



Patrick Schorn  
Executive Vice President, New Ventures

Credit Suisse  
23<sup>rd</sup> Annual Energy Summit

Vail, Colorado, February 13, 2018

Ladies and gentlemen good morning. My thanks to Jim Wicklund and Credit Suisse for the opportunity to be back in Vail. Being limited to three slides, we will only discuss a subset of the complete presentation and script that has been posted on our website.

The three topics that I'm going to cover are first, the balancing of supply and demand in the oil markets and the new projects underway; second, an update on the OneStim business; and third the capital discipline we will apply in this part of the business cycle.

I'll take your Q&A after we've gone through the prepared remarks.

This presentation contains "forward-looking statements" within the meaning of federal securities laws – that is, statements about the future, not about past events. Such statements often contain words such as "expect," "may," "believe," "plan," "estimate," "intend," "anticipate," "should," "could," "will," "see," "likely," and other similar words. Forward-looking statements address matters that are, to varying degrees, uncertain, such as statements about our financial and performance targets and other 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, including our transformation program; capital expenditures by Schlumberger and the oil and gas industry; the business strategies of Schlumberger's customers; the success of Schlumberger's acquisitions, joint ventures, alliances and SPM projects; future global economic conditions; and future results of operations. These statements are subject to risks and uncertainties, including 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; foreign currency risk; pricing pressure; weather and seasonal factors; operational modifications, delays or cancellations; 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 and climate-related initiatives; the inability of technology to meet new challenges in exploration; the inability to retain key employees; and other risks and uncertainties detailed in our most recent Forms 10-K, 10-Q, and 8-K filed with or furnished to the U.S. 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 underlying assumptions prove incorrect, actual outcomes may vary materially from those reflected in our forward-looking statements. The forward-looking statements speak only as of the date of this presentation, and Schlumberger disclaims any intention or obligation to update publicly or revise such statements, whether as a result of new information, future events or otherwise.

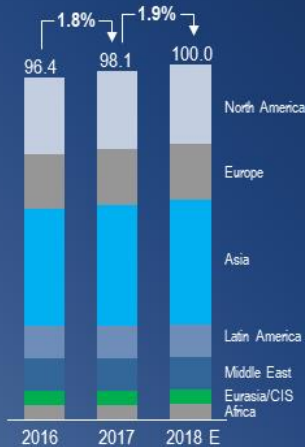
**Schlumberger**

But before I begin with our view on the industry macro, let's get the formalities out of the way.

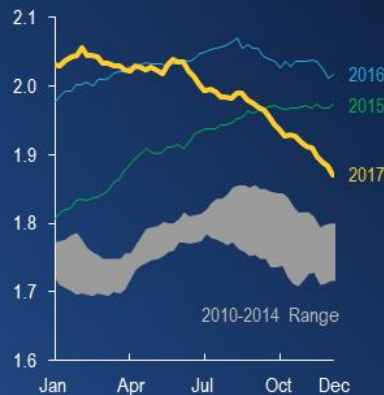
Some of the statements I will be making today are forward-looking. These matters involve risks and uncertainties that could cause our results to differ materially from those projected in these statements. I therefore refer you to our latest 10-K filing and our other SEC filings.

## Oil Market Rebalancing Has Accelerated

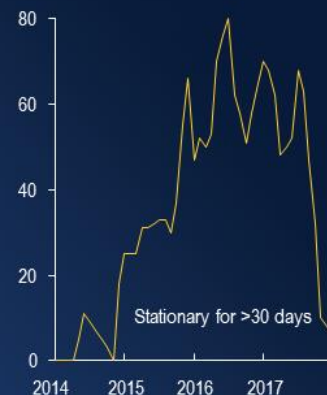
World Liquids Demand, MMbpd



US Crude Oil and Product Stocks, Bnbbbl



Floating Storage, MMbbl



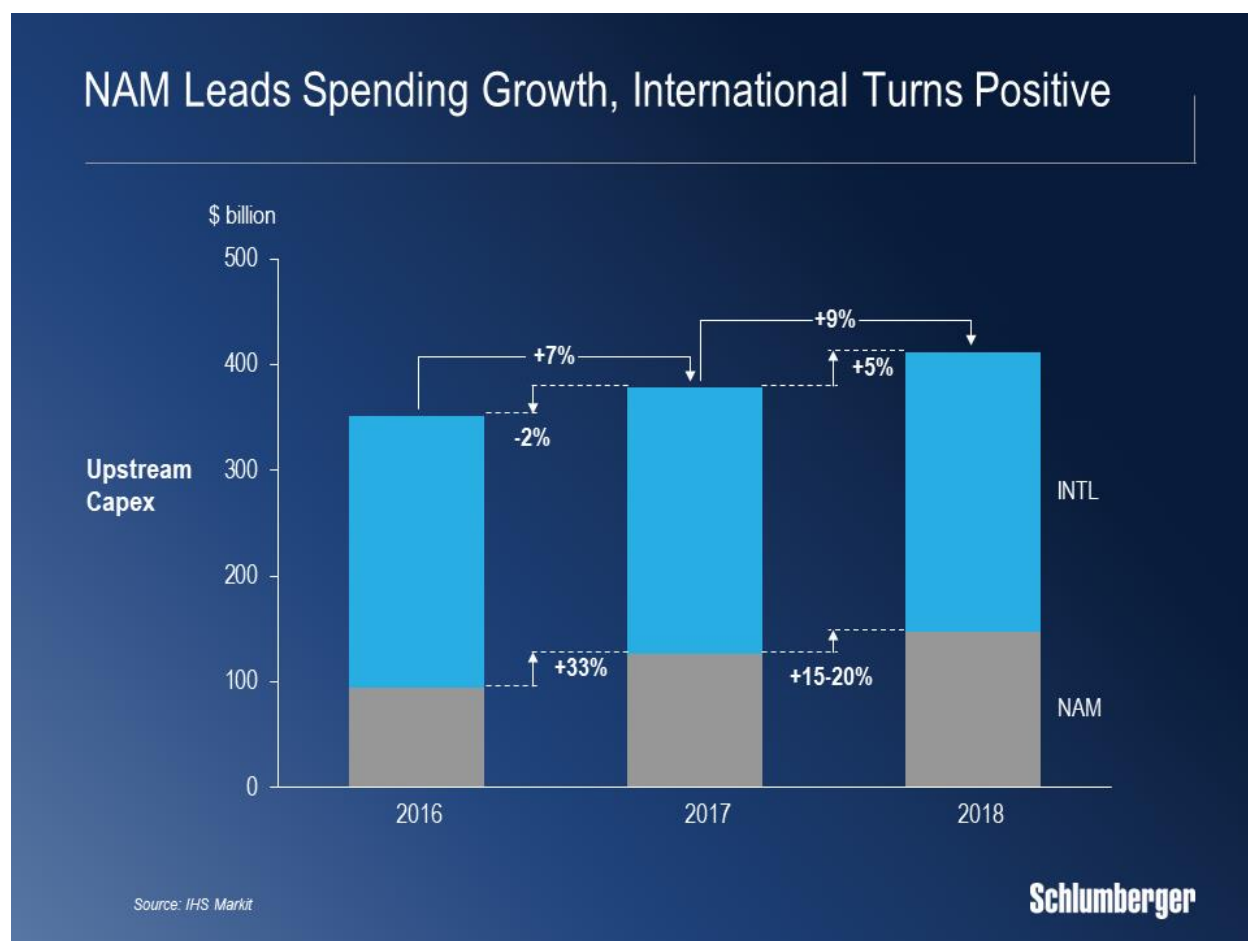
Sources: IHS Markit, EIA, Energy Aspects

Schlumberger

2017 marked the beginning of the oil market recovery as supply and demand started moving into balance with oil prices increasing steadily during the year. On the demand side, this was driven by a robust outlook fueled by global economic growth. This is continuing with the latest forecasts showing upward GDP revisions in both the US and Europe while India continues to surprise to the upside. On the supply side, the OPEC- and Russia-led production cuts were extended to the end of 2018 and their compliance remains at or above 100%.

These factors have translated into higher-than-expected inventory draws with US stocks quickly approaching the five-year average and Brent-related inventories falling well below. In addition, floating storage has more or less been eliminated. All of this means that after four years of waiting, the oil market is now substantially re-balanced with a gradual shift from an oversupply discount towards restoration of a tightness premium leading to higher prices.

North American shale oil production responded to this with strong growth in the fourth quarter of 2017 following a ramp up of drilling and completion activity. More recently, downward pressure has driven oil prices lower on increasing production, higher rig count, and the appearance of bearish builds in some storage hubs. While these trends may seem to be more than we might have expected, they should not be seen as alarming given that increasing production in North America will be required to maintain overall balance in the global oil market after three years of unprecedented underinvestment.



These positive oil market sentiments are reflected in the E&P spend outlook where the third-party surveys predict another 15-20% increase in North America investment in 2018 and the international market is poised for growth with a forecast 5% increase in spend. In addition to growth in the North American markets in 2018, we also expect growth in all international regions for the first time since 2014. This will be spearheaded by solid underlying activity increases and market share gains in the Middle East, Russia, Asia and the North Sea. Outside these regions we expect more nominal growth.

The return to broad-based growth in the international markets represents a significant boost to our earnings power due to our unrivalled leadership position in both market share and profitability. The significance of this is best illustrated by the fact that we generate four to five times higher earnings for each incremental customer dollar spent in the international markets compared to the incremental customer dollar spent in North America.

Our views on growth are underpinned by a number of positive activity signs.



## Global Project Start-Ups

- 
- US Land – 700 wells Delaware basin
  - US GoM – Mad Dog II, starting with 5-8 wells
  - Canada – 6 rig SPM project
  - Saudi Arabia – 274 well turnkey project
  - Kuwait and Iraq – IDS projects
  - Sub-Saharan Africa – integrated services

**Schlumberger**

In the Delaware Basin in New Mexico, for example, we have signed a five-year MOU service partnership with Occidental Petroleum Corporation for the Aventure project. Pending final contract negotiation, the agreement includes a minimum scope of 700 wells, exclusivity of services, and the construction of a Schlumberger facility within the acreage that will service the Aventure project as well as other operators in the region.

Our customers are also leveraging our integrated services offerings. These include the award by BP of an Integrated Services Management contract for the well construction of five to eight development wells as part of the Mad Dog 2 project in the US Gulf of Mexico. The scope of work in this performance-based contract includes all drilling-related services with a goal of achieving lower well construction costs while maintaining safety, reliability, and integrity requirements. Elsewhere in North America, we have begun a six-rig well construction project in Canada.

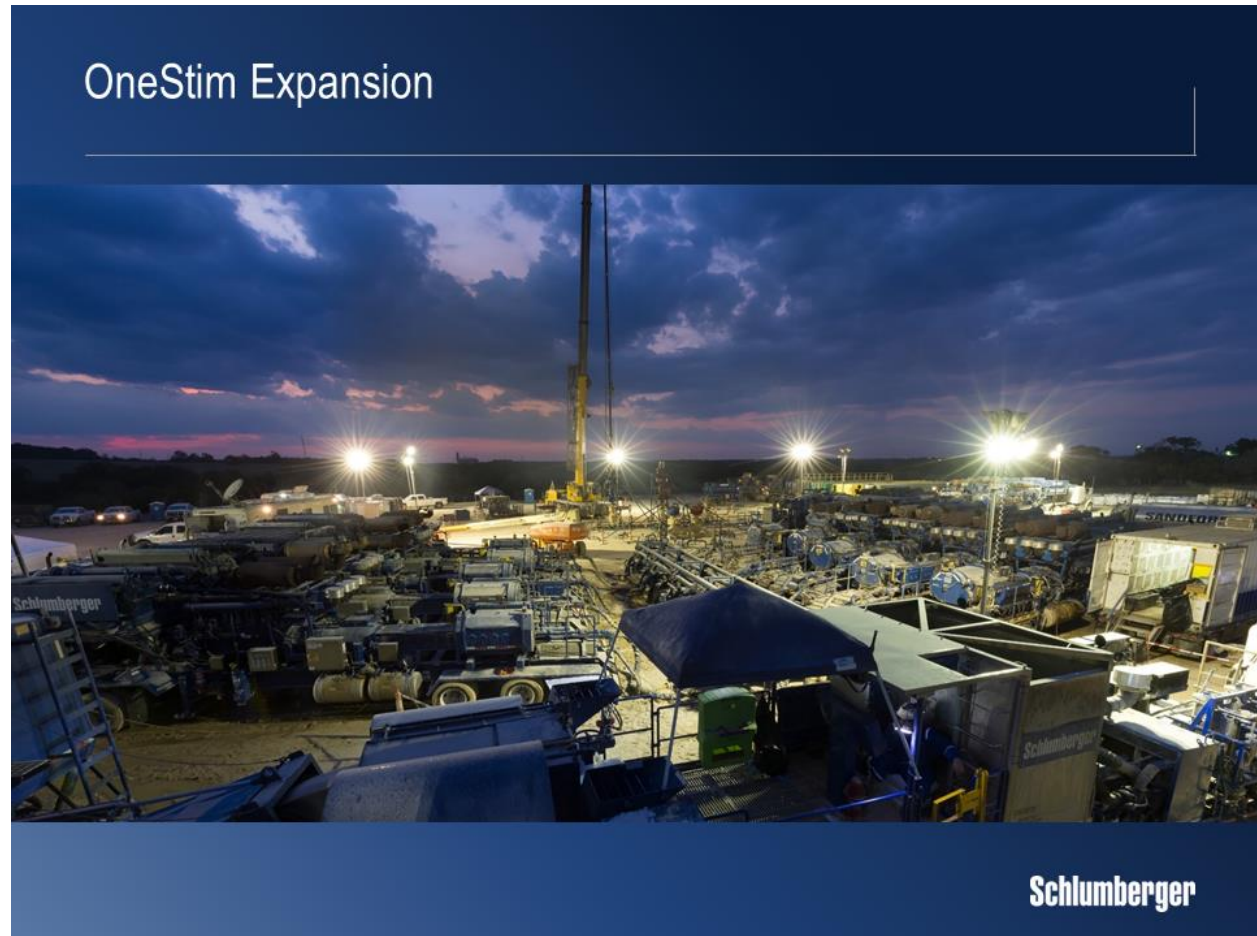
Looking internationally, we have been awarded Integrated Drilling Services contracts in Saudi Arabia for drilling rigs and services on up to 146 gas wells and up to 128 oil wells over 3 years. Enhanced IDS processes and the latest technologies will enable increased efficiency levels and improved cost effectiveness while maintaining the highest operational safety standards. We have also been awarded contracts in Kuwait for further IDS work and signs of increased activity are emerging in Iraq where at least one major IOC is expecting to resume activity. In southern Iraq, we have made further market share gains with additional IDS contract awards.

In other international regions, operators have been making major acreage acquisitions in Sub-Saharan Africa on the back of record low reserve additions. This will translate to new activity in 2018, particularly in Tanzania and Gabon. Some acreage acquisitions have already led to new project awards. In Gabon, for example, we have just

been awarded a services contract for an offshore project to oversee well construction services. At the same time, Borr Drilling has been awarded the rig contract for the same project.

I would also mention the potential for work in Mexico where a total of 19 offshore blocks have just been awarded. This is an area over which we have the most advanced multiclient seismic data library, putting WesternGeco, with its new asset-light model, in a very strong position.

I would now like to move to some key developments in our technology portfolio.



The first of these is OneStim.

The strength of the market recovery during the third and fourth quarters of 2017 drove our plans to aggressively reactivate more or less all of our own pressure pumping fleets in 2017. At the end of the year, we concluded our transaction with Weatherford, not as a joint venture as originally envisaged, but as a straight purchase of 1 million hydraulic horsepower. This deal will further enable margin expansion of the Schlumberger OneStim business in North America, a business that we started more than 12 months ago with a major focus on developing and providing an integrated completion and hydraulic fracturing offering in the shale oil market.

I'd like to give you just a few more details surrounding these developments in North America. The first is the cost to reactivate and reposition the Weatherford fleets, which is expected to be approximately \$100 million. Work has already started and the first fleets will be redeployed towards the end of the first quarter. While temporary

delays have inevitably occurred, the increasing deployment of our capacity will benefit not only from on-site performance monitoring for proactive and timely maintenance, but also from the digital enablement of our geo-engineered stimulation and completion designs.

The second point is the acquisition of the large Weatherford support base in the Permian Basin. This brings the advantage of greater proximity to one of the most important centers of unconventional resources development in the US.

Third has been the improvement in the mining, supply, and transport of the sand used in our hydraulic fracturing operations as our own mines ramp up production beyond their current level.



A second key development is the increasing degree of integration across our field organization and technology portfolio, particularly in the digital enablement of industry workflows to connect E&P domains, people, and processes. Our new DELFI cognitive E&P environment does this by removing barriers between technical disciplines. In the DELFI environment, all the technical and business stakeholders in a project see the same information at the same time in order to collaborate seamlessly across domains.

This requires the best possible representation of the surface and subsurface, which DELFI achieves through an integrated and intelligent system that leverages the unique Schlumberger advantages of hardware and software leadership, deep domain expertise, and 25 years of experience in digital techniques and technologies.



## DrillPlan Digital Well Construction



- DrillPlan workflow integrates subsurface data with BHA design
- USL trials demonstrate well plan development time savings
- BP a strategic partner on DrillPlan development and future solutions

**Schlumberger**

The first step in the DELFI environment is the DrillPlan\* digital well construction solution.

This workflow first integrates all available data to determine the required well profile. Rock types, overburdens, pore pressures, zones of potential loss of circulation, offset well data, and many other pieces of information dictate the parameters required to drill as rapidly, as efficiently, and as safely as possible. In a second stage, the drilling engineering team selects the optimum bottomhole assembly, integrating specific choices of measurement-while-drilling, logging-while-drilling, directional drilling, drill bit and drilling fluid technologies.

The DrillPlan solution has the potential to deliver a well planning program in days rather than weeks by transforming planning and executional performance and enhancing the efficiency and quality of every well drilled. This has already been demonstrated in the field where Petro-Hunt's trial use of the software on wells in the Williston Basin decreased well plan development time by more than half.

Before I move on to our corporate performance, I would also add that BP will be a strategic partner on the DrillPlan solution and its extension to a future drilling execution application. BP will be piloting the solutions during the development of the Khazzan field in Oman.

Let's now look at our plans for 2018.



## Capital Discipline to Improve Returns

### Capital Allocation

- CAPEX flat with 2017 despite growth
- Multiclient seismic monetization
- SPM focus on project execution
- M&A activity reduced—EDC in play



SPM Canada—Palliser Block

### Capital Return

- Dividend maintained at present level
- Stock buybacks continue



SPM Argentina—Bandurria Sur

**Schlumberger**

The first of these will be a stronger focus on capital discipline to improve financial return. Here, our target will be to manage the growth in activity without any increase in capex from the 2-billion-dollar levels of 2016 and 2017. While this target is already underpinned by transformation program benefits that include improved asset utilization, we will also be focusing on the manner in which we allocate capital expenditure.

Investment in multiclient seismic acquisition, for example, will be lower in 2018 as we transition to an asset-light seismic product line and target the monetization of the strong library we have built. By the numbers, multiclient capex fell to \$276 million in 2017 from the \$630 million of 2016. In 2018, we are targeting investment of between \$50 and \$100 million. At the same time, seismic acquisition revenue will decline to just below \$50 million per quarter as we wind down existing contracts during the year.

Investments in new SPM projects will largely come to an end as we have concluded our counter-cyclical business development program phase and are shifting our full attention towards project execution. This means that SPM investment levels will be down in 2018 and that our SPM business will generate positive free cash flow during the year. Given the current size of our project portfolio, we are firmly on track to double 2016 SPM revenue of \$1.4 billion by the end of 2019.

In M&A activity, we continue to pursue the EDC transaction, and to cooperate with the Russian regulatory authorities in their review of the transaction. We remain optimistic that we will ultimately receive the requisite approvals to close.

Moving on to the return of capital to shareholders, you will have noted that we decided to maintain our dividend at its current level for another year, preferring to return any excess cash in 2018 to our shareholders through our existing buyback program. Our reasoning was based on our current high payout ratios and a dividend yield that is much greater than our peers and that holds up well against many leading industrial companies.



## First-Quarter Expectations

- Q1 2018 is a transitory quarter**
  - As stated in the Q4 2017 earnings call, activity will be seasonally lower in Russia and the North Sea, and further impacted by exceptional costs from the reactivation and repositioning of equipment for new contract wins and project start-ups worldwide
- International business outlook**
  - In line with our stated expectations for the quarter in terms of customer planning, activity levels, and operational performance
- North America Land seeing some additional transient headwinds in the hydraulic fracturing market**
  - Flattening rig count in the fourth quarter resulting in very low sequential stage count growth in Q1. Lower utilization and softer pricing so far in Q1. Strong pick up seen in March with a solid exit to the quarter

**Schlumberger**

Before I close, let me provide you with a brief business update.

As we stated in our January earnings call, the first quarter of 2018 will be a transitory quarter for us, driven by the seasonal weather impact from our large businesses in Russia and the North Sea, and further impacted by exceptional costs related to reactivation of idle capacity and equipment repositioning throughout our global operations as we get ready to start up new contract wins and generally prepare our organization for accelerating growth throughout 2018. We expect to absorb the majority of these exceptional costs in the first quarter and we are already expecting strong growth in revenue and operating income in the second quarter.

As we near the halfway point of the first quarter, we are pleased to see that our international business remains in line with our stated expectations for the quarter, in terms of customer planning, activity levels and operational performance. In North America Land, however, we are seeing some additional transient headwinds in the hydraulic fracturing market where the flattening drilling activity in the fourth quarter of 2017 is resulting in the market seeing very low sequential growth in stage count in the first quarter. This, combined with additional

capacity being deployed by many hydraulic fracturing players, has led to lower utilization and softer pricing so far during the first quarter, which will likely have some impact on our results.

However, we see a strong pick-up in our OneStim business in March and a solid exit to the first quarter, so we are continuing with our aggressive program of reactivating our 1 million horsepower in idle capacity and expect the temporary pricing pressure we are currently seeing to turn to pricing tailwinds as we enter the second quarter.

## Summary

- Oil market now balanced by continued strong demand growth with supply-side production cuts by OPEC and Russia adding to weakening global production bases
- Positive sentiments reflected in 2018 E&P spend forecasts of 15-20% growth in NAM and 5% internationally. Highly favorable to Schlumberger earnings power
- Broad technology portfolio, transformation leverage, and restructured organization enable new service offerings, more efficient capital allocation, and better returns
- Schlumberger is ready for the recovery

**Schlumberger**

Ladies and gentlemen, in closing let me just summarize the major points that I wanted to make today.

First, the oil market is now balanced as a result of continued strong demand growth and a supply-side characterized by production-cuts led by OPEC and Russia and a weakening global production base. Even with rapid and robust growth in North American shale oil production in 2018, a global supply response will be increasingly needed to balance the market in the near future, which implies a return to growth in all parts of our business.

Second, the positive sentiments in the oil market are already reflected in the 2018 E&P spend forecasts where the third-party surveys indicate growth of 15-20% in North America and 5% internationally. This is highly favorable to Schlumberger as our international earnings power is four to five times higher than that in North America.



Last, our approach in the past three years has been to broaden our technology portfolio, leverage our transformation program, and restructure our organization to be ready for the market recovery. In addition to enabling the development of new service offerings, this has also translated to capital allocation opportunities that will boost financial return in a growing market.

We are excited about the outlook and we are ready to deliver the best products and service to our customers, and superior return to our shareholders.