
SCHLUMBERGER LIMITED

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Form 10-K

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PART I

Item 1 Business

All references herein to “Registrant”, “Company” and “Schlumberger” refer to Schlumberger Limited and its consolidated subsidiaries. The following discussion of results should be read in conjunction with the Consolidated Financial Statements.

Founded in 1927, Schlumberger is a global oilfield and information services company with major activity in the energy industry. As of December 31, 2003, the company employed 77,000 people, which included 25,000 employees of SchlumbergerSema, of more than 140 nationalities working in 100 countries, and has principal executive offices in New York, Paris and The Hague. During 2003, Schlumberger comprised three primary business segments: Schlumberger Oilfield Services is the world’s premier oilfield services company supplying a wide range of technology services and solutions to the international oil and gas industry. WesternGeco, jointly owned with Baker Hughes, is one of the world’s largest and most advanced surface seismic company. SchlumbergerSema is a leading supplier of IT consulting, systems integration, and network and infrastructure services to the energy industry, as well as to the public sector, telecommunications and finance markets.

On September 22, 2003, Schlumberger announced its intention to sell the SchlumbergerSema business to Atos Origin. The sale closed on January 29, 2004. Today, Schlumberger comprises two primary business segments – Oilfield Services and WesternGeco.

Active divestiture negotiations are currently ongoing for each of the remaining businesses, which are included in Other activities described below.

Schlumberger Oilfield Services is the world’s leading provider of technology, project management and information solutions to the international petroleum industry. With 48,000 employees, Schlumberger Oilfield Services manages its business through 27 Oilfield Services GeoMarket* regions, which are grouped into four geographic areas: North America; Latin America; Europe/CIS/W. Africa; Middle East & Asia. The GeoMarket regions offer customers a single point of contact at the local level for field operations and bring together geographically focused teams to meet local needs and deliver customized solutions.

Schlumberger invented wireline logging in 1927 as a technique for obtaining downhole data in oil and gas wells. Today, Schlumberger Oilfield Services operates in each of the major oilfield service markets covering the entire life cycle of the reservoir. These services are organized into seven technology product lines, in which Schlumberger holds a number of market leading positions, to capitalize on technical synergies and introduce innovative solutions within the GeoMarket regions.

- Wireline – services that provide the information necessary to evaluate the formation, plan and monitor well construction, and monitor and evaluate production, divided into open-hole and cased-hole wireline logging.
- Drilling & Measurements – directional drilling, measurements-while-drilling and logging-while-drilling services.
- Well Services – services to construct oil and gas wells, as well as maintain optimal production through the life of an oil and gas field. These include pressure pumping, well stimulation services, coiled tubing, cementing and engineering services.
- Well Completions & Productivity – services for testing and completing wells and producing oil and gas, ranging from well testing and perforating services, completions systems, intelligent completions to a full spectrum of artificial lift services.
- Integrated Project Management – consulting, project management and engineering services leveraging the expertise from the other technology segments for the E&P industry.

- Data & Consulting Services – measurements, interpretation and integration of all exploration and production data types, and expert consulting services for reservoir characterization, production enhancement, multi-disciplinary reservoir and production solutions, and field development planning.
- Schlumberger Information Solutions – consulting, software, information management and IT infrastructure services that support oil and gas industry core operational processes.

The technology product lines are also responsible for overseeing operational processes, resource allocation, personnel and quality, health, safety and environmental matters in the GeoMarket.

Supporting the service technology product lines are 19 research and development (R&D) centers. Through its R&D, Schlumberger is committed to advanced technology programs that will enhance oilfield efficiency, lower finding and producing costs, improve productivity, maximize reserve recovery, increase asset value and accomplish all of these goals in a safe, environmentally sound manner.

Schlumberger Oilfield Services uses its own personnel to market its products and services. The customer base, business risks and opportunities for growth are essentially uniform across all services. There is a sharing of manufacturing and engineering facilities as well as research centers; labor force is interchangeable. Technological innovation, quality of service, and price are the principal methods of competition. Competition varies geographically with respect to the different services offered. While there are numerous competitors, both large and small, Schlumberger believes that it is an industry leader in providing measurements-while-drilling and logging-while-drilling services, and fully computerized logging and geoscience software and computing services. A large proportion of the company's offering is non-rig related; consequently, revenue does not necessarily correlate to rig count fluctuations.

In December 2003, Schlumberger announced a phased agreement to acquire PetroAlliance, Russia's largest independent oilfield services company, beginning with a minority share in 2004. PetroAlliance provides a broad range of exploration and development services, to international standards, throughout Russia and the Caspian.

Schlumberger is a minority owner in M-I Drilling Fluids, a joint venture with Smith International that offers drilling and completion fluids utilized to stabilize rock strata during the drilling process and minimize formation damage during completion and workover operations.

WesternGeco, which is 70% owned by Schlumberger, provides comprehensive worldwide reservoir imaging, monitoring, and development seismic services, with the most extensive seismic crews and data processing centers in the industry, as well as the world's largest multiclient seismic library. Services range from 3D and time-lapse (4D) seismic surveys to multi-component surveys for delineating prospects and reservoir management. Seismic solutions include proprietary Q* technology for enhanced reservoir description, characterization, and monitoring throughout the life of the field – from exploration through enhanced recovery.

Positioned for meeting a full range of customer needs in land, marine and shallow-water transition-zone services, WesternGeco offers a wide range of technologies and services:

- Land Seismic – comprehensive resources for seismic data acquisition on land and across shallow-water transition zones.
- Marine Seismic – fully calibrated single-sensor marine seismic acquisition and processing system, delivering the seismic technology breakthrough needed for new-generation reservoir management.
- Multiclient Services – high-quality seismic data from the most prospective hydrocarbon basins with the leading multiclient data library.
- Reservoir Services – people, tools, and technology to help customers capture the benefits of a completely integrated approach to locating, defining, and monitoring the reservoir.
- Seismic Data Processing – extensive seismic data processing centers for complex processing projects.

SchlumbergerSema provided during 2003 IT consulting, systems integration, managed services together with network and infrastructure solutions to the global energy industry, as well as in specific regional markets spanning the telecommunications, finance, transport and public sectors.

Prior to its sale, SchlumbergerSema was organized as follows:

- Network & Infrastructure Solutions that combines specialized technologies, domain experience and global infrastructure to enable the digital enterprise through their DeXa Suite of Services and provides secure global IP infrastructure, integrated information security solutions, wireless and remote network connectivity and complete network managed services.
- Consulting & Systems Integration which offers consulting services, business systems and large-scale technical systems designed to operate to the highest levels of reliability in demanding conditions. The knowledge, skills and methods used by Schlumberger consultants around the world, combined with technical, systems integration and outsourced managed services capability within SchlumbergerSema, enable the development, implementation and management of major business and IT programs that are core to the strategic goals and long-term success of all businesses.

Other comprises of businesses which are in active divestiture negotiations. The activities included in this segment are:

- Axalto (Smart Cards and Point-of-Sale Terminals) – On September 22, 2003, Schlumberger Smart Cards & Terminals (SC&T) changed its name to Axalto to bring more visibility and reinforce its image as a leading smart card player. The SC&T e-City parking meters business was subsequently sold to Apax in the fourth quarter of 2003.
- Business Continuity (disaster recovery services and support to ensure continuation of customers' business-critical operations).
- Essentis (software platform for payment card issuing and merchant acquiring operations).
- Telecom Software Products (software solutions for wireless messaging applications).
- Water Services (water resource management services).
- Infodata offers a broad range of on-line database services and direct marketing services in Sweden.
- Payphones provides payphones terminals and related communication solutions.
- Electricity Meters (automated meters and meter reading technology for the North American electricity industry). In July 2003, Schlumberger entered into an agreement to sell the Electricity Meters activity to Itron Inc.; the sale is expected to be completed in the first half of 2004 pending the successful completion of the Hart-Scott-Rodino review process and other conditions.

Acquisitions

Information on acquisitions made by Schlumberger or its subsidiaries appears under the heading "Acquisitions" on page 49 of this Report within the *Notes to Consolidated Financial Statements*.

GENERAL

Research & Development

Research to support the engineering and development efforts of Schlumberger's activities is conducted at Schlumberger Doll Research, Ridgefield, Connecticut, USA; Schlumberger Cambridge Research, Cambridge, England, and at Stavanger, Norway; Moscow, Russia and Dhahran, Saudi Arabia.

Patents

While Schlumberger seeks and holds numerous patents, no particular patent or group of patents is considered material to Schlumberger's business.

Seasonality

Although weather and natural phenomena can temporarily affect delivery of oilfield services, the widespread geographic location of such services precludes the overall business from being characterized as seasonal. However, because oilfield services are provided predominantly in the Northern Hemisphere, severe weather can temporarily affect the delivery of such services and products.

Customers and Backlog of Orders

No single customer exceeded 10% of consolidated revenue. Oilfield Services has no backlog since it is primarily service rather than product related. SchlumbergerSema backlog at December 31, 2003 was \$5.2 billion of which \$1.9 billion is the subsequent twelve month backlog. At December 31, 2002, the SchlumbergerSema backlog was \$4.7 billion of which \$1.5 billion was the subsequent twelve month backlog. The orders are believed to be firm but there is no assurance that any of the current backlog will actually result in sales.

Government Contracts

No material portion of Schlumberger's business is subject to renegotiation of profits or termination of contracts by the US or other governments.

Employees

As of December 31, 2003, Schlumberger had approximately 77,000 employees which included 25,000 SchlumbergerSema employees.

Non-US Operations

Schlumberger's non-US operations are subject to the usual risks which may affect such operations. Such risks include unsettled political conditions in certain areas, exposure to possible expropriation or other governmental actions, exchange controls, and currency fluctuations. Although it is impossible to predict such occurrences or their effect on Schlumberger, management believes these risks are acceptable.

Environmental Protection

Compliance with governmental provisions relating to the protection of the environment does not materially affect Schlumberger's capital expenditures, earnings or competitive position. Management believes that Schlumberger is currently in substantial compliance with applicable environmental laws and regulations. For more information, see *Environmental Matters* on page 32 of this Report.

Financial Information

Financial information by business segment for the years ended December 31, 2003, 2002 and 2001 is given on pages 60 to 63 of this Report, within the *Notes to Consolidated Financial Statements*.

Internet Website

Schlumberger's Internet website can be found at www.slb.com. Schlumberger makes available free of charge, or through our internet website at investorcenter.slb.com, access to its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, our proxy statement and Forms 3, 4 and 5 filed on behalf of

directors and executive officers and amendments to those reports filed pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after such material is filed, or furnished to the Securities and Exchange Commission ("SEC"). Additionally, Schlumberger's corporate governance materials, including Board Committee Charters, Corporate Governance Guidelines, and Code of Ethics may also be found on *investorcenter.slb.com*. From time to time corporate governance materials on our website may be updated to comply with rules issued by the SEC and the New York Stock Exchange ("NYSE") or as desirable to promote the effective governance of Schlumberger. Any stockholder wishing to receive, without charge, a copy of any of the SEC filings or corporate governance materials should write the Secretary, Schlumberger Limited, 153 East 53rd Street, 57th Floor, New York, New York, 10022.

The reference to this website address does not constitute incorporation by reference of the information contained on the website and should not be construed as part of this report.

Item 2 Properties

Schlumberger owns or leases manufacturing facilities, administrative offices, service centers, research centers, sales offices and warehouses in North and South America, Europe, Africa, Asia and Australia. Some facilities are owned and some are held through long-term leases. No significant lease is scheduled to terminate in the near future, and Schlumberger believes comparable space is readily obtainable should any lease expire without renewal. Schlumberger believes all of its properties are generally well maintained and adequate for the intended use.

Outside the United States the principal owned or leased facilities of Oilfield Services are located in Hassi Massoud, Algeria; Luanda, Angola; Perth, Australia; Baku, Azerbaijan; Rio de Janeiro, Brazil; Calgary and Edmonton, Canada; Beijing, China; Bogota, Colombia; Cairo, Egypt; Clamart and Paris, France; Bombay, India; Balikpapan and Jakarta, Indonesia; Milan, Italy; Fuchinobe, Japan; Atyrau, Kazakhstan; Kuwait City, Kuwait; Kuala Lumpur, Malaysia; Mexico City and Reynosa, Mexico; Port Harcourt, Nigeria; Belfast, Northern Ireland; Stavanger, Norway; Doha, Qatar; Moscow, Russia; Al-Khobar, Saudi Arabia; Singapore; Bangkok, Thailand; Abu Dhabi and Dubai, United Arab Emirates; Aberdeen and Stonehouse, United Kingdom; and Caracas, Venezuela.

Within the United States, the principal owned or leased facilities of Oilfield Services are located in Anchorage, Alaska; Lawrence, Kansas; New Orleans, Louisiana; Bartlesville, Oklahoma; and Houston, Rosharon and Sugar Land, Texas.

Within the United States, the principal owned or leased facilities of WesternGeco are located in Denver, Colorado; Dead Horse, Alaska, and Houston, Texas.

Outside the United States, the principal owned or leased facilities of WesternGeco are located in Hassi Mesaoud, Algeria; Luanda, Angola; Perth, Australia; Baku, Azerbaijan; Rio de Janeiro, Brazil; Calgary, Canada; Cairo, Egypt; Jakarta, Indonesia; Atyrau, Kazakhstan; Kuwait City, Kuwait; Kuala Lumpur, Malaysia; Mexico City and Poza Rica, Mexico; Lagos, Nigeria; Bergen, Oslo and Stavanger, Norway; Moscow, Russia; Al-Khobar, Saudi Arabia; Singapore; Abu Dhabi, Dubai and Jebel Ali, United Arab Emirates; Gatwick and London, United Kingdom; and Caracas, Venezuela.

Other principal owned facilities were in Montrouge, France and Oconee, South Carolina.

Item 3 Legal Proceedings

The information with respect to Item 3 is set forth under the heading *Contingencies* page 60 of this Report, within the *Notes to Consolidated Financial Statements*.

Item 4 Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of Schlumberger's security holders during the fourth quarter of the fiscal year covered by this report.

Executive Officers of Schlumberger

Information with respect to the executive officers of Schlumberger and their ages as of February 28, 2004 is set forth below. The positions have been held for at least five years, except where stated.

| Name | Age | Present Position and Five-Year Business Experience |
|-------------------|-----|--|
| Andrew Gould | 57 | Chairman and Chief Executive Officer, since February 2003; President and Chief Operating Officer, March 2002 to February 2003; Executive Vice President – Oilfield Services, January 1999 to March 2002; and Executive Vice President – OFS Products, February 1998 to January 1999. |
| Jean-Marc Perraud | 56 | Executive Vice President and Chief Financial Officer, since March 2002; Controller and Chief Accounting Officer, April 2001 to March 2002; Treasurer, January 1999 to May 2001; and Vice President – Director of Taxes, May 1993 to January 1999. |
| Chakib Sbiti | 49 | Executive Vice President, since February 2003; President Oilfield Services Middle East & Asia, July 2001 to February 2003; President Oilfield Services Asia, August 2000 to July 2001; and Oilfield Services Director of Personnel, January 1998 to August 2000. |
| Dalton Boutte | 49 | Executive Vice President, since February 2004 and President WesternGeco, since January 2003; Vice President OFS Operations, May 2001 to January 2003; President OFS Europe/C.I.S./Africa. March 2000 to May 2001; and Gulf Coast GeoMarket Manager, February 1998 to March 2000. |
| Ellen Summer | 57 | Secretary and General Counsel, since March 2002; Director of Legal Services, April 2001 to March 2002; and Deputy General Counsel, March 2001 and prior. |
| Simon Ayat | 49 | Vice President, Controller and Business Processes, since December 2002; Vice President Finance SchlumbergerSema, April 2001 to December 2002; Oilfield Services Controller, September 1998 to April 2001; and GeoMarket Manager Indonesia, February 1998 to September 1998. |
| Pierre E. Bismuth | 59 | Vice President – Global Personnel Practices, since August 2003; and Vice President – Personnel, July 2003 and prior. |
| Mark Danton | 47 | Vice President – Director of Taxes, since January 1, 1999; and Deputy Director of Taxes, January 1995 to January 1999. |
| Andre Erlich | 56 | Chief Information Officer, since May 2002; Vice President Technology and General Manager, April 2001 to May 2002; Vice President Business Development, October 1999 to April 2001; and Vice President and General Manager SRPC, September 1997 to October 1999. |
| Peter A. Goode | 47 | Vice President, since February 2004 and President Schlumberger Information Solutions since September 2003; President, Energy IT Services, January 2003 to September 2003; President Reservoir Management, January 2001 to January 2003; and Vice President and General Manager IPM September 1999 to January 2001. |

| Name | Age | Present Position and Five-Year Business Experience |
|---------------------------|-----|---|
| Rene Huck | 56 | Vice President QHSE & Industry Affairs, since March 2002; President Reservoir Evaluation and Development, Oilfield Services, January 2001 to March 2002; President Reservoir Development, Oilfield Services, December 1999 to January 2001; President Camco International, September 1998 to December 1999; and President European-Caspian Area, Oilfield Services, January 1998 to September 1998. |
| Philippe Lacour-Gayet | 56 | Vice President and Chief Scientist, since January 2001; and Chief Scientist, July 1997 to January 2001. |
| Satish Pai | 42 | Vice President since February 2004 and Vice President Oilfield Technologies since March 2002; President Schlumberger Information Solutions, January 2001 to March 2002; President IndigoPool.Com, April 2000 to January 2001; and GeoQuest Operations Manager UKI, July 1999 to April 2000. |
| Jean-Dominique Percevault | 58 | Vice President – European Affairs and Chairman France, since January 2002; and Vice President – European Affairs, December 2001 and prior. |
| Doug Pferdehirt | 40 | Vice President Communications and Investor Relations, since July 2003; President SchlumbergerSema NSA, August 2002 to July 2003; Vice President Marketing and Technique, April 2002 to August 2002; Gulf Coast GeoMarket Manager, February 2000 to April 2002; and Dowell North and South America Business Manager, March 1998 to February 2000. |
| Frank Sorgie | 56 | Chief Accounting Officer, since May 2002; and Director of Financial Reporting, January 1993 to May 2002. |
| Michel Soublin | 58 | Treasurer, since May 2001; Seconded as Chief Financial Officer to Yukos, January 1999 to May 2001; Director Business Information Systems, September 1998 to January 1999; and Vice President and Controller, Oilfield Services, January 1996 to September 1998. |
| David Tournadre | 36 | Vice President Personnel since August 2003; Operations Manager REW, September 2001 to August 2003; Management and Technical Training Program, April 2001 to September 2001; and Seconded as Vice President Personnel, Exploration and Production to Yukos, December 1998 to April 2001. |