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Ladies and gentlemen, good afternoon. Thank you very much for your welcome. I know the presence of Schlumberger at these events still has a rarity value, so I am very pleased to see such a large group out there. This afternoon I would like to present the picture that we see emerging and discuss how we view our position, our role and our financial targets.

These are changing times in the energy business. We have allowed ourselves to be lulled into complacency over the cost and availability of energy. The natural volatility associated with commodity supply and demand has been made more risky by a series of events that illustrate the lack of attention that has been paid to the state of energy supply, its distribution and the price we pay for it. Obviously, the political risk associated with oil has been severely worsened by current events in the Middle East, but the domestic political situations in Nigeria and Venezuela have also both produced severe supply disruptions in the last year. The violent fluctuation in US natural gas prices has already been well documented. The problems of the energy distribution infrastructure are well known. The shut down of the Japanese nuclear generating capacity and the lack of water for both hydro-electric and nuclear cooling during the long hot European summer have demonstrated the fragility in other sources of energy supply. All this has led to higher prices in a period where demand increases have been moderate. The investment climate has suffered from all this. What is sure is that if the world is going to have a reasonably priced energy supply to continue to fuel economic growth we need to rapidly adapt to more volatile times, risk and reward opportunities will therefore abound. In these circumstances, I am confident that in the coming decade, Schlumberger will be a major benefit in the renewed investment that will be required to guarantee our energy future.

Introduction

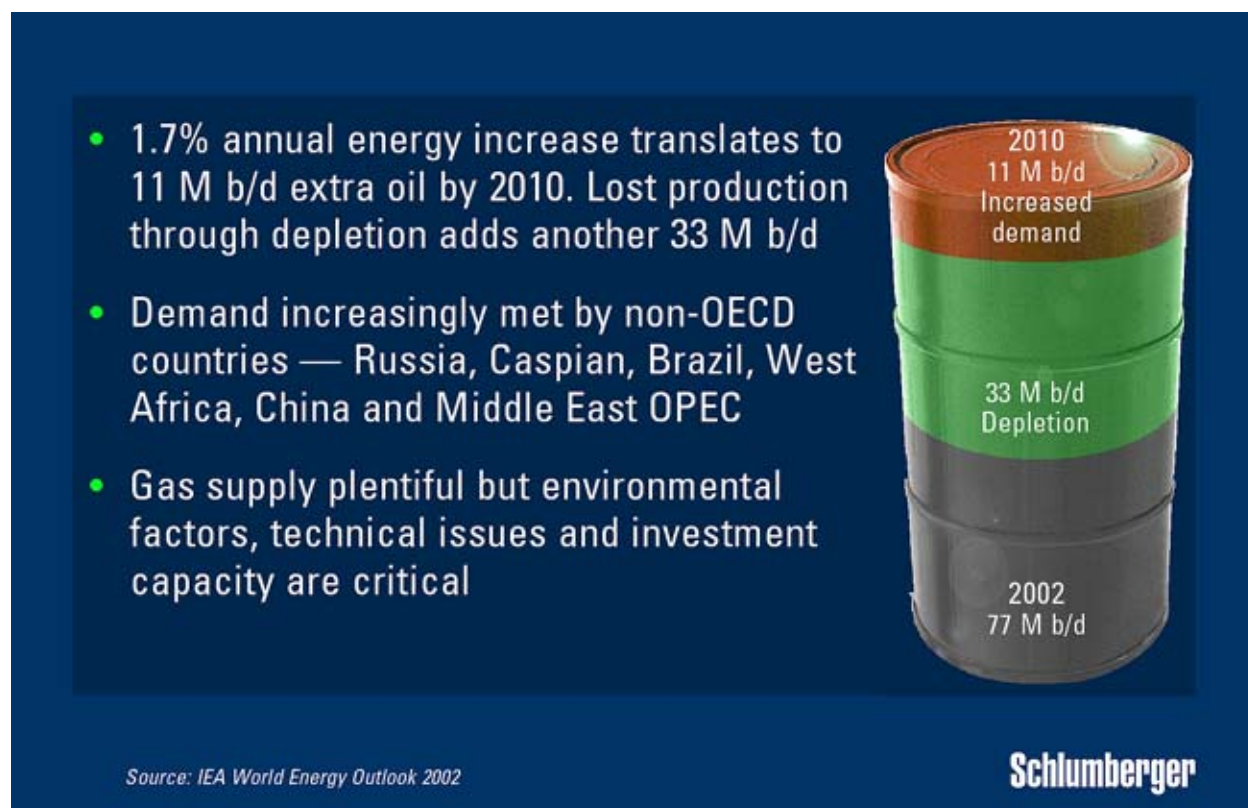
- Global energy demand will increase 1.7% per year to 2030 reaching an annual level of 320 M boe/d
- Huge capital investment required in oil and gas production to combat decline and add capacity
- IT becoming all powerful enabler in the energy sector to transform process and systems — ultimately to increase efficiency and cut costs

Source: IEA World Energy Outlook 2002

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Short term trends may be increasingly difficult to identify, but longer term a clearer pattern emerges. The International Energy Agency (IEA) sees world energy demand increasing 1.7% annually until at least 2030, with no less than 90% of this increase coming from hydrocarbon. Such an increase in demand will require huge capital investment from the industry, both to combat production decline and to add new capacity. People and technology will play leading roles of course, but in the highly complex and data-intensive oil business, process transformation through deployment of information technologies will become more and more important in the quest to improve cost efficiency while increasing reservoir recovery. Putting this in context, Daniel Yergin, writing in the Financial Times, remarked, “The digital oilfield of the future could expand world oil reserves by 125 billion barrels — more than the entire currently proved reserves of Iraq.”

Domination of Hydrocarbon Fuels



Projected to 2010, the 1.7% annual production increase translates to 11 million barrels of oil per day more than is currently produced. Coupled with an average field decline rate of 5%, which is conservative, this means that the oil industry will have to find and produce some 44 million new barrels of oil a day by 2010. From where is this going to come?

It is clear that almost all new energy production over the next 30 years will occur in non-OECD countries. In contrast, between 1971 and 2000, non-OECD countries provided just 60% of new energy production. The greatest increase in liquids will come from Russia; the Caspian; the deepwater provinces of the US, Brazil and West Africa; and China. Demand on Middle Eastern OPEC producers will intensify. Western production capacity will decline, although technology will help slow that decline; and activity in deepwater and in heavy oil areas will cause North America to become slightly less dependent on imports. Worldwide, efforts will continue to prolong the life of fields through remedial and production enhancement technologies.


If one looks at gas over the next ten years a different picture emerges, with plentiful supply in almost all parts of the world with reasonable proximity to markets. The IEA predicts that gas consumption will double in the next 30 years. The ultimate production scenario will depend on environmental and technical factors as well as the infrastructure investments necessary to bring the gas to market, but the same shift away from the OECD countries holds good.

Top Upstream Companies 2001

Reserves			Production		
Rank	Company	Reserves, M boe	Rank	Company	Production, '000 boe/d
1	Saudi Aramco	300,453	1	Saudi Aramco	9,119
2	Gazprom (Russia)	239,040	2	Gazprom	8,732
3	NIOC (Iran)	229,752	3	NIOC	4,789
4	INOC (Iraq)	131,431	4	PEMEX	4,338
5	KPC (Kuwait)	105,584	5	ExxonMobil	4,314
6	PDVSA (Venezuela)	103,351	6	Shell	3,773
7	Qatar Petroleum	102,872	7	PDVSA	3,693
8	ADNOC (Abu Dhabi)	90,359	8	BP	3,401
9	PEMEX (Mexico)	51,946	9	ChevronTexaco	2,721
10	Libya NOC	31,600	10	Sonatrach (Algeria)	2,609
11	NNPC (Nigeria)	27,228	11	INOC	2,463
12	ExxonMobil	21,958	12	PetroChina	2,358
13	Shell	19,095	13	ADNOC	2,274
14	Lukoil	17,969	14	TFE	2,154
15	PetroChina	17,184	15	KPC	1,916
16	BP	16,337	16	Pertamina (Indonesia)	1,681
17	Petronas (Malaysia)	13,709	17	Petrobras	1,645
18	Yukos	13,335	18	ConocoPhillips	1,588
19	ChevronTexaco	12,057	19	NNPC	1,558
20	TFE	10,472	20	Lukoil	1,277

Denotes 100% State Ownership

Source: PIW top 50



These shifts are of fundamental importance for Schlumberger. The markets for our services are changing and our customer base with it. Of the top 20 upstream companies ranked by reserve base, 13 are 100% owned by governments — indicated here in yellow. Of the remainder, two are Russian — Lukoil and Yukos/Sibneft. If you look at production capacity, the situation is similar but there is a greater presence of the private international oil companies. The markets for our services are changing, as is our customer base, and these changes provide new opportunities in the way we sell our services.

Integrated Project Management Profile

- 3 Key Project Types

- Field Development
- Field Rehabilitation
- Strategic Remote

- IPM in Figures

- 1500 wells drilled or worked-over in 2002
- 2000 professional staff
- 80 active rigs and units under management
- 47 projects ongoing in 40 countries



The growing markets of Russia, some of the former Russian republics, and more gradually China require a new approach. Customers have to be convinced that the price they pay for our technical services produces better results than their domestic service industry, but are ready to embrace new technology when it shows improvements. Also, a great deal of the improvement comes from operational efficiency, better management of logistics and technical preparation of work scopes and a lot of what we do in these areas is linked to integrated project management services. These include the provision of technology, technical personnel and management expertise to supplement our customers' own efforts. As a result, we have an increasing portfolio of field development and field rehabilitation projects, as well as remote projects of strategic importance that lie outside the customer's normal envelope of operations.

Expressed in figures, Schlumberger already manages a significant amount of activity for our customers in each of these areas and our pipeline of committed integrated project management work over the coming six-year period is approximately \$5.3 billion.

Burgos Field Development

- Sequence of six field development programs – commenced 1997
- Now on fourth contract – the operating relationship has evolved each time to meet project needs
- Schlumberger has delivered 267 completed wells and 2.3 million feet of hole
- 10 rigs operational by May 2003



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The Burgos field development in Mexico is an example of a field development managed by IPM. Since 1997, Schlumberger has delivered 267 completed wells involving the drilling of 2.3 million feet of hole in a succession of six gas field development programs. The scope of work has ranged from 3D seismic to the design and installation of production facilities.

Projects of this type are typically long term in nature and often lead to similar work in other fields. Burgos, for example, led to the award of the Chicontopec project, which represents the most significant oil development project in Mexico in the last 20 years. It is the largest integrated services contract ever awarded by PEMEX to any service provider, and will keep three drilling rigs occupied for a four-year period during which time 200 wells will be drilled, and 250 completed. Rapid mobilization resulted in all rigs being operational within four months, and it is this ability that is partly made possible by our GeoMarket structure supported by IPM processes and strong technology segments. Success in IPM activities is due to the coordination that this structure provides.

Oilfield Services Market Rankings

Schlumberger Rank	Market Size \$ million	Product Line
1	5 350	Geophysical Equipment & Services
1	3 643	Wireline Logging
1	1 110	Logging While Drilling (LWD)
1	903	Coiled Tubing Services
1	613	Production Testing
2	6 932	Pressure Pumping Services
2	1 426	Artificial Lift - Downhole Pumps & Mandrels
2	2 679	Directional Drilling, MWD, LWD Services
3	1 937	Completion Equipment & Services

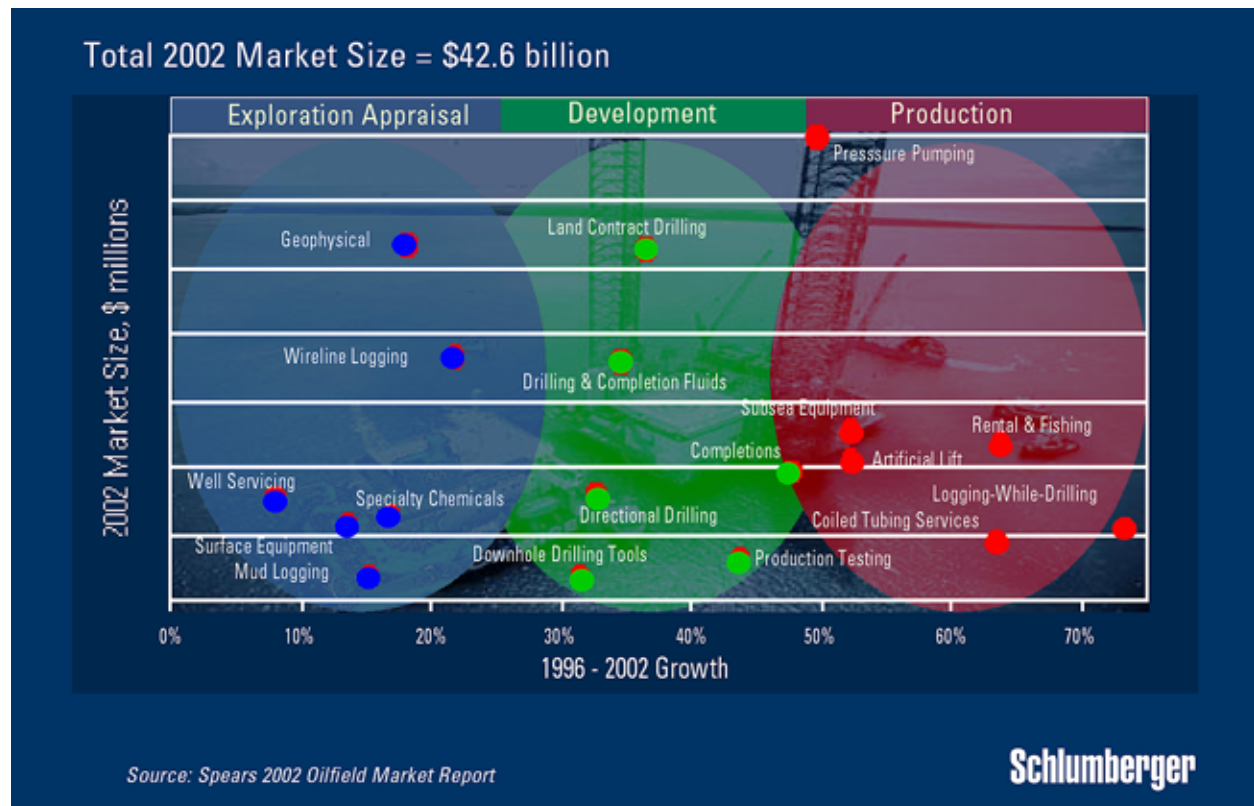
Source: Spears Oilfield Market Report 2002

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However, our success in any market will continue only if we can provide our customers with leading-edge technologies that allow them to reduce finding and development costs and increase recovery factors.

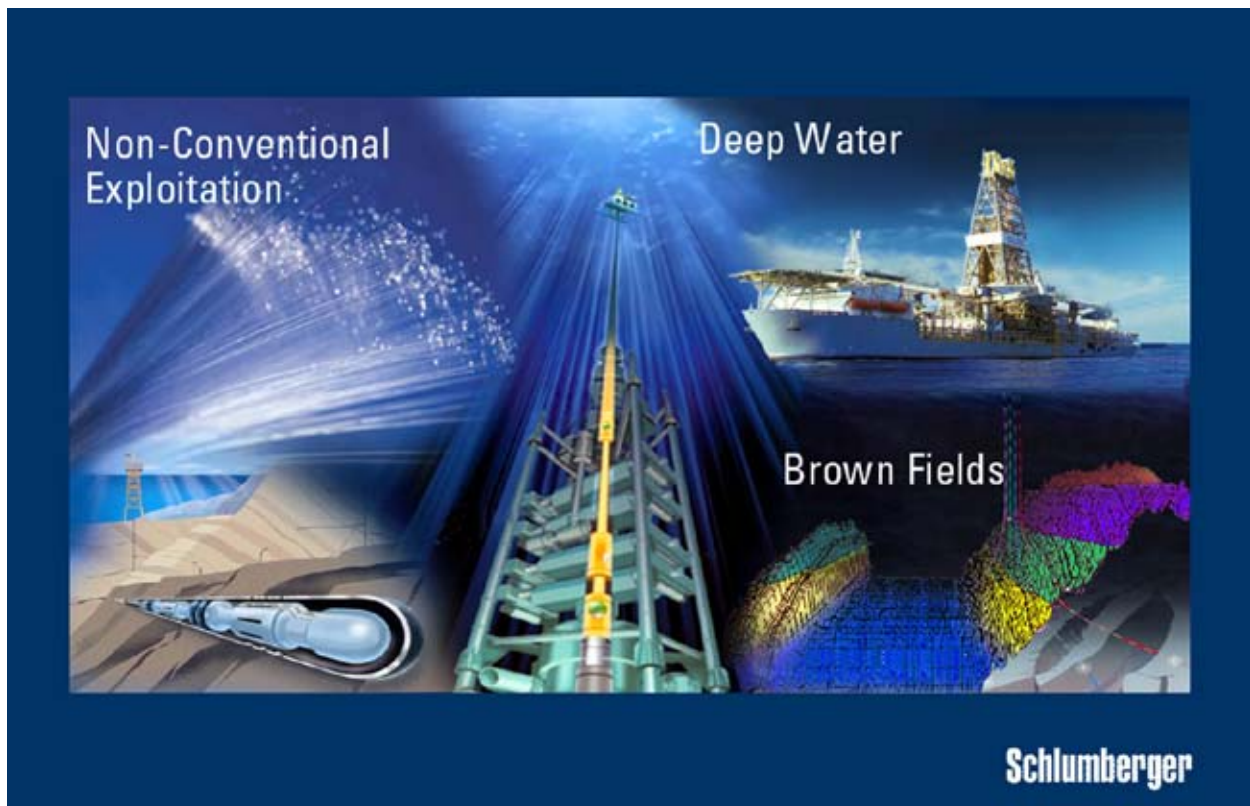
We have always believed that you need to be number one or two to maintain technical leadership, or you need a plan to get there. You also need to have a clear idea of which technologies are going to most affect your customer's business. What you see here is an estimate by Spears of the total market size for the services where we have a market position. It shows that we rank one or two everywhere except for Completion Equipment and Services, and here we are making gains in several key domains, such as intelligent completions and remote monitoring.

Oilfield Services Growth: 1996—2002



It is important to look at where the technology markets are going. This chart plots total market size for individual services against revenue growth rate over the period 1996 to 2002. Each dot represents a service, and they fall into three groups. The highest growth rates are for services to increase production, next come services for developing new fields, while the lowest growth is for services for exploration. The growth rates of pressure pumping, coiled tubing services, artificial lift and production testing all witness the need to maintain production from existing fields. The move to subsea is evident as deepwater developments advance, while drilling technologies — including drilling fluids, drilling tools, directional drilling services and logging-while-drilling — all show healthy growth.

Technology Trends



The question is where do we go from here? Which technologies will provide the competitive edge to both oil companies and service companies? We believe there are three major trends.

First, the economics of deep-water are so sensitive to error that improved reservoir definition with high-resolution and fidelity seismics, advanced logging and sampling is mandatory. Deepwater also requires highly sophisticated control and monitoring requiring new sensors, intelligent completions and improved reservoir modeling.

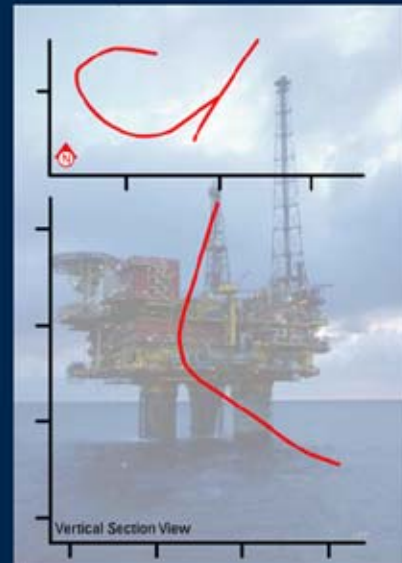
The second technology trend has to do with improving production, in both new and mature fields. Through-casing wireline evaluation has finally come of age. Drilling technologies adapted to depleted reservoirs are appearing. New methods of production testing have become more efficient. Downhole flow control has evolved dramatically and more sophisticated use of chemical treatments is growing fast. Advanced completion technologies are key.

The third trend is toward technologies destined for non-conventional hydrocarbon exploitation. Examples are coal-bed methane and heavy oil, niche markets requiring quite specific and varied services and technologies. For example the use of fiber-optic temperature sensors for monitoring steam floods in heavy oil production.

Technology spending by the oilfield service industry has been steadily increasing for years, and now approaches 30% of the total industry spend — astonishing when you consider the size of our clients. The lion's share of that 30% is Schlumberger, and during last 10 years we have introduced almost 100 new technology innovations in oilfield services.

Rotary Steerables for Production Enhancement

- New well trajectories in mature fields need to tap multiple hydrocarbon pools
- Conventional motor steering not suited to depleted reservoir pressures
- Well costs cut by better steerability, dog-leg capability and slimmer hole
- Technology proven with 30,000 feet already drilled on UKCS – holes drilled twice as fast



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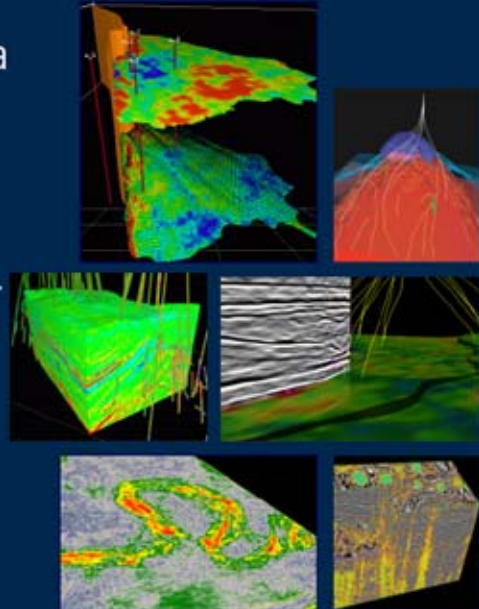
A number of these innovations have been introduced to address the brownfields, or mature production areas, which are responsible for 48% of world production, yet provide 60% of Schlumberger oilfield revenues. One example is slimhole rotary steerable systems.

This is very much a requirement for production enhancement in mature areas where pockets of bypassed oil can only be exploited with complex well trajectories that, for reasons of cost, must intersect as many such pockets as possible. From a cost perspective in areas such as the North Sea, this capability can make or break a producing asset from the operator's viewpoint. Such wells are technically difficult to drill using conventional technology, as the depleted reservoir pressure can lead to sticking of the drill string. Until very recently, rotary steerable tools were not available in slimhole sizes to address this need, and Schlumberger is the first company to commercialize this service. Since its introduction in June 2002, more than 30,000 feet of hole have been drilled with this equipment on the UKCS.

The success of this game changing technology in the exploitation of mature fields has already led to yet slimmer tool sets for mature field exploitation. The new tools will be developed in collaboration with customers and will enable further cost efficiencies when applied through tubing since there will be no need to pull the completion string for deployment.

Seismic Technology — The Value of Q

- Technology not previously seen as a competitive advantage
- Multiclient model unsustainable
- Better resolution and repeatability lead to better well placement, right-sizing of production infrastructure and better production monitoring
- New technology provides value through increased production and recovery



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Our technology portfolio also includes WesternGeco, and before leaving this discussion on technology, I would like to offer a few comments on the seismic contracting industry and its continuing poor financial condition. There are two main reasons:

First, commoditization has resulted in capacity- rather than technology-based competition, while excessive growth prior to 1999 has led to high fixed costs and recent asset bases. In such a market, removing capacity means asset write-downs that make for tough financial medicine. Meanwhile, the real added value, which lies in the understanding and interpretation of the data, has remained firmly in the domain of the oil company.

Second, the business model of multiclient data has become largely unsustainable. Investment in multiclient surveys continued at around \$1 billion a year through the end of 2002 despite decaying revenues. The amount of seismic data on the balance sheets of the four principal seismic companies participants rose from \$1.1 billion to more than \$3 billion in five years. This party is over as investors have realized that speculation on further sales of multiclient data does not pay. Operating results owe more to the accounting model than the underlying business performance. Multiclient data NBV have now been written down to \$2.5 billion, but in my view, more is to come

What can be done? Obviously, further consolidation would help, but only if it leads to correction of the imbalance in supply and demand, an area in which WesternGeco has

already taken action. This industry needs to adjust to an overall lower activity level and needs to compete primarily on the basis of technology rather than capacity. Improvements in seismic technology data quality at the stages of both acquisition and processing can provide step change can still make enormous improvements in customer performance, but to do this demands new technology, and that is why we have developed the Q system, for both marine and land applications.

Our proprietary Q technology provides a step change leap in capability by offering superior resolution — typically better by 50% — and repeatability that leads to better well placement, avoidance of drilling hazards and, right sizing of production infrastructure. It also delivers a threefold improvement in repeatability to enable seismic production monitoring as a business tool, and not simply as a technical sideshow. First field results are good, and as an update on our progress, we have now run 25 Q surveys for 15 different clients, including all the major operators. Further, we are already seeing repeat business, particularly in the North Sea., in response to the capability of Q technology to provide repeatable data of sufficiently good quality to be of practical use in reservoir monitoring applications.

I believe that we can indeed build a successful seismic company competing on the basis of technology and providing the added value for which customer will pay. Our challenge over the next year is to confirm to a broader customer base that the incremental value of Q is worth the pricing uplift. It is also true that the problems of the seismic industry will not go away until the “bubble” of multiclient data has been pierced.

SchlumbergerSema Information Technology

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- Critical mass of expertise in IT consulting, systems integration, and network and infrastructure services
 - Global focus on oil, gas and energy markets
 - Regional focus on telecommunications, finance and public sector markets

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Now let me turn to our activity in information technologies that fall within the SchlumbergerSema organization and let me say very clearly that this direction does not signal a fundamental change of course for Schlumberger. We remain an IT-savvy oilfield services company, but have now added to our portfolio a complementary set of the key IT enablers that are essential for the integration of oilfield data with the business workflow of our clients. This is the coming age of Energy IT services, of which the digital oilfield will be a big consumer.

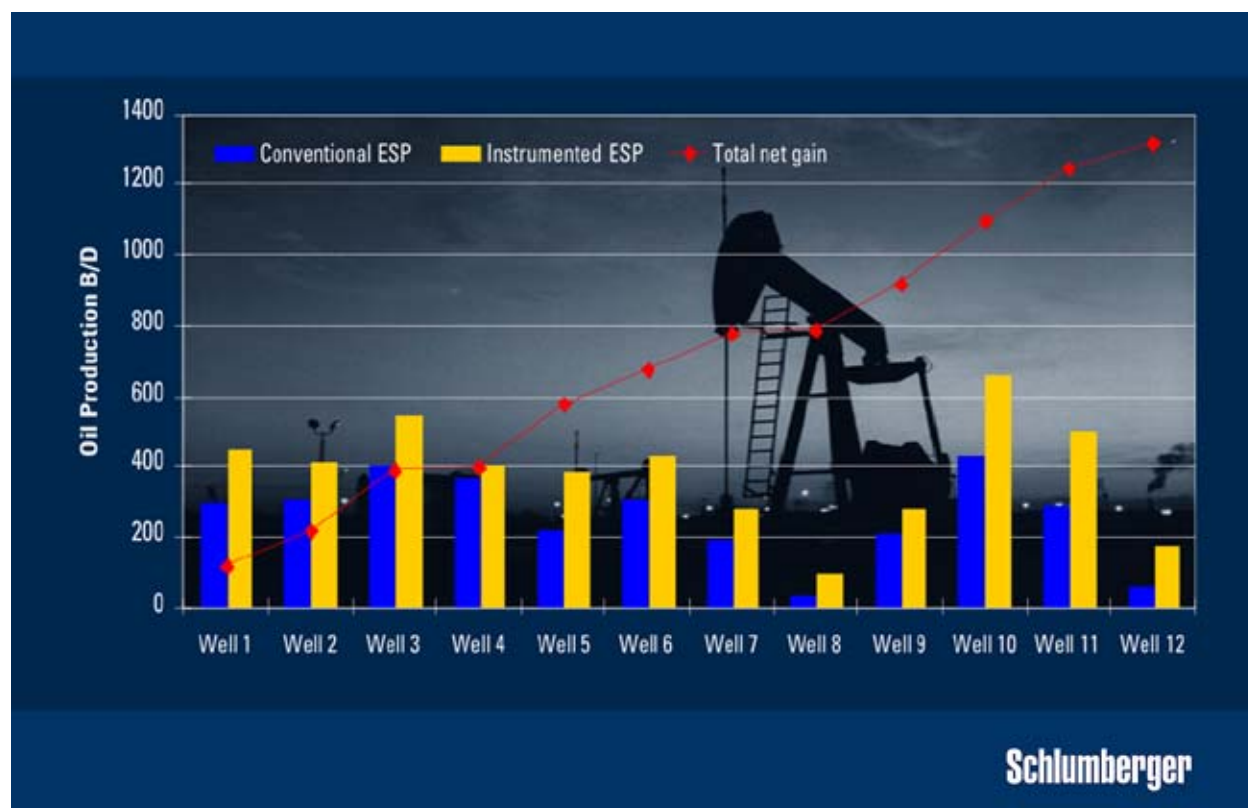
Real-Time E&P Services



The oilfield of the future will require information technology deployment on a massive scale. Offerings such as real-time drilling, or geosteering, are already providing value to operators worldwide. This technology steers the trajectory of a well precisely within the most productive oil and gas rock formations, a matter of key importance. Ensuring that the drill bit is on target while actually drilling requires advanced real-time measurements of porosity, permeability, fluid type and other key parameters. But it also requires a seamless and continual two-way data delivery from deep in the earth to and from the client's office, possibly a continent away.

The potential impact of real-time drilling has been studied by CERA in a report on the digital oilfield of the future. This study estimates that such technology can exact a 5-15% reduction in drilling costs through shorter drilling times and a 1-2% increase in recovery of original oil in place through better well placement. In terms of cost and ultimate recovery these are significant figures and a clear expression of the value that real-time services can bring.

Real-Time Pump Monitoring



Real-time services also enable oil and gas companies to monitor producing wells and, hence, field performance. As long ago as 1996, PDO in Oman began deploying ESP pumps equipped with monitoring devices to detect likely operational failure while optimizing drawdown for maximum productivity — as seen in these 12 wells. Today, more than 40 pumps in two PDO fields have been deployed with increasing monitoring sophistication. Data include intake and discharge pressures, formation and motor temperatures, vibration and current leakage. The data provide operational alarms to prevent premature pump burnout, but also permit long-term behavioral analysis of the pump enabling timely maintenance or renewal. The red curve indicates the cumulative increase in production that this technology has made possible.

Now multiply this scenario by thousands of wells, hundreds of fields, and tens of different processes, of which ESP management is just one, and we begin to see the challenge that the digital oilfield presents. Add the need to couple technical and production information to the business workflow and we can see why Energy IT services offer so much opportunity.

Several factors bring us substantial advantages in this field. First, the deep industry knowledge that is essential to align information technology with core client operational processes. Second, the experience of developing and deploying an oilfield technology portfolio. And third, a global footprint — providing proximity to the customer through our GeoMarket structure.

Balance Sheet

- Return to a strong balance sheet
- Consolidate and maintain a strong credit rating
- Net debt to fall below \$ 4 billion by end 2003 assuming sufficient disposals
- Strengthen capital discipline

The Schlumberger logo is located in the bottom right corner of the blue slide. It consists of the word "Schlumberger" in a white, sans-serif font.

Ladies and gentlemen, I have already noted the increased volatility affecting our industry together with the changing geography. In these circumstances oilfield service companies increasingly require a robust balance sheet, conservative financial policies, strong business ethics and effective corporate governance. We have implemented a program to restore our balance sheet to a condition that will give us renewed flexibility in the financial markets through the maintenance of a strong credit rating. Our short-term objective is to move net debt below \$4 billion.

We have already announced a divestiture program of non-core activities that include smart cards, point-of-sales terminals, payphones, e-city terminals, electricity meters, payment systems, telecom software products and the NPTest automated test business. Of these, the sales of electricity meters and NPTest have already been announced, and we are in advanced negotiation for the sale of e-City parking meters. The proceeds of these sales, together with several non-core sales in Oilfield Services (mostly drilling rigs) represent approximately \$700 million in 2003.

We are also going to be a lot more disciplined in the deployment of capital within Oilfield Services. Managers are now measured on their net income, after a capital charge, to encourage more efficient deployment of capital as well as to influence profitability decisions in areas where return on capital has been slipping or has been poor. The results of this have been very successful as managers find ways to share and transfer equipment, thus moderating their capex requirements. We completed a significant debt restructuring, swapping of \$1.3 billion of European currency-denominated debt for US\$1.425 billion convertible bonds denominated in \$. This transaction will realize annual interest savings of \$46 million and NPV of the refinancing of \$60 million.

Finally, we have taken a number of actions on the cost base that will include further downsizing and consolidation of support at all levels of the company. As you will have noticed, this has already rectified the abnormally low margin results in Europe, the CIS and Africa recorded in the last quarter of 2002. Let me say that we are firmly on track to meet our net debt goal by year end.

Financial Goals

- Grow Oilfield Services return on sales from 10.6% in 2002 to cyclical peaks above 15%
- Establish a consistent 12% pre-tax return on seismic activities
- Accelerate Energy IT services growth to double digits by 2004
- Grow earnings per share at rate higher than growth in revenue
- Improve return on capital employed to double digits within two years

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I would like now to reduce all that has been said into some financial targets. First, Oilfield Services. In the context of the market for our oilfield services that we outlined earlier, we are confident of growing the Oilfield Services after-tax return on sales, and I do mean after-tax, from 10.6% in 2002 to 13% through the business cycles with peaks at 15%. The 2003 second quarter figure of 14% is, therefore, highly satisfactory.

Second, WesternGeco. In the best years, seismic earned 12% before tax. We think that a reasonable objective is to consistently earn at this rate over the next business cycle, which is far from being the case today due to the overhang of multi-client data. At the beginning of this year, we started to disclose WesternGeco results separately from the rest of Oilfield Services to allow you to track progress and to reduce the distortion that seismic introduces in the geographical results of Oilfield Services.

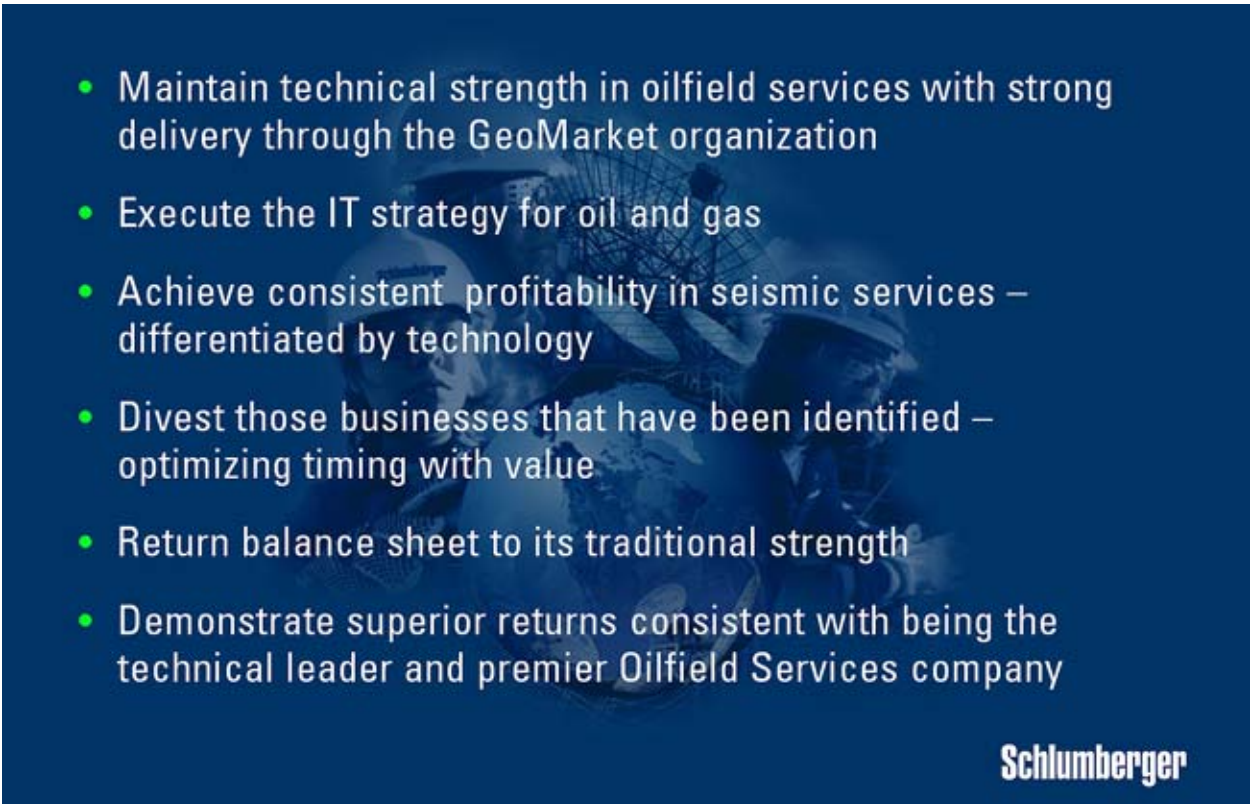
Third, SchlumbergerSema. We must grow the Energy IT Oil and Gas segment at a rate that exceeds the overall growth rate of IT spending in the energy sector. Our objective is to increase to a double-

digit growth rate, excluding the revenue from the Schlumberger account, by the end of this year. The other activities of SchlumbergerSema — principally telecommunications, finance and the public sector — must generate positive net liquidity at a rate commensurate with the interests of the Schlumberger shareholders.

Finally, our overall objective has to be growth in earnings per share (EPS). We are confident that through the aggressive cost reduction program I outlined earlier, the improvement of our operating margins and the deleveraging of our balance sheet, we will be able to grow EPS through this business cycle at a rate substantially higher than growth in revenue. As I have outlined, investment conditions in the next decade will favor our being able to continue this trend. In addition, our return on capital employed (ROCE), which had fallen into single digits, should recover to double digits within two years, and our long-term target is in the mid-teens — well in excess of our cost of capital. As a progress check, ROCE in the second quarter this year rose to 9.9% — another very satisfactory indication.

I would like to caution you that this recovery is not likely to be smooth. In addition to the cyclical risks inherent in the oil and gas business, we must manage the ongoing reorganization of SchlumbergerSema and the cost reduction programs across our businesses, not to mention the difficulties of completing our disposals program in the current financial environment. It is a challenge, and the timing will be uncertain, but the outcome, however, is not to be doubted.

Corporate Objectives

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- Maintain technical strength in oilfield services with strong delivery through the GeoMarket organization
 - Execute the IT strategy for oil and gas
 - Achieve consistent profitability in seismic services – differentiated by technology
 - Divest those businesses that have been identified – optimizing timing with value
 - Return balance sheet to its traditional strength
 - Demonstrate superior returns consistent with being the technical leader and premier Oilfield Services company

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Much remains to be done:

- We must maintain technical strength in our oilfield services segments with strong delivery through GeoMarkets which will allow us to continue to grow.
- We must execute our IT strategy for oil & gas services.
- We must achieve consistent profitability in seismic differentiated on technology.
- We must continue to execute our divesture strategy, optimizing timing with value.
- We must restore our balance sheet to its traditional strength.
- We must show superior returns consistent with our position as the technical leader and premier Oilfield Services company.

Ladies and gentlemen, I do not need to tell you that these are uncertain times. Our managers and employees now have a clear set of objectives for both the short and the longer term. Their motivation is high, and I have no doubt we will achieve the goals we have set ourselves. We look forward to demonstrating this to the investment community.