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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

PLAINTIFF'S EXHIBIT

HW-557

FORM 10-K
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended October 31, 1988.   Commission file number 1-4003

148

DRESSER INDUSTRIES, INC.
(Exact name of registrant as specified in its charter)

RECEIVED FEB 02 1989 DISCLOSURE INCORPORATED

Delaware (State or other jurisdiction of incorporation or organization)	75-0813641 (Employer Identification No.)
Post Office Box 718	75221 (P.O. Box)
1600 Pacific Dallas, Texas (Address of principal executive offices)	75201 (Zip Code)

Registrant's telephone number, including area code (214) 740-6000.

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, Par Value 25¢ Per Share	New York Stock Exchange, Inc. Pacific Stock Exchange Incorporated
9-3/8% Sinking Fund Debentures due 1995	New York Stock Exchange, Inc.
9-3/8% Sinking Fund Debentures due 2000	New York Stock Exchange, Inc.
11-3/4% Sinking Fund Debentures due 2007	New York Stock Exchange, Inc.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days.

Yes _X_ No ___

As of January 16, 1989, there were 67,505,138 shares of Dresser Industries, Inc. Common Stock issued and outstanding. The aggregate market value of the Common Stock (based on the closing price on the New York Stock Exchange as of January 16, 1989, held by non-affiliates was approximately $2,075,782,993.

Documents Incorporated by Reference:

Part I (Item 1) and Part II (Items 5, 6, 7 and 8)	Sections of Dresser Industries, Inc., Annual Report to Shareholders for the Year Ended October 31, 1988.
Part III (Items 10, 11, 12 and 13)...	Dresser Industries, Inc., Proxy Statement for the Annual Meeting of Shareholders to be held March 16, 1989.

PART I

Item 1. Business of Dresser.

Dresser Industries, Inc., together with its subsidiaries ("Dresser" or "Registrant" hereinafter) is a major worldwide supplier of products and services for industries involved in petroleum and natural gas exploration and development, energy processing and conversion, engineering services, and mining and selected industrial activities. Typically, Dresser's products and services are technologically complex and require a high degree of expertise in design, manufacturing, and marketing. Dresser was incorporated under the laws of Delaware in 1956 as a successor to a Pennsylvania corporation organized in 1938 by the consolidation of S. R. Dresser Manufacturing Company and Clark Bros. Company. Both were carrying on businesses founded in 1880. Dresser's executive offices are located at 1600 Pacific, Dallas, Texas 75201 (telephone number 214/740-6000).

For the fiscal year ended October 31, 1988, consolidated net sales and service revenues of Registrant amounted to $3,941.7 million, and net earnings were $156.8 million. A majority of such revenues was derived from the sale of products and services to energy-oriented industries, including oil and gas exploration, drilling and production, gas transmission and distribution; petroleum and chemical processing; production of electricity; and marketing of petroleum products. Other markets accounted for the remaining revenues and included a broad range of products and services for basic industries such as steel, water, sewerage and construction.

On January 11, 1988, Registrant acquired the assets and business and assumed certain liabilities of The M. W. Kellogg Company, a wholly-owned subsidiary of The Henley Group, Inc. M. W. Kellogg is one of the world's leading process engineering and construction firms.

Registrant's operations are divided into five industry segments: oilfield operations (formerly petroleum operations); energy processing and conversion equipment; engineering services; mining and construction equipment; and general industry. After the acquisition of The M. W. Kellogg Company on January 11, 1988, Registrant determined that the environmental products operations, previously included in the energy processing and conversion equipment segment, should be combined with operations of The M. W. Kellogg Company to form a new segment, engineering services. Also during 1988, the gasoline dispensing systems business was transferred from the oilfield operations segment to the energy processing and conversion equipment segment and the metals mining business was transferred from the oilfield operations segment to the general industry segment. Therefore, segment results for 1988, 1987 and 1986 are reported on the revised basis, and 1987 and 1986 data have been restated accordingly. In addition, Registrant has the following unconsolidated subsidiaries: Property & Casualty Insurance Limited and Dresser Finance Corporation. Registrant's real estate company, Direlco, Inc., an unconsolidated subsidiary in fiscal years up to and including 1986, was consolidated in 1987. In fiscal 1987, Registrant sold a majority of the assets of Direlco, Inc. and 100% of the stock of its unconsolidated subsidiary, Dresser Leasing Corporation.

In fiscal 1988, Registrant sold 100% of the stock of its unconsolidated subsidiary, Reliance Standard Life Insurance Company.

The Information by Industry Segment, included in Note O to Consolidated Financial Statements on pages 44 through 48 of the Annual Report to Shareholders for the year ended October 31, 1988, is incorporated herein by reference. This information includes sales and service revenues by class of similar products or services within each segment, operating profit or loss and identifiable assets attributable to each of Registrant's business segments for each of the past three fiscal years. This information should be read in conjunction with the consolidated financial statements, notes and accountant's report appearing in the 1988 Annual Report to Shareholders which, as indicated in Item 8 of this report, are incorporated by reference herein.

OILFIELD OPERATIONS SEGMENT

Registrant's petroleum operations segment is a leading worldwide supplier of products and services essential to oil and gas exploration, drilling and production. These products and services include drilling fluid systems, oilfield products and petroleum services.

Drilling Fluid Systems and Related Services. Effective December 1, 1986, Registrant's Magcobar operations were combined with the IMCO operations of Halliburton Company into M-I Drilling Fluids Company, a Texas general partnership, in which Registrant has a 60% interest. M-I provides a variety of drilling fluid systems and markets such fluids and related services for use in connection with drilling oil and gas wells.

Effective September 1, 1987, Registrant's Swaco operations were combined with Geolograph-Pioneer, Inc., into Swaco Geolograph Company, a Texas general partnership, in which Registrant has a 65% interest. Swaco Geolograph designs, builds and markets a broad line of detection and control equipment used during drilling, often in conjunction with the above described fluid systems, and shakers, desilters, degassers and centrifuges used to remove solids and gas prior to re-use of the fluids.

Registrant markets drilling fluid systems and related services through its M-I Drilling Fluids Company sales force to major domestic and international oil companies, independent drilling operators and contractors and foreign government-owned companies.

Oilfield Products (Bits and Tools). Registrant produces a full line of oilfield and mining rock bits, and drilling tools, which are marketed under the Security trademark and are used in drilling oil and gas wells and in the mining industry.

Registrant's Guiberson Division produces and markets a broad line of tools which are sold to the completion, production and workover segments of the oil production industry.

Drilling and well servicing contractors provide the primary market for bits and tools.

Petroleum Services. Effective May 1, 1987, the Dresser Atlas operations were combined with the Resources Group of Litton Industries, Inc., to form Western Atlas International, Inc., a Delaware Corporation, in which Registrant owns, on a fully diluted basis, approximately 29.6% of the outstanding shares. Certain key employees of Western Atlas have been granted the right to purchase shares of Western Atlas under a restricted Stock Purchase Plan. Atlas wireline services include well-logging, a technique used to record information about downhole conditions and the geological formation encountered during or after a well has been drilled, perforating services to initiate or increase the oil and gas flow in a prospective production well, and production logging services which provide monitoring information on producing wells. Wireline services are provided to oil and gas companies and government agencies throughout the world, and sales of wireline equipment are made to oil and gas companies and government agencies outside the United States in those countries where foreign companies are not allowed to provide wireline services.

ENERGY PROCESSING AND CONVERSION EQUIPMENT SEGMENT

This segment designs, manufactures and markets highly engineered products and systems for the energy producers, transporters, processors, distributors and users throughout the world. Products and systems of this segment include compressors, turbines, electrical generator systems, pumps, mechanical power systems, measurement and control devices, and gasoline dispensing systems.

Compressors. Effective January 1, 1987, Registrant's Dresser Clark Division, a portion of Worthington Compressor Division, and selected service centers together with Registrant's Turbodyne operations were combined with similar operations of Ingersoll-Rand Company into Dresser-Rand Company. The New York general partnership is owned 50% by Ingersoll-Rand and 50% by Registrant.

Clark, a leader in turbine and compressor technology, manufactures industrial and aircraft derivative gas turbines, centrifugal compressors, axial compressors, reciprocating compressors and axial expanders. Gas turbines and motors are used to drive compressors, generators and pumps with application in many markets including: cogeneration, power generation, natural gas gathering, processing, transmission and distribution, natural gas injection, petrochemical plants, and refineries. An extensive line of centrifugal compressors is used in a multitude of services including: gas injection, gas lift, gas processing, transmission and distribution, urea and ammonia production, ethylene and liquified natural gas (LNG) production, coal gasification, refinery services and other petrochemical processes. Axial compressors are used in coal gasification, blast furnace, nitric acid and refinery services. Axial expanders are used in power recovery applications, nitric acid plants and refinery processes.

Worthington Compressor is a leader in the manufacture and supply of water cooled reciprocating compressors. Separate compressor lines are manufactured and marketed for the process, enhanced recovery, natural gas, and industrial air commercial markets and special shipboard air compressors for the Navy.

Turbodyne manufactures and markets single and multi-stage mechanical drive steam turbines which are used to power pumps, fans, blowers, reciprocating compressors and centrifugal compressors; steam turbine generator sets which provide electric power for co-generation and alternate fuel markets; electric motors (synchronous and induction type); and electric generators for use with reciprocating engine, hydroturbine, steam turbine and gas turbine drivers. Turbodyne also manufactures and markets cryogenic expanders, combined with single stage compressors or generators, to recover energy from production of low temperature process gases used in air separation hydrocarbon facilities. The primary markets for such products are petroleum, petrochemical, chemical, paper and sugar industries, and engineering firms which design plants for such industries.

Pumps. Effective January 1, 1987, the Dresser Pump Division was formed through the integration of the Registrant's Pacific Pumps and Worthington Pump Divisions. Dresser Pump designs, develops, manufactures and markets centrifugal pumps which are used for critical applications in energy processing and petrochemical markets as well as in utility and industrial markets. Dresser Pump is also a major manufacturer of heavy duty process pumps, standard end-suction pumps, horizontal split-case and multistage pumps designed for general industrial, pipeline and high pressure services. Such pumps have a wide variety of applications in oil and gas production and refining, chemical and petrochemical processing, marine, sugar, agricultural, mining and mineral processing, utilities and general industry. In fiscal 1988 the Dresser Pump Division expanded submersible and vertical turbine pump capabilities due to its acquisition of the Pleuger pump business from TRW Inc. in October 1987.

Roots, the developer of the rotary lobe blower, offers a full line of low to medium pressure air and gas handling blowers along with vacuum pumps. These include rotary lobe and screw-type positive displacement products and several turbomachinery (centrifugal) lines. The primary markets served by Roots are waste water treatment, pneumatic conveying, paper, chemical and general industrial.

LeRoi portable and stationary compressors and air tools accounted for the remainder of the compressor and pump business.

Power Systems. Registrant's Waukesha Division produces power systems consisting of heavy-duty reciprocating gas and diesel engines.

Dresser Valve and Controls. Control products encompass an assortment of sensing, indicating, transducing, transmitting and controlling devices. Instruments, valves and meters sold under registered trademarks - ASHCROFT, CONSOLIDATED, DEWRANCE, DURAGUAGE, DURATEMP, DURATRAN, HANCOCK, HEISE and MASONEILAN - measure and control pressure, temperature, level and flow of liquids and gases. These products are sold primarily to the process, power, general industrial and gas distribution industries.

Dispensing Systems. Registrant manufactures and sells a variety of gasoline dispensing systems and related equipment.

ENGINEERING SERVICES SEGMENT

Registrant's engineering services segment is, through The M. W. Kellogg Company, one of the world leaders in providing engineering, construction and related services, primarily to the hydrocarbon process industries. This segment also designs, produces and installs pollution control equipment in coal fired power plants.

MINING AND CONSTRUCTION EQUIPMENT SEGMENT

Registrant is a leading producer of underground and surface mining equipment and equipment used in road construction and maintenance and general construction. Effective September 1, 1988, Registrant's Construction Equipment and HAULPAK Divisions, through Registrant's wholly-owned subsidiary, Dresser Finance Corporation, were combined with operations of Komatsu America Corporation and Komatsu America Manufacturing Corporation ("Komatsu"), wholly-owned subsidiaries of Komatsu, Ltd. of Japan. The newly formed general partnership, Komatsu Dresser Company, is equally owned by Dresser Finance Corporation and Komatsu.

Construction Equipment. The Construction Equipment Division manufactures and markets crawler tractors, crawler and wheel loaders, scrapers, excavators, motor graders, road rollers, rough terrain hydraulic cranes and road planers. These products are used in a wide variety of construction, mining and related applications.

Sales of construction equipment products are generally made through distributors. Major customers include governmental agencies, private contractors and mine operators.

Mining Equipment. Mining Equipment includes both underground and surface mining equipment and off-highway trucks.

The HAULPAK Division is a leading producer of off-highway trucks used in all types of mining and quarry activities. Sales by this division are generally made through distributors.

The Jeffrey Division principally produces underground continuous mining machines and related equipment which are used primarily in underground bituminous coal mines. Sales of Jeffrey equipment are generally made directly to users through Registrant's sales engineers and support personnel. Registrant also produces various types of components, such as shearers and related equipment, for use in the longwall method of underground coal mining.

The Marion Division is a leading producer of walking draglines, power shovels and related equipment used in surface mining and quarrying. Principal users of Marion surface mining equipment are operators of surface coal mines, both in the United States and abroad. Marion sales are made both through distributors and directly by Dresser personnel, depending on the product.

Registrant has a 50% interest in SMC Mining Shovel Corporation, a Japanese company which markets shovels and drills in the Far East.

GENERAL INDUSTRY SEGMENT

Registrant's general industry segment produces products with a wide variety of industrial uses. Major products and markets are: industrial products which include pipe couplings, pipe fittings and gas meters for use primarily by utilities and process plants, pneumatic tools and refined lead and related minerals. This segment also supplies refractory technology and products to a wide range of industries that utilize high-temperature processes.

Refractory Products. The Harbison-Walker Refractories Division is a leading supplier of refractory products and an overseas licensor of technology. Registrant mines, processes and manufactures over 200 refractory products that cover a complete range of classes and types in various shapes, sizes and forms. Refractories, which are made principally from magnesite, chromite, bauxite, quartzite and fire clays, are used in virtually every industrial process requiring heating or containment of a solid, liquid or gas at a high temperature. Iron and steel producers, which accounted for about half of Registrant's 1988 refractory sales, use Registrant's products in various types of iron and steel making furnaces, in coke ovens and in iron and steel handling and steel finishing operations. Industrial markets for Registrant's refractory products include non-ferrous metals producers, mineral processors (cement, lime and glass), fossil-fueled power plants, chemical and petroleum processing plants and general industry.

Industrial Equipment Products. Industrial equipment products include pipe fittings, couplings and repair devices for sale to the gas and water utilities and other industrial markets under the registered DRESSER trademark.

Tools and Abrasive Products. Cleco pneumatic tools include assembly tools for use primarily in the electronic, aircraft and automotive markets, and maintenance and fabrication tools supplied primarily to petroleum refineries, chemical plants, foundries, steel mills and general industry. Quackenbush pneumatic and hydraulic precision drilling equipment is used in the aircraft and aerospace industries and in mobile machining applications. Airetool cleaners and expanders are used by the manufacturers and users of heat exchangers and boilers of all types. Registrant's Bay State and General Abrasives divisions were sold effective June 30, 1988.

RAW MATERIALS

In general, raw materials utilized by the company remain in adequate supply, but several operations are beginning to experience price increases in various materials purchased in the open market including key components of certain technologically-oriented refractory products.

BACKLOG

The backlog of unshipped orders at the end of 1988 was $2.04 billion. Orders constituting the Company's backlog may be canceled or deferred by customers (subject in certain cases to cancellation penalties).

The significance of backlogs in understanding the Company's business has changed in recent years in line with changes in the Company's business makeup. For example, the transfer of the Construction Equipment and HAULPAK Divisions to Komatsu Dresser Company as well as the Clark and Worthington Compressor Divisions to Dresser-Rand Company had the effect of lowering the consolidated backlog numbers of these important product areas. In addition, the acquisition of The M. W. Kellogg Company in January 1988 added a significant new backlog business - Engineering services - to the Company. Note the following table for an analysis of the year-end backlog position for the past two fiscal years:

DRESSER INDUSTRIES, INC.
BACKLOG BY SEGMENT
(in Millions)

	October 31	
	1988	1987
Engineering Services (1)	1,460	22
Energy Processing and Conversion Equipment (2)	399	349
Mining and Construction Equipment (3)	103	174
General Industry	70	72
Other and Adjustment	4	1

(1) The M. W. Kellogg Company acquired January 11, 1988.
(2) Certain segment operations transferred to Dresser-Rand Company January 1, 1987.
(3) Certain segment operations transferred to Komatsu Dresser Company September 1, 1988.

Generally, orders for many of the Company's services and products are placed by customers on the basis of current need. Therefore, backlog of orders for these services and products is not material.

SALES AND DISTRIBUTION

Registrant's products and services are marketed through various channels. In the United States, sales are generally made through a group or division sales organization or through independent distributors. Sales in Canada are usually effected through a division of a Canadian subsidiary. Sales in other countries are made directly by a United States division or subsidiary, through foreign subsidiaries or affiliates, and through distributor arrangements or with the assistance of independent sales agents.

COMPETITION AND ECONOMIC CONDITIONS

The products of Dresser are sold in highly competitive markets, and its sales and earnings can be affected by changes in competitive prices, fluctuations in the level of activity in major markets, or general economic conditions.

FOREIGN OPERATIONS

Registrant maintains manufacturing, marketing or service facilities serving more than 65 foreign countries. Global distribution of products and services is accomplished through more than 210 subsidiary and affiliated companies engaged in various production, manufacturing, service, and marketing functions, and through foreign representatives serving the principal market areas of the world.

The Information by Geographic Area included in Note O to Consolidated Financial Statements on pages 44 through 48 of the Annual Report to Shareholders for the year ended October 31, 1988, is incorporated herein by reference.

Registrant's foreign operations are subject to the usual risks which may affect such operations. Such risks include unsettled political conditions in certain areas, exposure to possible expropriation or other governmental actions, exchange control and currency problems. Although it is impossible to predict the likelihood of such occurrences, or their effect on Registrant, management believes these risks to be acceptable.

RESEARCH, DEVELOPMENT AND PATENTS

Registrant's divisions and subsidiaries conduct research and development activities in over 20 laboratories and test facilities within their particular fields for the purposes of improving existing products and developing new ones to meet the needs of their customers. In addition, research and development programs are directed toward development of new products and services for diversification or expansion. For the fiscal years ended October 31, 1988, 1987 and 1986, Registrant spent \$27.4 million, \$32.4 million and \$62.9 million, respectively, for research and development activities.

At December 1, 1988, Registrant and its subsidiaries, as defined by Regulation §210.1-02(w) of the Securities and Exchange Commission, owned 2,239 patents and had pending 705 patent applications, covering various products and processes. They also were licensed under patents owned by others. Registrant does not consider that any patent or group of patents relating to a particular product or process is of material importance when judged from the standpoint of Registrant's total business.

EMPLOYEES

As of October 31, 1988, Registrant had approximately 16,400 employees in the United States (a decrease of approximately 8% from October 31, 1987), of whom approximately 7,750 were members of 11 unions represented by 35 bargaining units. As of the same date, Registrant had approximately 14,300 employees at foreign locations of whom approximately 3,550 were members of unions. During fiscal 1988, Registrant experienced three contract negotiation strikes in the United States. Relations between Registrant and its employees are generally considered to be satisfactory.

EXECUTIVE OFFICERS OF THE REGISTRANT

The names and ages of all executive officers of Registrant, all positions and offices with Registrant presently held by each person named and their business experience during the last five years are stated below:

Name, Age and Position		Principal Occupation During Past Five Years
John J. Murphy Chairman of the Board, President, Chief Executive Officer and Director	(57)	Chairman of the Board and Chief Executive Officer of Registrant since August 1983; President of Registrant since August 1982.
B. D. St. John Executive Vice President - Administration and Director	(57)	Executive Vice President - Adminstration of Registrant since November 1982.
G. A. Korb Senior Vice President - Operations	(55)	Senior Vice President - Operations of Registrant since March 1983.

Name, Age and Position	Principal Occupation During Past Five Years
Gene E. Leeson (55) Vice President - Operations	Vice President - Operations of Registrant since February 1988; Vice President - Human Resources of Registrant, April 1983 - February 1988.
Ben R. Stuart (54) Vice President - Operations	Vice President - Operations of Registrant since August 1988; President of Registrant's Dresser Valve and Controls Division, October 1987 - August 1988; President of Registrant's Waukesha Engine Division, January 1984 - October 1987; President of Registrant's Industrial Equipment Group, October 1975 - January 1984.
J. J. Corboy (59) Senior Vice President - Accounting and Tax	Senior Vice President - Accounting and Tax of Registrant since June 1987; Senior Vice President - Finance and Accounting of Registrant, August 1985 - June 1987; Vice President - Accounting of Registrant, October 1980 to August 1985.
Ardon B. Judd, Jr. (52) Vice President - Washington Counsel	Vice President - Washington Counsel of Registrant since September 1986; Staff Vice President - Washington Counsel of Registrant, July 1978 - September 1986.
Richard E. Hauslein (58) Vice President - Human Resources	Vice President - Human Resources of Registrant since February 1988; Staff Vice President - Compensation & Benefits of Registrant, July 1987 - February 1988; Staff Vice President - Benefit Programs of Registrant, February 1987 - June 1987; Director of Employee Relations of Registrant, November 1983 - January 1987.
David P.McElvain (51) Vice President - Finance	Vice President - Finance of Registrant since June 1987; President of Registrant's Financial Services Group, January 1984 - June 1987; Executive Vice President, Financial Services Group of Registrant 1982 - 1983.
M. Scott Nickson, Jr. (54) Vice President - General Counsel and Secretary	Secretary of Registrant since September 1985; Vice President - General Counsel of Registrant since October 1980.

OFFICERS EMPLOYED BY JOINT VENTURE COMPANIES

Name, Age and Position	Principal Occupation During Past Five Years
William E. Bradford (54) Senior Vice President - Operations	President and Chief Executive Officer of Dresser-Rand Company since February 1988; Senior Vice President - Operations of Registrant since March 1984; Vice President - Operations of Registrant, September 1983 to March 1984.

Name, Age and Position	Principal Occupation During Past Five Years
Carroll M. Browning (64) Senior Vice President - Operations	Executive Vice President and Chief Operating Officer of Western Atlas International, Inc. since May 1987; Senior Vice President - Operations of Registrant since December 1984; President, Atlas Oilfield Services Group of Registrant, December 1978 - December 1984.
R. W. Ytterberg (61) Senior Vice President - Operations	Chairman and Chief Executive Officer of Komatsu Dresser Company since August 1988; Senior Vice President - Operations of Registrant since April 1983.

All officers are elected annually by the Board of Directors at a meeting following the Annual Meeting of Shareholders. The officers serve at the pleasure of the Board of Directors and can be removed at any time by the Board.

Item 2. Properties

Registrant has more than 60 manufacturing plants, ranging in size from approximately 10,000 square feet to in excess of 870,000 square feet and totaling more than 14,000,000 square feet, located in the United States, Canada, and various other foreign countries. The majority of the manufacturing sites are owned in fee. In addition, sales offices, warehouses, service centers and stock points are maintained, almost all in leased space, in the United States, Canada and certain other foreign countries. The properties are believed to be generally well maintained, adequate for the purposes for which they are used, and capable of supporting a higher level of market demand.

During fiscal 1988, Registrant also had 23 grinding and/or other facilities for beneficiating mineral ores, containing approximately 4,000 acres in plant site property.

The following are the locations of Registrant's principal facilities for each industry segment:

Industry Segment and Location	Product Area	Approximate Floor Area (Square Feet)
Oilfield Operations		
Eunice, Louisiana	(Oilfield Products)	313,000 (1)
Dallas, Texas	(Oilfield Products)	294,000
Wharton, Texas	(Drilling Fluids)	53,000 (2)
Energy Processing and Conversion Equipment		
Huntington Park, California	(Compressors and Pumps)	269,000
Madrid, Spain	(Compressors and Pumps)	64,000
Rio de Janeiro, Brazil	(Compressors and Pumps)	204,633
Hamburg, West Germany	(Compressors and Pumps)	220,000

Industry Segment and Location	Product Area	Approximate Floor Area (Square Feet)
Connersville, Indiana	(Compressors and Pumps)	352,000
East Orange, New Jersey	(Compressors and Pumps)	281,000
Harrison, New Jersey	(Compressors and Pumps	756,000
Taneytown, Maryland	(Compressors and Pumps)	69,000
Brantford, Ontario, Canada	(Compressors and Pumps)	120,000
Chesapeake, Virginia	(Compressors and Pumps)	153,600 (1)
Hamburg, West Germany	(Compressors and Pumps)	126,178
Nantes, France	(Compressors and Pumps)	57,000
Eloyes, France	(Compressors and Pumps)	106,534
Maru, France	(Compressors and Pumps)	62,484
Newark, United Kingdom	(Compressors and Pumps)	336,000
Buenos Aires, Argentina	(Compressors and Pumps)	134,553
Brunn, Austria	(Compressors and Pumps)	50,000
Madrid, Spain	(Compressors and Pumps)	80,000
Sidney, Ohio	(Compressors and Pumps)	230,000
Clinton, Iowa	(Power Systems)	129,201
Waukesha, Wisconsin	(Power Systems)	873,776
Skelmersdale, England	(Control Products)	170,000 (1)
Avon, Massachusetts	(Control Products)	111,000
Canton, Massachusetts	(Control Products)	55,000 (1)
Montebello, California	(Control Products)	79,000 (1)
Jacarei, Brazil	(Control Products)	75,000
Conde, France	(Control Products)	192,000
Barcelona, Spain	(Control Products)	56,000
Burlington, Ontario, Canada	(Control Products)	54,000
Naples, Italy	(Control Products)	83,000
Stratford, Connecticut	(Control Products)	330,000
Berea, Kentucky	(Control Products)	92,000
Alexandria, Louisiana	(Control Products)	298,000
Salisbury, Maryland	(Gasoline Dispensing Systems)	338,067 (1)
Austin, Texas	(Gasoline Dispensing Systems)	103,491 (1)
Malmo, Sweden	(Gasoline Dispensing Systems)	294,643 (1)
Einbeck, West Germany	(Gasoline Dispensing Systems)	84,833 (1)
Rio de Janeiro, Brazil	(Gasoline Dispensing Systems)	214,710 (1)
Engineering Services		
Birmingham, England	(Environmental Products)	83,500
Houston, Texas	(The M. W. Kellogg Company)	560,886 (1)
Houston, Texas	(The M. W. Kellogg Company)	74,300
Wembley, England	(The M. W. Kellogg Company)	26,009 (1)

Industry Segment and Location	Product Area	Approximate Floor Area (Square Feet)
Mining and Construction Equipment		
Columbus, Ohio	(Mining Equipment)	192,000
Marion, Ohio	(Mining Equipment)	597,000
Woodruff, South Carolina	(Mining Equipment)	132,000
Wakefield, England	(Mining Equipment)	280,000
South Africa	(Construction and Mining Equipment)	227,000
General Industry		
Alliance, Ohio	(Industrial Equipment)	60,000
Bessemer, Alabama	(Refractory Products)	132,000
Eufaula, Alabama	(Refractory Products)	51,600
Fairfield, Alabama	(Refractory Products)	248,200
Calhoun, Georgia	(Refractory Products)	92,000
Hammond, Indiana	(Refractory Products)	291,500
Hile, Maryland	(Refractory Products)	166,000
New Savage, Maryland	(Refractory Products)	168,000
Ludington, Michigan	(Refractory Products)	210,000
Fulton, Missouri	(Refractory Products)	380,000
Vandalia, Missouri	(Refractory Products)	375,000
Windham, Ohio	(Refractory Products)	298,000
Marlan, Quebec, Canada	(Refractory Products)	447,000
West Mifflin, Pennsylvania	(Refractory Products)	65,000
Springfield, Ohio	(Tools and Abrasive Products)	60,000
Houston, Texas	(Tools and Abrasive Products)	201,000
Bradford, Pennsylvania	(Industrial Equipment)	525,000
Wellsboro, Pennsylvania	(Industrial Equipment)	110,000
Houston, Texas	(Industrial Equipment)	105,000

(1) All or a portion of these facilities are leased.

Registrant has a 50% interest in an unincorporated joint venture which owns Dresser Tower, a 40-story office building in Houston, Texas, which was completed in 1973. For information as to the Registrant's obligations with respect to this property, see Note L to Consolidated Financial Statements included in Registrant's Annual Report to Shareholders for 1988. In addition, a previously unconsolidated real estate subsidiary owned two office buildings as well as three associated parking facilities in Dallas, Texas, until they were sold on December 19, 1986. See Note B to said Consolidated Financial Statements.

Effective December 1, 1986, Registrant's mineral rights to proven and prospective reserves of barite, bentonite and lignite were contributed to M-I Drilling Fluids Company, a company in which Registrant has a 60% interest. Such rights included leaseholds and mining claims and, to a minor extent, property owned in fee. The principal deposit of barite is located in Nevada, with deposits also located in Australia, Ireland and Scotland. Reserves of bentonite are located in Wyoming and Greece. Based on the number of tons of each of the above minerals mined in fiscal 1988, M-I Drilling Fluids Company estimates its reserves, which it considers to be proven, to be sufficient for operation for a period of 12 years or more.

Registrant also has rights to quartzite, bauxite and various types of clay in mines and quarries, which Registrant considers to be proven, totaling more than 115,000 acres located in the United States and Canada. Reserves are estimated to be in excess of 15 years' production.

Registrant has an undivided one-half interest in lead deposits located in Missouri. The lead ore is mined and concentrated under contract with Cominco American, Incorporated, an American subsidiary of Cominco Ltd., a Canadian company, as operator. Based on mining operations during fiscal 1988, Registrant's current interest in the recoverable reserves in this property is estimated to be about 2,170,000 tons of ore, estimated to contain approximately 6.79% lead, 1.06% zinc and 0.26% copper. The property currently has, and is expected to maintain for a period of about 4 years, production at an annual rate of approximately 1,050,000 tons of ore, in which Registrant's interest will be 50%.

Item 3. Legal Proceedings.

Reference is made to Item 1, Legal Proceedings, contained in Part II of Registrant's Form 10-Q Quarterly Reports for the quarter ended July 31, 1988, describing settlement of patent-related litigation with Hughes Tool Company. See Note L to Consolidated Financial Statements included in Registrant's Annual Report to Shareholders for 1988.

Item 4. Submission of Matters to a Vote of Security Holders.

None.

PART II

Item 5. Market for the Registrant's Common Equity and Related Stockholder Matters.

Dividends included under Dividend Policy on page 49 of the Annual Report to Shareholders for the year ended October 31, 1988, are incorporated herein by reference.

Quarterly Common Stock Market prices were as follows for the last two years:

1988	First	Second	Third	Fourth	Year
High	27 3/8	35 5/8	35	31 1/4	35 5/8
Low	20	25 1/2	28 5/8	27 1/2	20
1987					
High	25 1/4	30	35 5/8	34 3/4	35 5/8
Low	18	23 1/8	26 7/8	17 5/8	17 5/8

As of January 2, 1989, there were approximately 18,400 shareholders of the Registrant's Common Stock which is traded on the New York and Pacific Stock Exchanges.

Item 6. Selected Financial Data.

Selected Financial Data on Page 21 of the Annual Report to Shareholders for the year ended October 31, 1988, is incorporated herein by reference.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Management's Discussion and Analysis on pages 22 through 25 of the Annual Report to Shareholders for the year ended October 31, 1988, is incorporated herein by reference.

Item 8. Financial Statements and Supplementary Data.

The following Consolidated Financial Statements of the Registrant and its subsidiaries, together with the report thereon of Price Waterhouse included in the Annual Report to Shareholders for the year ended October 31, 1988, are incorporated herein by reference:

	Annual Report Page Number
Report of Independent Accountants	26
Consolidated Statements of Earnings—Years ended October 31, 1988, 1987 and 1986.	27
Consolidated Balance Sheets--October 31, 1988, 1987 and 1986.	28 - 29
Consolidated Statements of Shareholders' Investment-- Years ended October 31, 1988, 1987 and 1986.	30
Consolidated Statements of Cash Flows -- Years ended October 31, 1988, 1987 and 1986.	31
Notes to Consolidated Financial Statements.	32 - 48

Unaudited Quarterly Results on page 25 of the Annual Report to Shareholders for the year ended October 31, 1988, is incorporated herein by reference.

Item 9. Disagreements on Accounting and Financial Disclosure.

None.

PART III

Item 10. Directors and Executive Officers of Registrant.

The Proxy Statement for the 1989 Annual Meeting of Shareholders of Registrant to be held March 16, 1989, to be filed with the Securities and Exchange Commission prior to February 28, 1989, is incorporated by reference.

Item 11. Executive Compensation.

The Proxy Statement for the 1989 Annual Meeting of Shareholders of Registrant to be held March 16, 1989, to be filed with the Securities and Exchange Commission prior to February 28, 1989, is incorporated by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management.

The Proxy Statement for the 1989 Annual Meeting of Shareholders of Registrant to be held March 16, 1989, to be filed with the Securities and Exchange Commission prior to February 28, 1989, is incorporated by reference.

Item 13. Certain Relationships and Related Transactions.

The Proxy Statement for the 1989 Annual Meeting of Shareholders of Registrant to be held March 16, 1989, to be filed with the Securities and Exchange Commission prior to February 28, 1989, is incorporated by reference.

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K.

(a) Financial Statements:

(1) and (2) - The response to this portion of Item 14 is submitted as a separate section of this report.

(3) Listing of Exhibits - Response to this portion of Item 14 is submitted as a separate section to this report.

(b) Reports on Form 8-K.

A report on Form 8-K was filed September 14, 1988, for Item 5 "Other Events".

(c) Exhibits - Response to this portion of Item 14 is submitted as a separate section to this report.

(d) Financial Statement Schedules - The response to this portion of Item 14 is submitted as a separate section of this report. Separate financial statements are filed for 1988 for Dresser-Rand Company, an unconsolidated joint venture partnership, because under Rules of the Securities and Exchange Commission it constituted a significant subsidiary of Registrant as of October 31, 1987.

UNDERTAKINGS

Items 10, 11, 12, and 13 of this Report have been incorporated by reference to Registrant's definitive Proxy Statement for the 1989 Annual Meeting of Shareholders to be held March 16, 1989, because the Registrant intends to file not later than 120 days after the close of Registrant's fiscal year with the Securities and Exchange Commission the definitive proxy statement pursuant to regulation 14A which will involve the election of Directors. In the event such a definitive proxy statement is not filed, the Registrant undertakes to amend this report on Form 8 to include the information required by Items 10, 11, 12, and 13.

The undersigned, Dresser Industries, Inc., hereby undertakes pursuant to Regulation S-K, Item 601, paragraph (b)(4)(iii), to furnish to the Securities and Exchange Commission, upon request, all constituent instruments defining the rights of holders of long-term debt of Dresser Industries, Inc., and its consolidated subsidiaries not filed herewith for the reason that the total amount of securities authorized under any of such instruments does not exceed 10% of the total consolidated assets of Dresser Industries, Inc., and its consolidated subsidiaries.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on this 27th day of January 1989.

DRESSER INDUSTRIES, INC.

By: James Corboy
(James J. Corboy, Senior Vice President - Accounting and Tax)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
JOHN J. MURPHY* (John J. Murphy)	Chairman of the Board, President, and Director (Principal Executive Officer)	January 27, 1989
James Corboy (James J. Corboy)	Senior Vice President - Accounting and Tax (Principal Accounting Officer)	January 27, 1989
David P. McElvain (David P. McElvain)	Vice President - Finance (Principal Financial Officer)	January 27, 1989
SAMUEL B. CASEY, JR.* (Samuel B. Casey, Jr.)	Director	January 27, 1989
LILLIAN B. EDWARDS* (Lillian B. Edwards)	Director	January 27, 1989
RAWLES FULGHAM* (Rawles Fulgham)	Director	January 27, 1989
JOHN GAVIN* (John Gavin)	Director	January 27, 1989
W. GEORGE NANCARROW* (W. George Nancarrow)	Director	January 27, 1989
LIONEL H. OLMER* (Lionel H. Olmer)	Director	January 27, 1989
B. D. ST. JOHN* (B. D. St. John)	Director	January 27, 1989

By: Rebecca R. Morris
(Rebecca R. Morris
Attorney-In-Fact)

FORM 10-K

ITEM 14(a)(1) AND (2) AND ITEM 14(d)

FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES

YEAR ENDED OCTOBER 31, 1988

DRESSER INDUSTRIES, INC.

DALLAS, TEXAS

LIST OF FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES

The following consolidated financial statements and report of independent accountants included in the annual report to shareholders for the year ended October 31, 1988, are incorporated by reference in Item 8:

Report of Independent Accountants

Consolidated Statements of Earnings--Years ended October 31, 1988, 1987, and 1986

Consolidated Balance Sheets--October 31, 1988, 1987, and 1986

Consolidated Statements of Cash Flows--Years ended October 31, 1988, 1987, and 1986

Consolidated Statements of Changes in Financial Position--Years ended October 31, 1988, 1987, and 1986

Notes to Consolidated Financial Statements

The following consolidated financial statement schedules of Dresser Industries, Inc. and report of independent accountants are included herein:

Report of Independent Accountants on Consolidated Schedules

Schedule II--Amounts Receivable from Related Parties and Underwriters, Promoters, and Employees Other than Related Parties

Schedule VIII--Valuation and Qualifying Accounts

Schedule IX--Short-Term Borrowings

Schedule X--Supplementary Income Statement Information

All other schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable, and therefore have been omitted.

Separate financial statements for the unconsolidated Dresser-Rand Company are filed because it constituted a significant subsidiary as of October 31, 1987. The following consolidated financial statements schedules of Dresser-Rand Company and report of independent accountants are included herein:

Report of Independent Accountants

Consolidated Balance Sheet--September 30, 1988 and December 31, 1987

Consolidated Statement of Operations--Nine months ended September 30,1988 and year ended December 31, 1987

Consolidated Statement of Partners' Equity--Nine months ended September 30, 1988 and year ended December 31, 1987

Consolidated Statement of Cash Flows--Nine months ended September 30, 1988 and year ended December 31, 1987

Notes to Consolidated Financial Statements

Dresser-Rand Company Form 10-K Financial Schedules are included in Note 14 to the financial statements as follows:

Schedule V--Property, Plant and Equipment

Schedule VI--Accumulated Depreciation, Depletion, and Amortization of Property, Plant and Equipment

Schedule VIII--Valuation and Qualifying Accounts

Schedule IX--Short-Term Borrowings

Schedule X--Supplementary Income Statement Information

All other Dresser-Rand Company schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable, and therefore have been omitted.

Separate financial statements are not presented for any of the other unconsolidated subsidiaries or affiliates because none constitutes a significant subsidiary.

Summarized balance sheet, revenues and net earnings information for the 20% to 50% owned affiliates and wholly-owned equipment distribution subsidiaries for the years ended October 31, 1988, 1987 and 1986 is presented in Note B to Consolidated Financial Statements included in Registrant's annual report to shareholders for 1988 and furnished with this report.

Summarized balance sheet, revenues and net earnings information for the Registrant's financial service, insurance and real estate subsidiaries for the years ended October 31, 1988, 1987 and 1986, is presented in Note B to Consolidated Financial Statements included in Registrant's annual report to shareholders for 1988 and furnished with this report.

Report of Independent Accountants on
Financial Statement Schedules

To the Board of Directors of
Dresser Industries, Inc.

Our examinations of the consolidated financial statements referred to in our report dated December 19, 1988 appearing on page 26 of the 1988 Annual Report to Shareholders of Dresser Industries, Inc., (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an examination of the Financial Statement Schedules listed in Item 14 (a) of this Form 10-K. In our opinion, these Financial Statement Schedules present fairly the information set forth therein when read in conjunction with the related consolidated financial statements.

Price Waterhouse

PRICE WATERHOUSE

Dallas, Texas
December 19, 1988

SCHEDULE II - AMOUNTS RECEIVABLE FROM RELATED PARTIES AND UNDERWRITERS, PROMOTERS, AND EMPLOYEES OTHER THAN RELATED PARTIES
DRESSER INDUSTRIES, INC. AND SUBSIDIARIES

(Millions of Dollars)

	Col. A	Col. B	Col. C	Col. D		Col. E	
		Balance at Beginning of Period		Deductions		Balance at End of Period	
Year ended October 31	Name of Debtor		Additions	Amounts Collected	Amounts Written Off	Current	Not Current
1988	Komatsu Dresser Company	-	187.0	-	-	187.0	-
1988	Dresser-Rand Company	37.4	322.0	333.4	-	26.0	-

Note: Amounts receivable for purchases subject to the usual trade terms and other such items arising in the ordinary course of business are excluded.

SCHEDU. /III - VALUATION AND QUALIFYIN. .COUNTS
DRESSER INDUSTRIES, INC. AND SUBSIDIARIES

(Millions of Dollars)

Col. A	Col. B	Col. C Additions		Col. D	Col. E
DESCRIPTIONS	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts	Deductions	Balance at End of Period
ALLOWANCE DEDUCTED FROM ASSETS TO WHICH THEY APPLY					
Year ended October 31, 1988 For doubtful receivables classified as current assets	$ 46.3	$ 5.0	$ (2.1) (C)	$ 12.2 (B)	$ 37.0
Year ended October 31, 1987 For doubtful receivables classified as current assets	$ 71.5	$ 4.9	$ (11.0) (A)	$ 19.1 (B)	$ 46.3
Year ended October 31, 1986 For doubtful receivables classified as current assets	$ 64.5	$ 21.7	$ -	$ 14.7 (B)	$ 71.5

Notes:

(A) Primarily transfers to unconsolidated joint ventures accounted for on the equity method.
(B) Receivable write-offs and reclassifications, net of recoveries.
(C) Primarily allowances of businesses sold to third parties.

IEDULE IX - SHORT-TERM BORROWIN
DRESSER INDUSTRIES, INC. AND SUBSIDIARIES

(Millions of Dollars)

Col. A CATEGORY OF AGGREGATE SHORT-TERM BORROWINGS	Col. B Balance at End of Period	Col. C Weighted Average Interest Rate (A)	Col. D Maximum Amount Outstanding During the Year	Col. E Average Amount Outstanding During the Year (B)	Col. F Weighted Average Interest Rate During the Year (C)
Year ended October 31, 1988 Notes payable to banks	$ 26.9	12.0%	$ 61.3	$ 43.4	10.7%
Year ended October 31, 1987 Notes payable to banks	$ 61.3	9.9%	$ 174.8	$ 121.2	8.8%
Year ended October 31, 1986 Notes payable to banks	$ 171.0	8.4%	$ 187.3	$ 172.0	9.7%

Notes:

(A) The rates do not include the hyperinflationary countries as those rates include factors to offset monetary devaluations which cannot be separated from the true interest rate.
(B) The average borrowings are based on the amounts outstanding at each month-end.
(C) The rates were computed by dividing actual interest expense for the year by the average debt outstanding during the year. Hyperinflationary country debt and interest rates were excluded as in (A).

SCHEDULE X - SUPPLEMENTARY INCOME STATEMENT INFORMATION
DRESSER INDUSTRIES, INC. AND SUBSIDIARIES

(Millions of Dollars)

Col. A	Col. B		
	Charged to Costs and Expenses		
	Year Ended October 31		
ITEM	1988	1987	1986
Maintenance and repairs	$ 96.9	$ 89.6	$ 103.9
Depreciation and amortization of intangible assets, preoperating costs and similar deferrals	*	*	*
Taxes, other than payroll and income taxes	*	*	*
Royalties	*	*	*
Advertising costs	*	*	*

*Amounts are not presented because such amounts are less than 1% of total net sales and service revenues.

417 Hackensack Avenue
Hackensack NJ 07601

Telephone 201 646 1551

Price Waterhouse

REPORT OF INDEPENDENT ACCOUNTANTS

November 15, 1988

To the Partners and
Management Committee
of Dresser-Rand Company

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of operations, partners' equity and cash flows present fairly, in all material respects, the financial position of Dresser-Rand Company (a Dresser Industries, Inc. and Ingersoll-Rand Company partnership) and its subsidiaries at September 30, 1988 and December 31, 1987, and the results of their operations and their cash flows for the nine months ended September 30, 1988 and the year ended December 31, 1987, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

Price Waterhouse

Price Waterhouse

DRESSER-RAND COMPANY
(a partnership)

CONSOLIDATED BALANCE SHEET

	September 30, 1988	December 31, 1987
	(in thousands)	
ASSETS		
Current assets:		
Cash	$ 4,584	$ 2,879
Short-term investments, restricted	2,926	7,736
Accounts receivable, less allowance for doubtful accounts of $3,108,000 in 1988 and $2,199,000 in 1987	163,910	144,439
Inventories	235,634	238,775
Prepaid expenses and other current assets	5,435	6,210
Receivable from Partner	2,925	2,710
Total current assets	415,414	402,749
Investment in affiliate	-	13,370
Property, plant and equipment, at cost less accumulated depreciation	145,516	151,300
Other assets	7,708	10,435
Intangible assets	15,033	16,341
Total assets	$583,671	$594,195
LIABILITIES AND PARTNERS' EQUITY		
Current liabilities:		
Short-term borrowings	$113,598	$112,873
Accounts payable	66,672	59,709
Accrued compensation and benefits	18,582	15,271
Accrued income and other taxes	12,453	12,988
Accrued warranty costs	18,065	10,227
Other accrued liabilities	43,059	44,992
Amounts due Partners	51,943	72,432
Total current liabilities	324,372	328,492
Noncurrent liabilities	17,734	20,240
Total liabilities	342,106	348,732
Partners' equity:		
Contributed capital	345,755	345,755
Cumulative translation adjustments	2,486	5,870
Accumulated deficit	(106,676)	(106,162)
Total partners' equity	241,565	245,463
Commitments and contingencies - Notes 5, 7 and 12		
Total liabilities and partners' equity	$583,671	$594,195

See accompanying notes to consolidated financial statements.

DRESSER-RAND COMPANY
(a partnership)

CONSOLIDATED STATEMENT OF PARTNERS' EQUITY

	Nine months ended September 30, 1988	Year ended December 31, 1987
	(in thousands)	
Contributed capital:		
Contribution of net assets by the partners at inception	$345,755	$345,755
Cumulative translation adjustments:		
Beginning of period	5,870	-
Translation adjustments	(3,384)	5,870
End of period	2,486	5,870
Accumulated deficit:		
Beginning of period	(106,162)	-
Net loss for the period	(514)	(106,162)
End of period	(106,676)	(106,162)
Total partners' equity	$241,565	$245,463

See accompanying notes to consolidated financial statements.

DRESSER-RAND COMPANY
(a partnership)

CONSOLIDATED STATEMENT OF CASH FLOWS

	Nine months ended September 30, 1988	Year ended December 31, 1987
	(in thousands)	
Cash flows from operating activities:		
Net loss for the period	($ 514)	($106,162)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Depreciation and amortization	25,545	25,965
(Gain) loss on sale of property, plant and equipment	(70)	5,180
Noncurrent restructuring cost accruals	511	14,699
Equity change in partially-owned affiliates	-	1,355
(Increase) decrease in assets, net of effects from purchase of 50 percent interest in affiliate:		
Accounts receivable	(1,920)	(126,751)
Inventories	7,402	(20,401)
Prepaid expenses and other current assets	775	1,327
Other assets	2,809	(9,725)
Increase (decrease) in liabilities, net of effects from purchase of 50 percent interest in affiliate:		
Accounts payable	(3,333)	9,369
Accrued compensation and benefits	3,311	(912)
Accrued income and other taxes	(535)	6,538
Accrued warranty costs	6,950	8,607
Other accrued liabilities	(6,178)	12,592
Noncurrent liabilities	(3,017)	3,775
Other, including translation adjustments, net	(2,684)	5,501
Net cash provided (used) by operating activities	29,052	(169,043)
Cash flows from investing activities:		
Proceeds from sale of property, plant and equipment	2,971	6,030
Capital expenditures	(19,103)	(18,966)
Net cash increase related to purchase of 50 percent owned affiliate	5,712	-
Net cash used in investing activities	(10,420)	(12,936)
Cash flows from financing activities:		
Net short-term borrowings	(333)	97,693
Net amounts due partners	(21,404)	84,419
Net cash (used) provided by financing activities	(21,737)	182,112
Net (decrease) increase in cash and short-term investments	(3,105)	133
Cash and short-term investments at beginning of period	10,615	10,482
Cash and short-term investments at end of period	$ 7,510	$ 10,615

See accompanying notes to consolidated financial statements.

DRESSER-RAND COMPANY
(a partnership)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF FORMATION AND OPERATIONS:

On December 31, 1986, Dresser Industries, Inc. and Ingersoll-Rand Company (the Partners) entered into a partnership agreement for the formation of Dresser-Rand Company (the Company), a New York general partnership (the partnership) owned equally by Dresser Industries, Inc. (Dresser) and Ingersoll-Rand Company (Ingersoll-Rand). The Partners contributed substantially all of the operating assets (excluding domestic cash and accounts receivable) and certain related liabilities which comprised their worldwide reciprocating compressor, steam turbine and turbo-machinery businesses in exchange for an equal ownership interest. The Company commenced operations on January 1, 1987 and principally serves the petroleum, gas, petrochemical, chemical and electric power industries on a worldwide basis.

The net assets contributed by the Partners were recorded by the Company at amounts approximating their historical values. A summary of contributed net assets at inception follows (in thousands):

Inventories and other current assets	$273,586
Property and noncurrent assets	196,108
Total assets	469,694
Current liabilities	122,173
Noncurrent liabilities	1,766
Contributed net assets	$345,755

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Significant accounting policies used in the preparation of the accompanying consolidated financial statements are set forth below:

Fiscal Year-End:

Beginning in 1988, the Company changed its fiscal year end from December 31 to September 30.

Basis of Presentation:

Since formation, the legal transfers of several former subsidiaries of the Partners to the Company were pending finalization of various ancillary agreements. The accompanying consolidated financial statements reflect the operations of these entities as if all transfers had been finalized as of January 1, 1987. Accordingly, the consolidated financial statements of the Company include all domestic and foreign majority-owned subsidiaries and the financial statements of those operations which have been operated for the benefit of the Company by the Partners until the legal or other transfers are accomplished. As of September 30, 1988, all significant legal or other transfers have been effected.

Investments in a 50%-owned affiliate (1987 only - See Note 3) and less than 50%-owned affiliates are accounted for on the equity method. The Company's equity in the net losses of these affiliates was not material.

All material intercompany items have been eliminated in consolidation.

Short-term Investments:

Short-term investments are stated at cost which approximates market. These funds are available for payment of expenses in a foreign country only.

For purposes of the consolidated statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Inventories:

Inventories are generally stated at cost which is not in excess of net realizable value, and are valued using the first-in, first-out (FIFO) method.

Property and Depreciation:

Property, plant and equipment is recorded at cost, and is depreciated over the estimated useful lives of the various classes of assets. Depreciation is computed principally using accelerated methods, except for U.S. fixed assets with a service life of ten years or less, which are depreciated on a straight-line basis.

Intangible Assets:

Costs in excess of values assigned to the underlying net assets of businesses acquired by the Partners which were contributed to the Company are being amortized on a straight-line basis over periods not exceeding 40 years. Such amortization amounted to $1,308,000 in 1988 and $1,744,000 in 1987.

Income Taxes:

The Company is a partnership and generally does not provide for U.S. income taxes since all partnership income and losses are allocated to the Partners for inclusion in their respective income tax returns. Income taxes are provided on the taxable earnings of U.S. and foreign subsidiaries, including deferred taxes arising from timing differences between financial and tax reporting of income and expense items.

Revenue Recognition and Warranties:

Revenues from the sale of products and estimated provisions for warranty costs are recorded for financial reporting purposes generally when the products are shipped. Service and equipment rental revenues are accrued as earned.

Research, Engineering and Development Costs:

Expenses for research and development activities, including engineering costs, are expensed as incurred and amounted to $39,645,000 in 1988 and $43,880,000 in 1987.

Foreign Currency:

Assets and liabilities of foreign entities operating in other than highly inflationary economies are translated at current exchange rates and income and expenses are translated using average-for-the-period exchange rates. Adjustments resulting from translation are recorded in partners' equity and will be included in net earnings only upon sale or liquidation of the underlying foreign investment.

For foreign subsidiaries operating in highly inflationary economies, inventory and property balances and related income statement accounts are translated using historical exchange rates and resulting gains and losses are credited or charged to earnings.

Foreign currency translation and exchange gains (losses) recorded in Other income (expense) in the consolidated statement of operations amounted to $525,000 in 1988 and ($2,117,000) in 1987.

New Accounting Standards:

The Financial Accounting Standards Board has issued certain accounting standards affecting the accounting for income taxes and pension plans. The Company will comply with these standards by their required implementation dates.

NOTE 3 - ACQUISITION OF 50 PERCENT INTEREST IN AFFILIATE:

In January 1988, the Company acquired the remaining 50 percent interest in Kongsberg Dresser Power, Inc. from Kongsberg Vapenfabrikk of Norway and renamed it Dresser-Rand Power, Inc. The acquisition, for cash of $1,666,000, was effective as of January 1, 1988 and was accounted for as a purchase transaction. On an unaudited pro forma basis, assuming the above acquisition was made on January 1, 1987, the net sales of the Company for the year ended December 31, 1987 would have been increased by approximately $36,322,000 and the net loss would have increased by approximately $210,000. The pro forma results of operations are not necessarily indicative of the actual results of operations that would have occurred had the purchase been made at the beginning of 1987 or the results that may occur in the future.

NOTE 4 - RESTRUCTURING COSTS:

During 1987, the Company conducted various studies to evaluate its plant capacity and personnel needs based upon anticipated near-term requirements at depressed levels of activity. As a result, the Company recorded a charge to operations of $61,209,000 during 1987 for the net restructuring, rationalization and consolidation of operating divisions and subsidiaries contributed by the Partners. The actions covered by this charge included costs for severance and relocation of employees arising from realigned operations, pension costs associated with employee terminations at closed facilities, the redeployment of product lines and related assets into production facilities, and the net loss on sales, scrappings and other dispositions of excess machinery and equipment and slow-moving inventories. The major components of the charge were as follows (in thousands):

Pension, severance, relocation and other personnel related costs	$39,871
Costs incurred in the redeployment, consolidation and disposal of facilities and excess assets	16,823
Other nonpersonnel related costs	4,515
	$61,209

During the nine months ended September 30, 1988, the Company recorded an additional charge to operations of $2,661,000 for restructuring costs in excess of amounts accrued at December 31, 1987.

The restructuring charges include accruals for costs which have been estimated by management based upon the individual facts and circumstances of each action. All accruals are expected to be of a short-term nature and are included in other accrued liabilities in the consolidated balance sheet, other than pension costs associated with employee terminations, of approximately $15,210,000 at September 30, 1988 and $14,699,000 at December 31, 1987, which are included in noncurrent liabilities. In management's opinion, the remaining amount accrued of $15,145,000 at September 30, 1988 is reasonable and any differences between the recorded estimates and the final amounts actually incurred should not have a material effect on the Company's consolidated results of operations or financial position.

NOTE 5 - INVENTORIES:

The components of inventory are as follows (in thousands):

	September 30, 1988	December 31, 1987
Raw materials and supplies	$ 38,581	$ 32,960
Work-in-process	123,495	135,483
Finished products	73,558	70,332
	$235,634	$238,775

Work-in-process inventories are stated after deducting customer progress payments of $51,360,000 at September 30, 1988 and $33,116,000 at December 31, 1987.

NOTE 6 - PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment is summarized as follows (in thousands):

	September 30, 1988	December 31, 1987
Land and improvements	$ 5,942	$ 5,854
Buildings and improvements	76,256	69,314
Machinery and equipment	249,527	244,995
Furniture and fixtures	9,521	10,312
	341,246	330,475
Accumulated depreciation	(195,730)	(179,175)
	$145,516	$151,300

Depreciation expense was $24,237,000 in 1988 and $24,221,000 in 1987.

NOTE 7 - SHORT-TERM BORROWINGS:

Short-term borrowings consist of the following (in thousands):

	September 30, 1988	December 31, 1987
Domestic bank loans	$107,500	$110,000
Foreign bank loans and other	6,098	2,873
	$113,598	$112,873

At September 30, 1988, the Company had domestic lines of credit for short-term borrowing facilities aggregating $145,000,000, of which $37,500,000 was unused. Credit facilities have also been arranged with banks outside the United States under which the Company's foreign operating units may borrow in the local currency or other currencies on an overdraft and short-term note basis. At September 30, 1988, the amount of available and unused lines of credit under these arrangements aggregated $46,848,000.

Interest rates on these lines of credit are generally at the London Interbank Offered Rate (LIBOR), the prime rates of the banks or the banks' reference or base rates, at the Company's option. Commitment fees ranging from .100% to .125% per annum are payable on the average daily unused portion of the domestic credit lines. At September 30, 1988, the weighted average interest rate on outstanding borrowings was 8.4%..

Under the terms of the partnership agreement, the Company must obtain the consent of the Partners for borrowings in excess of 33-1/3% of the sum of the Company's indebtedness and the Partners' capital accounts. In addition, a short-term bank credit facility stipulates that the Company's net worth shall not fall below $225,000,000.

NOTE 8 - TRANSACTIONS WITH AFFILIATES:

In the normal course of business, the Company engages in sales and purchases of manufactured products with the Partners and their affiliates. There are also various licensing, subcontracting and servicing arrangements among the parties pursuant to the partnership and other agreements. Some of the agreements had planned expiration dates while others continued at the option of the Company or the Partners. Costs and charges under these arrangements are generally at normal and competitive market rates. In addition, certain administrative services of nominal value are provided at no cost to the Company.

During the transition period in 1987, the Partners and their affiliates also provided certain administrative services to the Company, including financial, data processing, employee benefits, legal and tax services. The Company also acted as collection agent for the Partners for certain customer accounts receivable that were not contributed to the partnership. In addition, the Partners made disbursements on behalf of the Company until the Company established a separate treasury function.

At September 30, 1988 and December 31, 1987 the Company has an interest bearing receivable from Ingersoll-Rand. The interest rate is variable and is based on the short-term interest rate of U.S. Treasury obligations (8.0% at September 30, 1988); there are no repayment terms. Interest income accrued was $215,000 in 1988 and $269,000 in 1987.

Amounts due partners consist of trade accounts, notes payable and advances. The trade accounts represent the net balance arising from the sale or purchase of equipment and services to and from the Partners and do not accrue interest. Notes payable are short-term promissory notes. Interest on these notes varies, but approximates that of the Company's short-term bank borrowings. Interest paid to the Partner's on these notes during 1988 was $1,233,000; there were no such notes outstanding at September 30, 1988 or at any time during the year ended December 31, 1987. Advances do not bear interest and have no repayment terms.

Amounts due Partners are summarized as follows (in thousands):

	Dresser	Ingersoll-Rand	Total
September 30, 1988			
Trade accounts	($ 2,753)	($ 233)	($ 2,986)
Advances	33,347	21,582	54,929
	$30,594	$21,349	$51,963
December 31, 1987	$27,758	$44,674	$72,432

A summary of transactions with the Partners and their affiliates is as follows (in thousands):

	Nine months ended September 30, 1988	Year ended December 31, 1987
Product sales	$34,000	$45,900
Product purchases	10,000	18,800
Net billings and other charges for services provided	9,800	7,600

One partner operated a foreign manufacturing company and continued to manage a customer contract on behalf of the Company. A net gain of $1,023,000 for 1988 and a net loss of $1,245,000 for 1987 relating to these operations is included in the accompanying financial statements.

During 1987, the Company exchanged certain repair centers with a net recorded value of $1,197,000 with one of the Partners.

NOTE 9 - PENSION PLANS AND OTHER EMPLOYEE BENEFITS:

U.S. Pension Plans:

The Company has defined benefit plans covering substantially all U.S. employees. Plan benefits for covered salaried employees are generally based on years of service and compensation on an average or final pay basis. Benefit plans covering hourly employees generally have flat benefit formulas based primarily on years of service. These plans, with some modifications, have been adopted by the Company as a continuation of prior coverage under defined benefit and contribution plans sponsored by the Partners. The Company also maintains defined contribution plans covering employees at two of its U.S. plant facilities.

The Company's policy is to fund sufficient amounts to maintain the plans on a sound actuarial basis. Such amounts could be in excess of pension costs expensed, subject to the limitations imposed by current tax regulations.

Pension costs for 1988 and 1987 were determined in accordance with Statements of Financial Accounting Standards No. 87 (SFAS 87), "Employers' Accounting for Pensions" and No. 88 (SFAS 88), "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits." As permitted by these statements, the Company did not elect to currently adopt the provision which would recognize a long-term pension asset and liability in the consolidated balance sheet.

The components of pension costs are as follows (in thousands):

	Nine months ended September 30, 1988	Year ended December 31, 1987
Service cost for benefits earned during the period	$3,175	$4,156
Interest cost on projected benefit obligation	2,274	2,485
Actual return on plan assets	(260)	(271)
Net amortization and deferral	775	1,298
Cost of defined contribution plan	387	350
Net pension cost	$6,351	$8,018

The primary assumptions used to determine the net pension cost for 1988 and 1987 were as follows:

Discount rate	9.0%
Expected long-term rate of return on plan assets	8.5%
Rate of increase in compensation levels	6.25%

The Company charged $768,000 in 1988 and $14,927,000 in 1987 to operations for plan curtailments and termination benefits associated with the termination of employees at plant facilities closed and from other restructuring actions.

The funded status of domestic employee pension benefit plans is as follows (plans where assets exceed accumulated benefits are immaterial):

	September 30, 1988	December 31, 1987
	(in thousands)	
Actuarial present value of benefit obligations:		
Vested benefit obligation	$23,852	$17,627
Nonvested benefit obligation	1,682	988
Accumulated benefit obligation	25,534	18,615
Additional amount for projected compensation increases	15,236	15,015
Total projected benefit obligation	40,770	33,630
Plan assets at fair value	9,414	3,098
Projected benefit obligation in excess of assets	31,356	30,532
Unrecognized net obligation existing at date of adoption of SFAS 87	12,732	13,719
Unrecognized net loss (gain)	1,379	(377)
Unrecognized prior service cost	276	-
Accrued pension cost	$16,969	$17,190

Plan assets are invested primarily in fixed income and equity securities.

In addition to the above accrued pension cost, the Company has accrued $7,136,000 and $6,020,000 ($5,432,000 and $5,037,000 included in noncurrent liabilities) at September 30, 1988 and December 31, 1987, respectively, for pension costs relating to a plan maintained by a former employing partner.

Non-U.S. Pension Plans:

Pension coverage for employees of non-U.S. operations is provided, to the extent deemed appropriate, through separate plans that are either state funded or maintained by the Partners. Pension expense incurred by the Company for these plans amounted to $794,000 in 1988 and $759,000 in 1987; the Company has deferred the application of SFAS 87 to these plans as permitted under the statement.

Retiree Benefits:

In addition to providing pension benefits, the Company provides certain health care and life insurance benefits for retired employees. Most employees who retire are eligible for these benefits. The cost of retiree health care is recognized as an expense as claims are paid, and the cost of retiree life insurance is recognized by expensing the annual insurance premiums. These costs were insignificant in 1988 and 1987.

Savings and Investment Plans:

The Company also sponsors certain savings and investment plans. The cost for these plans amounted to $1,318,000 in 1988 and $1,880,000 in 1987.

NOTE 10 - INCOME TAXES:

The components of the income (loss) before income taxes and extraordinary item are as follows (in thousands):

	Nine months ended September 30, 1988	Year ended December 31, 1987
Domestic	($ 8,608)	($100,213)
Foreign	15,061	(4,421)
	$ 6,453	($104,634)

The provision for income taxes is as follows (in thousands):

	Nine months ended September 30, 1988	Year ended December 31, 1987
Domestic - current	$ 286	$ -
Foreign - current	7,270	3,242
- deferred	(589)	(1,714)
	$6,967	$1,528

Foreign current taxes of $7,270,000 in 1988 does not include charges of $544,000 equivalent to income taxes which would have been incurred had foreign operating loss carryforwards not been available. The income tax benefit resulting from realization of the operating loss carryforwards is presented as an extraordinary item.

An analysis of the difference between the U.S. statutory rate and the effective rate is as follows:

	Nine months ended September 30, 1988	Year ended December 31, 1987
U.S. statutory rate	34.0%	(40.0%)
Tax on foreign income greater than the U.S. statutory rate	10.0	-
Operating losses with no current tax benefit to the Company	64.0	41.7
Other	-	(0.2)
Effective tax rate	108.0%	1.5%

For tax purposes the Company has foreign net operating loss carryforwards of $36,868,000 which expire at various dates through 1998. In addition, the Company has $4,238,000 of foreign deferred depreciation deductions which have an indefinite carryforward period.

NOTE 11 - INFORMATION BY GEOGRAPHIC AREA:

The Company operates in one industry segment consisting of the design, manufacture and marketing of energy processing and conversion equipment. No single customer accounted for 10 percent or more of net sales. Identifiable assets are those assets that are identified with particular geographic areas and operations. General corporate assets consist principally of fixed assets.

The financial information by geographic area is as follows (in thousands):

	Nine months ended September 30, 1988	Year ended December 31, 1987
Geographic Area		
Sales to customers		
United States	$356,603	$455,071
Europe	216,274	183,630
Other international	76,521	66,583
Transfers between geographic areas:		
United States	74,503	57,586
Europe	2,861	1,092
Other international	1,889	248
Adjustments and eliminations	(79,253)	(58,926)
Total net sales	$649,398	$705,284
Operating income (loss) including restructuring costs		
United States	$ 6,930	($ 73,441)
Europe	7,920	(10,510)
Other international	4,291	(878)
	19,141	(84,829)
General corporate expenses	(5,571)	(5,292)
Total operating income (loss)	$ 13,570	($ 90,121)
Identifiable assets		
United States	$423,172	$442,135
Europe	106,818	108,978
Other international	52,145	41,539
General corporate assets	1,536	1,543
Total identifiable assets	$583,671	$594,195

International sales of U.S. manufactured products were $155,017,000 in 1988 and $159,853,000 in 1987. These sales represent the customer value of the transfers between geographic areas, primarily to Europe, and domestic exports sold directly to international customers of $61,516,000 in 1988 and $86,274,000 in 1987.

NOTE 12 - COMMITMENTS AND CONTINGENCIES:

All principal manufacturing facilities are owned by the Company. Certain office, warehouse and light manufacturing facilities, transportation vehicles and data processing equipment are leased. Future minimum lease payments required under noncancellable operating leases with initial terms in excess of one year are as follows (in thousands):

September 30,	
1989	$ 6,201
1990	4,919
1991	3,670
1992	2,362
1993	1,146
Thereafter	1,522
Total minimum lease payments	$19,820

Capital lease commitments of the Company are not significant. Total rental expense amounted to $7,791,000 in 1988 and $9,731,000 in 1987.

In the normal course of business, the Company has issued several direct and indirect guarantees, including contract performance bonds and letters of credit. Management believes these guarantees will not adversely affect the consolidated financial statements.

The Company is involved in various litigation and claims arising in the normal course of business. Based on the advice of counsel, management believes that recovery or liability with respect to these matters will not have a material effect on the consolidated financial position or results of operations of the Company.

NOTE 13 - SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Cash paid during the period for interest and income taxes is as follows (in thousands):

	Nine months ended September 30, 1988	Year ended December 31, 1987
Interest	$9,145	$9,089
Income taxes	$3,947	$2,474

NOTE 14 - FORM 10-K FINANCIAL SCHEDULES:

All dollar amounts are shown in thousands.

Property, plant and equipment - cost (Form 10-K, Schedule V):

Classification	Balance at beginning of period	Additions at cost	Retirements and sales	Other(*)	Balance at end of period
1988:					
Land	$ 5,854	$ 54	$ 56	$ 90	$ 5,942
Buildings and improvements	69,314	2,556	21	4,407	76,256
Machinery and equipment	244,995	15,758	8,967	(2,259)	249,527
Furniture and fixtures	10,312	735	113	(1,413)	9,521
	$330,475	$19,103	$9,157	$ 825	$341,246
1987:					
Land	$ 5,767	$ 5	$ 60	$ 142	$ 5,854
Buildings and improvements	65,459	2,408	944	2,391	69,314
Machinery and equipment	224,758	15,455	24,159	28,941	244,995
Furniture and fixtures	10,355	1,098	1,677	536	10,312
	$306,339	$18,966	$26,840	$32,010	$330,475

(*) Other primarily represents reclassifications among categories and the effects of foreign currency translation.

In 1988, other includes the acquisition of 50 percent interest in affiliate (Note 3) as follows: land-$214; buildings-$2,082; machinery and equipment-$3,080; furniture and fixtures-$611; total-$5,987. In 1987, other includes reclassification of rental fleet.

Property, Plant and Equipment - Accumulated Depreciation and Amortization (Form 10-K, Schedule VI):

Classification	Balance at beginning of period	Additions charged to costs and expenses	Retirements and sales	Other (*)	Balance at end of period
1988:					
Buildings and improvements	$ 31,536	$ 2,677	$ 25	$2,708	$ 36,896
Machinery and equipment	140,749	20,644	6,129	(2,866)	152,398
Furniture and fixtures	6,890	916	102	(1,268)	6,436
	$179,175	$24,237	$6,256	($1,426)	$195,730
1987:					
Buildings and improvements	$ 26,854	$ 3,968	$ 389	$1,103	$ 31,536
Machinery and equipment	131,337	18,998	14,540	4,954	140,749
Furniture and fixtures	6,013	1,255	701	323	6,890
	$164,204	$24,221	$15,630	$6,380	$179,175

Depreciation is provided principally using accelerated methods, except for U.S. fixed assets with a service life of 10 years or less, which are depreciated on a straight-line basis. Estimated useful lives of 10 to 40 years for buildings, 6 to 12 years for machinery and equipment and 5 to 10 years for furniture and fixtures were used in determining depreciation rates.

(*) Other primarily represents reclassifications among categories and the effects of foreign currency translation.

In 1988, other includes the acquisition of 50 percent interest in affiliate (Note 3) as follows: buildings-$746; machinery and equipment-$1,850; furniture and fixtures-$440; total-$3,036.

Valuation and qualifying accounts (Form 10-K, Schedule VIII):

Classification	Balance at beginning of period	Additions charged to income	Deductions	Other(*)	Balance at end of period
Doubtful accounts					
1988:	$ 2,199	$ 1,894	$ 1,314	$ 329	$ 3,108
1987:	$ 2,232	$ 2,299	$ 2,332		$ 2,199
Obsolete and slow-moving inventory					
1988:	$35,301	$ 627	$ 3,250	$1,261	$33,939
1987:	$34,584	$10,823	$10,106		$35,301

(*) In 1988, other includes the acquisition of 50 percent interest in affiliate (Note 3) as follows: Doubtful accounts - $571; obsolete and slow-moving inventory - $1,248. Other also includes the effects of foreign currency translation.

Short-term borrowings (Form 10-K, Schedule IX):

Category of aggregate short-term borrowings	Balance at end of period	Weighted average interest rate at end of period	Maximum amount outstanding during the period	Average amount outstanding during the period	Weighted average interest rate during the perio
1988:					
Domestic bank loans	$107,500	8.57%	$110,000	$89,100	8.15%
Foreign bank loans and other	6,098	5.61%	10,902	7,333	6.18%
1987:					
Domestic bank loans	$110,000	8.30%	$114,500	$85,600	7.96%
Foreign bank loans and other	2,873	5.83%	14,490	6,520	8.60%

The average amounts outstanding were determined based on the sum of the month-end amounts outstanding divided by the number of months in the period. The weighted average interest rates were based on the sum of the quarter-end rates divided by the number of quarters in the period. For 1987, the rates computed did not include the hyperinflationary countries as those rates include factors to offset monetary devaluations which cannot be separated from the true interest rate.

Bank loans represent obligations payable to various banks and financial institutions and are obtained on an as needed basis at various terms.

Supplementary income statement information (Form 10-K, Schedule X):

	Nine months ended September 30, 1988	Year ended December 31, 1987
Maintenance and repairs	$12,087	$12,988

Amounts for preoperating costs and similar deferrals, royalties, advertising costs and taxes other than payroll and income taxes are not presented because such amounts are less than one percent of total net sales.