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Ladies and gentlemen good morning—it's a great pleasure to welcome you to the WesternGeco Richmond Campus for the 2008 Schlumberger Investor Conference. I am looking forward to a rich dialogue with you all.

We are sorry for the inconvenience that the rescheduling of this conference due to Hurricanes Gustav and Ike may have caused you. Unfortunately, our only alternative was to hold the event today and on the first day of Rosh Hashanah.

In order not to burden the Q&A this afternoon with the question of the effect of this on our third-quarter results, let me tell you that we estimate it to be between 4 and 6 cents. At Oilfield Services, the principal cause was the loss of 22 operating days in the Gulf of Mexico, while at WesternGeco delayed marine shooting and the time to bring back up the 70,000 CPUs at the Richmond processing center caused the principal revenue losses. We estimate a minimal residual effect on the fourth quarter.

As many of you know we conducted a survey of the buy-side and sell-side communities just before this conference to refine what you would like to hear today. The response was vigorous and varied. I'm not going to promise that we can answer everything, but I am going to address a number of the concerns and points that you raised.

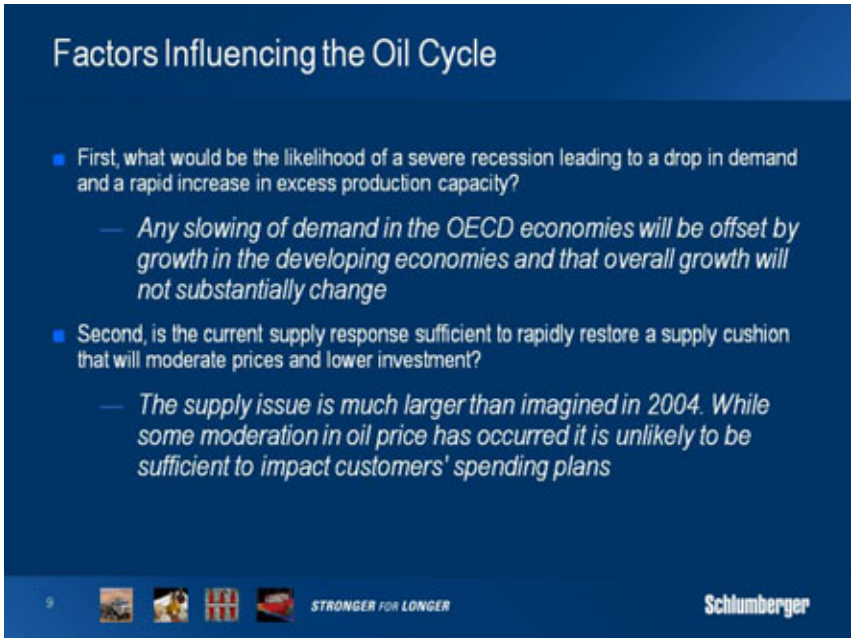
I have 45 minutes to set the scene and my talk will be structured as follows:

Firstly, we will review the two years since we last met.

I will then, in some detail, give you our view as well as some of the data points that make us feel why this cycle is going to be "Stronger for Longer", and how the different aspects of the business will play to our strengths.

Next, I'll try to convince you why, within the oilfield services universe, Schlumberger is increasingly becoming a unique investment proposition. I will do this by highlighting the uniqueness of our technology portfolio, the capacity to provide differentiated products and services through integration, a unique organizational infrastructure and a personnel model that is without equal in any company in any industry.

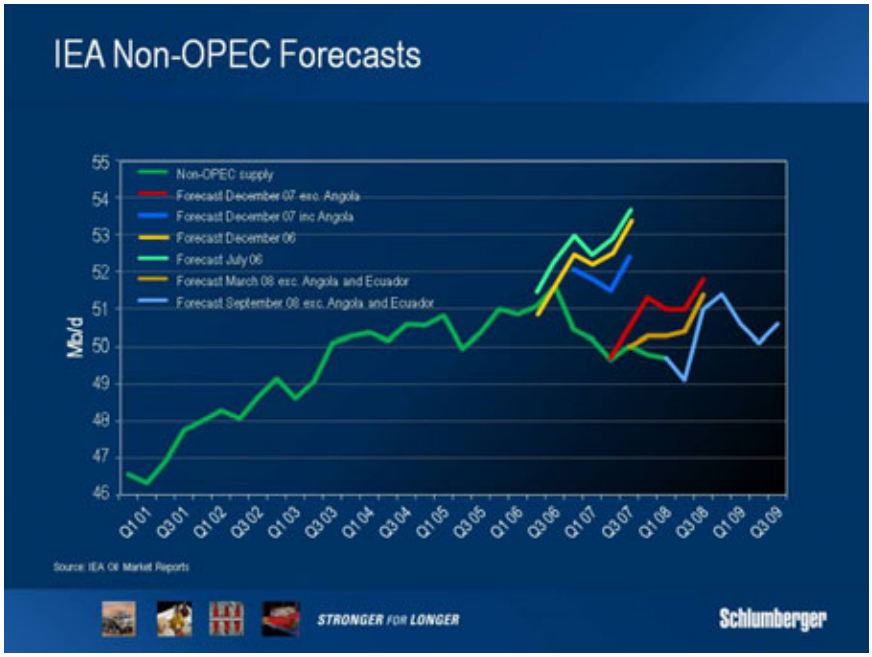
Finally, I will present the objectives against which we would like to be judged over the medium term. Let me start by briefly visiting what we predicted in 2006.




The two criteria we applied to the continuation of the oil cycle are shown on this slide. Up until now, moderation of demand in the OECD economies has largely been offset by growth in the developing world. However, the recent spike in oil prices has put growth in the developing world under threat and we have seen some countries reduce fuel subsidies to curb demand.

In the OECD economies we have seen some limited demand curtailment as a result of high prices and reduced economic activity. At this stage it is difficult to understand whether this is permanent demand destruction or temporary reduction that will reverse once prices moderate. It is also impossible at this stage to predict to what extent turmoil in financial markets is going to affect demand through a slowdown in the overall economy. In the developing world some reduction in the rate of demand growth will occur but it is unlikely to fall to zero.

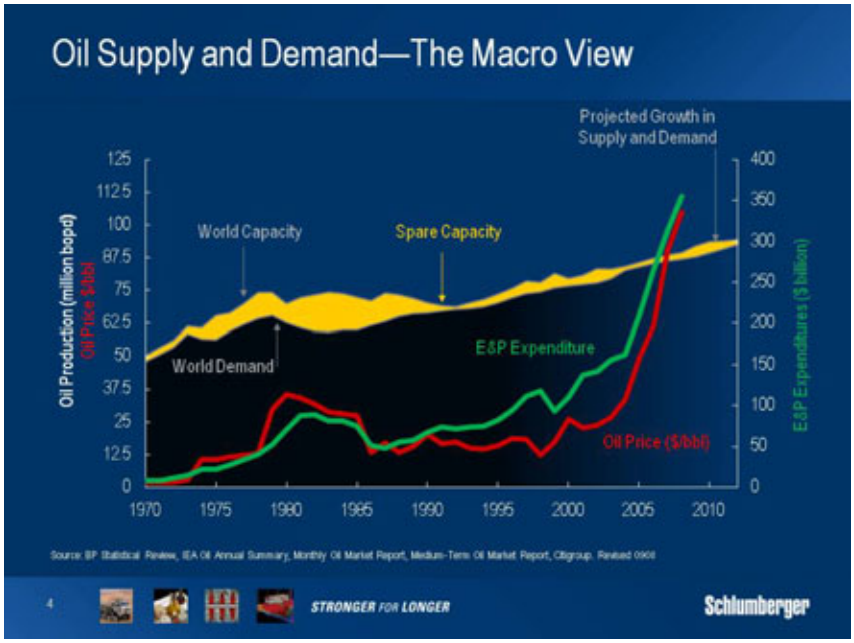
We contend that even in such a reduced demand-growth scenario, the supply problem remains essentially the same and a much deeper drop in demand will be necessary to materially impact exploration and production activity.




In 2006 we also addressed the inadequacy of the supply response. To illustrate the difficulty, this chart tracks successive International Energy Agency forecasts of non-OPEC production—production that makes up nearly 60% of today's supply.

Not one of these forecasts has met expectations and there is no reason for this to change given the mature nature of non-OPEC production. Indeed, the latest forecast of third-quarter 2008 production made earlier this month represents a huge 1.3 mb/d less than the forecast made just six months ago in March 2008. Our current belief is that non-OPEC production has entered a plateau more likely to stabilize than to see substantial increase.

In order to understand these phenomena more clearly, it is best to return to the history of the last 35 years. Here is the updated version of the chart that we used at the beginning of our 2004 Conference.




For the 20 years following the drop in demand of the mid 1980s, the world relied on the surplus capacity built up following the oil shocks of the 1970s. This surplus reached a peak of 15 mb/d—representing about a quarter of total world consumption. Together with the recovery in oil production in the former Soviet Union, this kept prices relatively depressed from the mid-80s through the early 2000s. But this same combination resulted in a prolonged period of under-investment in production capacity, human capital and industry infrastructure.

We are now in the fifth year of an up cycle in E&P investment but the chart shows that the dramatic increase has not led to any significant supply response. This is due to a number of factors. They include the age of the production base and its consequent decline, cost inflation, the time taken for exploration to translate to new production, and the increase in the number of projects that are in deepwater or target unconventional resources—both of which are more complex and capital intensive than conventional oil.

This is the fundamental reason for our "Stronger for Longer" view of the oil cycle but before I explore this further let me mention natural gas.


In 2006 we described natural gas as a global issue. Within North America, we viewed activity as being prone to short-term price fluctuations and considered that maintaining adequate supply would remain a treadmill. We did not however predict the extraordinary effect that technology would have, and this has been positive for the supply side.

Technology and process have done much to unlock North American unconventional gas and will continue to do so but we still consider that high levels of drilling will remain necessary—with even more technology content. Ultimately the level of drilling in North America will, over the next few years, continue to be driven by the domestic price.

Internationally, the gas picture has changed much more dramatically. There is growing consciousness of the increasing dependence of other OECD countries on imported natural gas, either by pipe—essentially from Russia—or in the form of LNG. This has led to an increased desire to diversify supply.

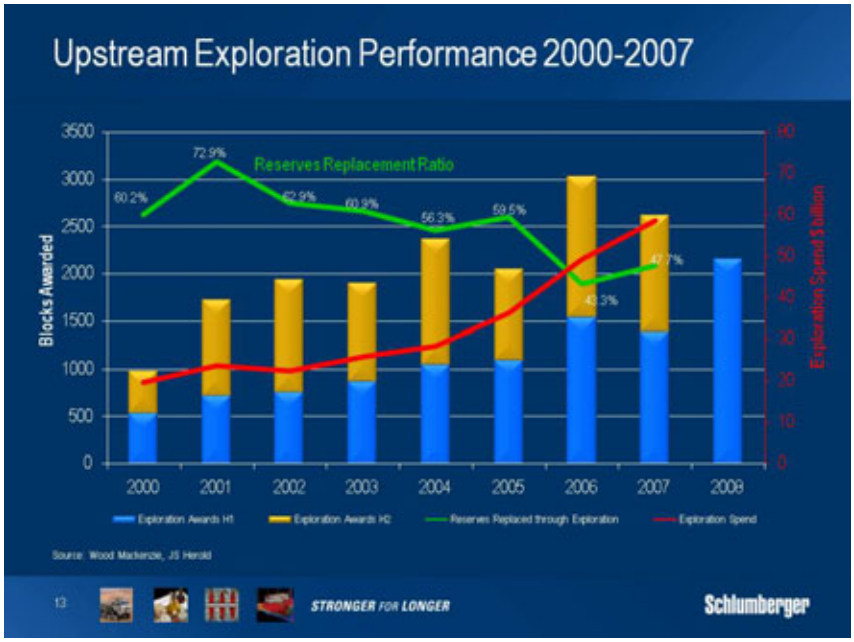
Perhaps the biggest change we have seen in international gas markets since 2006 has been the emergence of domestic shortages for both consumers and industrial users across some of the developing economies. There are regional disputes that have led to imbalances in South America for example, and there are more fundamental domestic shortages such as in the Middle East.

This has led to three distinct changes. First, there is a lot more activity concentrated on ensuring domestic supplies in a number of countries. One example of this is the rapid increase in the Middle East where countries are developing already known resources—some with high toxic content. Second, LNG developments that were previously thought to be years away have suddenly come into focus and are on accelerated development

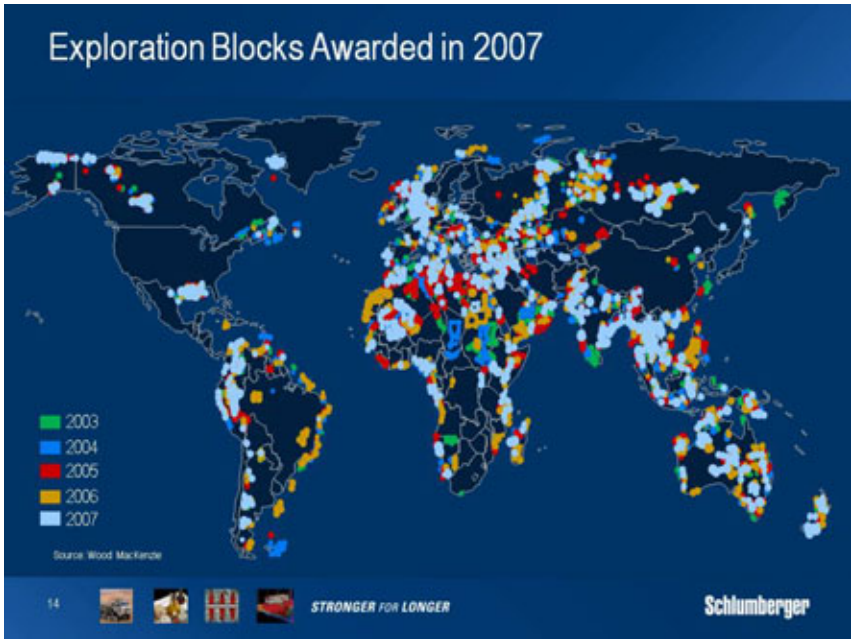
timetables. Third, the success of developing unconventional gas resources in the USA has not gone unnoticed and many countries are considering the commercial viability of their own unconventional gas deposits. While these are early days, it is indeed interesting to see major gas players looking at Australian coal-bed methane for example.

Therefore, absent a deep global recession and much greater demand reduction than we have seen so far, we consider that both oil and natural gas activity will remain "Stronger for Longer". It is unrealistic to think that 5 years of increased spending in an inflationary environment can compensate for 20 years of underinvestment. Consequently our future growth will be based around the levels of activity necessary to rectify this situation.

I will now explore the two major elements of this.



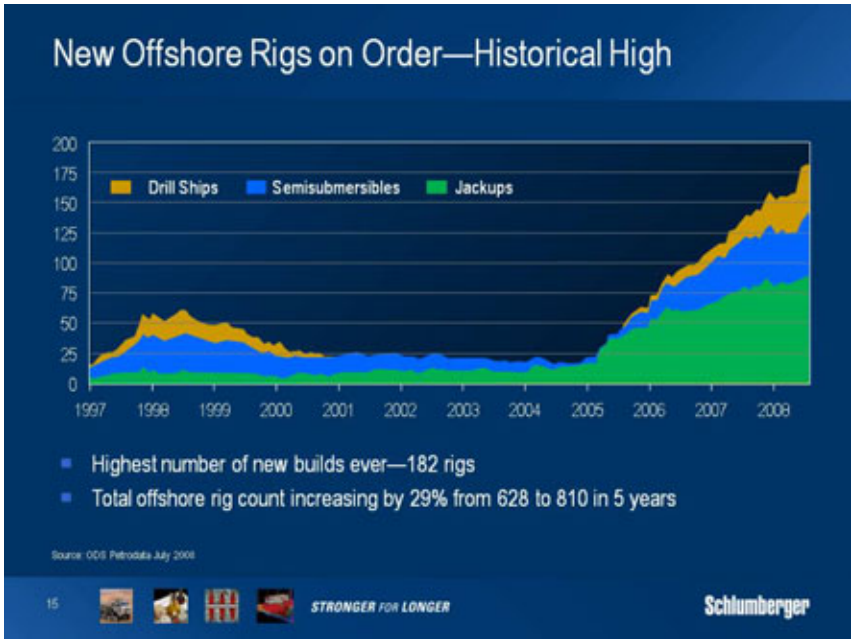

The first is reserves renewal through exploration and as this chart confirms renewal through the drill bit has declined while exploration spending has increased. In line with this spending, the number of exploration blocks awarded has also been increasing substantially. This is a long-term business and it is interesting to note where exploration is, and is going, to take place. This part of the business is most influenced by geopolitics and access to reserves. Judgments are not only made on geological prospects, but also on commercial terms and political stability. It is the domain of imaginative risk takers. All players—IOCs, NOCs and Independents—are, and will remain involved.



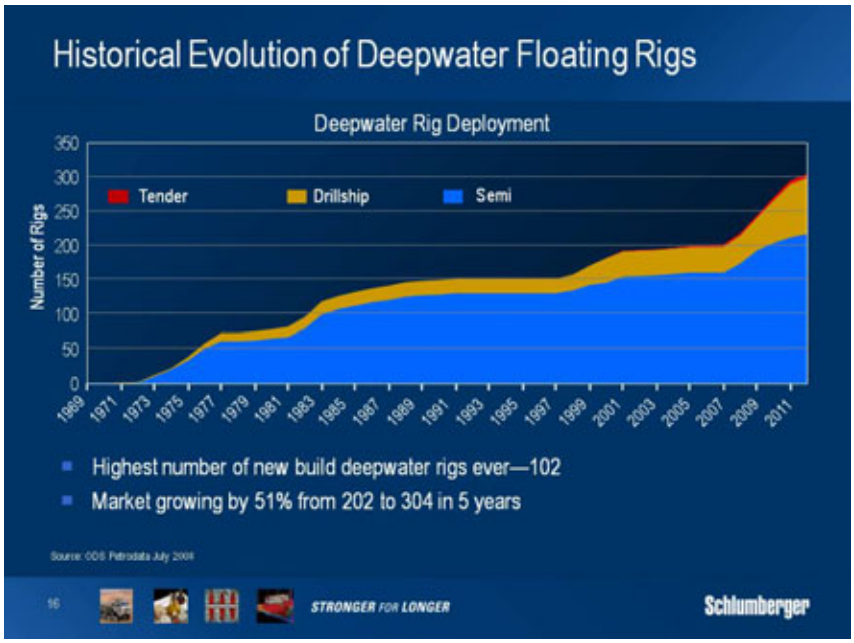

This map shows in more detail the increasing number of exploration licenses awarded each year from 2003 to 2007. They total 12,368, and do not include the exploration programs of the national oil companies that held no licensing rounds—for example Mexico or Saudi Arabia. You can see the emergence of whole new provinces—such as offshore Greenland or central Sub-Saharan Africa. There are extraordinary concentrations of activity in known provinces in North Africa, the North Sea and Southeast Asia. Look at the growth of licensing activity in Eastern Siberia, look at New Zealand.

Not all of these will lead to drilling—many will fall by the wayside once evaluated—but the sheer volume of activity that will occur is not yet understood. While further discoveries on the scale of Brazil are possible, it is generally accepted that accumulations are likely to be smaller, more complex and in increasingly harsh environments. As you will see later this morning this is why we have a high degree of confidence in our geophysical business, and why we have invested heavily both internally and through acquisition in exploration services.

This is the first exploration data point in "Stronger for Longer". The second is the availability of offshore drilling rigs.




The new offshore rig orders shown here make it clear that we are about to see a tremendous increase in the fleet over the next five years. Current construction plans increase the existing fleet by 29% in the years to 2012. This is already a staggering change but the number of new rigs designed for high-specification deepwater operations is even more significant.




Among these new build rigs are 44 new drillships, which will almost exclusively be involved in exploration and delineation work. In addition, there are 81 new semi-submersibles capable of drilling in ultra deepwater—defined as being deeper than 5,000

feet. These will probably double the number of deep-water rigs involved in exploration activity. Of the remainder of the new builds, a fair proportion of the shallower-water semis and many of the high specification jack-ups will also be involved in exploration activities with the remainder likely to be involved in high-risk, high-cost development work.

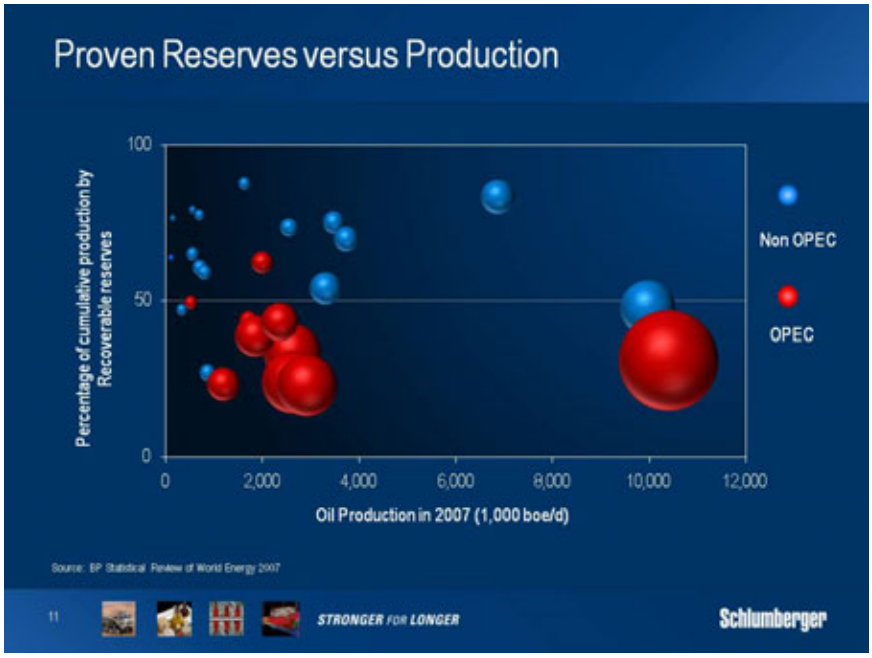
Two facts characterize operator objectives for exploration wells. First, drilling risks are much higher—after all this is the unknown. Second, the purpose of the well is information, information to confirm the play, information to evaluate the rocks and fluids encountered, and finally, information about the possible size of any reservoir. The quality of the information is critical to subsequent decisions on the future of any campaign and eventual declaration of a commercial discovery.


Ladies and gentlemen, Schlumberger's ability to assist our customers with these objectives is unique. Our Geophysical, Drilling & Measurements, Wireline and Well Testing product lines are all ranked first by the Spears Oilfield Market Report. Just as importantly, in today's world of increased computing and communications power, links between the different types of information these services provide and the ability to update data sets with fresh information in timeframes that would have been unimaginable only five years ago, have a real ability to impact our customers' performance and reduce their risk. Here again Schlumberger is uniquely positioned and today we will show you real examples of how integration of different data sets is helping customers do just that.

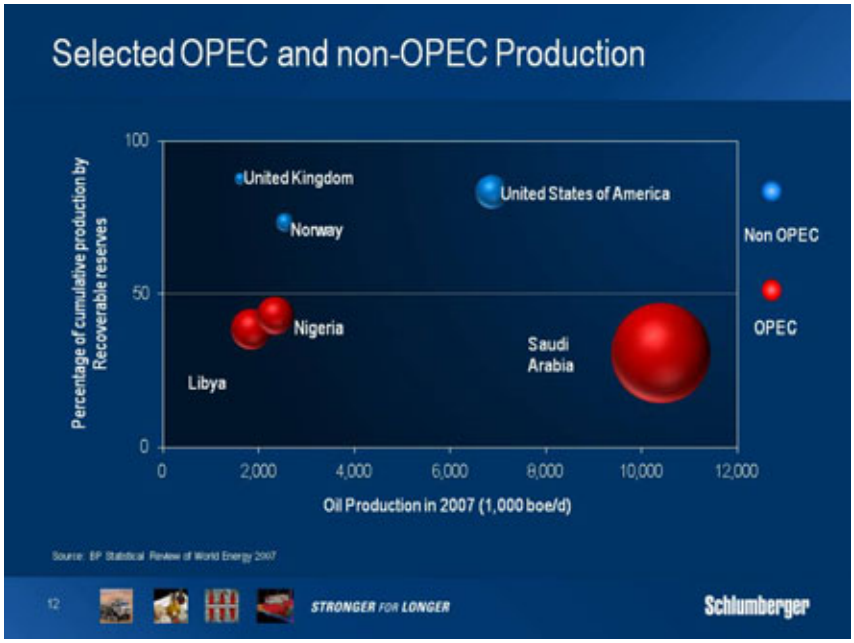
Today approximately 44% of our revenue is derived from exploration if you exclude IPM, completions and well stimulation. We anticipate that this will grow much faster than the overall oilfield services market for the next 5 years.

The second major element of "Stronger for Longer" stems from the need to increase production and recovery from the existing production base. As I said earlier, we believe that non-OPEC production has entered a plateau more likely to see stabilization rather than any overall increase as current levels of drilling activity are insufficient to stem decline. We also note that some OPEC production is in decline although the giant nature of some fields means that their decline rates are somewhat lower.

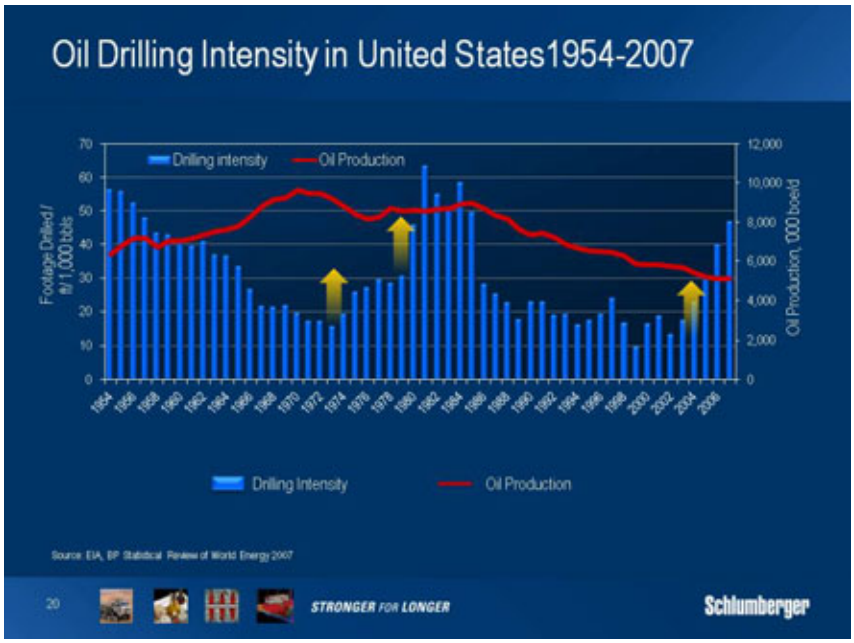
To put this into greater perspective, I'd like to look global reserves and production.




This chart uses data from the BP statistical review, and plots oil production against the percentage of produced proven reserves for the major oil producing countries. The colors distinguish OPEC from non-OPEC and clearly show the majority of unproduced proven reserves lie within OPEC. The chart also highlights the difficulty that non-OPEC areas face—smaller reserves and greater maturity of production.




Here is the same chart with just a few countries. Three, the United Kingdom, Norway and the United States are fully mature, and the absence of any successful new exploration will require greater and greater efforts to sustain production levels. The others, Libya, Nigeria and Saudi Arabia, have yet to yet to reach full maturity—which is defined as having produced more than 50% of total proven reserves.

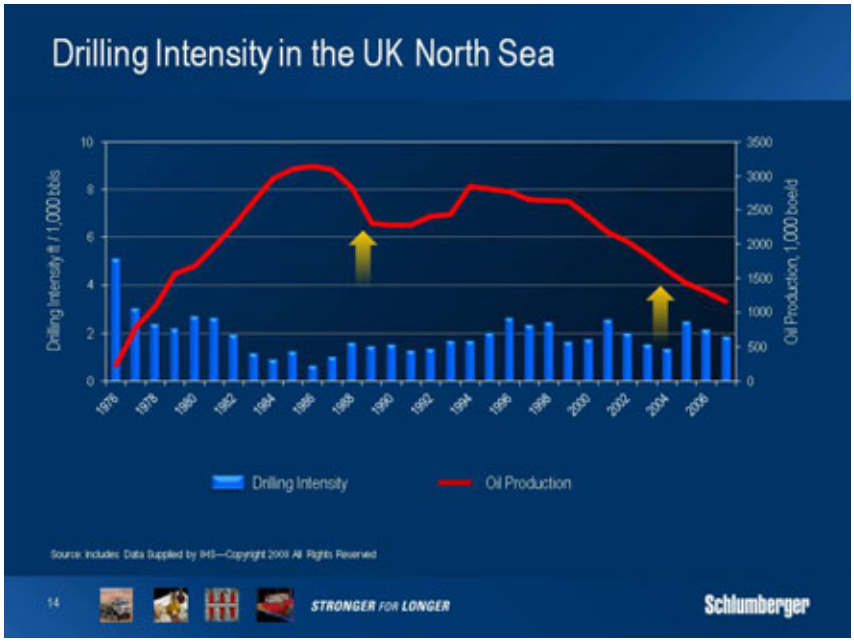



If we take one particular example—and I've chosen the United States with the benefit of long-term data—we can see periods of investment in production growth and their consequent effect on production decline. The chart shows 50-plus years of production—

both on land and offshore—together with the drilling intensity expended to reach that production. In this sense, drilling intensity is defined as the footage drilled each year divided by the yearly production.

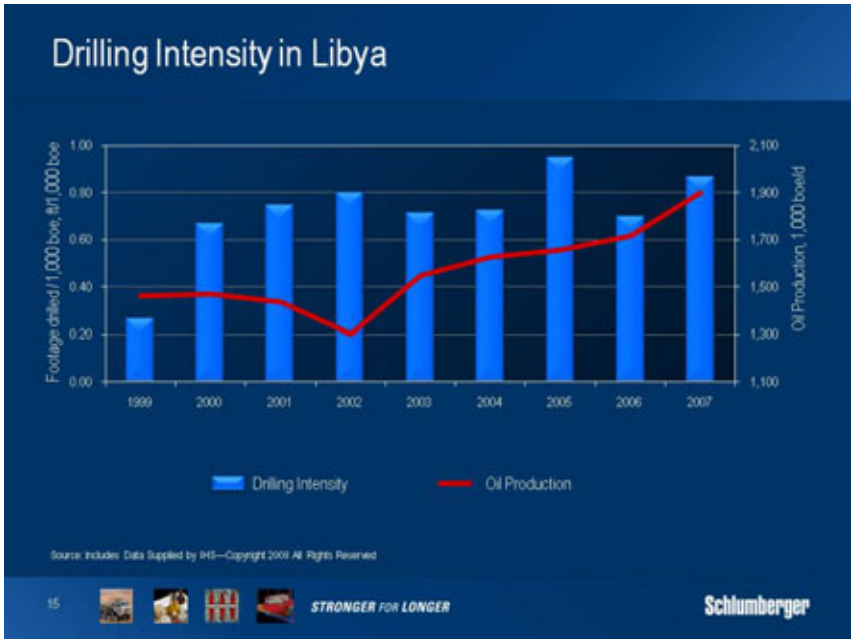
The development in Alaska in the mid-70s, and the increase of activity in the Gulf of Mexico in the early 80s, can clearly be seen. In both cases production responded as decline was slowed or even reversed but in the mid-80s production began longer-term decline. We also see that by 2006, drilling intensity had once again reached the levels of the mid-80s but was insufficient to do anymore than halt decline.

While this provides a good overall example, it mixes both land and offshore data over a considerable period of time.




So here is a similar chart from the UK North Sea where higher levels of drilling intensity have slowed decline or increased production in the past. Today the trend is clearly down—illustrating the difficulty of raising drilling intensity in mature offshore areas where the logistics of platform infrastructure are more complex, rigs are in short supply and the costs of infill drilling are much higher.

Let's now look at an OPEC country that has yet to enter the mature production phase.



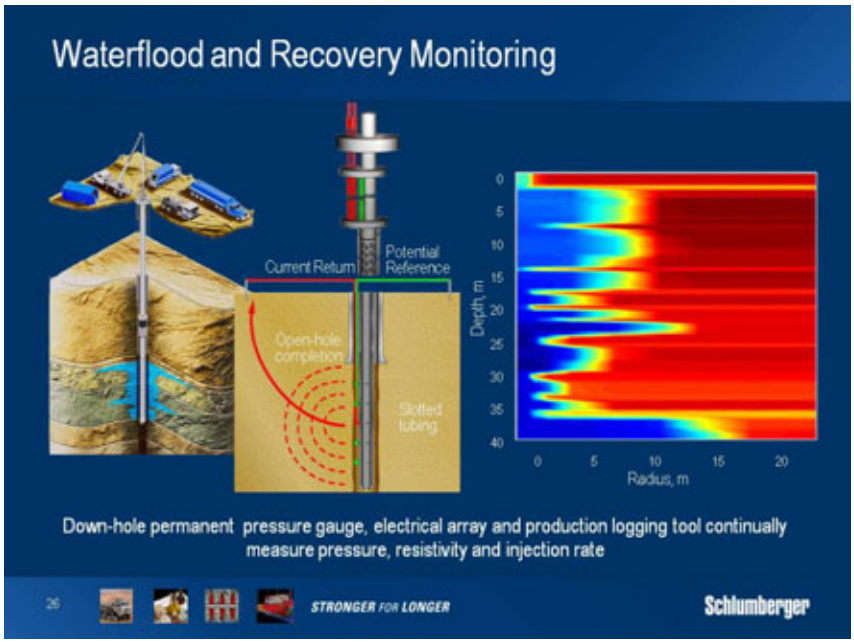

Here we see a very different picture. The re-opening of the industry in Libya to investment at the turn of the century led to a sharp increase in drilling intensity. While production initially dropped, it quickly resumed growth in the light of steady drilling activity. The data also make one other point that is often misunderstood—and that is the time elapsed between investment in activity and resulting added production, which in this case is about three years.

These examples shows that in areas that have already entered mature production, drilling intensity needs to dramatically increase in order to counter-balance production decline either through development of new fields or through continuous development of those already existing. Further, in countries that have yet to achieve mature status, adequate and steady levels of drilling intensity build production. In both cases drilling intensity will need to increase to compensate for accelerating decline rates. This presents a major opportunity for IPM.


IPM's success is greatest in a situation that demands the drilling of a large number of wells. On the Burgos field in Mexico for example, we have drilled more than 1,000 wells, and in doing so have reduced the time required per well more than threefold. Chicontepec, also in Mexico, is another example. Increasingly, this type of drilling, which people are calling "Factory Drilling", provides opportunities for innovation in the drilling process. We are convinced that as production matures, particularly on land, the industry will increasingly outsource this process to the service industry to achieve the necessary drilling intensity to stem production decline. It will be the service industry's role to reduce well cost through greater process integration while earning a proper return.

There are, however, other aspects of drilling intensity that play even more to Schlumberger's strength as a reservoir company. This is where stemming production decline or maximizing recovery from existing wells requires a planned increase in the amount or quality of reservoir contact. This applies in situations as varied as shale gas in the US, old fields in Western Siberia to access by-passed oil, or maximized drainage efficiency in Saudi Arabia. It applies equally to enhancing recovery from old fields as well as from new reservoirs and will have much application in deepwater areas. This is an integrated technology story.

In each of these cases planning and accuracy of the modeled and executed process are vital to success. This implies that the integration of different data sets be done as much as possible in real-time to allow geoscientists to re-calibrate their models as work is being carried out. The result is greater accuracy with quality of measurement and modeling being key to success. Wireline, Drilling & Measurements and Schlumberger real time monitoring capabilities are the leaders in this field as are certain products from Completions and Well Services. We will show you clear examples today.



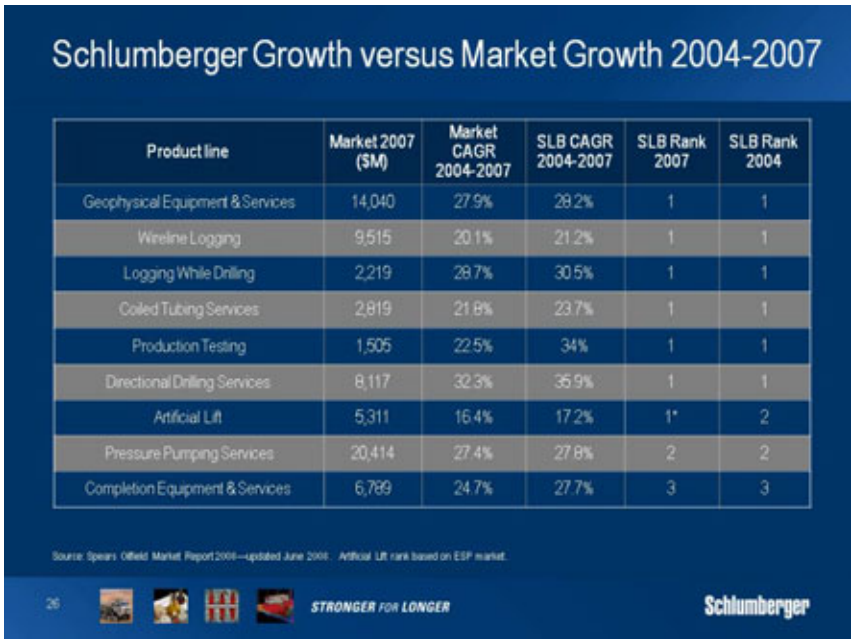

Finally, in the complex heterogeneous world of the carbonate formations that make up 70% of today's producing reservoirs, the use of deep-reading measurements to better understand the inter-well space and improve ultimate recovery is starting to have serious commercial application. Our thinking on deep-reading measurements started ten years ago, and today we have traction in both electro-magnetic and acoustic measurements. Others will follow as will greater integration of different data sets, but once again this is a domain where Schlumberger is unique in the service industry in front of a prospective market that can greatly enhance overall recovery—one of our customers' major objectives. You will also be shown real examples of this today.

It is important that you note that all this talk of integration would not be possible without the powerful modeling capability of our industry-leading Petrel software suite. We will show you more of that later.

I am now going to discuss some of the factors that make Schlumberger a unique investment proposition in the oilfield services space.

Many of you have expressed frustration that we do not do more to explain our competitive position. Our competitors seem to spend a great deal of energy in telling you that we are either losing market share or technology edge. I am not going to be drawn into a debate on this. It can only be sterile. However, I am going to give you some data points, and explain our broad philosophy on how we decide which market segments we participate in, and how we look at those we do not.

First a global data point on our competitive position in the market over the last four years. The data is not ours, it comes from Spears.

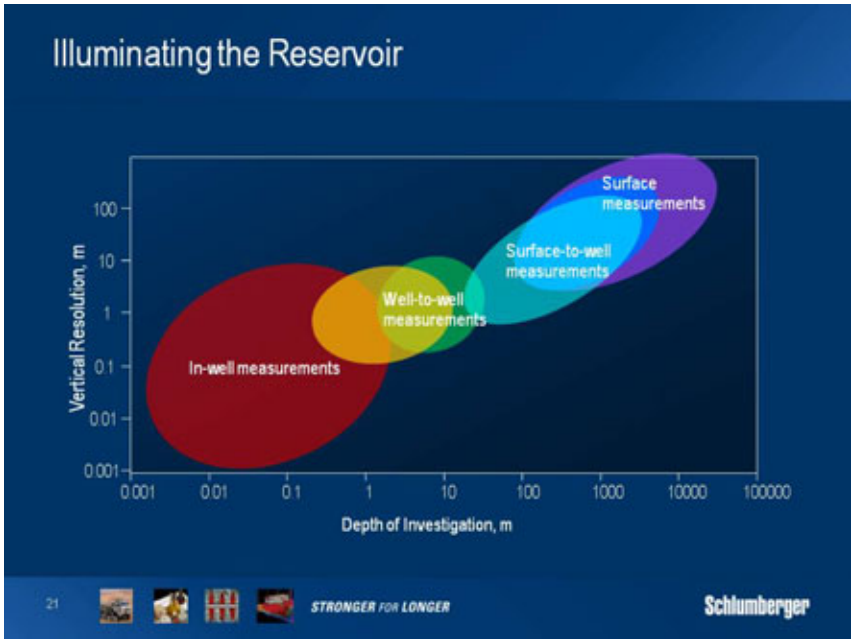



As you can see we have outperformed the market in almost every segment where we participate. If the result looks poor for Geophysical Equipment and Services I would remind you that we do not participate in the equipment market which has been extremely buoyant. If the result looks strange to you in pressure pumping, any loss of market share in the USA over the period is hidden by increases overseas.

This chart actually shows the dilemma for oilfield service investors. No two oilfield service companies have the same portfolio of products and services and as individual product lines respond to different economic criteria investors have to judge the relative merits of

the different service lines within each individual company. All I can do is explain how we decide where we want to participate in a market and why we think this has, and will lead to superior returns.


Schlumberger's core skill set since 1926 has been subsurface measurement and over time this has expanded to include the metrology of surface flows of hydrocarbons and associated fluids. Our core businesses all have to do with improving the processes of accessing, characterizing, developing and recovering hydrocarbons from the reservoir. You could say this of any oilfield service company, but our view is that we will only participate where we think we can add value through our core skill set. This explains why we are interested in well completions for example—because as reservoir contact becomes more critical, the amount of measurement necessary for proper use of the completion becomes much greater. This is increasingly the case for pressure pumping.



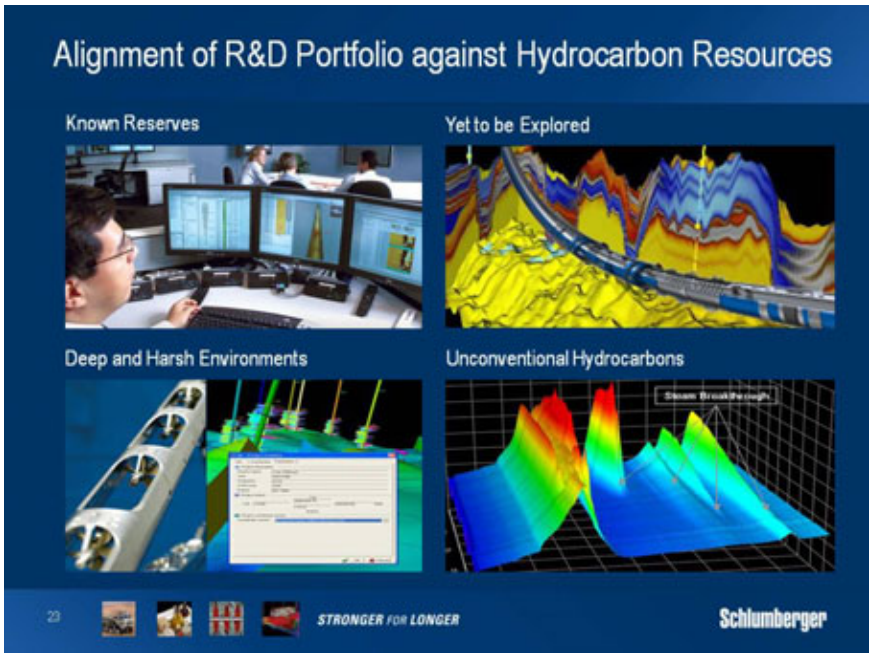

Our contention is that the value of information through measurement across all scales fills that sector of the service industry with the greatest potential, and with the highest technical barriers to entry. It is the sector that most improves performance and reduces risk to guide customer processes. Further, as communications technology becomes more sophisticated and computing power continues to increase, it is also the sector where the ability to integrate creates huge growth opportunities. Finally it is the sector that offers the opportunity for consistently superior returns over the whole cycle.

Yet there are also technologies to which we need access, and the development of which we need to influence, but where we feel that capital cost, volatility of supply and demand, maturity or degree of commoditization are such that we are not necessarily the best people to manage them at the necessary scale. This explains our partnership with Smith International on drilling fluids, our recently announced joint venture with First Reserve for Saxon, or our fifty-year old joint venture for contract drilling in Saudi Arabia. In each case we can provide certain technology and considerable market access through our GeoMarket organization and IPM while our partner can provide scale, technology and management.

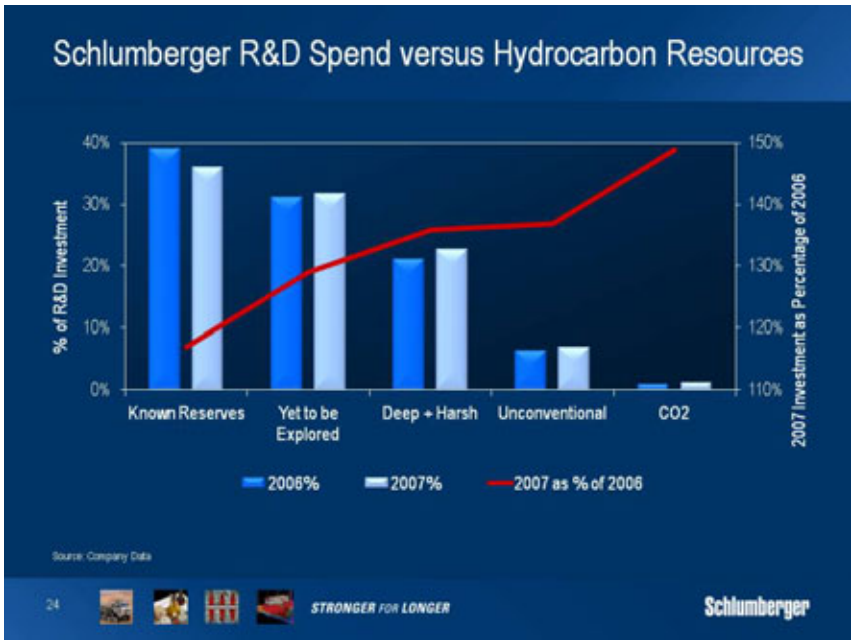

Having chosen those areas of the market in which we want to participate, there is then the question of how we develop technology and how we spend R&D money. The question is how can investors be confident that they are getting value for what we are spending?

To me, the best business book title ever, particularly for a company that has technology leadership was Andy Grove's *"Only the Paranoid Survive"*. If there is one thing my mentors at Schlumberger have taught me, and if there is one thing that I constantly try to pass on to the management team it is that you can never be complacent about a technology lead. When you are the leader there are always competitors looking for niches to attack your position, and you will not lead in everything all the time. Competitors often enter your markets through niches you have ignored. Paranoia allows you to recognize this, and our engineering rarely performs better than when it is responding to a threat. Paranoia is also important to your capacity to continue to innovate. You must always be open to a change in the market or a technology development that will obsolete your advantage. Paranoia and pricking any tendency to be complacent are essential to this.

This morning, I am going to do three things. First I'll give you a broad overview of how our R&D spend is divided. Second, I'll take one example of how a consistent long-term strategy has ensured, and in fact enhanced, industry leadership and third, I'll show you how we can grow a business through a mixture of R&D and acquisition and that we have an excellent record of doing this. Your ultimate judgment of our management of R&D must lie in our ability to sustain our growth and your shareholder returns.

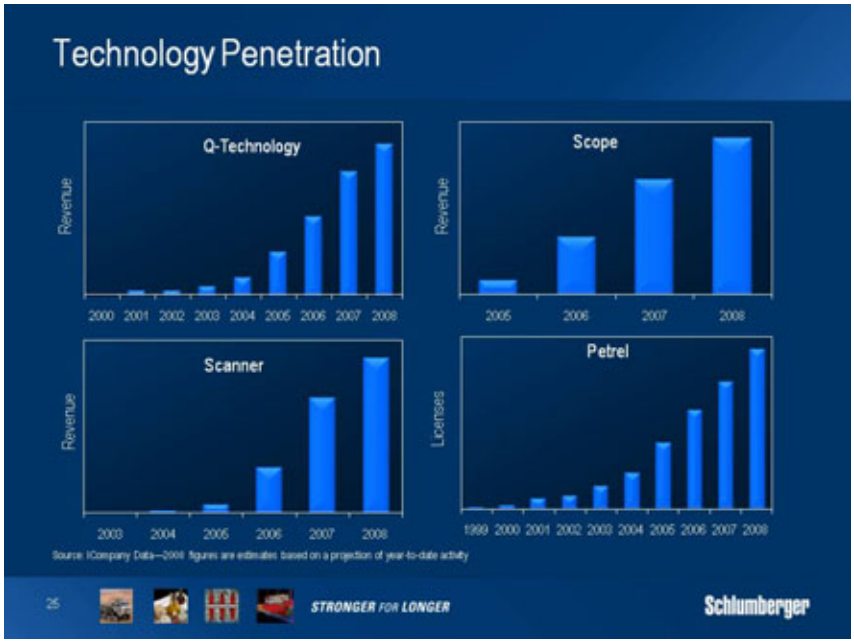



Most of the research and development that we do is built from field and market input. We ask our Technologies and Business Segments to observe a strict classification which broadly can be related to one of the key categories shown above. We then look at the total spend and relate it back on a comparative basis to these classifications to show how it has evolved. This covers almost everything we do although there will be small number of breakthrough technology projects both in research and engineering for which we may waive the rules. These will typically be extremely high-risk, high-reward opportunities.

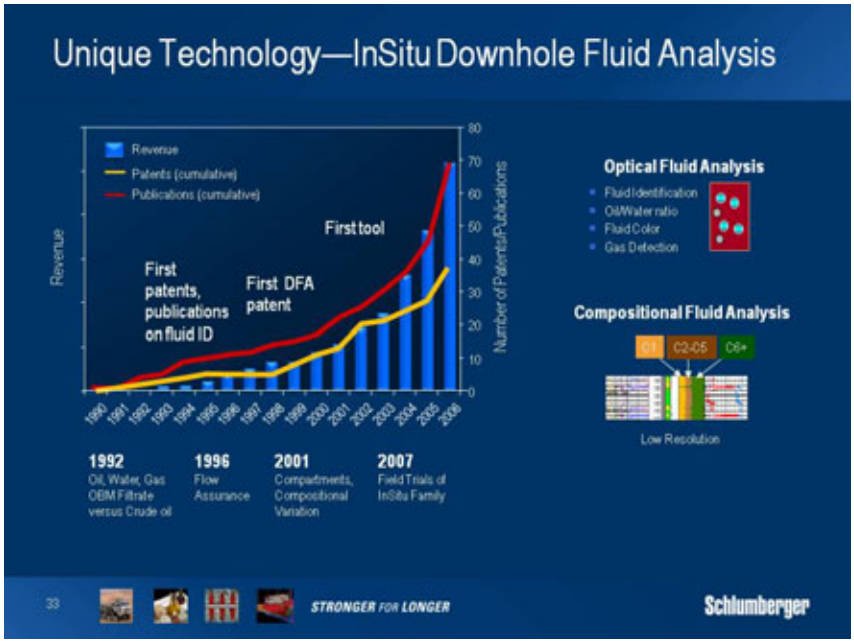


This is the result for the last two years and you can see both the percentage of the spend in each of the four classifications and the evolution between the years. So, if we take the example of deep and harsh, you can see we spent just over 20% of our R&D in this category and that between 2006 and 2007 this increased by about 35%.

If you relate these categories back to what I said earlier about our outlook on both exploration and recovery, you will see that we spent slightly more than half of our money on yet-to-be-explored and deep and harsh, and slightly less than half on known reserves and unconventional resources. You'll also see that the largest increase in percentage terms is on carbon storage although the absolute number remains relatively small.



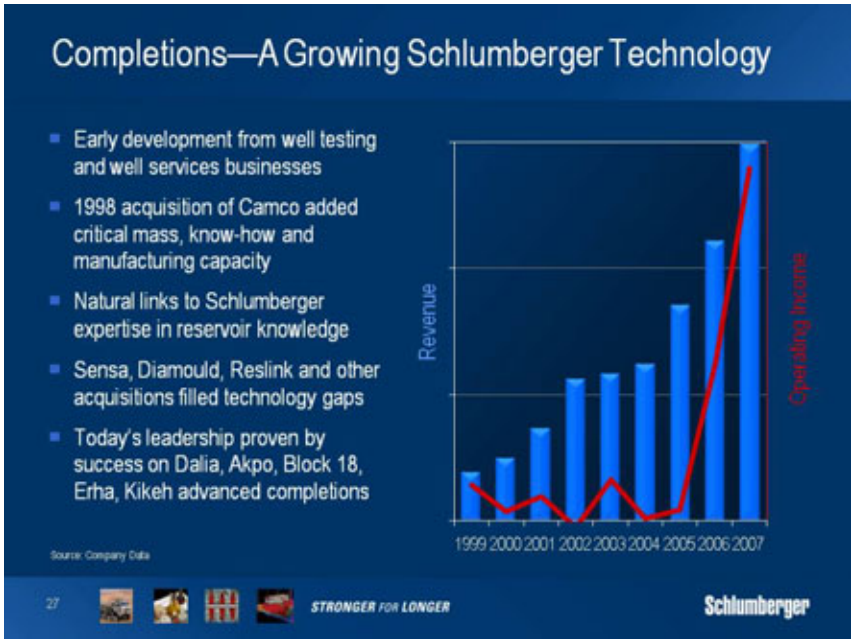

Finally, in this explanation of how R&D money is spent, it is important to relate the investments back to the business. These charts show the progression of several key families of technology over recent years. In each of these we are constantly adding new products and services so the base is not strictly the same but the rate of growth and rate of return are important yardsticks in monitoring our R&D spend.




As an example of a long-term strategy, one of the demonstrations this morning is a service called "InSitu Fluid Analysis". This gives our customers unprecedented information about the types of fluid in the reservoir, and through any differences the likelihood that the reservoir contains different compartments requiring different development solutions. The service is critical to the economics of multi-billion dollar development decisions. It is a service where we undoubtedly have one of the largest competitive advances, with an intellectual property base and underlying knowhow that will sustain our lead for many years to come.

From a desire to produce uncontaminated samples for our customers in the early 1990s we have progressed to producing detailed downhole analyses of fluid composition. This is a remarkable scientific achievement made possible by close co-operation with our customers, research laboratories, field operations and engineering. It includes major technology developments as well as significant advances in reservoir understanding. It includes knowledge from two small high-technology acquisitions, and I am not telling you everything. The point is that the execution and follow up of a critical technology roadmap is a long-term process, and that if it is well done it can sustain and even enhance competitive leadership. I have shown you this one example but we maintain similar road maps for all our key competitive offerings.

Schlumberger has an amazing track record of building industry leading product lines through a mixture of acquisition and internal technology development. During my career I have seen it happen three times—in seismic, directional drilling and petrotechnical software. All were built from very small bases. I am therefore pleased to report that we are making considerable progress with our completions product line.




Our efforts began with small elements from our testing and well services businesses. These were directed at an early participation in the intelligent completions business and initially we did this through a joint venture with Baker Hughes. Following Baker's purchase of Western, the venture fell apart and we purchased Camco in 1998.

We then began a serious program of internal research and development and small acquisitions of which certain have been extremely successful. After a painful learning curve, the business has become profitable and we have significant participation in the advanced completions market particularly in deepwater. This strategy has also allowed us to build a position in the multistage fracturing in the shale gas market in North America. We have a meaningful portfolio of new products that will be brought to the market over the next year, and we are currently third in the Spears market report. Furthermore, if you were to exclude a lot of the generic completion hardware which we do not produce, I suspect our position is even better than that.

This is a plan that we have made work time and time again and I have no doubt it will work for completions. The combination of our technology with an acquisition strategy that gives small companies access to the Schlumberger distribution infrastructure is very powerful.

I have now described the reasons why we see the market for our services being stronger for longer. I have tried to explain how we decide which parts of the market we enter, and why we consider them unique. I have given you some insight into how we manage our R&D portfolio. I would now like to say a few words about infrastructure and human resources before concluding with a summary of our position on future growth and on certain financial objectives.


In a world where high inflation is affecting our customers' costs to a level that makes decisions even at high commodity process difficult to take, excellence in operational performance is vital. You have seen growing project delays and cost overruns. We see a real opportunity here to impact customers' performance and our own profitability through a structured program to improve the reliability of our products and services. This has involved considerable expansion to our already comprehensive infrastructure. When the spread cost of an offshore rig runs close to a million and a half dollars a day, and well AFEs exceed $200 million, the cost of an hour of non-productive time is significant.

Such infrastructure expansion has been on three distinct levels.

At the technology development level, our new research facilities in the US, Russia and Dhahran are fully operational—indeed Dhahran has already announced significant technology successes some of which have been in cooperation with Saudi Aramco. We have also opened a network of Regional Technology Centers that put scientists and engineers in proximity to major customers and their operations to focus on solutions to challenges such as heavy oil, gas condensate and carbonate reservoir production.

To move equipment reliability to the levels that operational excellence demands, we have built new or extended integration and manufacturing facilities in Tyumen in Russia, in China, Singapore, Mexico, the UK and the USA and the Board recently approved a major investment in a new manufacturing plant in India. We have also entered long-term agreements with key suppliers and diversified our supply chain away from traditional centers of oilfield manufacturing activity.

Field locations have been systematically extended, and in the last three years we have renewed or added facilities to meet the needs of new technology as well as accelerating activity. Going further, we are currently in the process of rethinking field maintenance capabilities and logistics as the levels of activity in the more remote exploration areas I indicated pose challenges at levels we have never seen before—particularly offshore.

However without a doubt the greatest challenge has been in the hiring and training of new professionals.

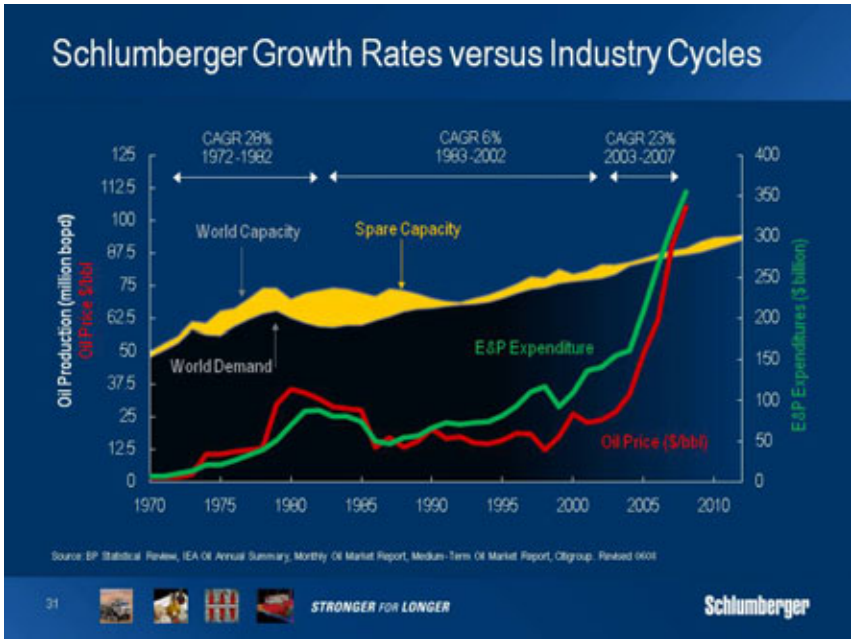
For almost 40 years we have had a policy of hiring professionals from the areas in which we work. Our management reflects the maturity of this policy showing that nationality is no barrier to advancement. The 14 people within the top management group represent 8 different nationalities and this pattern cascades throughout the organization. This history has allowed us to respond vigorously to the need to expand the workforce. From 2004 to 2007 we recruited more than 18,000 technical staff with university and college degrees or diplomas out of an overall headcount increase of approximately 25,000. This has included more than 6,000 engineers from over 200 universities in 80 countries.

Approximately one half of our work force has been with the company for less than four years. This obviously presents other challenges and we have had to adapt our organizational structure to cope. We have increased the number of GeoMarkets by 6 since our last meeting and we have re-enforced our technology organization through a group structure. We have brought our engineering and manufacturing operations under a single management to ensure consistency and lead a centralized drive to systematically improve quality. And we have re-enforced efforts to deploy on-line support to our field operations to help compensate for the lack of experience and to provide the best expertise through real-time help. But our largest efforts have been in the field of training.

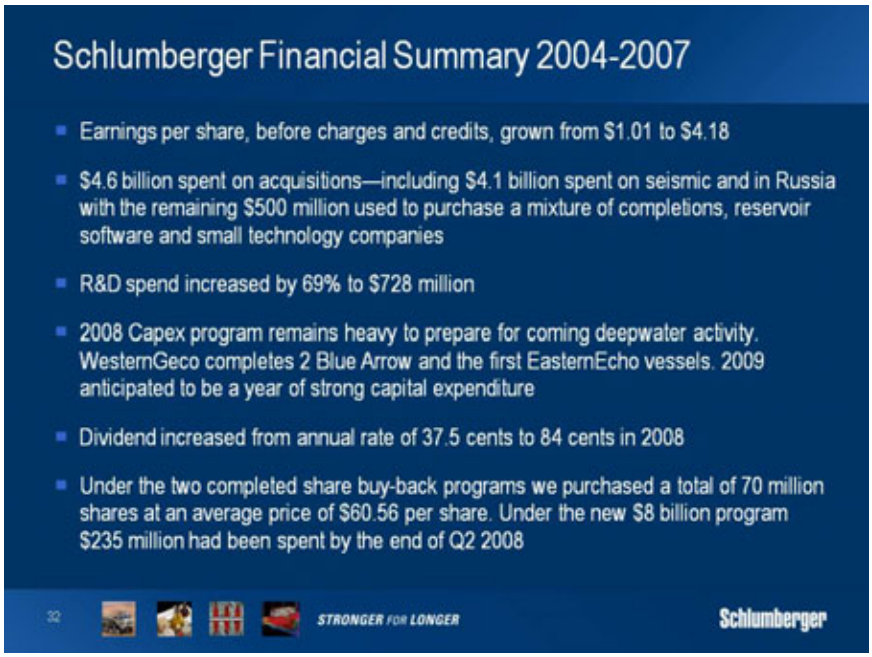
To manage this, training days have more than doubled since 2004, and we have opened three new training centers—in France, Abu Dhabi and Western Siberia. These are multi-discipline centers capable of meeting the needs of a number of different product lines. They contain the equipment necessary to do advanced simulations of field operations. They are major investments that allow us to continue to expand the workforce at a rapid rate and to reduce the time it takes to bring new recruits to initial competency levels.

Ladies and gentlemen, I have often been questioned as to the exact meaning of the statement I made at our Investor Conference in 2004 when I said that I expected Schlumberger to have a double-digit CAGR through the remainder for the decade. At our conference in Sugar Land in 2006, I admitted to the high teens and extended the period beyond the end of the decade.

I have shown you how, in the four years from 2004 to 2007, we have outgrown the market in all the product lines where we participate. With the coming boom in exploration and the need to increase drilling intensity to stem decline we believe we can continue to outgrow the market in the Technologies where we participate well into the next decade. This statement excludes, of course, the effect of any major acquisitions.




As part of "Stronger for Longer", we looked back at the growth pattern of the cycle in the 70s and early 80s. It isn't an exact parallel because at that time Schlumberger was essentially a wireline company with smaller ancillary activities. There was also no real shortage of supply in the 70s, neither was there a pressing need to explore as Alaska, the North Sea and Mexico were all waiting to be developed—and Russia and China were closed. In the 10-year period from 1972 to 1982 our CAGR was 28%, for the following 20 years it was 6% and it has been 23% for the past four years. This exercise tells me two things—first, "Stronger for Longer" is a highly probable scenario to restore and maintain production capacity and second, despite the diversification of our portfolio since the previous cycle there is no reason for us not to achieve our growth targets.




I'd now like to turn to a summary of our financial performance.

From 2004 to 2007 we have grown earnings per share, before charges and credits, from $1.01 to $4.18. We remain comfortable with current consensus forecasts for full year 2008 after adjustment for the effects of the two hurricanes. Our ambition remains to continue to grow earnings per share faster than revenue.

In the same period we have spent $4.6 billion on acquisitions of which the two biggest efforts were in seismic and in Russia where we spent $4.1 billion. The remaining $500 million was spent on a mixture of completions, reservoir software and small technology companies. We remain active in acquiring small complementary technology companies.

Since 2004 our R&D spend has increased by 69% to $728 million in 2007. We anticipate further increases in this level and I would not be surprised to see the 2009 spend exceed one billion dollars.

Our 2008 Capex program will be heavy as we prepare for the new wave of deepwater exploration. WesternGeco will incur much of the cost of completing the construction of the two Blue Arrow vessels as well as the first of the Eastern Echo fleet. We anticipate that 2009 will also be a year of strong capital expenditure as the remaining Eastern Echo boats are equipped and we continue to place equipment on new build rigs as they are commissioned.

In the last four years the dividend has increased from an annual rate of 37.5 cents to 84 cents following the increase in the first quarter of 2008 and we will continue our policy of an annual review in January.

Under the two completed stock buy-back programs we purchased a total of 70 million shares at an average cost of $60.56 dollars per share. Under the new program of $8 billion we had repurchased $235 million by the end of the second quarter of 2008. We will continue an active program of returning cash beyond our needs to shareholders.

Ladies and gentlemen, when we look at the current cycle internally, we look at this as being the third stage. The first stage was the huge ramp-up in North American natural gas drilling between 2004 and 2006. The second stage between 2006 and 2008 was the increase in development activity in the Eastern Hemisphere led by the huge expenditure in Saudi Arabia and certain other countries—notably Mexico and Russia.

The third stage, which is just beginning, will be characterized by the increase in the offshore fleet and the start of a new wave of exploration while trying to stem decline in the existing production base. Competition will be stronger but technology and service quality will be at a premium. This third stage plays to all our strengths.

Ladies and gentlemen, that concludes my keynote remarks this morning. Those of you who have joined by webcast will be leaving us now. Thank you for listening and we hope that you will rejoin us at 2:15 pm Central time this afternoon for the Question and Answer session."