

Schlumberger First-Quarter 2009 Executive Remarks***April 24, 2009***

Malcolm Theobald—Schlumberger Limited VP Investor Relations

Good morning, and welcome to the Schlumberger Limited first quarter 2009 conference call.

Today's call is being hosted from Dhahran, Saudi Arabia, where the Schlumberger Limited Board meeting took place yesterday. Before we begin with the prepared remarks, I'd like to remind the participants that some of the information in today's call may include forward-looking statements, as well as non-GAAP financial measures. A detailed disclaimer and other important information are included in the FAQ document, which is available on our website or upon request.

Joining me for today's call from Saudi Arabia are Andrew Gould, Chairman and Chief Executive Officer and Simon Ayat, Chief Financial Officer. Prior to Andrew's overview of the first quarter and his comments on the outlook, Simon will first review the quarter's financial results. After the prepared statements, we will welcome your questions.

And now, I'll turn the call over to Simon.

Simon Ayat—Schlumberger Limited Chief Financial Officer

Thank you, Malcolm. Ladies and gentlemen, thank you for participating in this conference call.

First quarter income from continuing operations, excluding charges and credits, was \$0.78 per share, down \$0.25 sequentially and down \$0.28 compared to the same quarter of last year. We are continuing to focus on managing our cost base. In this regard, we have largely completed the headcount reduction we announced last quarter. In order to better match our costs to the lower activity and pricing levels, we will likely have a further reduction over the coming months.

Turning to the business segments, Oilfield Services first-quarter revenue fell by 13% sequentially, while the WesternGeco revenue dropped 8%. Oilfield Services generated \$1.3 billion in pretax operating income, down \$344 million sequentially, with margins declining by 248 basis points to 23.1%. By area, Oilfield Services sequential pretax operating margins highlights were as follows:

North America declined by 858 basis points to 13.7%, primarily due to the impact of the rapid and deep reduction in US land and US Gulf of Mexico shelf activity, coupled with heavy pricing pressure. Latin America improved 168 basis points to 19.7% due to project efficiency gains on IPM projects in Mexico/Central America and a favorable mix of higher margin exploration activity offshore Brazil. These increases were partially offset by a reduced gain share from an IPM project in Peru/Colombia/Ecuador and the impact of reduced activity in Venezuela/Trinidad & Tobago.

Europe/CIS/Africa was essentially flat at 25.9%. Higher margin activity in the North Sea and in Nigeria and Gulf of Guinea largely offset the combined impact of lower activity in North Africa, the

less favorable revenue mix in West and South Africa and reduced sales at Framo. Finally, Middle East/Asia was also steady at 33.1%, as a more favorable revenue mix in several GeoMarkets offset the impact of lower activity overall in the area. At WesternGeco, pretax income of \$55 million reflected a decline in pretax margins of 483 basis points to 9.9%. This decrease was due to the sharp decline in Multiclient revenue, primarily in North America, as customers continued to reduce their discretionary spending.

Now turning to Schlumberger as a whole, the effective tax rate (ETR) of 21.1% was in line with last quarter after adjusting for the Q4 charges. The ETR for all of 2009 is still expected to be in the low 20's. Net debt was \$1.5 billion at the end of the quarter, as compared to \$1.1 billion at the end of Q4. This increase is largely seasonal, as we typically experience stronger Q4 cash collections on our receivables and we pay profit sharing and other related benefits in Q1. We ended the quarter with approximately \$4.4 billion of cash and investments on hand.

In addition, \$2.1 billion of committed debt facilities with commercial banks remained unused and were available at the end of March. This compares to short term debt of only \$1.6 billion, reflecting the continued strength of our balance sheet and leaving us with more than enough liquidity to meet all corporate and operational requirements. In addition, during the quarter, we established a EUR 3 billion medium term note program, which provides for the issuance of various types of debt instruments, such as fixed or floating rate notes in Euro or US dollar or other foreign currencies. In March, we issued EUR 1 billion of 4.5% notes, due 2014 under this program. The issuance of these notes was extremely well received. The proceeds from these notes will be used to refinance existing debt obligation and for general corporate purposes and will even further increase Schlumberger's financial flexibility.

Other significant liquidity events during the quarter included \$273 million of pension funding and \$748 million of capex. Given the current economic environment, we have temporarily suspended our stock buyback activity. Oilfield services capex is expected to approach \$2 billion in 2009, while WesternGeco is expected to reach \$600 million, which includes \$270 million relating to the construction of seismic vessels.

And now, I'll turn the conference over to Andrew.

Andrew Gould—Schlumberger Limited Chairman and Chief Executive Officer

Thank you, Simon and good morning or good afternoon everybody.

Schlumberger first-quarter revenue declined sequentially, as activity continued to weaken around the globe in response to reduced customer spending, as the global economic recession reduced demand for both oil and natural gas. The rate of decline in revenue at Oilfield Services accelerated considerably compared to the fourth quarter, largely due to the precipitous drop in North America natural gas rig count. Outside North America, low activity in Russia and the fall of many local currencies against the US dollar remain the principal causes of weakness.

Looking at the Areas in more detail and starting with North America the US land GeoMarket recorded a significant decrease in sequential revenue, as low natural gas prices and a lack of available credit for some customers resulted in a rapid and deep reduction in activity that was

coupled with heavy pricing pressure. Offshore, revenue in the US Gulf of Mexico GeoMarket fell through weak shelf drilling activity and associated pricing erosion, although expected deep-water projects began operations much as expected. In Canada, revenue fell as winter drilling activity was unusually low and the spring break up came unusually early. These decreases, however, were partially offset by high seasonal exploration-related activity in Alaska.

In Latin America, the Venezuela/Trinidad & Tobago GeoMarket saw the sharpest sequential revenue decrease as a result of lower activity-related demand for Drilling & Measurements, Well Services and Wireline Technologies, coupled with reduced IPM activity. In Peru/Colombia/Ecuador, revenue fell following the year-end sales in the prior quarter of their SIS Software and Artificial Lift products, while the Argentina/Bolivia/Chile GeoMarket decreased on lower activity-related demand for Wireline, Drilling & Measurements and Well Services. Area revenue was also reduced by 2% due to the weakening of local currencies against the US dollar. These decreases, however, were partially offset by increased revenue into Mexico/Central America GeoMarket due to efficiency gains on IPM projects. And in the Brazil GeoMarket, as a result of robust demand for high technology, Drilling & Measurements and Wireline services on offshore operations, where IOC activity grew as originally scheduled.

Within Europe/CIS/Africa, the weakening of local currencies against the US dollar, primarily in Russia and the North Sea, reduced area revenue by 5%. In addition, Russia experienced a sharp drop in revenue as a result of seasonal weather-related slowdowns, further reductions in customer activity and heavy pricing pressure.

Revenue for the North Africa GeoMarket was down due to lower demand for Well Services technologies and software products, while the Caspian GeoMarket experienced reduced demand for Well Services, Drilling & Measurements and Wireline, as customer activity slowed. Weaker Framo revenue also contributed to the sequential decline in the Area. These decreases were partially offset by improved activity in Nigeria and the Gulf of Guinea that resulted in increased demand for Wireline services.

Lastly, in the Middle East and Asia Area, sequential revenue fell, primarily due to reduced customer activity in the Arabian, Brunei/Malaysia/Philippines, Thailand/Vietnam and East Mediterranean GeoMarkets, in addition to seasonal weather-related slowdowns in the China/Japan/Korea GeoMarket. These declines in activity mainly affected demand for Well Testing, Wireline and Drilling & Measurements services. At WesternGeco, the rate of sequential revenue declined slowed to 8%, as continued weakness in North American Multiclient revenue was partially offset by improved Marine, with the start of several new proprietary contracts. Data Processing also recorded a sequential decrease across all Areas, except Latin America, While Land was down due to completion of projects in the Middle East. Overall, backlog decreased by \$319 million to \$1.5 billion, partly due to delayed contract awards pending the results of licensing rounds in several countries.

Looking at Schlumberger as a whole, we have already taken action to right size our operations, without diminishing our capacity to react to market changes. Our operating cost base has declined sequentially by more than \$450 million due to prompt action on all variable cost categories and to the effects of favorable exchange rate movements. Recent economic forecasts have yet to show any positive trends in GDP stabilization or growth, with the major forecasting agencies lowering their demand expectations accordingly.

Our visibility on 2009 has, therefore, not materially changed from the end of the fourth quarter. We do not see any significant recovery in North American gas drilling before 2010. Overseas, while activity declines will be limited, customers are actively seeking and are obtaining price relief to improve the economics of current projects. At the same time, exploration expenditures are being deferred in favor of projects that produce immediate cash flow. We are encouraged to see offshore deepwater activity resisting fairly well to the current budget cuts. As we indicated on our fourth-quarter comments, longer term, we remain convinced that any demand recovery for oil will need to be accompanied by increased investment to offset decline in the aging production base.

And I will now hand the call back to Malcolm.

Malcolm Theobald—Schlumberger Limited VP Investor Relations

On behalf of the Schlumberger management team, I would like to thank you for participating in today's call. Greg will now provide the closing comments.

Operator

Ladies and gentlemen, this conference will be available for replay after 10:30 Central Time today through May 24. You may access the AT&T teleconference replay system at any time by dialing 1 (800) 475-6701 and entering the access code 985751. International participants dial (320) 365-3844. Those numbers once again are 1 (800) 475-6701 or (320) 365-3844 with the access code 985751. That does conclude your conference for today.

*Mark of Schlumberger