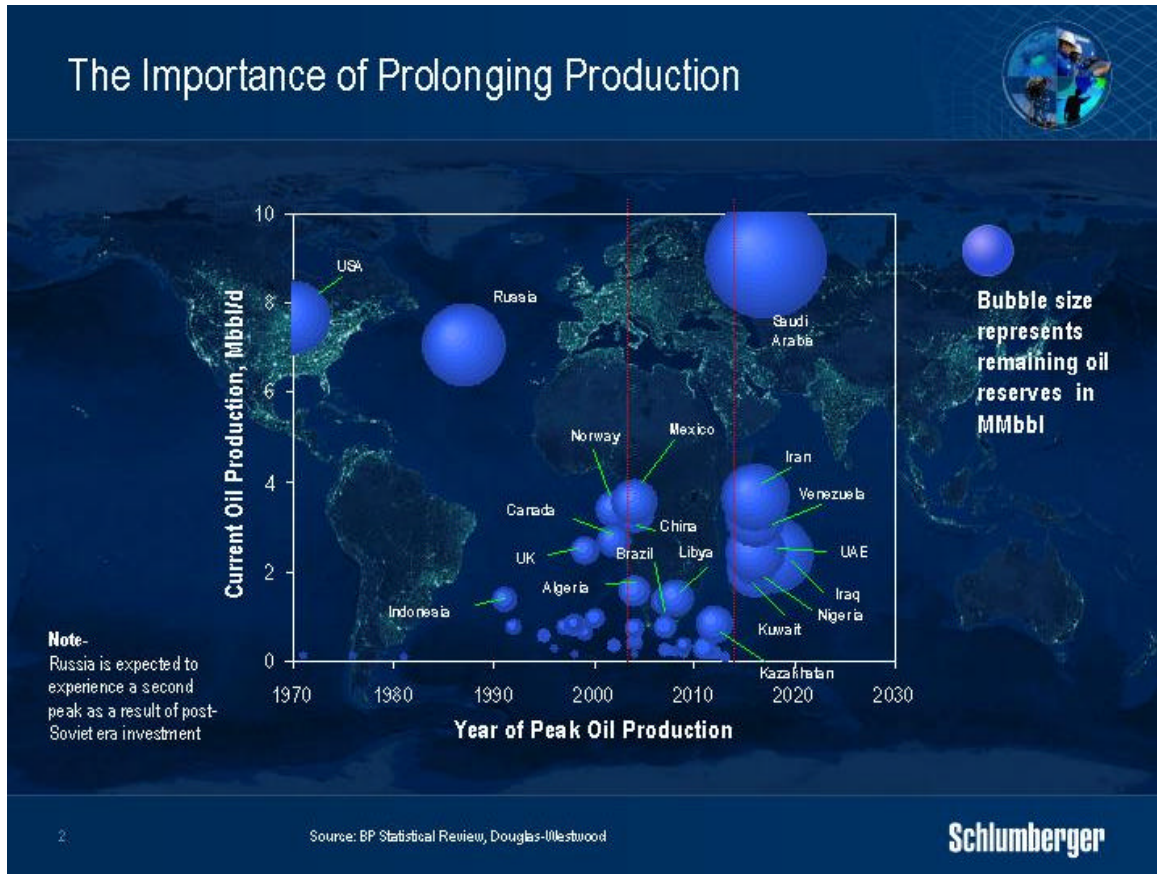




Good morning ladies and gentlemen. I'd like to thank Merrill Lynch for the opportunity to be here today.

During the recent OPEC International Seminar in Vienna, the chairman of one of the industry supermajors remarked, "If you can tell me what the demand for oil will be next year, I will tell you how much spare capacity we will have". Ladies and Gentlemen, oil and gas production is a supply and demand business in which supply has not been an issue since the 1970s. It has simply followed demand. The only issue has been the reliability of that supply, which is dependent on three factors – access to reserves, investment and a degree of political stability. The reserves are in the ground. The challenge is the investment.



Last June, at our investor conference in Ridgefield, we outlined a macroeconomic scenario that we think best describes the landscape of the E&P industry of today.

It is built on a number of key points.

First, the current lack of excess production capacity is a direct result of a long period of limited investment, coupled with a record increase in demand that has risen to unprecedented levels. This is evident in persistent high commodity prices.

Second, the largest remaining reserves of both oil and gas are in a limited number of countries most of which in the Eastern Hemisphere.

Third, in the same way that production peaked in the lower 48 in 1970, and has subsequently peaked in areas such as the UK North Sea, it will peak in many other areas in the next ten years. Of course new discoveries, new technologies and new evaluations may change the absolute dates. But they won't change the inevitability of the peak in many of today's producing countries.

The industry must therefore build new capacity to reestablish a balance. Yet exploitation of new reserves is not the short-term response. The new and complex greenfield projects

of today, such as those that exist in deepwater, are subject to long lead times and considerable investment. Opportunities exist in Russia, but future production growth there will also need to come from new developments requiring considerable investment in addition to the continuing re-habilitation of the production capacity of Western Siberia. Other new areas present difficulties of access for environmental or other reasons.

As a result there is an unprecedented focus on sustaining production for as long as possible from mature fields that are on or past their plateau production. Given that 70% of today's production comes from fields that have been in production for more than 30 years, this is perfectly understandable.

This scenario implies that we must focus technology and services in the near term to address the need to slow decline and increase ultimate recovery. Such activities require significant human resources that must be seen in the context of a lack of skilled professionals within the industry today. But at the same time we must not forget that the next wave of exploration and development will be in harsh and complex environments, or in deepwater, and will require its own specific technologies and expertise.



## A Changing Customer Base

- International oil companies seeking access to reserves
- National oil companies expanding outside their borders
- Independent operators focusing on specific activities

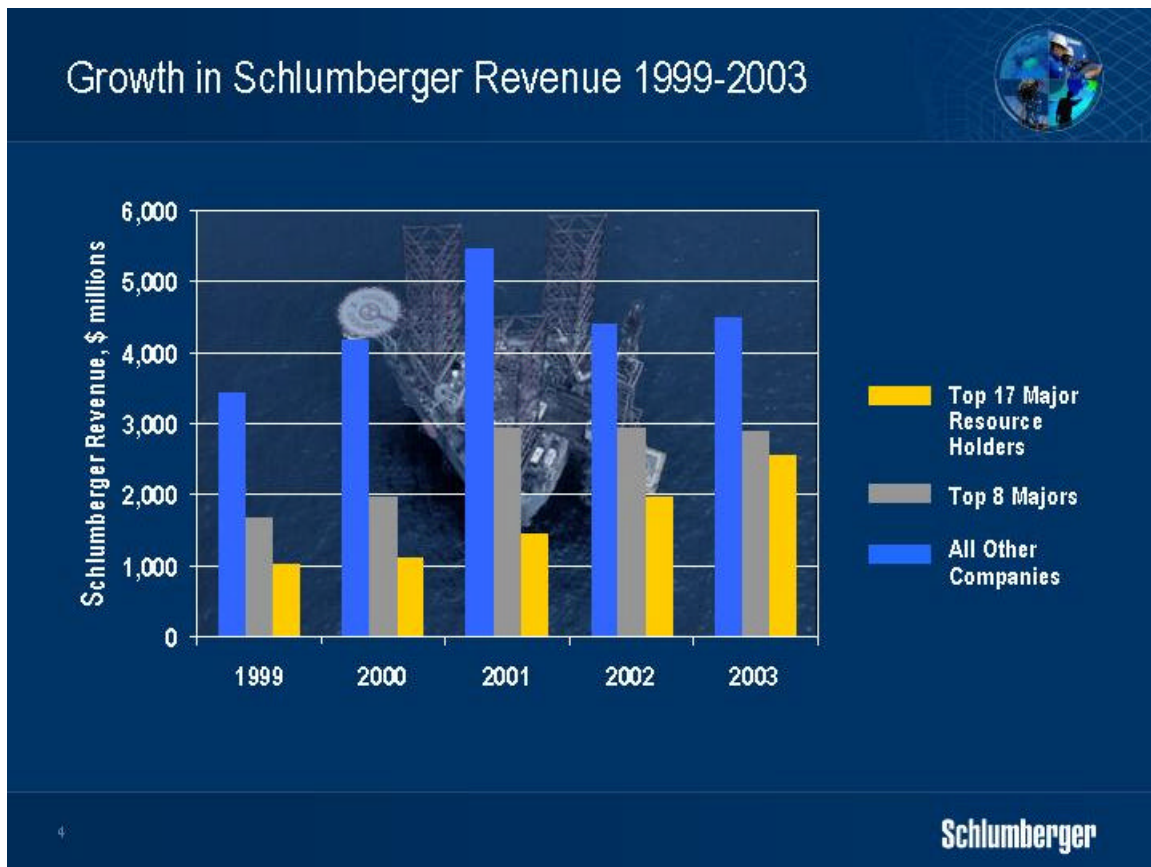
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The developments in this landscape over the past thirty years have been paralleled by changes in our customer base.

The international oil companies with their wealth of experience and access to capital are seeking access to worldwide reserves.

The national oil companies with access to major reserves are reaching world-class operational levels and expanding outside their geographic and technical boundaries. And independent operators are focusing on very specific activities such as the rehabilitation of mature producing assets.



These changes can be seen in our revenue base, which over the last three years has shown accelerating revenues from the national oil companies. At the same time, revenues from the international oil companies have held steady, while those from the independent operators have reflected changes in line with their focus, such as the increased gas activity in the United States in 2001 that resulted in a year of strong revenue.

All of this is fundamental to the way that we develop products and deliver services. They create opportunities that we believe offer significant areas of growth and I plan to describe three of these this morning.

## Growth through Technology Leadership



Product Market	Market Size \$ million	Market Growth 1999-2004	SLB2004	SLB 2003	SLB 2002
Geophysical Equipment & Services	5,622	23%	1	1	1
Wireline Logging	4,837	61%	1	1	1
Logging While Drilling	962	47%	1	1	1
Coiled Tubing Services	1,160	108%	1	1	1
Production Testing	745	77%	1	1	1
Directional Drilling, MWD, LWD Services	2,979	114%	1	1	2
Pressure Pumping Services	8,960	102%	2	2	2
Artificial Lift - Downhole Pumps & Mandrels	2,574	112%*	2	2	2
Completion Equipment & Services	3,641	114%	3	3	3

Source: Spears, Oilfield Market Report 2004

Note\*: indicates surface and downhole markets

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The first avenue for differential growth is centered on technology. We believe that you need to be number 1 or 2 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 customers' operations. 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 1 or 2 everywhere except for Completion Equipment and Services, and here we are making gains in several key domains that include intelligent completions and remote monitoring. By the way this chart confirms much of the macroeconomic picture that I outlined earlier. The strongest growth is in the markets for products and services most closely associated with production, though at current commodity prices we see increases in exploration budgets.



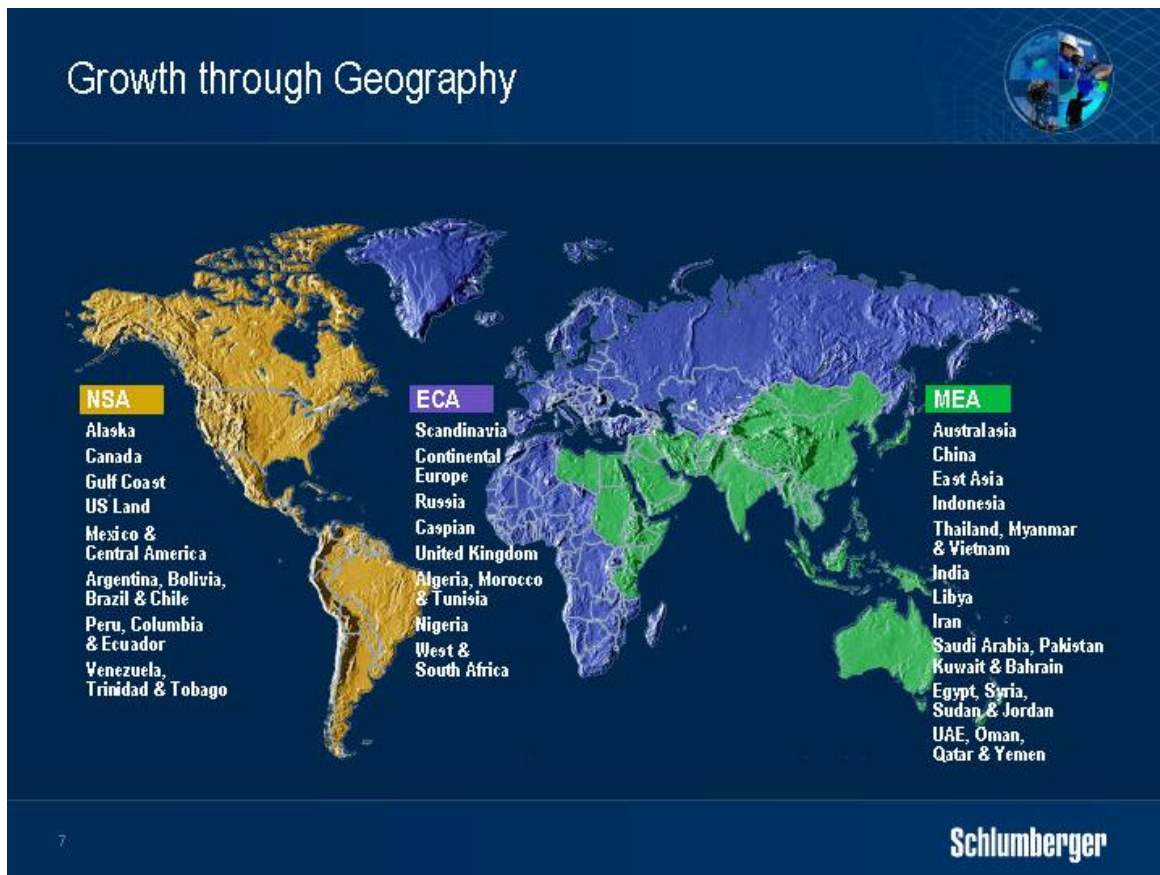
However this success will only continue if we can provide our customers with leading-edge technologies that will allow them to explore, develop and produce hydrocarbons cost-effectively.

First the need for cost-effective technology for production services in mature environments. These are wide-ranging and include seismic imaging to identify bypassed production at the areal level, as well as cased-hole logging at the individual well level. They include drilling techniques to be able to position new wells to tap such production, stimulation technologies to boost production and technologies that can optimize production from a given well completion. But the silver bullet comes when all of these techniques are chosen based on thorough analysis of the performance of any given well and field. In other words it's about choosing the right course of action based on a thorough understanding of the problem.

The second technology trend is towards the oilfield of the future, which will require equipment enabled for real-time operation and information technology on a large scale. This is partly about hardware, but its also about bridging the gaps between the operational and business sides of the industry with a growing need for information to move with sufficient speed to enable decisions to be taken in a proactive manner. While requiring hardware, such as highly sophisticated control and monitoring equipment using

new sensors and intelligent completions, this is also the domain of Schlumberger Information Services, the technology segment focused on software, information management, IT infrastructure and business process consulting.

Third, the economics of deep-water operations and frontier exploration are so sensitive to error that improved reservoir definition with high-resolution seismics, advanced logging and innovative new technology is mandatory. This is one of the reasons behind our acquisition last month of AOA Geomarine Operations – a leading provider of deep electromagnetic technology.



The second avenue for growth is set around geography.

Schlumberger already has enormous geographical spread that is leveraged by our unique GeoMarket organization. However, our strong positions in the strategically important areas for new production in the Middle East, the Caspian and in deepwater regions still leave us room to grow in these areas.

But without a doubt the area where we still have the largest opportunity is in Russia as well as to some extent in China.

## Schlumberger Russia 2004

- 4500 employees in 13 locations across Russia
- Expanding activity in research and engineering
- Multifunctional training center planned in Tyumen
- Technology Hub opened in Gubkin University
- PetroAlliance acquisition in process, SGK finalised



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Schlumberger has approached Russia just as we approached the United States seventy years ago, developing technology locally, forging academic links, hiring engineers and technicians in country, becoming part of the local landscape. Our revenue and net income in Russia have doubled in three years and will grow close to another 30% in 2004 without counting revenue from acquisitions. We currently employ some 4500 people in Russia, making Russian nationals the fourth-largest group in Schlumberger. We are expanding our activities in research and engineering led by our research center located on the campus of the Moscow State University. And we have recently opened a Technology Hub on the campus of the Gubkin Oil and Gas University – the largest Russian academic establishment focused on training the engineers and technicians of the future.

We've also been making acquisitions. The first tranche of the PetroAlliance acquisition that we announced last year has been closed. We have finalized the acquisition of SGK, a joint venture with which we have been associated for the past 4 years. There will of course be upsets along the way, but Russia is capable of equaling Saudi Arabia in liquids production, and possesses tremendous reserves of gas.

## Growth through Project Management



- Combining project management, and surface-subsurface engineering with technology to execute complex projects successfully
- Supplying clear deliverables, not discrete services
- Characterized by long-term relationships
- Offering opportunities for new business models leading to superior returns

*Schlumberger*

**Schlumberger**

Finally a third avenue of growth for Schlumberger will be our ability to perform project management.

Our experience in using our own technology, our capacity to engineer well and reservoir solutions and the vast local knowledge our GeoMarket structure brings us makes this a natural extension of our service offering.

One of the fundamental roles of IPM is to offer new business models to all types of clients. IPM provides a specific response for oilfield services delivery in markets that have recently opened, either because national oil companies are exposed to market forces, or because major oil companies are shifting emphasis and focusing elsewhere. This is highly relevant to the production-based future that I outlined earlier this morning.

Let me define clearly what we mean by Integrated Project Management.

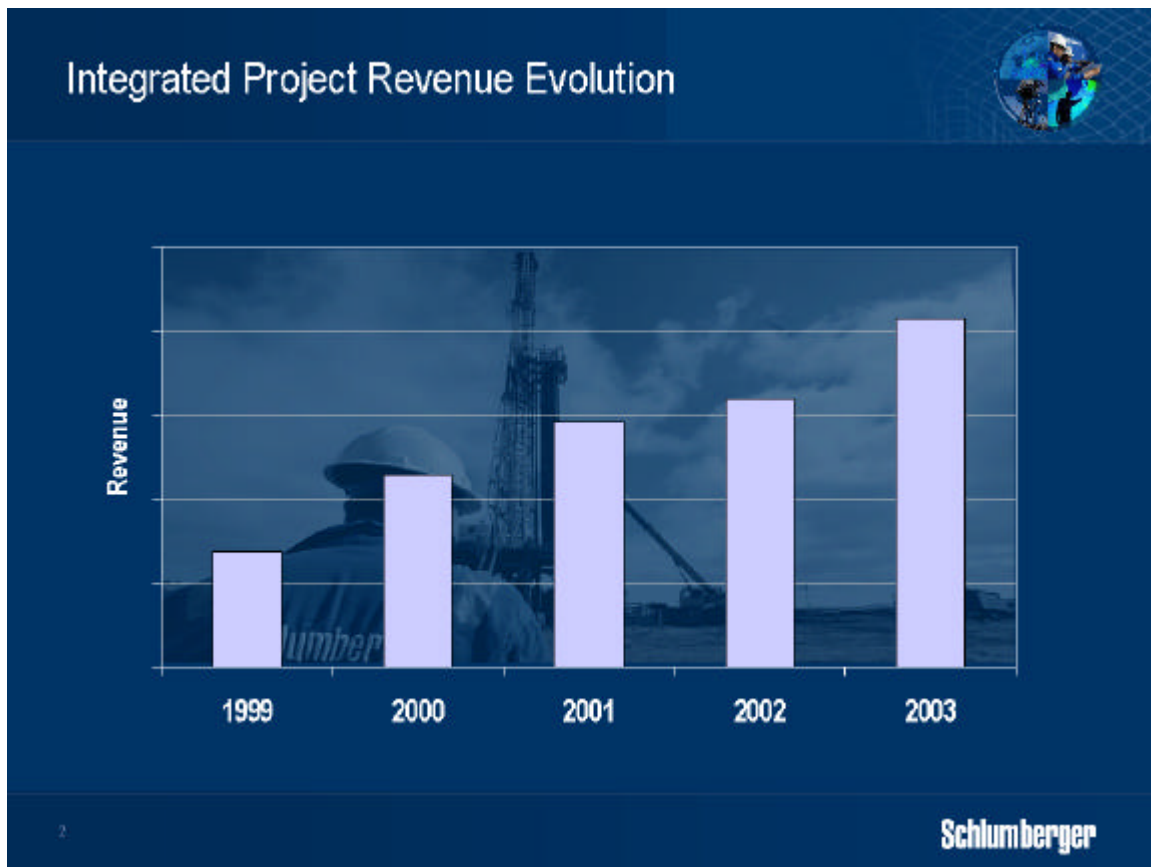
IPM is an integrated surface/subsurface engineering and project management approach that enables Schlumberger to execute complex client projects through the application of management, engineering and technology.

IPM supplies a clear deliverable rather than one or several discrete services; its activities are characterized by long-term relationship that often leads from one project to another;

and it offers opportunities for new business models that lead to greater returns than if services had been delivered singly.

Schlumberger has the opportunity to realize at least in part more of the value of using its own technology.

And let me clearly define what IPM is not. It is not involved in large-scale engineering and construction activities, nor is it a vehicle to deliver bundled services. Finally IPM does not take reservoir risk. None of these change the Schlumberger business profile.



In fact, IPM revenues include three components. The first is from the IPM project management and engineering as well as the appropriate risk fee. The second revenue stream is from the Schlumberger services provided to the project. In five years we have seen these two revenue streams grow threefold as shown in the graph. The third is from the third party products and supplies that Schlumberger purchases to complete the project. Normally, this element is less than 20% of the total project value. These revenues can be of two types, either in the form of cost that is re-billed to the customer in which case the margin realized is low, or in the form of costs that are at risk in the project in which case they are marked up accordingly. The three streams together comprise the project deliverable.

We believe that the greatest value for both the customer and Schlumberger comes through this combination and that technology application is key. Schlumberger can maximize the share of the value that it receives from technology when it has the ability to select, integrate and deploy segment technologies to meet a defined deliverable.

Before going any further, I would just mention that the IPM-related events that we announced with our third-quarter earnings should not be taken as anything other than exceptional. Self-inflicted damage on two well construction projects in the Gulf of Mexico and in Mexico cost us 3 cents pre-tax. We have already looked at what happened on these two projects and the root cause in both cases was a failure to observe well-established procedures. IPM has drilled more than 23.8 million feet of hole over 7000 wells since 1995 so these were not beginner's errors. We have taken the appropriate actions and I am confident that the same errors are unlikely to be repeated.

## Integrated Project Management Skills



- Well construction and intervention
- Field management and production
- Rig management
- Subsurface engineering and decision making



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Integrated project management is differentiated from other Schlumberger offerings through a combination of four distinct skill sets:

Well Construction and Intervention provides the expertise and systems to engineer, construct and complete wells and perform intervention services. These have been key activities of IPM for almost ten years.

Field management and production manages part or all of an entire field including any surface production systems. This too has been an IPM activity for a number of years and has its roots in the Production Enhancement activities that began in the early 1990s.

Rig management provides the expertise for rig and fleet management, a critical element in the success of any integrated project. In addition to the land-based drilling business in the Middle East that we retained from Sedco Forex, we have developed a worldwide specialist rig management group for new areas such as Russia.

Finally, subsurface engineering and decision-making and the required geoscience technical expertise is the key connection that allows us to add value to IPM-type services. We have this expertise in our Data and Consulting Services segment.

## Benefits of Project Management

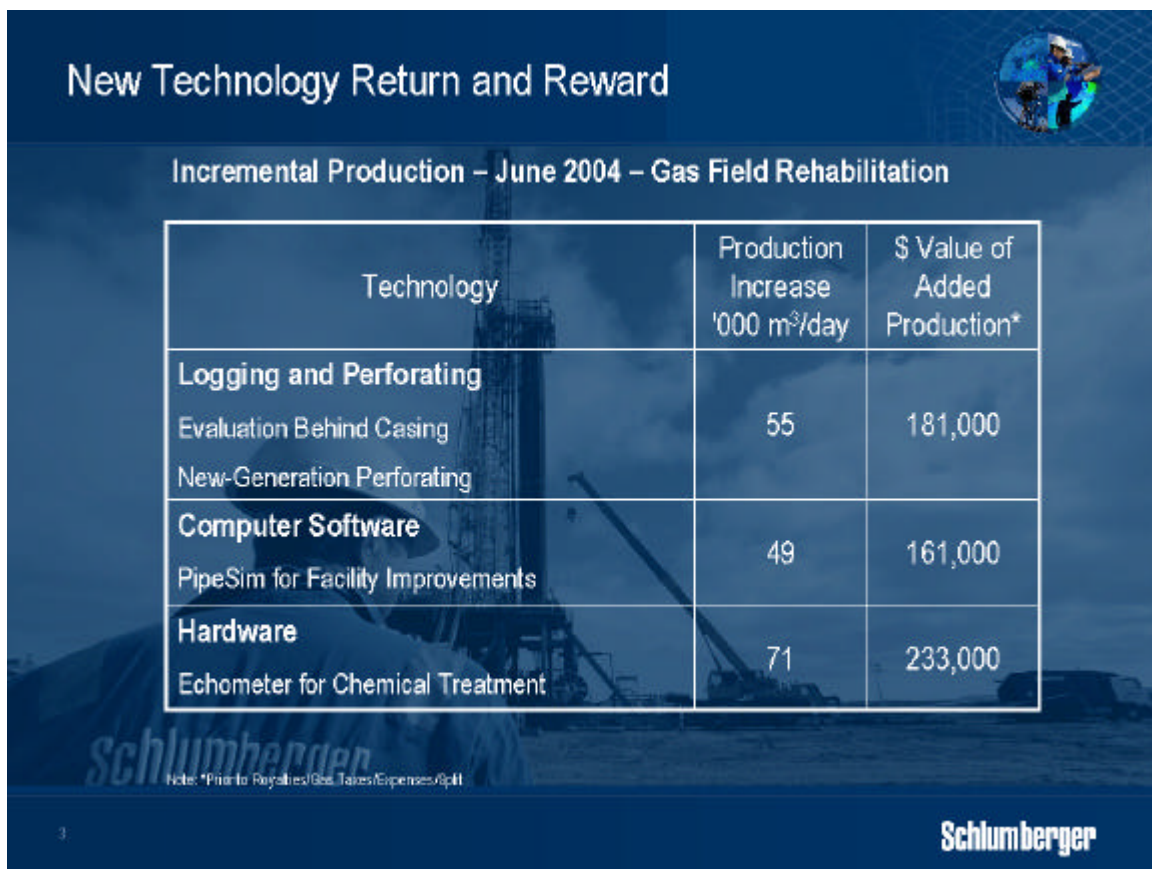
	Schlumberger	Customer
<b>Geography</b>	Sees lower costs through improved equipment utilization and knowledge gained over long-term contracts	Leverages Schlumberger local knowledge and local experience with selection of appropriate technology
<b>Technology</b>	Accelerates introduction and speeds uptake of new technology	Captures full benefits of new technology without investment in expertise
<b>Production</b>	Gains performance benefits with time savings and/or production increases above baseline case	Leverages Schlumberger resources to expand portfolio of operating assets. Retains equity

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So why does it benefit the customer, and what is the advantage for Schlumberger? There are a number of reasons and they need to be seen in the context of the industry scenario.

From the customer perspective, the benefits come through the outsourcing of an entire project that offers access to best practices, expertise in new technology application, and management through a single interface.

These benefits are of particular relevance when an operator steps outside its traditional geographical or technological boundaries, or when operations shift towards the production-based world. For here, it is a question of resources. Production sustaining is a very human-resources intensive business. Candidate wells need to be identified, the opportunities they present recognized, the plan for their remediation developed, and finally the optimum local solution deployed. Using IPM allows customers to deploy their precious human resources on high priority projects.



Schlumberger benefits through the timing and choosing of technology deployment in a manner that reflects a zero delay. We are selling our own technology to ourselves, knowing full well the benefits that it will bring. We are able to plan the operations in the most cost-effective manner possible that has important repercussions on Capex requirements, management of third-party suppliers, inventory of operating supplies and

intervention of technical specialists. We share in the benefits with the customer as each technology type is deployed and performance gains result. The bottom line is in the margin. Schlumberger obtains better margins on technology services deployed as part of an integrated project than if those services were deployed discretely.

## WesternGeco Growth

- Sustained differentiation with Q and Schlumberger integration
- Land business set to grow – Q-Land significant differentiator
- Marine business recovery driven by Q-Marine and Q-Seabed
- Data processing growth through:
  - Joint research initiatives
  - Increased number of in-house centers
  - Increase in Q activity
- Multiclient business model reviewed
- Backlog up to \$601M at Q3 2004

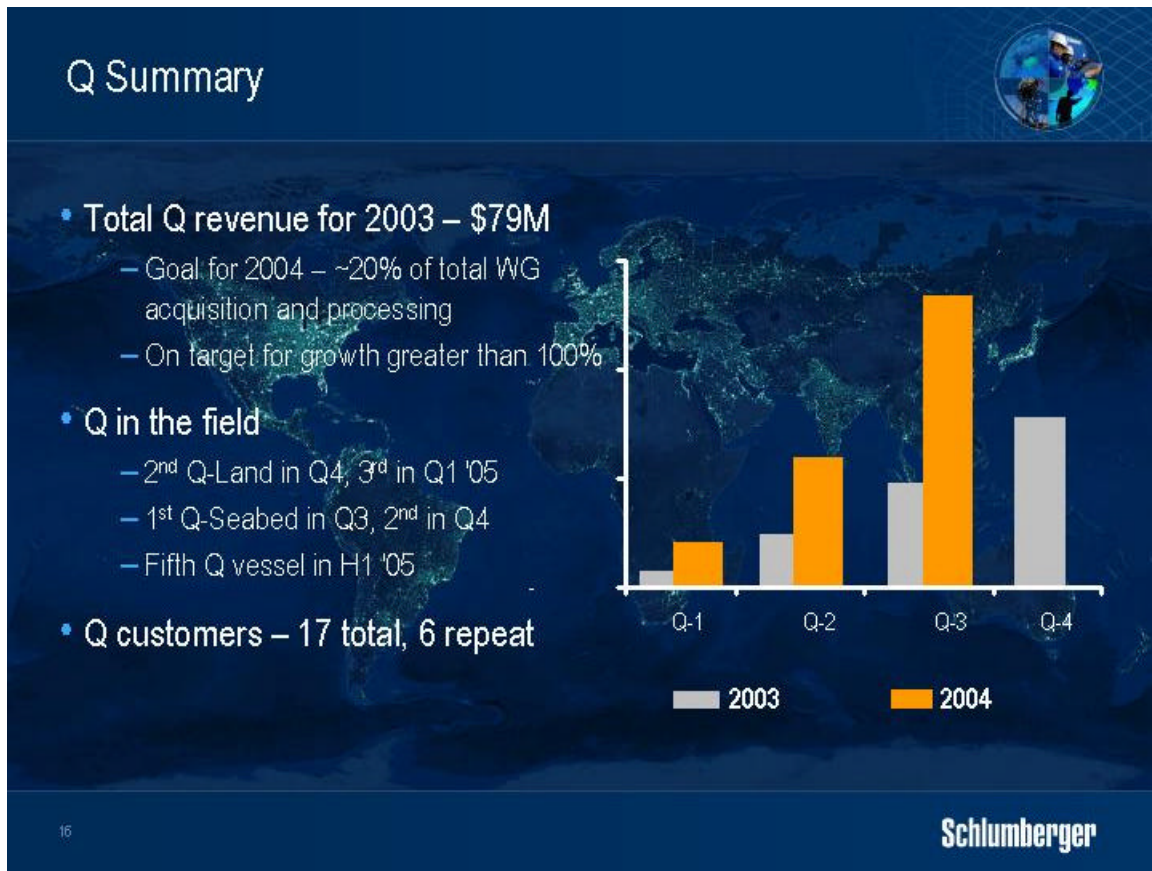


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Before I move on to summarize the financial goals, I would just like to make mention of progress at WesternGeco, our joint-venture seismic operation with Baker Hughes.

After five years of very slow activity and disappointing results we now see clear indication that the industry is on the mend and that the plans that we have executed are showing results. Current commodity prices will undoubtedly lead to higher exploration budgets. The highlights that you see here are across the business with strong signals in Multiclient sales, in land crew activity and in repeat business and long-term contracts for surveys that use clearly differentiated Q technology. Backlog is at its highest level in 4 years.



The technology story is of course in Q. In 2003 we generated just under \$80M in Q revenues and are on target to more than double this amount in 2004. Q revenues are approaching 20% of our total acquisition and processing revenues at significantly differentiated price. We will accomplish this while maintaining a significant pricing premium over conventional 3D. The launch of the second and third Q-Land crews, coupled with two Q-Seabed crews and a fifth Q-equipped vessel give us every reason to believe we will exceed this target.

With these growth directions identified, let me express our future as a set of financial goals.

## Key Financial Goals



- Revenue CAGR anticipated in double digits through 2010
- After-tax, before minority interest, ROS of 15% – including WesternGeco
- ROCE consistently in the upper teens
- EPS growth rate higher than revenue growth
- Excess cash applied to grow the business and make tactical share repurchases

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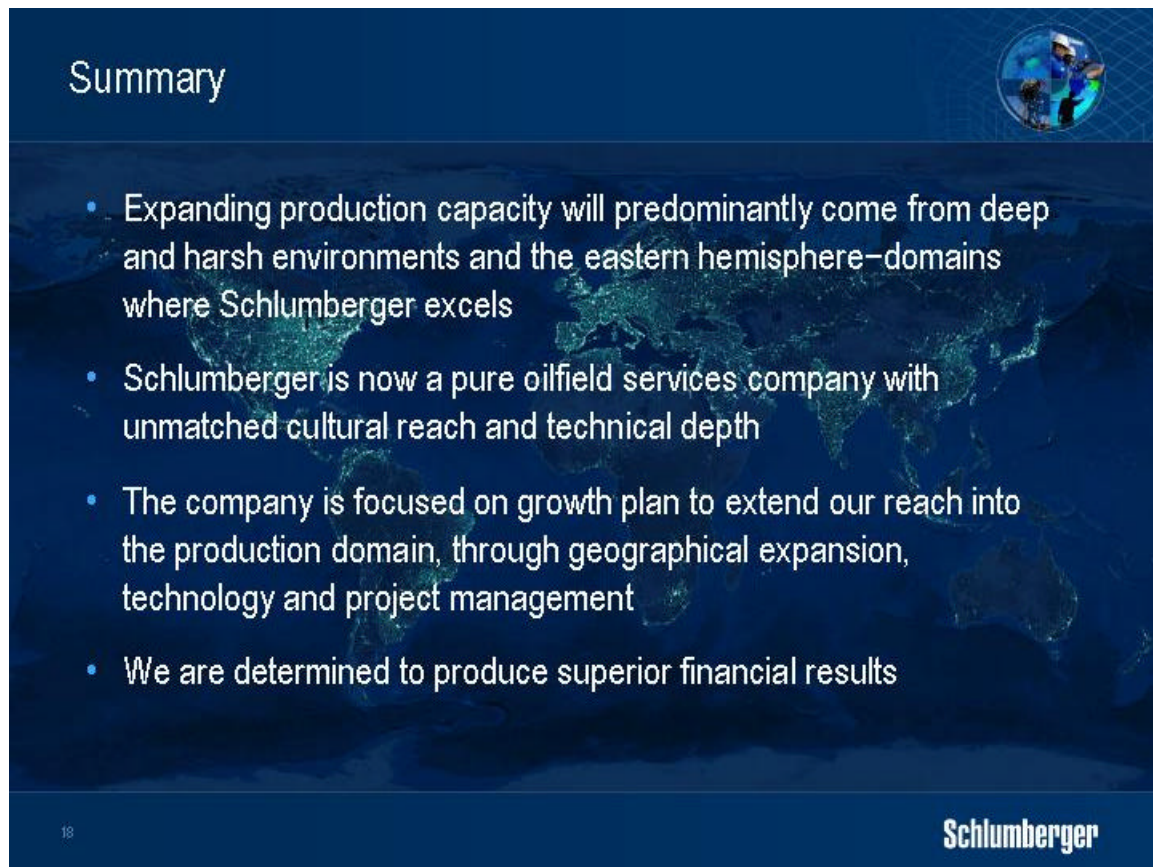
We anticipate that the CAGR of Schlumberger will be in double digits throughout the remainder of the decade. This growth will not be linear as the industry will remain cyclical.

We will aim for an after tax return on sales before minority interests of 15% including WesternGeco, our joint-venture seismic company with Baker Hughes. This is a readily attainable goal for OFS but is ambitious for WesternGeco.

We will target a return on capital employed consistently in the upper teens.

The projections we have made show that at the current level of net debt we will generate cash. Our policy will be not to retain cash in the company beyond the requirements of the business. We will apply cash to fund any requirements we may have to grow the business either through acquisitions or through internal developments. To the extent that cash remains beyond this we will use it to tactically repurchase the company's shares. In June we announced a plan to purchase 15 million shares before the end of 2006. By the end of September, we had purchased a total of 3.8 million shares for a total amount of \$237 million. Lastly, Schlumberger policy has always been to increase dividend when a new plateau of earnings is reached. It is a position we would like to maintain and therefore we

will not envisage any increase in the dividend until such time as earnings move to a plateau that would materially change the current payout ratio.

The slide features a dark blue background with a faint world map. In the top right corner, there is a circular inset image showing a globe with a person's silhouette. The word "Summary" is written in white in the top left. A bulleted list of four points is centered on the slide. The Schlumberger logo is in the bottom right, and the number "18" is in the bottom left.

## Summary

- Expanding production capacity will predominantly come from deep and harsh environments and the eastern hemisphere—domains where Schlumberger excels
- Schlumberger is now a pure oilfield services company with unmatched cultural reach and technical depth
- The company is focused on growth plan to extend our reach into the production domain, through geographical expansion, technology and project management
- We are determined to produce superior financial results

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Ladies and Gentlemen, I began this talk with a description of the investment climate for Oil and Gas in the coming years. It is perhaps the most favorable business climate we have seen in the upstream industry since the early 1970's. The bulk of the expansion will come in the eastern hemisphere, an environment in which Schlumberger thrives.

Schlumberger has transformed itself over the last eighteen months into a pure oilfield services company with a clear record for growth and technology leadership. Our cultural breadth and technical depth is enormous. We are focused and motivated around a plan to extend our dominance into the production domain through geographical growth, extending our technology portfolio and creating a large project management business.

And we will produce superior financial results.

Thank you very much.