

SCHLUMBERGER LTD /NV/
Form PRE 14A
February 25, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a)
of the Securities Exchange Act of 1934
(Amendment No. __)

Filed by the Registrant " Filed by a Party other than the Registrant "

Check the appropriate box:

- ☒ Preliminary Proxy Statement
- ☐ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- ☐ Definitive Proxy Statement
- ☐ Definitive Additional Materials
- ☐ Soliciting Material Pursuant to §240.14a-12

Schlumberger Limited (Schlumberger N.V.)

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

☒ No fee required.

☐ Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

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(4) Proposed maximum aggregate value of transaction:

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Schlumberger Limited

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New York, New York 10022-4624

42, rue Saint-Dominique

75007 Paris, France

Parkstraat 83

2514 JG The Hague

The Netherlands

NOTICE OF ANNUAL GENERAL MEETING OF STOCKHOLDERS

To Be Held April 14, 2004

March 10, 2004

The Annual General Meeting of Stockholders of Schlumberger Limited (Schlumberger N.V.) will be held at the Curaçao Marriott Beach Resort, Piscadera Bay, Willemstad, Curaçao, Netherlands Antilles, on Wednesday, April 14, 2004 at 10:30 in the morning (Curaçao time), for the following purposes:

1. To elect 10 directors.
2. To report on the course of business during the year ended December 31, 2003, to adopt and approve the Company's Consolidated Balance Sheet as at December 31, 2003, its Consolidated Statement of Income for the year ended December 31, 2003, and the declaration of dividends by the Board of Directors as reflected in the Company's 2003 Annual Report to Stockholders.
3. To approve the adoption of the 2004 Stock and Deferral Plan for Non-Employee Directors.
4. To approve the appointment of PricewaterhouseCoopers LLP as independent public auditors to audit the accounts of the Company for 2004.

Action will also be taken upon such other matters as may come properly before the meeting.

The close of business on February 25, 2004 has been fixed as the record date for the meeting. All holders of common stock of record at the close of business on that date are entitled to vote at the meeting.

By order of the Board of Directors,

Ellen Summer

Secretary

**Please sign your proxy card and return it in the enclosed
envelope so that you may be represented at the Meeting.**

PROXY STATEMENT

March 10, 2004

General

This proxy statement is furnished in connection with the solicitation by the Board of Directors of Schlumberger Limited (Schlumberger N.V.) (Schlumberger or the Company) of proxies to be voted at the 2004 Annual General Meeting of Stockholders. The approximate mailing date of this proxy statement is March 10, 2004. Business at the meeting is conducted in accordance with the procedures determined by the Chairman of the meeting and is generally limited to matters properly brought before the meeting by or at the direction of the Board of Directors or by a stockholder in accordance with specified requirements requiring advance notice and disclosure of relevant information.

The Schlumberger 2003 Annual Report to Stockholders is included in this package as a separate document. The Company's Consolidated Balance Sheet as at December 31, 2003, its Consolidated Statement of Income for the year ended December 31, 2003 and the supplemental financial information with respect to dividends included in the Annual Report are incorporated by reference as part of this proxy soliciting material.

The Company will bear the cost of furnishing proxy material to all stockholders and of soliciting proxies by mail and telephone. D. F. King & Co., Inc. has been retained by the Company to assist in the solicitation of proxies for a fee estimated at \$10,500 plus reasonable expenses. Directors, officers and employees of the Company may also solicit proxies for no additional compensation. The Company will reimburse brokerage firms, fiduciaries and custodians for their reasonable expenses in forwarding the solicitation material to the beneficial owners.

Voting Procedure

Each stockholder of record at the close of business on February 25, 2004 is entitled to one vote for each share registered in the stockholder's name. On that date there were _____ outstanding shares of common stock of Schlumberger, excluding _____ shares held in treasury.

Fifty percent of the outstanding shares, exclusive of shares held in treasury, must be present in person or by proxy to constitute a quorum for the taking of any action at the meeting. Abstentions and broker non-votes are counted for determining the presence of a quorum but are not counted as votes cast in the tabulation of votes on any matter brought before the meeting. If a quorum is not present at the meeting, the Board may call a second General Meeting at which the quorum requirement will not apply.

Shares cannot be voted at the meeting unless the owner of record is present in person or is represented by proxy. Schlumberger is incorporated in the Netherlands Antilles and, as provided by Netherlands Antilles law, meetings of stockholders are held in the Netherlands Antilles. The enclosed proxy card is a means by which a stockholder may authorize the voting of shares at the meeting. It may be revoked at any time by written notice to the Secretary of the Company before it is voted. If it is not revoked, the shares represented will be voted in accordance with the proxy.

1. Election of Directors

It is intended to fix the number of directors at 10 and to elect a Board of Directors of 10 members, each to hold office until the next Annual General Meeting of Stockholders and until a director's successor is elected and qualified or until a director's death, resignation or removal. Each of the nominees, except Tore I. Sandvold, is now a director and was previously elected by the stockholders. Pursuant to the retirement policy under Schlumberger's Corporate Governance Guidelines, Sven Ullring, who is 68 and has been a director since 1990, is not standing for reelection. Unless instructed otherwise, the proxies will be voted for the election of the 10 nominees named below. If any nominee is unable or unwilling to serve, proxies may be voted for another person designated by the Board of Directors. The Board knows of no reason why any nominee will be unable or unwilling to serve if elected.

A majority of the votes cast is required to elect each of the nominees for director.

The Board of Directors Recommends a Vote FOR All Nominees.

The Board of Directors' nominees for election to the Board, together with information furnished by them with respect to their business experience, and other information regarding them, are set forth below:

Nominee, Age and Five-Year Business Experience	Director Since
JOHN DEUTCH, 65; Institute Professor, Massachusetts Institute of Technology, Cambridge, Massachusetts. ⁽¹⁾	1997
JAMIE S. GORELICK, 53; Partner, Wilmer Cutler Pickering LLP, an international law firm since July 2003, Vice Chair of Fannie Mae, the largest source of financing for U.S. home mortgages from May 1997 to July 2003, Washington, D.C. ⁽²⁾	2002
ANDREW GOULD, 57; Chairman and Chief Executive Officer since February 2003, President and Chief Operating Officer, March 2002 to February 2003, Executive Vice President Oilfield Services from January 1999 to March 2002. ⁽³⁾	2002
TONY ISAAC, 62; Chief Executive, The BOC Group plc, an international portfolio of companies with three business segments consisting of Gases and Related Products, Health Care and Vacuum Technology & Supply Chain Solutions since September 1999, Group Finance Director of the BOC Group plc from October 1994 to September 1999, Surrey, U.K. ⁽⁴⁾	2003
ADRIAN LAJOUS, 60; Senior Energy Advisor, McKinsey & Company, Houston, Texas, and President of Petrométrica, an energy consulting company, Mexico City, since January 2001; Special Advisor to the President of Mexico (international oil matters), January 2000 to November 2000; Director and CEO, Pemex, Mexico's national oil company from 1995 to 1999 ⁽⁵⁾	2002
ANDRE LEVY-LANG, 66; Independent Investor since November 1999; Chairman of the Executive Board of Paribas, an international banking group, May 1998 to August 1999, Paris. ⁽⁶⁾	1992
DIDIER PRIMAT, 59; President, Primwest Holding N.V., an investment management company, Curaçao, N.A. ⁽⁷⁾	1988
TORE I. SANDVOLD, 56; Chairman, Sandvold Energy AS, an advisory company in the energy business since September 2002, Chairman of the Board of Petoro AS, a Norwegian state-owned oil company from May 2001 to September 2002, Director General, Norwegian Ministry of Oil & Energy from 1990 to May 2001, Oslo, Norway. ⁽⁸⁾	1982
NICOLAS SEYDOUX, 64; Chairman and Chief Executive Officer, Gaumont, a French filmmaking enterprise, Paris. ⁽⁷⁾	1993
LINDA GILLESPIE STUNTZ, 49; Partner, Stuntz, Davis & Staffier P.C., a law firm, Washington, D. C. ⁽⁹⁾	

⁽¹⁾ Mr. Deutch is a director of Citigroup, a banking and insurance organization, where he serves on its Audit, Public Affairs and Governance and Nominating Committees; Cummins Inc., a manufacturer of diesel engines and components, where he serves on its Technology, Finance and Governance and Nominating Committees; and Raytheon Corporation, a defense technology company, where he serves on its Governance and Nominating and Public Affairs Committees. Mr. Deutch's adult son, Paul Deutch, is employed by a unit of Schlumberger. The employment of Mr. Deutch's son was not influenced by John Deutch's position as a director of the Company.

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- (2) Ms. Gorelick is a director of United Technologies Corporation, a provider of high technology products and services to the aerospace industry, where she serves on its Audit, Finance and Public Issues Review Committees and serves on the Harvard Board of Overseers, and the boards of the John D. and Catherine T. MacArthur Foundation, America's Promise and the Carnegie Endowment for International Peace. She is a member of the National Commission on Terrorism Attacks Upon the United States. Wilmer Cutler Pickering LLP provided legal services to Schlumberger in 2003 but is no longer engaged by the Company.
- (3) Mr. Gould is a director of Rio Tinto plc and Rio Tinto Limited, a mineral resources group, and is a member of its Audit and Remuneration Committees.
- (4) Mr. Isaac is a director of International Power plc and is Chairman of its Audit Committee and serves on its Remuneration and Appointments Committees.
- (5) Mr. Lajous is Chairman of Oxford Institute for Energy Studies, Oxford, U.K.; Senior Energy Advisor at Morgan Stanley, London; and a Senior Fellow at the Kennedy School of Government, Harvard University.
- (6) Mr. Lévy-Lang is a director and member of the Compensation Committee of AGF, a French insurance company, a director and member of the Audit and Compensation Committees of SCOR, a French reinsurance company, and a director of Dexia, a Belgian financial services company.
- (7) Mr. Primat and Mr. Seydoux are cousins.
- (8) Mr. Sandvold is a director of Teekay Shipping Corporation, a leading provider of international crude oil and petroleum product transportation services, where he is a member of its Audit Committee and also serves on the boards of Lambert Energy Advisory Ltd., Ruhrgas Norge AS, Energy Policy Foundation of Norway and Stavanger University College.
- (9) Mrs. Stuntz is a director of American Electric Power Company, Inc., an electric and power holding company, where she is Chairman of its Finance Committee and is a member of its Executive, Public Policy, and Corporate Governance Committees; a director of Raytheon Company, a

defense technology company, and a director of the Electricity Innovation Institute, a nonprofit public benefit corporation engaged in research and technologies related to electricity production, transmission, distribution and utilization.

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth certain information with respect to persons known by the Company to be the beneficial owners of 5% or more of the common stock.

Name and Address	Beneficial Ownership of Common Stock	
	Number of Shares	Percentage of Class
FMR Corp. ⁽¹⁾ 85 Devonshire Street Boston, Massachusetts 02109	44,694,259	7.634%

- ⁽¹⁾ Based on amendment to a Statement on Schedule 13G dated February 17, 2004. Such filing indicates that FMR Corp. has sole voting power with respect to 4,203,618 shares and sole dispositive power with respect to 44,694,259 shares. FMR Corp. is the parent of Fidelity Management & Research Company, investment adviser to the Fidelity group of investment companies. The filing indicates that the common stock was acquired in the ordinary course of business and not for the purpose of influencing control of the Company.

The following lists the shares of Schlumberger common stock beneficially owned as of January 31, 2004 by all directors and nominees, by each of the named executive officers, and by the directors and executive officers as a group. Except as footnoted, each individual has sole voting and investment power over the shares listed by that individual's name. As of January 31, 2004, no nominee for director owned more than 1% of the outstanding shares of the Company's common stock, except Mr. Primat who owned 3.01%. All directors and executive officers as a group owned 3.79% of the outstanding shares of the Company at January 31, 2004.

Name	Shares
Simon Ayat	111,920 ⁽¹⁾
D. Euan Baird	1,939,054 ⁽²⁾
John Deutch	4,100 ⁽³⁾
Xavier Flinois	48,337 ⁽⁴⁾
Jamie S. Gorelick	1,500
Andrew Gould	622,670 ⁽⁵⁾
Tony Isaac	0
Adrian Lajous	1,300 ⁽⁶⁾
André Lévy-Lang	5,500
Jean-Marc Perraud	130,832 ⁽⁷⁾
Didier Primat	17,658,128 ⁽⁸⁾
Tore I. Sandvold	0
Chakib Sbiti	106,757 ⁽⁹⁾
Nicolas Seydoux	253,024 ⁽¹⁰⁾
Linda Gillespie Stuntz	6,800 ⁽¹¹⁾
Sven Ullring	4,905

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All directors and executive officers as a group (29 persons)

22,232,751⁽¹²⁾

- (1) Includes 108,533 shares which may be acquired by Mr. Ayat within 60 days through the exercise of stock options.
- (2) Includes 696,955 shares held in a revocable grantor trust and 1,239,099 shares, which may be acquired by Mr. Baird within 60 days through the exercise of stock options.
- (3) Includes 600 shares owned by Mr. Deutch's wife, as to which he disclaims beneficial ownership.
- (4) Includes 87,710 shares which may be acquired by Mr. Flinois within 60 days through the exercise of stock options.
- (5) Includes 510,790 shares which may be acquired by Mr. Gould within 60 days through the exercise of stock options.
- (6) Held in a limited liability company in which Mr. Lajous has an indirect interest.
- (7) Includes 115,633 shares which may be acquired by Mr. Perraud within 60 days through the exercise of stock options.
- (8) Includes 560,000 shares as to which Mr. Primat shares investment power and 4,499,008 shares held for account of the minor children of Mr. Primat as to which he has joint voting and investment power.
- (9) Includes 101,257 shares which may be acquired by Mr. Sbiti through the exercise of stock options.
- (10) Includes 15,364 shares owned by Mr. Seydoux's wife, as to which he shares voting and investment power.
- (11) Includes 3,000 shares as to which Mrs. Stuntz shares voting power and 300 shares owned by a minor child in a trust for which Mrs. Stuntz serves as trustee.
- (12) Includes 3,201,109 shares which may be acquired by executive officers as a group within 60 days through the exercise of stock options.

Board of Directors Meetings and Committees

During 2003 the Board of Directors held six meetings. Schlumberger has an Audit, a Compensation, a Nominating and Governance, a Finance, and a Technology Committee. During 2003, the Audit Committee met five times; the Compensation Committee met five times; the Finance Committee met once; the Nominating and Governance Committee met three times; and the Technology Committee met twice. All incumbent director nominees attended 100% of the aggregate of the meetings of the Board and of the committees of the Board on which such directors served except Didier Primat, who attended 82% of the meetings.

Director Compensation

Directors who are employees of Schlumberger do not receive compensation for serving on the Board or on committees of the Board. Board members who are not employees receive annual fees of \$40,000 each, and additional annual fees of \$10,000 as members of each of the committees on which they serve, except that the Chair of each Committee receives an annual fee of \$20,000, rather than the \$10,000 annual fee for committee service. From 2001 through 2003, each non-employee director received an annual stock award of 500 shares of Schlumberger common stock. If stockholders approve the adoption of the 2004 Stock and Deferral Plan for Non-Employee Directors at the meeting, each non-employee director will receive an annual stock award of 2,000 shares of Schlumberger common stock or units representing the right to receive those shares. See Item 3.

Director Stock Ownership Guidelines

The Board believes that ownership of stock of the Company by Board members aligns their interests with the interests of the Company's stockholders. Accordingly, the Board has established a Guideline that, within five years after April 22, 2004 or after joining the Board, each Board member own at least 5,000 shares or restricted stock units.

Audit Committee

The Audit Committee is comprised of five independent directors who meet the independence and other requirements of the New York Stock Exchange's listing standards. The Audit Committee assists the Board in its oversight of the integrity of the Company's financial statements, legal and regulatory compliance, the independent auditor's qualifications and independence, and the performance of Schlumberger's internal audit function and of the independent auditors. The Audit Committee recommends for approval by the stockholders, a firm of independent certified public accountants whose duty is to examine the Schlumberger consolidated financial statements. The Audit Committee has the sole authority and responsibility to appoint, subject to stockholder approval, compensate and oversee the independent auditors, and to pre-approve all engagements, fees and terms for audit and other services provided by the Company's independent auditors. The independent auditors are accountable to the Audit Committee. Mrs. Stuntz is Chair of the Audit Committee. Ms. Gorelick and Messrs. Isaac, Lévy-Lang and Primat are the other members. The Board of Directors has determined that Messrs. Isaac and Lévy-Lang, who are independent under applicable New York Stock Exchange listing standards, are audit committee financial experts as defined by applicable SEC rules. The Audit Committee operates pursuant to a written charter. A copy of the Audit Committee Charter, which was revised in January 2004, has been attached to this Proxy Statement as Appendix 1 and is available on the Company's website at <http://investorcenter.slb.com>.

Compensation Committee

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The Compensation Committee is comprised of four independent directors who meet the independence and other requirements of the New York Stock Exchange's listing standards. The Committee assists the Board in discharging its responsibilities with regard to executive compensation and oversight of the general compensation philosophy of the Company and prepares a report on executive compensation to the Company's stockholders. It is responsible for reviewing and approving the objectives, evaluating the performance, and reviewing and recommending the compensation of the Chief Executive Officer to the Board meeting in executive session. The Compensation Committee also administers the Company's stock option plans. Mr. Ullring is Chair of the

Compensation Committee. Ms. Gorelick and Messrs. Lajous and Seydoux are the other members. The Compensation Committee operates pursuant to a written charter. A copy of the Compensation Committee Charter, which was revised in January 2004, has been attached to this Proxy Statement as Appendix 2 and is available on the Company's website at <http://investorcenter.slb.com>.

Nominating and Governance Committee

The Nominating and Governance Committee is comprised of four independent directors, as defined by the New York Stock Exchange's listing standards, and assists the Board in identifying individuals qualified to become directors under criteria approved by the Board. The committee recommends to the Board the number and names of persons to be proposed by the Board for election as directors at the annual general meeting of stockholders and may also recommend to the Board persons to be appointed by the Board or to be elected by the stockholders to fill any vacancies which occur on the Board. The Nominating and Governance Committee is responsible for periodically reviewing director compensation and benefits, reviewing corporate governance trends, and recommending to the Board any improvements to the Company's corporate governance guidelines as it deems appropriate. The Nominating and Governance Committee also recommends directors to serve on and to chair the Board Committees and leads the Board's appraisal process. Mr. Seydoux is Chair of the Nominating and Governance Committee, and Mrs. Stuntz and Messrs. Deutch and Lajous are the other members. Mr. Gould resigned from the Committee on January 21, 2004. The Nominating and Governance Committee operates pursuant to a written charter. A copy of the Nominating and Governance Committee Charter, which was revised in January 2004, has been attached to this Proxy Statement as Appendix 3 and is available on the Company's website at <http://investorcenter.slb.com>.

Finance Committee

The Finance Committee operates under a charter approved by the Board in April 2000 and advises on various matters, including dividend and financial policies and the investment and reinvestment of funds. The Finance Committee periodically reviews the administration of the Schlumberger employee benefit plans and those of its subsidiaries. Mr. Lévy-Lang is Chair of the Finance Committee and Messrs. Gould, Lajous and Ullring are the other members.

Technology Committee

The Technology Committee operates under a charter approved by the Board in July 2000 and advises the Board and senior management on various matters including the quality and relevance of programs dealing with scientific research, development, information and manufacturing technology and also advises on research strategy and university relationships. Mr. Deutch is Chair of the Technology Committee and Mr. Lévy-Lang is also a member.

Corporate Governance Matters

Schlumberger is committed to adhering to sound principles of corporate governance and has adopted corporate governance principles that the Board believes promote the effective functioning of the Board of Directors, its committees and the Company.

Director Independence

The Board of Directors had determined that each director and nominee is independent, as defined for purposes of the New York Stock Exchange's listing standards, other than Mr. Gould, who is Chairman and Chief Executive Officer of Schlumberger. In making this determination, the Board affirmatively determined that each independent director or nominee had no material relationship with Schlumberger or management, and that none of the express disqualifications contained in the NYSE rules applied to any of them. As contemplated by NYSE rules, the Board has adopted categorical standards to assist it in making independence determinations, under which

relationships that fall within the categorical standard are not required to be disclosed in the proxy statement and their impact on independence need not be separately discussed. The Board, however, considers all material relationships with each director in making its independence determinations. A relationship falls within the categorical standard if it:

Is a type of relationship addressed in Section 303A 2(b) of the NYSE Listed Company Manual, but under those rules does not preclude a determination of independence; or

Consists of charitable contributions by the Company to an organization where a director is an executive officer and does not exceed the greater of \$1 million or 2% of the organization's gross revenue in any of the last 3 years.

None of the independent directors and nominees had relationships relevant to an independence determination that were outside the scope of the Board's categorical standards.

Director Nominations

In obtaining the names of possible nominees, the Nominating and Governance Committee makes its own inquiries and will receive suggestions from other directors, management, stockholders and other sources, and its process for evaluating nominees identified in unsolicited recommendations from securities holders is the same as its process for unsolicited recommendations from other sources. In the case of Mr. Sandvold, who is being nominated as a director for the first time this year, a non-management director suggested his name to the Committee as a candidate for nomination. All potential nominees must be considered by the Committee before being contacted by other Company directors or officers as possible nominees and before having their names formally considered by the full Board. The Nominating and Governance Committee will consider nominees recommended by securities holders who meet the eligibility requirements for submitting stockholder proposals for inclusion in the next proxy statement and submit their recommendations in writing to Chair, Nominating and Governance Committee, care of the Secretary, Schlumberger Limited, 153 East 53 Street, 57th Floor, New York, New York 10022-4624 by the deadline for such stockholder proposals referred to at the end of this proxy statement. Unsolicited recommendations must contain all of the information that would be required in a proxy statement soliciting proxies for the election of the candidate as a director, a description of all direct or indirect arrangements or understandings between the recommending securities holder and the candidate, all other companies to which the candidate is being recommended as a nominee for director, and a signed consent of the candidate to cooperate with reasonable background checks and personal interviews, and to serve as a director of the Company, if elected.

The Nominating and Governance Committee believes that nominees should, in the judgment of the Board, be persons of integrity and honesty, be able to exercise sound, mature and independent business judgment in the best interests of the stockholders as a whole, be recognized leaders in business or professional activity, have background and experience that will complement those of other board members, be able to actively participate in Board and Committee meetings and related activities, be able to work professionally and effectively with other Board members and Schlumberger management, be available to remain on the Board long enough to make an effective contribution, and have no material relationship with competitors or other third parties that could present realistic possibilities of conflict of interest or legal issues. The Nominating and Governance Committee also believes that the Board membership should include appropriate expertise, and reflect gender, cultural and geographical diversity as well as an appropriate mix of inside and independent directors.

Stockholder Communication with Board Members

The Board has established a process for securities holders to send communications, other than sales-related communications, to one or more of its members. Any such communications should be sent by letter addressed to the member or members of the Board to whom the communication is directed, care of the Secretary, Schlumberger Limited, 153 East 53 Street, 57th Floor, New York, New York 10022-4624. All such

communications will be forwarded to the Board member or members specified.

Director Presiding at Executive Sessions

The Board of Directors schedules executive sessions without any management members present in conjunction with each regularly scheduled Board meeting, and, at the request of a director. Mr. Nicolas Seydoux, Chair of the Nominating and Governance Committee, presides at these executive sessions of non-management directors.

Director Attendance at Annual Meeting

The Board's policy regarding director attendance at the Annual General Meeting of Stockholders is that they are welcome to attend, and that the Company will make all appropriate arrangements for directors that choose to attend. In 2003, no director attended the Annual General Meeting.

Corporate Governance Guidelines and Code of Ethics

Copies of Schlumberger's Corporate Governance Guidelines and Schlumberger's Code of Ethics are available at the Company's corporate governance website located at <http://investorcenter.slb.com>.

Audit Committee Report

During 2003, the Audit Committee periodically reviewed and discussed the Company's financial statements with Company management and the independent auditors, PricewaterhouseCoopers LLP, including matters raised by the independent auditors pursuant to Statement on Auditing Standards No. 61 (Communication with Audit Committees). The Audit Committee discussed with the Company's senior management and independent auditors the review of the Company's reporting and internal controls undertaken in connection with certifications by the Company's chief executive officer and chief financial officer pursuant to the Sarbanes-Oxley Act of 2002 in certain of the Company's filings with the Securities and Exchange Commission. The Audit Committee also reviewed and discussed such other matters as it deemed appropriate, including other provisions of the Sarbanes-Oxley Act of 2002 and rules adopted or proposed to be adopted by the Securities and Exchange Commission and the New York Stock Exchange.

The Company's independent auditors provided the Audit Committee with written disclosures required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), and the Committee discussed PricewaterhouseCoopers' independence with them.

Based on the foregoing review and discussion, and relying on the representation of Company management and the independent auditors' report to the Audit Committee, the Audit Committee recommended that the Board of Directors include the audited financial statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2003 filed with the Securities and Exchange Commission.

SUBMITTED BY THE AUDIT COMMITTEE OF THE SCHLUMBERGER

BOARD OF DIRECTORS

Jamie S. Gorelick
Tony Isaac
André Lévy-Lang

Didier Primat
Linda G. Stuntz, Chair

EXECUTIVE COMPENSATION**Summary of Cash and Certain Other Compensation**

The following table shows the compensation paid by the Company and its subsidiaries to the Chief Executive Officer, the former Chief Executive Officer and to the next four most highly compensated executive officers for the fiscal years ending December 31, 2003, 2002 and 2001.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Annual Compensation		Long Term Compensation	All Other Compensation (\$) ⁽⁷⁾
		Salary (\$) ⁽⁵⁾	Bonus (\$) ⁽⁵⁾	Awards	
				Securities Underlying Options (#) ⁽⁶⁾	
A. Gould ^{(1) (2)}					
Chairman and	2003	1,500,000	1,125,000	300,000	108,000
	2002	966,667	300,000	300,000	124,700
Chief Executive Officer	2001	800,000	1,120,000	100,000	95,704
D. E. Baird ⁽¹⁾					
former Chairman and	2003	125,000	0	0	224,893
	2002	1,500,000	450,000	250,000	209,500
Chief Executive Officer	2001	1,500,000	2,000,000	0	210,000
C. Sbiti ⁽³⁾	2003	559,284	629,195	100,000	49,452
Executive Vice President					
X. Flinois ⁽⁴⁾	2003	520,325	472,195	0	0
Executive Vice President					
J.-M. Perraud	2003	550,000	385,000	60,000	38,040
	2002	430,395	84,000	50,000	30,301
Executive Vice President					
and Chief Financial Officer					
S. Ayat ⁽³⁾	2003	391,499	274,049	30,000	28,669
Vice President, Controller and					
Business Processes					

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- 1) Mr. Baird retired on February 1, 2003 and Mr. Gould became Chairman and Chief Executive Officer on that date.
- 2) Mr. Gould was President and Chief Operating Officer until February 2003.
- 3) Messrs. Sbiti and Ayat are paid in Euros.
- 4) Mr. Flinois was paid in Pounds Sterling. In connection with the sale of the Sema business, Mr. Flinois left the company.
- 5) Salary and bonus amounts include cash compensation earned and received and any amounts deferred under the Schlumberger Restoration Savings Plan.
- 6) The Company has granted no stock appreciation rights or restricted stock.
- 7) The 2003 amounts disclosed in this column include:
 - (a) Company contributions to Schlumberger Profit Sharing Plans
 - (b) Company contributions to the International Staff Profit Sharing Plan
 - (c) Company unfunded credits to the Schlumberger Supplementary Benefit Plan
 - (d) Company unfunded matching credits to the Schlumberger Restoration Savings Plan
 - (e) Accrued unused vacation payout

	(a)(\$)	(b)(\$)	(c)(\$)	(d)(\$)	(e)(\$)
Mr. Gould	12,000	N/A	48,000	48,000	N/A
Mr. Baird	12,000	N/A	11,250	11,250	190,393
Mr. Sbiti	N/A	49,452	0	0	N/A
Mr. Flinois	N/A	0	0	0	N/A
Mr. Perraud	12,000	N/A	13,020	13,020	N/A
Mr. Ayat	N/A	28,669	0	0	N/A

The Company's matching credits under the Schlumberger Restoration Savings Plan are vested one-third at three years of service, two-thirds at four years, fully at five years or upon reaching the earliest of age 60, death or change of control. The amounts accumulated under the Schlumberger Restoration Savings Plan and the International Staff Profit Sharing Plan will be paid upon the satisfaction of certain conditions on termination or retirement, death, disability or change in control.

Stock Option Grants Table

The following table sets forth certain information concerning options granted during 2003 to the named executive officers. Shown are hypothetical gains that could be realized for the respective options, based on assumed rates of annual compound stock price appreciation of 5% and 10% from the date the options were granted over the ten-year term of the options. Any amount realized upon exercise of the options will depend upon the market price of Schlumberger common stock at the time the option is exercised relative to the exercise price of the option. There is no assurance that the amounts reflected in this table will be realized.

Option Grants in Last Fiscal Year

Name	Individual Grants					Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term	
	Number of Securities Underlying Options	% of Total Options Granted to Employees in	Exercise Price	Expiration			
	Granted (#) ⁽¹⁾	Fiscal Year	(\$/SH) ⁽²⁾	Date		5%(\$)	10%(\$)
A. Gould	300,000	8.67	41.295	01/15/2013		7,791,061	19,744,078
D. E. Baird							