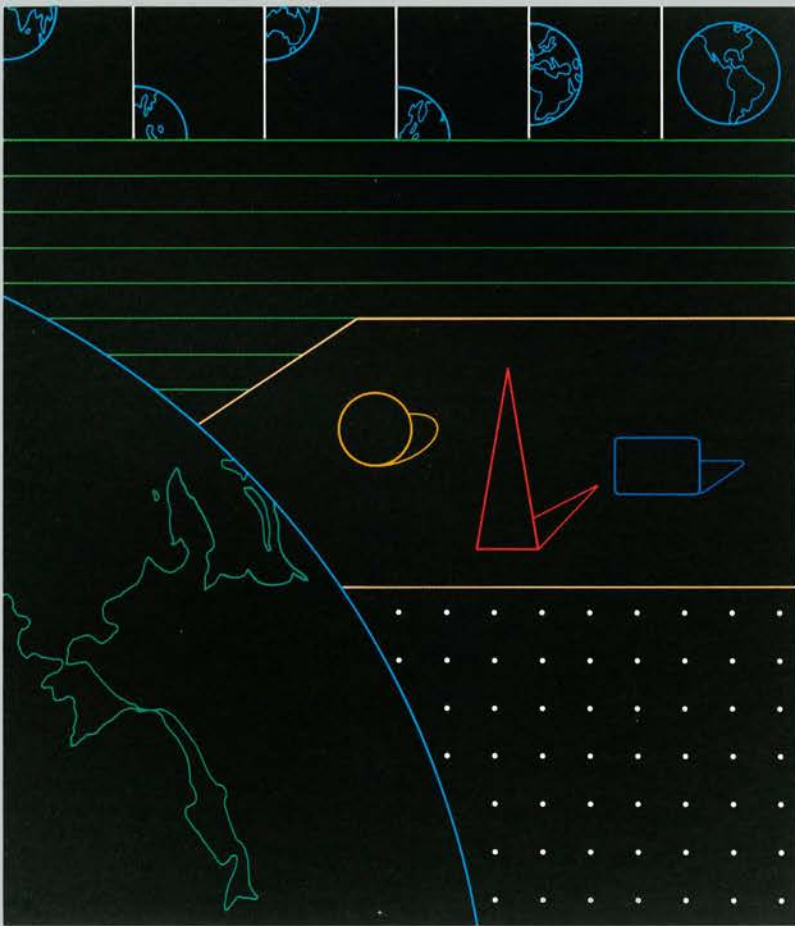
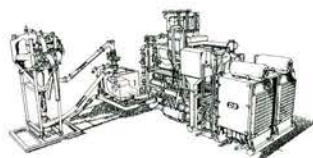


SCHLUMBERGER ANNUAL REPORT 1990





SCHLUMBERGER IN BRIEF

	1990	1989	1988
Operating Revenue	\$ 5,306,217,000	\$ 4,685,995,000	\$ 4,924,522,000
Income before extraordinary item	\$ 570,281,000	\$ 419,954,000 ¹	\$ 453,864,000 ²
Extraordinary item	—	21,500,000	22,287,000
Net income	\$ 570,281,000	\$ 441,454,000	\$ 476,151,000
Income per share:			
Before extraordinary item	\$ 2.40	\$ 1.77 ¹	\$ 1.72 ²
Extraordinary item	—	0.09	0.08
Net income	\$ 2.40	\$ 1.86	\$ 1.80
Dividends declared per share	\$ 1.20	\$ 1.20	\$ 1.20

¹Includes a gain of \$13 million (\$0.05 per share) on the sale of the Defense Systems division of Schlumberger Industries.

²Includes a gain of \$35 million (\$0.13 per share) on the sale of the Electricity Control & Transformers division of Schlumberger Industries.



ed by the continuing recovery in the oil and gas industry, Schlumberger net income and earnings per share increased 29% in 1990. While we fully expect this recovery to continue into 1991, the economic situation in the world has deteriorated recently. A year ago, all we could see was the expansion of world trade, propelled in part by the breakdown of centrally planned economies. Now, war in the Middle East and political chaos in the Soviet Union seem to dominate our horizons. The change of mood in only a few months has been remarkable. In the short term, the going will be rough, particularly for our employees and their families who, throughout the world, endure additional anxieties associated with their personal security.

Just as we warned last year against being too optimistic about short-range events, it is important not to be overly pessimistic today. The general lack of business confidence worldwide and the state of financial institutions, particularly in the U.S., could make the recession worse than it might otherwise have been. However, the industrial base is much healthier compared to previous oil shock-related recessions. Inflation and interest rates are under control and there are few signs of nations resorting to restrictive trading practices. The Pacific rim continues to grow strongly. Europe strides forward toward a federation pulling the countries of Eastern Europe along with it. The main countries of Latin America may have found political leadership capable of realizing the potential of that region. These trends, coupled with growing demand for energy worldwide, provide a strong basis for our future development.

Oilfield revenue gained 20% over 1989 while the worldwide active drilling rig count increased by only 7%. Since 1985, the Schlumberger Oilfield Services group has invested more in research and engineering than all of its competitors combined. As a result, we introduced advanced technology in 1990 that will continue to reinforce growth in the years to come. More than 70 MAXIS 500 units, featuring a new generation of downhole imaging tools, were in operation by year end throughout the world. GECO's technical leadership in 3D marine acquisition has made it our fastest growing oilfield activity. Based on increasing demand, Logging While Drilling (LWD) systems, solidly commercial in the Gulf of Mexico and the North Sea, were introduced in Africa, the Middle East and the Far East. Expansion of LWD and Measurements While Drilling services made Anadrill our second fastest growing oilfield operation. Data Services, led by CHARISMA and ATLANTIS workstations for seismic, reservoir engineering and petrophysical applications, are firmly established in customer offices around the world.

Measurement & Systems grew 12% on a comparable basis in 1990. Schlumberger Industries, building on its leading position in electricity, gas and water meters, expanded further within the European Community. In addition, Schlumberger Industries formed a joint venture with two Hungarian firms for the manufacture and distribution of both electric and gas metering systems, laying a strong foundation on which to build new markets in Eastern Europe. Convinced that sophisticated metering will be on the critical path to improving resource management, Schlumberger Industries is developing automatic meter reading systems, integrated with electronic smart metering devices, to enhance utility company efficiency while encouraging conservation.

Schlumberger Technologies, aided by partnerships with key customers, introduced new automatic test products geared to helping customers improve efficiency in the design, manufacture and test of semiconductor circuits. These products will begin to impact results in 1991. At Electronic Transactions, our fastest growing Measurement & Systems division, Smart Cards & Systems celebrated the production of its 100 millionth smart card.

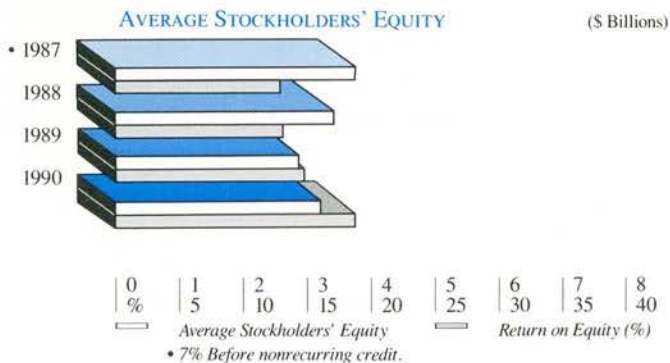
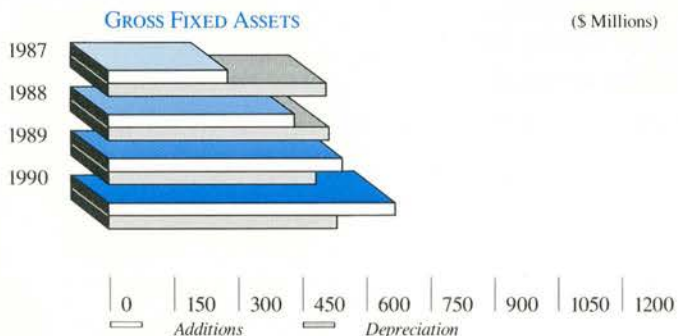
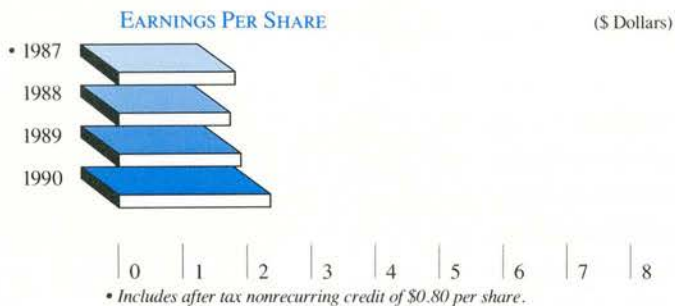
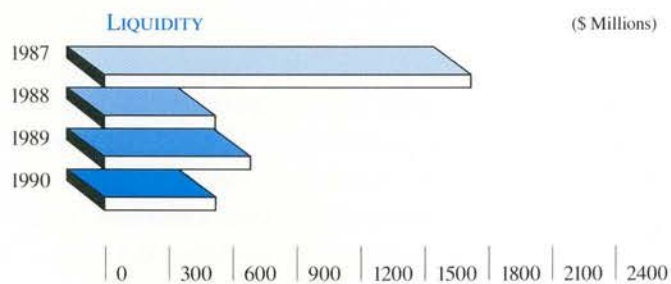
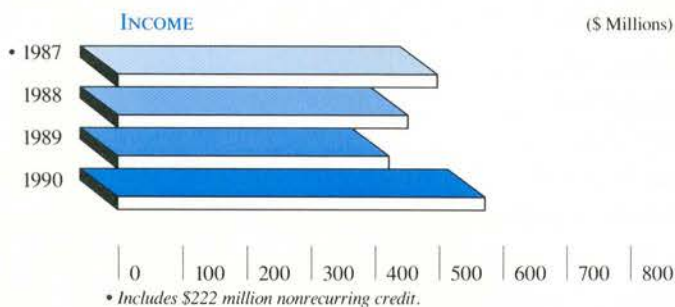
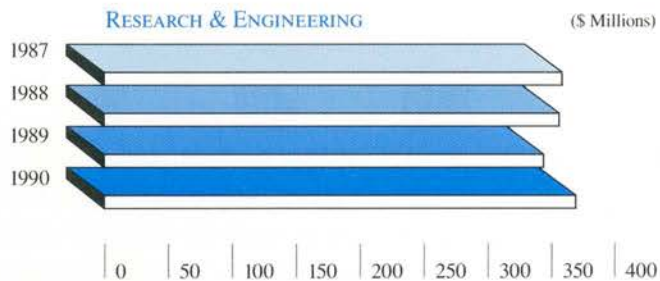
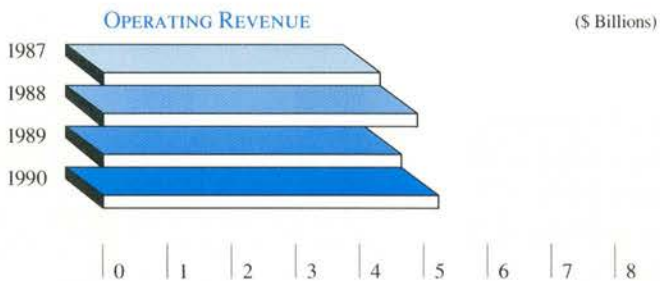
During 1990, we made progress toward our goal of becoming an industry leader in safety and environmental protection. We now have a worldwide Health, Safety and Environment organization headed by an experienced Executive Vice President. Coupled with strong commitment at all levels in the organization, we have increased our investment in training, technology and facilities to continue improving our safety and environmental performance.

Four years ago, we began refocusing Schlumberger on a core group of global technical services and product lines in which we believe we can achieve market leadership. Since then we have divested a total of \$1.3 billion of revenue in businesses that did not meet these criteria. At the same time, we have added \$900 million of new revenue to reinforce the product lines that we have decided to develop. The purchase of 51% of PRAKLA SEISMOS AG in January 1991 is the latest example of this approach. This acquisition gives our seismic operation the critical presence on land that it needs to become a leader in all phases of the seismic business. In addition to these strategic moves, we plan to increase capital spending to approximately \$900 million in 1991, using internal funding, while maintaining our strong liquidity position. This large investment affirms the confidence we have in our technology and the ability of our people to take full advantage of the business opportunities before us.



Euan Baird
Chairman & Chief Executive Officer
February 5, 1991

ALL CHARTS REFER TO CONTINUING OPERATIONS



FINANCIAL REVIEW

Management's Discussion and Analysis of Results of Operations

Operating Revenue	(Stated in millions)		
	1990	1989	1988
Oilfield Services	\$ 3,240	\$ 2,696	\$ 2,721
Measurement & Systems	\$ 2,066	\$ 1,990	\$ 2,204

■ OILFIELD SERVICES

1990 saw a worldwide recovery of oilfield activity spurred by increased global demand and the focus of the oil industry on developing reserves for the future. Schlumberger oilfield revenue in 1990 increased 20% as the average number of active drilling rigs increased 7%. The introduction of new premium-value technology, as well as firmer prices, pushed Schlumberger oilfield revenue growth well ahead of the rig increases. The much improved results posted by all the oilfield operations contrasts with 1989 when worldwide oilfield activity declined and the average number of active drilling rigs fell 8%, influenced by slackening North American drilling. Schlumberger oilfield units continued to benefit from the industry trend in recent years to concentrate activities in areas outside of North America. Profitability improved in all units in 1990.

■ Wireline, Testing & Seismic Services

Revenue in 1990 was 18% above 1989 with improvements in all business segments and geographic areas, including North America. Firmer prices, increased activity and the rapid growth of new services all had a favorable impact on revenues. The new MAXIS 500™ system was successfully introduced in the market during the first quarter. Logging While Drilling services expanded rapidly during the year.

In 1989, revenue was slightly below the prior year as activity improvements in the Eastern Hemisphere and Latin America were offset by a decline in North America.

North America

Revenue in 1990 was 18% higher as the average number of active rigs increased 15% in the U.S. and 6% in Canada for an overall improvement of 14%. Improved revenue was due primarily to higher prices and new services, with expansion in Exclusive Data Services and Logging While Drilling services contributing to the growth. Increased activity was concentrated on land, with remarkable growth in the number of wells drilled horizontally. In November, a subsidiary of the Company acquired FINDER Graphics Inc., a California-based company specializing in archival database software applications for the oil and gas industry.

In 1989, revenue was 18% below 1988 as the average number of active rigs declined 7% in the U.S. and fell 35% in Canada for an overall loss of 12%. However, activity began to pick up strongly in the second half of 1989 when the average rig count in the fourth quarter exceeded that of the previous year by 10%.

Eastern Hemisphere and Latin America

(Australasia, Africa, Far East, Middle East, Europe, Latin America)

Despite a 1% decline in the average number of active rigs, revenue in 1990 increased 11% as a result of firmer pricing and strong activity gains in all areas, except the Middle East, which increased slightly. Strong well testing and new evaluation services contributed to the improvement, and emphasis was placed on the successful introduction of new technologies and further expansion in the Exclusive Data Services segment.

In 1989, revenue grew 3%, despite a 4% drop in the average number of active drilling rigs.

Seismic Services

GECO revenue grew 56% in 1990 due in part to strong gains in marine and land acquisition activity. Marine seismic activity was well ahead, reflecting improved vessel utilization and strengthened prices. GECO operated 17 seismic vessels worldwide which represented an increase of one over the prior year. In May, Delft Geophysical B.V., a Dutch land and marine seismic company, was acquired by a subsidiary of the Company. In addition, on January 2, 1991, a subsidiary of the Company purchased 51% of the shares of PRAKLA SEISMOS AG, a state-owned German seismic company. Under the purchase agreement, Schlumberger immediately assumed management control and committed to purchase the remaining 49% interest on or before January 1, 1993. The resulting combined activity will operate as GECO-PRAKLA.

In 1989, GECO revenue increased 8%, reflecting stronger marine seismic activity, mainly in the Gulf of Mexico and the Far East.

■ Drilling & Pumping Services

Drilling & Pumping Services revenue increased 25% over 1989 reflecting higher demand for pressure pumping workover services on rigless wells and the recovery of U.S. land drilling over the depressed level of a year ago. Pumping services revenue increased 23%, and the 43% increase in Anadrill's Measurements While Drilling (MWD) services added to the overall improvement.

In 1989, revenue was level with 1988.

Sedco Forex

Revenue in 1990 was up 24% as a direct result of higher rig utilization and improved dayrates. The average Sedco Forex offshore rig utilization rate rose from 77% in 1989 to 81% in 1990. This compares favorably to the overall drilling industry offshore average, which increased from 68% in 1989 to 77% in 1990. The average utilization rate for all Sedco Forex rigs during the year improved from 64% in 1989 to 72% in 1990.

In 1989, Sedco Forex revenue was down 7%, reflecting lower activity in Africa and Europe, and cessation, late in 1988, of unprofitable land drilling operations in North America.

At year end 1990, the Sedco Forex fleet consisted of 71 drilling rigs (37 offshore and 34 land). During 1990, one tender and one swamp barge were acquired as well as the remaining 50% interest in one semisubmersible. Two offshore units and one land rig were sold. In February 1991, a subsidiary of the Company acquired six drilling rigs from the Techfor Cosifor group.

Anadrill

Worldwide revenue increased 34% in 1990, following the 13% increase of 1989. North American revenue was up 44%, primarily from horizontal drilling activity. Revenue increased 31% in the Eastern Hemisphere and Latin America, led by substantial growth of MWD services, particularly in the North Sea and the Far East. A slim-hole MWD tool was introduced primarily to aid in horizontal drilling, a rapidly expanding market.

Dowell Schlumberger (50% owned)

Dowell Schlumberger worldwide revenue increased 22%, following a 4% increase in 1989.

In North America, revenue was 23% higher, with broad-based improvements in all areas, particularly in the Gulf of Mexico, Alaska and gas-driven activity in Alabama and the Central Rockies. Outside North America, revenue increased 22%, with strong activity in all regions, particularly Africa and Latin America.

New products introduced in 1990 included encapsulated breakers, developed and patented by Dowell Schlumberger, and the WELLCLEAN™ Service. Both products have received enthusiastic industry response.

■ MEASUREMENT & SYSTEMS

Revenue increased 4% in 1990 following a 10% decrease in 1989. However, on a comparable basis, adjusted for businesses acquired or sold, revenue was up 12% in 1990 and up 1% in 1989. Results improved at all units in Schlumberger Industries; however, the loss at Schlumberger Technologies increased.

■ *Schlumberger Industries*

Measured in U.S. dollars and on a comparable basis, revenue rose by 17% in 1990 and was level in 1989; orders were up 14% in 1990 but down 3% in 1989.

Electricity Management

In 1990, revenue and orders, as adjusted for businesses acquired, increased by 13% and 7%, respectively, compared to 1989's level revenue and 1% decline in orders.

Sustained growth continued in France (in particular from new non-residential products), Spain, Indonesia and Malaysia. Improvements also occurred in Latin America reflecting, in part, the high levels of inflation at the beginning of the year. In the U.K., increased demand for prepayment meters only partially compensated for a lower market in traditional meters resulting from the weak economy and uncertainties over electricity board privatization. Current year revenue included delivery of the first container scanner to the French civil aviation authorities.

Revenue in the U.S. increased due to improved pricing on residential single-phase meters and to a significant export order for industrial time-of-use meters. In Canada, however, increased exports were insufficient to offset the decline in domestic business where housing starts were below prior year levels.

During the year, the business was strengthened by the acquisition of AVE SUD S.p.A., an Italian manufacturer of circuit breakers, and the acquisition of joint-venture majority ownership of a manufacturer of electricity meters and load management products in Hungary.

Water & Gas

In 1990, revenue and orders, as adjusted for businesses acquired, were up 20% and 22%, respectively. In 1989, revenue increased 2% while orders decreased 3%.

Outside North America, revenue grew with strong demand for residential water and gas meters in France and heat meters in Germany. Demand was also higher in the U.K., where the gas business signed a three-year contract with a major utility.

In North America, water meter revenue grew substantially with improved market share. In 1990, growth was also recorded in gas product sales, following strong bookings of regulators that simplify gas meter installation.

Geographical expansion within the European Community continued in 1990 with the acquisition of the Italian companies Thermodyne Impianti S.r.l. and Tecnofluid S.r.l., manufacturers of gas pressure regulators, and a majority ownership in Rombach, a major manufacturer of gas products in Germany.

Transducers, Techniques & Production

Revenue in 1990 increased 13% while orders increased 8%.

Transducers sales improved, reflecting the introduction of the new mass-flowmeters, densitometers and linear variable differential transformers. The market, however, was affected by reduced military aerospace programs and lower demand by the car industry.

■ *Schlumberger Technologies*

The Schlumberger Technologies group is comprised of four divisions: Automatic Test Equipment – Components, Automatic Test Equipment – Systems, Computer Aided Design & Manufacturing and Electronic Transactions.

Revenue on a comparable basis, as adjusted for businesses acquired and sold, increased 3% in 1990 and 2% in 1989. Electronic Transactions registered the best performance with excellent growth in all product lines. Automatic Test Equipment suffered from delayed introductions of the new generation component and board testers.

Automatic Test Equipment – Components

Revenue and orders declined slightly from 1989. Demand from U.S. semiconductor manufacturers continued to decline; however, Europe showed gains despite product introduction delays. Significant inroads were made in Japan, with particular success in sales of diagnostic systems.

Automatic Test Equipment – Systems

In 1990, revenue declined 8% and orders improved 5% compared to 1989. Following its introduction in 1989, the first S790 Board Tester was customer accepted in August 1990 and, at the end of the year, seven more were shipped. 1990 saw solid growth in the radio frequency/telecommunications product lines, while the General Instruments business, which did not fit into the long-term plan, was sold.

Computer Aided Design & Manufacturing

Revenue was down 3% compared to the previous year, and orders decreased 8%. European revenue increased 22%, while North America reported substantially lower revenue. In October, an agreement was reached to subcontract all hardware service business in North America to Digital Equipment Corporation.

Electronic Transactions

Revenue gained 48% in 1990, while orders were up 46%. The strong growth reflected both higher demand for products and the acquisitions of gasoline dispensers manufacturers Schwelm Tanksysteme GmbH in Germany and Dunclare Dispensers Ltd. in the U.K. Excluding these acquisitions, revenue and orders increased 25% and 24%, respectively.

Net Income

(Stated in millions except per share amounts)

	1990		1989		1988	
	Amount	Per Share	Amount	Per Share	Amount	Per Share
Before extraordinary item	\$570	\$2.40	\$420	\$1.77	\$454	\$1.72
Extraordinary item	-	-	21	0.09	22	0.08
Net Income	\$570	\$2.40	\$441	\$1.86	\$476	\$1.80

Income before extraordinary item in 1989 included a \$13 million (\$0.05 per share) after-tax gain on the sale of Defense Systems; 1988 included a \$35 million (\$0.13 per share) after-tax gain on the sale of Electricity Control & Transformers.

Excluding the unusual items described above, income before extraordinary item was up \$163 million in 1990, primarily from higher earnings in the Oilfield Services groups. Net income for Wireline, Testing & Seismic Services and Drilling & Pumping Services increased substantially over the previous year. Results for the Measurement & Systems groups were mixed with Schlumberger Industries reporting higher income and Schlumberger Technologies reporting significantly higher losses than in 1989.

Net income in 1989 and 1988 also included extraordinary gains of \$21 million (\$0.09 per share) and \$22 million (\$0.08 per share), respectively. These gains resulted from awards 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.

Interest and Other Income

Interest and other income included a 1989 gain of \$13 million on the sale of Defense Systems, and a 1988 gain of \$35 million on the sale of Electricity Control & Transformers. Excluding the gain on the sale of Defense Systems, interest and other income declined \$17 million in 1990 due substantially to lower interest income. The decline in interest income resulted from reduced average principal invested while average yield remained about the same.

Interest Expense

Interest expense declined \$9 million in 1990 and \$33 million in 1989. These reductions were primarily due to lower average outstanding debt (primarily in the U.S.). In 1989, proceeds from the sale of businesses were used to repay debt.

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:

	(Stated in millions)		
	1990	1989	1988
Income before extraordinary item	\$ 570	\$ 420	\$ 454
Depreciation & amortization	552	520	552
Other	(110)	(53)	(89)
	1,012	887	917
Increase in working capital requirements	(34)	(112)	(95)
Fixed asset additions	(675)	(549)	(455)
Dividends paid	(286)	(285)	(325)
Other	32	23	59
Increase (decrease) from ongoing operations	49	(36)	101
Purchase of Treasury shares	(82)	(59)	(1,207)
Proceeds from employee stock plans	63	40	-
Purchase of GECO common stock	(53)	-	(157)
Businesses acquired	(148)	(93)	-
Proceeds on sale of businesses	36	273	70
Extraordinary item	-	50	-
Other	(46)	(22)	(11)
Net (decrease) increase in liquidity	\$ (181)	\$ 153	\$(1,204)
Liquidity - end of period	\$ 527	\$ 708	\$ 555

The decrease in liquidity in 1990 resulted primarily from the purchase of GECO common stock and the acquisition of other businesses. The increase in liquidity in 1989 resulted primarily from the sales of the Defense Systems and Graphics businesses, partially offset by the acquisition of the Thorn U.K. Gas business: net effect \$180 million. The decline in liquidity in 1988 reflected the purchase of Treasury shares, including the "Dutch Auction" completed in 1988 under which the Company purchased 30.5 million common shares at a total cost of \$1.07 billion.

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

■ *Research & Engineering*

Expenditures by business sector were as follows:

	<i>(Stated in millions)</i>		
	1990	1989	1988
Oilfield Services			
Wireline, Testing & Seismic Services	\$ 172	\$ 163	\$ 159
Drilling & Pumping Services	45	35	33
	217	198	192
Measurement & Systems			
Schlumberger Industries	78	70	80
Schlumberger Technologies	78	71	81
	156	141	161
	\$ 373	\$ 339	\$ 353

■ *Fixed Assets*

Additions by business sector were as follows:

	<i>(Stated in millions)</i>		
	1990	1989	1988
Oilfield Services			
Wireline, Testing & Seismic Services	\$ 409	\$ 325	\$ 264
Drilling & Pumping Services	151	126	86
	560	451	350
Measurement & Systems			
Schlumberger Industries	77	65	67
Schlumberger Technologies	36	32	37
	113	97	104
Other	2	1	1
	\$ 675	\$ 549	\$ 455

It is anticipated that expenditures for fixed assets in 1991 will significantly exceed 1990 levels, principally in the Oilfield Services segment.

■ *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 1990 and 1989 were:

	Price Range		Dividends Declared
	High	Low	
1990			
Quarters			
First	\$ 53	\$ 43½	\$ 0.30
Second	59¾	49⅝	0.30
Third	69⅞	55¾	0.30
Fourth	63⅞	51⅝	0.30
1989			
Quarters			
First	\$ 39⅞	\$ 32	\$ 0.30
Second	41¼	36¾	0.30
Third	45¾	39¼	0.30
Fourth	50½	40⅞	0.30

The number of holders of record of the Common Stock of the Company at December 17, 1990 was approximately 32,000. There are no legal restrictions on the payment of dividends or ownership or voting of such shares. U.S. 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,	<i>(Stated in thousands except per share amounts)</i>		
	1990	1989	1988
<i>Revenue</i>			
Operating	\$ 5,306,217	\$ 4,685,995	\$ 4,924,522
Interest and other income	127,430	157,711	250,850
	5,433,647	4,843,706	5,175,372
<i>Expenses</i>			
Cost of goods sold and services	3,731,454	3,342,102	3,528,114
Research & engineering	372,736	339,073	352,568
Marketing	262,152	268,343	302,918
General	282,222	267,759	274,658
Interest	86,686	95,741	128,602
Taxes on income	128,116	110,734	134,648
	4,863,366	4,423,752	4,721,508
<i>Income before Extraordinary Item</i>	570,281	419,954	453,864
<i>Extraordinary Item</i>	—	21,500	22,287
<i>Net Income</i>	\$ 570,281	\$ 441,454	\$ 476,151
<i>Income per share:</i>			
Before extraordinary item	\$ 2.40	\$ 1.77	\$ 1.72
Extraordinary item	—	0.09	0.08
Net income	\$ 2.40	\$ 1.86	\$ 1.80
Average shares outstanding (thousands)	238,056	237,859	264,199

*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,	1990	1989
<i>Current Assets</i>		
Cash	\$ 47,851	\$ 53,913
Short-term investments	1,276,508	1,299,560
Receivables less allowance for doubtful accounts (1990 – \$47,732; 1989 – \$52,137)	1,259,127	1,103,609
Inventories	570,598	509,919
Other current assets	92,451	63,781
	3,246,535	3,030,782
<i>Investments in Affiliated Companies</i>	331,761	296,036
<i>Long-Term Investments and Receivables</i>	217,276	169,709
<i>Fixed Assets</i> less accumulated depreciation	1,911,379	1,647,833
<i>Excess of Investment Over Net Assets of Companies Purchased</i> less amortization	401,372	274,401
<i>Other Assets</i>	67,327	63,025
	\$ 6,175,650	\$ 5,481,786
 <i>Liabilities and Stockholders' Equity</i>		
<i>Current Liabilities</i>		
Accounts payable and accrued liabilities	\$ 1,337,978	\$ 1,137,986
Estimated liability for taxes on income	559,418	583,930
Bank loans	377,377	296,128
Dividend payable	71,831	71,600
Long-term debt due within one year	88,113	57,029
	2,434,717	2,146,673
<i>Long-Term Debt</i>	331,746	292,487
<i>Other Liabilities</i>	154,371	144,714
	2,920,834	2,583,874
<i>Stockholders' Equity</i>		
Common stock	437,532	410,343
Income retained for use in the business	5,161,912	4,877,367
Treasury stock at cost	(2,393,176)	(2,349,633)
Translation adjustment	48,548	(40,165)
	3,254,816	2,897,912
	\$ 6,175,650	\$ 5,481,786

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,	<i>(Stated in thousands)</i>		
	1990	1989	1988
Cash flows from operating activities:			
Net income	\$ 570,281	\$ 441,454	\$ 476,151
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	552,297	519,727	552,162
Earnings of companies carried at equity, less dividends received (1990 – \$13,500; 1989 – \$49,023; 1988 – \$20,660)	(52,926)	11,479	(514)
Gain on sale of subsidiaries	(7,342)	(12,783)	(34,871)
Extraordinary gain	–	(21,500)	(22,287)
Provision for losses on accounts receivable	(601)	9,813	17,355
Other adjustments	(49,933)	(60,661)	(51,613)
Change in operating assets and liabilities:			
(Increase) decrease in receivables	(46,109)	(96,981)	96,340
Decrease (increase) in inventory	18,674	(1,281)	(4,672)
Increase (decrease) in accounts payable and accrued liabilities	68,810	11,214	(65,118)
Decrease in estimated liability for taxes on income	(39,635)	(8,147)	(64,665)
Other – net	(35,931)	(21,408)	1,789
Net cash provided by operating activities	977,585	770,926	900,057
Cash flows from investing activities:			
Purchases of fixed assets	(675,412)	(548,554)	(455,353)
Sales of fixed assets	35,560	42,153	76,804
Proceeds from sale of subsidiaries	36,029	236,000	62,900
Investment in affiliated company	–	–	(25,000)
Proceeds from extraordinary item	–	50,151	–
Payment for purchase of businesses	(92,941)	–	–
Payment for purchase of GECO A.S. common stock	(53,079)	–	(100,164)
Payment for purchase of Thorn Gas Metering (U.K.)	–	(93,383)	–
Decrease in short-term investments	28,086	108,397	1,244,627
Decrease (increase) in long-term investments and receivables	9,979	1,188	(67,988)
Investment in Compagnie Générale des Eaux debentures (1990 & 1988), shares (1989)	(31,718)	(20,332)	(13,336)
Net cash (used in) provided by investing activities	(743,496)	(224,380)	722,490
Cash flows from financing activities:			
Dividends paid	(285,505)	(285,423)	(325,415)
Purchase of shares for Treasury	(81,776)	(59,415)	(1,206,578)
Proceeds from employee stock purchase plan	26,884	26,276	–
Proceeds from exercise of stock options	35,725	13,513	318
Proceeds from issuance of long-term debt	146,145	124,115	106,863
Payments of principal on long-term debt	(106,310)	(135,527)	(179,516)
Net increase (decrease) in short-term debt	24,686	(311,446)	(33,622)
Proceeds from issuance of long-term debt relating to Thorn Gas Metering (U.K.)	–	93,604	–
Net cash used in financing activities	(240,151)	(534,303)	(1,637,950)
Net (decrease) increase in cash	(6,062)	12,243	(15,403)
Cash, beginning of year	53,913	41,670	57,073
Cash, end of year	\$ 47,851	\$ 53,913	\$ 41,670

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)

	<i>Common Stock</i>				<i>Translation Adjustment</i>	<i>Income Retained for Use in the Business</i>
	<i>Issued</i>		<i>In Treasury</i>			
	<i>Shares</i>	<i>Amount</i>	<i>Shares</i>	<i>Amount</i>		
Balance, January 1, 1988	303,473,680	\$ 423,816	31,263,347	\$ 1,146,520	\$ (1,580)	\$ 4,560,168
Translation adjustment, 1988					(45,060)	
Purchases for Treasury			34,498,650	1,206,578		
Tax benefit on stock options		9,300				
Sales to optionees less shares exchanged	1,100	(217)	(10,634)	(535)		
Net income						476,151
Dividends declared (\$1.20 per share)						(314,997)
Balance, December 31, 1988	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

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. Stockholders' Equity in 1990 and 1989 increased \$89 million and \$6 million, respectively, and decreased \$45 million in 1988. 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 \$19 million, \$19 million and \$15 million in 1990, 1989 and 1988, 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, 1990, significant outstanding contracts were to purchase 9 million U.K. pounds, 150 million French francs, 364 million Norwegian kroner, 12 billion Italian lire, and 24 million Dutch guilders at the forward rates on the dates the contracts were entered. These contracts mature on various dates in 1991.

Short-Term Investments

Short-term investments are stated at cost plus accrued interest, which approximates market, and comprised mainly Eurodollar certificates of deposit 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

Costs in excess of net assets of purchased companies are amor-

tized on a straight-line basis over periods ranging from 10 to 40 years. Accumulated amortization was \$66 million and \$47 million at December 31, 1990 and 1989, 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 1990, 1989 or 1988.

Approximately \$1.5 billion of consolidated income retained for use in the business at December 31, 1990 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 that 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 December 1987, Financial Accounting Standard No. 96—Accounting for Income Taxes was issued by the Financial Accounting Standards Board. As permitted by FAS No. 96, the Company and its subsidiaries implemented this Standard on January 1, 1989. 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 did not have a material effect on the Company's consolidated 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 that may result from such expenditures.

■ *Extraordinary Item*

In June 1989 and December 1988, Sedco Forex, the Company's drilling services operation, received awards from the Iran-U.S. Claims Tribunal of \$21 million (net of expenses) and \$22 million, respectively, relating to Iran's seizure of SEDCO, Inc's civil and mechanical engineering and construction businesses prior to its acquisition by the Company.

■ *Acquisitions*

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. Costs in excess of net assets acquired (goodwill) are 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.

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. Accordingly, the acquisition will be accounted for as a purchase and the accounts will be fully consolidated with those of the Company. Net assets acquired included \$98 million of debt.

In February 1991, a subsidiary of the Company acquired six drilling rigs from the Techfor Cosifor group for \$90 million.

■ *Fixed Assets*

A summary of fixed assets follows:

December 31,	<i>(Stated in millions)</i>	
	1990	1989
Land	\$ 66	\$ 60
Buildings & improvements	694	612
Machinery and equipment	5,261	4,901
Total cost	6,021	5,573
Less accumulated depreciation	4,110	3,925
	\$ 1,911	\$ 1,648

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

■ *Investments in Affiliated Companies*

Investments in affiliated companies at December 31, 1990 comprised mainly the Company's 50% investments in the worldwide Dowell Schlumberger business (\$262 million) and several 50% owned joint ventures of Sedco Forex.

Equity in undistributed earnings of all 50% owned companies at December 31, 1990 and 1989 amounted to \$73 million and \$49 million, respectively.

■ *Long-Term Debt*

Long-term debt of \$332 million is primarily denominated in U.S. dollars, Norwegian kroner, Italian lire, U.K. pounds and German marks at money market based rates varying up to 15%.

Long-term debt at December 31, 1990 is due \$98 million in 1992, \$53 million in 1993, \$123 million in 1994, \$39 million in 1995 and \$19 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, 1990, interest rate swap agreements were outstanding with commercial banks having a total notional principal amount of \$125 million. These agreements mature in 1991. During 1990, interest rate swap agreements reduced consolidated interest expense by \$1 million. The exposure in the event of nonperformance by the other parties to the agreements is not significant.

■ *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, 1990, the Company and its subsidiaries had available unused short-term lines of credit of approximately \$814 million.

■ *Capital Stock*

The Company is authorized to issue 500,000,000 shares of Common Stock, par value \$0.01 per share, of which 238,125,129 and 237,655,521 shares were outstanding on December 31, 1990 and 1989, 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.

In 1988, the Company completed a "Dutch Auction" tender offer under which it purchased 30.5 million shares of Common Stock at \$35 per share. Including related expenses, the total cost amounted to \$1.07 billion.

Also in 1988, the Company adopted 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 1990, 797,041 shares were purchased under the Plan.

In 1989, the Company adopted the Schlumberger 1989 Stock Incentive Plan, under which stock incentives may be granted until January 25, 1999. The number of shares that may be issued under the 1989 Plan cannot exceed 10,000,000 shares. No shares were granted after May 7, 1989 under the 1979 Plans.

With shareholder approval, in 1989 the Company cancelled outstanding options ranging in price from \$42.75 to \$74.72 and regranted options at a price of \$40.063 per share. In the table below, options granted and lapsed/cancelled include 1,349,733 of such shares.

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

Transactions under stock option plans were as follows:

	Number Of Shares	Option Price Per Share
Outstanding Jan. 1, 1989	7,481,615	\$ 4.76–74.72
Granted	1,732,933	\$ 40.06–41.88
Exercised	(422,408)	\$ 4.76–40.06
Lapsed or cancelled	(1,850,376)	\$ 29.25–74.72
Outstanding Dec. 31, 1989	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
Exercisable at Dec. 31, 1990	3,630,345	\$ 29.25–41.88
Available for grant		
Dec. 31, 1989	9,739,250	
Dec. 31, 1990	6,605,525	

■ *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, 1990, the subsidiary had unused operating loss carryforwards for consolidated financial statement purposes of \$1.2 billion of which \$1 billion will expire in the years 2000–2001. The tax benefit of these carryforwards is available to reduce future U.S. federal income tax expense.

■ *Leases and Lease Commitments*

Total rental expense was \$147 million in 1990, \$132 million in 1989 and \$134 million in 1988. Future minimum rental commitments under noncancellable leases for years ending December 31 are: 1991–\$59 million; 1992–\$48 million; 1993–\$31 million; 1994–\$15 million; and 1995–\$9 million. For the ensuing three five-year periods, these commitments decrease from \$29 million to \$5 million. The minimum rentals over the remaining terms of the leases aggregate \$11 million.

■ *Contingencies*

During 1980, a floating hotel, the Alexander Kielland, functioning as a dormitory for offshore work crews in the North Sea, capsized in a storm. The substructure of the floating hotel originally had been built as a drilling rig by an independent shipyard from a design licensed by a subsidiary of the Company. The Company's subsidiary was not involved in the ownership or operation of the drilling rig or in its conversion or use as a floating hotel. The accident has been investigated by a Commission appointed by the Norwegian Government, which has published its report. In October of 1981 and in February of 1982, the Company's subsidiary, the independent shipyard and one of its subcontractors were sued in France by Phillips Petroleum Company Norway and eight others operating as a group in the Ekofisk Field in the North Sea and by the Norwegian insurers of the Alexander Kielland seeking recovery for losses resulting from the accident of approximately \$131 million (at December 31, 1990 currency exchange rates).

While the Company does not believe it or its subsidiary has liability in this matter, the litigation will involve complex international issues that 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.

The Company and its subsidiaries are party to various other 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 23 in this report.

Financial information for the years ended December 31, 1990, 1989 and 1988 by industry segment and by geographic area is as follows:

	Oilfield Services	Measurement & Systems ⁽¹⁾	Adjust. & Elim.	(Stated in millions) Consolidated
<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	\$ –	\$ 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
<i>Industry Segment 1988</i>				
Operating revenue				
Customers	\$ 2,721	\$ 2,204	\$ –	\$ 4,925
Intersegment transfers	1	13	(14)	–
	\$ 2,722	\$ 2,217	\$ (14)	\$ 4,925
Operating income	\$ 320	\$ 174	\$ (30)	\$ 464
Interest expense				(129)
Interest and other income plus other credits – \$3				254
Income before taxes				\$ 589
Depreciation expense	\$ 421	\$ 108	\$ 2	\$ 531
Fixed asset additions	\$ 350	\$ 104	\$ 1	\$ 455
At December 31				
Identifiable assets	\$ 2,398	\$ 1,647	\$ (22)	\$ 4,023
Corporate assets				1,577
Total assets				\$ 5,600

⁽¹⁾Includes 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, 1990, 1989 and 1988, neither sales to any government nor sales to any single customer exceeded 10% of consolidated operating revenue.

Corporate assets largely comprise short-term investments.

	Western Hemisphere		Eastern Hemisphere			Adjust. & Elim.	Consolidated
	U.S.	Other	France	Other European	Other		
<i>(Stated in millions)</i>							
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
Geographic Area 1988							
Operating revenue							
Customers	\$ 1,472	\$ 481	\$ 731	\$ 1,159	\$ 1,082	\$ —	\$ 4,925
Interarea transfers	222	6	189	35	7	(459)	—
	\$ 1,694	\$ 487	\$ 920	\$ 1,194	\$ 1,089	\$ (459)	\$ 4,925
Operating income (loss)	\$ (6)	\$ 89	\$ 95	\$ 95	\$ 228	\$ (37)	\$ 464
Interest expense							(129)
Interest and other income plus other credits – \$3							254
Income before taxes							\$ 589
At December 31							
Identifiable assets	\$ 1,407	\$ 285	\$ 698	\$ 955	\$ 892	\$ (214)	\$ 4,023
Corporate assets							1,577
Total assets							\$ 5,600

■ Pension Plans and Deferred Benefit Plans

Effective January 1, 1987, the Company and its subsidiaries adopted Financial Accounting Standard No. 87, "Employers' Accounting for Pensions" for U.S. defined benefit pension plans. As required, effective January 1, 1989, this Standard was adopted for non-U.S. defined benefit pension plans. As permitted, pension cost and related disclosures for such non-U.S. Plans for 1988 were determined under provisions of the previous accounting principle.

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 or final 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 1990, 1989 and 1988 included the following components:

	(Stated in millions)		
	1990	1989	1988
Service cost – benefits earned during the period	\$ 15	\$ 15	\$ 14
Interest cost on projected benefit obligation	33	33	32
Expected return on plan assets (actual returns: 1990 – \$3; 1989 – \$84; 1988 – \$58)	(36)	(36)	(38)
Amortization of transition asset	(2)	(3)	(4)
Amortization of prior service cost/other	4	5	3
Net pension cost	\$ 14	\$ 14	\$ 7

Effective January 1, 1989, the Company and its subsidiaries amended their pension plans to improve retirement benefits for active employees.

The funded status of the plans at December 31, 1990 and 1989 was as follows:

	(Stated in millions)	
	1990	1989
Actuarial present value of obligations:		
Vested benefit obligation	\$ 376	\$ 348
Accumulated benefit obligation	\$ 378	\$ 349
Projected benefit obligation	\$ 430	\$ 398
Plan assets at market value	442	460
Excess of assets over projected benefit obligation	12	62
Unrecognized net gain	(54)	(86)
Unrecognized prior service cost	34	21
Unrecognized net asset at transition date	(16)	(18)
Pension liability	\$ (24)	\$ (21)

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

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, 1990 consisted of common stocks (\$186 million), cash or cash equivalents (\$90 million), fixed income investments (\$159 million) and other investments (\$7 million). Less than 1% of the plan assets at December 31, 1990 represented 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 \$14 million, \$13 million and \$10 million in 1990, 1989 and 1988, respectively. The only significant defined benefit plan is in the U.K.

Net pension cost in the U.K. plan for 1990 and 1989 included the following components:

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

The funded status of the plan was as follows:

	(Stated in millions)	
	1990	1989
Actuarial present value of obligations:		
Vested benefit obligation	\$ 67	\$ 53
Accumulated benefit obligation	\$ 67	\$ 53
Projected benefit obligation	\$ 93	\$ 73
Plan assets at market value	105	97
Excess of assets over projected benefit obligation	12	24
Unrecognized net gain	(5)	(17)
Unrecognized net asset at transition date	(10)	(9)
Pension liability	\$ (3)	\$ (2)

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 (\$80 million), cash or cash equivalents (\$11 million) and fixed income investments (\$14 million). None of the plan assets represent 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 1990, 1989 and 1988 were \$15 million, \$11 million and \$10 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 \$74 million, \$51 million and \$50 million in 1990, 1989 and 1988, respectively.

In addition, the Company and its principal 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 \$48 million, \$43 million and \$47 million in 1990, 1989 and 1988, respectively. Outside of the U.S., such benefits are mostly provided through government sponsored programs.

■ *Supplementary Information*

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

Year ended December 31,	<i>(Stated in millions)</i>		
	1990	1989	1988
Operating revenue			
Sales	\$ 2,037	\$ 1,949	\$ 2,173
Services	3,269	2,737	2,752
	\$ 5,306	\$ 4,686	\$ 4,925
Direct operating costs			
Goods sold	\$ 1,274	\$ 1,192	\$ 1,359
Services	2,457	2,150	2,169
	\$ 3,731	\$ 3,342	\$ 3,528

Cash paid for interest and income taxes was as follows:

Year ended December 31,	<i>(Stated in millions)</i>		
	1990	1989	1988
Interest	\$ 86	\$ 95	\$ 125
Income taxes	\$ 150	\$ 120	\$ 172

Accounts payable and accrued liabilities are summarized as follows:

December 31,	<i>(Stated in millions)</i>	
	1990	1989
Payroll, vacation and employee benefits	\$ 307	\$ 241
Trade	420	338
Other	611	559
	\$ 1,338	\$ 1,138

The caption "Interest and other income" includes interest income, principally from short-term investments, of \$118 million, \$136 million and \$202 million for 1990, 1989 and 1988, respectively. This caption also includes:

- In 1989 – a gain of \$13 million on the sale of the Defense System business;
- In 1988 – a gain of \$35 million on the sale of the Electricity Control & Transformers business.

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 cash flows present fairly, in all material respects, the financial position of Schlumberger Limited and its subsidiaries at December 31, 1990 and 1989 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1990, 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
February 1, 1991

Quarterly Results (Unaudited)

The following table summarizes results for each of the four quarters for the years ended December 31, 1990 and 1989. Gross profit equals operating revenue less cost of goods sold and services.

	<i>(Stated in millions except per share amounts)</i>					
	<i>Operating</i>		<i>Income before Extraordinary Item</i>		<i>Total Net Income</i>	
	<i>Revenue</i>	<i>Gross Profit</i>	<i>Amount</i>	<i>Per Share</i>	<i>Amount</i>	<i>Per Share</i>
Quarters — 1990						
First	\$ 1,222	\$ 357	\$ 129	\$ 0.54	\$ 129	\$ 0.54
Second	1,292	388	145	0.61	145	0.61
Third	1,324	403	147	0.62	147	0.62
Fourth	1,468	427	149	0.63	149	0.63
	<u>\$ 5,306</u>	<u>\$ 1,575</u>	<u>\$ 570</u>	<u>\$ 2.40</u>	<u>\$ 570</u>	<u>\$ 2.40</u>
Quarters — 1989*						
First	\$ 1,182	\$ 335	\$ 82	\$ 0.35	\$ 82	\$ 0.35
Second	1,197	340	106	0.44	127	0.53
Third	1,106	332	114	0.48	114	0.48
Fourth	1,201	337	118	0.50	118	0.50
	<u>\$ 4,686</u>	<u>\$ 1,344</u>	<u>\$ 420</u>	<u>\$ 1.77</u>	<u>\$ 441</u>	<u>\$ 1.86</u>

*For 1989, income before extraordinary item and net income include a second quarter gain of \$13 million (\$0.05 per share) on the sale of the Defense Systems business of Schlumberger Industries. Net income for the second quarter includes an extraordinary gain of \$21 million (\$0.09 per share).

FIVE YEAR SUMMARY

Year Ended December 31,	1990	1989	1988	1987	1986
	<i>(Stated in millions except per share amounts)</i>				
<i>Summary of Operations</i>					
Operating revenue:					
Oilfield Services	\$ 3,240	\$ 2,696	\$ 2,721	\$ 2,306	\$ 2,652
Measurement & Systems	2,066	1,990	2,204	2,096	1,916
	\$ 5,306	\$ 4,686	\$ 4,925	\$ 4,402	\$ 4,568
% Increase (decrease) over prior year	13%	(5%)	12%	(4%)	(18%)
Operating income:					
Oilfield Services	\$ 542	\$ 340	\$ 320	\$ 147	\$ 8
Measurement & Systems	153	154	174	107	74
Eliminations	(17)	1	(30)	(2)	(1,614) ^B
	\$ 678	\$ 495	\$ 464	\$ 252	\$(1,532)^B
% Increase over prior year	37%	7%	85%	N/A	N/A
Interest expense	\$ 87	\$ 96	\$ 129	\$ 166	\$ 410 ^C
Taxes on income	\$ 128	\$ 111	\$ 135	\$ 116	\$ 106
Income (loss), continuing operations	\$ 570	\$ 420	\$ 454	\$ 503 ^A	\$(1,655) ^C
% Increase (decrease) from prior year	36%	(7%)	(10%)	N/A	N/A
Loss, discontinued operations	\$ –	\$ –	\$ –	\$ (220)	\$ (363)
Extraordinary item	\$ –	\$ 21	\$ 22	\$ 70	\$ –
Net income (loss)	\$ 570	\$ 441	\$ 476	\$ 353^A	\$(2,018)^C
Income (loss) per share					
Continuing operations	\$ 2.40	\$ 1.77	\$ 1.72	\$ 1.81 ^A	\$ (5.76) ^C
Discontinued operations	–	–	–	(0.79)	(1.26)
Extraordinary item	–	0.09	0.08	0.25	–
Net income (loss)	\$ 2.40	\$ 1.86	\$ 1.80	\$ 1.27^A	\$(7.02)^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	11%	9%	9%	11%	N/A
Return on average stockholders' equity, continuing operations	19%	15%	13%	13%	N/A
Fixed asset additions	\$ 675	\$ 549	\$ 455	\$ 276	\$ 447
Depreciation expense	\$ 520	\$ 493	\$ 531	\$ 527	\$ 688
Average number of shares outstanding	238	238	264	277	287
<i>At December 31,</i>					
Liquidity	\$ 527	\$ 708	\$ 555	\$ 1,759	\$ 2,263
Working capital	\$ 812	\$ 884	\$ 718	\$ 1,761	\$ 2,119
Total assets	\$ 6,176	\$ 5,482	\$ 5,600	\$ 6,741	\$ 8,012
Long-term debt	\$ 332	\$ 292	\$ 191	\$ 125	\$ 504
Stockholders' equity	\$ 3,255	\$ 2,898	\$ 2,755	\$ 3,836	\$ 4,123
Number of employees	50,000	46,000	48,000	50,000	50,000

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

^BIncludes nonrecurring charges relating to operating income of \$1.60 billion.

^CIncludes nonrecurring charges relating to continuing operations of \$1.74 billion (\$6.05 per share) including pretax interest expense of \$228 million.

DIRECTORS

Don E. Ackerman^{1,2}
Partner, J.H. Whitney & Co.
New York City

Euan Baird^{1,2}
Chairman and Chief Executive Officer
Schlumberger

Guy Dejouany³
Chairman and Chief Executive Officer
Compagnie Générale des Eaux
Paris

John Deutch⁴
Institute Professor
Massachusetts Institute of Technology
Cambridge, Massachusetts

Roland Génin³
Vice Chairman
Schlumberger

William T. McCormick, Jr.³
Chairman and Chief Executive Officer
CMS Energy Corp.
Dearborn, Michigan

Didier Primat²
President, Primwest Holding N.V.
Curaçao, N.A.

Nicolas Seydoux^{3,4}
Chairman and Chief Executive Officer
Gaumont, Paris

Sven Ullring¹
President and Chief Executive Officer
Det Norske Veritas
Hovik, Norway

Eiji Umene²
Executive Advisor
Nippon Steel Corporation
Tokyo

Arnaud de Vitry¹
Engineering Consultant
Paris

¹*Member Audit Committee*

²*Member Compensation Committee*

³*Member Finance Committee*

⁴*Member Nominating Committee*

OFFICERS

Euan Baird
Chairman and Chief Executive Officer

Roland Génin
Vice Chairman

Arthur Lindenauer
Executive Vice President—Finance
Chief Financial Officer

Michel Gouilloud
Executive Vice President

Victor E. Grijalva
Executive Vice President

Clermont A. Matton
Executive Vice President

René Mitieus
Executive Vice President

André Salaber
Executive Vice President

Ian Strecker
Executive Vice President

David S. Browning
Secretary and General Counsel

Jimmy D. Callison
Vice President

Patrick J.B. Corser
Vice President—Controller

John D. Ingram
Vice President—Chief Technical Officer

Allen D. Klein
Vice President

André Misk
Vice President

Jean-Dominique Percevault
Vice President—Personnel

Michel Soublin
Vice President—Business Development and Treasurer

James A. MacKenzie
Assistant Secretary

Thomas O. Rose
Assistant Secretary

SCHLUMBERGER ORGANIZATION

OILFIELD SERVICES

WIRELINE, TESTING & SEISMIC

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; 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 field log interpretation centers, to process and interpret seismic and well log data.

SEISMIC SERVICES

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

DRILLING & PUMPING SERVICES

DRILLING SERVICES

SEDCO FOREX: Operates more than 70 offshore and land drilling rigs.

MEASUREMENTS WHILE DRILLING/ DIRECTIONAL DRILLING

ANADRILL: Wellsite computer analysis of real-time, surface and downhole drilling and geological data; directional drilling services; drilling tool rentals and fishing tool rentals (selected geographic areas).

PUMPING SERVICES

DOWELL SCHLUMBERGER (50% owned): Well cementing and stimulation.

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.

TRANSDUCERS, TECHNIQUES & PRODUCTION

Transducers for measuring pressure, temperature, flow rate and mass in industrial applications.

SCHLUMBERGER TECHNOLOGIES

ELECTRONIC TRANSACTIONS

Cards, terminals, systems and service to automate point-of-sale payments; fuel dispensing systems for gas stations; parking and mass transit terminals; public pay phones and smart cards.

ATE COMPONENTS

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

ATE SYSTEMS

Functional and in-circuit testing of printed-circuit boards; test equipment for telecommunications and mechanical vibration analysis.

CAD/CAM

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

Stock Transfer Agent
The First National Bank of Boston
Boston, Massachusetts

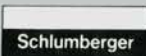
Registrar
The First National Bank of Boston
Boston, Massachusetts

Schlumberger stock is listed on the
New York (trading symbol SLB)
Paris
London
Amsterdam
Frankfurt
Swiss and
Tokyo 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.

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