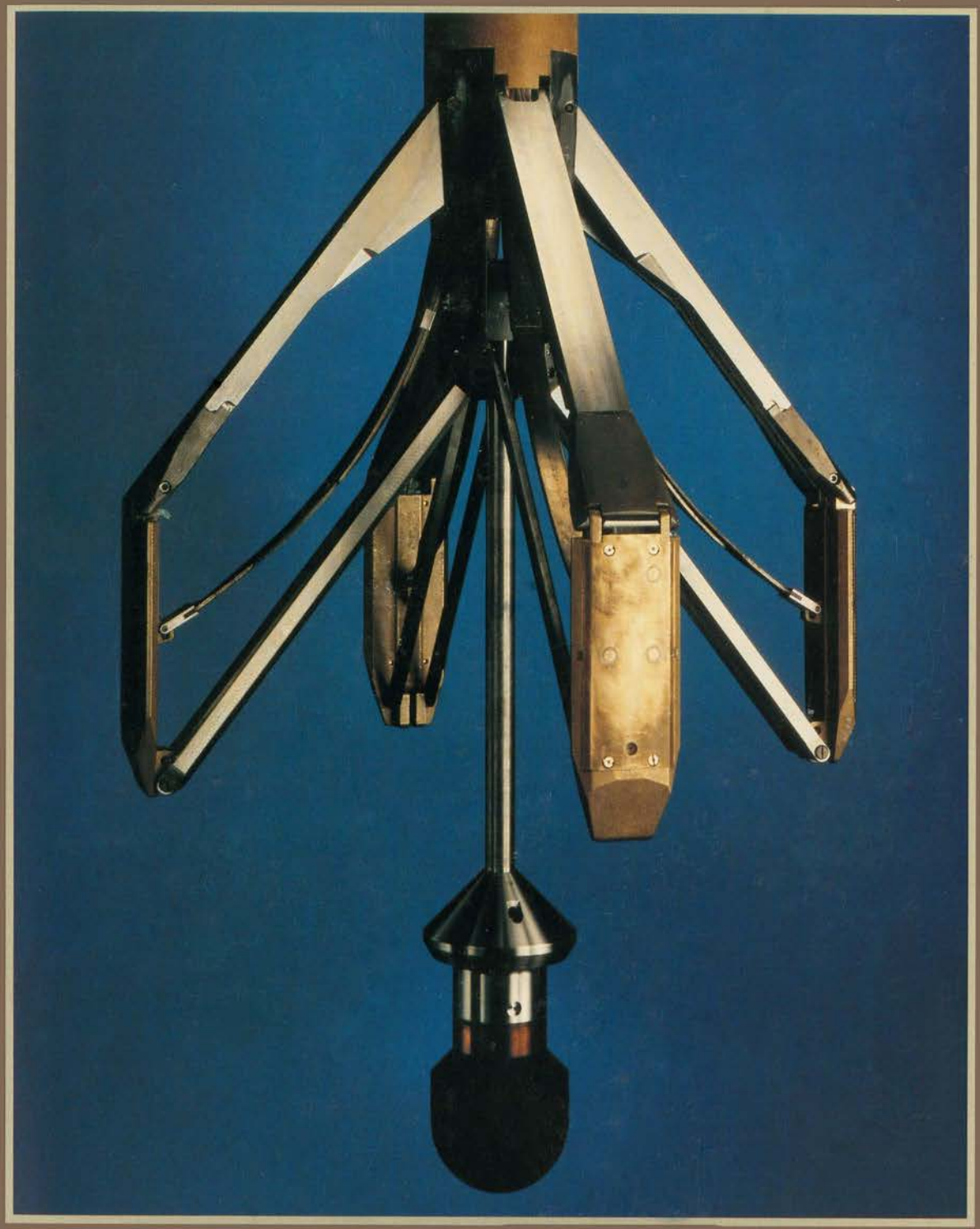
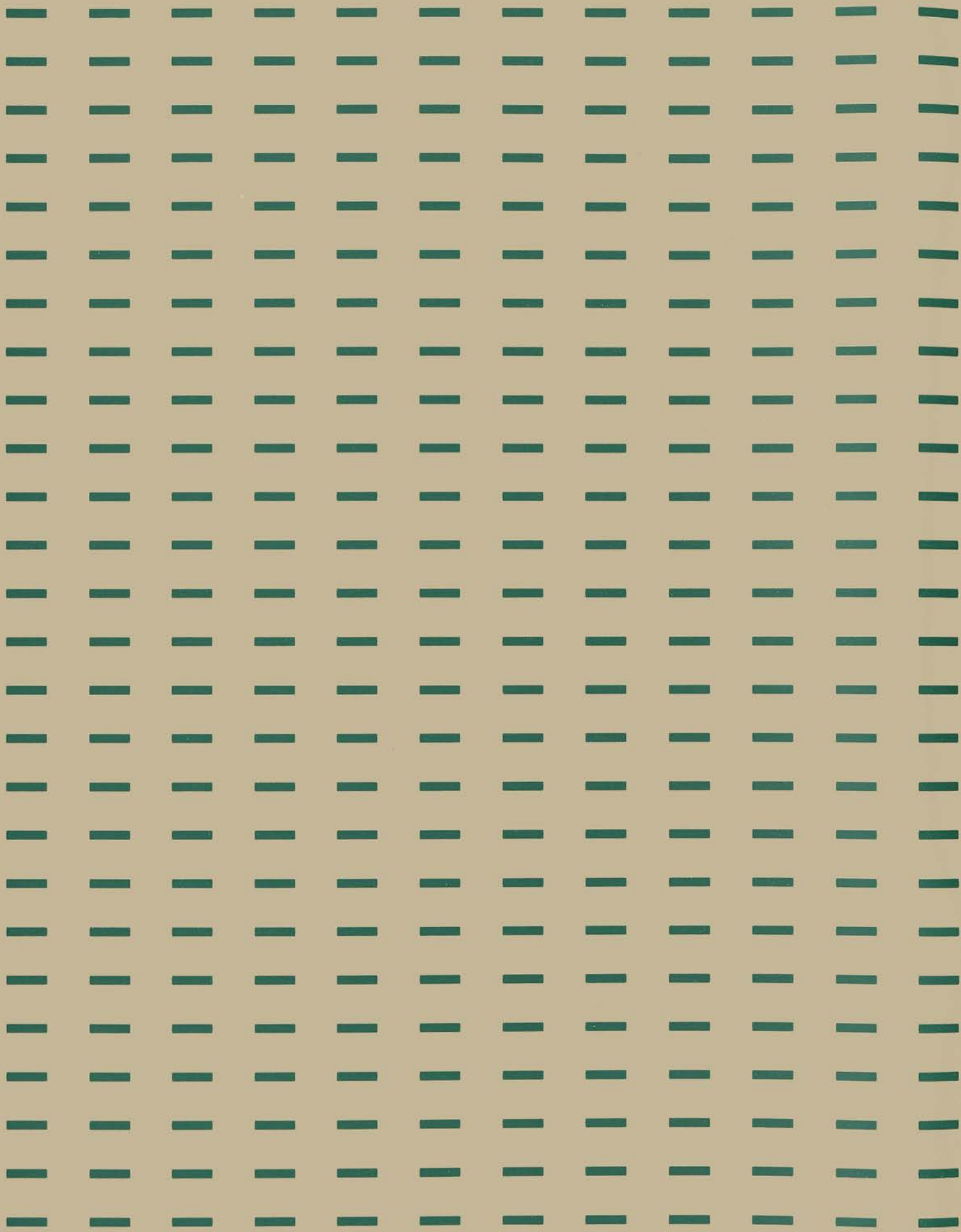
Schlumberger *1984* *Annual Report*





Schlumberger

IN BRIEF	1984	1983	1982
Revenue	**$6,370,442,000**	$5,797,459,000	$6,283,810,000
Net income	**$1,182,073,000**	$1,084,299,000	$1,348,165,000
Net income per share	**$4.10**	$3.73	$4.60
Dividends declared per share	**$1.12**	$1.00	$0.92

A year ago, I had the difficult task of reporting lower earnings for Schlumberger, the first time in twenty years. Nineteen eighty four was not a year without thorns and problems. I am happy to report that earnings of Schlumberger bounced back. Nothing spectacular, but earnings per share and revenue increased 10%. Yet, in the face of all the pessimism surrounding the oil industry, it is not a bad performance. There is still resilience in the old beast.

The bottom line is the result of many additions and many subtractions. Sorting it out, separating the meaningful from the temporary, is a useful exercise to appraise the major trends of 1984. On the positive side, three factors helped earnings:

□ Growth of the Wireline logging in North America.

□ Return of Fairchild Semiconductor to breakeven.

□ Higher interest income.

On the negative side, three factors had an adverse effect on earnings:

□ Throughout the world, drilling rates remained soft all year. The contagion, due mainly to overcapacity, has extended to other oilfield service activities such as cementing and stimulation.

□ Wireline logging activity outside North America has been basically flat. There were, however, some significant geographical shifts. Activity in the North Sea, China and India grew markedly, offsetting lower activity in the Middle East.

□ The European economy is not coming out of the doldrums. The surge of the dollar against all European currencies compounds the problem when figures are translated into dollars.

Against this background, the main thrusts of our action during this year of recovery were in three directions:

□ Fight back on market share in the United States oilfields. Two years of recessions, of declining drilling activity, have led to an oversupply of equipment, price cutting and stiffer competition. A long experience in the oilfield has taught us that, in the final analysis, quality of service, technology improvements, better answers, are the only way to keep competition at bay and to provide what the customers want. Whether in the reorganized Dowell Schlumberger operations in the U.S. or in Wireline logging in North America, we intend to recapture market share in some areas and maintain our position everywhere else.

□ Complete what was started: the strengthening and reorganization of Fairchild Semiconductor and Computer Aided Systems. There is a widespread belief that Fairchild is still in trouble. Maybe we have been too candid in telling the problems we were facing and the losses we were incurring. Problems there have been, problems there are still. Certainly, we do not want to hide them. But the truth is that the Fairchild we acquired in 1979, including the test equipment and military businesses, was solidly in the black last year. For management purposes we have isolated Fairchild Semiconductor. This division broke even in the last six months of 1984. New products are coming out. They are good and we know how to manufacture them. New plants were built in South Portland, Maine and Puyallup, Washington, and in Germany and Japan, and they are efficient. Everyone knew that it would take time and money. And it did, but it is nice when the bottom line figure shows that you are on the right track. Now it will take perseverance. God knows, we have it.

□ Acquire major units in the oilfield service industry. In April, 1984, the purchase of 50% of Dowell in North America made it possible to create a worldwide cementing and stimulation business, under Schlumberger management. At the end of December, the acquisition of SEDCO changed the magnitude of our presence in the offshore drilling business. SEDCO, the operator of the largest fleet of semisubmersibles in the world, had revenue of $597 million and net income of $102 million in 1984. Both figures will be significantly lower in 1985 as a number of long-term drilling contracts at favorable daily rates expire. Also, additional

expenses — amortization of goodwill, interest expenses related to the acquisition — will be incurred.

Both acquisitions will entail some dilution in earnings. In 1984, our share (50%) of Dowell Schlumberger in North America reduced earnings $30 million (10 cents per share). The situation will improve this year as this unit will regain market share, set more units offshore in the Gulf of Mexico, control field cost and reduce dramatically headquarters expenses.

For the last two decades, the strategy of Schlumberger for growth has been to progress along two avenues: to be the best oilfield service enterprise in the world and to be a significant factor in the high technology of measurement and components. The change of cycle in the oil industry, the temporary recession in the search for hydrocarbons was a unique opportunity to seize. We have the cash and we love working in the oil fields, helping our customers to find and produce oil. It does not mean for one minute that we abandon or curtail our endeavor in the second undertaking. Each cycle has its opportunities and its risks. If and when opportunities arise in America, in Japan, in Europe, in the fields of semiconductors, of computer aided systems (automatic tests, CAD-CAM), of measurement and control, we will move in as we did in the oilfield services.

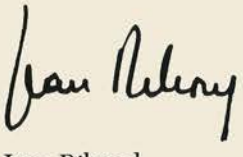
There is a lot of pessimism in the oil business these days. Yet the oil industry is not in a state of disarray. Search for new reserves continues in all parts of the world. Oil is produced, transported, delivered at the doorstep of the customer. But everybody at each link of this long chain is concerned with the price of crude oil. Will OPEC collapse, will Norway or Nigeria take the lead in lowering the price, will the oil glut last forever, is oil getting to be a commodity, fluctuating like copper or coffee beans? A real question and a real concern. Meanwhile, every producer, every refiner, every transporter, every customer expecting lower prices, reduces inventories to the bone, restricting demand.

Historically, ever since oil became a major source of energy some eighty years ago, its price level has never been entirely determined by market conditions, by the strict law of supply and demand. For decades, the Standard Oil Company in the old days, the Texas Railroad Commission, the international oil companies in the Middle East, lately the OPEC, have more or less controlled the price of crude oil. Probably history will tell that OPEC, taking advantage of its temporary dominating position, raised the price of crude oil too fast and too much. But as Henry Kissinger wrote recently, "revenge even when sweet, is not foreign policy." Today the governments of Saudi Arabia, Great Britain and Mexico have in fact the grave responsibility to bring some order and some long-term stability. Hectic movements of the pendulum, either up or down, amplified tremendously by the swing in inventories and in the futures market are detrimental to the economies of all nations. Personally, I believe that reason and common sense will prevail. The first signs of wisdom are in sight.

Looking further in the future, I remember all the pundits and the experts who predicted that the world would run out of oil before the year 2,000. It did not take two years for the same people to announce that the glut of oil will last a hundred years. If one thinks only of the demand side, Asia alone has close to two billion human beings in China and in India who are still at the age of the bicycle and of the steam engine.

This is the world we live in. The problems, the concerns have been with us for the last two years. We have survived the change of cycle in the oil industry reasonably well. Stubbornly, we move forward with the same basic convictions: advanced technology and new products, better service and more answers to the customers, more laboratories and more R&D, better trained, better motivated and more determined people at all levels, in all countries.

February 19, 1985



Jean Riboud
Chairman & Chief Executive Officer

Wireline Services

Wireline Services principal activities are: Measurements of the physical properties of underground rock formations which 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 petroleum engineers. Operations were conducted in 98 countries during the year.

□ *SCHLUMBERGER DOLL RESEARCH located in Ridgefield, Connecticut.*

Business Review

Wireline revenue in 1984 was 6% above 1983 as some stability returned to the petroleum industry after the sharp declines of drilling in 1982 and 1983. If the upturn in demand for petroleum products persists, continuation of this gradual improvement is expected.

North America

Revenue was 16% above the prior year, while the rig count increased by 11%. Improvements were particularly notable in offshore Gulf Coast exploration as a result of the recent lease sales. Drilling for gas in the U.S. remained at a very low level as the industry felt that gas imports from Canada would prolong the gas bubble.

Overcapacity continued to make all branches of the oilfield service industry very competitive.

Atlantic *(Europe, Africa, Latin America)*

Revenue was flat with the prior year as the drop in revenue experienced in 1983 bottomed in the second quarter of 1984. The recovery in the second half was led by the North Sea, where the incentive to explore in the U.K. continues to be attractive, and by Latin America.

Asia *(Middle East, Far East, Australasia)*

Revenue was down 1% from the previous year but, here again, the second half showed some improvement and the fourth quarter was above the same quarter of 1983. Areas which experienced declines like Abu Dhabi, Saudi Arabia and Indonesia were compensated by increased revenues in Australia, China and Oman.

Revenue in China, in particular, was higher as activity increased both offshore and on land. At year end, the first phase of a long-term contract was signed with the Chinese National Oil Company which will ensure continued growth in coming years. As a result of its growing importance, a separate China business unit was created within Wireline Asia.

Early in 1984, construction began on a $32 million Wireline engineering and manufacturing facility in Fuchinobe, near Tokyo. This facility will provide the necessary technical support for Wireline Asia operations; completion is expected in March 1985.

Services for the Petroleum Geologist

Two separate technological developments in Wireline are converging to give petroleum geologists additional analysis tools in their search for oil and gas.

First, several new logging devices — the High-Resolution Dual-Dipmeter Tool (SHDT), the Micro-Electrical Scanning Tool (MST), and the Enhanced Resolution Spectrometry Tool (ERT) — are being field tested. Measurements made by these tools inside a borehole provide geologists with the same information that, up to now, was available only by analyzing core samples in the laboratory.

Second, significant advances in log interpretation are providing new geological perspectives. Dipmeter Advisor, a dipmeter interpretation based on artificial intelligence, is now being offered at six different field sites; furthermore, two geological interpretation techniques, Litho and Syndip, were introduced commercially in 1984.

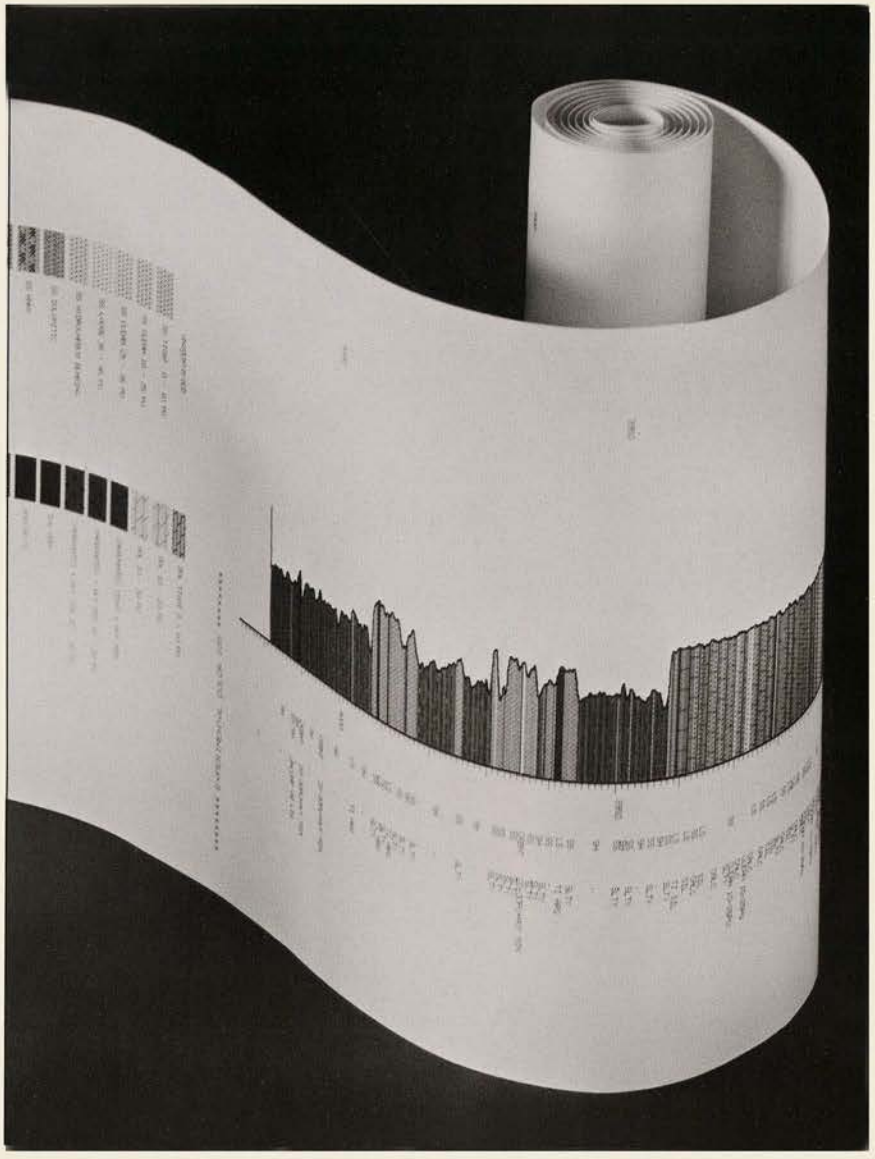
The new logging tools with geological applications are based on nuclear and microelectrical techniques.

□ The Dual-Dipmeter Tool (SHDT) provides information on how sediments were deposited and on the geological environment at the time of deposition. This second generation high-resolution dipmeter tool records eight microconductivity curves — from two electrodes located on each of four pads.

Besides structural information, the electrode configuration of the SHDT provides information about detailed sedimentary features, including shale laminations, cross beddings and small discontinuities which do not even extend across the borehole.

□ The Micro-Electrical Scanning Tool (MST) records an image of the borehole wall using an array of tiny electrical buttons mounted on a pad. By applying sophisticated signal processing to the recorded data, the MST resolves sedimentary details at least 100 times better than was possible before.

Four-armed stratigraphic high-resolution dipmeter measures the dip of formations penetrated by the well bore.



The improved definition of rock structure provided by these new measurements is one of the essential elements in understanding rock productivity.

□ The Enhanced Resolution Spectrometry Tool (ERT) identifies individual chemical elements in downhole rock formations. High-energy neutrons are emitted by an electronic neutron generator, and the effects of the nuclear reactions are detected by a high-purity germanium crystal. Data from the ERT reveal details on the mineralogy and rock types. In addition, it can detect, in the rock fluids, trace elements such as vanadium which is related to the API gravity of the oil.

New interpretation methods have been developed in the language of the oil company geologists. This approach is fundamental because interpretation from single wells is later merged into a geological analysis of the entire reservoir.

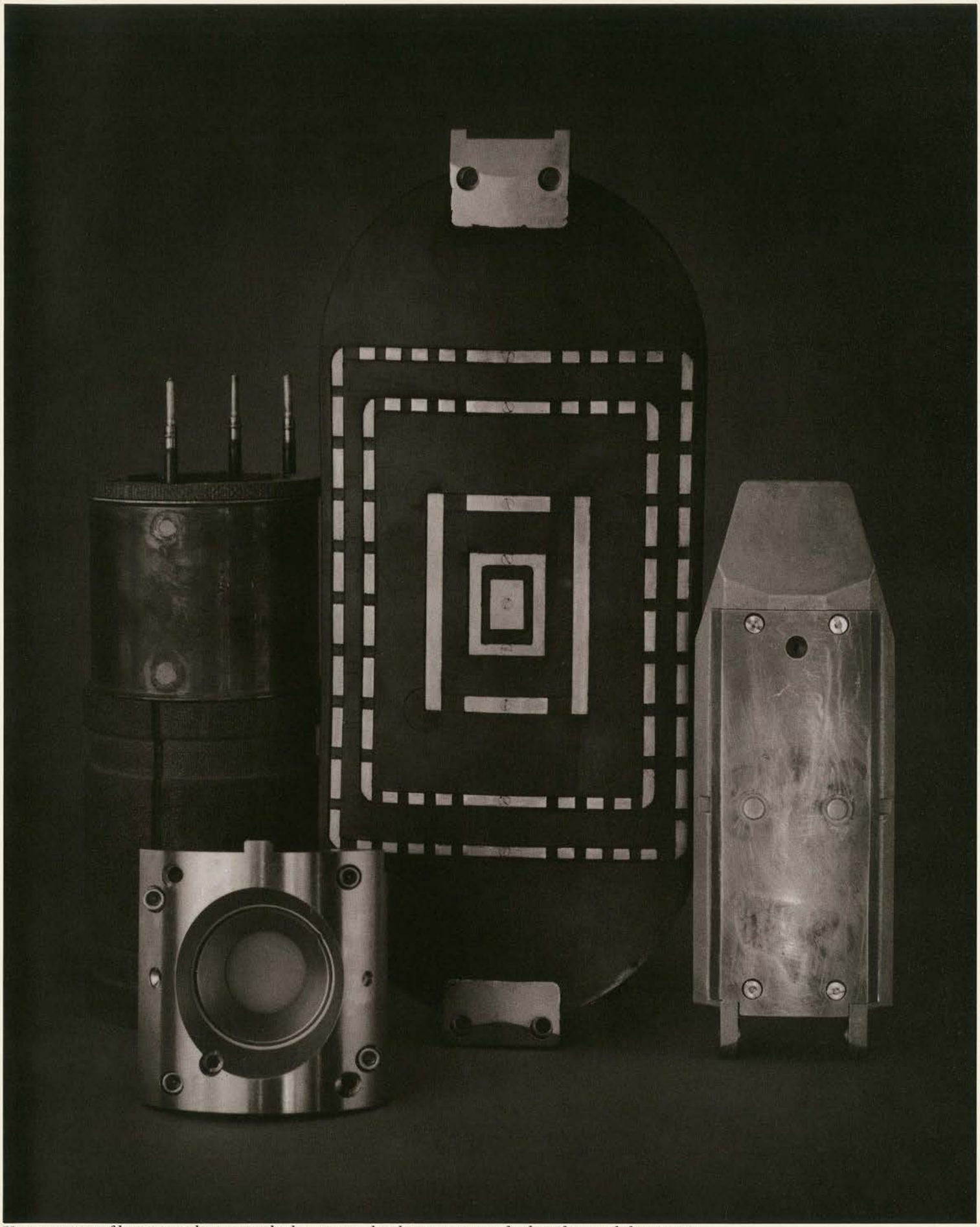
□ The *Dipmeter Advisor* is an interpretation product, based on artificial intelligence techniques, which was introduced in the field during 1984. The *Dipmeter Advisor* is a knowledge-based computer program that codifies an expert's views of interpreting dipmeter data in a variety of depositional environments. This service has the potential of disseminating the expertise in the geological interpretation of dipmeter data, throughout the Wireline field organization.

□ *Litho* is an interpretation technique which provides a detailed description of the rock types along the entire length of the well. This description is obtained by combining data from all standard logs; over 50 rock types are uniquely defined from combinations of logging measurements and the list may be optimized for local conditions.

Litho interpretations represent the geological knowledge needed to connect a well with its surrounding subsurface environment, including neighboring wells.

□ *Syndip* creates from dipmeter logging data a series of synthetic curves that can be related to the texture of the rock and the structure of the formation. This information helps the geologist predict the producibility of the reservoir in the vicinity of the wellbore.

A section of a typical Litho log which gives petroleum geologists a description of the rock types over the entire length of a borehole.



Various types of logging tool sensors which measure the characteristics of subsurface rock formations.

Drilling & Production Services

Drilling & Production Services has three operating units: ☐ *DRILLING SERVICES: Forex Neptune – contract drilling on land and offshore; Anadrill – well-site computer analysis of surface and downhole drilling data acquired while drilling, directional drilling services.* ☐ *TESTING AND COMPLETION SERVICES: Flopetrol Johnston – well testing, pressure measurements, completion and workover services, production services, drilling tool rentals.* ☐ *PUMPING SERVICES: Dowell Schlumberger (50% owned) – cementing and well stimulation.*

☐ *SCHLUMBERGER CAMBRIDGE RESEARCH located in Cambridge, England.*

Business Review

Revenue of Drilling & Production Services was 7% higher than in 1983. Excluding the Schlumberger share of the revenue of Dowell Schlumberger-North America acquired in 1984, revenue was 13% lower.

Oilfield activities were at low levels in most areas, except in the North Sea where exploration and development drilling continues to show strength and in North America which is recovering from a two-year recession. Prices remained soft, especially for drilling and pumping services.

Schlumberger Cambridge Research continued to expand and, early in 1985, occupied new facilities which include a unique experimental drilling test station.

Research & engineering expenditures amounted to $37 million, up 8%, excluding Dowell Schlumberger-North America. Capital expenditures, excluding the SEDCO and Dowell acquisitions, increased $111 million to $164 million.

Drilling Services

Forex Neptune revenue was 17% below the preceding year. Despite some improvement in drilling activity, daily rates, on average, were lower than a year ago. Toward the end of the year, increasing activity in the Gulf of Mexico and in the North Sea caused a slight recovery in daily rates for offshore rigs, particularly semisubmersibles.

Offshore rig utilization averaged 75% compared to 78% in 1983; land rig utilization improved to 61% compared to 51% in 1983.

At the end of 1984, Forex Neptune owned 17 offshore rigs and 51 land rigs and also operated 13 drilling rigs owned by others.

Two harsh environment jack up rigs, capable of drilling in 300 feet of water were acquired in 1984. Both units, Trident X and Trident XI, are drilling in the North Sea.

By year end, computers were installed on nearly all Forex Neptune rigs to acquire and present data such as time analysis, bit and mud parameters, casings used and hole deviation.

At midyear, the Drilling Services division of Dowell Schlumberger was combined with The Analysts in a new unit, called Anadrill. Anadrill provides real-time monitoring of geological and drilling parameters and directional drilling services. Revenue of the traditional surface monitoring services was flat but downhole Measurements While Drilling services grew 36%. Overall, directional drilling services revenue was lower but increased in the second half of the year.

The Advisor™, a new surface logging computer system, was introduced during the year and had excellent customer acceptance.

Testing and Completion Services

Flopetrol Johnston revenue was 12% lower than last year. A modest increase in activity was more than offset by strong price competition for testing services, especially in North America, the Far East and the Middle East.

The drill stem testing (DST) activity of Dowell Schlumberger was transferred to Flopetrol Johnston during the year. Flopetrol Johnston now offers a complete line of testing services worldwide, including downhole DST tools, surface well testing equipment and downhole pressure measurements. These services, with high-accuracy pressure gauges and wellsite computer interpretation, have presented many more opportunities for Flopetrol Johnston to handle entire testing programs: well test design, data acquisition and interpretation, and recommendations on well completion and stimulation.

A significant contract for well testing services was signed in November with the Chinese National Oil Company.

Workover services revenue declined further in 1984 as activity remained depressed and price competition intensified.

Pumping Services

During 1984, Schlumberger purchased 50% of Dowell operations in North America from The Dow Chemical Company. Following this transaction, Dowell Schlumberger now operates worldwide.

In North America, Dowell Schlumberger pumping services revenue improved 9%. Prices stayed soft, particularly in stimulation, due to overcapacity in the pumping industry. Activity was stronger in all regions of the U.S., notably fracturing services in the central and southern states and Alaska, and cementing in the Gulf of Mexico and in California. Canadian revenue improved significantly, particularly in the second half of the year.

Experimental drilling machine at Cambridge Research. Measurements help determine the bit wear and the nature of the rock being penetrated.

Several new cementing additives were introduced to the North American market, especially Gasblok™ which prevents gas channeling. A new blender for fracturing operations was field tested successfully.

Outside North America, pumping services revenue decreased 13% due to soft prices and reduced drilling activity.

Cementing and stimulation revenues declined 9% and 14% respectively, while pipeline cleaning revenue was strong, due to the large Statpipe project in Norway which was completed during the year.

Europe was up strongly while Africa continued to decline. The Far East and Middle East were behind last year, and Latin America was adversely affected by the continuing currency devaluations.

A new offshore stimulation vessel, *Big-Orange 18*, designed by the Dowell Schlumberger engineering center in Saint-Etienne, France, began to operate in the North Sea. This dynamically positioned boat can execute, in automatic mode, the largest stimulation operations required in the North Sea.

Schlumberger Cambridge Research

In 1984, Schlumberger Cambridge Research continued to expand. The total number of scientists and oilfield specialists is 55.

The new research center, completed early in 1985, includes offices and laboratories (50,000 square feet) and a test station (10,000 square feet) that will house a drilling simulator and a flow loop.

The new drilling simulator should be assembled and commissioned by June. The machine can simulate full-scale drilling operations for detailed studies of the drilling process under typical downhole pressure and temperature conditions.

During 1984, progress was made in several areas such as the measurement of drill bit wear and the detection of bit bearing failures. Such techniques could help decisions on when a drill bit should be replaced. Also, multiphase flow research may help develop novel testing techniques.

Disassembled parts of Flopetrol Johnston drill stem test

tools used to determine the types of fluids and production rate of oil wells.

Measurement & Control

Measurement & Control consists of six operating units: ☐ *ELECTRICITY MANAGEMENT: Electricity meters and equipment for electric power distribution; load and rate management systems; network protection systems and measuring transformers for electric power transmission.* ☐ *WATER AND GAS METERING: Water meters and distribution systems; gas meters and distribution systems.* ☐ *INSTRUMENTS: Magnetic tape recorders, data acquisition systems; electronic instruments for industrial, laboratory and aerospace applications; radar simulation, training systems; industrial data logging and telemetry systems; transducers.* ☐ *PAYMATEC: Electronic payment systems, smart cards with an imbedded semiconductor logic and memory chip; gasoline pumps; time control devices.* ☐ *FAIRCHILD WESTON SYSTEMS: Data acquisition, signal processing and electronic countermeasures systems for aerospace and defense applications; controls for nuclear power systems.* ☐ *CONTROL, VALVES AND TECHNOLOGY: Process control equipment; petroleum, nuclear and industrial valves.*

☐ *SCHLUMBERGER MONTROUGE RESEARCH located in Montrouge, near Paris.*

Business Review

Revenue of Measurement & Control was level with 1983. In Europe, revenue increased 9%, expressed in national currencies.

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

Incoming orders for the year were up 2%; in Europe, they increased 17% when expressed in national currencies.

Measurement & Control has been organized worldwide along product lines, mainly electricity management, water and gas, instruments and electronic payment systems. Research & engineering expenditures amounted to $59 million, up 6%; capital investment was $64 million, up 12%.

Electricity Management

Overall revenue was flat.

Revenue of Sangamo in North America was 10% higher than the prior year as sales of residential meters in the U.S. and Canada grew 17%. Also, shipments of industrial meters were up 16%. Data Star™, a new remotely readable industrial billing recorder, was introduced in the fourth quarter to electrical utilities.

In Europe, revenue increased 2% expressed in national currencies. A new plant in Felixstowe, England will be operational early in 1985. This facility will manufacture a new generation of solid state residential electricity meters and other products such as radio teleswitches, and magnetic and smart card-operated prepayment electricity meters to replace coin-operated meters.

Production of residential meters in Jakarta for the Indonesian market began.

Orders for Balteau instrument transformers used in network protection systems increased 30%. Two new plants were built to replace older facilities: the Itajuba, Brazil plant will produce transformers for service up to 245kv and the Montrouge, France plant will produce transformers for up to 500kv.

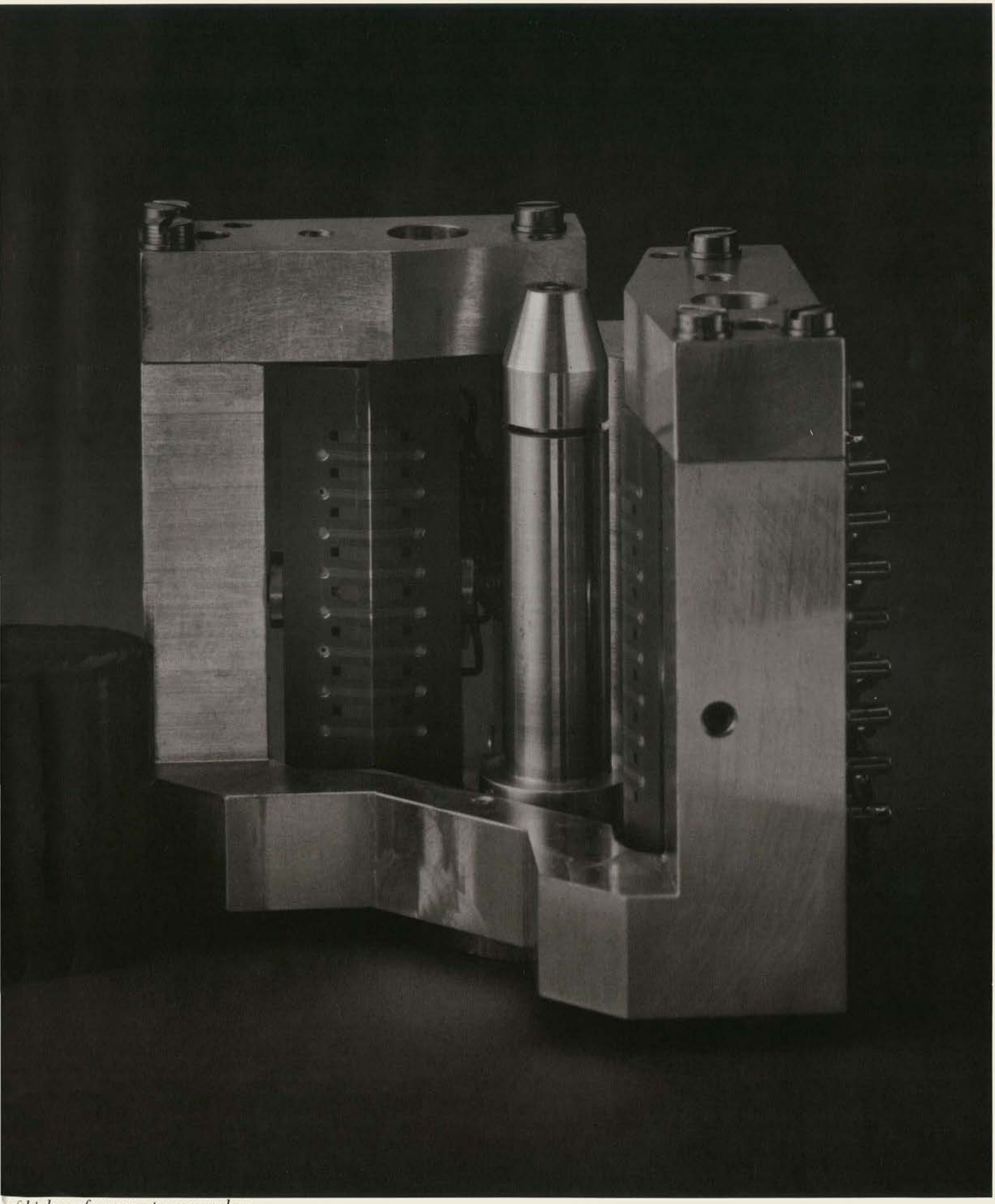
Water and Gas Metering

Overall revenue was up 4%.

Revenue for gas meters and gas distribution equipment worldwide was up 11%. This was due mostly to a significant increase of orders in southern Italy where the gas distribution system is being expanded.

A new plant is under construction by Flonic

Multiple track magnetic read-out head used in a variety



of high-performance tape recorders.

in Reims, France for the production of the new Gallus™ 2000 gas meter.

Revenue of water meters and water distribution equipment in Europe and in Latin America declined 4%. A new residential mono-jet water meter, Flostar™, which meets the standards of the European Economic Commission, was introduced during the year.

Instruments

Instruments revenue was flat.

Data recorder revenue increased 16% with all product lines contributing. A new airborne high density recorder, ME 4115, used mainly for aircraft and missile test flights, had good customer acceptance in both Europe and the United States.

A prototype of a new rotary head digital tape recorder which increases tape data storage capacity by a factor of 20 was recently introduced. The primary applications are in telemetry and data systems for image processing and storage. Recorders have been installed in locations such as the Canary Islands and the Arctic to collect data from the earth observation satellites Landsat and Spot.

Solartron and Enertec general instruments revenue increased 12% in local currencies. Major product lines, such as dynamic analysis instruments, digital voltmeters and radio test equipment, were strong.

In telecommunications, a new instrument was introduced that can make comprehensive tests on the growing number of telephone networks which are being converted to digital transmission. This equipment, designed by Enertec in Saint-Etienne, can be used worldwide by both telecommunications equipment manufacturers and operators.

At Solartron in the U.K., a line of rugged measurement modules was introduced that allow data loggers to acquire data in hostile environments remote from the central logger. These modules also can be used directly with most personal computers.

Transducer revenue grew over 18% worldwide. Solartron recorded substantial sales in high accuracy density transducers to the U.S. oil and gas industry.

Paymatec

Paymatec revenue increased 28%. However, excluding the revenue of Koppens which was acquired in July, revenue remained flat.

Koppens is a Dutch manufacturer of automated fuel dispensing systems for gas stations. In the U.S., Koppens introduced Micromax for self-service gas stations. This unit combines gasoline dispensing and electronic payment systems in one unit. Sizable orders were received from two major oil companies.

In 1984, Paymatec became the first company to manufacture "smart cards" on a full industrial scale. This plastic credit card, which incorporates an integrated circuit chip, has many future applications such as public telephones, parking meters and point-of-sale payments.

Fairchild Weston Systems

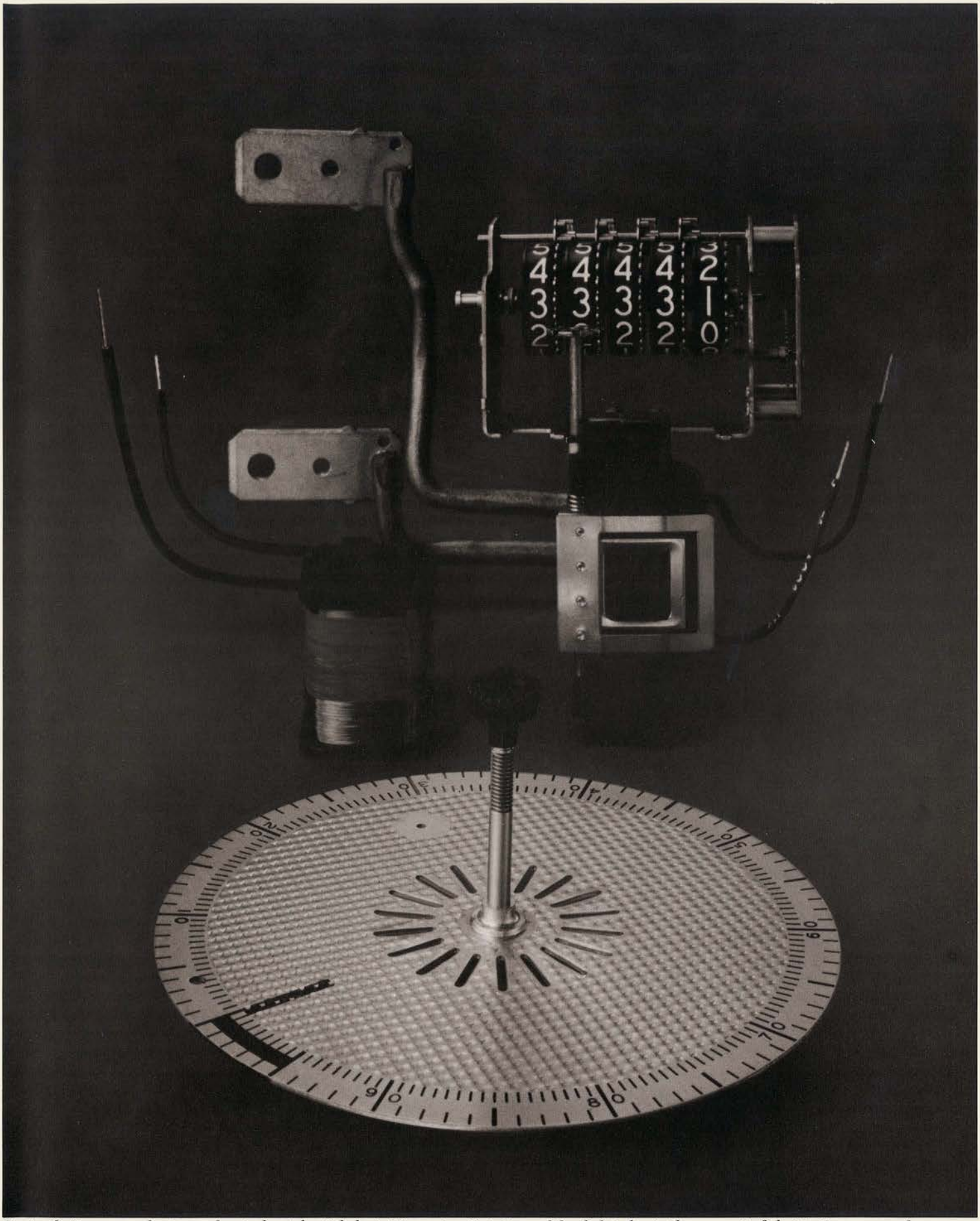
Revenue increased 6% due to improved sales of telemetry, electronic countermeasures equipment and instrumentation for nuclear powered vessels. Orders were strong for telemetry and imaging device systems.

Control, Valves and Technology

Expressed in national currencies, revenue declined 2% in 1984. Sales of valves dropped 12% due to a sharp decrease in capital investments by the petroleum, nuclear and other industries. However, revenue from process control activities increased 12% in national currencies as sales of the digital control system Modumat 800 multiplied threefold.

Research

At Schlumberger Montrouge Research, the first prototypes of the optical current transformer were successfully tested, and a program was initiated to develop an optical voltage sensor. These sensors, based on fiber-optic technology, would replace the traditional measurement transformers used for protecting electrical power networks. Several development programs are underway on sensors for pressure and flow measurements in fluid systems, on semiconductors which include a sensor as an integral part of the chip and on nondestructive testing techniques using nuclear radiation.



Parts of a Sangamo electromechanical residential electricity meter. Rotations of the disk indicate the amount of electricity consumed.

Fairchild Semiconductor

Fairchild Semiconductor includes four main operating units: ☐ DIGITAL: *Digital logic including* FAST *and low-power Schottky products.* ☐ MEMORY & HIGH SPEED LOGIC: *Computer memory products including* PROMS *and static* RAMS *and high-speed 100K* ECL *logic products.* ☐ ANALOG: *Linear, small signal, hybrids, telecommunications and computer interface products.* ☐ MICROLOGIC: *Microprocessors, gate arrays and* CCD *imaging products.*

☐ SCHLUMBERGER PALO ALTO RESEARCH-FAIRCHILD *located in Palo Alto, California.*

Business Review

Fairchild revenue rose 42% but orders were up only 8% over 1983. The semiconductor business started the year with strong sales and bookings, but ended 1984 in a much weaker position: first quarter orders were 71% higher but the fourth quarter was 52% lower than the corresponding quarters of 1983. For the full year, orders were slightly lower in the United States but grew significantly in Europe and Asia despite the effects of the strong dollar.

Research & engineering expenses were $84 million, up 20%. Capital expenditure increased $43 million to $168 million for new facilities and improvements to existing plants.

Digital

Revenue at Digital was 66% ahead with FAST and low-power Schottky Logic products showing the largest gains. Orders fell somewhat from the prior year, although demand for FAST logic products remained strong.

The FAST family surpassed 100 part types in production by year end. During 1985, new FAST types will include LSI products which are high density, high-value products implementing complex system-level functions.

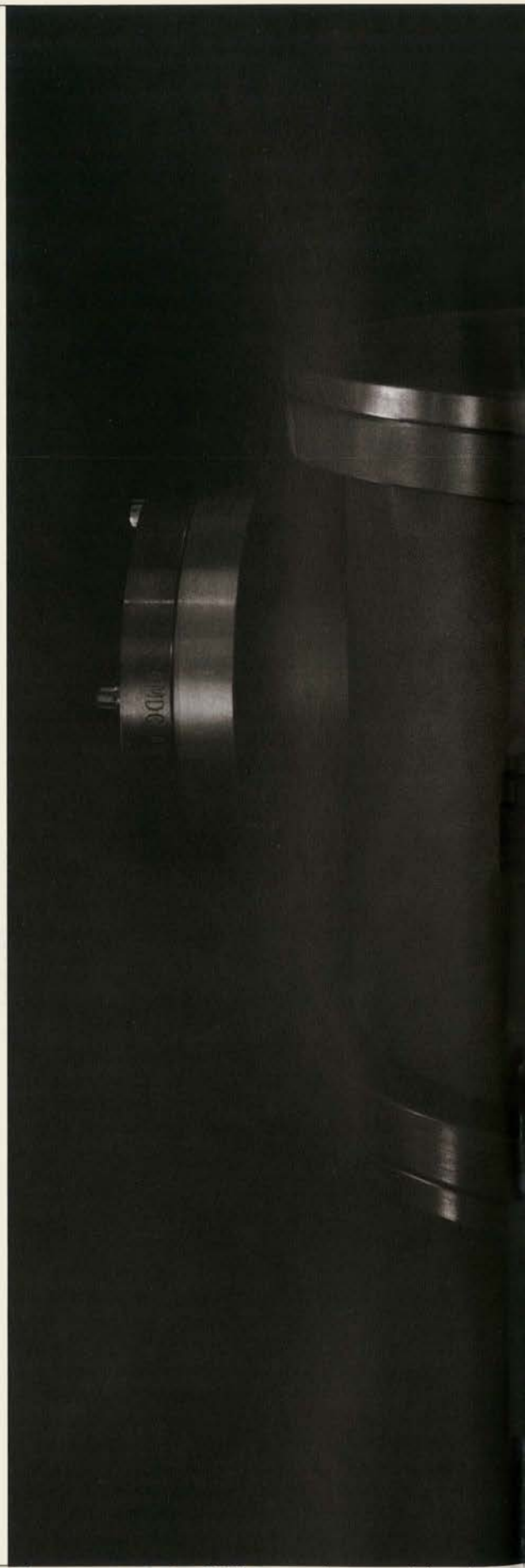
Demand for FAST products stretched existing production capacity to the limit. As a result, the Wappingers Falls, New York plant is being converted to produce FAST products. This, and planned expansion in South Portland, Maine, will create in 1985 a 30% capacity increase in digital and 100% in FAST.

First wafers were processed on the new two micron CMOS fabrication line in South Portland, Maine. This line will also support the advanced CMOS logic family which will be introduced in 1985.

Memory & High Speed Logic

Revenue grew 54% and orders 32% over 1983. Business was strong for logic products. However, orders were erratic, double the 1983 rate in the first quarter but only 66% of the prior year in the fourth quarter.

The Memory & High Speed Logic unit completed the consolidation of Bipolar products in Puyallup, Washington and brought additional manufacturing capacity on line to help meet demand. Record productivity and output were reached during the year on both the 100K ECL logic and high-density 64K PROM



This reactor, at Fairchild Research, is used for plasma

deposition of thin dielectric films which will be used in future generations of high-performance integrated circuit memories.

product lines. A 175,000 square foot expansion of the Puyallup plant was started.

Two micron, 64K CMOS Static RAMs were brought into preproduction by the end of 1984. This product has the highest speed (45 nanoseconds) and the lowest power consumption of any product available on the market.

Analog

The Analog unit includes linear, small signal, hybrids, telecommunications and computer interface products. Revenue was 19% ahead of 1983 but orders were flat. Linear products for telecommunications and computer peripherals had the strongest growth.

The Power System division and General Motors have reached an agreement that calls for the delivery of new electronic ignition modules in the next few years. In addition, a new microprocessor-based electronic ignition system will be developed for the 1988-1989 car model year.

First units of a major new CMOS product, the Bell 212A compatible single-chip modem, were produced and samples were delivered to key customers. Another telecommunications product, the μA5800 SLIC (subscriber line interface circuit), entered production.

Micrologic

Revenue and orders were both up about 14% over 1983 on the strength of the growing gate array business.

The Micrologic unit in Mountain View consolidates operations of Microcontrollers, Gate Arrays and CCD Imaging products. Shipments of the high-speed 9450 microprocessor began during the year.

Following startup of a new two micron CMOS facility in Milpitas, California, the first products of the CMOS Gate Array family were shipped during the year. The CMOS Gate Array family now includes 500-, 2400- and 6000-gate products. A major second-sourcing agreement covering the new family was signed with VLSI Technology of San Jose, California and includes five additional products scheduled for release in 1985.

Major customer contracts were signed for both the ECL gate array family and CCD imaging products. The ECL family of gate array products was completed during 1984.

Europe

Revenue in Europe rose 29% and orders grew 21% over the prior year. Expressed in national currencies, revenue was up 47% and orders 41%. Fourth quarter orders fell 50% from the same quarter of 1983 as the slowdown which started in the U.S. at midyear began to affect Europe.

At Wasserburg, Germany, construction of a two micron bipolar and CMOS wafer fabrication facility is in progress.

Asia

Revenue in Asia was up 62% and orders were 24% greater than 1983 with higher sales in all product lines, especially digital logic. Orders in the fourth quarter fell 28% compared to the same period of 1983.

The Nagasaki plant, completed in Japan in August, assembles FAST products for Asian markets. Plans to add a new two micron CMOS wafer fabrication facility in Nagasaki were approved.

Research

Schlumberger Palo Alto Research-Fairchild concentrates on bipolar and CMOS processes and high-speed logic design. The research in artificial intelligence and automatic test equipment was combined into a new laboratory within the Computer Aided Systems group.

In 1984, the two micron CMOS process was transferred from the laboratory to all the operating units. Now, research is focused on a one micron CMOS process for next generation products.

In bipolar research, polysilicon technology was developed for high-speed VLSI circuits such as the 64K Bipolar Static RAM that can operate faster than 15 nanoseconds.

High performance CMOS microprocessor technology was transferred during the year to the Micrologic unit.

A processed silicon wafer (center) before it is cut into individual chips, surrounded by typical semiconductor integrated circuit chips.

Computer Aided Systems

Computer Aided Systems consists of five operating units:
☐ *SENTRY: Computer controlled systems for testing semiconductors.*
☐ *FACTRON: Computer controlled systems for testing printed-circuit board subassemblies.*
☐ *APPLICON: Computer aided design and manufacturing (CAD/CAM) systems.* ☐ *MDSI: Computer aided manufacturing (CAM), computer based systems to translate parts descriptions into instructions for numerically controlled machine tools.*
☐ *BENSON: Computer aided drafting products including pen and electrostatic plotters.*

☐ *SCHLUMBERGER PALO ALTO RESEARCH-CAS located in Palo Alto, California.*

Business Review

Computer Aided Systems (CAS) completed its first full year as a separate business entity.

The primary customers of CAS are manufacturers of semiconductors, mechanical, electromechanical and electronic products and systems. CAS provides these manufacturers a variety of computer aids which are interposed in the engineering, design, manufacturing and testing stages.

Revenue of Computer Aided Systems was up 18% and orders were 13% ahead of 1983. However, orders slackened in the fourth quarter due to a significant slowdown in three key markets: semiconductors, computers and telecommunications. Backlog was still 6% higher than the backlog at the end of 1983.

Research & engineering expenses were $74 million, up 11%, and capital expenditures were $42 million, down 7%.

Sentry

Revenue of Sentry, previously the Component Test Systems division, was 38% higher and orders were up 13% for the year. The year-end semiconductor industry slowdown was reflected in reduced demand for integrated circuit production testers. Orders for memory testers continued strong through the fourth quarter, due to heavy demand from Southeast Asian semiconductor manufacturers. A new engineering and manufacturing plant was opened in Saint-Etienne, France to provide Sentry testers for European markets.

Late in the year, the first Sentry-50 VLSI tester was delivered to a U.S. customer. This is the first commercial tester capable of 50 MHz operation. The Sentry-50 is able to test the latest generation of high-speed very-large-scale integrated circuits with up to 256 pins.

The 5588Q Memory Tester, introduced in 1984, is the only U.S.-made machine capable of conducting final tests on eight 256K memories in parallel.

Factron

Revenue of Factron, previously the Subassembly Test Systems division, was up 17% and orders were 20% higher in 1984. Orders for electronic subassembly testers fell in the second half, as personal computer and telecommunications manufacturers scaled back their programs. However, orders in Europe were up 37%, or 53% expressed in national currencies, as a result of the strong acceptance of the 700 Series printed-circuit board testers.

The Models 750 and 780 in the 700 Series are high-speed automatic test systems that combine both in-circuit and functional test capabilities. The in-circuit test verifies that a printed-circuit board has been manufactured correctly while the functional test establishes that the printed-circuit board operates within its design specifications.

A new Integrated Circuit Verifier tests components when they are automatically inserted in a printed-circuit board, detecting those that are faulty, misplaced or oriented the wrong way. The first units were shipped in the second quarter. A new plant was opened in Ferndown, England for the design and manufacture of printed-circuit board subassembly testers for European markets.

Applicon

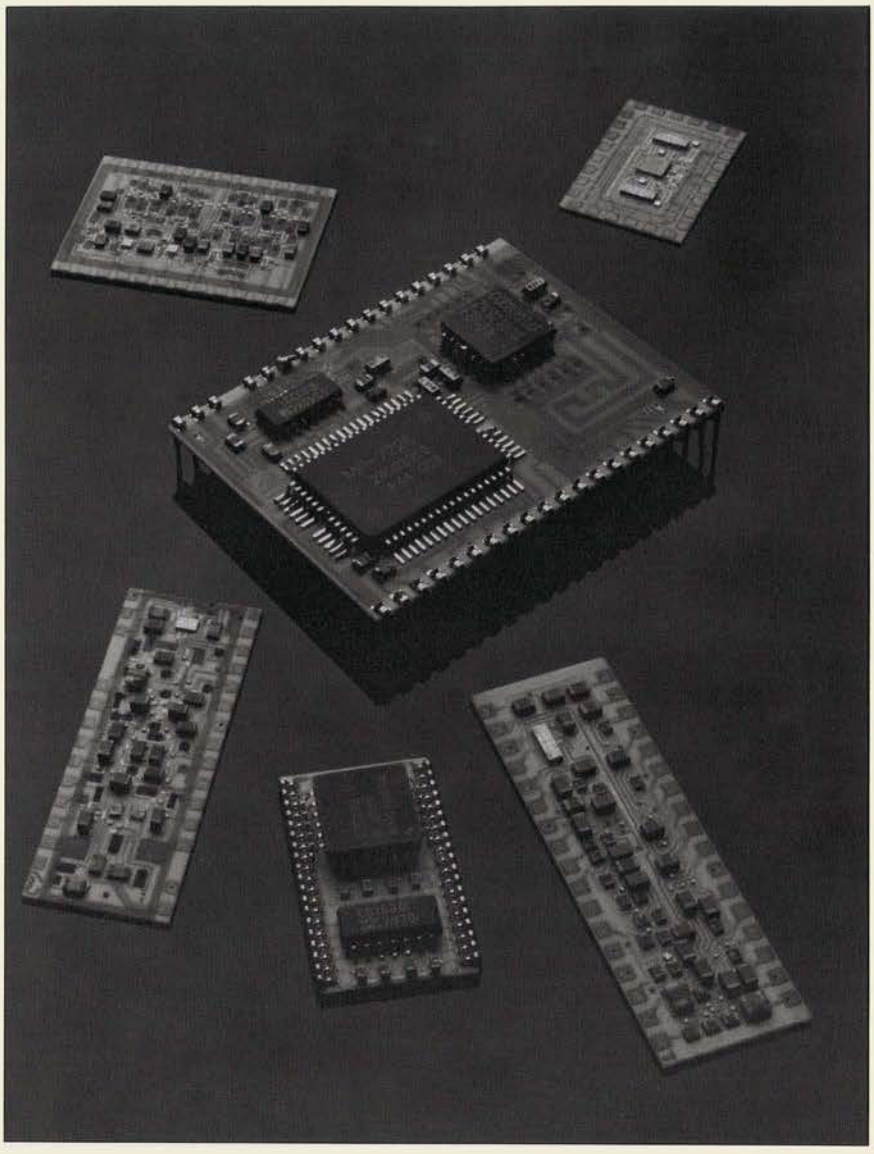
Revenue was 2% higher and orders increased 4% after a very slow first three quarters while substantial product improvement and reorganization were in progress. Orders were up 18% in the fourth quarter due to the release of a new version of the BRAVO! computer aided engineering, design and manufacturing system. The new BRAVO! has a greatly increased speed of response, additional user features and improved reliability.

Also introduced was ARIA™, an engineering workstation which provides a low-cost entry to computer aided design.

MDSI

Revenue of MDSI gained 4% and orders were 21% ahead as MDSI's major market, machine-tool users, continued to recover from a severe recession. Orders strengthened throughout the year, with the fourth quarter showing 41% growth over the same quarter a year ago. A new computer integrated manufacturing system called EQINOX™ contributed significantly to growth, accounting for 75% of orders received in the fourth quarter. EQINOX consists of a series of graphics workstations and communications that can be used for creating programs for numerically controlled machine tools and for design/drafting tasks as well.

An important use of Applicon Computer Aided Design is laying out printed-circuit boards.



EQINOX workstations can be integrated with existing CAD/CAM systems and can be networked with each other and with machine tools on the factory floor.

Benson

Revenue of Benson increased 10% and orders were ahead 7%. Four new products were introduced: two models of high-speed pen plotters, one accepting sheets of paper and the other rolls; Colorscan, a four-color ink jet plotter that plots points instead of lines; and a low-price thermal transfer plotter.

Research

Schlumberger Palo Alto Research-CAS was organized in 1984, combining the artificial intelligence and automatic test equipment activities, formerly of Fairchild research. The laboratory conducts basic and applied research in computer aided engineering, computer integrated manufacturing and automatic test and repair.

In 1984, the results of several research programs were transferred to operating units for further development. The *Electric* software system for computer aided engineering of integrated circuits and printed-circuit boards was transferred to Applicon which will introduce a commercial product based on it in 1985. Also, new approaches to visual signal processing were developed that may lead to a new Benson product that can capture color images from video data streams and process them so they can be printed in color, inexpensively, on a Benson plotter. Other ongoing work has led to improved computer tools to assist in testing printed-circuit boards on Factron testers.

For the future, artificial intelligence techniques are being focused on engineering, manufacturing, test generation and trouble shooting processes. To aid this effort, new computer architectures are under development to accelerate signal processing and symbolic reasoning by orders of magnitude.

Hybrid circuit modules are some of the elements making up a Sentry-50 VLSI tester.

SEDCO

On December 24, 1984 SEDCO became part of Schlumberger. The next few pages describe SEDCO, its people and its business.

The SEDCO 703 drilling for AMOCO in the British sector of the North Sea, 115 miles northeast of Aberdeen, near the Piper field.

SEDCO

History

SEDCO, located in Dallas, Texas, was formed 38 years ago by William P. Clements, Jr. and two partners. The company had two used diesel powered land rigs and drilled its first well near Brookhaven, Mississippi. Two of the men who drilled that 10,000-foot well with Rig No. 1 are still with SEDCO, Bill Clements and Bobby Lynch.

From its start in Mississippi, SEDCO expanded into Texas, New Mexico and Oklahoma and also began offshore drilling in the shallow bay areas of the Gulf Coast. By 1955, the company had 16 land rigs, eight inland barges, three offshore fixed platform rigs, one offshore tender with an associated platform rig and one small offshore submersible barge.

In that year, SEDCO began a planned expansion outside the United States with drilling contracts in India and Pakistan. Activity in Iran began in 1958 with two land rigs. By 1959, international operations were solidly established and the company drilled 1,039 wells in Argentina in the next three years — the largest land drilling contract ever awarded. Over time, operations outside the United States accounted for the bulk of SEDCO's business.

In the early 1960s, SEDCO set in motion long-range plans to drill in the deep oceans of the world. For deep, rough water environments, they designed the SEDCO 135 series of semisubmersible drilling units. A few years later, aided by this experience, design work was initiated on a new generation semisubmersible for work in even more severe conditions. The SEDCO 700 series was the result. Over the next decade, 13 of these 700 series units were constructed for use in the northern part of the North Sea and similar areas.

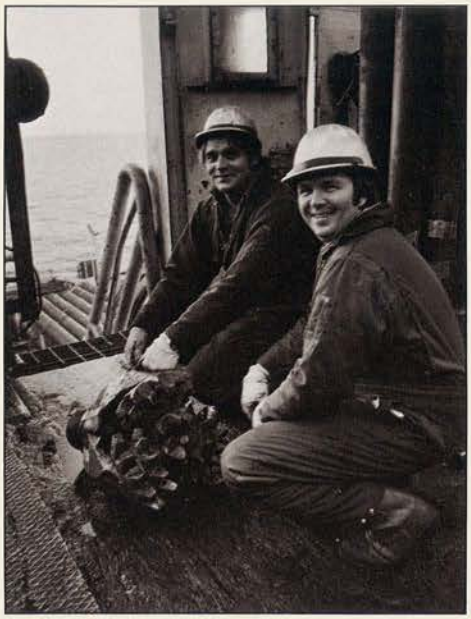
The Equipment

SEDCO offshore drilling and support equipment includes 41 mobile units: 28 semisubmersible vessels, ten jack up units and three deep water drill ships. Some of these units are jointly owned. In addition to drilling offshore wells, this equipment has been utilized for offshore support services such as production platforms, pipeline covering activities and ocean mining research. Onshore operations include four land drilling rigs.

☐ *Semisubmersible Vessels.* Semisubmersible vessels are designed for offshore drilling and support activities under difficult weather and ocean conditions. A semisubmersible vessel is lowered to its operating mode by taking on ballast water in the footings and caissons. When ballasted to its operating draft, it is a stable platform with motion characteristics suitable for sustained drilling operations in waves of up to 40 feet. The water depth in which a semisubmersible may operate is determined primarily by its anchoring and riser systems.

Two of the semisubmersible units, the SEDCO 709 and the SEDCO 710, have dynamic stationing systems consisting of eight computer controlled thrusters which, instead of anchors, position and maintain the vessel on location during operations. The dynamic stationing equipment gives these units the capability to work in water depths up to 6,000 feet, or in oceans where icebergs are common, because of the instant mobility of this semisubmersible. The SEDCO 709 and 710 are the world's only dynamically stationed semisubmersible drilling units.

☐ *Drill Ships.* The three SEDCO drill ships are dynamically stationed and have been engaged for up to 14 years in worldwide exploration drilling in water depths up to 5,000 feet. One of the drill ships, the SEDCO/BP 471, has been modified to conduct a long term contract working for Texas A&M University on a National Science Foundation research project to study how the earth was formed and developed. The vessel will be working worldwide, drilling in water depths up to 27,000 feet and retrieving core samples for scientific analysis.



Rig superintendent Al Ruel (left) and rig manager Bob Olsen examine the drill bit pulled from the well bore.

From the left: roughnecks Dave Robertson, John Hunter and Cliff Taylor in action on the drill floor.

George Darby, assistant driller, unlatches drill pipe elevators to allow removal of a riser joint from the drill floor to a storage area.

☐ *Jack Ups.* SEDCO operates ten jack up units. These units have maximum water depth capabilities ranging from 100 to 250 feet. Each is designed to be towed to a drilling location and then raised above the water to a desired height by means of lowering self-contained legs.

SEDCO Today

SEDCO customers include most of the international and national oil companies around the world. The major operating locations today are the North Sea, the Gulf of Alaska, the Gulf of Mexico, the Indian Ocean, the Arabian Gulf, the Mediterranean, offshore Brazil, offshore Africa, offshore China and offshore eastern Canada.

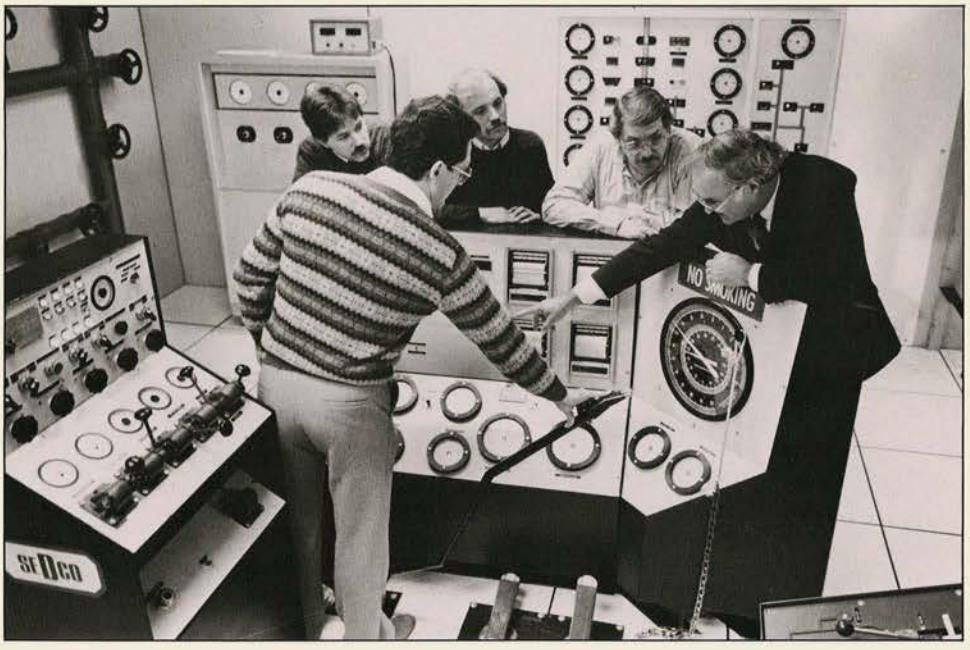
☐ *The People.* SEDCO has approximately 4,300 employees of 30 different nationalities.

Almost 15% of all SEDCO people are college graduates, and two-thirds of those are engineers. Engineers and other graduates share one thing in SEDCO — they start as trainees on drilling rigs and spend years building a solid foundation in the drilling business. However, much of SEDCO's basic strength comes from the large number of experienced rig personnel who have learned on the job. With this in mind, high priority is given to the hiring, development and promotion of nationals in every country where SEDCO has operations.

☐ *Training.* Personnel training has been a long-standing commitment in SEDCO. The centerpiece of the training program is the Modular Training System, a demanding, self-paced course of study consisting of modules for each position on a drilling rig. The modular training material includes manuals, workbooks, videotapes and examinations which must be completed. On-the-job training is the rule. In support of the on-board training program, each rig carries a library of about 250 videotapes most of which were produced internally. This library is growing at the rate of about 20-30 new productions per year.

SEDCO maintains training centers in Aberdeen, Scotland and Dallas, with

Captain Mack Dixon conducts training in marine stability and trim using a realistic simulator at the Dallas Training Center.



Tommy Bicknell at the Dallas Training Center instructs a group on a drilling simulator.

At Earl and Wright, engineers John Pavey and Michael Roche discuss finite element analysis of a large tubular connection, part of a proposed deep water fixed structure development.

major training efforts being devoted to Well Control Schools and Marine Stability and Trim Seminars. SEDCO has been a pioneer in well control training, opening the first schools 12 years ago. Upon completion of Well Control Schools, employees can be certified to work in high risk areas for well control problems.

☐ *Engineering.* SEDCO engineers, with technical assistance from Earl and Wright, a wholly owned consulting engineering subsidiary, have designed and supervised the building of most of SEDCO's offshore drilling and support equipment.

SEDCO pioneered the development of dynamic stationing for full scale deepwater exploration with both semisubmersibles and drill ships.

Earl and Wright

Earl and Wright is a consulting group of experts that specializes primarily in the design of deep water development platforms, floating production facilities, onshore petroleum handling facilities, drilling vessels and marine terminals. Earl and Wright designed much of the SEDCO offshore drilling and support equipment; they also perform consulting work for oil companies and drilling contractors in the areas of computer stress analyses, dynamic model tests, strength and stability calculations, mooring systems and joint analyses. Other services, provided to both governmental and private groups, include design and project management of harbors, bridges and other civil engineering works.

FINANCIAL REVIEW

Financial Review

Results of Operations

Net income for 1984 was $1.18 billion as compared to $1.08 billion in 1983 and $1.35 billion in 1982. Net income increased 9% in 1984 following a 20% decline in 1983 and a growth of 6% in 1982. Net income per share was $4.10, $3.73 and $4.60 in 1984, 1983 and 1982, respectively. The acquisition of 50% of the Dowell operations in North America during 1984 had the effect of reducing earnings by $30 million or 10 cents per share.

Oilfield Services

Oilfield Services operating revenue increased 6% in 1984 as compared to a decrease of 16% in 1983 and a 7% increase in 1982. The 6% growth in operating revenue includes the acquisition, earlier this year, of 50% of the Dowell operations in North America. Excluding this acquisition, Oilfield Services revenue was about the same as last year.

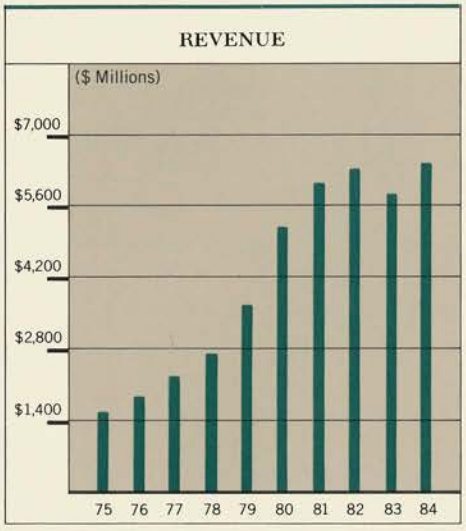
Wireline revenue worldwide was up 6%. In North America, revenue increased 16% as the average number of active rigs increased to 2,697 rigs (11%) from the 2,430 rigs last year. Outside of North America, Wireline revenue was flat when compared to 1983. In 1983, revenue outside of North America declined 5% following a 21% increase in 1982. Compared to 1983, revenue in Europe increased 12% as offshore activity increased and jobs per rig were higher, while Africa/Mediterranean and Latin America were below last year by 1% and 10%, respectively. Revenue in Central East Asia increased 14% above 1983 as average active rigs increased 18% to 167 while the Middle East and Indonesia/Australasia declined from last year by 8% and 2%, respectively.

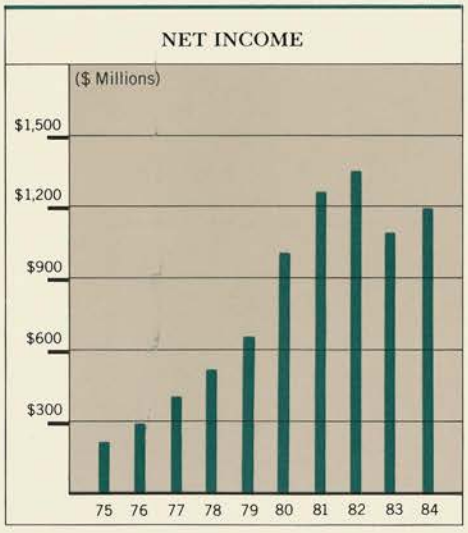
Drilling & Production Services revenue (including the Company's share of Dowell Schlumberger in North America) was 7% above 1983 following a decline of 19% in 1983 and an increase of 12% in 1982. Excluding the results of Dowell Schlumberger in North America, 1984 revenue declined 13%. Forex Neptune revenue was 17% below last year due primarily to lower day rates as overall rig utilization during 1984 was 64% compared to 58% in 1983. Outside of North America, Dowell Schlumberger revenue was 13% below 1983 and the revenue of Flopetrol Johnston was 12% below last year; both declines are attributable to lower activity and pricing pressures. On a comparable basis, including Drilling Services, revenue of Anadrill was even with 1983.

Measurement, Control & Components

Measurement, Control & Components operating revenue increased 11% in 1984 following an increase of 2% in 1983 and a decline of 1% in 1982. The high revenue growth at Fairchild and Computer Aided Systems was partially offset by flat revenue at Measurement & Control.

Measurement & Control revenue was even with 1983 after declining 6% in both 1983 and 1982. In North America, revenue increased 7% over 1983 (pri-





marily due to increased sales of defense systems, meters and telemetry systems) after declining 5% in 1983 and 6% in 1982. In Europe, when expressed in national currencies, revenue improved 9% in 1984 following an 8% increase in 1983 and 13% in 1982.

Fairchild revenue increased 42% in 1984 after increasing 15% in 1983 and declining 10% in 1982. Demand improved for commercial logic, mostly FAST, and aerospace & defense products at Digital and F100K logic and custom gate array products at Memory & High Speed Logic. Worldwide orders were 8% ahead of last year, however, a significant decline occurred during the second half of 1984.

Revenue at Computer Aided Systems increased 18% in 1984 and 4% in 1983. At Sentry and Factron (formerly Component Test Systems and Subassembly Test Systems, respectively) revenue increased 38% and 17%, reflecting continued strong demand for digital and in-circuit test systems. At Applicon and MDSI, revenue was up 2% and 4%, respectively; Benson revenue increased 10% from 1983.

Interest Income

Interest income was $390 million in 1984 as compared to $298 million and $254 million in 1983 and 1982, respectively. The 31% increase in 1984 compared to 1983 was due to increased funds available for investment.

Research & Engineering

Research & engineering expenditures were $393 million, $44 million above 1983 and $67 million higher than 1982. Oilfield Services expenditures for research & engineering totaled $176 million, $157 million and $138 million in 1984, 1983 and 1982, respectively. Measurement, Control & Components spent $217 million, $192 million and $188 million for the same years.

Taxes

On a worldwide basis the effective income tax rate was 25%, 22% and 25% for the years 1984, 1983 and 1982, respectively. The increase in the effective tax rate resulted primarily from a higher 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.

Acquisitions

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

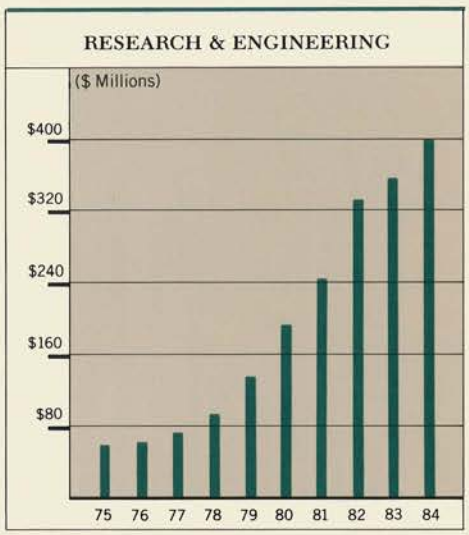
On December 24, 1984, the Company completed the merger of SEDCO, Inc. into a subsidiary of the Company. The cost of the acquisition was $968 million ($482 million in cash and approximately 13 million shares of Schlumberger Common Stock valued at $486 million).

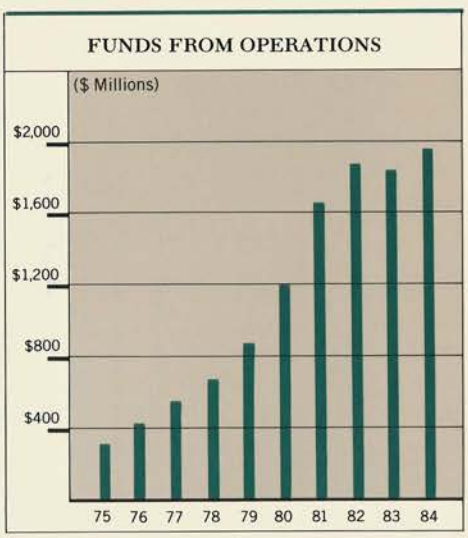
Fixed Assets

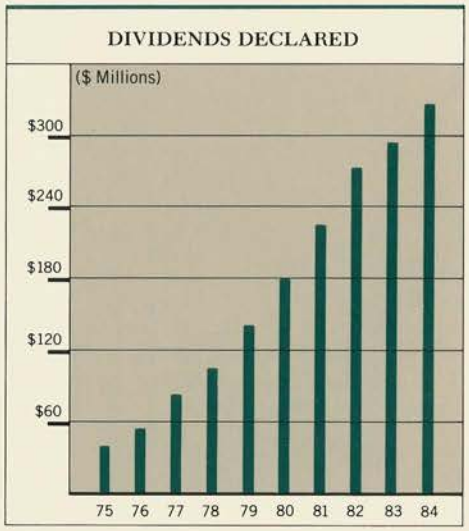
Expenditures for fixed assets in 1984 were $727 million compared to $517 million in 1983.

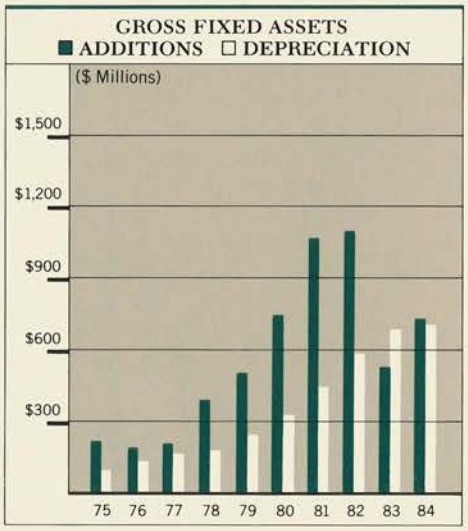
Additions by business sector were as follows:

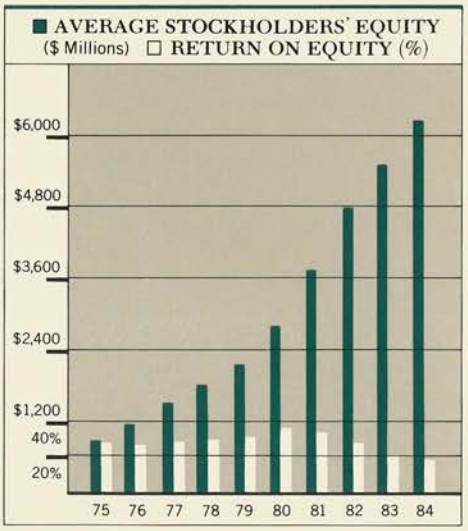
	1984	1983
	(Stated in millions)	
Oilfield Services		
Wireline	**$277**	$234
Drilling & Production Services	**164**	53
	441	287
Measurement, Control & Components		
Measurement & Control	**64**	57
Fairchild	**168**	123
Computer Aided Systems	**42**	44
	274	224
Other	**12**	6
	$727	$517











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 1984 and 1983 were:

	PRICE RANGE		DIVIDENDS
	HIGH	LOW	DECLARED
1984			
Quarters			
First	$54 3/8	$43 5/8	$0.260
Second	55	44	0.260
Third	49 1/4	37 1/4	0.300
Fourth	45 7/8	35 7/8	0.300
1983			
Quarters			
First	$52	$38 1/4	$0.240
Second	57 3/8	40 3/8	0.240
Third	62 5/8	53 1/4	0.260
Fourth	56 1/2	44 5/8	0.260

The number of holders of record of the Common Stock of the Company at January 4, 1985 was approximately 39,000. There are no legal restrictions on the payment of dividends or ownership or voting of such shares. United States stockholders are not subject to any Netherlands Antilles withholding or other Netherlands Antilles taxes attributable to ownership of such shares.

Financial Position

At year end, working capital was $3.2 billion, $191 million over the prior year; the current ratio was 2.16 to 1.

Liquidity, which represents cash and short-term investments less debt was $2.18 billion and $2.28 billion at December 31, 1984 and 1983, respectively. The decrease of $97 million in liquidity is a result of $970 million of debt issued or assumed with the purchase of 50% of the Dowell business and assets in North America and SEDCO, Inc. compared to $873 million of liquidity 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 effects of inflation or for comparative evaluations.

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

Consolidated Statement of Income Adjusted for Effects of Changing Prices

FOR THE YEAR ENDED	DECEMBER 31, 1984	
	AS REPORTED	IN CURRENT COSTS
	(Stated in millions) (In average 1984 dollars, except "As reported" amounts)	
Revenue	$6,370	$6,370
Expenses		
Cost of goods sold and services	3,653	3,837
Interest	153	153
Other	992	995
Taxes on income	390	390
Net income	$1,182	$ 995

Note: At December 31, 1984, the current cost of inventories was $693 million and the current cost of fixed assets net of accumulated depreciation was $3.4 billion. Depreciation expense as reported was $712 million; adjusted for current cost, it amounted to $878 million.

Five-Year Comparison of Selected Financial Data Adjusted for Effects of Changing Prices

YEAR ENDED DECEMBER 31,	1984	1983	1982	1981	1980
	(In average 1984 dollars, except "As reported" amounts; dollar amounts in millions except per share)				
Revenue					
As reported	**$ 6,370**	$ 5,797	$ 6,284	$ 5,978	$ 5,137
Net income					
As reported	**1,182**	1,084	1,348	1,266	994
In current costs	**995**	946	1,307	1,232	1,070
Net income per share					
As reported	**4.10**	3.73	4.60	4.37	3.47
In current costs	**3.45**	3.25	4.46	4.26	3.74
Excess of inflation over current costs	**6**	5	(9)	(5)	101
Net assets at year end*					
As reported	**6,992**	5,819	5,226	4,235	3,218
In current costs	**7,178**	6,294	5,950	5,182	4,450
Average consumer price index	**311.1**	298.4	289.2	272.3	246.8

*Translation adjustment as reported: 1984 — $210 million, 1983 — $140 million, 1982 — $82 million; adjusted for current cost: 1984 — $250 million, 1983 — $185 million, 1982 — $117 million.

Consolidated Balance Sheet
Assets

DECEMBER 31,	1984	1983
		(Stated in thousands)
CURRENT ASSETS		
Cash	**$ 41,349**	$ 21,564
Short-term investments	**3,964,119**	3,167,077
Receivables less allowance for doubtful accounts (1984 — $25,526; 1983 — $27,083)	**1,215,143**	1,089,599
Inventories	**689,748**	602,330
Other current assets	**87,802**	73,181
	5,998,161	4,953,751
INVESTMENTS IN AFFILIATED COMPANIES	**731,964**	267,693
LONG-TERM INVESTMENTS AND RECEIVABLES	**219,982**	111,859
FIXED ASSETS less accumulated depreciation	**3,145,158**	2,621,027
EXCESS OF INVESTMENT OVER NET ASSETS OF COMPANIES PURCHASED less amortization	**760,756**	366,676
OTHER ASSETS	**57,173**	32,233
	$ 10,913,194	$ 8,353,239

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Balance Sheet
Liabilities and Stockholders' Equity

DECEMBER 31,	1984	1983
		(Stated in thousands)
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	**$ 942,196**	$ 796,320
Estimated liability for taxes on income	**890,894**	597,584
Bank loans	**829,555**	441,272
Dividend payable	**86,597**	75,432
Long-term debt due within one year	**27,884**	12,955
	2,777,126	1,923,563
LONG-TERM DEBT	**965,580**	455,259
OTHER LIABILITIES	**159,806**	140,915
MINORITY INTEREST IN SUBSIDIARIES	**18,480**	14,652
	3,920,992	2,534,389
STOCKHOLDERS' EQUITY		
Common stock	**421,583**	359,537
Income retained for use in the business	**6,908,246**	6,049,223
Treasury stock at cost	**(127,472)**	(449,967)
Translation adjustment	**(210,155)**	(139,943)
	6,992,202	5,818,850
	$ 10,913,194	$ 8,353,239

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Income

YEAR ENDED DECEMBER 31,	1984	1983	1982
			(Stated in thousands)
REVENUE			
Operating	**$ 5,978,552**	$ 5,513,246	$ 6,025,380
Interest and other income	**391,890**	284,213	258,430
	6,370,442	5,797,459	6,283,810
EXPENSES			
Cost of goods sold and services	**3,652,790**	3,388,364	3,478,525
Research & engineering	**393,441**	349,377	326,458
Marketing	**287,480**	270,756	258,875
General	**311,402**	284,347	303,965
Interest	**153,436**	115,578	116,634
Taxes on income	**389,820**	304,738	451,188
	5,188,369	4,713,160	4,935,645
NET INCOME	**$ 1,182,073**	$ 1,084,299	$ 1,348,165
Net income per share	**$ 4.10**	$ 3.73	$ 4.60
Average shares outstanding (thousands)	**288,580**	290,933	293,119

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Changes in Financial Position

YEAR ENDED DECEMBER 31,	1984	1983	1982
			(Stated in thousands)
SOURCE OF WORKING CAPITAL			
Net income	**$1,182,073**	$1,084,299	$1,348,165
Add (deduct) amounts not affecting working capital			
Depreciation and amortization	**735,276**	692,194	596,044
Earnings of companies carried at equity less dividends received (1984 — $99,000; 1983 — $61,164; 1982 — $15,272)	**77,764**	12,328	(62,390)
Other — net	**(51,460)**	30,910	(20,894)
Working capital provided from operations	**1,943,653**	1,819,731	1,860,925
Value of shares exchanged for SEDCO	**485,745**	—	—
Net worth of Applicon acquired for shares	**—**	—	49,312
Increase in long-term debt	**620,572**	121,380	192,047
Retirement and sale of fixed assets	**59,337**	84,179	51,510
Proceeds from sale of shares to optionees	**9,663**	7,302	9,239
Total working capital provided	**3,118,970**	2,032,592	2,163,033
APPLICATION OF WORKING CAPITAL			
Net noncurrent assets of SEDCO acquired	**1,129,459**	—	—
Purchase of Dowell business and assets in North America	**438,661**	—	—
Increase in excess of investment over net assets of companies purchased	**35,417**	—	104,029
Increase in other long-term investments and receivables	**14,029**	57,233	40,971
Additions to fixed assets	**726,578**	517,030	1,094,334
Dividends declared	**323,050**	290,769	269,626
Reduction of long-term debt	**120,509**	126,033	13,336
Effect of exchange rate changes on working capital	**24,758**	28,114	31,306
Purchases of shares for Treasury	**110,867**	150,483	63,279
Other — net	**4,795**	4,084	12,202
Total working capital applied	**2,928,123**	1,173,746	1,629,083
NET INCREASE IN WORKING CAPITAL	**$ 190,847**	$ 858,846	$ 533,950
INCREASE IN WORKING CAPITAL CONSISTS OF			
Increase (decrease) in current assets			
Cash and short-term investments	**$ 816,827**	$ 866,058	$ 640,395
Receivables	**125,544**	(36,382)	(56,795)
Inventories	**87,418**	(73,765)	63,711
Other current assets	**14,621**	(16,368)	26,532
(Increase) decrease in current liabilities			
Accounts and dividend payable	**(157,041)**	42,611	(76,397)
Estimated liability for taxes on income	**(293,310)**	20,919	4,545
Bank loans and debt due within one year	**(403,212)**	55,773	(68,041)
NET INCREASE IN WORKING CAPITAL	**$ 190,847**	$ 858,846	$ 533,950

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Stockholders' Equity

	COMMON STOCK				TRANSLATION ADJUSTMENT	INCOME RETAINED FOR USE IN THE BUSINESS
	ISSUED		IN TREASURY			
	SHARES	AMOUNT	SHARES	AMOUNT		
						(Dollar amounts in thousands)
Balance, January 1, 1982	302,247,565	$ 307,210	12,978,316	$ 239,889		$ 4,167,312
Translation adjustment, opening					$ (25,561)	
Translation adjustment, 1982					(56,439)	
Purchases for Treasury			1,569,500	63,279		
Issued for Applicon		37,867	(4,005,634)	(1,603)		9,842
Sales to optionees	337,046	7,804	(137,766)	(1,435)		
Net income						1,348,165
Dividends declared ($0.92 per share)						(269,626)
Balance, December 31, 1982	302,584,611	352,881	10,404,416	300,130	(82,000)	5,255,693
Translation adjustment, 1983					(57,943)	
Purchases for Treasury			3,011,000	150,483		
Sales to optionees less shares exchanged	395,170	6,656	(60,425)	(646)		
Net income						1,084,299
Dividends declared ($1.00 per share)						(290,769)
Balance, December 31, 1983	302,979,781	359,537	13,354,991	449,967	(139,943)	6,049,223
Translation adjustment, 1984					(70,212)	
Purchases for Treasury			2,328,000	110,867		
Issued for SEDCO		52,564	(12,996,526)	(433,181)		
Sales to optionees less shares exchanged	391,000	9,482	(17,449)	(181)		
Net income						1,182,073
Dividends declared ($1.12 per share)						(323,050)
Balance, December 31, 1984	303,370,781	$ 421,583	2,669,016	$ 127,472	$ (210,155)	$ 6,908,246

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Notes to Consolidated Financial Statements

Summary of Accounting Policies

The Consolidated Financial Statements of Schlumberger Limited have been prepared in accordance with accounting principles generally accepted in the United States. 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 50% owned companies is included in the individual captions in the Consolidated Statement of Income. Schlumberger's pro rata share of after tax earnings of other equity companies is included in interest and other income.

Translation of Non-U.S. Currencies

Effective January 1, 1982, the Company adopted Financial Accounting Standard No. 52–Foreign Currency Translation. 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 by $70.2 million, $57.9 million and $56.4 million in 1984, 1983 and 1982, respectively. Revenue and expenses are translated at the weighted average exchange rates for the period.

All transaction gains and losses are included in income in the period in which they occur. Transaction gains included in 1984 net income amounted to $9 million compared to $14 million in 1983 and $11 million in 1982.

Short-Term Investments

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

Inventories

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

Fixed Assets and Depreciation

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

Excess of Investment Over Net Assets of Companies Purchased

Costs in excess of net assets of purchased companies having an indeterminate life are amortized on a straight-line basis over 40 years. Accumulated amortization was $59 million and $48 million at December 31, 1984 and 1983, 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 in-

come 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 1984, 1983 or 1982.

Approximately $6.5 billion of consolidated income retained for use in the business at December 31, 1984 represented undistributed earnings of consolidated subsidiaries and Schlumberger's pro rata share of 20%–50% owned companies. It is the policy of the Company to reinvest substantially all such undistributed earnings and, accordingly, no provision is made for deferred income taxes on those earnings considered to be indefinitely reinvested.

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

Net Income Per Share

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

Research & Engineering

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

Acquisitions

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

On December 24, 1984, a subsidiary of the Company acquired SEDCO, Inc., an offshore drilling contractor operating mainly outside the United States, at a total cost of $968 million ($482 million in cash and approximately 13 million shares of Schlumberger Common Stock valued at $486 million). The acquisition has been accounted for as a purchase and the accounts of SEDCO have been consolidated with those of Schlumberger effective December 31, 1984 after assigning estimated fair values to the individual assets acquired and liabilities assumed. Cost in excess of net assets acquired is currently estimated at $372 million which will be amortized on a straight-line basis over 40 years.

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

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

Fixed Assets

A summary of fixed assets follows:

DECEMBER 31,	1984	1983
	(Stated in millions)	
Land	**$ 81**	$ 66
Buildings & improvements	**722**	644
Machinery and equipment	**4,990**	4,068
Total cost	**5,793**	4,778
Less accumulated depreciation	**2,648**	2,157
	$3,145	$2,621

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, 1984 comprised mainly the Company's 50% investment in the worldwide Dowell Schlumberger business which aggregated $610 million and investments in 50% owned companies acquired through the acquisition of SEDCO. The excess of the Company's investment in all 50% owned affiliated companies over its underlying equity is $261 million, representing primarily the goodwill arising from the acquisition of 50% of the Dowell business and assets in North America.

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

DECEMBER 31,	1984
	(Stated in millions)
Current assets	**$ 683**
Fixed assets	**1,039**
Other assets	**29**
	$1,751
Liabilities	**$ 857**
Equity	**894**
	$1,751

Equity in undistributed earnings of all 50% owned companies, since acquisition, at December 31, 1984 and 1983, amounted to $172 million and $238 million, respectively.

Long-Term Debt

Long-term debt consisted of the following:

DECEMBER 31,	1984	1983
	(Stated in millions)	
Bank loan due 1990, interest at money market based rates	**$800**	$350
Other bank loans	**166**	105
	$966	$455

Long-term debt at December 31, 1984 is payable principally in U.S. dollars and is due $46 million in 1986, $26 million in 1987, $35 million in 1988, $16 million in 1989 and $843 million thereafter.

Lines of Credit

The Company's principal U.S. subsidiary has a Revolving Credit Agreement with a group of banks. The

agreement provides that the subsidiary may borrow up to $1.2 billion until December 31, 1990 at money market based rates, of which $800 million was outstanding as of December 31, 1984. In addition, at December 31, 1984, the Company had available unused short-term lines of credit of $258 million.

Capital Stock

The Company is authorized to issue 500,000,000 shares of Common Stock, par value $.01 per share, of which 300,701,765 and 289,624,790 shares were outstanding on December 31, 1984 and 1983, respectively. The Company is also authorized to issue 200,000,000 shares of cumulative Preferred Stock, par value $.01 per share, which may be issued in series with terms and conditions determined by the Board of Directors. No shares of Preferred Stock have been issued. Holders of Common Stock and Preferred Stock are entitled to one vote for each share of stock held.

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, 1983	3,060,635	$ 1.57–74.82
Granted	1,023,550	$43.75–56.88
Exercised	(631,044)	$ 1.57–54.67
Lapsed or terminated	(226,038)	$ 1.57–74.64
Outstanding Dec. 31, 1983	3,227,103	$ 1.57–74.82
Granted	1,744,800	$37.38–51.38
Exercised	(555,005)	$ 1.57–43.75
Lapsed or terminated	(400,304)	$ 2.09–74.82
Outstanding Dec. 31, 1984	4,016,594	$ 2.09–74.72
Exercisable at Dec. 31, 1984	1,120,165	$ 2.09–74.72
Available for grant Dec. 31, 1983	10,913,635	
Dec. 31, 1984	9,509,329	

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 1984 shown elsewhere in this report includes $2.5 billion derived from operations within the United States. On a worldwide basis, the Company's effective income tax rate was 25% in 1984, 22% in 1983 and 25% in 1982.

Leases and Lease Commitments

Total rental expense was $159 million in 1984, $144 million in 1983 and $149 million in 1982. Future minimum rental commitments under noncancelable leases for years ending December 31 are: 1985 – $74 million; 1986 – $63 million; 1987 – $50 million; 1988 – $40 million; and 1989 – $29 million. For the ensuing three five-year periods, these commitments decrease from $60 million to $13 million. The minimum rentals over the remaining terms of the leases aggregate $11 million.

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. A trial has been scheduled in the U.S. District Court in Houston for the years 1970 through 1975.

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.

Contingencies

During 1980, a floating hotel, the Alexander Kielland, functioning as a dormitory for offshore work crews in the North Sea, capsized in a storm. The substructure of the floating hotel had been originally built as a drilling rig by an independent shipyard from a design licensed by a subsidiary of the Company. The Company's subsidiary was not involved in the ownership or operation of the drilling rig or in its conversion or use as a floating hotel. The accident has been investigated by a Commission appointed by the Norwegian Government, which has published its report. In October of 1981 and in February of 1982, the Company's subsidiary, the independent shipyard and one of its subcontractors were sued in France by Phillips Petroleum Company Norway and eight others operating as a group in the Ekofisk Field in the North Sea and by the Norwegian insurers of the Alexander Kielland seeking recovery for losses resulting from the accident of approximately $75 million (at December 31, 1984 currency exchange rates).

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

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

Pension and Deferred Benefit Plans

Expense for pension and deferred benefit plans was $104 million, $90 million and $90 million, and for compulsory contributions for French retirement benefits was $17 million, $20 million and $24 million in 1984, 1983 and 1982, respectively.

Actuarial present value of accumulated benefits at January 1, 1984 and 1983 for U.S. and Canadian defined benefit plans was $235 million and $201 million, respectively, substantially all of which were vested. Net assets available for benefits at January 1, 1984 and 1983 for such plans were $326 million and $276 million, respectively. The assumed rate of return used in determining the actuarial present value of accumulated plan benefits for 1984 and 1983 was 7%.

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, manufacturing and testing 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, 1984, 1983 and 1982 by industry segment and by geographic area is as follows:

Segment Information

	OILFIELD SERVICES	MEASUREMENT, CONTROL & COMPONENTS	ADJUST. AND ELIM.	CONSOLIDATED
INDUSTRY SEGMENT 1984				(Stated in millions)
Operating revenue				
Customers	$ 3,617	$ 2,362	$ —	$ 5,979
Intersegment transfers	—	30	(30)	—
	$ 3,617	$ 2,392	$ (30)	$ 5,979
Operating income	$ 1,170	$ 161	$ 10	$ 1,341
Interest expense				(153)
Interest and other income less other charges — $7				384
Income before taxes				$ 1,572
Depreciation expense	$ 554	$ 155	$ 3	$ 712
Fixed asset additions	$ 441	$ 274	$ 12	$ 727
At December 31				
Identifiable assets	$ 4,473	$ 2,338	$ (91)	$ 6,720
Corporate assets				4,193
Total assets				$ 10,913
INDUSTRY SEGMENT 1983				
Operating revenue				
Customers	$ 3,414	$ 2,099	$ —	$ 5,513
Intersegment transfers	—	55	(55)	—
	$ 3,414	$ 2,154	$ (55)	$ 5,513
Operating income	$ 1,187	$ 61	$ (23)	$ 1,225
Interest expense				(116)
Interest and other income less other charges — $4				280
Income before taxes				$ 1,389
Depreciation expense	$ 540	$ 136	$ 2	$ 678
Fixed asset additions	$ 287	$ 224	$ 6	$ 517
At December 31				
Identifiable assets	$ 2,900	$ 2,239	$ (95)	$ 5,044
Corporate assets				3,309
Total assets				$ 8,353
INDUSTRY SEGMENT 1982				
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

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, 1984, 1983 and 1982 neither sales to any government nor sales to any single customer exceeded 10% of consolidated operating revenue.

	WESTERN HEMISPHERE		EASTERN HEMISPHERE			ADJUST. AND ELIM.	CONSOL-IDATED
	U.S.	OTHER	FRANCE	OTHER EUROPEAN	OTHER		
GEOGRAPHIC AREA 1984							(Stated in millions)
Operating revenue							
Customers	$ 2,113	$ 750	$ 573	$ 981	$ 1,562	$ —	$ 5,979
Interarea transfers	361	7	161	61	471	(1,061)	—
	$ 2,474	$ 757	$ 734	$ 1,042	$ 2,033	$(1,061)	$ 5,979
Operating income	$ 210	$ 231	$ 45	$ 296	$ 581	$ (22)	$ 1,341
Interest expense							(153)
Interest and other income less other charges — $7							384
Income before taxes							$ 1,572
At December 31							
Identifiable assets	$ 2,979	$ 843	$ 625	$ 985	$ 1,527	$ (239)	$ 6,720
Corporate assets							4,193
Total assets							$10,913
GEOGRAPHIC AREA 1983							
Operating revenue							
Customers	$ 1,652	$ 712	$ 619	$ 867	$ 1,663	$ —	$ 5,513
Interarea transfers	300	9	147	22	389	(867)	—
	$ 1,952	$ 721	$ 766	$ 889	$ 2,052	$ (867)	$ 5,513
Operating income	$ 81	$ 191	$ 35	$ 255	$ 681	$ (18)	$ 1,225
Interest expense							(116)
Interest and other income less other charges — $4							280
Income before taxes							$ 1,389
At December 31							
Identifiable assets	$ 1,957	$ 585	$ 650	$ 677	$ 1,354	$ (179)	$ 5,044
Corporate assets							3,309
Total assets							$ 8,353
GEOGRAPHIC AREA 1982							
Operating revenue							
Customers	$ 1,796	$ 884	$ 632	$ 824	$ 1,889	$ —	$ 6,025
Interarea transfers	421	10	231	11	358	(1,031)	—
	$ 2,217	$ 894	$ 863	$ 835	$ 2,247	$(1,031)	$ 6,025
Operating income	$ 255	$ 320	$ 63	$ 229	$ 799	$ 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	$ 2,135	$ 648	$ 724	$ 651	$ 1,504	$ (190)	$ 5,472
Corporate assets							2,374
Total assets							$ 7,846

Supplementary Information

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

YEAR ENDED DECEMBER 31.	1984	1983	1982
		(Stated in millions)	
Operating revenue			
Sales	**$2,499**	$2,140	$2,045
Services	**3,480**	3,373	3,980
	$5,979	$5,513	$6,025
Direct operating costs			
Goods sold	**$1,561**	$1,443	$1,383
Services	**2,092**	1,945	2,096
	$3,653	$3,388	$3,479

The caption "Interest and other income" includes interest income, principally from short-term investments, of $390 million, $298 million and $254 million for 1984, 1983 and 1982, respectively.

Accounts payable and accrued liabilities are summarized as follows:

DECEMBER 31.	1984	1983
	(Stated in millions)	
Payroll, vacation and employee benefits	**$268**	$237
Trade	**320**	251
Other	**354**	308
	$942	$796

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 of changes in financial position present fairly the financial position of Schlumberger Limited and its subsidiaries at December 31, 1984 and 1983, 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, 1984, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

New York, New York
February 6, 1985

Quarterly Results (Unaudited)

The following table summarizes results for each of the four quarters for the years ended December 31, 1984 and 1983:

	OPERATING REVENUE	OPERATING GROSS PROFIT*	NET INCOME AMOUNT	NET INCOME PER SHARE
			(Stated in millions)	(Dollars)
Quarters — 1984				
First	$ 1,404	$ 566	$ 274	$ 0.95
Second	1,466	568	292	1.01
Third	1,516	587	305	1.06
Fourth	1,593	605	311	1.08
	$ 5,979	$ 2,326	$ 1,182	$ 4.10
Quarters — 1983				
First	$ 1,417	$ 545	$ 259**	$ 0.89**
Second	1,355	549	286	0.98
Third	1,337	530	279	0.96
Fourth	1,404	501	260	0.90
	$ 5,513	$ 2,125	$ 1,084	$ 3.73

*Operating revenue less cost of goods sold and services.

**Includes unusual items with a net after-tax effect of $28 million, 10 cents per share; they include the anticipated cost of closing the South San Jose manufacturing facility at Fairchild, the provision for a loss on the disposal of Accutest, only partially offset by foreign exchange gains.

Five Year Summary

YEAR ENDED DECEMBER 31,	1984	1983	1982	1981	1980*
					(Amounts in millions except per share amounts)
SUMMARY OF OPERATIONS					
Revenue:					
Oilfield Services	**$ 3,617**	$ 3,414	$ 4,054	$ 3,788	$ 2,814
Measurement, Control & Components	**2,362**	2,099	1,971	1,995	2,070
Interest and other income	**391**	284	259	195	153
Gain on sale of Rowan shares	**—**	—	—	—	100
	$ 6,370	$ 5,797	$ 6,284	$ 5,978	$ 5,137
% Increase (decrease) over prior year	**10%**	(8%)	5%	16%	41%
Cost of goods sold and services	**$ 3,653**	$ 3,388	$ 3,479	$ 3,244	$ 2,813
Operating income:					
Oilfield Services	**$ 1,170**	$ 1,187	$ 1,656	$ 1,702	$ 1,184
Measurement, Control & Components	**161**	61	34	131	230
Eliminations	**10**	(23)	(18)	(25)	(14)
	$ 1,341	$ 1,225	$ 1,672	$ 1,808	$ 1,400
% Increase (decrease) over prior year	**9%**	(27%)	(8%)	29%	42%
Interest expense	**$ 153**	$ 116	$ 117	$ 108	$ 102
Taxes on income	**$ 390**	$ 305	$ 451	$ 580	$ 522
Net income	**$ 1,182**	$ 1,084	$ 1,348	$ 1,266	$ 994
% Increase (decrease) over prior year	**9%**	(20%)	6%	27%	51%
Per common share:					
Net income	**$ 4.10**	$ 3.73	$ 4.60	$ 4.37	$ 3.47
Cash dividends declared	**$ 1.12**	$ 1.00	$ 0.92	$ 0.77	$ 0.63
SUMMARY OF FINANCIAL DATA					
Net income as % of revenue	**19%**	19%	21%	21%	19%
Return on average stockholders' equity	**19%**	20%	28%	34%	36%
Fixed asset additions	**$ 727**	$ 517	$ 1,094	$ 1,063	$ 748
Depreciation expense	**$ 712**	$ 678	$ 584	$ 433	$ 323
Average number of shares outstanding	**289**	291	293	289	286
AT DECEMBER 31,**					
Working capital	**$ 3,221**	$ 3,030	$ 2,171	$ 1,637	$ 1,249
Total assets	**$ 10,913**	$ 8,353	$ 7,846	$ 6,525	$ 5,242
Long-term debt	**$ 966**	$ 455	$ 462	$ 278	$ 238
Stockholders' equity	**$ 6,992**	$ 5,819	$ 5,226	$ 4,235	$ 3,218

*Net income includes $70 million after-tax gain ($0.24 per share) on sale of Rowan shares.
**The December 31, 1984 balance sheet includes SEDCO which was acquired in December 1984.

DIRECTORS

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Partner, J.H. Whitney & Co.
New York City

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Boston, Massachusetts

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Chairman of the Executive Committee
Schlumberger

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Former Chief Executive Officer
Régie Renault, Paris

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Houston, Texas

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Lepercq International N.V.
London

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

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Chairman and Chief Executive Officer
Schlumberger

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Massachusetts Institute of Technology
Cambridge, Massachusetts

OFFICERS

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MICHEL VAILLAUD
President and Chief Operating Officer

ROLAND GENIN
Chairman of the Executive Committee

ARTHUR LINDENAUER
Executive Vice President and
Chief Financial Officer

D. EUAN BAIRD
Executive Vice President

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Executive Vice President

B. GILL CLEMENTS
Executive Vice President

MICHEL GOUILLOUD
Executive Vice President

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Executive Vice President

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VICTOR E. GRIJALVA
Vice President

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Vice President

ANDRE MISK
Vice President

PATRICK J.B. CORSER
Treasurer

WILLIAM W. DUNN
Controller

ANDRE LALOUX
Assistant Secretary

JAMES A. MACKENZIE
Assistant Secretary

THOMAS O. ROSE
Assistant Secretary

In 1984, the following officers were elected:

Donald W. Brooks, Executive Vice President, responsible for Fairchild Semiconductor operations worldwide.

B. Gill Clements, Executive Vice President.

Patrick J.B. Corser, Treasurer.

At its February 14, 1985 meeting, the Board of Directors nominated William Clements, Jr. and Yoshihiko Morozumi for election as Directors at the shareholders' meeting to be held May 7, 1985.

Bill Clements is the founder and former Chairman of SEDCO. He was governor of Texas for four years.

Yoshihiko Morozumi is Chairman of the Schlumberger companies in Japan. He was Vice Minister of the Ministry of International Trade and Industry (MITI) and more recently, Chairman of Japan Electric Power Development Company.

Viscount Trenchard of Wolfeton was elected Chairman of Schlumberger Measurement & Control (U.K.) Ltd. Lord Trenchard spent thirty years with Unilever, where he was Executive Director, and more recently was Minister of State at the Department of Industry and later at the Ministry of Defence, in the British Government.

° Member Audit Committee
* Member Executive Committee
□ Member Finance Committee

Schlumberger

OILFIELD SERVICES

WIRELINE SERVICES

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

DRILLING & PRODUCTION SERVICES

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

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

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

MEASUREMENT, CONTROL & COMPONENTS

MEASUREMENT & CONTROL

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

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

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

Paymatec: electronic payment systems, smart cards; gasoline pumps; time control devices.

Fairchild Weston Systems: data acquisition; signal processing and electronic countermeasures systems; controls for nuclear power systems.

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

FAIRCHILD SEMICONDUCTOR

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

Memory & High Speed Logic: computer memory products including PROMS and static RAMS and high-speed 100K ECL Logic products.

Analog: linear, small signal, hybrids, telecommunications and computer interface products.

Micrologic: microprocessors, gate arrays and CCD imaging products.

COMPUTER AIDED SYSTEMS

Sentry: computer controlled systems for testing semiconductors.

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

Applicon: computer aided design and manufacturing (CAD/CAM) systems.

MDSI: computer aided manufacturing (CAM), computer based systems to translate parts descriptions into instructions for numerically controlled machine tools.

Benson: computer aided drafting products including pen and electrostatic plotters.

STOCK TRANSFER AGENTS
Morgan Guaranty Trust Co.
New York, New York

MBank Houston, N.A.
Houston, Texas

REGISTRARS
Morgan Guaranty Trust Co.
New York, New York

MBank Houston, N.A.
Houston, Texas

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

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

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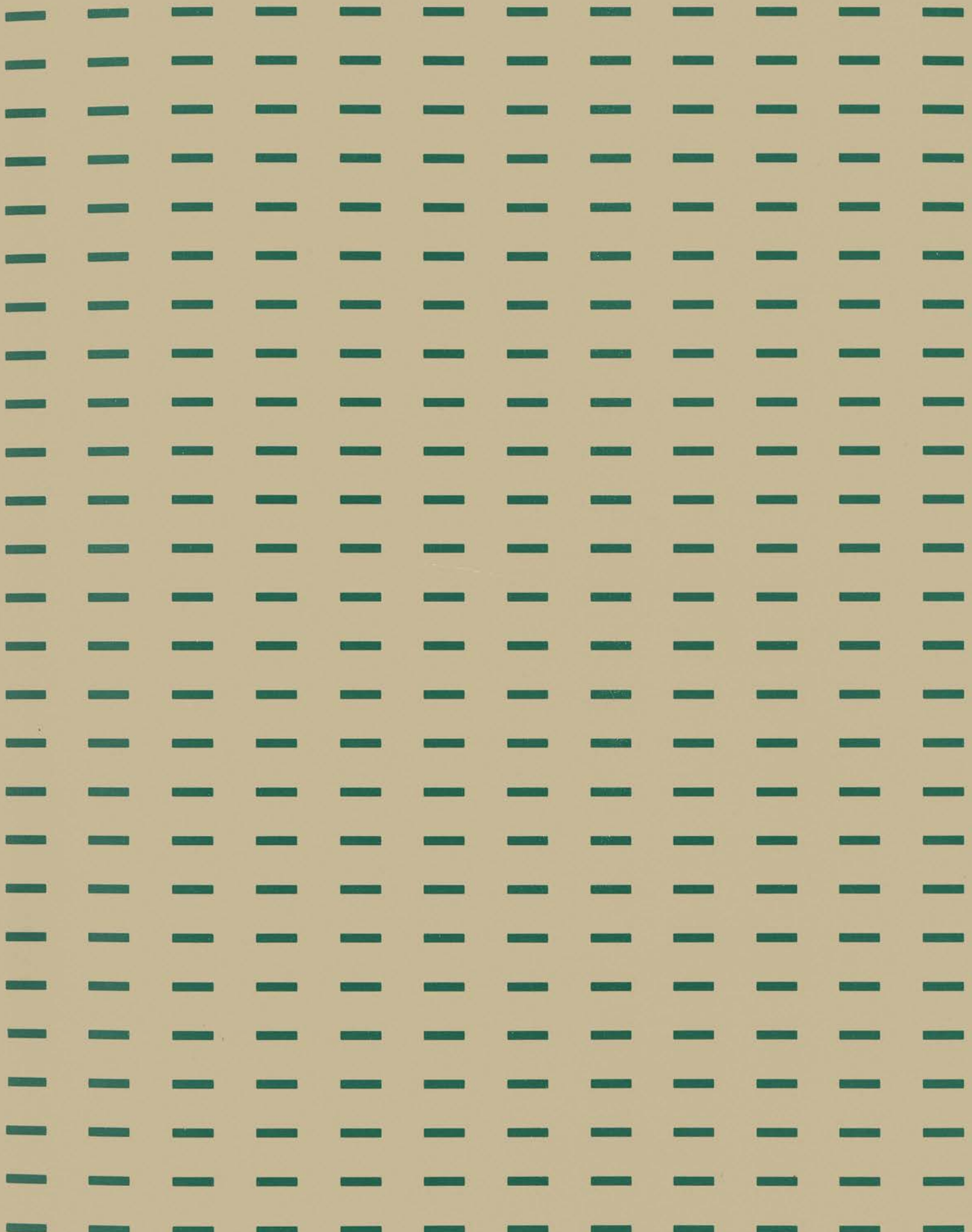
Milton Glaser Inc.
PHOTOGRAPHY
John Gruen



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