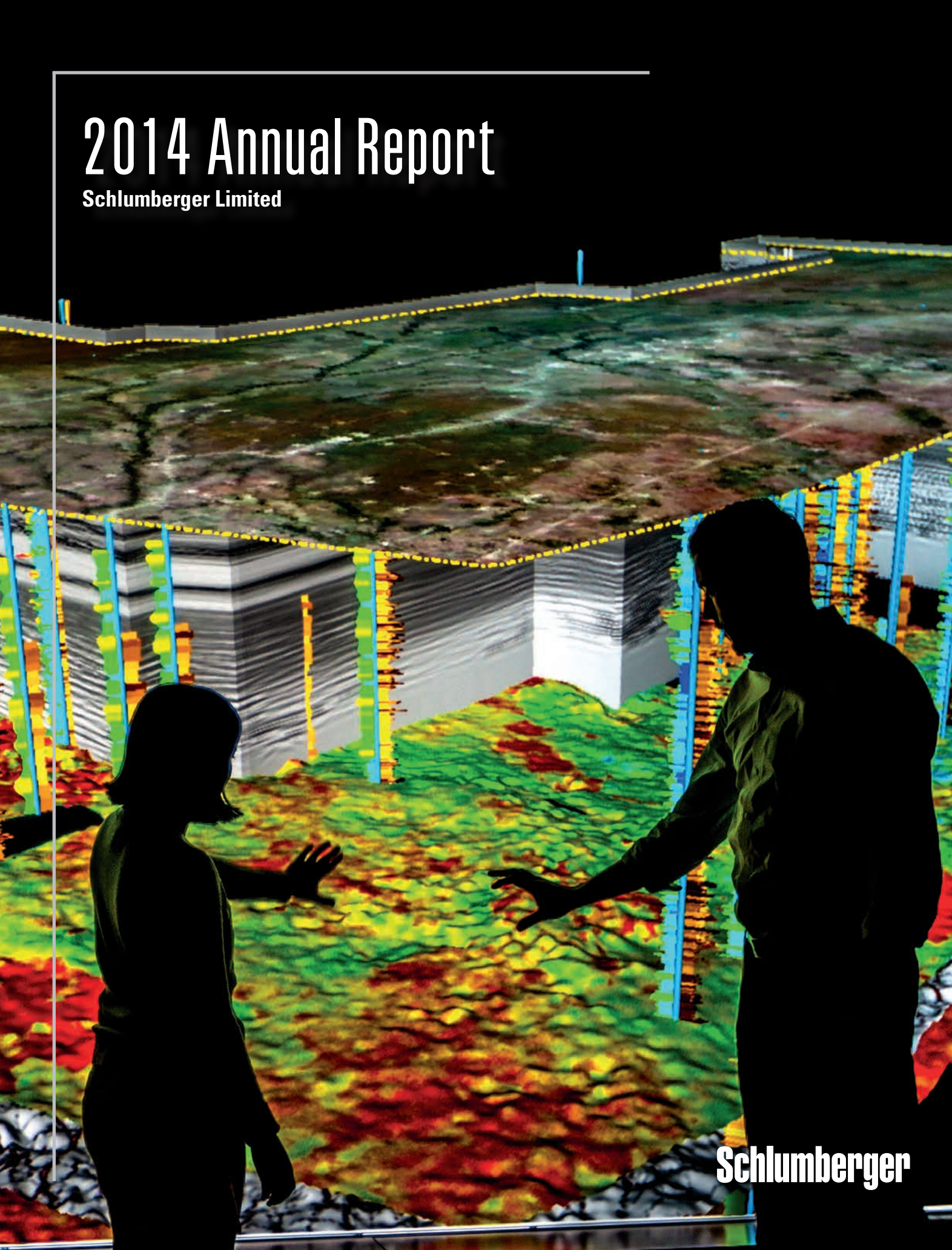
# 2014 Annual Report

**Schlumberger Limited**



Schlumberger


## Financial Performance

(Stated in millions, except per-share amounts)

| Year ended December 31 | **2014** | 2013 | 2012 |
|---|---|---|---|
| Revenue | **$ 48,580** | $ 45,266 | $ 41,731 |
| Income from continuing operations | **$ 5,643** | $ 6,801 | $ 5,230 |
| Diluted earnings-per-share from continuing operations | **$ 4.31** | $ 5.10 | $ 3.91 |
| Cash dividends per share | **$ 1.60** | $ 1.25 | $ 1.10 |
| Net debt | **$ 5,387** | $ 4,443 | $ 5,111 |

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**Front Cover**

Technical Sales Support Engineer Jodi Lau and Reservoir Engineer Joseph Chalupsky correlate log data using the Petrel platform in the Schlumberger Digital Technology Theater in Houston, Texas, USA.

Scan the code with your mobile device to view the multimedia version of this report.

**Schlumberger is the world's leading supplier of technology, integrated project management, and information solutions to the international oil and gas exploration and production industry.**

The company employs 120,000 people of over 140 nationalities working in approximately 85 countries. Schlumberger supplies a wide range of products and services, from seismic acquisition and processing; drill bits and drilling fluids; directional drilling and drilling services; formation evaluation and well testing; to well cementing and stimulation; artificial lift, well completions, and well intervention; and consulting, software, and information management.

## Safety and Environmental Performance

| Year ended December 31 | **2014** | 2013 | 2012 |
|---|---|---|---|
| Combined Lost Time Injury Frequency (CLTIF)—Industry Recognized (OGP) | **1.0** | 1.2 | 1.3 |
| Auto Accident Rate mile (AARm)—Industry Recognized | **0.24** | 0.24 | 0.36 |
| $CO_2$ emitted (million tonnes) | **2.1** | 1.8 | 2.2 |
| Tonnes of $CO_2$ per billion $ revenue | **43,200** | 39,700 | 52,800 |
| Tonnes of $CO_2$ per employee per year | **16.6** | 14.6 | 18.6 |

## Carbon Emission Reporting

Schlumberger has participated in the Carbon Disclosure Project since 2005. In 2012, third-party auditing of the company's emissions accounting began and the company's disclosure score has risen with the effects of mitigation plans and improvements in data capture and quality.

The largest contributors to global Schlumberger emissions are Well Services vehicles, WesternGeco marine vessels, and drilling rigs and vehicles used on Integrated Project Management and Schlumberger Production Management activities. Strategies to reduce fuel consumption and limit emissions for vehicles and vessels are in place.

In 2014, increased North American Well Services emissions were due to increased activity as business conditions improved. These, however, were largely offset by decreased WesternGeco emissions as marine seismic activity slowed and benefits were realized from the marine energy management plan.

The rigor now present in emission reporting and auditing has led to the inclusion of the amount of emissions being stated as a function of total revenue as well as per employee per year. This brings the figures presented in this report into line with other company external disclosures.

# Letter to Shareholders

**Schlumberger revenue for 2014 reached a record $48.6 billion, up 7% and growing for the fifth consecutive year. In North America, revenue surged by more than $2.3 billion, driven by strong activity both on land and offshore as well as by the penetration of innovative hydraulic stimulation technologies. International revenue increased by $1.2 billion, or 4%, on significant strength in the Middle East & Asia and in spite of considerable headwinds in the face of activity challenges, geopolitical unrest, falling oil prices, and international sanctions elsewhere.**

**Paal Kibsgaard**
Chief Executive Officer

Oil markets remained relatively well balanced during 2014 as increasing global production capacity almost matched increasing demand. Yet, after more than three years of remarkable stability, oil prices dropped dramatically by more than 40% late in the year to end at their lowest levels since 2009. But unlike the previous fall in price that was triggered by a global economic recession, this year's drop resulted from a higher marketed supply of oil that became increasingly evident as North American tight oil production continued to grow and as OPEC shifted focus from protecting oil prices to protecting market share. At the same time, production recovered in countries that had suffered degrees of geopolitical disturbance, and the US dollar strengthened to further weaken overall commodity prices.

In natural gas markets, US prices reached multiyear highs in February on exceptionally cold weather and risks of local supply shortages. Storage, however, returned to historical average levels at the end of the year as sustained production growth in the Marcellus play and increasing associated gas production in US tight oil plays more than offset the impact of low activity levels in other unconventional plays. Overall, these increasing supplies more than met growing demand. Internationally, natural gas prices eased broadly in 2014 on mild temperatures in Europe, LNG capacity additions in the Pacific region, and the impact of weaker oil prices on oil-indexed natural gas pricing formulas.

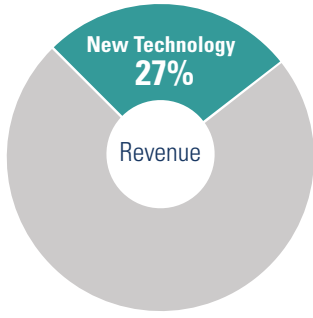
Against this background, Schlumberger performance in 2014 was led by North America, where revenue grew by 16% on robust land activity and increased service intensity, market share gains, and new technology penetration. Offshore operations, however, suffered from a number of operational delays that affected drilling and exploration activity in particular. The 4% growth in International revenue was led by activity in a number of key markets, both on land and offshore. Middle East & Asia grew by 10%, driven by Saudi Arabia, Australia, the United Arab Emirates, and Oman. Revenue in Europe, the CIS & Africa improved by 1%, led by the Sub-Saharan region on strong exploration and development activities in the Central West Africa, Angola, and Continental Europe GeoMarket* regions. Norway also showed strong growth through market share gains and higher rig-related services for a number of customers. In Latin America, however, revenue slipped by 1% as strong activity in Venezuela and Ecuador was unable to compensate for lower activity and pricing in both Brazil and Mexico. As one measure of our ability to outperform the markets in which we operate, our operating income grew by 13% versus 2013, with more than 70% of that growth coming from International activity.

Product Group performance was led by the Drilling Group, mainly as a result of robust demand for Drilling & Measurements and M-I SWACO technologies as activity strengthened in the North America and Middle East & Asia Areas. Rig revenue from the May 2014 acquisition of Saxon, a key component of our Integrated Project Management operations, also contributed to Drilling Group growth. The Production Group benefited from strong results in Well Services, where pressure pumping activity increased through market share gains, operational efficiency improvements, and new technology introduction. Schlumberger Production Management grew as projects in Latin America, particularly in Ecuador, continued to progress in line with our plan. Production Group activity was also boosted by our expansion in the Artificial Lift business as we added a number of regional acquisitions—both in operations and in equipment design and production—to our portfolio. Strength in the Drilling and Production Groups was, however, offset by a slight fall in Reservoir Characterization Group revenue. While Well Testing activity expanded on higher exploration work and software sales increased in all Areas, weakness in the seismic market lowered marine vessel utilization and reduced multiclient seismic data license sales.


In terms of health, safety, and the environment, our performance continued to improve in 2014 with a strong focus on driving and journey management. We also made good progress toward our overall goal of reducing our accident injury rate, which decreased by 16% compared with the previous year. Despite this focus, we suffered three fatalities directly related to driving during the year and we will continue to make this a safety priority in the future. To guard against the risks that land road journeys present, we have continued deployment of our Global Journey Management Centers around the world, and we can now monitor and control 94% of all trips made in countries we consider to exhibit medium and high driving risk. We believe that the surveillance and support that the Journey Management program provides will further improve our performance over the next few years.

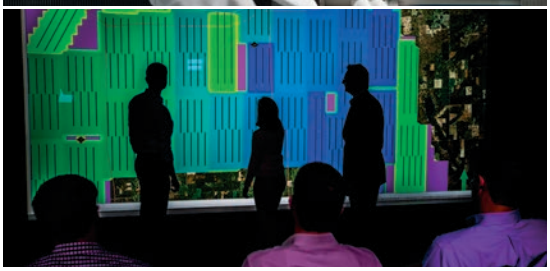

**Global Journey Management Centers**

6000+ Trips Monitored Per Day
50K+ Drivers Supported
22K+ Vehicles Monitored
80 Countries Supported




New technology sales remained strong across all Groups during the year, reaching more than 27% of total sales and increasing effective pricing in almost all regions. Among the new technologies introduced during the year, the Wireline Quanta Geo* photorealistic reservoir geology service—the latest in a series of formation imaging devices that we have developed over 30 years—uses novel microelectrical techniques to produce detailed images of rock formations in wells drilled with nonconductive fluids while Drilling & Measurements GeoSphere* real-time reservoir mapping technology helps position wells in reservoir sweet spots by mapping zones up to 100 feet from the well. New production technologies included the innovative Well Services BroadBand Sequence* and BroadBand Precision* pressure pumping stimulation services that help ensure that each fractured zone contributes effectively and efficiently to each well's production. As commodity prices constrain industry performance, these and other services exemplify the need to change the way we work by accelerating the pace of technology innovation, while delivering new levels of efficiency and reliability in the oilfield market.

These and other initiatives form the performance drivers of the transformation program that we unveiled at our investor conference in New York in June. Even without the dramatic fall in oil price that reduced customer investment levels and cut field activity from the middle of the fourth quarter onward, the delivery of new technology to improve the performance of our customers' reservoirs and the increases in efficiency and reliability that reduce overall finding, development, and production costs coupled with the opportunities for growth that greater integration bring already established a strong foundation for Schlumberger to outperform the market. By now accelerating our progress against transformational goals that are independent of the macroeconomic environment—by targeting a tenfold reduction in operational nonproductive time, a doubling in asset utilization, a 20% increase in workforce productivity, and a 10% lowering of support costs—we will be able to further extend our market leadership.



As we enter 2015, the commodity price trends that have resulted from the increased marketed supply of oil raise short-term uncertainty on customer spend and activity. However, we believe that the oil markets are in fact relatively well balanced and that increasing global production capacity is in line with the growth in demand that results from continuing global economic recovery. In the longer term, decline rates will impact production capacity and weaker exploration will delay supply additions—the combination of which will ultimately lead to tighter market conditions and consequently drive increasing investment.

In an uncertain environment, we are highly focused on the things we can control, and we have already restructured and resized our business to match the activity levels we expect in the early part of the year. We anticipate 2015 being full of opportunities, on which we fully intend to capitalize, and with our wide geographical footprint, extensive business portfolio, and clear financial strength, we remain confident in our ability to outperform in any part of the cycle—including the current leg.

In closing, I would like to thank our customers for their confidence and support, and our employees for their commitment and focus.

Paal Kibsgaard
Chief Executive Officer

# Performed by Schlumberger

The Performed by Schlumberger program was introduced almost 15 years ago to recognize the people behind the Schlumberger projects that demonstrated outstanding teamwork, innovation, and business impact—for the customer and for Schlumberger. In 2014 there were 660 project submissions, from which "GeoSphere—No Place Left for Oil to Hide" received the highest honor—the Schlumberger Chief Executive Officer's Award.

The GeoSphere reservoir mapping-while-drilling service is a major technology milestone in the extensive line of Schlumberger logging-while-drilling (LWD) services, which were first introduced in the 1980s as a new approach to finding reservoir zones in oil and gas wells. LWD technology measures formation properties during the drilling of the well, or shortly thereafter, through the use of tools that make up part of the bottomhole assembly. Today's advanced LWD technology delivers measurements and images in real time to make drilling more efficient while keeping the well in the reservoir, even in the most difficult-to-reach locations.

The GeoSphere service represents the industry's first-ever LWD technology that helps map oil and gas reservoirs using measurements made much deeper into the reservoir formation and processed with a novel mathematical inversion methodology.

With a range of investigation that extends more than 100 ft from the wellbore, GeoSphere service is used by customers to reduce drilling risk and position wells more accurately without the need to drill a pilot hole—thereby saving considerable cost. In addition, the reservoir mapping-while-drilling service makes it possible to place wells away from fluid boundaries and unproductive formations to increase reservoir contact. GeoSphere data also enables geoscientists to refine seismic interpretation as well as geological and structural modeling to reduce uncertainty and minimize risk in locating productive zones.

The GeoSphere service has been field tested by over 30 customers in more than 160 wells worldwide, including locations in North America, South America, Europe, the Middle East, Russia and Australia. In these and other locations, GeoSphere technology has enabled customers to acquire reservoir knowledge to optimize hydrocarbon recovery, increase initial production rates and achieve significant economic return on investment.

*GeoSphere team leaders Laura Pontarelli, Uchechukwu Ezioba, Jean-Michel Denichou, Aditi Nath, and Luc Argentier receive their awards from Marketing Senior Vice President Bill Coates and CEO Paal Kibsgaard at the annual celebratory dinner in Paris, France.*

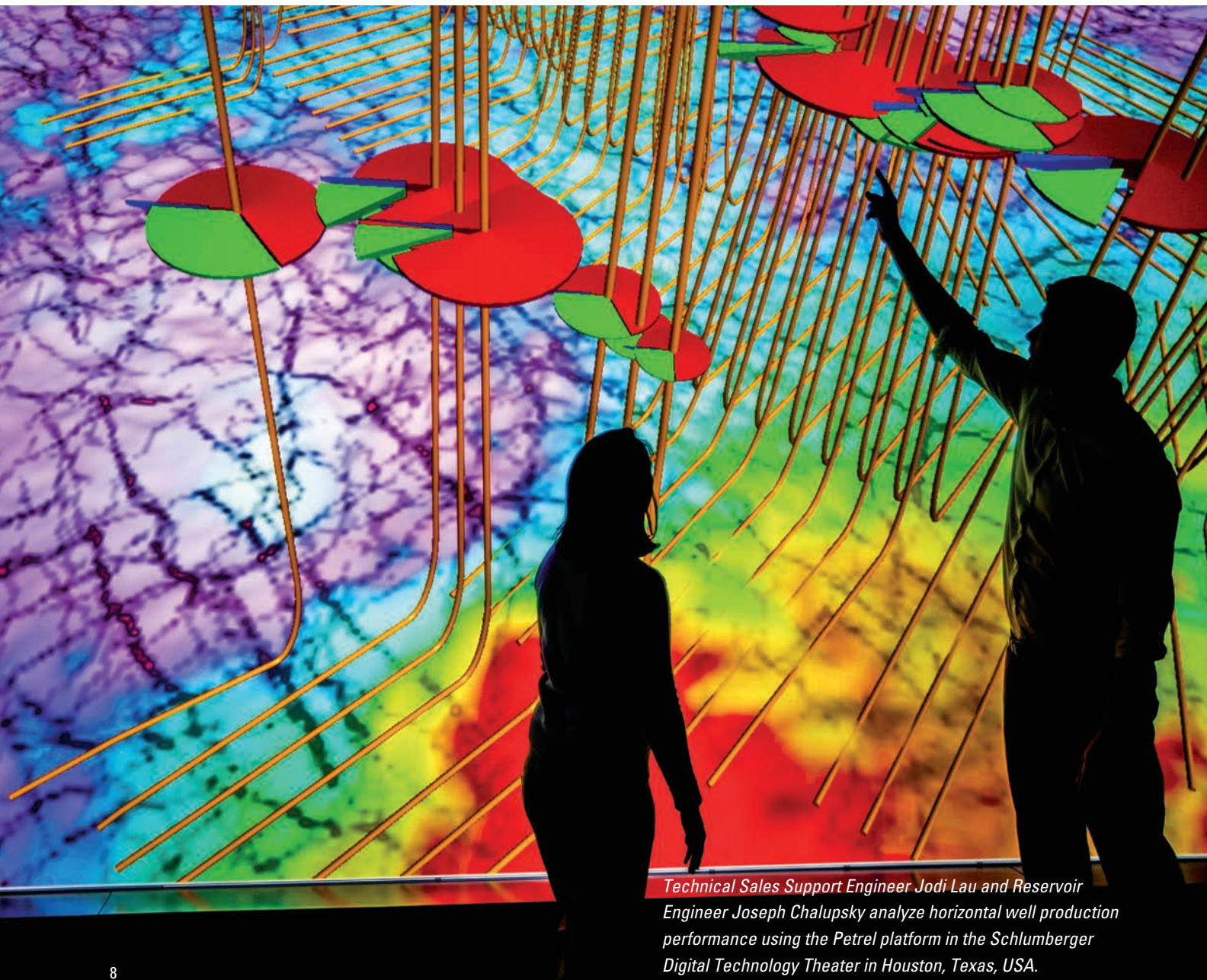
# Changing the Way We Work

*Reservoir Engineer Joseph Chalupsky studies shale reservoir data using the Petrel* E&P software platform in the Schlumberger Digital Technology Theater in Houston, Texas, USA.*

**Oil and natural gas meet about half of the world's primary energy demand, and are expected to do so for the next 25 years. However, the combination of an aging production base requiring continuous investment and the addition of new production in an environment of lower commodity prices is putting pressure on profitability. To remain a supplier of cost-effective energy, the exploration and production industry must improve its performance.**

As the custodians of hydrocarbon resources, oil and gas companies direct the technical workflow. In turn, the service industry develops and deploys most of the technology required across increasingly complex oilfield developments. Given the challenge to improve performance, we at Schlumberger believe that we must change the way we work. Earlier this year, we laid out our plans to make a step change in our performance in four distinct ways—accelerating technology innovation, improving technical reliability, increasing operational efficiency, and pursuing greater integration. These are the drivers of our market leadership and differentiation, with innovative technology and greater integration accelerating revenue growth, and reliability and efficiency lowering the cost of service delivery. The result is financial outperformance—for Schlumberger and its customers.

# Accelerating the Pace of Technology Innovation



*Technical Sales Support Engineer Jodi Lau and Reservoir Engineer Joseph Chalupsky analyze horizontal well production performance using the Petrel platform in the Schlumberger Digital Technology Theater in Houston, Texas, USA.*

**The oilfield service industry's research and engineering investment has developed evolutionary products that do things better and more cost-effectively. But considering the rate of technology change in other industries, upstream technology can become more innovative and be developed more efficiently and much faster.**

The benefit to the customer will be lower cost for each barrel of oil or cubic meter of gas produced. To help accomplish this, Schlumberger is accelerating the pace of technology innovation through two strategic initiatives: the expansion of our network of innovation, and the successful six-year transformation of the Schlumberger research and engineering (R&E) organization.

Expanding our network of innovation came from the realization that we do not have a monopoly on good ideas. Indeed many opportunities arise from combining external sources of innovation with our strong internal research and engineering capabilities. This is evident through our long-standing engagement with academia as well as with traditional Schlumberger customers and partners within the industry, an interaction that we are increasingly broadening to include leading companies from outside our industry.

### Innovating with Academia

We currently participate in more than 250 university collaborations in technical fields as varied as earth science, petroleum technology, information technology, software, cognitive science, and user interfaces.

A typical example of oilfield innovation comes from our collaboration on magnetic resonance imaging (MRI) with the University of Cambridge, UK, and Massachusetts General Hospital in Boston. The application of MRI to the oilfield is not new—wireline logging tools have used the technique for more than 30 years. But a new approach is the application of MRI to image oil recovery with a bench-top system using methods developed over multiyear projects with the university, making it possible to acquire images in only 20 minutes from rock core-plug samples flooded with brine. At the same time, we discovered that techniques that we developed for the oil field can enhance medical scan interpretation in the hospital. Given that the origin of oilfield MRI was the medical world, this is a remarkable example of the information exchange from medicine to oil and gas and back to medicine.

Collaborations such as these stem from Schlumberger actively establishing and maintaining close relationships with leading universities over the past 30 years. To further develop these relationships, Schlumberger has located research laboratories as close as possible to universities as widespread as the US, Brazil, Russia, Saudi Arabia, and China.

### Using Mergers and Acquisitions as a Source of Innovation

One of our unique strengths is the ability to identify the right merger and acquisition (M&A) targets, close them in a timely manner, and then successfully integrate them into Schlumberger—while leveraging the process as a source of innovation. Our M&A activity ranges from large acquisitions such as Smith International to early-phase investment in small start-ups. Over more than 20 years, we have established a track record of successful acquisitions that have increased technology offerings, expanded markets, and built product-line leadership. While it is evident that M&A activity adds scale, its main objective is to bring customers the most complete range of innovative technology and services.

The development of market-leading Stinger* conical diamond element drillbit technology exemplifies this approach. The acquisitions of Novadrill as a disruptive technology, Lyng Drilling as a specialist manufacturer, and Smith International


*Engineer Anu Bhattaram inspects a StingBlade conical diamond element bit on a test rig in Sugar Land, Texas, USA. Stinger elements on the drillbit blades enable application of higher concentrated point loads on the rock, and the elements' thicker diamond table enhances impact strength and wear resistance. The combination improves footage drilled in challenging applications.*

as a leading drillbit supplier—backed by the strength and expertise of the Schlumberger R&E organization—led to the successful introduction of innovative bits incorporating the Stinger element in 2012. The latest generation of StingBlade* conical diamond element bits, launched in mid-2014, not only increases footage drilled and rate of penetration but also improves steerability and directional control.

### Collaborating with Customers for Innovative Advantage

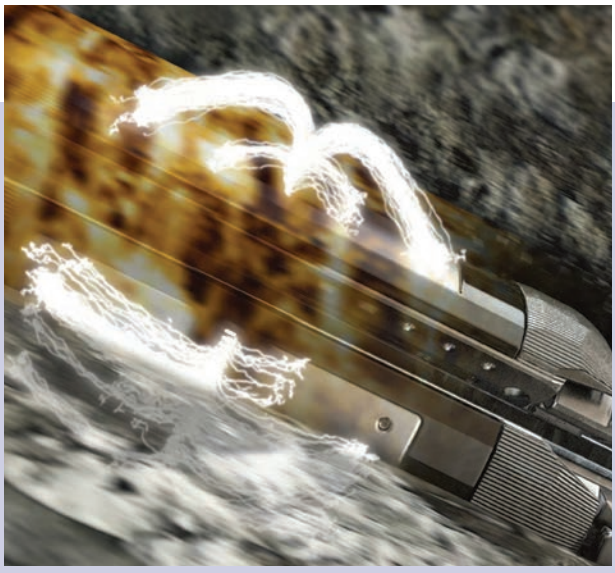
Technology collaboration with major customers is another driver of innovation. Our customers bring real-world value to projects through their depth of experience and understanding of E&P challenges. By combining resources and expertise, we can address major industry challenges such as effective field development in basins of greater complexity than in the past. Today, we have technology collaborations with each of our top 10 customers.

The recent introduction of the Schlumberger INTERSECT* high-resolution reservoir simulator shows how successful collaboration breeds innovation. Backed by Chevron and Total, the new simulator took more than 10 years of development before its commercial launch. Leading experts in reservoir characterization, numerical modeling, applied mathematics, and high-performance computing as well as staff from Stanford and Oxford Universities contributed to the effort. Since its commercialization, the INTERSECT simulator has been used to model and manage 120 of the most challenging oil and gas fields in the world. INTERSECT simulator technology has significantly improved subsurface modeling and understanding for optimizing field development production strategies in complex reservoirs.

### Partnering with Other Industries to Fuel Further Innovation

The size and depth of our portfolio also offer opportunities for innovation through collaboration with other industrial companies that pursue new technology as keenly as Schlumberger. For the last seven years, for example, Schlumberger has worked with nVidia and Stanford University on the high-performance computing techniques that are essential to the success of advanced seismic acquisition systems. In France, home to Saint-Gobain, the world's largest manufacturer of crystal glass, a recent project focused on the joint development of new large-scale crystals for industrial applications. This technology is used by the Wireline product line's Litho Scanner* high-definition spectroscopy service—the first logging tool to noninvasively measure the total organic content of shale reservoirs downhole. This parameter is of vital importance in estimating the hydrocarbon potential of such unconventional resources.

Another example comes from the Schlumberger commitment to lead the adoption of industrial applications of the Google Glass wearable platform. This technology facilitates



*Electrical current flows from central button electrodes through the borehole fluid to return electrodes on the top of the Quanta Geo tool. The innovative sonde design makes it possible to log both up and down in the well without image degradation.*

access to information and knowledge for personnel engaged in equipment maintenance and calibration as well as in field operations so they can perform their tasks as efficiently and effectively as possible. Across our R&E organization, Schlumberger is engaged with more than 150 technology partners, all of which add to the rich global network of innovation we have built around the world and across academia, customers, and industries.

### Transforming R&E for Strategic Advantage

Realizing the full benefit of accelerating the flow of innovative ideas largely depends on how effectively an R&E organization can translate them into high-performance, field-ready technologies. To ensure that we achieve this strategic advantage, we have transformed both the efficiency and quality of the Schlumberger R&E organization.

This massive undertaking—costing the company an estimated $350 million—started six years ago with the benchmarking of existing R&E processes against leading companies in other industries, followed by a complete restructuring of the organization, and finally the development and implementation of a new R&E operational system.

The new system was developed through the concerted effort of hundreds of R&E professionals who worked on rewriting the fundamental processes used to develop and manufacture Schlumberger products. We built on our traditional strengths of innovation, science, and technology and complemented these with modern approaches successfully deployed by leading companies in the automotive and aerospace industries. The new R&E system achieves three ambitions: by emphasizing efficient product development methodologies and product industrialization, we have reduced cycle time from the idea stage to the mature product, supported our accelerating rate of innovation, and reduced new product time to market. In addition, we have also set a clear goal to make a step change in the reliability of our technologies, with a particular emphasis on their out-of-the-box performance. This is perhaps the most critical element of our R&E transformation.

## Quanta Geo Photorealistic Reservoir Geology Service

Improving industry performance through lowering finding and development costs presents three key challenges in reservoir characterization—reducing subsurface risk, characterizing even the most complex reservoirs, and building the foundation for optimal production and maximum recovery. Schlumberger Reservoir Characterization Group technologies achieve this by integrating physical measurements with digital workflows and customizing solutions for each individual reservoir to advance reservoir understanding.

New Quanta Geo photorealistic reservoir geology service—the first Wireline technology to fully benefit from the R&E transformation—uses novel microelectrical techniques to produce detailed images of rock formations in wells drilled with nonelectrically conductive drilling fluid. The images provide precisely oriented visual representations at much greater resolution than surface seismic data. Image visualization and geological interpretation are seamlessly powered by the Techlog* wellbore software platform to complement seismic interpretation, support informed decision making, and reduce uncertainty in reservoir modeling—enabling customers to move from exploration drilling to field development more confidently and with lower subsurface risk.

# Improving Reliability and Increasing Efficiency

*Manufacturing staff Benny Teo Wei Han, Mohamad Fariez Mazlan Long, Ooi Yaw Hui, and Michelle Chan check MaxFORTE intervention-constrained high-reliability ESP systems in the Schlumberger Reda Production Systems Plant in Singapore.*

**Operational failures cost the E&P industry many billions of dollars in nonproductive time, project delays, and cost overruns. This performance substantially lags that of other high-technology industries, and a tremendous effort is required to match the performance of the leading aerospace and automotive companies.**

At the same time, our investment of tens of billions of dollars in technical assets presents a major opportunity to markedly improve the overall efficiency with which we operate. The transformation of our entire R&E organization accelerates the delivery of innovative technology to drive revenue growth, and a similar transformation in equipment reliability and operational efficiency lowers overall cost.

Elevating the performance of oilfield equipment to the level at which the automotive industry operates requires decreasing current failure rates by 96%. This can be done only by taking a completely new approach to product development planning and design as well as to job execution.

### Transforming Reliability—A Step Change in Action

The Schlumberger R&E transformation restructured both the organization and processes across our more than 65 engineering, manufacturing and sustaining centers worldwide. Our way of working has been changed, from engineering to shop floor and from supply chain to technical support.

As a result, a clear, unified methodology and language have been established, enhancing our ability to form collaborative teams across multiple centers and to optimize manufacturing locations independently of engineering location. To this end, training courses developed in collaboration with the California Institute of Technology and University of Michigan on project management and lean manufacturing, respectively, have been attended by more than 600 engineering project managers and manufacturing professionals. An additional 5,000 engineers were also trained on the new methodologies to firmly establish the transformation throughout the R&E organization. Since the start of the transformation more than $350 million have been invested in organizational structure, global training, and test facilites.

### Developing Products Concurrently

One of the principal notions underlying the new process is concurrent design in which design engineers, software developers, and scientists work together from the start of the project with specialists in reliability, manufacturability, and supply-chain aspects. This concurrent teamwork ensures that once the new product is introduced, not only does it meet its functionality and performance specifications, but it is also manufactured from the outset at optimal cost and can be deployed worldwide with excellent reliability.

Modeling and simulation also play key roles in driving R&E performance. Their extensive use includes rapid testing and optimized design to explore options and parameter combinations before a prototype needs to be built. One of the first tools developed with the new process was the Wireline Saturn* 3D radial probe. Comprehensive modeling conducted for this new fluid sampling service contributed to its remarkable out-of-the-box performance and one of the most rapid market deployments of any Schlumberger product.

Once a prototype product has been built, it undergoes extensive testing before being released for commercial service. As part of the R&E transformation, we made a considerable investment in state-of-the-art test equipment and processes. Some installations accelerate subassembly testing while others reproduce an oilfield operating environment to rigorously test complete systems. More than $120 million has been invested to upgrade and expand these in-house capabilities.


*Senior Maintenance Technician Zhen Shuai Li and Operations Manager Wiejia Li examine a PowerDrive Orbit rotary steerable system in the Chengdu base in China.*

New product development is also accelerated by emphasizing the use of common building blocks across our product lines. Within the R&E organization, the enabling technologies group develops and standardizes fundamental enabling-technology platforms across the company. One example is a library of standard microelectronic building blocks that are capable of withstanding temperatures in excess of 400 degF. These blocks are employed across product lines, from Drilling & Measurement to Wireline and from Testing Services to Completions.

### Driving Operational Reliability Through Process

Just as product reliability begins with good product design, process reliability begins with good process design. By learning from other industries, we have also transformed our approach to the critical processes that have the greatest impact on reliability. One example is the fresh look we have taken at standard work instructions and operational checklists.

The upgraded standard work instructions are embedded in process management applications. This enables rigorously monitoring process steps for proper completion and optimal efficiency. User feedback and suggestions are captured in real time, and the data are consolidated to identify bottlenecks or reliability concerns that can be addressed. Changes can be immediately deployed and made rapidly accessible to every user using a variety of intranet applications.

## PowerDrive Orbit Rotary Steerable System

Being able to drill the right well, in the right place, on time, and on budget is essential for higher industry performance. However, this ability requires improving drilling efficiency by increasing footage drilled per day and eliminating nonproductive time, assuring a high-quality wellbore that allows easy access to and from the reservoir, and optimizing placement of the well with real-time quantitative formation evaluation. To meet these challenges, the Schlumberger Drilling Group offers customers a complete portfolio of products and services spanning the market from the drill bit in the well to the rig at the surface.

Precision in steering the well is essential, and Schlumberger leads the market with technologies that include PowerDrive* rotary steerable systems (RSS). In 16 years of service, the continually expanding PowerDrive RSS family has drilled more than 140 million feet globally—more than one trip around the world. The latest-generation PowerDrive Orbit* RSS was introduced to the market in North America early in 2014, and more than 140 tools are now deployed and have drilled more than 350 wells.

With its extended capabilities driven by new engineering techniques for validation and verification, the PowerDrive Orbit RSS benefited from our R&E transformation and in turn has contributed to changing the way we work. Its new design techniques and scalability features are helping drive more efficient deployment of our entire RSS fleet. As a result, we have improved reliability and increased asset utilization of our PowerDrive RSS armory worldwide by more than 30%, which has led to significant savings in capital expenditure.

Operational reliability is furthered by new technologies. Our close collaboration with academic institutions and technology partners also optimizes process workflows for implementing leading-edge technology as well as for learning systems and simulation. The partnership we have established around the applications of augmented reality platforms is a good example, illustrating how our field organization will function in the future.

Equipment maintenance also benefits from many aspects of improved process design. We have similarly implemented best practices from other industries, including changing maintenance from a fixed schedule to a condition-based approach using sensors in the equipment as well as data related to the operating environment. More than two years of testing this approach has delivered excellent results. For example, the Wireline MDT* modular formation dynamics tester has more than doubled its reliability over the past three years.

### Improving Reliability by Leveraging Scale

Schlumberger possesses a unique strength in the scale and footprint of its global operations. Each month, our product lines conduct a total of more than one million operating hours, representing a massive reach in serving customer needs as well as in identifying market opportunities. Our resource base includes 300,000 mobile assets and 2,500 operating facilities, and we manage more than 80,000 suppliers. However, to leverage scale, not only must you have it, you have to know how to use it. The transformation of R&E and the development of initiatives in operational reliability are prerequisite in improving performance and increasing efficiency.

### Training for Reliability and Efficiency

While systems and technology provide the foundation for reliability and efficiency, it is the behavior and actions of people that really make a difference. Schlumberger is already an industry leader in procedural adherence. This is embedded in every employee from the first day of employment, but we can still do better—first, by again adopting ideas from other industries, such as the challenge and response methodology of aircraft pilot checklists, and second, by reinforcing procedures across all operations to raise all of them to the same level of performance.

A recent trial run with our North American operations achieved a step change in service reliability—reducing the rate of well perforating misruns by more than 50% in the space of only a few months. Schlumberger personnel positively responded to these initiatives and took pride in delivering more efficient and reliable field performance.

The industry has conventionally determined personnel competency based on training records and years of experience. This must change because there will soon not be enough collective years of experience available. The rapid evolution of technology also negates years of service as a guarantee of relevant experience.

*Senior Chemist Scott Meng and Assistant Sylvia Guerrero work on new materials for drilling motors in the laboratory at the Schlumberger Motor Center of Excellence.*

## Making a Step Change in Reliability

Product-related concerns account for about one-quarter of Schlumberger customer-related nonproductive time. To achieve a step change in reliability performance, Schlumberger is implementing a new approach in product development, job planning and design, and job execution.

The Motor Center of Excellence (MCE) in Katy, Texas, USA, is one example of how Schlumberger has increased product reliability. MCE, built from integrating five separate locations after the 2010 Smith International acquisition, has introduced best-in-class practices to design higher reliability into the drilling motors used to drill directional wells. The resulting improvements in motor reliability are lowering life cycle costs.

Another example is the MaxFORTE* intervention-constrained high-reliability electrical submersible pump (ESP) system. By incorporating lean methodologies from the automotive and aerospace industries into the manufacturing process, the “white-glove” assembly line in Singapore has elevated the quality and reliability of the MaxFORTE ESP system for subsea applications.

*Service Manager Dao Thi Minh Tam prepares wireline logging equipment in the Port Klang Center prior to shipment to an operational location.*

## Managing Assets More Efficiently

The Wireline Center for Reliability and Efficiency in Port Klang, Malaysia, is where logging tools are maintained and prepared for distribution to jobs across the Malaysia, Thailand, and Vietnam GeoMarket region. It is also where asset utilization has been changed to consolidate resourcing decisions to a central team that assesses activity across all locations of the GeoMarket region in deploying assets.

As a result, almost 30% of the asset fleet has been released, enabling redistribution of spare equipment to other locations and lowering their capex needs. Another benefit has been the centralization of maintenance expertise, which has improved fleet reliability and reduced tool maintenance time.

Transformation like this enables Schlumberger to reduce annual capital expenditure as existing fleets are redeployed more efficiently. This was the case in 2014, with capex expenditure representing 8%–10% of revenue compared with 12%–13% in previous years.

Changing the way we work therefore means adopting a model that ensures we develop people with a combination of skills and proficiency independent of their years of service. Schlumberger is known for best-in-class training and development programs—a unique strength that we have created over more than 40 years. We are now complementing skills development by adopting a rigorous systematic approach with proficiency validation.

### Making Operations More Efficient

Schlumberger has tens of billions of dollars invested in its global fleet of assets, yet asset utilization levels are low compared with leading companies in other industries. This situation offers an opportunity for change to lower the cost of service. Furthermore, the company's inventory stands at close to $5 billion. Even a small improvement in the management of a global inventory of this magnitude can have a material impact on financial results.

Recognizing that our global inventory is far from optimum, we began by looking at improving its management. Raising responsibility for demand planning above the level of the operating location and consolidating the number of physical stores brought management under the ownership of new regional distribution centers. This reorganization enabled the reduction of overall stock levels by aggregating demand while reducing slow-moving parts and obsolescence through better sharing and minimized lead time.

In a similar manner, changing asset utilization from a decentralized model to a hub-and-spoke model, where resourcing decisions are consolidated at the regional level, offers the same advantage in reducing asset numbers. Since August 2013, the Wireline product line has been piloting this approach at Port Klang, Malaysia. In the first few months of operation, asset utilization has already increased significantly.

### Deploying Personnel for Maximum Efficiency

The advantages of hub-and-spoke resourcing for inventory and assets have a parallel in workforce assignment efficiency for varying activity levels. Transformation opportunities exist through the concepts of multiskilling, crew modularity, and remote operations, while support workforce efficiency can be maximized through centralized hubs covering a wider area.

Multiskilling assigns responsibilities across operations more effectively by looking at the various roles performed by all Schlumberger crew at the wellsite. It is particularly

*Well Services pressure pumping equipment deployed in a spread on a wellsite in Neuquen, Argentina prior to a hydraulic fracture operation on a shale gas well in the Vaca Muerta formation.*

effective in removing barriers between product lines and optimizing the overall crew size at wellsites where multiple product lines are deployed. The expertise of crew members who are trained and ready to fill different roles for different product lines is leveraged within an integrated operation.

Crew modularity deploys wellsite crews in specialized units—such as rig-up or rig-down—in land locations where high-volume operations are conducted. Moving modular crews from job to job significantly increases both productivity and consistency.

Remote operations use information technology (IT) real-time solutions to connect the crew at the rig to the expertise and support available at the base. This concept has existed for almost a decade, but wider applications are now being pursued as IT and operational challenges are overcome. Not only does the remote operations concept reduce wellsite crew size for greater efficiency, it also has a proven impact on operational reliability through more effective sharing of knowledge and expertise across multiple operations—all in real time.

Each of these three concepts can be applied individually to reduce the total number of people required to cover a specific job. This has a positive impact on operating efficiency for Schlumberger and also addresses the concerns of customers who need to reduce the number of personnel for overall health, safety, and environmental reasons at the wellsite, or to limit their number on operations in restricted areas or on small platforms.

### Continuously Improving Operational Performance

Changing the way we work through improving reliability and increasing efficiency is an integral part of our unmatched executional capability—another unique Schlumberger advantage. For more than 15 years we have spent significant time and resources in perfecting the structure of our GeoMarket regions and Product Groups as the platform for continuously improving operating performance. Our unmatched flexibility in product-line management and service deployment is neither easy to deploy nor simple to manage without this structural platform in combination with our long-term experience across industry markets and environments.

## BroadBand Unconventional Reservoir Services

Customer production challenges require a focus on operational efficiency and on technologies that improve production and increase recovery. Although these challenges are common across all reservoir types, the scale and dynamics of unconventional plays call for different workflows and technologies. Schlumberger Production Group BroadBand* unconventional reservoir completion services address this need.

The BroadBand Sequence fracturing service enables sequentially fracturing multiple clusters in an interval to ensure that each contributes to production. The key is an engineered composite fluid that bridges off at the near-wellbore area, immediately past the completion hardware. This temporarily isolates the already stimulated zones from sequential fracturing of the next zone.

The BroadBand Precision integrated completion service addresses the problem of fractures that have been stimulated but do not produce. By controlling entry points in the completion hardware on command, BroadBand Precision service makes it possible to stimulate every prospective productive perforation cluster along a lateral to control fracture placement, sizing, and conductivity.

By fully exploiting ongoing significant advances in unconventional reservoir characterization and well construction, BroadBand services deliver a step-change improvement in production and recovery.

# Driving Growth Through Greater Integration


*Schlumberger Well Intervention and Well Services equipment setup on a wellsite in Neuquen, Argentina ready to perform a series of integrated operations on a shale gas well.*

**Increasingly diverse oil and gas resources present both technical challenges and constraints for customers but significant opportunities for Schlumberger. Technology and process must be customized just as much for deepwater developments as for unconventional reservoirs, particularly at times of volatility in commodity prices.**

Growth through accelerating the pace of new technology innovation can be boosted by lowering cost through improved reliability and increased efficiency. But perhaps just as importantly, growth can be further enhanced by greater integration of innovative technology with human skill and operational workflow to deliver the step change in performance that the industry seeks.

Involving our customers in the integration process is critical. Their experts and ours must use common processes and workflows to meet challenges that range from reducing subsurface risk as exploration and appraisal begins to increasing the ultimate recovery achievable when a reservoir nears the end of its productive life. Schlumberger has a 20-year track record of integrating technologies, project management workflows, and human skills to satisfy not only the full range of customer challenges but also to meet internal goals across product line and field organizations.

### Leveraging Company Strengths to Drive Growth

Schlumberger benefits from four key differentiating advantages that form the basis for growth in the delivery of integrated services and solutions.

The first concerns individual technologies, such as those used to characterize an individual reservoir. In the reservoir characterization workflow, for example, many measurements must be made and then integrated into a model that is consistently updated over time. Each measurement taken separately yields only a single piece of information that describes one particular attribute of the reservoir at one point in time. Integrating the measurements through the right model, however, makes them consistent with each other and leads to better reservoir understanding. But integrating technologies and workflows is not simple, requiring a unique mindset and individual skills. The process and skill set are not easy to acquire, especially considering that integration is not only required from discipline to discipline but also from beginning to end.

The second advantage is the matrix organization that Schlumberger introduced more than 15 years ago. The central concept of sharing common support services while tightly focusing product line expertise readily brings a variety of integration models directly to the customer interface.

This leads directly to the third advantage, which is the experience that Schlumberger has gained as an organization that is able to deliver services through different business models to meet individual customer needs. These vary from collaborative, optimized service delivery at commercial rates to jointly managed, incentive-based, long-term contracts.

The fourth advantage is the access we maintain to drilling rigs. This has long been a Schlumberger strength, and one that was recently reinforced by the company's acquisition of Saxon Drilling. Rig access facilitates individual project operations and also offers opportunities for technology integration from the drill bit to the rig floor.

### Integrating Operations for Maximum Advantage

As the pace and complexity of operations have grown, the traditional approach of discrete services has become increasingly inefficient and expensive to manage. To control costs and minimize downtime, customers are requesting bundled services, which lump together several discrete offerings from

a single supplier at a lower total cost. Although bundling may reduce the price, it often fails to boost efficiency, especially when the product lines and their individual service providers continue to function independently.


*Team members Lily Li, Guofang Lv, Xuehu Shi, and Yueran Cao hold a wellsite meeting to discuss operations on the YangChang integrated project near Yan'an, China.*

Given these drawbacks as well as the magnitude of the challenges faced by industry today, the answer lies in truly integrated operations. True integration is based on fundamentally different interactions between the customer and service provider than those of conventional discrete or bundled services. Integrated operations streamline and coordinate technologies, workflows, and personnel across domain boundaries as a cohesive system. This means that individual services at the wellsite are integrated, as are the technologies and engineering workflows in the office. The oil company and service company are fully aligned, working together as one.

### Delivering Project and Asset Management

Schlumberger Integrated Project Management (IPM), created in 1995, is the leading provider of fully integrated operations, from the reservoir to the stock tank. It manages an expanding portfolio of multiyear, multirig well construction and field development projects that range from the Factory Drilling* approach for unconventional resource development through the demanding technical challenges of the deepest wells to full redevelopment of mature fields. IPM contracts are almost always long term for maximizing operational efficiency and local experience.

A recent well construction project in Eastern Australia is a typical example of an IPM contract. The project, which is now winding down, drilled more than 300 wells per year using the Factory Drilling approach, which was first developed by Schlumberger in Mexico. The Factory Drilling approach integrates four main areas of activity. The first is overall project management, engineering, procurement, and logistics; second, the deployment of specially designed drilling rigs; third, the supply of Schlumberger products and fit-for-purpose technologies; and last, all third-party services that are needed. This extensive integration leads directly to improved efficiency and overall cost reduction, enabling the construction of more wells within the same time frame to raise production capacity and lower project risk.

Project economics are driven by time-related costs. In Eastern Australia, the experience gained since starting field work has reduced drilling times from eight to four days per well. Well completion times were similarly halved, from four days to two, largely from standardized processes and technologies deployed through the integrated services model over the 800 wells that have been drilled and completed.

### Adding Subsurface Expertise to Production Management

Achieving success for long-term incentive production management contracts places the highest demands on integration. Schlumberger has more than 10 years of experience in this type of work, beginning with redevelopment of the Dacion field in Venezuela. The most recent example of Schlumberger Production Management (SPM) is the Shushufindi field in Ecuador—one of the largest onshore fields in South America.

The aim of the Shushufindi project was to rejuvenate and redevelop this mature brownfield to generate incremental production. An essential prerequisite was to integrate the IPM approach with production management and a detailed understanding of the subsurface. Once work began in April 2012, the joint Schlumberger and customer team built a new static and dynamic model of the reservoir using the Schlumberger Petrel* E&P software platform. This took the field from paper records to a state-of-the-art reservoir

*Rock outcrops help improve reservoir understanding. This outcrop on the Roan Plateau, Colorado, USA provides information about shale reservoirs in the Green River Basin oil field.*

simulation model in only nine months. The results identified new reserves, opportunities for infill drilling, and candidate wells for workover operations. Over a two-year period, SPM drilled 63 wells and worked over another 54 to increase field production to more than 75,000 bbl of oil per day, achieving more than 40,000 bbl in incremental production above the agreed project baseline.

### Changing the Way We Work

Our success definitively demonstrates what can be achieved by changing the way we work. Accelerating the pace of technical innovation to develop exciting new technologies that meet the increasing technical challenges of our customers is essential. Designing, developing, and deploying these new technologies through an R&E organization that has been transformed to match the best-in-class processes of high-technology industries in fields such as aerospace and automotive increases product reliability and improves operational efficiency. Integrating these technologies with our process expertise and human skills adds even further value to a wide range of customer oilfield activities.

This combination of technology and integration is a proven major driver of revenue growth, even at a time of volatility in commodity pricing. The combination of improved reliability and increased efficiency is just as critical in improving financial performance—for both Schlumberger and our customers.

## Unconventional Resource Development

Unconventional reservoirs are aptly named. They are complex, presenting numerous challenges compared with conventional reservoirs. For example, the Ghawar field in Saudi Arabia, one of the world's largest conventional fields, delivers five times the production with half the well count and at much lower decline rates in only 2% of the acreage of the Bakken fields, one of the top unconventional plays in the US.

Understanding unconventional reservoirs and making the right decisions during their development is critical to success. Schlumberger is continually integrating process and technology with field operations to optimize production through the approach of GeoEngineered Performance* services.

The process starts by correlating physical properties of the reservoir rock from core, log, and seismic data to fully characterize the reservoir. Large amounts of data are rapidly integrated into models that accurately reflect the heterogeneous nature of the unconventional reservoir. A network of Schlumberger Technical Integration Groups then leverages the breadth of our technology portfolio to give customers basin-specific, fit-for-purpose field development solutions.

By integrating expert knowledge of rocks and fluids with innovative technology, the Schlumberger approach of GeoEngineered Performance services builds efficiency and cost effectiveness into operations for unconventional resource development.

# A Sustainable Advantage

*As part of a company-sponsored initiative, one Schlumberger employee in Chad has built schools in his home village of Koumra to provide access to education for more than 1,500 students aged from 5 to 20.*

**For the E&P industry to remain a reliable supplier of safe and cost-effective energy while meeting high environmental standards, the workforce employed and technology deployed must support continual and sustainable performance improvement to enable responsible stewardship of hydrocarbon resources.**

Schlumberger, with the largest and most innovative technology portfolio in the industry, enjoys significant strength in the diversity and capability of its workforce. This has taken more than 40 years to develop through a unique approach to recruiting and training, as well as to career and leadership development. This approach provides a sustainable advantage that is exceedingly difficult to replicate.

In developing talented people and innovative technology, Schlumberger believes that no single culture holds a lock on creativity. Working in more than 85 countries—many of them for more than 70 years—and employing people of over 140 nationalities provides a unique culture that is global in outlook yet local in practice. Many of the consequences of what we do, in whichever country we work, have an impact both on the industry and on the country. While helping customers produce oil and gas more efficiently, we can positively affect capacity building, economic development, and social investment. All sustainability is local, and our geographical footprint offers many opportunities to improve performance.

### Integrating Technology and Environmental Footprint

Sustaining economic development while conserving natural resources is a pressing challenge. Our integration of technical innovation with a commitment to high standards of behavior is key to meeting those goals. With a history in innovation of more than 80 years, our scientific knowledge and technical expertise help customers meet their technical challenges while minimizing the environmental footprint. For example, the Schlumberger HiWAY* flow-channel fracturing technique uses 40% less proppant and 25% less water than conventional stimulation treatments. Since its introduction, application of the HiWAY technique has conserved more than 1.2 billion gallons of water—the equivalent of the capacity of more than 1,800 Olympic-size swimming pools.

In a similar approach, the Schlumberger R&E organization established a lean manufacturing program as part of its transformation with a goal of continually improving both efficiency and productivity through the identification and elimination of waste. Key to the success of the program has been the involvement of all R&E functions: engineering; manufacturing; product sustaining; supply chain; human resources; health, safety, and environment; facilities; and finance.

In 2010, a complementary “lean and green” program was launched to actively target environmental waste in the form of energy, water, materials, emissions, and other solid and liquid wastes. The success of the program depended on collaboration between teams to achieve environmental savings.

Now in its fifth year, the lean and green program has averaged net project savings of more than $1 million per year from the reduction and elimination of environmental waste. Average annual savings are 2,378 MW in electricity, 19,704 kL of water, and 521 tonnes of waste.

Facilities-related projects in the lean and green program include the installation of energy-efficient lighting, sensors and timers for heating and lighting control, air handling systems, and closed-loop water systems. The return on investment from these projects provides both financial and environmental advantages that are potentially repeatable.

The lean and green program brings proactive environmental awareness to the Schlumberger R&E organization that can be expanded to other parts of the company.

*Faculty for the Future Fellow Silvia Materu, from Tanzania, is pursuing a PhD in Environmental Sciences at the Hamburg University of Applied Sciences in Germany.*

## Uniting Women Scientists—Faculty for the Future

Since its launch in 2004, Faculty for the Future has awarded more than 400 fellowships to women from 68 countries. During the 2014-2015 academic year, Faculty for the Future Fellows pursued PhD or postdoctorate studies in 36 disciplines ranging from physics to mathematics to chemical engineering at 64 of the world's top universities in 12 different countries.

In addition to enabling women to attend their courses of study, the Faculty for the Future also hosts an annual forum for program fellows to share experiences and foster cooperation while debating topics of interest. The 12th such forum was held in Cambridge, Massachusetts, US, in November 2014. Past forums have been held in locations from New York to London to Abu Dhabi. Some 60 women scientists met in Cambridge and shared their research subjects and experiences during the three-day event. They debated topics that included examining the barriers for women who wished to study STEM subjects, the encouragement needed for the next generation of women scientists to succeed, and how STEM can help alleviate major world health and educational challenges.

### Becoming Part of the Environment

The Schlumberger approach to social investment respects three principles—it must be for activities that are connected to our business, it must be rooted in the communities in which we work, and it must be both focused and accountable. Today, much of our investment is directed at education—particularly in science, technology, engineering, and mathematics (STEM) because these subjects underpin our business as well as economic growth—and at initiatives closely connected with health and safety, as these are essential to human development.

In practicing this approach, Schlumberger engages in educational programs that range from the Schlumberger Excellence in Educational Development (SEED) program focused on schoolchildren between the ages of 10 and 18 to the Schlumberger Foundation's Faculty for the Future initiative, which is designed to create a community of women leaders in STEM subjects that support socioeconomic development in their home developing economies.

Recognizing the link between science, technology, and socioeconomic development, as well as the key role of education in realizing individual potential, the Schlumberger Foundation's Faculty for the Future program supports science and technology by enabling women from developing economies to pursue advanced graduate study in science and engineering subjects at top universities worldwide. In doing so, the program is building an international community of women leaders in science, who are prepared to make an impact in their home countries around the world.

These and other initiatives further the pursuit of two key Schlumberger advantages—becoming part of the environment with every country as a home country, and harnessing the benefit that cultural affinity provides with customers in an industry that deploys ever more complex technology.

Schlumberger has invested considerable effort in understanding the sustainable development aspects of its operations around the world. As a result, we have developed a sustainability framework that represents different facets of our activities. When viewed through this lens, it becomes clear that the company contributes to every country in which it works, often to a degree beyond any strict local obligations. Wherever Schlumberger operates, we strive to align our global business model with local and national priorities through continuous and proactive engagement with a wide range of stakeholders.

SCHLUMBERGER LIMITED

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PART I

## Item 1. Business.

All references in this report to "Registrant," "Company," "Schlumberger," "we" or "our" are to Schlumberger Limited (Schlumberger N.V., incorporated in Curaçao) and its consolidated subsidiaries.

Founded in 1926, Schlumberger is the world's leading supplier of technology, integrated project management and information solutions to the international oil and gas exploration and production industry. Having invented wireline logging as a technique for obtaining downhole data in oil and gas wells, Schlumberger today provides the industry's widest range of products and services from exploration through production. As of December 31, 2014, the Company employed approximately 120,000 people of over 140 nationalities operating in approximately 85 countries. Schlumberger has principal executive offices in Paris, Houston, London and The Hague.

Schlumberger operates in each of the major oilfield service markets, managing its business through three Groups: Reservoir Characterization, Drilling and Production. Each Group consists of a number of technology-based service and product lines, or Technologies. These Technologies cover the entire life cycle of the reservoir and correspond to a number of markets in which Schlumberger holds leading positions. The business is also reported through four geographic Areas: North America, Latin America, Europe/CIS/Africa and Middle East & Asia. Within these Areas, a network of GeoMarket* regions provides logistical, technical and commercial coordination.

The role of the Groups and Technologies is to ensure that Schlumberger provides the best possible service to customers and that it remains at the forefront of technology development. The Groups and Technologies are collectively responsible for driving excellence in execution throughout their businesses, overseeing operational processes, resource allocation, personnel and delivering superior financial results. The GeoMarket structure offers customers a single point of contact at the local level for field operations and brings together geographically focused teams to meet local needs and deliver customized solutions. The Areas and GeoMarkets are responsible for providing the most efficient and cost effective support possible to the operations.

The Groups are as follows:

***Reservoir Characterization Group*** – Consists of the principal Technologies involved in finding and defining hydrocarbon resources. These include WesternGeco, Wireline, Testing Services, Schlumberger Information Solutions (SIS) and PetroTechnical Services. WesternGeco seismic acquisition services and PetroTechnical Services interpretation solutions combine to provide the industry's most extensive multiclient library.

- *WesternGeco* is a leading geophysical services supplier, providing comprehensive worldwide reservoir imaging, monitoring and development services. WesternGeco provides increasingly accurate measurements and images of subsurface geology and rock properties for both customer proprietary and multiclient surveys.
- *Wireline* provides the information necessary to evaluate subsurface formation rocks and fluids to plan and monitor well construction, and to monitor and evaluate well production. Wireline offers both openhole and cased-hole services including wireline perforating.
- *Testing Services* provides exploration and production pressure and flow-rate measurement services both at the surface and downhole. The Technology also provides tubing-conveyed perforating services.
- *Schlumberger Information Solutions* sells proprietary software and provides consulting, information management and IT infrastructure services that support core oil and gas industry operational processes.
- *PetroTechnical Services* supplies interpretation and integration of all exploration and production data types, as well as expert consulting services for reservoir characterization, field development planning production enhancement and multi-disciplinary reservoir and production solutions. PetroTechnical Services offers the industry's most extensive multiclient data library and provides industry petrotechnical training solutions.

***Drilling Group*** – Consists of the principal Technologies involved in the drilling and positioning of oil and gas wells and comprises Bits & Advanced Technologies, M-I SWACO, Geoservices, Drilling & Measurements, Drilling Tools & Remedial, Saxon Rig Services and Integrated Project Management well construction projects.

- *Bits & Advanced Technologies* designs, manufactures and markets roller cone and fixed cutter drill bits for all environments. The drill bits include designs for premium market segments where faster penetration rates and

increased footage provide significant economic benefits in lowering overall well costs. The technologies leverage proprietary modeling and simulation software for the design of application-specific bits and cutting structures.

- *M-I SWACO* is the leading supplier of drilling fluid systems engineered to improve drilling performance by anticipating fluids-related problems, fluid systems and specialty equipment designed to optimize wellbore productivity and production technology solutions formulated to maximize production rates. M-I SWACO also provides engineered managed pressure drilling and underbalanced drilling solutions, as well as environmental services and products to safely manage waste volumes generated in both drilling and production operations.
- *Geoservices* supplies mud logging services for geological and drilling surveillance.
- *Drilling & Measurements* provides directional drilling, measurement-while-drilling and logging-while-drilling services for all well profiles as well as engineering support.
- *Drilling Tools & Remedial* provides a wide variety of bottom hole assembly drilling tools, borehole enlargement technologies and impact tools, as well as a comprehensive collection of tubulars and tubular services for oil and gas drilling operations.
- *Saxon Rig Services* provides land drilling and related support services.

***Production Group*** – Consists of the principal Technologies involved in the lifetime production of oil and gas reservoirs and includes Well Services, Completions, Artificial Lift, Well Intervention, Water Services and Schlumberger Production Management field production projects.

- *Well Services* provides services used during oil and gas well drilling and completion as well as those used to maintain optimal production throughout the life of a well. The services include pressure pumping, well cementing and stimulation operations as well as intervention activities.
- *Completions* supplies well completion services and equipment that include packers, safety valves, sand control technology as well as a range of intelligent well completions technology and equipment.
- *Artificial Lift* provides production equipment and optimization services using electrical submersible pumps, gas lift equipment, rod lift systems, progressing cavity pumps and surface horizontal pumping systems.
- *Well Intervention* develops coiled tubing equipment and services and provides slickline services for downhole mechanical well intervention, reservoir monitoring and downhole data acquisition.
- *Water Services* specializes in the development, management and environmental protection of water resources.

Schlumberger has a 40% equity ownership interest in OneSubsea™, a joint venture with Cameron International Corporation ("Cameron"). The joint venture manufactures and develops products, systems and services for the subsea oil and gas market. Schlumberger's 40% share of the net income of the joint venture is reflected in the results of the Production Group.

Schlumberger also offers customers its services through business models known as Integrated Project Management (IPM), for well construction projects, and Schlumberger Production Management (SPM), for field production projects. These models combine the required services and products of the Technologies with drilling rig management, specialized engineering and project management expertise to provide a complete solution to well construction and production improvement.

IPM projects are typically of multiyear duration and include start-up costs and significant third-party components that cover services Schlumberger does not provide directly. Projects may be fixed price in nature and may contain penalties for non-performance.

SPM commercial arrangements create alignment between Schlumberger and the asset holder and/or the operator whereby Schlumberger receives remuneration in line with its value creation. These projects are generally focused on developing and co-managing production of Schlumberger's customers' assets under long-term agreements. Schlumberger will invest its own services and products, and in some cases cash, into the field development activities and operations. Although in certain arrangements Schlumberger is paid for a portion of the services or products it provides, generally Schlumberger will not be paid at the time of providing its services or upon delivery of its products. Instead, Schlumberger is generally compensated based upon cash flow generated or on a fee-per-barrel basis for any incremental production Schlumberger helps deliver above a mutually agreed baseline.

Supporting the Technologies is a global network of research and engineering centers. Through this organization, Schlumberger is committed to advanced technology programs that enhance oilfield efficiency, lower finding and producing costs, improve productivity, maximize reserve recovery and increase asset value while accomplishing these goals in a safe and environmentally sound manner.

Managed outside the Group structure is Schlumberger Business Consulting, which helps oil and gas companies achieve fast and sustainable performance improvements.

Schlumberger primarily uses its own personnel to market its offerings. 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, and the labor force is interchangeable. Technological innovation, quality of service and price differentiation are the principal methods of competition, which 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 geophysical services, wireline logging, well testing, drilling and completion fluids, solids and waste management, coiled-tubing, drill bits, measurement-while-drilling, logging-while-drilling, directional drilling services and mud logging. A large proportion of Schlumberger offerings is non-rig related; consequently, revenue does not necessarily correlate to the rig count.

## GENERAL

### *Intellectual Property*

Schlumberger owns and controls a variety of intellectual property, including but not limited to patents, proprietary information and software tools and applications that, in the aggregate, are material to Schlumberger's business. While Schlumberger seeks and holds numerous patents covering various products and processes, no particular patent or group of patents is considered material to Schlumberger's business.

### *Seasonality*

Seasonal changes in weather and significant weather events can temporarily affect the delivery of oilfield services. For example, the spring thaw in Canada and consequent road restrictions can affect activity levels, while the winter months in the North Sea, Russia and China can produce severe weather conditions which typically result in temporarily reduced levels of activity. In addition, hurricanes and typhoons can disrupt coastal and offshore operations. Furthermore, customer spending patterns for multiclient data, software and other oilfield services and products generally result in higher activity in the fourth quarter of each year as clients seek to utilize their annual budgets.

### *Customers and Backlog of Orders*

For the year ended December 31, 2014, no single customer exceeded 10% of consolidated revenue. Other than WesternGeco, Schlumberger has no significant backlog due to the nature of its businesses. The WesternGeco backlog, which is based on signed contracts with customers, was $0.7 billion at December 31, 2014 ($0.9 billion at December 31, 2013).

### *Financial Information*

Financial information by business segment and geographic area for the years ended December 31, 2014, 2013 and 2012 is provided in Note 17 of the *Consolidated Financial Statements*.

## Executive Officers of Schlumberger

The following table sets forth, as of January 29, 2015, the names and ages of the executive officers of Schlumberger, including all offices and positions held by each for at least the past five years.

| Name | Age | Current Position and Five-Year Business Experience |
|---|---|---|
| Paal Kibsgaard | 47 | Chief Executive Officer, since August 2011; Director since April 2011; Chief Operating Officer, February 2010 to July 2011; President Reservoir Characterization Group, May 2009 to February 2010. |
| Simon Ayat | 60 | Executive Vice President and Chief Financial Officer, since March 2007. |
| Alexander Juden | 54 | Secretary and General Counsel, since April 2009. |
| Ashok Belani | 56 | Executive Vice President, Technology, since January 2011; President, Reservoir Characterization Group, February 2010 to August 2011; Vice President and Chief Technology Officer, April 2006 to February 2010. |
| Jean-Francois Poupeau | 53 | Executive Vice President Corporate Development and Communications, since June 2012; President, Drilling Group, May 2010 to June 2012; President, Drilling & Measurements, July 2007 to April 2010. |
| Khaled Al Mogharbel | 44 | President, Drilling Group, since July 2013; President, Middle East, August 2011 to June 2013; Project – Gulfsands Petroleum – Syria, July 2009 to July 2011. |
| Stephane Biguet | 46 | Vice President Controller, Operations & Integration, since November 2013; Vice President, Global Shared Services Organization, August 2011 to October 2013; Mergers and Acquisitions Director, February 2011 to July 2011; Controller, Reservoir Characterization Group, October 2008 to July 2011. |
| Mark Danton | 58 | Vice President – Director of Taxes, since January 1999. |
| Simon Farrant | 50 | Vice President, Investor Relations, since February 2014; Special Projects Manager, October 2013 to January 2014; GeoMarket Manager, North Sea, April 2012 to September 2013; Integration Manager, Smith Merger, April 2010 to April 2012; Portfolio Manager, Mergers & Acquisitions, July 2004 to March 2010. |
| Sherif Foda | 45 | President, Production Group, since July 2013; President, Europe and Africa, June 2011 to June 2013; Saudi Arabia and Bahrain GeoMarket Manager, June 2009 to June 2011. |
| Aaron Gatt Floridia | 46 | President, Reservoir Characterization Group, since August 2011; President Middle East, May 2009 to July 2011. |
| Howard Guild | 43 | Chief Accounting Officer, since July 2005. |
| Imran Kizilbash | 48 | Vice President and Treasurer, since November 2013; Controller, Operations & Integration, July 2013 to October 2013; Controller, Operations, January 2011 to June 2013; Controller, Schlumberger Limited, May 2009 to January 2011. |
| Gerard Martellozo | 59 | Vice President Human Resources, since June 2014; Senior Advisor to the CEO, August 2012 to May 2014; Human Resources Manager, Drilling Group, May 2010 to July 2012; Human Resources Manager, Reservoir Characterization Group, May 2009 to April 2010. |
| Patrick Schorn | 46 | President, Operations and Integration, since July 2013; President, Production Group, January 2011 to June 2013; President Well Services, May 2008 to January 2011. |

## *Available Information*

The Schlumberger Internet website is www.slb.com. Schlumberger uses its Investor Relations website, www.slb.com/ir, as a routine channel for distribution of important information, including news releases, analyst presentations, and financial information. Schlumberger makes available free of charge on or through its Investor Relations website at www.slb.com/ir access to its Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, its Proxy Statements and Forms 3, 4 and 5 filed on behalf of directors and executive officers, and amendments to each of those reports, as soon as reasonably practicable after such material is filed with or furnished to the Securities and Exchange Commission ("SEC"). Alternatively, you may access these reports at the SEC's Internet website at www.sec.gov. Copies are also available, without charge, from Schlumberger Investor Relations, 5599 San Felipe, 17th

Floor, Houston, Texas 77056. Unless expressly noted, the information on our website or any other website is not incorporated by reference in this Form 10-K and should not be considered part of this Form 10-K or any other filing Schlumberger makes with the SEC.

## Item 1A. Risk Factors.

The following discussion of risk factors known to us contains important information for the understanding of our "forward-looking statements," which are discussed immediately following Item 7A. of this Form 10-K and elsewhere. These risk factors should also be read in conjunction with Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, and the *Consolidated Financial Statements* and related notes included in this Form 10-K.

*We urge you to consider carefully the risks described below, as well as in other reports and materials that we file with the SEC and the other information included or incorporated by reference in this Form 10-K. If any of the risks described below or elsewhere in this Form 10-K were to materialize, our business, financial condition, results of operations, cash flows or prospects could be materially adversely affected. In such case, the trading price of our common stock could decline and you could lose part or all of your investment. Additional risks and uncertainties not currently known to us or that we currently deem immaterial may also materially adversely affect our financial condition, results of operations and cash flows.*

**Demand for the majority of our services is substantially dependent on the levels of expenditures by the oil and gas industry. A substantial or an extended decline in oil and gas prices could result in lower expenditures by the oil and gas industry, which could have a material adverse effect on our financial condition, results of operations and cash flows.**

Demand for the majority of our services depends substantially on the level of expenditures by the oil and gas industry for the exploration, development and production of oil and natural gas reserves. These expenditures are generally dependent on the industry's view of future oil and natural gas prices and are sensitive to the industry's view of future economic growth and the resulting impact on demand for oil and natural gas. Declines, as well as anticipated declines, in oil and gas prices could also result in project modifications, delays or cancellations, general business disruptions, and delays in payment of, or nonpayment of, amounts that are owed to us. These effects could have a material adverse effect on our financial condition, results of operations and cash flows.

The prices for oil and natural gas have historically been volatile and can be affected by a variety of factors, including:

- demand for hydrocarbons, which is affected by general economic and business conditions;
- the ability or willingness of the Organization of Petroleum Exporting Countries ("OPEC") to set and maintain production levels for oil;
- oil and gas production levels by non-OPEC countries;
- the level of excess production capacity;
- political and economic uncertainty and geopolitical unrest;
- the level of worldwide oil and gas exploration and production activity;
- access to potential resources;
- governmental policies and subsidies;
- the costs of exploring for, producing and delivering oil and gas;
- technological advances affecting energy consumption; and
- weather conditions.

The oil and gas industry has historically experienced periodic downturns, which have been characterized by diminished demand for oilfield services and downward pressure on the prices we charge. A significant downturn in the oil and gas industry could result in a reduction in demand for oilfield services and could adversely affect our financial condition, results of operations and cash flows.

**A significant portion of our revenue is derived from our non-United States operations, which exposes us to risks inherent in doing business in each of the approximately 85 countries in which we operate.**

Our non-United States operations accounted for approximately 71% of our consolidated revenue in 2014, 73% in 2013 and 72% in 2012. Operations in countries other than the United States are subject to various risks, including:

- political and economic conditions in certain areas;
- exposure to possible expropriation of our assets or other governmental actions;
- social unrest, acts of terrorism, war or other armed conflict;
- confiscatory taxation or other adverse tax policies;
- deprivation of contract rights;
- trade and economic sanctions or other restrictions imposed by the European Union, the United States or other countries;
- restrictions under the United States Foreign Corrupt Practices Act or similar legislation in other countries;
- restrictions on the repatriation of income or capital;
- currency exchange controls;
- inflation; and
- currency exchange rate fluctuations and devaluations.

During the fourth quarter of 2014, Schlumberger completed the wind down of its operations in the Republic of Sudan.

As previously disclosed, during the second quarter of 2013, Schlumberger completed the wind down of its service operations in Iran. Prior to this, certain non-US subsidiaries of Schlumberger provided oilfield services to the National Iranian Oil Company and certain of its affiliates ("NIOC"). Schlumberger has reclassified the results of this business as a discontinued operation. All prior periods have been restated accordingly.

Schlumberger's residual transactions or dealings with the government of Iran during 2014 consisted of payments of taxes and other typical governmental charges. Two non-US subsidiaries of Schlumberger maintained depository accounts at the Dubai branch of Bank Saderat Iran ("Saderat"), and at Bank Tejarat ("Tejarat") in Tehran for the deposit by NIOC of amounts owed to non-US subsidiaries of Schlumberger for prior services rendered in Iran. One non-US subsidiary also maintains an account at Tejarat for payment of local expenses such as taxes and utilities. Schlumberger anticipates that it will discontinue its dealings with Saderat and Tejarat following the receipt of all amounts owed to Schlumberger for prior services rendered in Iran.

**Environmental compliance costs and liabilities could reduce our earnings and cash available for operations.**

We are subject to increasingly stringent laws and regulations relating to importation and use of hazardous materials, radioactive materials, chemicals and explosives and to environmental protection, including laws and regulations governing air emissions, hydraulic fracturing, water discharges and waste management. We incur, and expect to continue to incur, capital and operating costs to comply with environmental laws and regulations. The technical requirements of these laws and regulations are becoming increasingly complex, stringent and expensive to implement. These laws may provide for "strict liability" for remediation costs, damages to natural resources or threats to public health and safety. Strict liability can render a party liable for damages without regard to negligence or fault on the part of the party. Some environmental laws provide for joint and several strict liability for remediation of spills and releases of hazardous substances.

We use and generate hazardous substances and wastes in our operations. In addition, many of our current and former properties are, or have been, used for industrial purposes. Accordingly, we could become subject to material liabilities relating to the investigation and cleanup of potentially contaminated properties, and to claims alleging personal injury or property damage as the result of exposures to, or releases of, hazardous substances. In addition, stricter enforcement of existing laws and regulations, new laws and regulations, the discovery of previously unknown contamination or the imposition of new or increased requirements could require us to incur costs or become the basis of new or increased liabilities that could reduce our earnings and our cash available for operations.

**We could be subject to substantial liability claims, which could adversely affect our financial condition, results of operations and cash flows.**

The technical complexities of our operations expose us to a wide range of significant health, safety and environmental risks. Our offerings involve production-related activities, radioactive materials, chemicals, explosives and other equipment and services that are deployed in challenging exploration, development and production environments. An accident involving these services or equipment, or a failure of a product, could cause personal injury, loss of life, damage to or destruction of property, equipment or the environment, or suspension of operations. Our insurance may not protect us against liability for some kinds of events, including events involving pollution, or against losses resulting from business interruption. Moreover, we may not be able to maintain insurance at levels of risk coverage or policy limits that we deem adequate. Any damages caused by our services or products that are not covered by insurance, or are in excess of policy limits or are subject to substantial deductibles, could adversely affect our financial condition, results of operations and cash flows.

**Demand for our products and services could be reduced by changes in governmental regulations or in the law.**

Existing or future legislation and regulations related to greenhouse gas emissions and climate change, as well as government initiatives to conserve energy or promote the use of alternative energy sources, may significantly curtail demand for and production of fossil fuels such as oil and gas in areas of the world where our customers operate and thus adversely affect future demand for our services. This may, in turn, adversely affect our financial condition, results of operations and cash flows.

Some international, national, state and local governments and agencies have also adopted laws and regulations or are evaluating proposed legislation and regulations that are focused on the extraction of shale gas or oil using hydraulic fracturing. Hydraulic fracturing is a stimulation treatment routinely performed on oil and gas wells in low-permeability reservoirs. Specially engineered fluids are pumped at high pressure and rate into the reservoir interval to be treated, causing cracks in the target formation. Proppant, such as sand of a particular size, is mixed with the treatment fluid to keep the cracks open when the treatment is complete. Future hydraulic fracturing-related legislation or regulations could limit or ban hydraulic fracturing, or lead to operational delays and increased costs, and therefore reduce demand for our pressure pumping services. If such additional international, national, state or local legislation or regulations are enacted, it could adversely affect our financial condition, results of operations and cash flows.

**If we are unable to maintain technology leadership, this could adversely affect any competitive advantage we hold.**

If we are unable to continue to develop and produce competitive technology or deliver it to our clients in a timely and cost-competitive manner in the various markets we serve, it could adversely affect our financial condition, results of operations and cash flows.

**Limitations on our ability to protect our intellectual property rights, including our trade secrets, could cause a loss in revenue and any competitive advantage we hold.**

Some of our products or services, and the processes we use to produce or provide them, have been granted patent protection, have patent applications pending or are trade secrets. Our business may be adversely affected if our patents are unenforceable, the claims allowed under our patents are not sufficient to protect our technology, our patent applications are denied, or our trade secrets are not adequately protected. Our competitors may be able to develop technology independently that is similar to ours without infringing on our patents or gaining access to our trade secrets, which could adversely affect our financial condition, results of operations and cash flows.

**We may be subject to litigation if another party claims that we have infringed upon its intellectual property rights.**

The tools, techniques, methodologies, programs and components we use to provide our services may infringe upon the intellectual property rights of others. Infringement claims generally result in significant legal and other costs and may distract management from running our core business. Royalty payments under licenses from third parties, if

available, would increase our costs. Additionally, developing non-infringing technologies would increase our costs. If a license were not available, we might not be able to continue providing a particular service or product, which could adversely affect our financial condition, results of operations and cash flows.

**Failure to obtain and retain skilled technical personnel could impede our operations.**

We require highly skilled personnel to operate and provide technical services and support for our business. Competition for the personnel required for our businesses intensifies as activity increases. In periods of high utilization it may become more difficult to find and retain qualified individuals. This could increase our costs or have other adverse effects on our operations.

**Severe weather conditions may affect our operations.**

Our business may be materially affected by severe weather conditions in areas where we operate. This may entail the evacuation of personnel and stoppage of services. In addition, if particularly severe weather affects platforms or structures, this may result in a suspension of activities. Any of these events could adversely affect our financial condition, results of operations and cash flows.

**Cyber attacks could affect our business.**

If our systems for protecting against cybersecurity risks are circumvented or breached, this could result in the loss of our intellectual property or other proprietary information, including customer data, and disruption of our business operations.

## Item 1B. Unresolved Staff Comments.

None.

## Item 2. Properties.

Schlumberger owns or leases numerous manufacturing facilities, administrative offices, service centers, research centers, data processing centers, mines, ore, drilling fluid and production chemical processing centers, sales offices and warehouses throughout the world. Schlumberger views its principal manufacturing, mining and processing facilities, research centers and data processing centers as its "principal owned or leased facilities."

The following sets forth Schlumberger's principal owned or leased facilities:

Beijing, China; Clamart, France; Mumbai, India; Fuchinobe, Japan; Oslo and Stavanger, Norway; Singapore; Abingdon, Cambridge, Gatwick and Stonehouse, United Kingdom; Moscow, Russia; and within the United States: Boston, Massachusetts; Houston, Katy, Rosharon and Sugar Land, Texas; Battle Mountain, Nevada; Greybull, Wyoming and Florence, Kentucky.

## Item 3. Legal Proceedings.

The information with respect to this Item 3. Legal Proceedings is set forth in Note 16 of the *Consolidated Financial Statements*.

## Item 4. Mine Safety Disclosures.

The barite and bentonite mining operations of M-I LLC, an indirect wholly-owned subsidiary, are subject to regulation by the federal Mine Safety and Health Administration under the Federal Mine Safety and Health Act of 1977. Information concerning mine safety violations or other regulatory matters required by section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K is included in Exhibit 95 to this Form 10-K.

PART II

## Item 5. Market for Schlumberger's Common Stock, Related Stockholder Matters and Issuer Purchases of Equity Securities.

As of December 31, 2014, there were 21,348 stockholders of record. The principal United States market for Schlumberger's common stock is the New York Stock Exchange ("NYSE"), where it is traded under the symbol "SLB," although it is traded on other exchanges in and outside the United States, including the Euronext Paris, the London Stock Exchange and the SIX Swiss Exchange.

### *Common Stock, Market Prices and Dividends Declared per Share*

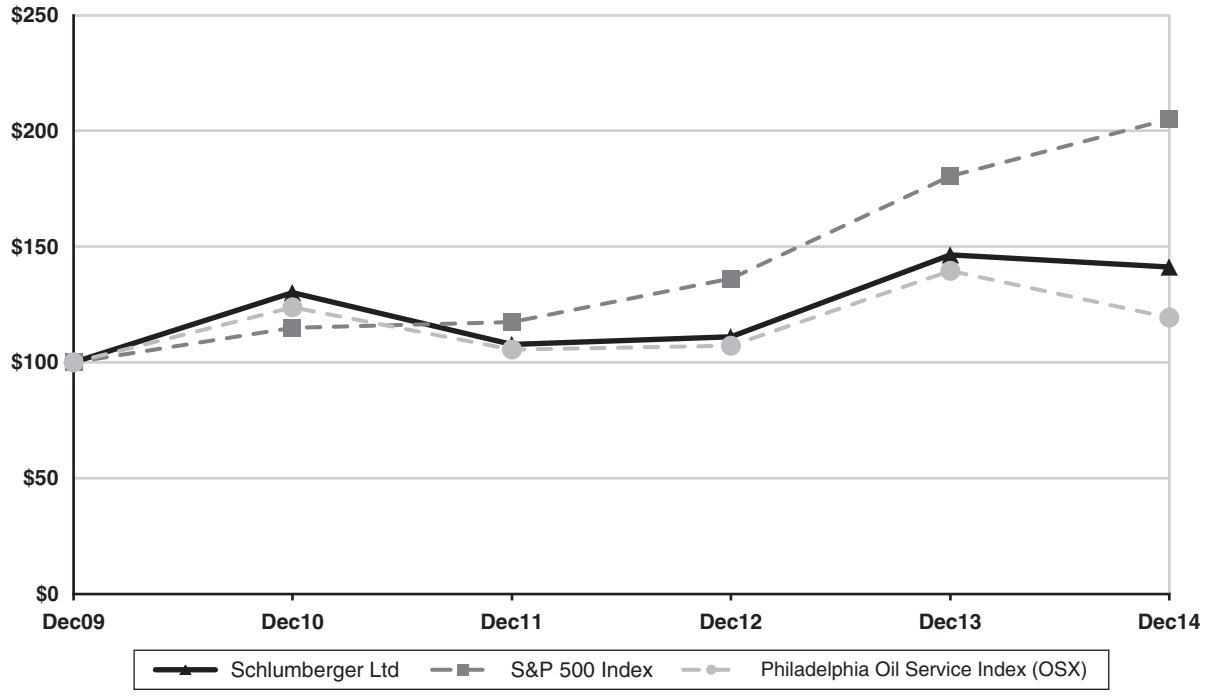
Quarterly high and low prices for Schlumberger's common stock as reported by the NYSE (composite transactions), together with dividends declared per share in each quarter of 2014 and 2013, were as follows:

| | Price Range | | Dividends |
|---|---|---|---|
| | High | Low | Declared |
| **2014** | | | |
| **QUARTERS** | | | |
| **First** | **$ 98.45** | **$ 85.77** | **$0.4000** |
| **Second** | **118.13** | **96.66** | **0.4000** |
| **Third** | **118.76** | **100.30** | **0.4000** |
| **Fourth** | **102.40** | **78.47** | **0.4000** |
| 2013 | | | |
| QUARTERS | | | |
| First | $ 82.00 | $ 70.12 | $ 0.3125 |
| Second | 77.84 | 69.08 | 0.3125 |
| Third | 89.72 | 71.84 | 0.3125 |
| Fourth | 94.91 | 84.91 | 0.3125 |

There are no legal restrictions on the payment of dividends or ownership or voting of such shares, except as to shares held as treasury stock. Under current legislation, stockholders are not subject to any Curaçao withholding or other Curaçao taxes attributable to the ownership of such shares.

The following graph compares the cumulative total stockholder return on Schlumberger common stock, assuming reinvestment of dividends on the last day of the month of payment into common stock of Schlumberger, with the cumulative total return on the Standard & Poor's 500 Index (S&P 500 Index) and the cumulative total return on the Philadelphia Oil Service Index (OSX) over the five-year period ended December 31, 2014. The stockholder return set forth below is not necessarily indicative of future performance. The following graph and related information shall not be deemed "soliciting material" or to be "filed" with the SEC, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that Schlumberger specifically incorporates it by reference into such filing.

Comparison of five-year cumulative total return among
Schlumberger common stock, the S&P 500 Index and the
Philadelphia Oil Service Index (OSX)




Assumes $100 invested on December 31, 2009 in Schlumberger common stock, in the S&P 500 Index and in the Philadelphia Oil Service Index (OSX) and reinvestment of dividends on the last day of the month of payment.

**Share Repurchases**

On July 18, 2013, the Schlumberger Board of Directors approved a $10 billion share repurchase program for Schlumberger common stock, to be completed at the latest by June 30, 2018. Schlumberger is accelerating this share repurchase program with the aim of completing it in 2.5 years as compared to the original target of 5 years.

Schlumberger's common stock repurchase program activity for the three months ended December 31, 2014 was as follows:

(Stated in thousands, except per share amounts)

| | Total number of shares purchased | Average price paid per share | Total number of shares purchased as part of publicly announced program | Maximum value of shares that may yet be purchased under the program |
|---|---|---|---|---|
| October 1 through October 31, 2014 . . . . . | 3,720.5 | $95.68 | 3,720.5 | $4,344,679 |
| November 1 through November 30, 2014 . . . . . | 2,529.6 | $96.52 | 2,529.6 | $4,100,530 |
| December 1 through December 31, 2014 . . . . . | 5,891.7 | $84.07 | 5,891.7 | $3,605,238 |
| | 12,141.8 | $90.22 | 12,141.8 | |

In connection with the exercise of stock options under Schlumberger's incentive compensation plans, Schlumberger routinely receives shares of its common stock from optionholders in consideration of the exercise price of the stock options. Schlumberger does not view these transactions as requiring disclosure under this Item 5 as the number of shares of Schlumberger common stock received from optionholders is not material.

**Unregistered Sales of Equity Securities**

None.

## Item 6. Selected Financial Data.

The following selected consolidated financial data should be read in conjunction with both "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Item 8. Financial Statements and Supplementary Data" of this Form 10-K in order to understand factors, such as business combinations and charges and credits, which may affect the comparability of the Selected Financial Data:

(Stated in millions, except per share amounts)

| | Year Ended December 31, | | | | |
|---|---|---|---|---|---|
| | **2014** | 2013 | 2012 | 2011 | 2010 |
| Revenue | **$48,580** | $45,266 | $41,731 | $36,579 | $26,280 |
| Income from continuing operations | **$ 5,643** | $ 6,801 | $ 5,230 | $ 4,516 | $ 4,048 |
| Diluted earnings per share from continuing operations | **$ 4.31** | $ 5.10 | $ 3.91 | $ 3.32 | $ 3.21 |
| Working capital | **$10,518** | $12,700 | $11,788 | $10,001 | $ 7,233 |
| Total assets | **$66,904** | $67,100 | $61,547 | $55,201 | $51,767 |
| Net debt (1) | **$ 5,387** | $ 4,443 | $ 5,111 | $ 4,850 | $ 2,638 |
| Long-term debt | **$10,565** | $10,393 | $ 9,509 | $ 8,556 | $ 5,517 |
| Schlumberger stockholders' equity | **$37,850** | $39,469 | $34,751 | $31,263 | $31,226 |
| Cash dividends declared per share | **$ 1.60** | $ 1.25 | $ 1.10 | $ 1.00 | $ 0.84 |

(1) "Net Debt" represents gross debt less cash, short-term investments and fixed income investments, held to maturity. Management believes that Net Debt provides useful information regarding the level of Schlumberger indebtedness by reflecting cash and investments that could be used to repay debt.

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

The following discussion and analysis contains forward-looking statements, including, without limitation, statements relating to our plans, strategies, objectives, expectations, intentions and resources. Such forward-looking statements should be read in conjunction with our disclosures under "Item 1A. Risk Factors" of this Form 10-K.

### Executive Overview

Revenue for 2014 reached a record $48.6 billion, up 7% and growing for the fifth consecutive year. In North America, revenue surged by $2.3 billion, or 16%, driven by strong activity both on land and offshore as well as by the penetration of innovative hydraulic stimulation technologies. International revenue increased by $1.2 billion, or 4%, on significant strength in the Middle East & Asia, despite considerable headwinds in the face of activity challenges, geopolitical unrest, falling oil prices and international sanctions elsewhere.

Oil markets remained relatively well-balanced during 2014 as increasing global production capacity almost matched increasing demand. Yet, after more than three years of remarkable stability, oil prices declined dramatically by more than 40% late in the year to end at their lowest levels since 2009. However, unlike the 2009 decline which was triggered by a global economic recession, the 2014 decline resulted from a higher market supply of oil that became increasingly evident as North American tight oil production continued to grow and OPEC shifted focus from protecting oil prices to protecting market share. At the same time, production recovered in countries that had suffered degrees of geopolitical disturbance, and the US dollar strengthened to further weaken overall commodity prices.

In natural gas markets, US prices reached multiyear highs in February 2014 on exceptionally cold weather and risks of local supply shortages. Storage, however, returned to historical average levels at the end of 2014 as sustained production growth in the Marcellus play and increasing associated gas production in US tight oil plays more than offset the impact of low activity levels in other unconventional plays. Overall, these increasing supplies more than met growing demand. Internationally, natural gas prices eased broadly in 2014 on mild temperatures in Europe, LNG capacity additions in the Pacific region, and the impact of weaker oil prices on oil-indexed natural gas pricing formulas.

Against this background, Schlumberger's performance in 2014 was led by North America, where revenue grew by 16% on robust land activity, increased service intensity, market share gains and new technology penetration. Offshore operations, however, suffered from a number of operational delays that particularly affected drilling and exploration activity. The 4% growth in International revenue was led by activity in a number of key markets, both on land and offshore. Middle East & Asia revenue grew by 10%, driven by Saudi Arabia, Australia, the United Arab Emirates and Oman. Revenue in Europe/CIS/Africa improved by 1%, led by the Sub-Saharan region on strong exploration and development activities in the Central West Africa, Angola and Continental Europe GeoMarkets. Norway also showed strong growth through market share gains and higher rig-related services for a number of customers. In Latin America, however, revenue slipped by 1% as strong activity in Venezuela and Ecuador was unable to compensate for lower activity and pricing in both Brazil and Mexico.

From a Group perspective, performance was led by the Drilling Group, mainly as result of robust demand for Drilling & Measurements services and M-I SWACO Technologies as activity strengthened in North America and Middle East & Asia. Rig revenue from the May 2014 acquisition of Saxon also contributed to Drilling Group growth. The Production Group benefitted from strong results in Well Services, where pressure pumping activity increased through market share gains, operational efficiency improvements and the introduction of new technology. Schlumberger Production Management grew as projects in Latin America, particularly in Ecuador, continued to progress ahead of plan. Production Group activity was also boosted by expansion in the Artificial Lift business as a number of regional acquisitions were added to the portfolio, both in operations and in equipment design and production. However, strength in the Drilling and Production Groups was offset by a slight fall in Reservoir Characterization Group revenue. While testing activity expanded on higher exploration work and software sales increased in all Areas, weakness in the seismic market lowered marine vessel utilization and reduced multiclient seismic data license sales.

As Schlumberger enters a challenging 2015, the reduction in commodity prices, which have resulted from the higher marketed supply of oil, raises short-term uncertainty as it relates to the spending and activity levels of our customers. However, Schlumberger believes that the oil markets are, in fact, relatively well-balanced and that increasing global production capacity is in line with the overall growth in demand resulting from the continuing global economic recovery. In the longer term, decline rates will impact production capacity, and weaker exploration will delay supply additions, the combination of which ultimately will lead to tighter market conditions and consequently drive increasing investment.

In this uncertain environment, Schlumberger continues to focus on the things it can control and has already restructured and resized the business to match the reduced activity levels it expects as 2015 develops. These actions resulted in certain charges, which are described in detail in Note 3 to the reduced *Consolidated Financial Statements*, being recorded during the fourth quarter of 2014.

## Fourth Quarter 2014 Results

### Product Groups

(Stated in millions)

| | Fourth Quarter 2014 | | Third Quarter 2014 | |
|---|---|---|---|---|
| | **Revenue** | **Income before taxes** | Revenue | Income before taxes |
| Reservoir Characterization | **$ 3,093** | **$ 956** | $ 3,184 | $ 954 |
| Drilling | **4,658** | **966** | 4,821 | 1,045 |
| Production | **4,954** | **908** | 4,697 | 857 |
| Eliminations & other | **(64)** | **(49)** | (56) | (50) |
| Pretax operating income | | **2,781** | | 2,806 |
| Corporate & other [1] | | **(221)** | | (210) |
| Interest income [2] | | **8** | | 8 |
| Interest expense [3] | | **(80)** | | (84) |
| Charges & credits [4] | | **(1,773)** | | – |
| | **$ 12,641** | **$ 715** | $ 12,646 | $2,520 |

### Geographic Areas

(Stated in millions)

| | Fourth Quarter 2014 | | Third Quarter 2014 | |
|---|---|---|---|---|
| | **Revenue** | **Income before taxes** | Revenue | Income before taxes |
| North America | **$ 4,324** | **$ 849** | $ 4,255 | $ 825 |
| Latin America | **2,053** | **429** | 2,036 | 446 |
| Europe/CIS/Africa | **3,063** | **683** | 3,303 | 774 |
| Middle East & Asia | **3,094** | **877** | 2,970 | 820 |
| Eliminations & other | **107** | **(57)** | 82 | (59) |
| Pretax operating income | | **2,781** | | 2,806 |
| Corporate & other [1] | | **(221)** | | (210) |
| Interest income [2] | | **8** | | 8 |
| Interest expense [3] | | **(80)** | | (84) |
| Charges & credits [4] | | **(1,773)** | | – |
| | **$ 12,641** | **$ 715** | $ 12,646 | $2,520 |

(1) Comprised principally of certain corporate expenses not allocated to the segments, interest on postretirement medical benefits, stock-based compensation costs, amortization expense associated with certain intangible assets and other nonoperating items.

(2) Excludes interest income included in the segments' income (fourth quarter 2014: $5 million; third quarter 2014: $5 million).

(3) Excludes interest expense included in the segments' income (fourth quarter 2014: $7 million; third quarter 2014: $6 million).

(4) Charges and credits are described in detail in Note 3 to the *Consolidated Financial Statements*.

Fourth-quarter revenue of $12.6 billion was flat sequentially. North America revenue of $4.3 billion increased $69 million, or 2%, sequentially. International revenue of $8.2 billion decreased $98 million, or 1%, sequentially.

Sequentially, Reservoir Characterization Group revenue decreased 3%, to $3.1 billion, and Drilling Group revenue decreased 3%, to $4.7 billion. Production Group revenue increased 5% sequentially to $5.0 billion. The decrease in Reservoir Characterization Group revenue was primarily due to the seasonal drop in marine seismic activity in the North Sea and Eastern Canada. Wireline revenue also decreased on lower exploration activity in Angola and seasonal activity and currency declines in Russia. These sequential decreases were partially offset by year-end multiclient license and software sales. Drilling Group revenue decreased primarily on unfavorable currency effects and activity declines in Russia for Drilling & Measurements and M-I SWACO Technologies. In Mexico, lower Integrated Project Management (IPM) activity, due to budgetary constraints, also contributed to the decrease. The increase in Production Group revenue reflected stronger activity in Western Canada, higher uptake of technology, continued efficiency improvements, and improved pressure pumping logistics in North America land. Year-end sales of Completions and Artificial Lift products also contributed to the sequential increase.

Sequentially by Area, Middle East & Asia led the increase with revenue of $3.1 billion growing 4%, driven by record revenue in Saudi Arabia and Bahrain, increased activity in Kuwait and the United Arab Emirates, and year-end product and software sales across the Area. In Latin America, revenue of $2.1 billion grew by 1% on increased activity in Venezuela and Colombia, offset by decreased work scope in Mexico due to budgetary constraints. In Europe/CIS/Africa, revenue of $3.1 billion fell 7% due mainly to weakness in the ruble and the seasonal activity decline in Russia. Following the peak summer drilling and exploration campaigns of the previous quarter, customer spending decelerated as oil prices weakened. As a result, rig count reductions led to activity declines in Angola, Norway and the United Kingdom GeoMarkets. North America revenue of $4.3 billion increased 2% sequentially with land revenue up 5%. Land revenue increased both in the US and Western Canada on higher pressure pumping activity, continued efficiency improvement, and higher uptake of new technology. Fourth-quarter activity in the US Gulf of Mexico increased by 12% driven by year-end multiclient license sales and the resumption of operations after loop current disruptions in the third quarter. Eastern Canada revenue declined sequentially following completion of the season's exploration program and marine seismic activity.

Sequentially, fourth-quarter pretax operating income of $2.8 billion was down 1%. International pretax operating income of $2.0 billion was down 2%, while North America pretax operating income of $849 million was up 3%.

Sequentially, pretax operating margin of 22.0% decreased 19 basis points (bps), as International Area pretax operating margin of 24.2% decreased 33 bps. Middle East & Asia margin increased 71 bps to 28.3% while Latin America decreased 102 bps to 20.9% and Europe/CIS/Africa declined 112 bps to 22.3%. The decline in International Area margin was primarily driven by an unfavorable revenue mix in the fourth quarter following the high-margin peak summer drilling and exploration campaigns of the third quarter. Unfavorable currency effects and activity declines in Russia also contributed to margin contraction. North America pretax operating margin increased 24 bps sequentially, to 19.6%, on increased Western Canada activity, continued efficiency gains, and increased penetration of new technology. North America offshore margin improved on a better revenue mix from high-margin multiclient license sales. Sequentially by segment, Reservoir Characterization Group pretax operating margin of 30.9% was 95 bps higher on a favorable revenue mix from high-margin multiclient license and software sales while Drilling Group pretax operating margin declined 94 bps to 20.7% mainly due to currency and activity declines in Russia. Reservoir Production Group pretax operating margin of 18.3% was flat sequentially as pricing pressure, particularly in the US land market, was offset by improved activity in Western Canada and by improved efficiency, better fleet utilization, and recovery of logistical costs in the North America land markets.

### Reservoir Characterization Group

Fourth-quarter revenue of $3.1 billion declined 3% sequentially. Pretax operating income of $956 million was flat sequentially. The decrease in revenue was primarily driven by the seasonal drop in marine seismic activity in the North Sea and Eastern Canada. Wireline revenue also decreased on lower exploration activity in Angola and seasonal activity and currency declines in Russia. These sequential decreases were partially offset by year-end multiclient license and software sales.

Sequentially, pretax operating margin of 30.9% increased 95 bps. This increase reflected a favorable revenue mix from high-margin multiclient license and software sales.

### Drilling Group

Fourth-quarter revenue of $4.7 billion declined 3% sequentially. Pretax operating income of $966 million was 8% lower sequentially. These decreases were primarily due to the unfavorable currency effects and activity declines in Russia for Drilling & Measurements and M-I SWACO Technologies. In Mexico, lower IPM activity due to budgetary constraints also contributed to the decrease.

Sequentially, pretax operating margin declined 94 bps, to 20.7%, mainly due to currency and activity declines in Russia.

### Production Group

Fourth-quarter revenue of $5.0 billion increased 5% sequentially. Pretax operating income of $908 million was 6% higher sequentially. Sequentially, revenue increased due to improved activity in Western Canada, higher uptake of new technology, continued efficiency improvements, and improved logistics in pressure pumping in North America land. Year-end sales of Completions and Artificial Lift products also contributed to the sequential increase.

Sequentially, pretax operating margin of 18.3% was flat as pricing pressure, particularly in the US land market, was offset by an improved volume of activity in Western Canada and by improved efficiency, better fleet utilization, and recovery of logistical costs in the North America land markets.

## Full-Year 2014 Results

## Product Groups

(Stated in millions)

| | 2014 | | 2013 | |
|---|---|---|---|---|
| | **Revenue** | **Income before taxes** | Revenue | Income before taxes |
| Reservoir Characterization | **$ 12,224** | **$ 3,607** | $ 12,463 | $3,660 |
| Drilling | **18,462** | **3,872** | 17,099 | 3,293 |
| Production | **18,111** | **3,227** | 15,927 | 2,619 |
| Eliminations & other | **(217)** | **(130)** | (223) | (228) |
| Pretax operating income | | **10,576** | | 9,344 |
| Corporate & other [1] | | **(848)** | | (726) |
| Interest income [2] | | **31** | | 22 |
| Interest expense [3] | | **(347)** | | (369) |
| Charges & credits [4] | | **(1,773)** | | 420 |
| | **$ 48,580** | **$ 7,639** | $ 45,266 | $8,691 |

## Geographic Areas

(Stated in millions)

| | 2014 | | 2013 | |
|---|---|---|---|---|
| | **Revenue** | **Income before taxes** | Revenue | Income before taxes |
| North America | **$ 16,151** | **$ 3,057** | $13,897 | $2,735 |
| Latin America | **7,699** | **1,639** | 7,754 | 1,589 |
| Europe/CIS/Africa | **12,515** | **2,765** | 12,411 | 2,593 |
| Middle East & Asia | **11,875** | **3,273** | 10,767 | 2,697 |
| Eliminations & other | **340** | **(158)** | 437 | (270) |
| Pretax operating income | | **10,576** | | 9,344 |
| Corporate & other [1] | | **(848)** | | (726) |
| Interest income [2] | | **31** | | 22 |
| Interest expense [3] | | **(347)** | | (369) |
| Charges & credits [4] | | **(1,773)** | | 420 |
| | **$ 48,580** | **$ 7,639** | $45,266 | $8,691 |

(1) Comprised principally of certain corporate expenses not allocated to the segments, interest on postretirement medical benefits, stock-based compensation costs, amortization expense associated with certain intangible assets and other nonoperating items.

(2) Excludes interest income included in the segments' income (2014: $20 million; 2013: $11 million).

(3) Excludes interest expense included in the segments' income (2014: $22 million; 2013: $22 million).

(4) Charges and credits are described in detail in Note 3 to the *Consolidated Financial Statements*.

Full-year 2014 revenue of $48.6 billion grew $3.3 billion, or 7%, versus the same period last year with International revenue of $32.1 billion increasing $1.2 billion, or 4%, and North America revenue of $16.2 billion growing $2.3 billion, or 16%.

Internationally, higher activities in a number of GeoMarkets, both offshore and in key land markets, contributed to the increase. The increase was led by the Middle East & Asia which increased 10%, mainly from robust drilling and exploration results in Saudi Arabia, Australia, the United Arab Emirates and Oman. Europe/CIS/Africa increased 1%, led by the Sub-Saharan Africa region on strong development and exploration activities, particularly in Central West Africa, Angola and Continental Europe GeoMarkets. Norway also experienced strong growth driven by market share gains and higher rig-related services for a number of customers. Latin America, however, decreased 1% primarily as a result of lower activity and pricing in Brazil and Mexico which was partially offset by strong activity in Argentina and Ecuador.

North America revenue increased 16% mainly due to land which was up 22%, while offshore was down 3%. The increase in land was driven by market share gains in pressure pumping, artificial lift and drilling services. The pressure pumping growth was augmented by improvements in operational efficiency and the introduction of new technologies. The decrease in offshore revenue was attributable to lower drilling and exploration activities, and due to a series of operational delays that impacted several product lines earlier in the year combined with lower multiclient sales.

Full-year 2014 pretax operating income of $10.6 billion grew $1.2 billion, or 13%, versus the same period last year with International pretax operating income of $7.7 billion increasing 12% and North America pretax operating income of $3.1 billion increasing 12%.

Full-year 2014 pretax operating margin of 21.8% increased 113 bps compared to 2013, as International Area pretax operating margin was up 168 bps, to 23.9%, while North America pretax operating margin was down 75 bps, to 18.9%. The increase in International Area margins reflected increased high-margin exploration activities, market share gains, growth in accretive integration-related activities and premium pricing on new technology introductions. The North America margin contraction reflected pressure pumping commodity inflation.

### Reservoir Characterization Group

Full-year 2014 revenue of $12.2 billion was down 2% compared to 2013. Revenue increased in Testing Services, from higher offshore exploration, and Schlumberger Information Solutions, driven by software sales across all international

areas. However, these increases were offset by lower WesternGeco marine vessel utilization and reduced multiclient seismic sales.

Year-on-year, pretax operating margin increased 14 bps, to 29.5%, largely due to the higher-margin exploration activities that benefited Wireline Technologies and Testing Services. Higher margin software sales also contributed to the improvement. These increases were partially offset by lower profitability in WesternGeco due to lower vessel utilization and lower PetroTechnical Services multiclient seismic sales.

### Drilling Group

Full-year 2014 revenue of $18.5 billion was 8% higher than the 2013, primarily due to the robust demand for Drilling & Measurements services and M-I SWACO Technologies as activity strengthened in the North America and Middle East & Asia Areas. Rig revenue from the May 2014 acquisition of Saxon also contributed to the growth.

Year-on-year, pretax operating margin increased 171 bps, to 21.0%, primarily due to the increase in higher-margin exploration activities of Drilling & Measurements in North America offshore and in the international markets. Improved profitability on Integrated Project Management activities also contributed to the margin increase.

### Production Group

Full-year 2014 revenue of $18.1 billion increased 14% compared to 2013, primarily from Well Services pressure pumping technologies driven by market share gains, improvements in operational efficiency and the introduction of new technologies. Schlumberger Production Management (SPM) revenue grew as projects in Latin America continued to progress ahead of work plans. Revenue from the expanding artificial lift business also contributed to the year-on-year growth.

Year-on-year, pretax operating margin increased 138 bps, to 17.8%, mainly on improved profitability for Well Services and Well Intervention, particularly in the International Areas. SPM activities also contributed to the margin expansion. However, these improvements were partially offset by the decrease in margins in North America due to pressure pumping commodity cost inflation.

## Full-Year 2013 Results

### Product Groups

(Stated in millions)

| | 2013 | | 2012 | |
|---|---|---|---|---|
| | Revenue | Income before taxes | Revenue | Income before taxes |
| Reservoir Characterization | $ 12,463 | $ 3,660 | $ 11,360 | $ 3,080 |
| Drilling | 17,099 | 3,293 | 15,691 | 2,778 |
| Production | 15,927 | 2,619 | 14,802 | 2,327 |
| Eliminations & other | (223) | (228) | (122) | (68) |
| Pretax operating income | | 9,344 | | 8,117 |
| Corporate & other [1] | | (726) | | (696) |
| Interest income [2] | | 22 | | 30 |
| Interest expense [3] | | (369) | | (331) |
| Charges & credits [4] | | 420 | | (161) |
| | $ 45,266 | $ 8,691 | $ 41,731 | $ 6,959 |

## Geographic Areas

(Stated in millions)

| | 2013 | | 2012 | |
|---|---|---|---|---|
| | Revenue | Income before taxes | Revenue | Income before taxes |
| North America | $ 13,897 | $ 2,735 | $ 13,535 | $ 2,737 |
| Latin America | 7,754 | 1,589 | 7,554 | 1,387 |
| Europe/CIS/Africa | 12,411 | 2,593 | 11,510 | 2,253 |
| Middle East & Asia | 10,767 | 2,697 | 8,717 | 1,914 |
| Eliminations & other | 437 | (270) | 415 | (174) |
| Pretax operating income | | 9,344 | | 8,117 |
| Corporate & other [1] | | (726) | | (696) |
| Interest income [2] | | 22 | | 30 |
| Interest expense [3] | | (369) | | (331) |
| Charges & credits [4] | | 420 | | (161) |
| | $ 45,266 | $ 8,691 | $ 41,731 | $ 6,959 |

(1) Comprised principally of certain corporate expenses not allocated to the segments, interest on postretirement medical benefits, stock-based compensation costs, amortization expense associated with certain intangible assets and other nonoperating items.

(2) Excludes interest income included in the segments' income (2013: $11 million; 2012: $- million).

(3) Excludes interest expense included in the segments' income (2013: $22 million; 2012: $9 million).

(4) Charges and credits are described in detail in Note 3 to the *Consolidated Financial Statements*.

Full-year 2013 revenue of $45.3 billion increased 8% versus the same period last year with International revenue 11% higher and North America revenue increasing 3%.

Internationally, higher exploration and development activities in a number of GeoMarkets, both offshore and in key land markets, contributed to the increase. The increase was led by the Middle East & Asia, which increased 24%, mainly from robust results across a diversified portfolio of projects and activities in Saudi Arabia, Iraq, and United Arab Emirates; increased seismic surveys across Asia; and sustained land and offshore drilling activity in the Australasia and China GeoMarkets. Europe/CIS/Africa increased 8%, led by the Russia and Central Asia region on strong land activity in West Siberia and robust offshore projects in Sakhalin. The Sub-Saharan Africa region increased on strong development, exploration and seismic activities as well. Latin America was 3% higher, mainly due to solid progress on an SPM project in Ecuador and strong IPM results in Argentina.

North America growth was driven by increased offshore revenue as a result of higher drilling and exploration activities. This increase was largely offset by a decline in land as a result of a reduction in rig count and pricing weakness in the areas of drilling, stimulation and wireline, although the downward pricing trend slowed during the second and third quarters.

Full-year 2013 pretax operating income of $9.3 billion increased 15% versus the same period last year as international pretax operating income of $6.88 billion increased 24%, while North America pretax operating income of $2.7 billion was flat.

Pretax operating margin of 20.6% increased 119 bps, as international pretax operating margin expanded 225 bps to 22.2%, while North America pretax operating margin declined 55 bps to 19.7%. The expansion in international margins was due to increased high-margin exploration, seismic and deepwater activities, while the North American margin contraction was due to continued pricing pressure.

### Reservoir Characterization Group

Full-year revenue of $12.5 billion was 10% higher than the same period last year led by Testing Services, WesternGeco, Wireline and SIS Technologies, primarily due to market share gains and higher exploration activity in both offshore and key international land markets.

Pretax operating margin increased 226 bps to 29.4% largely due to the higher-margin exploration activities that benefited Testing Services and Wireline Technologies.

### Drilling Group

Full-year revenue of $17.1 billion was 9% higher than the previous year primarily due to the robust demand for Drilling & Measurements services as offshore drilling activity strengthened in the US Gulf of Mexico, Sub-Sahara Africa, Russia and the Middle East & Asia Area and rig count increases in key international land markets, namely in Saudi Arabia, China and Australia. Drilling Tools & Remedial and M-I SWACO Technologies expanded across all Areas and IPM increased on projects in Iraq, Australia and Argentina.

Pretax operating margin increased 156 bps to 19.3% primarily due to Drilling & Measurements, which benefited from higher-margin exploration activities both in North America offshore and in the international markets.

### Production Group

Full-year revenue of $15.9 billion increased 8% year-on-year on increased Well Intervention activity and strong international sales of Completion and Artificial Lift products and Well Services technologies. SPM also posted strong growth. While North America land rig count declined, well and stage counts increased through drilling efficiency. Despite the efficiency-driven activity increase, Well Services revenue in North America declined due to pricing weakness.

Pretax operating margin increased slightly by 72 bps to 16.4%. Margin expanded as a result of improved profitability in SPM, Completions and Artificial Lift, partially offset by a margin decline in Well Services technologies, primarily in North America, as a result of pricing pressure and cost inflation.

### Interest and Other Income

Interest and other income consisted of the following:

(Stated in millions)

| | **2014** | 2013 | 2012 |
|---|---|---|---|
| Interest income | **$ 51** | $ 33 | $ 30 |
| Earnings of equity method investments | **240** | 132 | 142 |
| | **$291** | $165 | $172 |

The increase in earnings of equity method investments in 2014 as compared to 2013 primarily reflects the strong performance of a drilling service company in which Schlumberger has an investment, as well as the impact of the first full year of results from the OneSubsea joint venture.

### Interest Expense

Interest expense of $369 million in 2014 decreased by $22 million compared to 2013 primarily as the effect of an increase in the weighted average debt balance of approximately $1.1 billion was more than offset by a 0.4% decrease in the weighted average borrowing rates from 3.2% in 2013 to 2.8% in 2014.

Interest expense of $391 million in 2013 increased by $51 million compared to 2012 primarily due to an increase in the weighted average debt balance of approximately $1.2 billion combined with a 0.1% increase in the weighted average borrowing rates from 3.1% in 2012 to 3.2% in 2013.

### *Other*

*Research & engineering* and *General & administrative* expenses, as a percentage of *Revenue*, were as follows:

| | **2014** | 2013 | 2012 |
|---|---|---|---|
| *Research & engineering* | **2.5%** | 2.6% | 2.8% |
| *General & administrative* | **1.0%** | 0.9% | 1.0% |

### Income Taxes

The Schlumberger effective tax rate was 25.2% in 2014, 21.3% in 2013, and 24.4% in 2012.

The Schlumberger effective tax rate is sensitive to the geographic mix of earnings. When the percentage of pretax earnings generated outside of North America increases, the Schlumberger effective tax rate will generally decrease. Conversely, when the percentage of pretax earnings generated outside of North America decreases, the Schlumberger effective tax rate will generally increase.

The effective tax rate for both 2014 and 2013 was significantly impacted by the charges and credits described in Note 3 to the *Consolidated Financial Statements*. Excluding the impact of these charges and credits, the effective tax rate in 2014 was 21.9% compared to 22.9% in 2013. The decrease in the effective tax rate, excluding the impact of charges and credits, was primarily attributable to the change in the geographic mix of earnings and the favorable resolution of tax examinations in certain jurisdictions.

The charges and credits recorded in both 2014 and 2013 had a significant impact on the effective tax rate because, for the most part, they were not tax effective. However, the charges and credits in 2012 did not have a significant impact on the effective tax rate. The decrease in the effective tax rate in 2013 as compared to 2012, excluding the impact of charges and credits, was primarily attributable to the fact that Schlumberger generated a smaller proportion of its pretax earnings in North America in 2013 as compared to 2012.

### Charges and Credits

Schlumberger recorded significant charges and credits in continuing operations during 2014, 2013 and 2012. These charges and credits, which are summarized below, are more fully described in Note 3 to the *Consolidated Financial Statements*.

The following is a summary of the 2014 charges and credits:

| | (Stated in millions) | | | |
|---|---|---|---|---|
| | Pretax | Tax | Net | Classification |
| WesternGeco restructuring | $ 806 | $ 25 | $ 781 | *Impairments & other* |
| Currency devaluation loss in Venezuela | 472 | – | 472 | *Impairments & other* |
| Workforce reduction | 296 | 37 | 259 | *Impairments & other* |
| Impairment of SPM project | 199 | 72 | 127 | *Impairments & other* |
| | $ 1,773 | $ 134 | $ 1,639 | |

The following is a summary of the 2013 charges and credits:

| | (Stated in millions) | | | |
|---|---|---|---|---|
| | Pretax | Tax | Net | Classification |
| Gain on formation of OneSubsea joint venture | $(1,028) | $ – | $(1,028) | *Gain on formation of OneSubsea* |
| Impairment of equity method investments | 364 | 19 | 345 | *Impairments & other* |
| Provision for accounts receivable | 152 | 30 | 122 | *Cost of revenue* |
| Currency devaluation loss in Venezuela | 92 | – | 92 | *Impairments & other* |
| | $ (420) | $ 49 | $ (469) | |

The following is a summary of the 2012 charges and credits:

| | (Stated in millions) | | | |
|---|---|---|---|---|
| | Pretax | Tax | Net | Classification |
| Merger and integration-related costs | $ 128 | $ 16 | $ 112 | *Merger & integration* |
| Workforce reduction | 33 | 6 | 27 | *Impairments & other* |
| | $ 161 | $ 22 | $ 139 | |

## *Net Debt*

Net Debt represents gross debt less cash, short-term investments and fixed income investments, held to maturity. Management believes that Net Debt provides useful information regarding the level of Schlumberger's indebtedness by reflecting cash and investments that could be used to repay debt.

Details of changes in Net Debt follow:

(Stated in millions)

| | **2014** | 2013 | 2012 |
|---|---|---|---|
| Income from continuing operations | **$ 5,711** | $ 6,843 | $ 5,259 |
| Gain on formation of OneSubsea | **–** | (1,028) | – |
| Impairments and other charges | **1,773** | 608 | – |
| Depreciation and amortization [1] | **4,094** | 3,879 | 3,647 |
| Earnings of equity method investments, less dividends received | **(113)** | (71) | (61) |
| Pension and other postretirement benefits expense | **355** | 518 | 403 |
| Stock-based compensation expense | **329** | 315 | 335 |
| Pension and other postretirement benefits funding | **(390)** | (538) | (673) |
| (Increase) decrease in working capital | **(36)** | 90 | (2,045) |
| Other | **(528)** | 74 | 50 |
| **Cash flow from operations** | **11,195** | 10,690 | 6,915 |
| Capital expenditures | **(3,976)** | (3,943) | (4,694) |
| SPM investments | **(740)** | (902) | (372) |
| Multiclient seismic data capitalized | **(321)** | (394) | (351) |
| **Free cash flow** [2] | **6,158** | 5,451 | 1,498 |
| Stock repurchase program | **(4,678)** | (2,596) | (972) |
| Dividends paid | **(1,968)** | (1,608) | (1,432) |
| Proceeds from employee stock plans | **825** | 537 | 410 |
| | **337** | 1,784 | (496) |
| Business acquisitions and investments, net of cash acquired and debt assumed | **(1,501)** | (610) | (845) |
| Payment for OneSubsea transaction | **–** | (600) | – |
| Proceeds from divestiture | **–** | – | 1,028 |
| Other | **220** | 94 | 52 |
| (Increase) decrease in Net Debt | **(944)** | 668 | (261) |
| Net Debt, Beginning of period | **(4,443)** | (5,111) | (4,850) |
| Net Debt, End of period | **$(5,387)** | $(4,443) | $(5,111) |

[1] Includes depreciation of property, plant and equipment and amortization of intangible assets, multiclient seismic data costs and SPM investments.

[2] "Free cash flow" represents cash flow from operations less capital expenditures, SPM investments and multiclient seismic data capitalized. Management believes that this is an important measure because it represents funds available to reduce debt and pursue opportunities that enhance shareholder value such as acquisitions and returning cash to shareholders through stock repurchases and dividends.

(Stated in millions)

| Components of Net Debt | Dec. 31 2014 | Dec. 31 2013 | Dec. 31 2012 |
|---|---|---|---|
| Cash | **$ 3,130** | $ 3,472 | $ 1,905 |
| Short-term investments | **4,371** | 4,898 | 4,369 |
| Fixed income investments, held to maturity | **442** | 363 | 245 |
| Long-term debt – current portion | **(1,244)** | (1,819) | (1,163) |
| Short-term borrowings | **(1,521)** | (964) | (958) |
| Long-term debt | **(10,565)** | (10,393) | (9,509) |
| | **$ (5,387)** | $ (4,443) | $ (5,111) |

Key liquidity events during 2014, 2013 and 2012 included:

- During the fourth quarter of 2013, Schlumberger issued $1.5 billion of 3.65% Senior Notes due 2023.
- During the fourth quarter of 2013, Schlumberger issued €0.5 billion of 1.50% Guaranteed Notes due 2019.
- During the second quarter of 2013, Schlumberger paid Cameron $600 million in connection with the formation of the OneSubsea joint venture.
- During the third quarter of 2012, Schlumberger issued $1 billion of 1.25% Senior Notes due 2017 and $1 billion of 2.40% Senior Notes due 2022.
- During the third quarter of 2012, Schlumberger completed the divestiture of its 56% interest in CE Franklin Ltd. for $122 million in cash.
- During the second quarter of 2012, Schlumberger completed the divestiture of its Wilson distribution business for $906 million in cash.
- On April 17, 2008, the Schlumberger Board of Directors (the "Board") approved an $8 billion share repurchase program for shares of Schlumberger common stock, to be acquired before December 31, 2011. On July 21, 2011, the Board approved an extension of this repurchase program to December 31, 2013. This program was completed during the third quarter of 2013.

  On July 18, 2013, the Board approved a new $10 billion share repurchase program to be completed at the latest by June 30, 2018. Schlumberger had repurchased $6.4 billion of shares under this new share repurchase program as of December 31, 2014. Schlumberger is accelerating this share repurchase program with the aim of completing it in 2.5 years as compared to the original target of 5 years.

  The following table summarizes the activity under these share repurchase programs during 2014, 2013 and 2012:

(Stated in thousands, except per share amounts)

| | Total cost of shares purchased | Total number of shares purchased | Average price paid per share |
|---|---|---|---|
| **2014** | **$4,677,687** | **47,545.9** | **$98.38** |
| 2013 | $ 2,596,447 | 31,349.5 | $ 82.82 |
| 2012 | $ 971,883 | 14,087.8 | $ 68.99 |

- Net cash provided by operating activities was $11.2 billion in 2014, $10.7 billion in 2013 and $6.9 billion in 2012. The increase in net cash flow from operations in 2014 as compared to 2013 was largely attributable to an increase in earnings before non-cash charges and credits and depreciation and amortization expense. The improvement in net cash flow from operating activities in 2013 as compared to 2012 reflected a strong working capital performance despite an 8.5% increase in revenue.

  At times in recent years, Schlumberger has experienced delays in payments from its national oil company customer in Venezuela. Schlumberger operates in approximately 85 countries. At December 31, 2014, only three of those countries individually accounted for greater than 5% of Schlumberger's accounts receivable balance, of

which only one, the United States, represented greater than 10%. Venezuela represented less than 5% of Schlumberger's accounts receivable balance at December 31, 2014.

- Dividends paid during 2014, 2013 and 2012 were $1.97 billion, $1.61 billion and $1.43 billion, respectively.

  On January 15, 2015, Schlumberger announced that its Board had approved a 25% increase in the quarterly dividend, to $0.50.

  On January 16, 2014, Schlumberger announced that its Board had approved a 28% increase in the quarterly dividend to $0.40.

  On January 17, 2013, Schlumberger announced that its Board had approved a 13.6% increase in the quarterly dividend to $0.3125.

- Capital expenditures were $4.0 billion in 2014, $3.9 billion in 2013 and $4.7 billion in 2012. Capital expenditures are expected to approach $3.4 billion for the full year 2015.

- During 2014, 2013 and 2012 Schlumberger made contributions of $390 million, $538 million and $673 million, respectively, to its postretirement benefit plans. The US pension plans were 86% funded at December 31, 2014 based on the projected benefit obligation. This compares to 96% funded at December 31, 2013.

  Schlumberger's international defined benefit pension plans were a combined 94% funded at December 31, 2014 based on the projected benefit obligation. This compares to 104% funded at December 31, 2013.

  Schlumberger currently anticipates contributing approximately $400 million to its postretirement benefit plans in 2015, subject to market and business conditions.

On January 20, 2015, Schlumberger announced that it has entered into an agreement to acquire a minority ownership of approximately 45% in Eurasia Drilling Company Limited, the largest provider of onshore drilling services in Russia. The cost of this transaction, which is expected to close during the first quarter of 2015, is approximately $1.7 billion in cash.

Schlumberger maintains a €5.0 billion Guaranteed Euro Medium Term Note program. This program provides for the issuance of various types of debt instruments such as fixed or floating rate notes in Euro, US dollar or other currencies. Schlumberger has issued €0.5 billion 1.50% Guaranteed Notes due 2019 and €1.0 billion 2.75% Guaranteed Notes due 2015 under this program.

As of December 31, 2014, Schlumberger had $7.5 billion of cash and short-term investments on hand. Schlumberger had separate committed debt facility agreements aggregating $3.9 billion with commercial banks, of which $2.3 billion was available and unused as of December 31, 2014. The $3.9 billion of committed debt facility agreements included $3.5 billion of committed facilities which support commercial paper programs. Schlumberger believes that these amounts are sufficient to meet future business requirements for at least the next 12 months.

The total outstanding commercial paper borrowings were $1.538 billion as of December 31, 2014 and $95 million as of December 31, 2013.

## *Summary of Contractual Obligations*

(Stated in millions)

| | | Payment Period | | | |
|---|---|---|---|---|---|
| | Total | 2015 | 2016 –2017 | 2018 –2019 | After 2019 |
| Debt [1] | $13,330 | $ 2,765 | $ 2,665 | $ 2,709 | $ 5,191 |
| Interest on fixed rate debt obligations [2] | 1,456 | 265 | 409 | 366 | 416 |
| Operating leases | 1,630 | 330 | 456 | 290 | 554 |
| Purchase obligations [3] | 2,444 | 1,913 | 311 | 104 | 116 |
| | $18,860 | $ 5,273 | $ 3,841 | $ 3,469 | $ 6,277 |

(1) Excludes future payments for interest.

(2) Excludes interest on $3.7 billion of variable rate debt, which had a weighted average interest rate of 1.3% as of December 31, 2014.

(3) Represents an estimate of contractual obligations in the ordinary course of business. Although these contractual obligations are considered enforceable and legally binding, the terms generally allow Schlumberger the option to reschedule and adjust its requirements based on business needs prior to the delivery of goods.

Refer to Note 18 *Pension and Other Benefit Plans* of the *Consolidated Financial Statements* for details regarding Schlumberger's pension and other postretirement benefit obligations.

As discussed in Note 14 *Income Taxes* of the *Consolidated Financial Statements*, included in the Schlumberger *Consolidated Balance Sheet* at December 31, 2014 is approximately $1.4 billion of liabilities associated with uncertain tax positions in the over 100 jurisdictions in which Schlumberger conducts business. Due to the uncertain and complex application of tax regulations, combined with the difficulty in predicting when tax audits throughout the world may be concluded, Schlumberger cannot make reliable estimates of the timing of cash outflows relating to these liabilities.

Schlumberger has outstanding letters of credit/guarantees which relate to business performance bonds, custom/excise tax commitments, facility lease/rental obligations, etc. These were entered into in the ordinary course of business and are customary practices in the various countries where Schlumberger operates.

## Critical Accounting Policies and Estimates

The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States requires Schlumberger to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenue and expenses. The following accounting policies involve "critical accounting estimates" because they are particularly dependent on estimates and assumptions made by Schlumberger about matters that are inherently uncertain. A discussion of all of Schlumberger's significant accounting policies is included in Note 2 to the *Consolidated Financial Statements*.

Schlumberger bases its estimates on historical experience and on various assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

### *Multiclient Seismic Data*

The WesternGeco business capitalizes the costs associated with obtaining multiclient seismic data. The carrying value of the multiclient seismic data library at December 31, 2014 and 2013 was $793 million and $667 million, respectively. Such costs are charged to *Cost of revenue* based on the percentage of the total costs to the estimated total revenue that Schlumberger expects to receive from the sales of such data. However, under no circumstances will an individual survey carry a net book value greater than a 4-year, straight-line amortized value.

The carrying value of surveys is reviewed for impairment annually as well as when an event or change in circumstance indicates an impairment may have occurred. Adjustments to the carrying value are recorded when it is determined that estimated future revenues, which involve significant judgment on the part of Schlumberger, would not be sufficient to recover the carrying value of the surveys. Significant adverse changes in Schlumberger's estimated future cash flows could result in impairment charges in a future period. For purposes of performing the annual impairment test of the multiclient library, larger surveys, which are typically prefunded by customers, are analyzed for impairment on a survey by survey basis and other smaller surveys are analyzed based on two pools of surveys: United States and non-United States. The United States and non-United States pools were determined to be the most appropriate level at which to perform the impairment review based upon a number of factors, including (i) various macroeconomic factors that influence the ability to successfully market surveys, and (ii) the focus of the sales force and related costs.

### *Allowance for Doubtful Accounts*

Schlumberger maintains an allowance for doubtful accounts in order to record accounts receivable at their net realizable value. Judgment is involved in recording and making adjustments to this reserve. Allowances have been recorded for receivables believed to be uncollectible, including amounts for the resolution of potential credit and other collection issues such as disputed invoices. Depending on how such potential issues are resolved, or if the financial condition of Schlumberger customers were to deteriorate resulting in an impairment of their ability to make payments, adjustments to the allowance may be required.

*Goodwill, Intangible Assets and Long-Lived Assets*

Schlumberger records the excess of purchase price over the fair value of the tangible and identifiable intangible assets acquired and liabilities assumed as goodwill. The goodwill relating to each of Schlumberger's reporting units is tested for impairment annually as well as when an event, or change in circumstances, indicates an impairment may have occurred.

Under generally accepted accounting principles, Schlumberger has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of one of its reporting units is greater than its carrying amount. If, after assessing the totality of events or circumstances, Schlumberger determines it is more likely than not that the fair value of a reporting unit is greater than its carrying amount, then there is no need to perform any further testing. However, if Schlumberger concludes otherwise, then it is required to perform the first step of a two-step impairment test by calculating the fair value of the reporting unit and comparing the fair value with the carrying amount of the reporting unit. If the fair value of the reporting unit is less than its carrying value, an impairment loss is recorded to the extent that the implied fair value of the goodwill of the reporting unit is less than its carrying value.

Schlumberger has the option to bypass the qualitative assessment for any reporting unit in any period and proceed directly to performing the first step of the two-step goodwill impairment test.

For purposes of performing the impairment test for goodwill, Schlumberger's reporting units are its three Groups: Reservoir Characterization, Drilling and Production. Schlumberger elected to perform the qualitative assessment described above for purposes of its annual goodwill impairment test in 2014. Based on this assessment, Schlumberger concluded that it was more likely than not that the fair value of each of its reporting units was greater than its carrying amount. Accordingly, no further testing was required.

Long-lived assets, including fixed assets, intangible assets and investments in SPM projects, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. In reviewing for impairment, the carrying value of such assets is compared to the estimated undiscounted future cash flows expected from the use of the assets and their eventual disposition. If such cash flows are not sufficient to support the asset's recorded value, an impairment charge is recognized to reduce the carrying value of the long-lived asset to its estimated fair value. The determination of future cash flows as well as the estimated fair value of long-lived assets involves significant estimates on the part of management. If there is a material change in economic conditions or other circumstances influencing the estimate of future cash flows or fair value, Schlumberger could be required to recognize impairment charges in the future.

*Income Taxes*

Schlumberger conducts business in more than 100 tax jurisdictions, a number of which have tax laws that are not fully defined and are evolving. Schlumberger's tax filings are subject to regular audits by the tax authorities. These audits may result in assessments for additional taxes which are resolved with the authorities or, potentially, through the courts. Tax liabilities are recorded based on estimates of additional taxes which will be due upon the conclusion of these audits. Estimates of these tax liabilities are made based upon prior experience and are updated in light of changes in facts and circumstances. However, due to the uncertain and complex application of tax regulations, the ultimate resolution of audits may result in liabilities which could be materially different from these estimates. In such an event, Schlumberger will record additional tax expense or tax benefit in the period in which such resolution occurs.

*Pension and Postretirement Benefits*

Schlumberger's pension and postretirement benefit obligations are described in detail in Note 18 to the *Consolidated Financial Statements*. The obligations and related costs are calculated using actuarial concepts, which include critical assumptions related to the discount rate, expected rate of return on plan assets and medical cost trend rates. These assumptions are important elements of expense and/or liability measurement and are updated on an annual basis, or upon the occurrence of significant events.

The discount rate Schlumberger uses reflects the prevailing market rate of a portfolio of high-quality debt instruments with maturities matching the expected timing of the payment of the benefit obligations. The following summarizes the discount rates utilized by Schlumberger for its various pension and postretirement benefit plans:

- The discount rate utilized to determine the liability for Schlumberger's United States pension plans and postretirement medical plans was 4.15% at December 31, 2014 and 4.85% at December 31, 2013.

- The weighted-average discount rate utilized to determine the liability for Schlumberger's international pension plans was 4.07% at December 31, 2014 and 4.76% at December 31, 2013.
- The weighted-average discount rate utilized to determine expense for Schlumberger's United States pension plans and postretirement medical plans increased from 4.25% in 2013 to 4.85% in 2014.
- The weighted-average discount rate utilized to determine expense for Schlumberger's international pension plans increased from 4.38% in 2013 to 4.76% in 2014.

The expected rate of return for our retirement benefit plans represents the average rate of return expected to be earned on plan assets over the period that benefits included in the benefit obligation are expected to be paid. The expected rate of return for Schlumberger's United States pension plans has been determined based upon expected rates of return for the investment portfolio, with consideration given to the distribution of investments by asset class and historical rates of return for each individual asset class. The weighted average expected rate of return on plan assets for the United States pension plans decreased from 7.50% in 2013 to 7.25% in 2014. The weighted average expected rate of return on plan assets for the international pension plans was 7.50% in both 2014 and 2013. A lower expected rate of return would increase pension expense.

Schlumberger's medical cost trend rate assumptions are developed based on historical cost data, the near-term outlook and an assessment of likely long-term trends. The overall medical cost trend rate assumption utilized to determine the 2014 postretirement medical expense was 7.25% graded to 5% over the next ten years. The overall medical trend rate assumption utilized to determine the postretirement medical liability at December 31, 2014 was 7.00% graded to 5% over the next ten years.

The following illustrates the sensitivity to changes in certain assumptions, holding all other assumptions constant, for the United States and international pension plans:

(Stated in millions)

| Change in Assumption | Effect on 2014 Pretax Pension Expense | Effect on Dec. 31, 2014 Liability |
|---|---|---|
| 25 basis point decrease in discount rate | +$52 | +$481 |
| 25 basis point increase in discount rate | –$52 | –$452 |
| 25 basis point decrease in expected return on plan assets | +$22 | – |
| 25 basis point increase in expected return on plan assets | –$22 | – |

The following illustrates the sensitivity to changes in certain assumptions, holding all other assumptions constant, for Schlumberger's United States postretirement medical plans:

(Stated in millions)

| Change in Assumption | Effect on 2014 Pretax Postretirement Medical Expense | Effect on Dec. 31, 2014 Liability |
|---|---|---|
| 25 basis point decrease in discount rate | +$6 | +$45 |
| 25 basis point increase in discount rate | –$2 | –$48 |
| 100 basis point decrease per annum in medical cost trend rate | –$17 | –$33 |
| 100 basis point increase per annum in medical cost trend rate | +$42 | +$37 |

*Investments in Affiliated Companies*

*Investments in Affiliated Companies* on the consolidated balance sheet primarily reflects Schlumberger's investments in privately held companies, some of which are in the startup or development stages and are often still defining their strategic direction. Such investments are inherently risky and their success is dependent on factors such as technology development, market acceptance and their ability to raise additional funds. The technology being developed by these companies may never materialize and they could fail. Schlumberger monitors its portfolio to determine if any investment is other-than-temporarily impaired. If an investment is considered to be other-than-temporarily impaired, it is written down to its fair value.

## Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Schlumberger is subject to market risks primarily associated with changes in foreign currency exchange rates and interest rates.

As a multinational company, Schlumberger conducts business in approximately 85 countries. Schlumberger's functional currency is primarily the US dollar, which is consistent with the oil and gas industry. Approximately 81% of Schlumberger's revenue in 2014 was denominated in US dollars. However, outside the United States, a significant portion of Schlumberger's expenses is incurred in foreign currencies. Therefore, when the US dollar weakens in relation to the foreign currencies of the countries in which Schlumberger conducts business, the US dollar-reported expenses will increase.

A 5% increase or decrease in the average exchange rates of all the foreign currencies in 2014 would have changed revenue by approximately 1%. If the 2014 average exchange rates of the US dollar against all foreign currencies had strengthened by 5%, Schlumberger's income from continuing operations would have increased by approximately 3%. Conversely, a 5% weakening of the US dollar average exchange rates would have decreased income from continuing operations by approximately 3%.

Please refer to Note 3 to the *Consolidated Financial Statements* for a discussion of exchange rates as it relates to Schlumberger's operations in Venezuela.

Schlumberger maintains a foreign-currency risk management strategy that uses derivative instruments to protect its interests from unanticipated fluctuations in earnings and cash flows caused by volatility in currency exchange rates. Foreign currency forward contracts and foreign currency options provide a hedge against currency fluctuations either on monetary assets/liabilities denominated in other than a functional currency or on expenses.

At December 31, 2014, contracts were outstanding for the US dollar equivalent of $6.8 billion in various foreign currencies of which $2.5 billion relate to hedges of debt balances denominated in currencies other than the functional currency.

Schlumberger is subject to interest rate risk on its debt and its investment portfolio. Schlumberger maintains an interest rate risk management strategy that uses a mix of variable and fixed rate debt combined with its investment portfolio and occasionally interest rate swaps to mitigate the exposure to changes in interest rates. At December 31, 2014, Schlumberger had fixed rate debt aggregating approximately $9.6 billion and variable rate debt aggregating approximately $3.7 billion before considering the effects of cross currency swaps.

Schlumberger's exposure to interest rate risk associated with its debt is also partially mitigated by its investment portfolio. Both *Short-term investments* and *Fixed income investments*, *held to maturity*, which totaled approximately $4.8 billion at December 31, 2014, are comprised primarily of money market funds, time deposits, certificates of deposit, commercial paper, bonds and notes, substantially all of which are denominated in US dollars. The average return on investment was 0.7% in 2014.

The following table represents carrying amounts of Schlumberger's debt at December 31, 2014 by year of maturity:

(Stated in millions)

| | Expected Maturity Dates | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2015 | 2016 | 2017 | 2018 | 2019 | 2021 | 2022 | 2023 | Total |
| **Fixed rate debt** | | | | | | | | | |
| 3.30% Senior Notes | | | | | | $ 1,597 | | | $ 1,597 |
| 3.65% Senior Notes | | | | | | | | $ 1,495 | 1,495 |
| 2.75% Guaranteed Notes | $ 1,218 | | | | | | | | 1,218 |
| 1.95% Senior Notes | | $ 1,100 | | | | | | | 1,100 |
| 4.20% Senior Notes | | | | | | 1,100 | | | 1,100 |
| 1.25% Senior Notes | | | $ 1,000 | | | | | | 1,000 |
| 2.40% Senior Notes | | | | | | | $ 999 | | 999 |
| 1.50% Guaranteed Notes | | | | | $ 628 | | | | 628 |
| 2.65% Senior Notes | | 500 | | | | | | | 500 |
| Total fixed rate debt | $ 1,218 | $ 1,600 | $ 1,000 | $ – | $ 628 | $ 2,697 | $ 999 | $ 1,495 | $ 9,637 |
| **Variable rate debt** | 1,547 | 37 | 28 | 1,866 | 215 | – | – | – | 3,693 |
| **Total** | $ 2,765 | $ 1,637 | $ 1,028 | $ 1,866 | $ 843 | $ 2,697 | $ 999 | $ 1,495 | $13,330 |

The fair market value of the outstanding fixed rate debt was approximately $9.8 billion as of December 31, 2014. The weighted average interest rate on the variable rate debt as of December 31, 2014 was 1.3%.

Schlumberger does not enter into derivatives for speculative purposes.

## *Forward-looking Statements*

This Form 10-K and other statements we make contain "forward-looking statements" within the meaning of the federal securities laws, which include any statements that are not historical facts, such as our forecasts or expectations regarding business outlook; growth for Schlumberger as a whole and for each of its segments (and for specified products or geographic areas within each segment); oil and natural gas demand and production growth; oil and natural gas prices; improvements in operating procedures and technology; capital expenditures by Schlumberger and the oil and gas industry; the business strategies of Schlumberger's customers; the success of Schlumberger's joint ventures, alliances, acquisitions and restructuring efforts; future global economic conditions; and future results of operations. These statements are subject to risks and uncertainties, including, but not limited to, global economic conditions; changes in exploration and production spending by Schlumberger's customers and changes in the level of oil and natural gas exploration and development; general economic, political and business conditions in key regions of the world, including in Russia and the Ukraine; pricing erosion; weather and seasonal factors; operational delays; production declines; changes in government regulations and regulatory requirements, including those related to offshore oil and gas exploration, radioactive sources, explosives, chemicals, hydraulic fracturing services, technology and climate-related initiatives; the inability of technology to meet new challenges in exploration; and other risks and uncertainties detailed in the Risk Factors section of this Form 10-K and other filings that we make with the Securities and Exchange Commission. If one or more of these or other risks or uncertainties materialize (or the consequences of such a development changes), or should our underlying assumptions prove incorrect, actual outcomes may vary materially from those reflected in our forward-looking statements. Schlumberger disclaims any intention or obligation to update publicly or revise such statements, whether as a result of new information, future events or otherwise.

## Item 8. Financial Statements and Supplementary Data.

SCHLUMBERGER LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME

(Stated in millions, except per share amounts)

| Year Ended December 31, | 2014 | 2013 | 2012 |
|---|---|---|---|
| *Revenue* | **$48,580** | $45,266 | $41,731 |
| *Interest and other income* | **291** | 165 | 172 |
| *Gain on formation of OneSubsea* | **–** | 1,028 | – |
| *Expenses* | | | |
| Cost of revenue | **37,398** | 35,331 | 32,885 |
| Research & engineering | **1,217** | 1,174 | 1,153 |
| General & administrative | **475** | 416 | 405 |
| Merger & integration | **–** | – | 128 |
| Impairments & other | **1,773** | 456 | 33 |
| Interest | **369** | 391 | 340 |
| *Income from continuing operations before taxes* | **7,639** | 8,691 | 6,959 |
| Taxes on income | **1,928** | 1,848 | 1,700 |
| *Income from continuing operations* | **5,711** | 6,843 | 5,259 |
| *Income (loss) from discontinued operations* | **(205)** | (69) | 260 |
| *Net income* | **5,506** | 6,774 | 5,519 |
| Net income attributable to noncontrolling interests | **68** | 42 | 29 |
| *Net income attributable to Schlumberger* | **$ 5,438** | $ 6,732 | $ 5,490 |
| **Schlumberger amounts attributable to:** | | | |
| Income from continuing operations | **$ 5,643** | $ 6,801 | $ 5,230 |
| Income (loss) from discontinued operations | **(205)** | (69) | 260 |
| Net income | **$ 5,438** | $ 6,732 | $ 5,490 |
| **Basic earnings per share of Schlumberger:** | | | |
| Income from continuing operations | **$ 4.36** | $ 5.14 | $ 3.93 |
| Income (loss) from discontinued operations | **(0.16)** | (0.05) | 0.20 |
| Net income | **$ 4.20** | $ 5.09 | $ 4.13 |
| **Diluted earnings per share of Schlumberger:** | | | |
| Income from continuing operations | **$ 4.31** | $ 5.10 | $ 3.91 |
| Income (loss) from discontinued operations | **(0.16)** | (0.05) | 0.19 |
| Net income [1] | **$ 4.16** | $ 5.05 | $ 4.10 |
| **Average shares outstanding:** | | | |
| Basic | **1,295** | 1,323 | 1,330 |
| Assuming dilution | **1,308** | 1,333 | 1,339 |

[1] Amounts may not add due to rounding.

*See the Notes to Consolidated Financial Statements*

SCHLUMBERGER LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Stated in millions)

| Year Ended December 31, | 2014 | 2013 | 2012 |
|---|---|---|---|
| *Net income* | **$ 5,506** | $ 6,774 | $ 5,519 |
| *Currency translation adjustments* | | | |
| Unrealized net change arising during the period | **(463)** | (151) | 76 |
| *Marketable securities* | | | |
| Unrealized gain (loss) arising during the period | **(166)** | 35 | 141 |
| *Cash flow hedges* | | | |
| Net gain (loss) on cash flow hedges | **(238)** | 49 | 92 |
| Reclassification to net income of net realized (gain) loss | **113** | (50) | (36) |
| *Pension and other postretirement benefit plans* | | | |
| Actuarial gain (loss) | | | |
| Actuarial gain (loss) arising during the period | **(1,285)** | 1,328 | (1,016) |
| Amortization to net income of net actuarial loss | **177** | 300 | 187 |
| Prior service cost | | | |
| Amortization to net income of net prior service cost | **128** | 125 | 125 |
| Income taxes on pension and other postretirement benefit plans | **82** | (302) | 100 |
| *Comprehensive income* | **3,854** | 8,108 | 5,188 |
| Comprehensive income attributable to noncontrolling interests | **68** | 42 | 29 |
| *Comprehensive income attributable to Schlumberger* | **$ 3,786** | $ 8,066 | $ 5,159 |

*See the Notes to Consolidated Financial Statements*

SCHLUMBERGER LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

(Stated in millions)

| December 31, | 2014 | 2013 |
|---|---|---|
| ***ASSETS*** | | |
| *Current Assets* | | |
| Cash | **$ 3,130** | $ 3,472 |
| Short-term investments | **4,371** | 4,898 |
| Receivables less allowance for doubtful accounts (2014 – $275; 2013 – $384) | **11,171** | 11,497 |
| Inventories | **4,628** | 4,603 |
| Deferred taxes | **144** | 288 |
| Other current assets | **1,250** | 1,467 |
| | **24,694** | 26,225 |
| *Fixed Income Investments, held to maturity* | **442** | 363 |
| *Investments in Affiliated Companies* | **3,235** | 3,317 |
| *Fixed Assets less accumulated depreciation* | **15,396** | 15,096 |
| *Multiclient Seismic Data* | **793** | 667 |
| *Goodwill* | **15,487** | 14,706 |
| *Intangible Assets* | **4,654** | 4,709 |
| *Other Assets* | **2,203** | 2,017 |
| | **$ 66,904** | $ 67,100 |
| ***LIABILITIES AND EQUITY*** | | |
| *Current Liabilities* | | |
| Accounts payable and accrued liabilities | **$ 9,246** | $ 8,837 |
| Estimated liability for taxes on income | **1,647** | 1,490 |
| Long-term debt – current portion | **1,244** | 1,819 |
| Short-term borrowings | **1,521** | 964 |
| Dividends payable | **518** | 415 |
| | **14,176** | 13,525 |
| *Long-term Debt* | **10,565** | 10,393 |
| *Postretirement Benefits* | **1,501** | 670 |
| *Deferred Taxes* | **1,296** | 1,708 |
| *Other Liabilities* | **1,317** | 1,169 |
| | **28,855** | 27,465 |
| *Equity* | | |
| Common stock | **12,495** | 12,192 |
| Treasury stock | **(11,772)** | (8,135) |
| Retained earnings | **41,333** | 37,966 |
| Accumulated other comprehensive loss | **(4,206)** | (2,554) |
| Schlumberger stockholders' equity | **37,850** | 39,469 |
| Noncontrolling interests | **199** | 166 |
| | **38,049** | 39,635 |
| | **$ 66,904** | $ 67,100 |

*See the Notes to Consolidated Financial Statements*

SCHLUMBERGER LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

(Stated in millions)

| Year Ended December 31, | 2014 | 2013 | 2012 |
|---|---|---|---|
| Cash flows from operating activities: | | | |
| Net Income | **$ 5,506** | $ 6,774 | $ 5,519 |
| Add: Loss (income) from discontinued operations | **205** | 69 | (260) |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Gain on formation of OneSubsea | **–** | (1,028) | – |
| Impairments and other charges | **1,773** | 608 | – |
| Depreciation and amortization [1] | **4,094** | 3,879 | 3,647 |
| Pension and other postretirement benefits expense | **355** | 518 | 403 |
| Stock-based compensation expense | **329** | 315 | 335 |
| Pension and other postretirement benefits funding | **(390)** | (538) | (673) |
| Earnings of equity method investments, less dividends received | **(113)** | (71) | (61) |
| Change in operating assets and liabilities [2]: | | | |
| Increase in receivables | **(187)** | (803) | (2,051) |
| (Increase) decrease in inventories | **(36)** | 188 | (645) |
| Decrease (increase) in other current assets | **119** | 17 | (350) |
| Increase in other assets | **(134)** | (78) | (28) |
| (Decrease) increase in accounts payable and accrued liabilities | **(36)** | 654 | 876 |
| Increase in estimated liability for taxes on income | **104** | 34 | 125 |
| (Decrease) increase in other liabilities | **(79)** | 60 | 1 |
| Other | **(315)** | 92 | 77 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | **11,195** | 10,690 | 6,915 |
| Cash flows from investing activities: | | | |
| Capital expenditures | **(3,976)** | (3,943) | (4,694) |
| SPM investments | **(740)** | (902) | (372) |
| Multiclient seismic data capitalized | **(321)** | (394) | (351) |
| Business acquisitions and investments, net of cash acquired | **(1,008)** | (1,210) | (845) |
| Sale (purchase) of investments, net | **446** | (648) | (1,228) |
| Other | **19** | 218 | (55) |
| NET CASH USED IN INVESTING ACTIVITIES | **(5,580)** | (6,879) | (7,545) |
| Cash flows from financing activities: | | | |
| Dividends paid | **(1,968)** | (1,608) | (1,432) |
| Proceeds from employee stock purchase plan | **295** | 270 | 247 |
| Proceeds from exercise of stock options | **530** | 267 | 163 |
| Stock repurchase program | **(4,678)** | (2,596) | (972) |
| Proceeds from issuance of long-term debt | **2,289** | 4,554 | 2,832 |
| Repayment of long-term debt | **(2,878)** | (3,141) | (1,817) |
| Net increase in short-term borrowings | **552** | 37 | 621 |
| Other | **(38)** | 18 | 19 |
| NET CASH USED IN FINANCING ACTIVITIES | **(5,896)** | (2,199) | (339) |
| Cash flow provided by (used in) discontinued operations – operating activities | **24** | (2) | 145 |
| Cash flow (used in) provided by discontinued operations – investing activities | **–** | (28) | 1,011 |
| Cash flow provided by (used in) discontinued operations | **24** | (30) | 1,156 |
| Net (decrease) increase in cash before translation effect | **(257)** | 1,582 | 187 |
| Translation effect on cash | **(85)** | (15) | 13 |
| Cash, beginning of year | **3,472** | 1,905 | 1,705 |
| Cash, end of year | **$ 3,130** | $ 3,472 | $ 1,905 |

[1] Includes depreciation of property, plant and equipment and amortization of intangible assets, multiclient seismic data costs and SPM investments.

[2] Net of the effect of business acquisitions and divestitures.

*See the Notes to Consolidated Financial Statements*

SCHLUMBERGER LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

(Stated in millions)

| | Common Stock | | | Accumulated Other | | |
|---|---|---|---|---|---|---|
| | Issued | In Treasury | Retained Earnings | Comprehensive Loss | Noncontrolling Interests | Total |
| Balance, January 1, 2012 | $ 11,639 | $ (5,679) | $ 28,860 | $ (3,557) | $ 129 | $ 31,392 |
| Net income | | | 5,490 | | 29 | 5,519 |
| Currency translation adjustments | | | | 71 | | 71 |
| Change in unrealized gain on marketable securities | | | | 141 | | 141 |
| Changes in fair value of cash flow hedges | | | | 56 | | 56 |
| Pension and other postretirement benefit plans | | | | (604) | | (604) |
| Shares sold to optionees less shares exchanged | (75) | 238 | | | | 163 |
| Vesting of restricted stock | (20) | 20 | | | | – |
| Shares issued under employee stock purchase plan | 16 | 231 | | | | 247 |
| Stock repurchase program | | (972) | | | | (972) |
| Stock-based compensation cost | 335 | | | | | 335 |
| Sale of CE Franklin | | | | 5 | (68) | (63) |
| Dividends declared ($1.10 per share) | | | (1,463) | | | (1,463) |
| Other | 17 | 2 | | | 17 | 36 |
| Balance, December 31, 2012 | 11,912 | (6,160) | 32,887 | (3,888) | 107 | 34,858 |
| Net income | | | 6,732 | | 42 | 6,774 |
| Currency translation adjustments | | | | (151) | | (151) |
| Change in unrealized gain on marketable securities | | | | 35 | | 35 |
| Changes in fair value of cash flow hedges | | | | (1) | | (1) |
| Pension and other postretirement benefit plans | | | | 1,451 | | 1,451 |
| Shares sold to optionees less shares exchanged | (44) | 311 | | | | 267 |
| Vesting of restricted stock | (56) | 56 | | | | – |
| Shares issued under employee stock purchase plan | 18 | 252 | | | | 270 |
| Stock repurchase program | | (2,596) | | | | (2,596) |
| Stock-based compensation cost | 315 | | | | | 315 |
| Dividends declared ($1.25 per share) | | | (1,653) | | | (1,653) |
| Other | 47 | 2 | | | 17 | 66 |
| Balance, December 31, 2013 | 12,192 | (8,135) | 37,966 | (2,554) | 166 | 39,635 |
| Net income | | | 5,438 | | 68 | 5,506 |
| Currency translation adjustments | | | | (463) | | (463) |
| Change in unrealized gain on marketable securities | | | | (166) | | (166) |
| Changes in fair value of cash flow hedges | | | | (125) | | (125) |
| Pension and other postretirement benefit plans | | | | (898) | | (898) |
| Shares sold to optionees less shares exchanged | (26) | 556 | | | | 530 |
| Vesting of restricted stock | (79) | 79 | | | | – |
| Shares issued under employee stock purchase plan | 33 | 262 | | | | 295 |
| Stock repurchase program | | (4,678) | | | | (4,678) |
| Stock-based compensation cost | 329 | | | | | 329 |
| Dividends declared ($1.60 per share) | | | (2,071) | | | (2,071) |
| Shares issued for acquisition | 72 | 141 | | | | 213 |
| Other | (26) | 3 | | | (35) | (58) |
| Balance, December 31, 2014 | $ 12,495 | $ (11,772) | $ 41,333 | $ (4,206) | $ 199 | $ 38,049 |

*See the Notes to Consolidated Financial Statements*

SCHLUMBERGER LIMITED AND SUBSIDIARIES

SHARES OF COMMON STOCK

(Stated in millions)

| | Issued | In Treasury | Shares Outstanding |
|---|---|---|---|
| Balance, January 1, 2012 | 1,434 | (100) | 1,334 |
| Shares sold to optionees less shares exchanged | – | 4 | 4 |
| Shares issued under employee stock purchase plan | – | 4 | 4 |
| Stock repurchase program Stock repurchase program | – | (14) | (14) |
| Balance, December 31, 2012 | 1,434 | (106) | 1,328 |
| Shares sold to optionees less shares exchanged | – | 5 | 5 |
| Vesting of restricted stock | – | 1 | 1 |
| Shares issued under employee stock purchase plan | – | 4 | 4 |
| Stock repurchase program | – | (31) | (31) |
| Balance, December 31, 2013 | 1,434 | (127) | 1,307 |
| Shares sold to optionees less shares exchanged | – | 9 | 9 |
| Vesting of restricted stock | – | 1 | 1 |
| Shares issued under employee stock purchase plan | – | 4 | 4 |
| Shares issued for acquisition | – | 2 | 2 |
| Stock repurchase program | – | (48) | (48) |
| Balance, December 31, 2014 | 1,434 | (159) | 1,275 |

*See the Notes to Consolidated Financial Statements*

## Notes to Consolidated Financial Statements

### 1. Business Description

Schlumberger Limited (Schlumberger N.V., incorporated in Curaçao) and its consolidated subsidiaries (collectively, "Schlumberger") comprise the world's leading supplier of technology, integrated project management and information solutions to the international oil and gas exploration and production industry.

### 2. Summary of Accounting Policies

The *Consolidated Financial Statements* of Schlumberger have been prepared in accordance with accounting principles generally accepted in the United States of America.

#### *Principles of Consolidation*

The accompanying *Consolidated Financial Statements* include the accounts of Schlumberger, its wholly-owned subsidiaries, and other subsidiaries over which it exercises a controlling financial interest. All significant intercompany transactions and balances have been eliminated.

#### *Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. On an ongoing basis, Schlumberger evaluates its estimates, including those related to collectibility of accounts receivable; recoverability of fixed assets, goodwill, intangible assets, Schlumberger Production Management investments and investments in affiliates; income taxes; multiclient seismic data; contingencies and actuarial assumptions for employee benefit plans. Schlumberger bases its estimates on historical experience and other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

#### *Revenue Recognition*

Schlumberger recognizes revenue based upon purchase orders, contracts or other persuasive evidence of an arrangement with the customer that include fixed or determinable prices provided that collectibility is reasonably assured. Revenue is recognized for services when they are rendered. Revenue is recognized for products upon delivery and when the customer assumes the risks and rewards of ownership.

Revenue from seismic contract services performed on a dayrate basis is recognized as the service is performed. Revenue from other services, including pre-funded multiclient surveys, is recognized as the seismic data is acquired and/or processed on a proportionate basis as work is performed. This method requires revenue to be recognized based upon quantifiable measures of progress, such as square kilometers acquired. Multiclient data surveys are licensed or sold to customers on a non-transferable basis. Revenue from sales of completed multiclient data surveys is recognized upon obtaining a signed licensing agreement and providing customers with access to such data.

Revenue is occasionally generated from contractual arrangements that include multiple deliverables. Revenue from these arrangements is recognized as each item is delivered based on their relative fair value, provided that the delivered items have stand-alone value to the customer.

Revenue derived from the sale of licenses of Schlumberger software may include installation, maintenance, consulting and training services. If services are not essential to the functionality of the software, the revenue for each element of the contract is recognized separately based on its respective vendor specific objective evidence of fair value when all of the following conditions are met: a signed contract is obtained, delivery has occurred, the fee is fixed or determinable and collectibility is probable.

#### *Translation of Non-United States Currencies*

The functional currency of Schlumberger is primarily the US dollar. Assets and liabilities recorded in functional currencies other than US dollars are translated at period-end exchange rates. The resulting adjustments are charged or credited directly to the *Equity* section of the *Consolidated Balance Sheet*. Revenue and expenses are translated at the

weighted-average exchange rates for the period. Realized and unrealized transaction gains and losses are included in income in the period in which they occur. Transaction losses of $67 million, $24 million and $37 million, net of hedging activities, were recognized in 2014, 2013 and 2012, respectively.

### *Short-term and Fixed Income Investments*

The *Consolidated Balance Sheet* reflects the Schlumberger investment portfolio separated between current and long term, based on maturity. Both *Short-term investments* and *Fixed Income Investments, held to maturity* are comprised primarily of money market funds, time deposits, certificates of deposit, commercial paper, bonds and notes, substantially all of which are denominated in US dollars. Under normal circumstances Schlumberger intends to hold such investments until maturity, with the exception of $194 million of investments at December 31, 2013 that are considered trading. Short-term investments designated as trading are stated at fair value, which is estimated using quoted market prices for those or similar investments. All other investments are stated at cost plus accrued interest, which approximates market. The unrealized gains/losses on investments designated as trading were not significant at December 31, 2013.

For purposes of the *Consolidated Statement of Cash Flows*, Schlumberger does not consider *Short-term investments to be cash equivalents.*

*Fixed Income Investments, held to maturity* at December 31, 2014 of $442 million mature as follows: $49 million in 2016, $91 million in 2017, $298 million in 2018, $3 million in 2019 and $1 million in 2020.

### *Inventories*

*Inventories* are stated at average cost or at market, whichever is lower. Costs included in *Inventories* consist of materials, direct labor and manufacturing overhead.

### *Investments in Affiliated Companies*

Investments in companies in which Schlumberger does not have a controlling financial interest, but over which it has significant influence are accounted for using the equity method. Schlumberger's share of the after-tax earnings of equity method investees is included in *Interest and other income*. Investments in privately held companies in which Schlumberger does not have the ability to exercise significant influence are accounted for using the cost method. Investments in publicly traded companies in which Schlumberger does not have significant influence are accounted for as available-for-sale marketable securities. These marketable securities are reported at fair value, based on quoted market prices, with unrealized gains and losses reported as a component of *Accumulated other comprehensive loss*. The fair value of these marketable securities was $91 million and $257 million at December 31, 2014 and 2013, respectively. The cost basis of these marketable securities was $81 million at both December 31, 2014 and 2013.

Equity and cost method investments as well as investments in publicly traded companies are classified as *Investments in Affiliated Companies* in the *Consolidated Balance Sheet*.

### *Fixed Assets and Depreciation*

Fixed assets are stated at cost less accumulated depreciation, which is provided for by charges to income over the estimated useful lives of the assets using the straight-line method. Fixed assets include the manufacturing cost of oilfield technical equipment manufactured or assembled by subsidiaries of Schlumberger. Expenditures for replacements and improvements are capitalized. Maintenance and repairs are charged to operating expenses as incurred. Upon sale or other disposition, the applicable amounts of asset cost and accumulated depreciation are removed from the balance sheet and the net amount, less proceeds from disposal, is charged or credited to income.

### *Multiclient Seismic Data*

The multiclient library consists of completed and in-process seismic surveys that are licensed on a nonexclusive basis. Schlumberger capitalizes costs directly incurred in acquiring and processing the multiclient seismic data. Such costs are charged to *Cost of revenue* based on the percentage of the total costs to the estimated total revenue that Schlumberger expects to receive from the sales of such data. However, under no circumstance will an individual survey carry a net book value greater than a 4-year, straight-line amortized value.

The carrying value of the multiclient library is reviewed for impairment annually as well as when an event or change in circumstance indicating impairment may have occurred. Adjustments to the carrying value are recorded when it is

determined that estimated future cash flows, which involves significant judgment on the part of Schlumberger, would not be sufficient to recover the carrying value of the surveys. Significant adverse changes in Schlumberger's estimated future cash flows could result in impairment charges in a future period.

### *Schlumberger Production Management*

Schlumberger Production Management (SPM) projects are focused on developing and co-managing the production of Schlumberger customers' assets under long-term agreements. Schlumberger will invest its own services, products and in some cases cash, into the field development activities and operations. Although in certain arrangements Schlumberger is paid for a portion of the services or products it provides, generally Schlumberger will not be paid at the time of providing its services or upon delivery of its products. Instead, Schlumberger is compensated based upon cash flow generated or on a fee-per-barrel basis for any incremental production Schlumberger helps deliver above a mutually agreed baseline.

Schlumberger capitalizes its cash investments in a project as well as the direct costs associated with providing services or products for which Schlumberger will be compensated if incremental production is achieved. Revenue is recognized as the incremental production is achieved. These capitalized investments are amortized to the *Consolidated Statement of Income* as incremental oil production is achieved based on the units of production method, whereby each incremental unit produced is assigned a pro-rata portion of the unamortized costs based on estimated total incremental production, resulting in a matching of revenue with the applicable costs.

The unamortized portion of Schlumberger's investments in SPM projects was approximately $1.411 billion and $1.154 billion at December 31, 2014 and 2013, respectively. These amounts are included within *Other Assets* in Schlumberger's *Consolidated Balance Sheet*. In 2014, Schlumberger revised its *Consolidated Statement of Cash Flows* to present certain cash outflows relating to SPM activities as a separate line item within investing activities, referred to as *SPM investments*. Schlumberger historically presented such cash outflows as an operating activity. This change was not material to prior periods.

### *Goodwill, Intangible Assets and Long-lived Assets*

Schlumberger records the excess of purchase price over the fair value of the tangible and identifiable intangible assets acquired and liabilities assumed as goodwill. The goodwill relating to each of Schlumberger's reporting units is tested for impairment annually as well as when an event, or change in circumstances, indicates an impairment may have occurred.

Under generally accepted accounting principles, Schlumberger has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of one of its reporting units is greater than its carrying amount. If, after assessing the totality of events or circumstances, Schlumberger determines it is more likely than not that the fair value of a reporting unit is greater than its carrying amount, then there is no need to perform any further testing. However, if Schlumberger concludes otherwise, then it is required to perform the first step of a two-step impairment test by calculating the fair value of the reporting unit and comparing the fair value with the carrying amount of the reporting unit. If the fair value of the reporting unit is less than its carrying value, an impairment loss is recorded to the extent that the implied fair value of the goodwill of the reporting unit is less than its carrying value.

Schlumberger has the option to bypass the qualitative assessment for any reporting unit in any period and proceed directly to performing the first step of the two-step goodwill impairment test.

For purposes of performing the impairment test for goodwill, Schlumberger's reporting units are its three Groups: Reservoir Characterization, Drilling and Production. Schlumberger elected to perform the qualitative assessment described above for purposes of its annual goodwill impairment test in 2014. Based on this assessment, Schlumberger concluded that it was more likely than not that the fair value of each of its reporting units was greater than its carrying amount. Accordingly, no further testing was required.

Long-lived assets, including fixed assets, intangible assets and investments in SPM projects, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. In reviewing for impairment, the carrying value of such assets is compared to the estimated undiscounted future cash flows expected from the use of the assets and their eventual disposition. If such cash flows are not sufficient to support the asset's recorded value, an impairment charge is recognized to reduce the carrying value of the long-lived asset to its estimated fair value. The determination of future cash flows as well as the estimated fair value of long-lived assets

involve significant estimates on the part of management. If there is a material change in economic conditions or other circumstances influencing the estimate of future cash flows or fair value, Schlumberger could be required to recognize impairment charges in the future.

Intangible assets consist primarily of customer relationships, technology/technical know-how and tradenames acquired in business combinations. Customer relationships are generally amortized over periods ranging from 15 to 28 years, acquired technology/technical know-how are generally amortized over periods ranging from 10 to 18 years, and tradenames are generally amortized over periods ranging from 15 to 30 years.

### *Taxes on Income*

Schlumberger computes taxes on income in accordance with the tax rules and regulations of the many taxing authorities where the income is earned. The income tax rates imposed by these taxing authorities vary substantially. Taxable income may differ from pretax income for financial accounting purposes. To the extent that differences are due to revenue or expense items reported in one period for tax purposes and in another period for financial accounting purposes, an appropriate provision for deferred income taxes is made. Any effect of changes in income tax rates or tax laws are included in the provision for income taxes in the period of enactment. When it is more likely than not that a portion or all of the deferred tax asset will not be realized in the future, Schlumberger provides a corresponding valuation allowance against deferred tax assets.

Schlumberger's tax filings are subject to regular audit by the tax authorities in most of the jurisdictions in which it conducts business. These audits may result in assessments for additional taxes which are resolved with the authorities or, potentially, through the courts. Schlumberger recognizes the impact of a tax position in its financial statements if that position is more likely than not of being sustained on audit, based on the technical merits of the position. Tax liabilities are recorded based on estimates of additional taxes which will be due upon the conclusion of these audits. Estimates of these tax liabilities are made based upon prior experience and are updated in light of changes in facts and circumstances. However, due to the uncertain and complex application of tax regulations, the ultimate resolution of audits may result in liabilities which could be materially different from these estimates. In such an event, Schlumberger will record additional tax expense or tax benefit in the year in which such resolution occurs.

Schlumberger generally does not provide income taxes relating to undistributed earnings, as the earnings either would not be taxable when remitted or are considered to be indefinitely reinvested.

### *Concentration of Credit Risk*

Schlumberger's assets that are exposed to concentrations of credit risk consist primarily of cash, short-term investments, fixed income investments held to maturity, receivables from clients and derivative financial instruments. Schlumberger places its cash, short-term investments and fixed income investments held to maturity with financial institutions and corporations, and limits the amount of credit exposure with any one of them. Schlumberger regularly evaluates the creditworthiness of the issuers in which it invests. Accounts receivable are spread over many countries and customers. Schlumberger maintains an allowance for uncollectible accounts receivable based on expected collectibility and performs ongoing credit evaluations of its customers' financial condition. By using derivative financial instruments to hedge certain exposures, Schlumberger exposes itself to some credit risk. Schlumberger minimizes this credit risk by entering into transactions with high-quality counterparties, limiting the exposure to each counterparty and monitoring the financial condition of its counterparties.

### *Research & Engineering*

All research and engineering expenditures are expensed as incurred.

### *Earnings per Share*

Basic earnings per share of Schlumberger from continuing operations is calculated by dividing income from continuing operations attributable to Schlumberger by the weighted average number of common shares outstanding during the year. Diluted earnings per share is calculated by dividing income from continuing operations attributable to Schlumberger by the sum of (i) unvested restricted stock units and (ii) the weighted average number of common shares outstanding assuming dilution. The weighted average number of common shares outstanding assuming dilution assumes that all in-the-money stock options are exercised at the beginning of the period and the related proceeds are used by Schlumberger to purchase shares of its common stock at the average market price for the period.

The following is a reconciliation from basic to diluted earnings per share from continuing operations of Schlumberger for each of the last three years:

(Stated in millions except per share amounts)

| | Schlumberger Income from Continuing Operations | Weighted Average Shares Outstanding | Earnings Per Share from Continuing Operations |
|---|---|---|---|
| **2014:** | | | |
| **Basic** | **$5,643** | **1,295** | **$4.36** |
| **Assumed exercise of stock options** | **–** | **9** | |
| **Unvested restricted stock** | **–** | **4** | |
| **Diluted** | **$5,643** | **1,308** | **$4.31** |
| 2013: | | | |
| Basic | $ 6,801 | 1,323 | $ 5.14 |
| Assumed exercise of stock options | – | 6 | |
| Unvested restricted stock | – | 4 | |
| Diluted | $ 6,801 | 1,333 | $ 5.10 |
| 2012: | | | |
| Basic | $ 5,230 | 1,330 | $ 3.93 |
| Assumed exercise of stock options | – | 5 | |
| Unvested restricted stock | – | 4 | |
| Diluted | $ 5,230 | 1,339 | $ 3.91 |

Employee stock options to purchase 5 million, 12 million and 21 million shares of common stock at December 31, 2014, 2013 and 2012, respectively, were outstanding but not included in the computation of diluted earnings per share because the option exercise price was greater than the average market price of the common stock, and therefore the effect on diluted earnings per share would have been anti-dilutive.

### *Recently Issued Accounting Pronouncements*

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*. This ASU amends the existing accounting standards for revenue recognition and is based on the principle that revenue should be recognized to depict the transfer of goods or services to a customer at an amount that reflects the consideration a company expects to receive in exchange for those goods or services. Schlumberger is required to adopt this ASU on January 1, 2017 and does not expect this ASU to have a material impact on its consolidated financial statements.

In April 2014, the FASB issued ASU 2014-08, *Presentation of Financial Statements and Property, Plant, and Equipment – Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*, which amends the definition of a discontinued operation by raising the threshold for a disposal to qualify as a discontinued operation. The threshold under the ASU is defined as a strategic shift that has, or will have, a major effect on an entity's operations and financial results such as a disposal of a major geographical area or a major line of business. Schlumberger adopted this ASU, on a prospective basis, effective January 1, 2015.

## 3. Charges and Credits

Schlumberger recorded the following charges and credits in continuing operations during 2014, 2013 and 2012:

### 2014

- Due to the expectation of lower exploration spending as a result of lower commodity prices, during the fourth quarter of 2014, Schlumberger decided to restructure its WesternGeco marine seismic fleet in order to lower its

operating costs. Three previous-generation acquisition vessels with lower towing capacity and higher operating costs will be converted to source vessels, allowing for the termination of two third-party source vessel leases and the retirement of two owned source vessels.

As a result of this restructuring, Schlumberger performed an impairment test and determined that the carrying values of certain of its vessels exceeded their respective fair values by $590 million. This impairment charge relates to the six Explorer-class vessels which were acquired at a premium in the 2007 purchase of Eastern Echo Holdings Plc. The fair value of these vessels was estimated primarily based on the replacement cost method, which was largely based on unobservable inputs that required significant judgments.

In addition to the $590 million impairment charge relating to these six vessels, Schlumberger also recorded an $85 million impairment charge relating to a seismic intangible asset and $131 million of other charges primarily related to lease termination costs and other seismic assets as a result of the restructuring. Schlumberger did not incur any significant cash expenditures as a result of these charges.

- During 2014, Venezuela enacted certain changes to its foreign exchange system such that, in addition to the official rate of 6.3 Venezuelan Bolivares fuertes per US dollar, there are currently two other legal exchange rates that may be obtained via different exchange rate mechanisms. These changes included the expansion of what is known as the SICAD I auction rate and the introduction of the SICAD II auction process. The SICAD I and SICAD II exchange rates were approximately 11 and 50 Venezuelan Bolivares fuertes to the US dollar, respectively, at December 31, 2014.

  Although the functional currency of Schlumberger's operations in Venezuela is the US dollar, a portion of the transactions are denominated in local currency. Schlumberger has historically applied the official exchange rate to remeasure local currency transactions and balances into US dollars.

  Effective December 31, 2014, Schlumberger concluded that it was appropriate to apply the SICAD II exchange rate as it now believes that this rate best represents the economics of Schlumberger's business activity in Venezuela. As a result, Schlumberger recorded a $472 million devaluation charge during the fourth quarter of 2014.

  Going forward, this change will result in a reduction in the US dollar reported amount of local currency denominated revenues, expenses and, consequently, income before taxes and net income. For example, if Schlumberger had applied an exchange rate of 50 Venezuelan Bolivares fuertes to the US dollar throughout 2014, it would have reduced Schlumberger earnings by approximately $0.08 per share.

- In response to lower commodity pricing and anticipated lower exploration and production spending in 2015, Schlumberger decided during the fourth quarter of 2014 to reduce its overall headcount primarily to better align with anticipated activity levels for 2015. As a result of these reductions, Schlumberger recorded a charge of $296 million in the fourth quarter of 2014. Depending on how the market situation evolves, further actions may be necessary, which could result in additional charges in future periods.

- During the fourth quarter of 2014, Schlumberger determined that, primarily as a result of the recent decline in commodity prices, the carrying value of its investment in an SPM development project in the Eagle Ford Shale was in excess of its fair value. Accordingly, Schlumberger recorded a $199 million impairment charge. The fair value of this investment was estimated based on the projected present value of future cash flows, which included unobservable inputs that required significant judgments.

The following is a summary of these charges:

| | (Stated in millions) | | | |
|---|---|---|---|---|
| | Pretax | Tax | Net | Classification |
| WesternGeco restructuring | $ 806 | $ 25 | $ 781 | *Impairments & other* |
| Currency devaluation loss in Venezuela | 472 | – | 472 | *Impairments & other* |
| Workforce reduction | 296 | 37 | 259 | *Impairments & other* |
| Impairment of SPM project | 199 | 72 | 127 | *Impairments & other* |
| | $ 1,773 | $ 134 | $ 1,639 | |

**2013**

- During the fourth quarter, Schlumberger recorded a $152 million provision relating to accounts receivable from a client in Brazil that filed for bankruptcy.
- During the second quarter, Schlumberger recorded a $1.028 billion gain as a result of the deconsolidation of its subsea business in connection with the formation of the OneSubsea joint venture with Cameron International Corporation ("Cameron"). Refer to Note 4 – *Acquisitions* for further details.
- During the second quarter, Schlumberger recorded a $222 million impairment charge relating to an investment in a company involved in developing drilling-related technology and a $142 million impairment charge relating to an investment in a contract drilling business.
- In February 2013, Venezuela's currency was devalued from the prior exchange rate of 4.3 Bolivar Fuertes per US dollar to 6.3 Bolivar fuertes per US dollar. As a result, Schlumberger recorded a $92 million devaluation charge during the first quarter of 2013.

The following is a summary of these charges and credits:

| | (Stated in millions) | | | |
|---|---|---|---|---|
| | Pretax | Tax | Net | Classification |
| Gain on formation of OneSubsea joint venture | $(1,028) | $ – | $(1,028) | *Gain on formation of OneSubsea* |
| Impairment of equity-method investments | 364 | 19 | 345 | *Impairments & other* |
| Provision for accounts receivable | 152 | 30 | 122 | *Cost of revenue* |
| Currency devaluation loss in Venezuela | 92 | – | 92 | *Impairments & other* |
| | $ (420) | $ 49 | $ (469) | |

**2012**

- Schlumberger recorded merger and integration-related charges throughout 2012 of $128 million in connection with its 2010 acquisitions of Smith International, Inc. and Geoservices.
- During the fourth quarter, Schlumberger recorded a charge of $33 million relating to severance in connection with an initiative to rationalize global overhead costs.

The following is a summary of these charges:

| | (Stated in millions) | | | |
|---|---|---|---|---|
| | Pretax | Tax | Net | Classification |
| Merger and integration-related costs | $ 128 | $ 16 | $ 112 | *Merger & integration* |
| Workforce reduction | 33 | 6 | 27 | *Impairments & other* |
| | $ 161 | $ 22 | $ 139 | |

## 4. Acquisitions

*Formation of OneSubsea Joint Venture*

On June 30, 2013, Schlumberger and Cameron completed the formation of OneSubsea, a joint venture to manufacture and develop products, systems and services for the subsea oil and gas market. Schlumberger and Cameron each contributed all of their respective subsea businesses to the joint venture and Schlumberger made a $600 million cash payment to Cameron. Schlumberger owns 40% of OneSubsea and accounts for this investment under the equity method. Schlumberger recognized a pretax and after-tax gain of $1.028 billion, which is classified as *Gain on formation of OneSubsea* in the *Consolidated Statement of Income*, as a result of the deconsolidation of its subsea business. This gain is equal to the difference between the fair value of the Schlumberger subsea business, which was determined based on the present value of its estimated future cash flows, and its carrying value at the time of closing.

*Other*

Schlumberger made other acquisitions and investments for cash payments, net of cash acquired, of $1.008 billion during 2014, $610 million during 2013, and $845 million during 2012. Additionally, during 2014, Schlumberger issued 2.1 million shares of its common stock, valued at $213 million, in connection with an acquisition. None of these transactions were significant to Schlumberger's consolidated financial statements, individually or in the aggregate.

On January 20, 2015, Schlumberger announced that it has entered into an agreement to acquire a minority ownership of approximately 45% in Eurasia Drilling Company Limited, the largest provider of onshore drilling services in Russia. The total cost of this transaction, including an option which will allow Schlumberger, at its election, to purchase the remaining shares during a two-year period commencing on the third anniversary of the closing of the transaction, is approximately $1.7 billion in cash. This transaction is expected to close during the first quarter of 2015.

## 5. Inventories

A summary of inventories follows:

| | (Stated in millions) | |
|---|---|---|
| | **2014** | 2013 |
| Raw materials & field materials | **$ 2,666** | $2,539 |
| Work in process | **273** | 261 |
| Finished goods | **1,689** | 1,803 |
| | **$ 4,628** | $4,603 |

## 6. Fixed Assets

A summary of fixed assets follows:

| | (Stated in millions) | |
|---|---|---|
| | **2014** | 2013 |
| Land | **$ 445** | $ 394 |
| Buildings & improvements | **3,733** | 3,534 |
| Machinery & equipment | **31,937** | 29,332 |
| Seismic vessels | **849** | 1,904 |
| | **36,964** | 35,164 |
| Less accumulated depreciation | **21,568** | 20,068 |
| | **$15,396** | $15,096 |

The estimated useful lives of Buildings & improvements are primarily 25 to 30 years. The estimated useful lives of Machinery & equipment are primarily 5 to 10 years. Seismic vessels are depreciated over periods ranging from 20 to 30 years.

Depreciation expense relating to fixed assets was $3.2 billion, $3.1 billion and $2.9 billion in 2014, 2013 and 2012, respectively.

## 7. Multiclient Seismic Data

The change in the carrying amount of multiclient seismic data is as follows:

| | (Stated in millions) | |
|---|---|---|
| | **2014** | 2013 |
| Balance at beginning of year | **$ 667** | $ 518 |
| Capitalized in year | **321** | 394 |
| Charged to expense | **(195)** | (245) |
| | **$ 793** | $ 667 |

## 8. Goodwill

The changes in the carrying amount of goodwill by reporting unit were as follows:

(Stated in millions)

| | Reservoir Characterization | Drilling | Production | Total |
|---|---|---|---|---|
| Balance at January 1, 2013 | $ 3,760 | $ 8,337 | $ 2,488 | $ 14,585 |
| Acquisitions | 4 | 3 | 336 | 343 |
| Divestiture of business | – | – | (150) | (150) |
| Other | (27) | (25) | (20) | (72) |
| Balance, December 31, 2013 | 3,737 | 8,315 | 2,654 | 14,706 |
| Acquisitions | 15 | 271 | 551 | 837 |
| Reallocation | 83 | (83) | – | – |
| Other | (23) | (15) | (18) | (56) |
| Balance, December 31, 2014 | $ 3,812 | $ 8,488 | $ 3,187 | $ 15,487 |

## 9. Intangible Assets

A summary of intangible assets follows:

(Stated in millions)

| | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|
| | Gross Book Value | Accumulated Amortization | Net Book Value | Gross Book Value | Accumulated Amortization | Net Book Value |
| Technology/Technical Know-How | **$1,747** | **$ 535** | **$1,212** | $1,960 | $ 597 | $1,363 |
| Tradenames | **1,641** | **319** | **1,322** | 1,647 | 257 | 1,390 |
| Customer Relationships | **2,531** | **523** | **2,008** | 2,263 | 407 | 1,856 |
| Other | **380** | **268** | **112** | 435 | 335 | 100 |
| | **$6,299** | **$1,645** | **$4,654** | $6,305 | $1,596 | $4,709 |

Amortization expense was $344 million in 2014, $330 million in 2013 and $331 million in 2012.

Based on the carrying value of intangible assets at December 31, 2014, amortization expense for the subsequent five years is estimated to be as follows: 2015: $349 million, 2016: $338 million, 2017: $329 million, 2018: $319 million and 2019: $307 million.

## 10. Long-term Debt and Debt Facility Agreements

*Long-term Debt* consists of the following:

(Stated in millions)

| | 2014 | 2013 |
|---|---|---|
| 3.30% Senior Notes due 2021 | **$ 1,597** | $ 1,596 |
| 3.65% Senior Notes due 2023 | **1,495** | 1,495 |
| 2.75% Guaranteed Notes due 2015 [1] | **–** | 1,373 |
| 1.95% Senior Notes due 2016 | **1,100** | 1,099 |
| 4.20% Senior Notes due 2021 | **1,100** | 1,099 |
| 1.25% Senior Notes due 2017 | **1,000** | 999 |
| 2.40% Senior Notes due 2022 | **999** | 999 |
| 1.50% Guaranteed Notes due 2019 [1] | **628** | 697 |
| 2.65% Senior Notes due 2016 [2] | **500** | 500 |
| Commercial paper borrowings | **1,538** | – |
| Other | **608** | 536 |
| | **$10,565** | $10,393 |

[1] Schlumberger maintains a €5.0 billion Guaranteed Euro Medium Term Note program that provides for the issuance of various types of debt instruments such as fixed or floating rate notes in euro, US dollar or other currencies. The following is a summary of outstanding debt that was issued under this program:

- Schlumberger issued €0.5 billion 1.50% Guaranteed Notes due 2019 in the fourth quarter of 2013. Schlumberger entered into agreements to swap these euro notes for US dollars on the date of issue until maturity, effectively making this a US dollar denominated debt on which Schlumberger will pay interest in US dollars at a rate equal to three-month LIBOR plus approximately 64 basis points.
- Schlumberger issued €1.0 billion 2.75% Guaranteed Notes due 2015 in the fourth quarter of 2010. Schlumberger entered into agreements to swap these euro notes for US dollars on the date of issue until maturity, effectively making this a US dollar denominated debt on which Schlumberger will pay interest in US dollars at a rate of 2.56%.

[2] Schlumberger entered into agreements to swap these dollar notes for euros on the date of issue until maturity, effectively making this a euro-denominated debt on which Schlumberger pays interest in euros at a rate of 2.39%.

Schlumberger Limited fully and unconditionally guarantees the securities issued by certain of its subsidiaries, including securities issued by Schlumberger Investment SA, a wholly-owned finance subsidiary of Schlumberger.

At December 31, 2014, Schlumberger had separate committed debt facility agreements aggregating $3.9 billion with commercial banks, of which $2.3 billion was available and unused. This included $3.5 billion of committed facilities which supports commercial paper programs, of which $250 million mature in July 2016, $1.75 billion mature in July 2018 and $1.5 billion mature in November 2018. Interest rates and other terms of borrowing under these lines of credit vary from country to country.

Commercial paper borrowings are classified as long-term debt to the extent of their backup by available and unused committed credit facilities maturing in more than one year and to the extent it is Schlumberger's intent to maintain these obligations for longer than one year. Borrowings under the commercial paper program at December 31, 2014 were $1.5 billion, all of which were classified within *Long-term debt* in the *Consolidated Balance Sheet*. At December 31, 2013, borrowings under the commercial paper program were $95 million, all of which were classified within *Long-term debt – current portion* in the *Consolidated Balance Sheet*.

The weighted average interest rate on variable rate debt as of December 31, 2014 was 1.3%.

*Long-term Debt* as of December 31, 2014, is due as follows: $1.6 billion in 2016, $1.0 billion in 2017, $1.9 billion in 2018, $0.9 billion in 2019, $2.7 billion in 2021, $1.0 billion in 2022 and $1.5 billion in 2023.

The fair value of Schlumberger's *Long-term Debt* at December 31, 2014 and December 31, 2013 was $10.7 billion and $10.4 billion, respectively, and was estimated based on quoted market prices.

## 11. Derivative Instruments and Hedging Activities

Schlumberger is exposed to market risks related to fluctuations in interest rates and foreign currency exchange rates. To mitigate these risks, Schlumberger utilizes derivative instruments. Schlumberger does not enter into derivative transactions for speculative purposes.

*Interest Rate Risk*

Schlumberger is subject to interest rate risk on its debt and its investment portfolio. Schlumberger maintains an interest rate risk management strategy that uses a mix of variable and fixed rate debt combined with its investment portfolio and occasionally interest rate swaps to mitigate the exposure to changes in interest rates.

During the fourth quarter of 2013, Schlumberger entered into a cross currency swap for a notional amount of €0.5 billion in order to hedge changes in the fair value of Schlumberger's €0.5 billion 1.50% Guaranteed Notes due 2019. Under the terms of this swap, Schlumberger will receive interest at a fixed rate of 1.50% on the euro notional amount and pay interest at a floating rate of three-month LIBOR plus approximately 64 basis points on the US dollar notional amount.

This cross currency swap is designated as a fair value hedge of the underlying debt. This derivative instrument is marked to market with gains and losses recognized currently in income to largely offset the respective gains and losses recognized on changes in the fair value of the hedged debt.

At December 31, 2014, Schlumberger had fixed rate debt aggregating $9.0 billion and variable rate debt aggregating $4.3 billion, after taking into account the effect of the swap.

*Short-term investments* and *Fixed income investments*, *held to maturity*, totaled $4.8 billion at December 31, 2014. The carrying value of these investments approximated fair value, which was estimated using quoted market prices for those or similar investments.

*Foreign Currency Exchange Rate Risk*

As a multinational company, Schlumberger conducts its business in approximately 85 countries. Schlumberger's functional currency is primarily the US dollar. Approximately 81% of Schlumberger's revenues in 2014 was denominated in US dollars. However, outside the United States, a significant portion of Schlumberger's expenses is incurred in foreign currencies. Therefore, when the US dollar weakens (strengthens) in relation to the foreign currencies of the countries in which Schlumberger conducts business, the US dollar–reported expenses will increase (decrease).

Schlumberger is exposed to risks on future cash flows to the extent that the local currency is not the functional currency and expenses denominated in local currency are not equal to revenues denominated in local currency. Schlumberger is also exposed to risks on future cash flows relating to certain of its fixed rate debt which is denominated in currencies other than the functional currency. Schlumberger uses foreign currency forward contracts and foreign currency options to provide a hedge against a portion of these cash flow risks. These contracts are accounted for as cash flow hedges, with the effective portion of changes in the fair value of the hedge recorded on the *Consolidated Balance Sheet* and in *Accumulated Other Comprehensive Loss.* Amounts recorded in *Accumulated Other Comprehensive Loss* are reclassified into earnings in the same period or periods that the hedged item is recognized in earnings. The ineffective portion of changes in the fair value of hedging instruments, if any, is recorded directly to earnings.

At December 31, 2014, Schlumberger recognized a cumulative net $96 million loss in *Accumulated other comprehensive loss* relating to revaluation of foreign currency forward contracts and foreign currency options designated as cash flow hedges, the majority of which is expected to be reclassified into earnings within the next 12 months.

Schlumberger is exposed to changes in the fair value of assets and liabilities which are denominated in currencies other than the functional currency. While Schlumberger uses foreign currency forward contracts and foreign currency options to economically hedge this exposure as it relates to certain currencies, these contracts are not designated as hedges for accounting purposes. Instead the fair value of the contracts are recorded on the *Consolidated Balance Sheet* and changes in the fair value are recognized in the *Consolidated Statement of Income* as are changes in fair value of the hedged item.

At December 31, 2014, contracts were outstanding for the US dollar equivalent of $6.8 billion in various foreign currencies, of which $2.5 billion relate to hedges of debt denominated in currencies other than the functional currency.

The fair values of outstanding derivative instruments are summarized as follows:

(Stated in millions)

| Derivative Assets | Fair Value of Derivatives 2014 | 2013 | Consolidated Balance Sheet Classification |
|---|---|---|---|
| Derivatives designated as hedges: | | | |
| Foreign exchange contracts | **$ 3** | $ 98 | *Other current assets* |
| Foreign exchange contracts | **32** | 24 | *Other Assets* |
| Cross currency swap | **–** | 27 | *Other Assets* |
| | **35** | 149 | |
| Derivatives not designated as hedges: | | | |
| Foreign exchange contracts | **5** | 10 | *Other current assets* |
| Foreign exchange contracts | **–** | 4 | *Other Assets* |
| | **5** | 14 | |
| | **$ 40** | $ 163 | |
| **Derivative Liabilities** | | | |
| Derivatives designated as hedges: | | | |
| Foreign exchange contracts | **$ 80** | $ 14 | *Accounts payable and accrued liabilities* |
| Foreign exchange contracts | **105** | 1 | *Other Liabilities* |
| Cross currency swap | **42** | – | *Other Liabilities* |
| | **227** | 15 | |
| Derivatives not designated as hedges: | | | |
| Foreign exchange contracts | **28** | 2 | *Accounts payable and accrued liabilities* |
| | **$ 255** | $ 17 | |

The fair value of all outstanding derivatives is determined using a model with inputs that are observable in the market or can be derived from or corroborated by observable data.

The effect of derivative instruments designated as fair value hedges and those not designated as hedges on the *Consolidated Statement of Income* was as follows:

(Stated in millions)

| | Gain (Loss) Recognized in Income 2014 | 2013 | 2012 | Consolidated Statement of Income Classification |
|---|---|---|---|---|
| Derivatives designated as fair value hedges: | | | | |
| Cross currency swap | **$ (82)** | $ 15 | $ 1 | *Interest expense* |
| Derivatives not designated as hedges: | | | | |
| Foreign exchange contracts | **$ (95)** | $ (2) | $ 5 | *Cost of revenue* |
| Commodity contracts | **–** | – | 1 | *Cost of revenue* |
| | **$ (95)** | $ (2) | $ 6 | |

## 12. Stockholders' Equity

Schlumberger is authorized to issue 4,500,000,000 shares of common stock, par value $0.01 per share, of which 1,275,312,404 and 1,307,330,369 shares were outstanding on December 31, 2014 and 2013, respectively. Holders of common stock are entitled to one vote for each share of stock held. Schlumberger is also authorized to issue 200,000,000 shares of preferred stock, par value $0.01 per share, which may be issued in series with terms and conditions determined by the Board of Directors. No shares of preferred stock have been issued.

*Accumulated Other Comprehensive Loss* consists of the following:

(Stated in millions)

| | Currency Translation Adjustments | Cash Flow Hedges | Pension and Other Postretirement Benefit Plans | Unrealized Gains on Marketable Securities | Total |
|---|---|---|---|---|---|
| Balance, January 1, 2012 | $ (993) | $ (26) | $(2,538) | $ – | $(3,557) |
| Other comprehensive income (loss) before reclassifications | 76 | 92 | (1,016) | 141 | (707) |
| Amounts reclassified from accumulated other comprehensive loss | – | (36) | 312 | – | 276 |
| Income taxes | – | – | 100 | – | 100 |
| Balance, December 31, 2012 | (917) | 30 | (3,142) | 141 | (3,888) |
| Other comprehensive income (loss) before reclassifications | (151) | 49 | 1,328 | 35 | 1,261 |
| Amounts reclassified from accumulated other comprehensive loss | – | (50) | 425 | – | 375 |
| Income taxes | – | – | (302) | – | (302) |
| Balance, December 31, 2013 | (1,068) | 29 | (1,691) | 176 | (2,554) |
| Other comprehensive income (loss) before reclassifications | (463) | (238) | (1,285) | (166) | (2,152) |
| Amounts reclassified from accumulated other comprehensive loss | – | 113 | 305 | – | 418 |
| Income taxes | – | – | 82 | – | 82 |
| Balance, December 31, 2014 | $(1,531) | $ (96) | $(2,589) | $ 10 | $(4,206) |

Other comprehensive loss was $1.652 billion in 2014 and $331 million in 2012. Other comprehensive income was $1.334 billion in 2013.

## 13. Stock-based Compensation Plans

Schlumberger has three types of stock-based compensation programs: (i) stock options, (ii) a restricted stock, restricted stock unit and performance share unit program (collectively referred to as "restricted stock") and (iii) a discounted stock purchase plan ("DSPP").

### *Stock Options*

Key employees are granted stock options under Schlumberger stock option plans. For all of the stock options granted, the exercise price equals the average of the high and low sales prices of Schlumberger stock on the date of grant; an option's maximum term is ten years, and options generally vest in increments over five years.

The fair value of each stock option grant was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions and resulting weighted-average fair value per share:

| | **2014** | 2013 | 2012 |
|---|---|---|---|
| Dividend yield | **1.6%** | 1.7% | 1.5% |
| Expected volatility | **37%** | 38% | 39% |
| Risk free interest rate | **2.2%** | 1.2% | 1.5% |
| Expected option life in years | **7.0** | 7.0 | 6.9 |
| Weighted-average fair value per share | **$34.20** | $23.93 | $25.26 |

The following table summarizes information concerning options outstanding and options exercisable as of December 31, 2014:

(Shares stated in thousands)

| | Options Outstanding | | | Options Exercisable | |
|---|---|---|---|---|---|
| Exercise prices range | Options Outstanding | Weighted-average remaining contractual life (in years) | Weighted-average exercise price | Options Exercisable | Weighted-average exercise price |
| $32.45 - $67.87 | 6,553 | 3.2 | $51.50 | 6,295 | $51.03 |
| $68.51 - $70.93 | 8,346 | 6.9 | $69.82 | 3,648 | $69.02 |
| $72.11 - $78.31 | 7,553 | 7.2 | $72.56 | 1,915 | $72.47 |
| $83.88 - $84.93 | 8,045 | 5.2 | $84.17 | 5,118 | $84.34 |
| $88.61 - $114.83 | 8,086 | 8.1 | $97.78 | 1,566 | $95.92 |
| | 38,583 | 6.2 | $76.10 | 18,542 | $69.77 |

The weighted average remaining contractual life of stock options exercisable as of December 31, 2014 was 4.2 years.

The following table summarizes stock option activity during the years ended December 31, 2014, 2013 and 2012:

(Shares stated in thousands)

| | **2014** | | 2013 | | 2012 | |
|---|---|---|---|---|---|---|
| | Shares | Weighted-average exercise price | Shares | Weighted-average exercise price | Shares | Weighted-average exercise price |
| Outstanding at beginning of year | **41,939** | **$70.33** | 42,059 | $67.77 | 40,027 | $63.84 |
| Granted | **6,105** | **$99.04** | 6,570 | $72.16 | 8,664 | $72.04 |
| Exercised | **(8,269)** | **$64.19** | (5,168) | $51.73 | (4,171) | $39.07 |
| Forfeited | **(1,192)** | **$73.56** | (1,522) | $70.57 | (2,461) | $67.50 |
| Outstanding at year-end | **38,583** | **$76.10** | 41,939 | $70.33 | 42,059 | $67.77 |

The aggregate intrinsic value of stock options outstanding as of December 31, 2014 was $459 million.

The aggregate intrinsic value of stock options exercisable as of December 31, 2014 was $306 million.

The total intrinsic value of options exercised during the years ended December 31, 2014, 2013 and 2012 was $314 million, $176 million and $142 million, respectively.

### *Restricted Stock*

During 2013, Schlumberger began granting performance share units to certain executives. The number of shares earned is determined at the end of each performance period, which is generally three years, based on Schlumberger's achievement of a predefined return on capital employed ("ROCE"), as defined in the underlying performance share unit agreement. In the event the ROCE exceeds the predefined target, shares for up to the maximum of 250% of the target award may be granted. In the event the ROCE falls below the predefined target, a reduced number of shares may be

granted. If the ROCE falls below the threshold award performance level, no shares will be granted. As of December 31, 2014, performance share units of 0.6 million were outstanding based on the achievement of 100% of target.

All other restricted stock awards generally vest at the end of three years.

Restricted stock awards do not pay dividends or allow voting rights during the performance period. Accordingly, the fair value of the restricted stock award is the quoted market price of Schlumberger's stock on the date of grant less the present value of the expected dividends not received during the vesting period.

The following table summarizes information about all restricted stock transactions:

(Shares stated in thousands)

| | **2014** | | 2013 | | 2012 | |
|---|---|---|---|---|---|---|
| | **Restricted Stock** | **Weighted Average Grant Date Fair Value** | Restricted Stock | Weighted Average Grant Date Fair Value | Restricted Stock | Weighted Average Grant Date Fair Value |
| Unvested at beginning of year | **4,171** | **$76.01** | 3,566 | $73.62 | 2,433 | $72.25 |
| Granted | **1,341** | **96.08** | 1,949 | 75.65 | 1,668 | 71.09 |
| Vested | **(1,186)** | **81.59** | (958) | 66.98 | (351) | 52.26 |
| Forfeited | **(188)** | **78.68** | (386) | 74.53 | (184) | 73.38 |
| Unvested at end of year | **4,138** | **$80.80** | 4,171 | $76.01 | 3,566 | $73.62 |

### *Discounted Stock Purchase Plan*

Under the terms of the DSPP, employees can choose to have a portion of their earnings withheld, subject to certain restrictions, to purchase Schlumberger common stock. The purchase price of the stock is 92.5% of the lower of the stock price at the beginning or end of the plan period at six-month intervals.

The fair value of the employees' purchase rights under the DSPP was estimated using the Black-Scholes model with the following assumptions and resulting weighted average fair value per share:

| | **2014** | 2013 | 2012 |
|---|---|---|---|
| Dividend yield | **1.6%** | 1.7% | 1.6% |
| Expected volatility | **19%** | 24% | 41% |
| Risk free interest rate | **0.1%** | 0.1% | 0.2% |
| Weighted average fair value per share | **$ 12.67** | $ 9.91 | $ 12.71 |

### *Total Stock-based Compensation Expense*

The following summarizes stock-based compensation expense recognized in income:

(Stated in millions)

| | **2014** | 2013 | 2012 |
|---|---|---|---|
| Stock options | **$ 177** | $ 165 | $ 203 |
| Restricted stock | **114** | 110 | 82 |
| DSPP | **38** | 40 | 50 |
| | **$ 329** | $ 315 | $ 335 |

At December 31, 2014, there was $514 million of total unrecognized compensation cost related to nonvested stock-based compensation arrangements, of which $238 million is expected to be recognized in 2015, $152 million in 2016, $73 million in 2017, $43 million in 2018 and $8 million in 2019.

As of December 31, 2014, approximately 33 million shares of Schlumberger common stock were available for future grants under Schlumberger's stock-based compensation programs.

## 14. Income Taxes

Schlumberger operates in more than 100 tax jurisdictions, where statutory tax rates generally vary from 0% to 40%.

*Income from continuing operations before taxes* which were subject to United States and non-United States income taxes for each of the three years ended December 31, were as follows:

| | (Stated in millions) | | |
|---|---|---|---|
| | **2014** | 2013 | 2012 |
| United States | **$1,990** | $1,904 | $1,980 |
| Outside United States | **5,649** | 6,787 | 4,979 |
| | **$7,639** | $8,691 | $6,959 |

Schlumberger recorded pretax charges of $1.773 billion in 2014 ($289 million in the US and $1.484 billion outside of the US). Schlumberger recorded net pretax credits of $420 million in 2013 ($53 million of charges in the US and $473 million of net credits outside the US) and $161 million of pretax charges in 2012 ($52 million in the US and $109 million outside the US). These charges and credits are included in the table above and are more fully described in Note 3 – *Charges and Credits*.

The components of net deferred tax assets (liabilities) were as follows:

| | (Stated in millions) | |
|---|---|---|
| | **2014** | 2013 |
| Postretirement benefits | **$ 327** | $ 236 |
| Intangible assets | **(1,435)** | (1,502) |
| Investments in non-US subsidiaries | **(227)** | (282) |
| Other, net | **183** | 128 |
| | **$(1,152)** | $(1,420) |

The above deferred tax balances at December 31, 2014 and 2013 were net of valuation allowances relating to net operating losses in certain countries of $190 million and $238 million, respectively.

The components of *Taxes on income* were as follows:

| | (Stated in millions) | | |
|---|---|---|---|
| | **2014** | 2013 | 2012 |
| Current: | | | |
| United States – Federal | **$ 718** | $ 682 | $ 698 |
| United States – State | **51** | 60 | 53 |
| Outside United States | **1,380** | 1,211 | 1,025 |
| | **$2,149** | $1,953 | $1,776 |
| Deferred: | | | |
| United States – Federal | **$ (194)** | $ (109) | $ (105) |
| United States – State | **(9)** | (4) | (7) |
| Outside United States | **(12)** | 34 | 22 |
| Valuation allowance | **(6)** | (26) | 14 |
| | **$ (221)** | $ (105) | $ (76) |
| | **$1,928** | $1,848 | $1,700 |

A reconciliation of the United States statutory federal tax rate (35%) to the consolidated effective tax rate is:

| | **2014** | 2013 | 2012 |
|---|---|---|---|
| US statutory federal rate | **35%** | 35% | 35% |
| Non-US income taxed at different rates | **(11)** | (12) | (10) |
| Charges and credits (*See Note 3*) | **3** | (2) | – |
| Other | **(2)** | – | (1) |
| | **25%** | 21% | 24% |

A number of the jurisdictions in which Schlumberger operates have tax laws that are not fully defined and are evolving. Schlumberger's tax filings are subject to regular audit by the tax authorities. Tax liabilities are recorded based on estimates of additional taxes which will be due upon the conclusion of these audits.

A reconciliation of the beginning and ending amount of liabilities associated with uncertain tax positions for the years ended December 31, 2014, 2013 and 2012 is as follows:

(Stated in millions)

| | **2014** | 2013 | 2012 |
|---|---|---|---|
| Balance at beginning of year | **$1,452** | $1,453 | $1,353 |
| Additions based on tax positions related to the current year | **154** | 146 | 156 |
| Additions for tax positions of prior years | **96** | 109 | 98 |
| Additions related to acquisitions | **43** | – | – |
| Impact of changes in exchange rates | **(62)** | (47) | 12 |
| Settlements with tax authorities | **(27)** | (64) | (17) |
| Reductions for tax positions of prior years | **(212)** | (109) | (103) |
| Reductions due to the lapse of the applicable statute of limitations | **(42)** | (36) | (46) |
| Balance at end of year | **$1,402** | $1,452 | $1,453 |

The amounts above exclude accrued interest and penalties of $243 million, $253 million and $250 million at December 31, 2014, 2013 and 2012, respectively.

Schlumberger classifies interest and penalties relating to uncertain tax positions within *Taxes on income* in the *Consolidated Statement of Income*. During 2014, 2013 and 2012, Schlumberger recognized $19 million, $30 million and $21 million in interest and penalties, respectively.

The following table summarizes the tax years that are either currently under audit or remain open and subject to examination by the tax authorities in the most significant jurisdictions in which Schlumberger operates:

| | |
|---|---|
| Brazil | 2009 – 2014 |
| Canada | 2007 – 2014 |
| Ecuador | 2001 – 2014 |
| Mexico | 2007 – 2014 |
| Norway | 2013 – 2014 |
| Russia | 2011 – 2014 |
| Saudi Arabia | 2001 – 2014 |
| United Kingdom | 2009 – 2014 |
| United States | 2011 – 2014 |

In certain of the jurisdictions noted above, Schlumberger operates through more than one legal entity, each of which may have different open years subject to examination. The table above presents the open years subject to examination for the most material of the legal entities in each jurisdiction. Additionally, it is important to note that tax years are technically not closed until the statute of limitations in each jurisdiction expires. In the jurisdictions noted above, the statute of limitations can extend beyond the open years subject to examination.

## 15. Leases and Lease Commitments

Total rental expense was $2.1 billion in 2014, $1.9 billion in 2013, and $1.9 billion in 2012.

Future minimum rental commitments under noncancelable operating leases for each of the next five years are as follows:

| | (Stated in millions) |
|---|---|
| 2015 | $ 330 |
| 2016 | 259 |
| 2017 | 197 |
| 2018 | 156 |
| 2019 | 134 |
| Thereafter | 554 |
| | $1,630 |

## 16. Contingencies

In 2009, United States officials began a grand jury investigation and an associated regulatory inquiry, both related to certain historical Schlumberger operations in countries where Schlumberger no longer operates that are subject to United States trade and economic sanctions. Governmental agencies and authorities have a broad range of civil and criminal penalties that they may seek to impose for violations of trade and economic sanction laws including, but not limited to, disgorgement, fines, penalties and modifications to business practices. In recent years, these agencies and authorities have obtained a wide range of penalties in settlements with companies arising from trade and economic sanction investigations, including in some cases forfeitures, fines and other penalties in the tens and hundreds of millions of dollars. Schlumberger continues to cooperate and has been discussing the resolution of this matter with the governmental authorities. During the second quarter of 2014, these discussions progressed to a point whereby Schlumberger determined that it was appropriate to increase its liability for this contingency. Accordingly, Schlumberger recorded a $205 million charge, which is reflected within *Loss from discontinued operations* in the *Consolidated Statement of Income*. However, no certainty exists that a settlement will be reached or if so, the amount of any such settlement. Therefore, the ultimate loss could be greater or less than the amount accrued.

Schlumberger and its subsidiaries are party to various other legal proceedings from time to time. A liability is accrued when a loss is both probable and can be reasonably estimated. Management believes that the probability of a material loss with respect to these other legal proceedings is remote. However, litigation is inherently uncertain and it is not possible to predict the ultimate disposition of any of these proceedings.

## 17. Segment Information

Schlumberger's segments are as follows:

- ***Reservoir Characterization Group*** – Consists of the principal technologies involved in finding and defining hydrocarbon resources. These include WesternGeco, Wireline, Testing Services, Schlumberger Information Services and PetroTechnical Services.
- ***Drilling Group*** – Consists of the principal technologies involved in the drilling and positioning of oil and gas wells. These include Bits & Advanced Technologies, M-I SWACO, Geoservices, Drilling & Measurements, Drilling Tools & Remedial Services, Saxon Rig Services and Integrated Project Management well construction projects.
- ***Production Group*** – Consists of the principal technologies involved in the lifetime production of oil and gas reservoirs. These include Well Services, Completions, Artificial Lift, Well Intervention, Water Services, and the Schlumberger Production Management field production projects.

Financial information for the years ended December 31, 2014, 2013 and 2012, by segment, is as follows:

(Stated in millions)

| | 2014 | | | | |
|---|---|---|---|---|---|
| | Revenue | Income before taxes | Assets | Depreciation and Amortization | Capital Expenditures |
| Reservoir Characterization | **$12,224** | **$ 3,607** | **$ 8,596** | **$1,391** | **$1,152** |
| Drilling | **18,462** | **3,872** | **11,378** | **1,174** | **1,328** |
| Production | **18,111** | **3,227** | **11,848** | **1,133** | **1,246** |
| Eliminations & other | **(217)** | **(130)** | **1,577** | **198** | **250** |
| Pretax operating income | | **10,576** | | | |
| Goodwill and intangible assets | | | **20,142** | | |
| All other assets | | | **2,185** | | |
| Corporate [1] | | **(848)** | **11,178** | **198** | |
| Interest income [2] | | **31** | | | |
| Interest expense [3] | | **(347)** | | | |
| Charges & credits [4] | | **(1,773)** | | | |
| | **$48,580** | **$ 7,639** | **$66,904** | **$4,094** | **$3,976** |

(Stated in millions)

| | 2013 | | | | |
|---|---|---|---|---|---|
| | Revenue | Income before taxes | Assets | Depreciation and Amortization | Capital Expenditures |
| Reservoir Characterization | $ 12,463 | $ 3,660 | $ 8,918 | $ 1,338 | $ 1,275 |
| Drilling | 17,099 | 3,293 | 10,940 | 1,077 | 1,291 |
| Production | 15,927 | 2,619 | 11,185 | 1,039 | 1,204 |
| Eliminations & other | (223) | (228) | 1,974 | 217 | 173 |
| Pretax operating income | | 9,344 | | | |
| Goodwill and intangible assets | | | 19,415 | | |
| All other assets | | | 2,618 | | |
| Corporate [1] | | (726) | 12,050 | 208 | |
| Interest income [2] | | 22 | | | |
| Interest expense [3] | | (369) | | | |
| Charges & credits [4] | | 420 | | | |
| | $ 45,266 | $ 8,691 | $ 67,100 | $ 3,879 | $ 3,943 |

(Stated in millions)

| | 2012 | | | | |
|---|---|---|---|---|---|
| | Revenue | Income before taxes | Assets | Depreciation and Amortization | Capital Expenditures |
| Reservoir Characterization | $11,360 | $3,080 | $ 8,501 | $1,309 | $1,235 |
| Drilling | 15,691 | 2,778 | 11,316 | 1,072 | 1,668 |
| Production | 14,802 | 2,327 | 9,889 | 877 | 1,439 |
| Eliminations & other | (122) | (68) | 1,920 | 191 | 352 |
| Pretax operating income | | 8,117 | | | |
| Goodwill and intangible assets | | | 19,387 | | |
| Discontinued operations assets | | | 246 | | |
| All other assets | | | 2,267 | | |
| Corporate (1) | | (696) | 8,021 | 198 | |
| Interest income (2) | | 30 | | | |
| Interest expense (3) | | (331) | | | |
| Charges & credits (4) | | (161) | | | |
| | $41,731 | $6,959 | $61,547 | $3,647 | $4,694 |

(1) Comprised principally of certain corporate expenses not allocated to the segments, interest on postretirement medical benefits, stock-based compensation costs, amortization expense associated with certain intangible and other nonoperating items. Corporate assets consist of cash, short-term investments, fixed income investments, held to maturity and investments in affiliates.

(2) Interest income excludes amounts which are included in the segments' income (2014: $20 million; 2013: $11 million; 2012: $- million).

(3) Interest expense excludes amounts which are included in the segments' income (2014: $22 million; 2013: $22 million; 2012: $9 million).

(4) See Note 3 – *Charges and Credits*.

Segment assets consist of receivables, inventories, fixed assets, multiclient seismic data and SPM investments.

Depreciation and amortization includes depreciation of property, plant and equipment and amortization of intangible assets, multiclient seismic data costs and SPM investments.

*Revenue* by geographic area for the years ended December 31, 2014, 2013 and 2012 is as follows:

(Stated in millions)

| | **2014** | 2013 | 2012 |
|---|---|---|---|
| North America | **$16,151** | $13,897 | $13,535 |
| Latin America | **7,699** | 7,754 | 7,554 |
| Europe/CIS/Africa | **12,515** | 12,411 | 11,510 |
| Middle East & Asia | **11,875** | 10,767 | 8,717 |
| Eliminations & other | **340** | 437 | 415 |
| | **$48,580** | $45,266 | $41,731 |

Revenue is based on the location where services are provided.

During each of the three years ended December 31, 2014, 2013 and 2012, no single customer exceeded 10% of consolidated revenue.

Schlumberger did not have revenue from third-party customers in its country of domicile during the last three years. Revenue in the United States in 2014, 2013 and 2012 was $14.0 billion, $12.0 billion and $11.8 billion, respectively.

*Fixed Assets less accumulated depreciation* by geographic area are as follows:

(Stated in millions)

| | 2014 | 2013 | 2012 |
|---|---|---|---|
| North America | **$ 4,885** | $ 4,858 | $ 4,868 |
| Latin America | **1,969** | 1,889 | 1,788 |
| Europe/CIS/Africa | **3,640** | 3,452 | 3,414 |
| Middle East & Asia | **3,446** | 2,991 | 2,908 |
| Unallocated [1] | **1,456** | 1,906 | 1,802 |
| | **$15,396** | $15,096 | $14,780 |

[1] Represents seismic vessels, including the related on-board equipment, which frequently transition between geographic areas.

## 18. Pension and Other Benefit Plans

*Pension Plans*

Schlumberger sponsors several defined benefit pension plans that cover substantially all US employees hired prior to October 1, 2004. The benefits are based on years of service and compensation, on a career-average pay basis.

In addition to the United States defined benefit pension plans, Schlumberger sponsors several other international defined benefit pension plans. The most significant of these international plans are the International Staff Pension Plan and the UK pension plan (collectively, the "International plans"). The International Staff Pension Plan covers certain international employees hired prior to July 1, 2014 and is based on years of service and compensation on a career-average pay basis. The UK plan covers employees hired prior to April 1, 1999, and is based on years of service and compensation, on a final salary basis.

The weighted-average assumed discount rate, compensation increases and the expected long-term rate of return on plan assets used to determine the net pension cost for the US and International plans were as follows:

| | US | | | International | | |
|---|---|---|---|---|---|---|
| | **2014** | 2013 | 2012 | **2014** | 2013 | 2012 |
| Discount rate | **4.85%** | 4.25% | 5.50% | **4.76%** | 4.38% | 4.95% |
| Compensation increases | **4.00%** | 4.00% | 4.00% | **4.80%** | 4.83% | 4.91% |
| Return on plan assets | **7.25%** | 7.50% | 7.50% | **7.50%** | 7.50% | 7.50% |

Net pension cost for 2014, 2013 and 2012 included the following components:

(Stated in millions)

| | US | | | International | | |
|---|---|---|---|---|---|---|
| | **2014** | 2013 | 2012 | **2014** | 2013 | 2012 |
| Service cost – benefits earned during the period | **$ 72** | $ 80 | $ 68 | **$ 126** | $ 127 | $ 86 |
| Interest cost on projected benefit obligation | **164** | 150 | 152 | **288** | 253 | 241 |
| Expected return on plan assets | **(208)** | (200) | (185) | **(450)** | (384) | (328) |
| Amortization of net loss | **82** | 122 | 95 | **94** | 155 | 76 |
| Amortization of prior service cost | **12** | 12 | 12 | **120** | 117 | 120 |
| | **$ 122** | $ 164 | $ 142 | **$ 178** | $ 268 | $ 195 |

The weighted-average assumed discount rate and compensation increases used to determine the projected benefit obligations for the US and International plans were as follows:

| | US | | International | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| Discount rate | **4.15%** | 4.85% | **4.07%** | 4.76% |
| Compensation increases | **4.00%** | 4.00% | **4.79%** | 4.80% |

The changes in the projected benefit obligation, plan assets and funded status of the plans were as follows:

(Stated in millions)

| | US | | International | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| ***Change in Projected Benefit Obligations*** | | | | |
| Projected benefit obligation at beginning of year | **$3,418** | $3,558 | **$5,981** | $5,798 |
| Service cost | **72** | 80 | **126** | 127 |
| Interest cost | **164** | 150 | **288** | 253 |
| Contributions by plan participants | **–** | – | **122** | 104 |
| Actuarial losses (gains) | **627** | (232) | **1,000** | (168) |
| Currency effect | **–** | – | **(90)** | 30 |
| Benefits paid | **(144)** | (138) | **(178)** | (163) |
| Projected benefit obligation at end of year | **$4,137** | $3,418 | **$7,249** | $5,981 |
| ***Change in Plan Assets*** | | | | |
| Plan assets at fair value at beginning of year | **$3,269** | $2,910 | **$6,246** | $5,120 |
| Actual return on plan assets | **339** | 356 | **502** | 836 |
| Currency effect | **–** | – | **(102)** | 35 |
| Company contributions | **85** | 141 | **240** | 314 |
| Contributions by plan participants | **–** | – | **122** | 104 |
| Benefits paid | **(144)** | (138) | **(178)** | (163) |
| Plan assets at fair value at end of year | **$3,549** | $3,269 | **$6,830** | $6,246 |
| ***(Unfunded Liability) / Asset*** | **$ (588)** | $ (149) | **$ (419)** | $ 265 |
| ***Amounts Recognized in Balance Sheet*** | | | | |
| Postretirement Benefits | **$ (588)** | $ (149) | **$ (546)** | $ (5) |
| Other Assets | **–** | – | **127** | 270 |
| | **$ (588)** | $ (149) | **$ (419)** | $ 265 |
| ***Amounts Recognized in Accumulated Other Comprehensive Loss*** | | | | |
| Actuarial losses | **$1,104** | $ 687 | **$1,658** | $ 882 |
| Prior service cost | **66** | 78 | **357** | 418 |
| | **$1,170** | $ 765 | **$2,015** | $1,300 |
| Accumulated benefit obligation | **$3,805** | $3,158 | **$6,793** | $5,593 |

The unfunded liability represents the difference between the plan assets and the projected benefit obligation ("PBO"). The PBO represents the actuarial present value of benefits based on employee service and compensation and includes an assumption about future compensation levels. The accumulated benefit obligation represents the actuarial present value of benefits based on employee service and compensation, but does not include an assumption about future compensation levels.

The weighted-average allocation of plan assets and the target allocations by asset category are as follows:

| | US | | | International | | |
|---|---|---|---|---|---|---|
| | Target | **2014** | 2013 | Target | **2014** | **2013** |
| Equity securities | 37 – 56% | **48%** | 50% | 50 – 71% | **58%** | 60% |
| Debt securities | 35 – 62 | **42** | 40 | 20 – 35 | **32** | 31 |
| Cash and cash equivalents | 0 – 3 | **2** | 2 | 0 – 5 | **4** | 3 |
| Alternative investments | 0 – 8 | **8** | 8 | 0 – 25 | **6** | 6 |
| | 100% | **100%** | 100% | 100% | **100%** | 100% |

Asset performance is monitored frequently with an overall expectation that plan assets will meet or exceed the weighted index of its target asset allocation and component benchmark over rolling five-year periods.

The expected long-term rate of return on assets assumptions reflect the average rate of earnings expected on funds invested or to be invested. The assumptions have been determined based on expectations regarding future rates of return for the portfolio considering the asset allocation and related historical rates of return. The appropriateness of the assumptions is reviewed annually.

The fair value of Schlumberger's pension plan assets at December 31, 2014 and 2013, by asset category, is presented below and was determined based on valuation techniques categorized as follows:

- Level One: The use of quoted prices in active markets for identical instruments.
- Level Two: The use of quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active or other inputs that are observable in the market or can be corroborated by observable market data.
- Level Three: The use of significant unobservable inputs that typically require the use of management's estimates of assumptions that market participants would use in pricing.

(Stated in millions)

| | US Plan Assets | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **2014** | | | | 2013 | | | |
| | Total | Level One | Level Two | Level Three | Total | Level One | Level Two | Level Three |
| **Asset Category:** | | | | | | | | |
| **Cash and Cash Equivalents** | **$ 59** | **$ 40** | **$ 19** | **$ –** | $ 77 | $ 24 | $ 53 | $ – |
| **Equity Securities:** | | | | | | | | |
| US [a] | **1,149** | **622** | **527** | | 1,068 | 625 | 443 | |
| International [b] | **552** | **433** | **119** | | 572 | 454 | 118 | |
| **Debt Securities:** | | | | | | | | |
| Corporate bonds [c] | **654** | | **654** | | 548 | | 548 | |
| Government and government-related debt securities [d] | **735** | **175** | **560** | | 639 | 161 | 478 | |
| Collateralized mortgage obligations and mortgage backed securities [e] | **107** | | **107** | | 99 | | 99 | |
| **Alternative Investments:** | | | | | | | | |
| Private equity [f] | **210** | | | **210** | 204 | | | 204 |
| Real estate [g] | **83** | | | **83** | 62 | | | 62 |
| Total | **$3,549** | **$1,270** | **$1,986** | **$ 293** | $ 3,269 | $ 1,264 | $ 1,739 | $ 266 |

(Stated in millions)

| | International Plan Assets | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2014 | | | | 2013 | | | |
| | Total | Level One | Level Two | Level Three | Total | Level One | Level Two | Level Three |
| **Asset Category:** | | | | | | | | |
| **Cash and Cash Equivalents** | **$ 264** | **$ 174** | **$ 90** | **$ –** | $ 267 | $ 127 | $ 140 | $ – |
| **Equity Securities:** | | | | | | | | |
| US [a] | **2,432** | **1,757** | **675** | | 2,175 | 1,603 | 572 | |
| International [b] | **1,534** | **1,047** | **487** | | 1,566 | 990 | 576 | |
| **Debt Securities:** | | | | | | | | |
| Corporate bonds [c] | **780** | | **780** | | 576 | | 576 | |
| Government and government-related debt securities [d] | **1,181** | **8** | **1,173** | | 997 | 6 | 991 | |
| Collateralized mortgage obligations and mortgage backed securities [e] | **256** | | **256** | | 301 | | 301 | |
| **Alternative Investments:** | | | | | | | | |
| Private equity [f] | **246** | | | **246** | 206 | | | 206 |
| Real estate [g] | **49** | | | **49** | 60 | | | 60 |
| Other | **88** | | | **88** | 98 | | | 98 |
| **Total** | **$6,830** | **$2,986** | **$3,461** | **$ 383** | $ 6,246 | $ 2,726 | $ 3,156 | $ 364 |

[a] US equities include companies that are well diversified by industry sector and equity style (i.e., growth and value strategies). Active and passive management strategies are employed. Investments are primarily in large capitalization stocks and, to a lesser extent, mid- and small-cap stocks.

[b] International equities are invested in companies that are traded on exchanges outside the US and are well diversified by industry sector, country and equity style. Active and passive strategies are employed. The vast majority of the investments are made in companies in developed markets with a small percentage in emerging markets.

[c] Corporate bonds consist primarily of investment grade bonds from diversified industries.

[d] Government and government-related debt securities are comprised primarily of inflation-protected US treasuries and, to a lesser extent, other government-related securities.

[e] Collateralized mortgage obligations and mortgage backed-securities are debt obligations that represent claims to the cash flows from pools of mortgage loans which are purchased from banks, mortgage companies, and other originators and then assembled into pools by governmental, quasi-governmental and private entities.

[f] Private equity includes investments in several fund of funds limited partnerships.

[g] Real estate primarily includes investments in real estate limited partnerships, concentrated in commercial real estate.

Schlumberger's funding policy is to annually contribute amounts that are based upon a number of factors including the actuarial accrued liability, amounts that are deductible for income tax purposes, legal funding requirements and available cash flow. Schlumberger currently anticipates contributing approximately $400 million to its postretirement benefit plans in 2015, subject to market and business conditions.

### *Postretirement Benefits Other Than Pensions*

Schlumberger provides certain healthcare benefits to certain former US employees who have retired. During the fourth quarter of 2014 Schlumberger announced that, effective April 1, 2015, it will change the way it provides healthcare coverage to certain retirees who are age 65 and over. Under the amended plan, these retirees will transfer to individual coverage under the Medicare Exchange. Schlumberger will subsidize the cost of the program by providing these retirees with a Health Reimbursement Account. The annual subsidy may be increased based on medical cost inflation, but it will not be increased more than 5% in any given year. The benefit obligation relating to these retirees represents approximately 66% of Schlumberger's total accumulated benefit obligation for postretirement benefits other than pensions as of December 31, 2014.

The actuarial assumptions used to determine the accumulated postretirement benefit obligation and net periodic benefit cost for the US postretirement medical plan were as follows:

| | Benefit Obligation at December 31, | | Net Periodic Benefit Cost for the year | | |
|---|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 | 2012 |
| Discount rate | **4.15%** | 4.85% | **4.85%** | 4.25% | 5.00% |
| Return on plan assets | **–** | – | **7.00%** | 7.00% | 7.00% |
| Current medical cost trend rate | **7.00%** | 7.25% | **7.25%** | 7.50% | 8.00% |
| Ultimate medical cost trend rate | **5.00%** | 5.00% | **5.00%** | 5.00% | 5.00% |
| Year that the rate reaches the ultimate trend rate | **2023** | 2023 | **2023** | 2023 | 2018 |

The net periodic benefit cost for the US postretirement medical plan included the following components:

(Stated in millions)

| | **2014** | 2013 | 2012 |
|---|---|---|---|
| Service cost – benefits earned during the period | **$ 43** | $ 48 | $ 29 |
| Interest cost on projected benefit obligation | **60** | 56 | 58 |
| Expected return on plan assets | **(45)** | (37) | (30) |
| Amortization of net loss | **1** | 23 | 16 |
| Amortization of prior service credit | **(4)** | (4) | (7) |
| | **$ 55** | $ 86 | $ 66 |

The changes in the accumulated postretirement benefit obligation, plan assets and funded status were as follows:

(Stated in millions)

| | **2014** | **2013** |
|---|---|---|
| ***Change in Accumulated Postretirement Benefit Obligation*** | | |
| Benefit obligation at beginning of year | **$1,247** | $1,410 |
| Service cost | **43** | 48 |
| Interest cost | **60** | 56 |
| Contributions by plan participants | **6** | 6 |
| Actuarial losses (gains) | **210** | (232) |
| Benefits paid | **(46)** | (41) |
| Plan amendments | **(299)** | — |
| Benefit obligation at end of year | **$1,221** | $1,247 |
| ***Change in Plan Assets*** | | |
| Plan assets at fair value at beginning of year | **$ 731** | $ 576 |
| Company contributions | **65** | 83 |
| Contributions by plan participants | **6** | 6 |
| Benefits paid | **(46)** | (41) |
| Actual return on plan assets | **98** | 107 |
| Plan assets at fair value at end of year | **$ 854** | $ 731 |
| ***Unfunded Liability*** | **$ (367)** | $ (516) |
| ***Amounts Recognized in Accumulated Other Comprehensive Loss*** | | |
| Actuarial losses | **$ 242** | $ 87 |
| Prior service credit | **(307)** | (12) |
| | **$ (65)** | $ 75 |

The unfunded liability is included in *Postretirement Benefits* in the *Consolidated Balance Sheet*.

The assets of the US postretirement medical plan are invested 60% in equity securities and 40% in debt securities at December 31, 2014. The fair value of these assets was primarily determined based on Level Two valuation techniques.

Assumed health care cost trend rates have a significant effect on the amounts reported for the US postretirement medical plan. A one percentage point change in assumed health care cost trend rates would have the following effects:

(Stated in millions)

| | One percentage point increase | One percentage point decrease |
|---|---|---|
| Effect on total service and interest cost components | **$42** | **$(17)** |
| Effect on accumulated postretirement benefit obligation | **$37** | **$(33)** |

### *Other Information*

The expected benefits to be paid under the US and International pension plans as well as the postretirement medical plan were as follows:

(Stated in millions)

| | Pension Benefits | | Postretirement Medical Plan |
|---|---|---|---|
| | US | International | |
| 2015 | $ 155 | $ 222 | $ 46 |
| 2016 | 162 | 240 | 49 |
| 2017 | 171 | 256 | 52 |
| 2018 | 181 | 274 | 56 |
| 2019 | 190 | 290 | 59 |
| 2020-2024 | 1,112 | 1,675 | 344 |

Included in *Accumulated other comprehensive loss* at December 31, 2014 are non-cash pretax charges which have not yet been recognized in net periodic benefit cost. The estimated portion of each component of *Accumulated other comprehensive loss* which is expected to be recognized as a component of net periodic benefit cost during the year ending December 31, 2015 is as follows:

(Stated in millions)

| | Pension Plans | Postretirement Medical Plan |
|---|---|---|
| Net actuarial losses | $274 | $ 17 |
| Prior service cost (credit) | $133 | $(32) |

In addition to providing defined pension benefits and a postretirement medical plan, Schlumberger and its subsidiaries have other deferred benefit programs, primarily profit sharing and defined contribution pension plans. Expenses for these programs were $749 million, $671 million and $620 million in 2014, 2013 and 2012, respectively.

## 19. Supplementary Information

Cash paid for interest and income taxes was as follows:

(Stated in millions)

| | 2014 | 2013 | 2012 |
|---|---|---|---|
| Interest | **$ 389** | $ 369 | $ 313 |
| Income taxes | **$2,048** | $1,729 | $1,736 |

*Interest and other income* includes the following:

(Stated in millions)

| | 2014 | 2013 | 2012 |
|---|---|---|---|
| Interest income | **$ 51** | $ 33 | $ 30 |
| Earnings of equity method investments | **240** | 132 | 142 |
| | **$ 291** | $ 165 | $ 172 |

The change in *Allowance for doubtful accounts* is as follows:

(Stated in millions)

| | 2014 | 2013 | 2012 |
|---|---|---|---|
| Balance at beginning of year | **$ 384** | $ 202 | $ 177 |
| Provision | **39** | 205 | 37 |
| Amounts written off | **(148)** | (23) | (10) |
| Divestiture of business | **—** | — | (2) |
| Balance at end of year | **$ 275** | $ 384 | $ 202 |

*Accounts payable and accrued liabilities* are summarized as follows:

(Stated in millions)

| | 2014 | 2013 |
|---|---|---|
| Payroll, vacation and employee benefits | **$1,899** | $1,910 |
| Trade | **4,344** | 4,155 |
| Other | **3,003** | 2,772 |
| | **$9,246** | $8,837 |

## 20. Discontinued Operations

During the second quarter of 2013, Schlumberger completed the wind down of its operations in Iran and, therefore, has classified the historical results of this business as a discontinued operation.

During the second quarter of 2012, Schlumberger sold its Wilson distribution business to National Oilwell Varco Inc. ("NOV") for $906 million in cash, resulting in a pretax gain of $137 million ($16 million after-tax). During the third quarter of 2012, Schlumberger completed the sale of its 56% interest in CE Franklin Ltd. to NOV for $122 million in cash, resulting in a pretax gain of $30 million ($12 million after-tax). As Wilson and CE Franklin comprised Schlumberger's entire Distribution segment, the results of this entire segment have been classified as discontinued operations in the *Consolidated Statement of Income*.

The following table summarizes the results of these discontinued operations:

(Stated in millions)

| | 2014 | 2013 | 2012 |
|---|---|---|---|
| Revenue | **$ –** | $102 | $1,399 |
| (Loss) income before taxes | **$(205)** | $(63) | $ 274 |
| Tax expense | **–** | (6) | (37) |
| Net income attributable to noncontrolling interests | **–** | – | (5) |
| Gain on divestitures, net of tax | **–** | – | 28 |
| Income (loss) from discontinued operations | **$(205)** | $(69) | $ 260 |

**Management's Report on Internal Control Over Financial Reporting**

Schlumberger management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a – 15(f) of the Securities Exchange Act of 1934, as amended. Schlumberger's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Schlumberger management assessed the effectiveness of its internal control over financial reporting as of December 31, 2014. In making this assessment, it used the criteria set forth in 2013 by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control – Integrated Framework.* Based on this assessment Schlumberger's management has concluded that, as of December 31, 2014, its internal control over financial reporting is effective based on those criteria.

The effectiveness of Schlumberger's internal control over financial reporting as of December 31, 2014, has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears herein.

## Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders
of Schlumberger Limited

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of comprehensive income, of stockholders' equity and of cash flows present fairly, in all material respects, the financial position of Schlumberger Limited and its subsidiaries at December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP
Houston, Texas
January 29, 2015

### *Quarterly Results*

(Unaudited)

The following table summarizes Schlumberger's results by quarter for the years ended December 31, 2014 and 2013.

(Stated in millions except per share amounts)

| | Revenue | Gross Margin [1], [2] | Net Income attributable to Schlumberger [2] | Earnings per share of Schlumberger [2] | |
|---|---|---|---|---|---|
| | | | | Basic | Diluted |
| **Quarters-2014** | | | | | |
| First | **$ 11,239** | **$ 2,494** | **$ 1,592** | **$ 1.22** | **$ 1.21** |
| Second | **12,054** | **2,785** | **1,595** | **1.23** | **1.21** |
| Third | **12,646** | **2,957** | **1,949** | **1.51** | **1.49** |
| Fourth [3] | **12,641** | **2,950** | **302** | **0.24** | **0.23** |
| | **$ 48,580** | **$ 11,182** | **$ 5,438** | **$ 4.20** | **$ 4.16** |
| Quarters-2013 | | | | | |
| First [4] | $ 10,570 | $ 2,161 | $ 1,259 | $ 0.95 | $ 0.94 |
| Second [5] | 11,182 | 2,470 | 2,095 | 1.58 | 1.57 |
| Third | 11,608 | 2,682 | 1,715 | 1.30 | 1.29 |
| Fourth [6] | 11,906 | 2,623 | 1,664 | 1.27 | 1.26 |
| | $ 45,266 | $ 9,935 | $ 6,732 | $ 5.09 | $ 5.05 |

(1) Gross margin equals *Revenue* less *Cost of revenue*.

(2) Amounts may not add due to rounding.

(3) Net income in the fourth quarter of 2014 includes after-tax charges of $1.639 billion.

(4) Net income in the first quarter of 2013 includes after-tax charges of $92 million.

(5) Net income in the second quarter of 2013 includes after-tax credits of $683 million.

(6) Net income in the second quarter of 2013 includes after-tax credits of $122 million.

* Mark of Schlumberger

## Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

## Item 9A. Controls and Procedures.

Schlumberger has carried out an evaluation under the supervision and with the participation of Schlumberger's management, including the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), of the effectiveness of Schlumberger's "disclosure controls and procedures" (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")) as of the end of the period covered by this report. Based on this evaluation, the CEO and the CFO have concluded that, as of the end of the period covered by this report, Schlumberger's disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the reports that Schlumberger files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Schlumberger's disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is accumulated and communicated to its management, including the CEO and the CFO, as appropriate, to allow timely decisions regarding required disclosure. There has been no change in Schlumberger's internal control over financial reporting that occurred during the fourth quarter of 2014 that has materially affected, or is reasonably likely to materially affect, Schlumberger's internal control over financial reporting.

## Item 9B. Other Information.

None.

## PART III

### Item 10. Directors, Executive Officers and Corporate Governance of Schlumberger.

See "Item 1. Business – Executive Officers of Schlumberger" of this Report for Item 10 information regarding executive officers of Schlumberger. The information under the captions "Election of Directors," "Section 16(a) Beneficial Ownership Reporting Compliance," "Corporate Governance – Director Nominations" and "Corporate Governance – Board Committees – Audit Committee" in Schlumberger's 2015 Proxy Statement is incorporated herein by reference.

Schlumberger has a Code of Conduct that applies to all of its directors, officers and employees, including its principal executive, financial and accounting officers, or persons performing similar functions. Schlumberger's Code of Conduct is posted on its website at www.slb.com/about/codeofconduct.aspx. Schlumberger intends to disclose future amendments to the Code of Conduct and any grant of a waiver from a provision of the Code of Conduct requiring disclosure under applicable SEC rules at www.slb.com/about/codeofconduct.aspx.

### Item 11. Executive Compensation.

The information set forth under the captions "Compensation Discussion and Analysis," "Executive Compensation Tables and Accompanying Narrative," "Compensation Committee Report" and "Director Compensation in Fiscal Year 2014" in Schlumberger's 2015 Proxy Statement is incorporated herein by reference.

### Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information under the captions "Stock Ownership Information – Security Ownership by Certain Beneficial Owners," "Stock Ownership Information – Security Ownership by Management" and "Equity Compensation Plan Information" in Schlumberger's 2015 Proxy Statement is incorporated herein by reference.

### Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information under the captions "Corporate Governance – Board Independence" and "Corporate Governance – Policies and Procedures for Approval of Related Person Transactions" in Schlumberger's 2015 Proxy Statement is incorporated herein by reference.

### Item 14. Principal Accounting Fees and Services.

The information under the caption "Appointment of Independent Registered Public Accounting Firm" in Schlumberger's 2015 Proxy Statement is incorporated herein by reference.

## PART IV

### Item 15. Exhibits and Financial Statement Schedules.

(a) The following documents are filed as part of this Report:


| | Page(s) |
|---|---|
| (1) Financial Statements | |
| Consolidated Statement of Income for the three years ended December 31, 2014 | 31 |
| Consolidated Statement of Comprehensive Income for the three years ended December 31, 2014 | 32 |
| Consolidated Balance Sheet at December 31, 2014 and 2013 | 33 |
| Consolidated Statement of Cash Flows for the three years ended December 31, 2014 | 34 |
| Consolidated Statement of Stockholders' Equity for the three years ended December 31, 2014 | 35 |
| Notes to Consolidated Financial Statements | 37 to 63 |
| Report of Independent Registered Public Accounting Firm | 65 |
| Quarterly Results (Unaudited) | 66 |


Financial statements of companies accounted for under the equity method and unconsolidated subsidiaries have been omitted because they do not meet the materiality tests for assets or income.

(2) Financial Statement Schedules not required

(3) Exhibits: the exhibits listed in the accompanying "Index to Exhibits" are filed or incorporated by reference as part of this Form 10-K.

## SIGNATURES

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

Date: January 29, 2015

SCHLUMBERGER LIMITED

By: /s/ HOWARD GUILD
Howard Guild
Chief Accounting Officer

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

| Name | Title |
|---|---|
| * | Director and Chief Executive Officer |
| Paal Kibsgaard | (Principal Executive Officer) |
| /s/ SIMON AYAT | Executive Vice President and Chief Financial Officer |
| Simon Ayat | (Principal Financial Officer) |
| /s/ HOWARD GUILD | Chief Accounting Officer |
| Howard Guild | (Principal Accounting Officer) |
| * | Director |
| Peter L.S. Currie | |
| * | Chairman |
| Tony Isaac | |
| * | Director |
| K.V. Kamath | |
| * | Director |
| Maureen Kempston Darkes | |
| * | Director |
| Nikolay Kudryavtsev | |
| * | Director |
| Michael E. Marks | |
| * | Director |
| Lubna S. Olayan | |
| * | Director |
| Leo Rafael Reif | |
| * | Director |
| Tore Sandvold | |
| * | Director |
| Henri Seydoux | |
| /s/ ALEXANDER C. JUDEN | January 29, 2015 |
| *By Alexander C. Juden Attorney-in-Fact | |

## INDEX TO EXHIBITS

| | Exhibit |
|---|---|
| Articles of Incorporation of Schlumberger Limited (Schlumberger N.V.), as last amended on April 6, 2011 (incorporated by reference to Exhibit 3 to Schlumberger's Current Report on Form 8-K filed on April 7, 2011) | 3.1 |
| Amended and Restated By-Laws of Schlumberger Limited (Schlumberger N.V.), as last amended on July 19, 2012 (incorporated by reference to Exhibit 3.1 to Schlumberger's Current Report on Form 8-K filed on July 20, 2012) | 3.2 |
| Indenture dated as of December 3, 2013, by and among Schlumberger Investment SA, as issuer, Schlumberger Limited, as guarantor, and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.1 to Schlumberger's Current Report on Form 8-K filed on December 3, 2013) | 4.1 |
| First Supplemental Indenture dated as of December 3, 2013, by and among Schlumberger Investment SA, as issuer, Schlumberger Limited, as guarantor, and The Bank of New York Mellon Trust Company, N.A., as trustee (including form of global notes representing 3.650% Senior Notes due 2023) (incorporated by reference to Exhibit 4.2 to Schlumberger's Current Report on Form 8-K filed on December 3, 2013) | 4.2 |
| Schlumberger Limited Supplementary Benefit Plan, as conformed to include amendments through January 1, 2009 (incorporated by reference to Exhibit 10.2 to Schlumberger's Annual Report on Form 10-K for the year ended December 31, 2008) (+) | 10.1 |
| Schlumberger Limited Restoration Savings Plan, as conformed to include amendments through January 1, 2009 (incorporated by reference to Exhibit 10.3 to Schlumberger's Annual Report on Form 10-K for the year ended December 31, 2008) (+) | 10.2 |
| First Amendment to Schlumberger Limited Restoration Savings Plan (incorporated by reference to Exhibit 10.3 to Schlumberger's Quarterly Report on Form 10-Q for the quarter ended March 31, 2013) (+) | 10.3 |
| Schlumberger 1998 Stock Option Plan, as conformed to include amendments through January 1, 2009 (incorporated by reference to Exhibit 10.4 to Schlumberger's Annual Report on Form 10-K for the year ended December 31, 2008) (+) | 10.4 |
| Third Amendment to Schlumberger 1998 Stock Option Plan (incorporated by reference to Exhibit 10.4 to Schlumberger's Quarterly Report on Form 10-Q for the quarter ended June 30, 2013) (+) | 10.5 |
| Schlumberger 2001 Stock Option Plan, as conformed to include amendments through January 1, 2009 (incorporated by reference to Exhibit 10.5 to Schlumberger's Annual Report on Form 10-K for the year ended December 31, 2008) (+) | 10.6 |
| Second Amendment to Schlumberger 2001 Stock Option Plan (incorporated by reference to Exhibit 10.5 to Schlumberger's Quarterly Report on Form 10-Q for the quarter ended June 30, 2013) (+) | 10.7 |
| Schlumberger Limited 2004 Stock and Deferral Plan for Non-Employee Directors, amended and restated effective January 19, 2012 (incorporated by reference to Exhibit 10 to Schlumberger's Current Report on Form 8-K filed on April 11, 2012.) (+) | 10.8 |
| Schlumberger 2005 Stock Incentive Plan, as conformed to include amendments through January 1, 2009 (incorporated by reference to Exhibit 10.6 to Schlumberger's Annual Report on Form 10-K for the year ended December 31, 2008) (+) | 10.9 |
| Third Amendment to Schlumberger 2005 Stock Incentive Plan (incorporated by reference to Exhibit 10.6 to Schlumberger's Quarterly Report on Form 10-Q for the quarter ended June 30, 2013) (+) | 10.10 |
| Schlumberger 2008 Stock Incentive Plan, as conformed to include amendments through January 1, 2009 (incorporated by reference to Exhibit 10.8 to Schlumberger's Annual Report on Form 10-K for the year ended December 31, 2008) (+) | 10.11 |

| | Exhibit |
|---|---|
| Second Amendment to Schlumberger 2008 Stock Incentive Plan (incorporated by reference to Exhibit 10.7 to Schlumberger's Quarterly Report on Form 10-Q for the quarter ended June 30, 2013) (+) | 10.12 |
| Schlumberger 2010 Omnibus Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to Schlumberger's Current Report on Form 8-K filed on April 9, 2010) (+) | 10.13 |
| First Amendment to Schlumberger 2010 Omnibus Stock Incentive Plan (incorporated by reference to Exhibit 10.8 to Schlumberger's Quarterly Report on Form 10-Q for the quarter ended June 30, 2013) (+) | 10.14 |
| Form of 2013 Two Year Performance Share Unit Award Agreement under Schlumberger 2010 Omnibus Stock Incentive Plan (incorporated by reference to Exhibit 10.5 to Schlumberger's Quarterly Report on Form 10-Q for the quarter ended March 31, 2013) (+) | 10.15 |
| Form of 2013 Three Year Performance Share Unit Award Agreement under Schlumberger 2010 Omnibus Stock Incentive Plan (incorporated by reference to Exhibit 10.6 to Schlumberger's Quarterly Report on Form 10-Q for the quarter ended March 31, 2013) (+) | 10.16 |
| Form of 2014 Three Year Performance Share Unit Award Agreement under Schlumberger 2013 Omnibus Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to Schlumberger's Quarterly Report on Form 10-Q for the quarter ended March 31, 2014) (+) | 10.17 |
| French Sub-Plan of Schlumberger 2010 Omnibus Stock Incentive Plan for Employees in France (incorporated by reference to Exhibit 10.7 to Schlumberger's Quarterly Report on Form 10-Q for the quarter ended March 31, 2013) (+) | 10.18 |
| Form of Option Agreement (Employees in France), Incentive Stock Option, under Schlumberger 2010 Omnibus Stock Incentive Plan (incorporated by reference to Exhibit 10.10 to Schlumberger's Quarterly Report on Form 10-Q for the quarter ended June 30, 2013) (+) | 10.19 |
| Form of Option Agreement (Employees in France), Non-Qualified Stock Option, under Schlumberger 2010 Omnibus Stock Incentive Plan (incorporated by reference to Exhibit 10.11 to Schlumberger's Quarterly Report on Form 10-Q for the quarter ended June 30, 2013) (+) | 10.20 |
| Form of Restricted Stock Unit Award Agreement (Employees in France) under Schlumberger 2010 Omnibus Stock Incentive Plan (incorporated by reference to Exhibit 10.12 to Schlumberger's Quarterly Report on Form 10-Q for the quarter ended June 30, 2013) (+) | 10.21 |
| Form of 2013 One Year Performance Share Unit Award Agreement (Employees in France) under Schlumberger 2010 Omnibus Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to Schlumberger's Quarterly Report on Form 10-Q for the quarter ended September 30, 2013) (+) | 10.22 |
| Schlumberger 2013 Omnibus Stock Incentive Plan (incorporated by reference to Appendix A to Schlumberger's Definitive Proxy Statement on Schedule 14A filed on March 1, 2013) (+) | 10.23 |
| First Amendment to Schlumberger 2013 Omnibus Stock Incentive Plan (incorporated by reference to Exhibit 10.9 to Schlumberger's Quarterly Report on Form 10-Q for the quarter ended June 30, 2013) (+) | 10.24 |
| Form of Option Agreement, Incentive Stock Option, under Schlumberger 2013 Omnibus Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to the Schlumberger's Quarterly Report on Form 10-Q for the quarter ended in June 30, 2014) (+) | 10.25 |
| Form of Option Agreement, Non-Qualified Stock Option, under Schlumberger 2013 Omnibus Stock Incentive Plan (incorporated by reference to Exhibit 10.2 to Schlumberger's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014) (+) | 10.26 |
| Form of Restricted Stock Unit Award Agreement under Schlumberger 2013 Omnibus Stock Incentive Plan (incorporated by reference to Exhibit 10.3 to Schlumberger's Quarterly Report on Form 10-Q for the quarter ended June 30, 2014) (+) | 10.27 |
| Schlumberger Discounted Stock Purchase Plan, as amended and restated effective as of January 1, 2013 (incorporated by reference to Appendix B to Schlumberger's Definitive Proxy Statement on Schedule 14A filed on March 1, 2013) (+) | 10.28 |

| | Exhibit |
|---|---|
| Form of Option Agreement, Capped Incentive Stock Option (incorporated by reference to Exhibit 10.1 to Schlumberger's Current Report on Form 8-K filed on January 19, 2006) (+) | 10.29 |
| Form of Option Agreement, Capped Non-Qualified Stock Option (incorporated by reference to Exhibit 10.2 to Schlumberger's Current Report on Form 8-K filed on January 19, 2006) (+) | 10.30 |
| Form of Option Agreement, Uncapped Incentive Stock Option (for 2001, 2005 and 2008 stock plans) (incorporated by reference to Exhibit 10.11 to Schlumberger's Annual Report on Form 10-K for the year ended December 31, 2009) (+) | 10.31 |
| Form of Option Agreement, Uncapped Non-Qualified Stock Option (for 2001, 2005 and 2008 stock plans) (incorporated by reference to Exhibit 10.12 to Schlumberger's Annual Report on Form 10-K for the year ended December 31, 2009) (+) | 10.32 |
| Form of Smith International, Inc. 2010 Restricted Stock Unit Agreement (incorporated by reference to Exhibit 10.3 to Schlumberger's Quarterly Report on Form 10-Q for the quarter ended September 30, 2010) (+) | 10.33 |
| Employment Agreement dated June 11, 2013 and effective as of July 1, 2013, between Schlumberger Limited and Satish Pai (incorporated by reference to Exhibit 10.1 to Schlumberger's Quarterly Report on Form 10-Q for the quarter ended June 30, 2013) (+) | 10.34 |
| Employment Agreement dated February 19, 2013 and effective as of March 1, 2013, between Schlumberger Limited and Kjell-Erik Oestdahl (incorporated by reference to Exhibit 10.2 to Schlumberger's Quarterly Report on Form 10-Q for the quarter ended June 30, 2013) (+) | 10.35 |
| Form of Indemnification Agreement (incorporated by reference to Exhibit 10 to Schlumberger's Current Report on Form 8-K filed on October 21, 2013) | 10.36 |
| Subsidiaries (*) | 21 |
| Consent of Independent Registered Public Accounting Firm (*) | 23 |
| Powers of Attorney (*) | 24 |
| Certification of Chief Executive Officer pursuant to Rule 13a-14(a) as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (*) | 31.1 |
| Certification of Chief Financial Officer pursuant to Rule 13a-14(a) as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (*) | 31.2 |
| Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (*) | 32.1 |
| Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (*) | 32.2 |
| Mine Safety Disclosure (*) | 95 |
| The following materials from Schlumberger Limited's Annual Report on Form 10-K for the year ended December 31, 2014, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Statement of Income, (ii) Consolidated Statement of Comprehensive Income, (iii) Consolidated Balance Sheet, (iv) Consolidated Statement of Cash Flows, (v) Consolidated Statement of Equity and (vi) Notes to Consolidated Financial Statements. (*) | 101 |

(*) Exhibits electronically filed with this Form 10-K. All other exhibits incorporated by reference.

(+) Management contracts or compensatory plans or arrangements.

**Exhibit 21**

## Significant Subsidiaries

Listed below are the significant subsidiaries of the Registrant as of December 31, 2014, and the states or jurisdictions in which they are incorporated or organized. The indentation reflects the principal parenting of each subsidiary. The names of other subsidiaries have been omitted from the list below, since they would not constitute, in the aggregate, a significant subsidiary as of December 31, 2014.

Schlumberger Antilles N.V., Curacao

Schlumberger B.V., Netherlands

- Schlumberger Canada Limited, Canada
- Schlumberger SA, France
    - Services Petroliers Schlumberger, France
- Schlumberger Norge AS, Norway
- Schlumberger Holdings Corporation, Delaware
    - Schlumberger Technology Corporation, Texas
    - Smith International Inc, Delaware
- Schlumberger UK Limited, UK
    - M-I Holdings (UK) Limited, UK
    - Schlumberger Plc, UK
        - Schlumberger Oilfield UK Plc, UK
- M-I Holdings BV, Netherlands

Schlumberger Oilfield Holdings Limited, BVI

- Schlumberger Holdings Limited, BVI
    - Dowell Schlumberger Corporation, BVI
    - Schlumberger Logelco, Inc., Panama
    - Schlumberger Middle East SA., Panama
    - Schlumberger Offshore Services Limited, BVI
    - Schlumberger Overseas, SA, Panama
    - Schlumberger Seaco, Inc., Panama
    - Schlumberger Surenco, SA, Panama
- WesternGeco Seismic Holdings Limited, BVI

**Exhibit 23**

## Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-104225; 333-115277; 333-124534; 333-151920; 333-173055, as amended by post-effective amendment on Form S-8; 333-188589; and 333-188590); on Form S-3 (Nos. 333-195342 and 333-190822); and on Form S-4 (Nos. 333-97899 and 333-166326, as amended by post-effective amendment on Form S-8) of Schlumberger Limited of our report dated January 29, 2015 relating to the consolidated financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Houston, Texas
January 29, 2015

**Exhibit 24**

## Powers of Attorney

Each of the undersigned, in the capacity or capacities set forth below his or her signature as a member of the Board of Directors and/or an officer of Schlumberger Limited, a Curaçao corporation, hereby appoints Simon Ayat, Howard Guild and Alexander C. Juden, or either of them, the attorney or attorneys of the undersigned, with full power of substitution and revocation, for and in the name, place and stead of the undersigned to execute and file with the Securities and Exchange Commission the Annual Report on Form 10-K under the Securities Exchange Act of 1934 (the "Exchange Act") for the fiscal year ending December 31, 2014, and any amendment or amendments to any such Annual Report on Form 10-K, and any agreements, consents or waivers relative thereto, and to take any and all such other action for and in the name and place and stead of the undersigned as may be necessary or desirable in order to comply with the Exchange Act or the rules and regulations thereunder.

/s/ Peter L.S. Currie
Peter L.S. Currie
Director

/s/ Michael E. Marks
Michael E. Marks
Director

/s/ Tony Isaac
Tony Isaac
Chairman of the Board

/s/ Lubna S. Olayan
Lubna S. Olayan
Director

/s/ K.Vaman Kamath
K.Vaman Kamath
Director

/s/ Leo Rafael Reif
Leo Rafael Reif
Director

/s/ Maureen Kempston Darkes
Maureen Kempston Darkes
Director

/s/ Tore Sandvold
Tore Sandvold
Director

/s/ Paal Kibsgaard
Paal Kibsgaard
Director and Chief Executive Officer

/s/ Henri Seydoux
Henri Seydoux
Director

/s/ Nikolay Kudryavtsev
Nikolay Kudryavtsev
Director

Date: January 29, 2015

**Exhibit 31.1**

## CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Paal Kibsgaard, certify that:

1. I have reviewed this Annual Report on Form 10-K of Schlumberger Limited;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 29, 2015

/s/ Paal Kibsgaard

Paal Kibsgaard
Chief Executive Officer

**Exhibit 31.2**

## CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Simon Ayat, certify that:

1. I have reviewed this Annual Report on Form 10-K of Schlumberger Limited;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 29, 2015

/s/ Simon Ayat

Simon Ayat
Executive Vice President and Chief Financial Officer

**Exhibit 32.1**

## CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of Schlumberger N.V. (Schlumberger Limited) (the "Company") for the year ended December 31, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Paal Kibsgaard, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: January 29, 2015

/s/ Paal Kibsgaard

Paal Kibsgaard
Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to Schlumberger Limited and will be retained by Schlumberger Limited and furnished to the Securities and Exchange Commission or its staff upon request.

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Exchange Act.

**Exhibit 32.2**

## CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of Schlumberger N.V. (Schlumberger Limited) (the "Company") for the year ended December 31, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Simon Ayat, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: January 29, 2015

/s/ Simon Ayat
Simon Ayat
Executive Vice President and Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Schlumberger Limited and will be retained by Schlumberger Limited and furnished to the Securities and Exchange Commission or its staff upon request.

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Exchange Act.

**Exhibit 95**

## Mine Safety Disclosure

The following disclosure is provided pursuant to Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, which requires certain disclosures by companies required to file periodic reports under the Securities Exchange Act of 1934, as amended, that operate mines regulated under the Federal Mine Safety and Health Act of 1977.

The table that follows reflects citations, orders, violations and proposed assessments issued by the Mine Safety and Health Administration (the "MSHA") to M-I LLC, an indirect wholly-owned subsidiary of Schlumberger. The disclosure is with respect to the full year ended December 31, 2014. Due to timing and other factors, the data may not agree with the mine data retrieval system maintained by the MSHA at www.MSHA.gov.

**Full Year 2014**
*(whole dollars)*

| Mine or Operating Name/ MSHA Identification Number | Section 104 S&S Citations | Section 104(b) Orders | Section 104(d) Citations and Orders | Section 110(b)(2) Violations | Section 107(a) Orders | Proposed MSHA Assessments[1] | Mining Related Fatalities | Received Notice of Pattern of Violations Under Section 104(e) (yes/no) | Received Notice of Potential to Have Pattern Under Section 104(e) (yes/no) | Legal Actions Pending as of Last Day of Period | Legal Actions Initiated During Period | Legal Actions Resolved During Period |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Amelia Barite Plant/ 1600825 | 1 | 0 | 0 | 0 | 0 | $ 343 | 0 | N | N | 0 | 0 | 0 |
| Battle Mountain Grinding Plant/ 2600828 | 0 | 0 | 0 | 0 | 0 | $1,416 | 0 | N | N | 0 | 0 | 3 |
| Galveston GBT Barite Grinding Plant/ 4104675 | 1 | 0 | 0 | 0 | 0 | $ 108* | 0 | N | N | 0 | 0 | 0 |
| Greybull Milling Operation/ 4800602 | 0 | 0 | 0 | 0 | 0 | $ 400 | 0 | N | N | 0 | 0 | 0 |
| Greybull Mining Operation/ 4800603 | 1 | 0 | 0 | 0 | 0 | $ 648 | 0 | N | N | 0 | 0 | 0 |
| Greystone Mine/2600411 | 0 | 0 | 0 | 0 | 0 | $1,455 | 0 | N | N | 0 | 0 | 0 |
| MI SWACO-Alpine/ 4104829 | 0 | 0 | 0 | 0 | 0 | $ 0 | 0 | N | N | 0 | 0 | 0 |
| MI SWACO-Brownsville Grinding Plant/ 4103033 | 1 | 0 | 0 | 0 | 0 | $ 884 | 0 | N | N | 0 | 0 | 0 |

(1) Amounts included are the total dollar value of proposed assessments received from MSHA on or before December 31, 2014, regardless of whether the assessment has been challenged or appealed, for citations and orders occurring during the full year 2014. Citations and orders can be contested and appealed, and as part of that process, are sometimes reduced in severity and amount, and sometimes dismissed. The number of citations, orders, and proposed assessments vary by inspector and also vary depending on the size and type of the operation.

* As of December 31, 2014, MSHA had not yet proposed assessments for four Section 104(a) citations at Galveston GBT Barite Grinding Plant.

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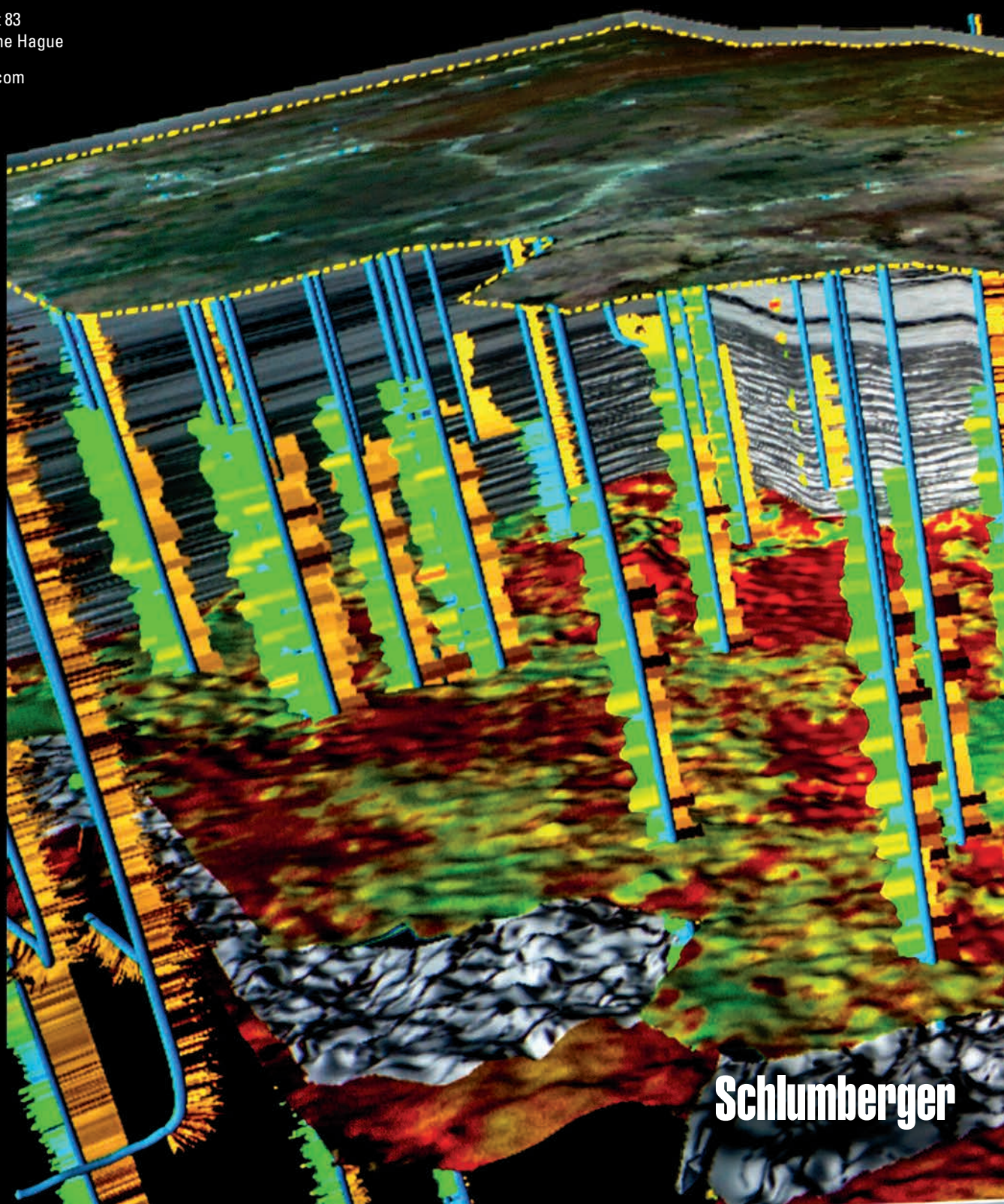

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