



**2015 Annual General  
Meeting and  
Proxy Statement**

**2014 Annual Report**



## CONTENTS

LETTER TO SHAREHOLDERS

NOTICE OF 2015 ANNUAL GENERAL MEETING AND PROXY STATEMENT

2014 ANNUAL REPORT TO SHAREHOLDERS

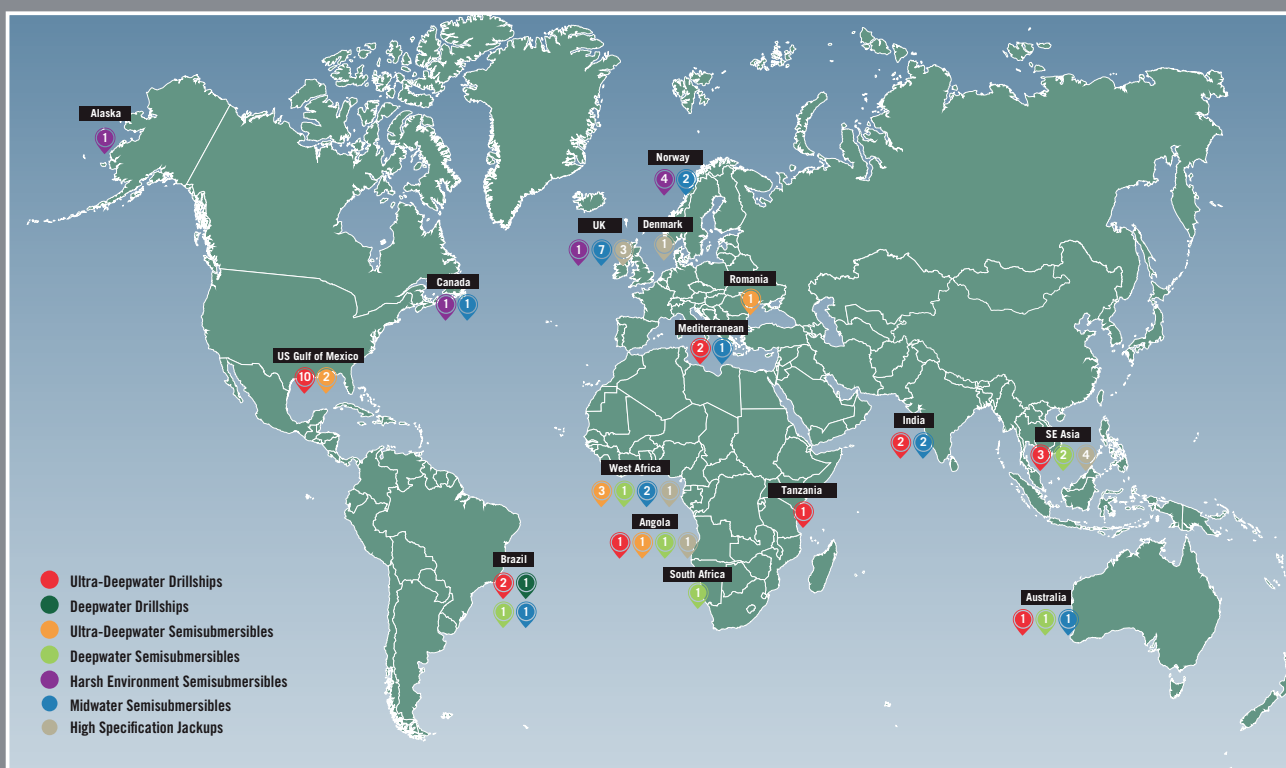
TRANSOCEAN LTD. STATUTORY FINANCIAL STATEMENTS

SIX CORPORATE GOVERNANCE REPORT

## ABOUT TRANSOCEAN LTD.

We are a leading international provider of offshore contract drilling services for oil and gas wells. As of February 17, 2015, we own or have partial ownership interests in, and operate a fleet of, 71 mobile offshore drilling units. In addition, we have seven newbuild ultra-deepwater drillships and five newbuild high-specification jackups under construction. We specialize in technically demanding sectors of the global offshore drilling business with a particular focus on deepwater and harsh environment drilling services. We believe we operate one of the most versatile offshore drilling fleets in the world. We have approximately 13,000 people worldwide.

Our shares are traded on the New York Stock Exchange (NYSE) under the symbol RIG and on the SIX Swiss Exchange under the symbol RIGN.



As of February 17, 2015

**ABOUT THE COVER:** The cover features Transocean employees onboard the *Discoverer India*. This high-specification, ultra-deepwater floater is currently operating in the U.S. Gulf of Mexico on a multi-year contract. The back cover features the *Deepwater Champion*, another of the company's 44 high-specification floaters, currently on contract with ExxonMobil.

**FORWARD-LOOKING STATEMENTS:** Any statements included in this Proxy Statement and 2014 Annual Report that are not historical facts including, without limitation, statements regarding future market trends and results of operations are forward-looking statements within the meaning of applicable securities law. Such statements are subject to numerous risks and uncertainties beyond our control and our actual results may differ materially from our forward-looking statements.



## Letter to Shareholders

During 2014, we made great strides towards our objective of improving the company's long-term competitiveness. The focus and dedication of Transocean's employees again enabled us to deliver on our commitments to shareholders even in the context of an extremely challenging market. We continued to improve the operating efficiency of our rigs, optimize the company's cost structure, enhance the flexibility of our balance sheet, and renew the fleet among other accomplishments, as follows:

- **Operational Improvement:** We made solid progress in our efforts to better the operating performance of our fleet, exceeding our full year 2014 revenue efficiency target of 94 percent. We expect to continue this trend and have targeted 95 percent as the objective for 2015. Our success in this regard contributed to the company meeting or exceeding the consensus expectations of the financial community for seven consecutive quarters.
- **Financial flexibility:** In addition to increasing the operational uptime of our rigs, we have continued to rationalize our cost structure globally. We improved liquidity by both divesting and beginning the process of recycling non-core assets, and through the successful initial public offering of Transocean Partners LLC, which contributed net cash proceeds to Transocean of approximately \$417 million. Our focus on fleet utilization resulted in the addition of \$2.7 billion in backlog during the year, contributing to an industry-leading contract backlog of \$22.5 billion at the end of 2014 and providing us with a stable and visible foundation for future cash flow generation. Consistent with our objective of reducing our absolute level of debt, we completed our \$1 billion early debt retirement program during the fourth quarter of the year.
- **Fleet Renewal:** During 2014, we took delivery of two high-specification ultra-deepwater drillships, the *Deepwater Asgard* and *Deepwater Invictus*, and continue to make progress on an impressive pipeline of new rigs under construction, including seven ultra-deepwater floaters and five premium jack-ups. Five of these state-of-the-art floaters are backed by very attractive contracts and the two speculative rigs will be delivered at a time when we expect that demand will have improved. We remain a leading global provider of contract drilling services, having taken delivery of 14 high-specification floaters during the past six years. We also continue to enhance our competitive position in premium jackups, with four entering our fleet in the past three years.
- **Litigation:** In September, we received the U.S. District Court's ruling on Macondo, which held that Transocean is indemnified by BP for below-surface discharge of oil under the drilling contract and that while BP had acted with gross negligence, Transocean had not. Although the decision is subject to appeal, we believe the key aspects of the ruling will be upheld and effectively eliminate Transocean's related financial risk. Additionally, the Texas Supreme Court recently determined that, under Texas law, BP was not an additional insured under our policies for below-surface discharge of oil. During the year we also received several very favorable court rulings in the ongoing Norway tax litigation.
- **Safety:** The company's Total Recordable Incident Rate improved by approximately eight percent in 2014 versus 2013. This achievement reflects our continued emphasis on the safety and well-being of our employees both on and off the job. We will maintain our focus on safety consistent with our core vision of "an incident-free workplace all the time, everywhere."

We had significant achievements in 2014. However, despite our progress, the offshore drilling market has become increasingly uncertain and, in all likelihood, the next couple of years will remain challenging. There is more work for us to do to position Transocean to reach its full potential during the inevitable cyclical recovery.

In this regard, we maintain a very optimistic long-term view of the offshore drilling industry, underpinned by a fundamental belief in the continued growth of energy demand and the key role that offshore hydrocarbons will play in meeting this demand. Leveraging a highly capable fleet of offshore



drilling assets, Transocean's employees, management team and board are well-equipped to navigate the cyclical downturn and ensure that the company emerges even stronger.

We remain committed to executing the company's strategies to create long-term value for shareholders and will continue to pursue a disciplined and balanced allocation of capital, including maintaining a strong and flexible balance sheet, renewing the fleet, and providing an appropriate, competitive return of cash to shareholders.

In conclusion, I sincerely thank all of our employees for their hard work, dedication and unwavering commitment to the company's success and remain grateful for the support of all of our stakeholders.

Sincerely,

A handwritten signature in black ink, appearing to read 'Ian C. Strachan', with a stylized, cursive script.

Ian C. Strachan  
*Chairman of the Board and Interim Chief Executive Officer*

## TABLE OF CONTENTS

Notice to Shareholders . . . . .	iii
Proxy Summary . . . . .	v
Invitation to Annual General Meeting of Transocean Ltd. . . . .	viii
Important Notice Regarding the Availability of Proxy Materials . . . . .	xv
Information about the Meeting and Voting . . . . .	P-1
Agenda Item 1. Approval of the 2014 Annual Report, Including the Audited Consolidated Financial Statements of Transocean Ltd. for Fiscal Year 2014 and the Audited Statutory Financial Statements of Transocean Ltd. for Fiscal Year 2014 . . . . .	P-6
Agenda Item 2. Discharge of the Members of the Board of Directors and the Executive Management Team from Liability for Activities during Fiscal Year 2014 . . . . .	P-7
Agenda Item 3. Appropriation of Available Earnings for Fiscal Year 2014 . . . . .	P-8
Agenda Item 4. Distribution of a Dividend in the Amount of US \$0.60 per Outstanding Share of the Company out of the General Legal Reserves from Capital Contribution (by way of a release and allocation of general legal reserves from capital contribution to dividend reserves from capital contribution) . . . . .	P-9
Agenda Item 5. Reelection of Ten Directors for a Term Extending Until Completion of the Next Annual General Meeting . . . . .	P-11
Agenda Item 6. Election of the Chairman of the Board of Directors for a Term Extending Until Completion of the Next Annual General Meeting . . . . .	P-17
Agenda Item 7. Election of the Members of the Compensation Committee, Each for a Term Extending Until Completion of the Next Annual General Meeting . . . . .	P-18
Agenda Item 8. Reelection of the Independent Proxy for a Term Extending Until Completion of the Next Annual General Meeting . . . . .	P-19
Agenda Item 9. Appointment of Ernst & Young LLP as the Company's Independent Registered Public Accounting Firm for Fiscal Year 2015 and Reelection of Ernst & Young Ltd, Zurich, as the Company's Auditor for a Further One-Year Term . . . . .	P-20
Agenda Item 10. Advisory Vote to Approve Named Executive Officer Compensation . . . . .	P-22
Agenda Item 11. Prospective Votes on the Maximum Compensation of the Board of Directors and the Executive Management Team . . . . .	P-23
Agenda Item 12. Approval of the 2015 Long-Term Incentive Plan of Transocean Ltd. . . . .	P-30
Corporate Governance . . . . .	P-37
Board Meetings and Committees . . . . .	P-43
2014 Director Compensation . . . . .	P-47
Audit Committee Report . . . . .	P-49
Security Ownership of Certain Beneficial Owners . . . . .	P-51
Security Ownership of Directors and Executive Officers . . . . .	P-53
Compensation Discussion and Analysis . . . . .	P-54
Compensation Committee Report . . . . .	P-75

Executive Compensation . . . . .	P-76
Equity Compensation Plan Information . . . . .	P-87
Other Matters . . . . .	P-88
Annex A—Proposed Shareholder Resolution . . . . .	P-91
Annex B—2015 Long Term Incentive Plan . . . . .	P-93

## NOTICE TO SHAREHOLDERS

March 23, 2015

Dear Shareholder:

The 2015 annual general meeting of the shareholders of Transocean Ltd. (the “Annual General Meeting”) will be held on Friday, May 15, 2015 at 5:00 p.m., Swiss Time, at the Lorzensaal Cham, Dorfplatz 3, CH-6330 Cham, Switzerland. Information regarding the matters to be acted upon at the meeting is set forth in the attached invitation to the Annual General Meeting and the proxy statement, which is available at [www.deepwater.com/investor-relations/financial-reports](http://www.deepwater.com/investor-relations/financial-reports).

At the Annual General Meeting, we will ask you to vote on the following items:

Agenda Item	Description	Board of Directors Recommendation
1	Approval of the 2014 Annual Report, including the Audited Consolidated Financial Statements of Transocean Ltd. for Fiscal Year 2014 and the Audited Statutory Financial Statements of Transocean Ltd. for Fiscal Year 2014	FOR
2	Discharge of the Members of the Board of Directors and Executive Management Team from Liability for Activities during Fiscal Year 2014	FOR
3	Appropriation of Available Earnings for Fiscal Year 2014	FOR
4	Distribution of a Dividend in the Amount of US \$0.60 per Outstanding Share of the Company out of the General Legal Reserves from Capital Contribution (by way of a release and allocation of general legal reserves from capital contribution to dividend reserve from capital contribution)	FOR
5	Reelection of Ten Directors for a Term Extending Until Completion of the Next Annual General Meeting	FOR
6	Election of the Chairman of the Board of Directors for a Term Extending Until Completion of the Next Annual General Meeting	FOR
7	Election of the Members of the Compensation Committee, Each for a Term Extending Until Completion of the Next Annual General Meeting	FOR
8	Reelection of the Independent Proxy for a Term Extending Until Completion of the Next Annual General Meeting	FOR
9	Appointment of Ernst & Young LLP as the Company’s Independent Registered Public Accounting Firm for Fiscal Year 2015 and Reelection of Ernst & Young Ltd, Zurich, as the Company’s Auditor for a Further One-Year Term	FOR
10	Advisory Vote to Approve Named Executive Officer Compensation	FOR
11	Prospective Votes on the Maximum Compensation of the Board of Directors and the Executive Management Team	FOR
12	Approval of the 2015 Long-Term Incentive Plan of Transocean Ltd.	FOR

It is important that your shares be represented and voted at the meeting, whether you plan to attend or not. You may vote by telephone (if you are a beneficial owner of our shares) or over the Internet, or, if you request that the proxy materials be mailed to you, by completing, signing and returning the proxy card enclosed with those materials.

Under rules of the Securities and Exchange Commission (“SEC”), we have elected to provide access to our proxy materials over the Internet. Accordingly, we are sending a Notice of Internet Availability of Proxy Materials (the “Notice”) to our shareholders registered in our share register as of the close of business on or about March 27, 2015. All shareholders will have the ability to access the proxy materials on the website referred to in the Notice or to request to receive a printed set of the proxy materials. Instructions on how to access the proxy materials over the Internet or to request a printed copy may be found in the Notice. The Notice also instructs you on how you may submit your proxy over the Internet, by telephone or via mail. You will not receive a printed copy of the proxy materials unless you request one in the manner set forth in the Notice or as otherwise described in the proxy statement.

A copy of the proxy materials, including a proxy card, also will be sent to any additional shareholders who are registered in our share register as shareholders with voting rights, or who become beneficial owners through a nominee registered in our share register as a shareholder with voting rights, as of the close of business on April 28, 2015.

A note to Swiss and other European investors: Transocean Ltd. is incorporated in Switzerland, has issued registered shares and trades on both the New York Stock Exchange and the SIX Swiss Exchange; however, unlike some Swiss incorporated or SIX Swiss Exchange-listed companies, *share blocking and re-registration are not requirements for any Transocean shares to be voted at the meeting, and all shares may be traded after the record date.*

Sincerely,

A handwritten signature in black ink, appearing to read 'Ian C. Strachan', with a stylized, cursive script.

Ian C. Strachan  
*Chairman of the Board of Directors and  
Interim Chief Executive Officer*



## Proxy Statement Summary

### *Annual General Meeting Details*

<b>Date:</b>	<b>Friday, May 15, 2015</b>
<b>Time:</b>	5:00 p.m., Swiss Time
<b>Place:</b>	Lorzensaal Cham, Dorfplatz 3, CH-6330 Cham, Switzerland
<b>Record Date:</b>	April 28, 2015
<b>Voting:</b>	If you are a owner of our shares, you may designate proxies to vote your shares by submitting your proxy through telephone (if you are a beneficial owner of our shares) or electronically through the Internet, or, if you requested that the proxy materials be mailed to you or are otherwise mailed the proxy statement as described below, by completing, signing and returning the proxy card enclosed with those materials. Please review the voting instructions in the proxy statement for each of these methods. Shareholders registered in our share register on the record date have the right to attend the Annual General Meeting and vote their shares. If you intend to attend and vote at the meeting in person, you are required to present either the Notice of Internet Availability of Proxy Materials, or any proxy card that is sent to you, or, if you own shares held in street name, a legal proxy issued by your bank, broker or other nominee in your name, each with proof of identification.
<b>Materials:</b>	Our proxy statement and 2014 Annual Report are available at: <a href="http://www.deepwater.com/investor-relations/financial-reports">http://www.deepwater.com/investor-relations/financial-reports</a> .

### *Nominees to the Board of Directors*

We are asking you to vote **FOR** all of the director nominees listed below. During 2014, each of the current directors attended at least 80% of the Board of Directors and committee meetings on which he or she sits during his or her elected term. Detailed information regarding these individuals is provided under Agenda Item 5:

	<u>Independent*</u>
<i>Directors for Re-Election</i>	
Glyn A. Barker . . . . .	✓
Vanessa C.L. Chang . . . . .	✓
Frederico F. Curado . . . . .	✓
Chadwick C. Deaton . . . . .	✓
Vincent J. Intrieri . . . . .	✓
Martin B. McNamara . . . . .	✓
Samuel J. Merksamer . . . . .	✓
Merrill A. “Pete” Miller, Jr. . . . .	✓
Edward R. Muller . . . . .	✓
Tan Ek Kia . . . . .	✓

\* As determined by the Board of Directors in accordance with applicable rules and regulations

### **Minder Ordinance**

Under the Ordinance Against Excessive Compensation At Public Companies (the “Minder Ordinance”) and our Articles of Association, the authority to elect the Chairman of the Board of Directors and the members of the Compensation Committee is vested in the general meeting of shareholders. The Board of Directors recommends that you elect Merrill A. “Pete” Miller, Jr. as Chairman of the Board of Directors (Agenda Item 6) and Frederico F. Curado, Vincent J. Intrieri, Martin B. McNamara and

Tan Ek Kia as members of the Compensation Committee (Agenda Item 7) to serve until completion of the 2016 Annual General Meeting. Note that under the Minder Ordinance and our Articles of Association, if any of these individuals were to resign or there were vacancies in the office of the Chairman or the Compensation Committee for other reasons, the Board of Directors would have the authority to replace him or her with another member of the Board of Directors for a term expiring at the next Annual General Meeting.

Pursuant to the Minder Ordinance, the Company is no longer permitted to appoint a corporate representative to act as the proxy for purposes of voting at the Annual General Meeting. Swiss companies may only appoint an independent proxy for these purposes. At the 2014 Annual General Meeting, shareholders elected Schweiger Advokatur / Notariat to serve as our independent proxy for the 2015 Annual General Meeting. Agenda Item 8 asks that you again elect this firm to act as the independent proxy for the 2016 Annual General Meeting and any extraordinary general meeting of shareholders of the Company that may be held prior to the 2016 Annual General Meeting.

At the 2015 Annual General Meeting, shareholders are for the first time provided with the opportunity to ratify the maximum aggregate amount of compensation of the Board of Directors for the period between the 2015 Annual General Meeting and the 2016 Annual General Meeting (Agenda Item 11A) and the maximum aggregate amount of compensation of the Executive Management Team for fiscal year 2016 (Agenda Item 11B). These shareholder votes are a requirement pursuant to the Minder Ordinance and our Articles of Association and are of binding nature.

#### **Features of Executive Compensation Program**

Our executive compensation program reflects a commitment to retain and attract highly qualified executives. The elements of our program are designed to motivate our executives to achieve our overall business objectives and create sustainable shareholder value in a cost-effective manner and reward executives for achieving superior financial, safety and operational performance, each of which are important to the long-term success of the Company. We believe our executive compensation program

includes key features that align the interests of our executives with those of our shareholders and does not include features that could misalign those interests.

What We Do	What We Don't Do
✓ Conduct an annual review of our compensation strategy, including a review of our compensation-related risk profile	X Allow our executives to hedge, pledge, sell short or hold derivative instruments tied to our shares (other than options issued by us)
✓ Enforce a claw-back policy that allows for the forfeiture, recovery or adjustment of incentive compensation paid to executives due to a material misstatement of financial results	X Have pre-arranged individual severance agreements or special change-in-control compensation agreements with any executive officers; however, our executives are eligible for severance and change-in-control provisions pursuant to our company policies and subject to the limitations phased in under the Minder Ordinance that restricts severance payments to members of our Executive Management Team.
✓ Mandate meaningful stock ownership thresholds for our executives	X Maintain single-trigger change-in-control provisions or change-in-control gross-ups
✓ Maintain compensation plans designed to align our executive compensation program with long-term shareholder interests	X Guarantee future salary increases, non-performance based bonuses or unrestricted equity compensation
✓ Our Compensation Committee retains an independent consultant that does not perform any services for management	X Pay dividend equivalents on performance-contingent deferred units that have not been earned based on actual company performance

# INVITATION TO ANNUAL GENERAL MEETING OF TRANSOCEAN LTD.

Friday, May 15, 2015

5:00 p.m., Swiss Time,

at the Lorzensaal Cham, Dorfplatz 3,  
CH-6330 Cham, Switzerland

## Agenda Items

- (1) **Approval of the 2014 Annual Report, including the Audited Consolidated Financial Statements of Transocean Ltd. for Fiscal Year 2014 and the Audited Statutory Financial Statements of Transocean Ltd. for Fiscal Year 2014.**

### *Proposal of the Board of Directors*

The Board of Directors proposes that the 2014 Annual Report, including the audited consolidated financial statements for the calendar year ending December 31 (“fiscal year”) 2014, and the audited statutory financial statements for fiscal year 2014, be approved.

### *Recommendation*

The Board of Directors recommends you vote “**FOR**” this proposal number 1.

- (2) **Discharge of the Members of the Board of Directors and the Executive Management Team from Liability for Activities During Fiscal Year 2014.**

### *Proposal of the Board of Directors*

The Board of Directors proposes that the members of the Board of Directors and Messrs. Steven Newman, Esa Ikaheimonen and John Stobart, who served as members of our Executive Management Team in 2014, be discharged from liability for activities during fiscal year 2014.

### *Recommendation*

The Board of Directors recommends you vote “**FOR**” this proposal number 2.

- (3) **Appropriation of Available Earnings for Fiscal Year 2014.**

### *Proposal of the Board of Directors*

The Board of Directors proposes that all available earnings of the Company be carried forward.

	in CHF thousands
Balance brought forward from previous years . . . . .	60,609
Net loss for the year . . . . .	(5,422,186)
Total retained earnings (accumulated loss) . . . . .	(5,361,577)
<b>Appropriation of available earnings</b>	
Balance to be carried forward on this account . . . . .	(5,361,577)

### *Recommendation*

The Board of Directors recommends you vote “**FOR**” this proposal number 3.

- (4) **Distribution of a Dividend in the Amount of US \$0.60 per Outstanding Share of the Company out of the General Legal Reserves from Capital Contribution (by way of a release and allocation of general legal reserves from capital contribution to dividend reserve from capital contribution).**

*Proposal of the Board of Directors*

The Board of Directors proposes that (A) CHF 422,084,000 of general legal reserves from capital contribution be released and allocated to “dividend reserve from capital contribution” (the “**Dividend Reserve**”), (B) a dividend in the amount of US \$0.60 per outstanding share of the Company be distributed out of, and limited at a maximum to the amount of, the Dividend Reserve and paid in installments at such times and at such record dates as shall be determined by the Board of Directors in its discretion, and (C) any amount of the Dividend Reserve remaining after payment of the final installment be automatically reallocated to “general legal reserves from capital contribution.” Dividend payments shall be made with respect to the outstanding share capital of the Company on the record date for the applicable installment, which amount will exclude any shares held by the Company or any of its direct or indirect subsidiaries.

*Proposed Release and Allocation of General Legal Reserves from Capital Contribution to Dividend Reserve from Capital Contribution*

	in CHF thousands
<b>General legal reserves from capital contribution, as of December 31, 2014</b> . . . . .	8,363,622
<b>Less release to Dividend Reserve</b> . . . . .	422,084
<b>Remaining general legal reserves from capital contribution</b> . . . . .	7,941,538

*Recommendation*

The Board of Directors recommends you vote “**FOR**” this proposal number 4.

- (5) **Reelection of Ten Directors for a Term Extending Until Completion of the Next Annual General Meeting.**

*Proposal of the Board of Directors*

The Board of Directors proposes that the following ten candidates be reelected to the Board of Directors, each for a term extending until completion of the next Annual General Meeting.

- 5A Reelection of Glyn A. Barker as a director.**
- 5B Reelection of Vanessa C.L. Chang as a director.**
- 5C Reelection of Frederico F. Curado as a director.**
- 5D Reelection of Chadwick C. Deaton as a director.**
- 5E Reelection of Vincent J. Intrieri as a director.**
- 5F Reelection of Martin B. McNamara as a director.**
- 5G Reelection of Samuel J. Merksamer as a director.**
- 5H Reelection of Merrill A. “Pete” Miller, Jr. as a director.**
- 5I Reelection of Edward R. Muller as a director.**
- 5J Reelection of Tan Ek Kia as a director.**



*Recommendation*

The Board of Directors recommends you vote “**FOR**” the reelection of each of these nominees to the Board of Directors.

**(6) Election of the Chairman of the Board of Directors for a Term Extending Until Completion of the Next Annual General Meeting.**

*Proposal of the Board of Directors*

The Board of Directors proposes that Merrill A. “Pete” Miller, Jr. be elected as the Chairman of the Board of Directors for a term extending until completion of the next Annual General Meeting.

*Recommendation*

The Board of Directors recommends you vote “**FOR**” this proposal number 6.

**(7) Election of the Members of the Compensation Committee, Each for a Term Extending Until Completion of the Next Annual General Meeting.**

*Proposal of the Board of Directors*

The Board of Directors proposes that the following candidates for reelection to the Board of Directors be elected as members of the Compensation Committee, each for a term extending until completion of the next Annual General Meeting:

**7A Election of Frederico E. Curado as a member of the Compensation Committee.**

**7B Election of Vincent J. Intrieri as a member of the Compensation Committee.**

**7C Election of Martin B. McNamara as a member of the Compensation Committee.**

**7D Election of Tan Ek Kia as a member of the Compensation Committee.**

*Recommendation*

The Board of Directors recommends you vote “**FOR**” the election of each of these nominees as members of the Compensation Committee.

**(8) Reelection of the Independent Proxy for a Term Extending Until Completion of the Next Annual General Meeting.**

*Proposal of the Board of Directors*

The Board of Directors proposes that Schweiger Advokatur / Notariat be reelected to serve as independent proxy at (and until completion of) the 2016 Annual General Meeting and at any extraordinary general meeting of shareholders of the Company that may be held prior to the 2016 Annual General Meeting.

*Recommendation*

The Board of Directors recommends you vote “**FOR**” this proposal number 8.

**(9) Appointment of Ernst & Young LLP as the Company's Independent Registered Public Accounting Firm for Fiscal Year 2015 and Reelection of Ernst & Young Ltd, Zurich, as the Company's Auditor for a Further One-Year Term.**

*Proposal of the Board of Directors*

The Board of Directors proposes that Ernst & Young LLP be appointed as the Company's independent registered public accounting firm for fiscal year 2015 and that Ernst & Young Ltd, Zurich, be reelected as the Company's auditor pursuant to the Swiss Code of Obligations for a further one-year term, commencing on the date of the 2015 Annual General Meeting and terminating on the date of the 2016 Annual General Meeting.

*Recommendation*

The Board of Directors recommends you vote **"FOR"** this proposal number 9.

**(10) Advisory Vote to Approve Named Executive Officer Compensation for Fiscal Year 2014.**

*Proposal of the Board of Directors*

Pursuant to Section 14A of the Exchange Act, Company shareholders are entitled to cast an advisory vote on the Company's executive compensation program for the Company's Named Executive Officers. Detailed information regarding the Company's compensation program for its Named Executive Officers is set forth in the Compensation Discussion and Analysis, the accompanying compensation tables and the related narrative disclosure in this proxy statement. The Board of Directors believes the Company's compensation program is designed to reward performance that creates long-term value for the Company's shareholders and has proposed the following resolution to provide shareholders with the opportunity to endorse or not endorse the Company's Named Executive Officer compensation program by voting on the below resolution:

RESOLVED, that the compensation of the Company's Named Executive Officers, as disclosed pursuant to the compensation disclosure rules of the SEC, including the Compensation Discussion and Analysis, the compensation tables and the related narrative disclosure in the proxy statement for the Company's 2015 Annual General Meeting is hereby APPROVED.

*Recommendation*

The Board of Directors recommends you vote **"FOR"** this proposal number 10.

**(11) Prospective Vote on the Maximum Compensation of the Board of Directors and the Executive Management Team.**

**11A Ratification of the Maximum Aggregate Amount of Compensation of the Board of Directors for the Period Between the 2015 Annual General Meeting and the 2016 Annual General Meeting.**

*Proposal of the Board of Directors*

The Board of Directors proposes that the shareholders ratify an amount of \$4,121,000 as the maximum aggregate amount of compensation of the Board of Directors for the period between the 2015 Annual General Meeting and the 2016 Annual General Meeting.

*Recommendation*

The Board of Directors recommends you vote “**FOR**” this proposal number 11A.

**11B Ratification of the Maximum Aggregate Amount of Compensation of the Executive Management Team for Fiscal Year 2016.**

*Proposal of the Board of Directors*

The Board of Directors proposes that the shareholders ratify an amount of \$29,617,000 as the maximum aggregate amount of compensation of the Executive Management Team for fiscal year 2016.

*Recommendation*

The Board of Directors recommends you vote “**FOR**” this proposal number 11B.

**(12) Approval of the 2015 Long-Term Incentive Plan of Transocean Ltd.**

*Proposal of the Board of Directors*

The Board of Directors proposes that shareholders approve the 2015 Long-Term Incentive Plan, to replace the prior Long-Term Incentive Plan which was originally approved by shareholders on May 1, 1993.

*Recommendation*

The Board of Directors recommends you vote “**FOR**” this proposal number 12.

**Organizational Matters**

A copy of the Notice of Internet Availability of Proxy Materials has been sent to each shareholder registered in Transocean Ltd.’s share register as of the close of business on March 27, 2015. Any additional shareholders who are registered in Transocean Ltd.’s share register as of the close of business on April 28, 2015, will receive a copy of the proxy materials, including a proxy card, after April 28, 2015. Shareholders not registered in Transocean Ltd.’s share register as of April 28, 2015 will not be entitled to attend, vote or grant proxies to vote at, the 2015 Annual General Meeting.

While no shareholder will be entered in Transocean Ltd.’s share register as a shareholder with voting rights between the close of business on April 28, 2015, and the opening of business on the day following the Annual General Meeting, *share blocking and re-registration are not requirements for any Transocean Ltd. shares to be voted at the meeting, and all shares may be traded after the record date.* Computershare, which maintains Transocean Ltd.’s share register, will continue to register transfers of Transocean Ltd. shares in the share register in its capacity as transfer agent during this period.

Shareholders registered in Transocean Ltd.'s share register as of April 28, 2015, have the right to attend the 2015 Annual General Meeting and vote their shares (in person or by proxy), or may grant a proxy to vote on each of the proposals in this invitation and any modification to any agenda item or proposal identified in this invitation or other matter on which voting is permissible under Swiss law and which is properly presented at the Annual General Meeting for consideration.

If you meet the above qualification, you may grant proxy by telephone (only if you are a beneficial owner of our shares) or electronically over the Internet, or, if you request that the proxy materials be mailed to you, by completing, signing and returning the proxy card enclosed with those materials. Additional information about voting your shares is included in the proxy statement and the proxy card.

***At the 2015 Annual General Meeting:*** Even if you plan to attend the 2015 Annual General Meeting, we encourage you to vote over the Internet or (if you are a beneficial owner of our shares) by telephone prior to the meeting. It is fast and convenient, and your vote is recorded and confirmed immediately.

If you have voted electronically, by telephone or timely submitted a properly executed proxy card, your shares will be voted by the independent proxy as you have instructed. Holders of shares who have timely submitted their proxy but have not specifically indicated how to vote their shares instruct the independent proxy to vote in accordance with the recommendations of the Board of Directors with regard to the items listed in the notice of meeting. **If any modifications to agenda items or proposals identified in this invitation or other matters on which voting is permissible under Swiss law are properly presented at the Annual General Meeting for consideration, you instruct the independent proxy, in the absence of other specific instructions, to vote in accordance with the recommendations of the Board of Directors.**

As of the date of this proxy statement, the Board of Directors is not aware of any such modifications or other matters to come before the 2015 Annual General Meeting.

Shareholders who hold their shares in the name of a bank, broker or other nominee should follow the instructions provided by their bank, broker or nominee when voting their shares. Shareholders who hold their shares in the name of a bank, broker or other nominee and wish to vote in person at the meeting must obtain a valid "legal proxy" from the organization that holds their shares.

Shareholders may grant proxies to any third party. Such third parties need not be shareholders.

Directions to the 2015 Annual General Meeting can be obtained by contacting our Corporate Secretary at our registered office, Turmstrasse 30, CH-6300 Zug, Switzerland, telephone number +41 (41) 749 0500, or Investor Relations at our offices in the United States, at 4 Greenway Plaza, Houston, TX, USA 77046, telephone number +1 (713) 232-7500. If you intend to attend and vote at the 2015 Annual General Meeting in person, you are required to present either the Notice of Internet Availability of Proxy Materials or any proxy card that is sent to you, together with proof of identification, or, if you own shares held in street name, a "legal proxy" issued by your bank, broker or other nominee in your name, together with proof of identification. If you plan to attend the 2015 Annual General Meeting in person, we urge you to arrive at the 2015 Annual General Meeting location no later than 4:00 p.m. Swiss time on Friday, May 15, 2015. In order to determine attendance correctly, any shareholder leaving the 2015 Annual General Meeting early or temporarily, will be requested to present such shareholder's admission card upon exit.

#### **Annual Report, Consolidated Financial Statements, Statutory Financial Statements**

A copy of the 2014 Annual Report (including the consolidated financial statements for fiscal year 2014, the statutory financial statements of Transocean Ltd. for fiscal year 2014 and the audit reports on such consolidated and statutory financial statements) and the 2014 Compensation Report is available for physical inspection at Transocean Ltd.'s registered office, Turmstrasse 30, CH-6300 Zug, Switzerland. Copies of these materials may be obtained without charge by contacting our Corporate Secretary at our registered office, Turmstrasse 30, CH-6300 Zug, Switzerland, telephone number +41 (41) 749 0500, or

Investor Relations at our offices in the United States, at 4 Greenway Plaza, Houston, TX, USA 77046, telephone number +1 (713) 232 7500.

On behalf of the Board of Directors,

A handwritten signature in black ink, appearing to read 'Ian C. Strachan', written in a cursive style.

Ian C. Strachan  
*Chairman of the Board of Directors*

Steinhausen, Switzerland  
March 23, 2015



## **YOUR VOTE IS IMPORTANT**

**You may vote your shares via the Internet or by telephone (if you are a beneficial owner) by following the instructions on your Notice of Internet Availability of Proxy Materials. If you requested a printed copy of the proxy materials, you may also vote by completing, signing and returning the by mail the proxy card you will receive in response to your request. Please review the instructions in the Notice of Internet Availability and the proxy statement.**

## **IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL GENERAL MEETING TO BE HELD ON MAY 15, 2015.**

**Our proxy statement and 2014 Annual Report are available at  
*[www.proxyvote.com](http://www.proxyvote.com)***

**PROXY STATEMENT**  
**FOR ANNUAL GENERAL MEETING OF SHAREHOLDERS OF TRANSOCEAN LTD.**  
**MAY 15, 2015**

**INFORMATION ABOUT THE MEETING AND VOTING**

This proxy statement is furnished in connection with the solicitation of proxies by Transocean Ltd., on behalf of the Board of Directors, to be voted at our Annual General Meeting to be held on May 15, 2015 at 5:00 p.m., Swiss Time, at the Lorzensaal Cham, Dorfplatz 3, CH-6330 Cham, Switzerland.

**Quorum**

Our Articles of Association provide that the presence of shareholders, in person or by proxy, holding at least a majority of all the shares entitled to vote at the meeting constitutes a quorum for purposes of convening this Annual General Meeting and voting on all of the matters described in the notice of meeting. Abstentions and “broker non-votes” will be counted as present for purposes of determining whether there is a quorum at the meeting so long as the broker has discretion to vote the shares on at least one matter before the Annual General Meeting.

**Record Date**

Only shareholders of record on April 28, 2015 are entitled to notice of, to attend, and to vote or to grant proxies to vote at, the Annual General Meeting. No shareholder will be entered in Transocean Ltd.’s share register with voting rights between the close of business on April 28, 2015 and the opening of business on the day following the Annual General Meeting.

While no shareholder will be entered in Transocean Ltd.’s share register as a shareholder with voting rights between the close of business on April 28, 2015 and the opening of business on the day following the Annual General Meeting, *share blocking and re-registration are not requirements for any Transocean Ltd. shares to be voted at the meeting, and all shares may be traded after the record date.* Computershare, which maintains Transocean Ltd.’s share register, will continue to register transfers of Transocean Ltd. shares in the share register in its capacity as transfer agent during this period.

## Votes Required

The following table sets forth the applicable vote standard required to pass each enumerated agenda item:

Agenda Item	Description	Relative Majority(1)	Plurality of Votes
1	Approval of the 2014 Annual Report, including Audited Consolidated Financial Statements and Audited Statutory Financial Statements for Fiscal Year 2014 of Transocean Ltd. . . . .	✓	
2	Discharge of the members of the Board of Directors and Executive Management Team from Liability for Activities During Fiscal Year 2014 . . . . .	✓	
3	Appropriation of Available Earnings . . . . .	✓	
4	Approval of Distribution of US\$0.60 Per Outstanding Share . . . . .	✓	
5	Reelection of Ten Directors . . . . .		✓(2)
6	Election of Chairman of the Board of Directors . . . . .		✓(2)
7	Election of Members of the Compensation Committee . . . . .		✓(2)
8	Reelection of Independent Proxy . . . . .	✓	
9	Appointment of Ernst & Young as Independent Auditor . . . . .	✓	
10	Advisory Vote to Approve Named Executive Officer Compensation . . . . .	✓(3)	
11	Prospective Votes on the Maximum Compensation of the Board of Directors and the Executive Management Team . . . . .	✓	
12	Approval of the 2015 Long Term Incentive Plan of Transocean Ltd. . . . .	✓	

- (1) Affirmative vote of a relative majority of the votes cast in person or by proxy at the Annual General Meeting, not counting abstentions, broker non-votes or blank or invalid ballots.
- (2) Affirmative vote of a plurality of the votes cast in person or by proxy at the Annual General Meeting. The plurality requirement means that the nominee who receives the largest number of votes for a board position, the chair or a position on the Compensation Committee, as applicable, is elected to that position. Only votes “for” are counted in determining whether a plurality has been cast in favor of a nominee. Abstentions, broker non-votes blank or invalid ballots are not counted for such purposes and shall have no impact on the election of such nominees. As described later in this proxy statement (and subject to certain exceptions), our Corporate Governance Guidelines set forth our procedures if a nominee is elected but does not receive more votes cast “for” than “against” the nominee’s election.
- (3) The proposal is an advisory vote; as such, the vote is not binding on the Company.

## Outstanding Shares

As of March 16, 2015, there were 363,340,666 shares outstanding, which excludes 10,489,983 issued shares that are held by Transocean Ltd. or our subsidiary, Transocean Inc. Only registered holders of our shares on April 28, 2015, the record date established for the Annual General Meeting, are entitled to notice of, to attend and to vote at, the meeting. Holders of shares on the record date are entitled to one vote for each share held.

## Voting Procedures

A copy of the Notice of Internet Availability of Proxy Materials has been sent to each shareholder registered in Transocean Ltd.’s share register as of the close of business on March 16, 2015. Any additional shareholders who are registered in Transocean Ltd.’s share register as of the close of business on April 28,

2015, will receive a copy of the proxy materials, including a proxy card, after April 28, 2015. Shareholders not registered in Transocean Ltd.'s share register as of April 28, 2015 will not be entitled to attend, vote or grant proxies to vote at, the 2015 Annual General Meeting.

If you are registered as a shareholder in Transocean Ltd.'s share register as of April 28, 2015, you may grant a proxy to vote on each of the proposals and any modification to any of the proposals or other matter on which voting is permissible under Swiss law and which is properly presented at the meeting for consideration.

If you meet the above qualification, you may vote in one of the following four ways:

**By Internet:** Go to [www.proxyvote.com](http://www.proxyvote.com) 24 hours a day, 7 days a week, and follow the instructions. You will need the 12-digit control number that is included in the Notice of Internet Availability of Proxy Materials, proxy card or voting instructions form that is sent to you. The Internet system allows you to confirm that the system has properly recorded your voting instructions. This method of submitting voting instructions will be available up until 8:00 a.m. Eastern Daylight Time (EDT), 2:00 p.m. Swiss Time, on May 15, 2015.

**By Telephone (available only to beneficial owners of our shares):** On a touch-tone telephone, call toll-free +1 (800) 690-6903, 24 hours a day, 7 days a week, and follow the instructions. You will need the 12-digit control number that is included in the Notice of Internet Availability of Proxy Materials, proxy card or voting instructions form that is sent to you. As with the Internet system, you will be able to confirm that the system has properly recorded your votes. This method of submitting voting instructions will be available up until 8:00 a.m. Eastern Daylight Time (EDT), 2:00 p.m. Swiss Time, on May 15, 2015. If you are a holder of record, you cannot vote by telephone.

**By Mail:** If you are a registered shareholder and you elect to receive your proxy materials by mail, you can vote by marking, dating and signing your proxy card exactly as your name appears on the card and returning it in the envelope provided by mail to:

Transocean 2015 AGM Vote Processing  
c/o Broadridge  
51 Mercedes Way  
Edgewood, NY 11717  
USA

-or-

Transocean 2015 AGM Vote Processing  
Schweiger Advokatur / Notariat  
Dammstrasse 19  
CH-6300 Zug  
Switzerland

All proxy cards must be received no later than 8:00 a.m. Eastern Daylight Time (EDT), 2:00 p.m. Swiss Time, on May 15, 2015. Do not mail the proxy card or voting instruction form if you are voting over the Internet or (if you are a beneficial owner of our shares) by telephone.

Even if you plan to attend the 2015 Annual General Meeting, we encourage you to vote over the Internet or (if you are a beneficial owner of our shares) by telephone prior to the meeting. It is fast and convenient, and your vote is recorded and confirmed immediately.

If you hold your shares in the name of a bank, broker or other nominee, you should follow the instructions provided by your bank, broker or nominee when voting your shares. Many of our shareholders hold their shares in more than one account and may receive more than one Notice of Internet Availability of Proxy Materials. To ensure that all of your shares are represented at the Annual General Meeting please either vote each account over the Internet, by telephone (only if you are a beneficial owner), or sign and return by mail all proxy cards or voting instruction forms. Under New York Stock Exchange ("NYSE") rules, brokers who hold shares in street name for customers, such that the shares are registered on the books of the Company as being held by the brokers, have the authority to vote on "routine" proposals when they have not received instructions from beneficial owners, but are precluded from exercising their voting discretion with respect to proposals for "non-routine" matters. Proxies submitted by brokers without

instructions from customers for these non-routine or contested matters are referred to as “broker non-votes.” Only the following matters are non-routine matters under NYSE Rules:

- Agenda Item No. 5—Reelection of Directors
- Agenda Item No. 6—Election of the Chairman of the Board of Directors
- Agenda Item No. 7—Election of the Members of the Compensation Committee
- Agenda Item No. 10—Advisory Vote to Approve Named Executive Officer Compensation
- Agenda Item No. 11A—Ratification of the Maximum Aggregate Compensation of the Board of Directors for the Period Between the 2015 Annual General Meeting and the 2016 Annual General Meeting
- Agenda Item No. 11B—Ratification of the Maximum Aggregate Compensation of the Executive Management Team for Fiscal Year 2016
- Agenda Item No. 12—Approval of 2015 Long Term Incentive Plan of Transocean Ltd.

If you hold your shares in “street name,” your broker will not be able to vote your shares on the agenda items set forth above and may not be able to vote your shares on other matters at the Annual General Meeting unless the broker receives appropriate instructions from you. We recommend that you contact your broker to exercise your right to vote your shares.

If you have voted electronically, by telephone (only if you are a beneficial owner) or timely submitted a properly executed proxy card, your shares will be voted by the independent proxy as you have instructed. Holders of shares who have timely submitted their proxy but have not specifically indicated how to vote their votes instruct the independent proxy to vote in accordance with the recommendations of the Board of Directors with regard to the items listed in the notice of meeting.

**If any modifications to agenda items or proposals identified in this invitation or other matters on which voting is permissible under Swiss law are properly presented at the Annual General Meeting for consideration, you instruct the independent proxy, in the absence of other specific instructions, to vote in accordance with the recommendations of the Board of Directors.**

As of the date of this proxy statement, the Board of Directors is not aware of any such modifications or other matters to come before the Annual General Meeting.

You may revoke your proxy card at any time prior to its exercise by:

- Submitting a later vote by telephone (if you are a beneficial owner) or Internet;
- or
- Submitting a properly completed and executed proxy card or voting instruction form with a later date and timely delivering it either directly to the independent proxy or to Vote Processing, c/o Broadridge at the addresses indicated below;
- or
- Giving written notice of the revocation prior to the meeting to:

Transocean 2015 AGM Vote Processing  
c/o Broadridge  
51 Mercedes Way  
Edgewood, NY 11717  
USA

or

Transocean 2015 AGM Vote Processing  
Schweiger Advokatur / Notariat  
Dammstrasse 19  
CH-6300 Zug  
Switzerland

or



- appearing at the meeting, notifying the independent proxy, with respect to proxies granted to the independent representative, and voting in person.

Your presence without voting at the meeting will not automatically revoke your proxy, and any revocation during the meeting will not affect votes in relation to agenda items that have already been voted on. If you hold your shares in the name of a bank, broker or other nominee, you should follow the instructions provided by your bank, broker or nominee in revoking your previously granted proxy.

Shareholders may grant proxies to any third party; the third party need not be a shareholder.

If you intend to attend and vote at the 2015 Annual General Meeting in person, you are required to present either the Notice of Internet Availability of Proxy Materials or any proxy card that is sent to you, together with proof of identification, or, if you own shares held in street name, a legal proxy issued by your bank, broker or other nominee in your name, together with proof of identification. If you plan to attend the 2015 Annual General Meeting in person, we urge you to arrive at the Annual General Meeting location no later than 4:00 p.m. Swiss time on Friday, May 15, 2015. In order to determine attendance correctly, any shareholder leaving the Annual General Meeting early or temporarily will be requested to present such shareholder's admission card upon exit.

References to "Transocean," the "Company," "we," "us" or "our" include Transocean Ltd. together with its subsidiaries and predecessors, unless the context requires otherwise.

## **AGENDA ITEM 1.**

### **Approval of the 2014 Annual Report, Including the Audited Consolidated Financial Statements of Transocean Ltd. for Fiscal Year 2014 and the Audited Statutory Financial Statements of Transocean Ltd. for Fiscal Year 2014.**

#### **Proposal of the Board of Directors**

The Board of Directors proposes that the 2014 Annual Report, including the audited consolidated financial statements of Transocean Ltd. for fiscal year 2014 and the audited statutory financial statements of Transocean Ltd. for fiscal year 2014, be approved.

#### **Explanation**

The audited consolidated financial statements of Transocean Ltd. for fiscal year 2014 and the audited Swiss statutory financial statements of Transocean Ltd. for fiscal year 2014 are contained in the 2014 Annual Report, which, along with this proxy statement, is available at: <http://www.deepwater.com/investor-relations/financial-report>. In addition, these materials will be available for physical inspection at the Company's registered office, Turmstrasse 30, CH-6300 Zug, Switzerland. The 2014 Annual Report also contains information on the Company's business activities and the Company's business and financial situation, information relating to corporate governance as required by the SIX Swiss Exchange Directive on Information Relating to Corporate Governance, and the reports of Ernst & Young Ltd, Zurich, the Company's auditors pursuant to the Swiss Code of Obligations, on the Company's consolidated financial statements for fiscal year 2014 and statutory financial statements for fiscal year 2014. In its reports, Ernst & Young Ltd, the Company's auditors pursuant to the Swiss Code of Obligations, recommended without qualification that the Company's consolidated financial statements and statutory financial statements for the year ended December 31, 2014, be approved. Ernst & Young Ltd expresses its opinion that the "consolidated financial statements for the years ended December 31, 2014 and 2013 present fairly in all material respects the consolidated financial position of Transocean Ltd. and subsidiaries at December 31, 2014 and 2013, and the consolidated results of operations and cash flows for each of the three years in the period ended December 31, 2014 in accordance with accounting principles generally accepted in the United States and comply with Swiss law." Ernst & Young Ltd further expresses its opinion and confirms that the statutory financial statements for the year ended December 31, 2014, and the proposed appropriation of available earnings, comply with Swiss law and the Articles of Association of the Company.

Under Swiss law, the annual report, the consolidated financial statements and Swiss statutory financial statements must be submitted to shareholders for approval at each Annual General Meeting.

If the shareholders do not approve this proposal, the Board of Directors may call an extraordinary general meeting of shareholders for reconsideration of this proposal by shareholders.

#### **Recommendation**

The Board of Directors recommends a vote **"FOR"** this Agenda Item 1.

## **AGENDA ITEM 2.**

### **Discharge of the Members of the Board of Directors and the Executive Management Team from Liability for Activities during Fiscal Year 2014.**

#### **Proposal of the Board of Directors**

The Board of Directors proposes the members of the Board of Directors and Messrs. Steven Newman, Esa Ikaheimonen, and John Stobart, who served as members of our Executive Management Team in 2014, be discharged from liability for activities during fiscal year 2014.

#### **Explanation**

As is customary for Swiss corporations and in accordance with Article 698, subsection 2, item 5 of the Swiss Code of Obligations, shareholders are requested to discharge the members of the Board of Directors and executive management from liability for their activities during the past fiscal year.

Discharge pursuant to the proposed resolution is only effective with respect to facts that have been disclosed to shareholders (including through any publicly available information, whether or not included in our filings with the SEC) and only binds shareholders who either voted in favor of the proposal or who subsequently acquired shares with knowledge that shareholders have approved this proposal. In addition, shareholders who vote against this proposal, abstain from voting on this proposal, do not vote on this proposal, or acquire their shares without knowledge of the approval of this proposal, may bring, as a plaintiff, any claims in a shareholder derivative suit within six months after the approval of the proposal. After the expiration of the six-month period, such shareholders will generally no longer have the right to bring, as a plaintiff, claims in shareholder derivative suits against the directors with respect to activities during fiscal year 2014.

#### **Recommendation**

The Board of Directors recommends a vote “**FOR**” this Agenda Item 2.

### AGENDA ITEM 3.

#### Appropriation of the Available Earnings for Fiscal Year 2014.

##### Proposal of the Board of Directors

The Board of Directors proposes that the accumulated loss of the Company be carried forward.

	in CHF thousands
<b>Appropriation of Available Earnings</b>	
Balance brought forward from previous years . . . . .	60,609
Net loss for the year . . . . .	(5,422,186)
Total retained earnings (accumulated loss) . . . . .	(5,361,577)
<b>Appropriation of Available Earnings</b>	
Balance to be carried forward on this account . . . . .	(5,361,577)

##### Explanation

Under Swiss law, the appropriation of available earnings as set forth in the Swiss statutory financial statements must be submitted to shareholders for approval at each Annual General Meeting. The available earnings at the disposal of the Company's shareholders at the 2015 Annual General Meeting are the earnings of Transocean Ltd., on a standalone basis.

The Board of Directors proposes that the entire accumulated loss of CHF 5,361,577 be carried forward.

##### Recommendation

The Board of Directors recommends a vote "FOR" this Agenda Item 3.

#### **AGENDA ITEM 4.**

**Distribution of a Dividend in the Amount of US \$0.60 per Outstanding Share of the Company out of General Legal Reserves from Capital Contribution (by way of a release and allocation of general legal reserves from capital contribution to dividend reserve from capital contribution).**

#### **Proposal of the Board of Directors**

The Board of Directors proposes that (A) CHF 422,084,000 of general legal reserves from capital contribution be released and allocated to “dividend reserve from capital contribution” (the “Dividend Reserve”), (B) a dividend in the amount of US \$0.60 per outstanding share of the Company be distributed out of, and limited at a maximum to the amount of, the Dividend Reserve and paid in installments at such times and at such record dates as shall be determined by the Board of Directors in its discretion, and (C) any amount of the Dividend Reserve remaining after payment of the final installment be automatically reallocated to “general legal reserves from capital contribution.” Dividend payments shall be made with respect to the outstanding share capital of the Company on the record date for the applicable installment, which amount will exclude any shares held by the Company or any of its direct or indirect subsidiaries. The Board of Directors’ proposed shareholder resolution is included in *Annex A*.

#### **Explanation**

The Board of Directors is seeking shareholder approval of a distribution of qualifying additional paid-in capital in the form of a dividend in the amount of US \$0.60 per outstanding share of the Company. Unlike a dividend out of available earnings, a distribution of qualifying additional paid-in capital in the form of a dividend is not subject to Swiss federal withholding tax.

Subject to the Dividend Reserve not being exceeded, as further explained below, the dividend would be distributed to shareholders in installments at such times and with such record dates as shall be determined by the Board of Directors in its discretion. The Board of Directors currently expects that the dividend will be distributed in four equal installments. The four payment dates are expected to be in June 2015, September 2015, December 2015, and March 2016.

Dividend payments will be made with respect to the outstanding share capital of the Company on the record date for the applicable installment, which amount will exclude any shares held by the Company or any of its direct or indirect subsidiaries.

The aggregate U.S. dollar dividend amount approved at the Annual General Meeting and paid out to shareholders must at no time exceed the Swiss franc-denominated additional paid-in capital available to shareholders for the aggregate 2015 dividend (including all installments). The Board of Directors is proposing that CHF 422,084,000 of the existing additional paid-in capital (which under Swiss law is referred to as “general legal reserves from capital contribution”) be made available for purposes of the aggregate 2015 dividend (including all installments) by way of a release and allocation to the account “Dividend Reserve.” Based on the number of shares outstanding as of February 11, 2015, and an exchange rate of CHF 0.92 per US dollar effective as of the same date, the amount of the proposed aggregate dividend (including all installments) under this Agenda Item 4 would be CHF 200,992,305. Accordingly, the Dividend Reserve exceeds the aggregate US \$ dividend amount by approximately 110%. The Board of Directors is proposing this excess amount in order to increase the likelihood that the issuance of new shares after the date hereof (which shares, to the extent then outstanding, would generally share in the dividend installments) and a decrease in value of the Swiss franc relative to the U.S. dollar will not reduce the per share amount of the dividend installments paid. If, notwithstanding the allocation of this excess amount to the Dividend Reserve, the Dividend Reserve would be exceeded upon the occurrence of the payment date for a dividend installment (including as a result of the issuance of additional shares after the date hereof or changes in the exchange rate), the Company would be required under the terms of the proposed shareholder resolution to adjust the relevant installment downward, so that the respective payment does not exceed the Dividend Reserve. No further installment payments could then be made.

Also, a downward adjustment of the per share dividend amount would have to be made if, at the date of the 2015 Annual General Meeting, the aggregate US \$ dividend amount exceeded the Dividend Reserve.

The distribution proposal has been confirmed to comply with Swiss law and the Company's Articles of Association by the Company's statutory auditor, Ernst & Young Ltd, representatives of which will be present at the meeting.

Shareholders may, upon the terms and conditions provided by the Board of Directors, elect to receive installments in Swiss francs.

If you are a holder of shares registered in our share register, you exercise your election by giving notice in writing to the following address:

**Shareholder correspondence should be mailed to:**

Computershare  
P.O. Box 30170  
College Station, TX 77842-3170

*Overnight correspondence should be sent to:*

Computershare  
211 Quality Circle, Suite 210  
College Station, TX 77845

If you hold your shares in the name of a bank, broker or nominee, please contact your bank, broker or nominee in order to make the election arrangements.

Shares issued after the date of the 2015 Annual General Meeting will generally participate in the dividend payments, except with respect to shares issued between the record date and the payment date with respect to the relevant installment.

The Board of Directors or, upon its due authorization, the Company's Executive Management Team has the task of executing the dividend resolution, including, but not limited to, by setting the record date, the ex-dividend date, the election period for receiving the dividend in Swiss francs and the payment dates.

**Recommendation**

The Board of Directors recommends a vote "**FOR**" this Agenda Item 4.

## **AGENDA ITEM 5.**

### **Reelection of Ten Directors for a Term Extending Until Completion of the Next Annual General Meeting.**

#### **Nominations of the Board of Directors**

The Board of Directors has nominated Glyn A. Barker, Vanessa C.L. Chang, Frederico F. Curado, Chadwick C. Deaton, Vincent J. Intrieri, Martin B. McNamara, Samuel J. Merksamer, Merrill A. “Pete” Miller, Jr., Edward R. Muller and Tan Ek Kia for reelection to the Board of Directors of the Company, each for a term extending until completion of the next Annual General Meeting.

The Board of Directors does not have a specific policy regarding diversity in the selection of director nominees. However, the Board of Directors does consider diversity in the director nominee selection process. The Board of Directors takes an expansive view of the diversity of the Board of Directors with the goal of having the directors that eventually reflect the global diversity of our workforce, our customers and the cultures in which we operate and have expertise in environmental, health, safety, industry, market and financial matters. We are a multinational company with six different nationalities represented in our officer group and over 89 in our global workforce. We have a presence in 46 countries worldwide.

#### **Voting Requirement to Elect Nominees**

The election of each nominee requires the affirmative vote of a plurality of the votes cast in person or by proxy at the Annual General Meeting. The plurality requirement means that the nominee who receives the largest number of votes for a board seat is elected. Shareholders are entitled to one vote per share for each of the directors to be elected.

We have adopted a majority vote policy in the election of directors as part of our Corporate Governance Guidelines. This policy provides that the Board of Directors may nominate only those candidates for director who have submitted an irrevocable letter of resignation which would be effective upon and only in the event that (1) such nominee fails to receive a sufficient number of votes from shareholders in an uncontested election and (2) the Board of Directors accepts the resignation. If a nominee who has submitted such a letter of resignation does not receive more votes cast for than against the nominee’s election, the Corporate Governance Committee must promptly review the letter of resignation and recommend to the Board of Directors whether to accept the tendered resignation or reject it. The Board of Directors must then act on the Corporate Governance Committee’s recommendation within 90 days following the certification of the shareholder vote. The Board of Directors must promptly disclose its decision regarding whether or not to accept the nominee’s resignation letter in a Form 8-K furnished to the SEC or other broadly disseminated means of communication. Full details of this policy are set out in our Corporate Governance Guidelines, which are available on our website at: [www.deepwater.com](http://www.deepwater.com) under “Investor Relations Governance.”

The Board of Directors has received from each nominee for election at the Annual General Meeting listed below, an executed irrevocable letter of resignation consistent with these guidelines described above. Each such letter of resignation is effective only in the event that (1) such director fails to receive a sufficient number of votes from shareholders in an uncontested election of such director and (2) the Board of Directors accepts such resignation.

The information regarding the nominees presented below is as of March 23, 2015.

#### **Nominees for Director**

**GLYN A. BARKER**, age 61, U.K. citizen, has served as a director of the Company since 2012. Mr. Barker served as Vice Chairman-U.K. of PricewaterhouseCoopers LLP (PwC) from 2008 to 2011. He was also responsible for PwC’s strategy and business development for the geographic areas of Europe, the Middle East, Africa and India. Mr. Barker joined PwC in 1975 and became an audit partner in 1987. He then established PwC’s private equity-focused Transactions Services business and led it globally. He joined



the Management Board of PwC in the U.K. as Head of the Assurance Practice in 2002. In 2006, he became U.K. Managing Partner and served in that role until 2008. Mr. Barker is a non-executive director of Berkeley Group Holdings plc (LON: BKG) (since 2012) and Aviva plc (LON: AV) (since 2012), Chairman of Irwin Mitchell Holdings Ltd (since 2012) and a director of Transocean Partners LLC (NYSE: RIGP) (since July 2014). He is also Deputy Chairman of the English National Opera Company (since 2009). Mr. Barker received his Bachelor of Science degree in Economics & Accounting in 1975 from the University of Bristol and is a Chartered Accountant.

The Board of Directors has concluded that Mr. Barker should remain on the Board of Directors and has recommended that he serve an additional term. Mr. Barker's experience in international business and financial and strategic expertise enhance the Board of Directors' understanding of key issues in its global business operations.

**VANESSA C.L. CHANG**, age 62, Canadian and U.S. citizen, has served as a director of the Company since May 2012. Ms. Chang has been a Director and shareholder of EL & EL Investments, a privately held real estate investment business, since 1998. Ms. Chang previously served as the President and Chief Executive Officer of Resolveitnow.com from 2000 until 2002 and was the Senior Vice President of Secured Capital Corp. in 1998. From 1986 until 1997, Ms. Chang was the West Coast partner in charge of Corporate Finance for KPMG Peat Marwick LLP. Ms. Chang is a director for individual investment funds within the American Funds family (since 2000), and of Edison International (NYSE: EIX) and its wholly owned subsidiary, Southern California Edison Company (since 2007), Forest Lawn Memorial Parks Association, a non-profit organization (since 2005), and Scottish Chamber Orchestra, Americas, Inc., a non-profit organization (since 2013). She previously served as a director of Blue Shield of California from 2005 to 2013 and Inveresk Research Group Inc. from 2002 until 2004. Ms. Chang received her Bachelor of Arts degree in 1973 from the University of British Columbia and is an inactive Certified Public Accountant. Ms. Chang is a member of the American Institute of Certified Public Accountants and the California State Board of Accountancy, and a member of Women Corporate Directors.

The Board of Directors has concluded that Ms. Chang should remain on the Board of Directors and has recommended that she serve an additional term. The Board of Directors believes that Ms. Chang's experience and background in diverse industries, along with her financial and accounting background, will enhance the Board of Directors' ability to assess and guide the Company's financial strategy.

**FREDERICO F. CURADO**, age 53, Brazilian citizen, has served as a director of the Company since 2013. Mr. Curado has served as President and Chief Executive Officer of Embraer S.A. (NYSE: ERJ) since 2007. Mr. Curado joined Embraer in 1984 and has served in a variety of management positions during his career, including Executive Vice President, Airline Market from 1998 to 2007 and Executive Vice President, Planning and Organizational Development from 1995 to 1998. Mr. Curado is the President of the Brazilian Chapter of the Brazil-United States Business Council (since 2011) and a member of Brazil's National Council for Industrial Development (since 2011). He is also a member of the Executive Board of the ICC—International Chamber of Commerce (since 2013), and a director of the Board of the Smithsonian National Air and Space Museum (since 2014). Mr. Curado received his Bachelor of Science degree in Mechanical-Aeronautical Engineering from the Instituto Tecnológico de Aeronáutica in Brazil and an executive Masters in Business Administration from the University of São Paulo, Brazil.

The Board of Directors has concluded that Mr. Curado should remain on the Board of Directors and has recommended that he serve an additional term. The Board of Directors believes Mr. Curado's significant senior management experience operating an international corporation, including experience with Brazilian business and governmental sectors, will benefit the Board of Directors' ability to guide the Company with respect to its global operations.

**CHADWICK C. DEATON**, age 62, U.S. citizen, has served as a director of the Company since 2012. Mr. Deaton served as Executive Chairman of Baker Hughes Incorporated (NYSE: BHI) from 2012 to 2013, prior to which he served as Chairman and Chief Executive Officer since 2004. Mr. Deaton began his career with Schlumberger in 1976 and served in a variety of international capacities, including as Executive Vice President, Oilfield Services from 1998 to 1999 and as a Senior Advisor from 1999 until 2001. From

2002 until 2004, Mr. Deaton was the President, Chief Executive Officer and Director of Hanover Compressor Company. Mr. Deaton is a director of Ariel Corporation (since 2005), Air Products and Chemicals, Inc. (NYSE: APD) (since 2010), CARBO Ceramics Inc. (NYSE: CRR) (since 2013), and Marathon Oil Corporation (NYSE: MRO) (since 2014). He previously served as a Director of CARBO Ceramics Inc. from 2004 to 2009. Mr. Deaton is a member of the Society of Petroleum Engineers (since 1980) and has served on its Industrial Advisory Council since 2010. He is also a director of the University of Wyoming Foundation and of the not-for-profit organization Houston Achievement Place. He served as co-chair of the Wyoming Governor's Task Force for the build out of the University of Wyoming's new Engineering and Applied Sciences Center. He was a member of the National Petroleum Council (from 2007 to 2013). Mr. Deaton received his Bachelor of Science degree in Geology in 1976 from the University of Wyoming.

The Board of Directors has concluded that Mr. Deaton should remain on the Board of Directors and has recommended that he serve an additional term. Mr. Deaton has significant experience in the oilfield services industry. This experience and the perspective it brings benefit the Board of Directors' understanding of the Company's industry and its customers.

**VINCENT J. INTRIERI**, age 58, U.S. citizen, has served as a director of the Company since 2014. Mr. Intrieri has been employed by Icahn related entities since October 1998 in various investment related capacities. Since January 2008, Mr. Intrieri has served as Senior Managing Director of Icahn Capital LP, the entity through which Carl C. Icahn manages private investment funds. In addition, since November 2004, Mr. Intrieri has been a Senior Managing Director of Icahn Onshore LP, the general partner of Icahn Partners LP, and Icahn Offshore LP, the general partner of Icahn Partners Master Fund LP, an entity through which Mr. Icahn invests in securities. Mr. Intrieri has been a director of: Navistar International Corp (NYSE: NAV) (since 2012), Chesapeake Energy Corporation (NYSE: CHK) (since 2012) and Hertz Global Holdings, Inc. (NYSE: HTZ) (since 2014). Mr. Intrieri previously served as a director of CVR Refining GP, LLC the general partner of CVR Refining, LP from 2012 to 2014, Forest Laboratories, Inc. from 2013 to 2014, CVR Energy, Inc. from 2012 to 2014, Federal Mogul Corporation from 2007 to 2013, Icahn Enterprises G.P. Inc., the general partner of Icahn Enterprises L.P. from 2006 to 2012, and was Senior Vice President of Icahn Enterprises G.P. Inc. from 2011 to 2012. Mr. Intrieri also was a director of Dynegy Inc. from 2011 to 2012, Chairman of the Board and a director of PSC Metals Inc. from 2007 to 2012. He served as director of Motorola Solutions, Inc. from 2011 to 2012, XO Holdings from 2006 to 2011, National Energy Group, Inc. from 2006 to 2011, American Railcar Industries, Inc. from 2005 to 2011, and was a Senior Vice President, the Treasurer and the Secretary of American Railcar Industries from March to December 2005, a director of WestPoint Home LLC from 2005 to 2011; Chairman of the Board and a director of Viskase Companies, Inc. from 2003 to 2011, a director of WCI Communities, Inc. from 2008 to 2009. CVR Refining, CVR Energy, American Railcar Industries, Federal Mogul, Icahn Enterprises, XO Holdings, National Energy Group, WestPoint Home, Viskase Companies and PSC Metals are each or previously were indirectly controlled by Carl C. Icahn. Mr. Icahn also has or previously had a non-controlling interest in Dynegy, Hertz Global Holdings, Forest Laboratories, Navistar, Chesapeake Energy, Motorola Solutions and WCI Communities through the ownership of securities. Mr. Intrieri graduated in 1984, with Distinction, from The Pennsylvania State University (Erie Campus) with a B.S. in Accounting. Mr. Intrieri was a certified public accountant.

The Board of Directors has concluded that Mr. Intrieri should remain on the Board of Directors and has recommended that he serve an additional term. The Board of Directors believes Mr. Intrieri's significant financial, executive management and board of directors experience, as well as familiarity with master limited partnerships and other corporate transactions, will benefit the Board of Directors' decision-making process.

**MARTIN B. MCNAMARA**, age 67, U.S. citizen, has served as a director of the Company since 1994. Mr. McNamara is a retired Partner of the law firm of Gibson, Dunn & Crutcher LLP and has served as a member of the firm's executive, finance, planning and compensation committees, as well as a Partner-in-Charge of the firm's Texas practice. During the past ten years and prior to his retirement in 2010, Mr. McNamara was in the private practice of law. Mr. McNamara served as Ex Officio Trustee and

Ex Officio Member of the Executive Committee of St. Mark's School of Texas from 2002 to 2014. Mr. McNamara received his Bachelor of Arts degree in 1969 from Providence College and his law degree in 1972 from Yale Law School. Mr. McNamara has served as the chair of the Corporate Counsel Section of the State Bar of Texas and is a lifetime fellow of the Texas Bar Foundation.

The Board of Directors has concluded that Mr. McNamara should remain on the Board of Directors and has recommended that he serve an additional term. Mr. McNamara is an attorney by education with extensive management experience with energy companies and experience as a lawyer representing energy clients. Mr. McNamara was on the board of Transocean from 1994 until the merger with GlobalSantaFe Corporation in November 2007. His institutional knowledge of the Company combined with his professional experience aids the Board of Directors in reviewing strategic decisions for the Company.

**SAMUEL J. MERKSAMER**, age 34, U.S. citizen, has served as a director of the Company since 2013. Mr. Merksamer is a Managing Director of Icahn Capital LP, a subsidiary of Icahn Enterprises L.P., where he has been employed since 2008. From 2003 until 2008, Mr. Merksamer was an analyst at Airlie Opportunity Capital Management. Mr. Merksamer is a director of Navistar International Corp (NYSE: NAV) (since 2012), Ferrous Resources Limited (since 2012), Hologic Inc. (NASDAQ: HOLX) (since 2013), Talisman Energy Inc. (TSX: TLM) (NYSE: TLM) (since 2013), Hertz Global Holdings, Inc. (NYSE: HTZ) (since 2014), and Transocean Partners LLC (NYSE: RIGP) (since November 2014). He previously served as a director of CVR Refining GP, LLC, the general partner of CVR Refining, LP, from 2012 to 2014; CVR Energy, Inc. from 2012 to 2014; American Railcar Industries, Inc. from 2011 to 2013, Dynegy Inc. from 2011 to 2012, Viskase Companies, Inc. from 2010 to 2013, Federal Mogul Corporation from 2010 to 2014, and PSC Metals Inc. from 2009 to 2012. CVR Refining, CVR Energy, American Railcar Industries, Federal Mogul, Viskase Companies and PSC Metals are each indirectly controlled by Carl C. Icahn. Mr. Icahn also has a non-controlling interest in Dynegy, Hologic, Talisman Energy and Hertz Global Holdings through the ownership of securities. Mr. Merksamer received an A.B. in Economics from Cornell University in 2002.

The Board of Directors has concluded that Mr. Merksamer should remain on the Board of Directors and has recommended that he serve an additional term. The Board of Directors believes that Mr. Merksamer's expertise in finance, including master limited partnerships, aids the Board of Directors in reviewing financial strategies for the Company.

**MERRILL A. "PETE" MILLER, JR.**, age 64, U.S. citizen, has served as a director of the Company since September 2014. Mr. Miller is the Executive Chairman of NOW Inc. (NYSE: DNOW), a spinoff of the distribution business of National Oilwell Varco, Inc. (NYSE: NOV), a supplier of oilfield services and equipment to the oil and gas industry. Prior to assuming this role, Mr. Miller served as President and Chief Executive Officer of NOV (from 2001 to 2014) and as Chairman of the Board (from 2002 to 2014). He joined NOV in 1996. Mr. Miller is a director of Chesapeake Energy Corporation (NYSE: CHK) (since 2007), one of the largest producers of natural gas and of oil and natural gas liquids in the U.S., and served as Lead Independent Director from 2010 to 2012. Mr. Miller served as President of Anadarko Drilling Company from 1995 to 1996. Before joining Anadarko, Mr. Miller spent 15 years at Helmerich & Payne International Drilling Company (NYSE: HP) in Tulsa, Oklahoma, serving in various senior management positions, including Vice President, U.S. Operations. Mr. Miller graduated from the United States Military Academy, West Point, New York in 1972. Upon graduation, he served five years in the United States Army and received his MBA from Harvard Business School in 1980. Mr. Miller serves on the Board of Directors for the Offshore Energy Center, Petroleum Equipment Suppliers Association and Spindletop International, and is a member of the National Petroleum Council.

The Board of Directors has concluded that Mr. Miller should remain on the Board of Directors and has recommended that he serve an additional term. Mr. Miller has significant experience in the oilfield services industry, is highly knowledgeable and will provide both customer and supplier perspectives to matters directly relevant to the Company. The Board of Directors believes that these qualities as well as his demonstrated leadership on board and executive roles will enhance the Board's effectiveness and performance.

**EDWARD R. MULLER**, age 62, U.S. citizen, has served as a director of the Company since 2007. He served as a director of GlobalSantaFe Corporation from 2001 to 2007 and of Global Marine, Inc. from 1997 to 2001. Mr. Muller has served as Vice Chairman of NRG Energy, Inc. (NYSE: NRG) since the merger of NRG Energy, Inc. with GenOn Energy, Inc. in 2012. Prior to the merger, he served as GenOn Energy, Inc.'s Chairman and Chief Executive Officer (since 2010) and President (since 2011). He previously served as Chairman, President and Chief Executive Officer of Mirant Corporation from 2005 to 2010 when Mirant Corporation merged with RRI Energy, Inc. to form GenOn Energy, Inc. Mr. Muller is a director of AeroVironment, Inc. (NASDAQ: AVAV) (since 2013). Mr. Muller was a private investor from 2000 until 2005. Mr. Muller served as President and Chief Executive Officer of Edison Mission Energy, a wholly owned subsidiary of Edison International, from 1993 until 2000. During his tenure, Edison Mission Energy was engaged in developing, owning and operating independent power production facilities worldwide. Within the past ten years, Mr. Muller was also a director of The Keith Companies, Inc., RigNet, Inc. and Ormat Technologies, Inc. Mr. Muller received his Bachelor of Arts degree in 1973 from Dartmouth College and his law degree in 1976 from Yale Law School. Since 2004, Mr. Muller has been a trustee of the Riverview School and, from 2008 to 2012, its chairman.

The Board of Directors has concluded that Mr. Muller should remain on the Board of Directors and has recommended that he serve an additional term. Mr. Muller is an attorney by education with extensive executive experience in a capital-intensive energy business. Mr. Muller served as a chief executive officer and thus adds this helpful executive perspective to the Board of Directors deliberations in advising the Company's Chief Executive Officer. His background and education assist the Board of Directors in assessing key strategies for the Company.

**TAN EK KIA**, age 66, Malaysian citizen, has served as a director of the Company since 2011. Mr. Tan is the retired Vice President, Ventures and Developments, Asia Pacific and Middle East Region of Shell Chemicals, a position in which he served from 2003 to 2006. Mr. Tan joined the Shell group of companies in 1973 as an engineer and served in a variety of positions in Asia, the U.S. and Europe during his career, including as Chairman, Shell Companies, Northeast Asia from 2000 to 2003, Managing Director of Shell Nanhai from 1997 to 2000 and Managing Director of Shell Malaysia Exploration and Production from 1994 to 1997. Mr. Tan is a director of Dialog Systems Asia Pte Ltd (since 2008), Keppel Offshore & Marine Ltd (since 2009), SMRT Corporation Ltd (SGX: MRT) (since 2009), Keppel Corporation Ltd (SGX: KPELY) (since 2010), PT Chandra Asri Petrochemical Tbk (IDX: TPIA) (since 2011), KrisEnergy Ltd (SGX: SK3) (since 2013), and Singapore LNG Corporation Pte Ltd (since 2013). He is also the Chairman of City Gas Pte Ltd (since 2009), and Star Energy Group Holdings Pte Ltd and certain of its subsidiaries (since 2012). Mr. Tan served as a director of PowerSeraya Ltd and Orchard Energy Pte Ltd from 2007 to 2009, and as director of InterGlobal Offshore Pte Ltd from 2007 to 2012. He served as a director of City Spring Infrastructure Trust Pte Ltd from 2010 to 2014.. Mr. Tan served as the Interim Chief Executive Officer of SMRT Corporation Ltd from January to October 2012. Mr. Tan received his Bachelor of Science degree in Mechanical Engineering in 1973 from the University of Nottingham, and is a Chartered Engineer with the UK Engineering Council and a Fellow of the Institution of Engineers Malaysia.

The Board of Directors has concluded that Mr. Tan should remain on the Board of Directors and has recommended that he serve an additional term. Mr. Tan has significant senior management, large project and engineering experience in the international energy sector, particularly in Asia. This international energy experience and the perspective it brings benefit the Board of Directors' ability to assess opportunities in the international energy sector.

#### **Nomination and Standstill Agreement and Appointment of Samuel J. Merksamer and Vincent J. Intieri to the Board of Directors**

On November 10, 2013, we entered into a Nomination and Standstill Agreement (the "Agreement") with High River Limited Partnership, Hopper Investments LLC, Barberry Corp., Icahn Partners LP, Icahn Partners Master Fund LP, Icahn Partners Master Fund II LP, Icahn Partners Master Fund III LP, Icahn Enterprises G.P. Inc., Icahn Enterprises Holdings L.P., IPH GP LLC, Icahn Capital LP, Icahn Onshore LP,



Icahn Offshore LP, Beckton Corp., Samuel J. Merksamer and Vincent J. Intrieri (collectively, the “Icahn Group”), pursuant to which, subject to certain conditions, the Icahn Group agreed to certain standstill and voting provisions and the Company agreed to:

- Nominate Mr. Merksamer and Mr. Intrieri (and, subject to certain conditions, a third Icahn Group nominee) (the “Icahn Designees”) to the Company’s Board of Directors at the 2014 Annual General Meeting; and
- Place the Icahn Designees, if they are elected, on certain committees of the Board. The Company also agreed to submit at the 2014 Annual General Meeting certain proposals to shareholders for their approval.

Under the terms of the Agreement, the Icahn Group agreed, during the Covered Period, not to, among other things, solicit proxies regarding any matter to come before a general meeting of shareholders, including for the election of directors. In addition, among other standstill provisions, the Icahn Group has agreed that during the Covered Period, the Icahn Group will not propose any tender or exchange offer (other than for all the shares of the Company) and will not propose certain extraordinary transactions without prior notice to the Company.

The Agreement defines the “Covered Period” as the period beginning on the date the Agreement was executed and ending upon the earliest to occur of:

- the other party to the agreement materially breaching an obligation thereunder;
- no Icahn Designee is elected to the Board of Directors at the 2014 Annual General Meeting;
- at any time on or after January 15, 2015, if all the Icahn Designees have resigned and the Icahn Group has not designated replacements, as provided in the Agreement;
- 90 days after the Icahn Group ceases to own 3% of the outstanding shares of Company stock as of the date of the Agreement;
- the date on which (A) the Company has announced an extraordinary general meeting of the shareholders for any purpose (except as contemplated in the Agreement or if the Icahn Designees voted in favor of such extraordinary general meeting, which was the case for the Extraordinary General Meeting held in 2014), (B) the Icahn Designees tender their resignation from the Board of Directors and (C) the Icahn Group provides written notice that it does not intend to exercise its right to designate replacement directors; or
- by mutual agreement of the parties.

The foregoing is not a complete description of the terms of the Agreement. For a further description of the Agreement, including a copy of the Agreement, please see our Current Report on Form 8-K that we filed with the SEC on November 12, 2013.

### **Recommendation**

The Board of Directors recommends you vote “**FOR**” the reelection of these candidates as directors.

## **AGENDA ITEM 6.**

### **Election of the Chairman of the Board of Directors for a Term Extending Until Completion of the Next Annual General Meeting.**

#### **Nomination of the Board of Directors**

Pursuant to the Minder Ordinance, the authority to elect the Chairman of the Board of Directors is vested with the general meeting of shareholders. The term of office of the Chairman of the Board of Directors is the same as the directors' term and extends until completion of the next Annual General Meeting. The Chairman elected at the 2015 Annual General Meeting will have the powers and duties as provided for in our Articles of Association and organizational regulations.

Upon the recommendation of the Corporate Governance Committee, the Board of Directors has nominated Merrill A. "Pete" Miller, Jr. for election by the shareholders as the Chairman of the Board of Directors. Mr. Miller has served as a director since the extraordinary general meeting held on September 22, 2014 and as Vice-Chairman of the Board of Directors since November 14, 2014. Biographical information regarding Mr. Miller may be found above under "Agenda Item 5—Reelection of Ten Directors for a Term Extending Until Completion of the Next Annual General Meeting."

#### **Recommendation**

The Board of Directors recommends a vote "**FOR**" the nominee for the Chairman of the Board of Directors.

## **AGENDA ITEM 7.**

### **Election of the Members of the Compensation Committee, Each for a Term Extending Until Completion of the Next Annual General Meeting.**

#### **Nominations of the Board of Directors**

Pursuant to the Minder Ordinance, the authority to elect the members of the Compensation Committee of the Board of Directors is vested with the general meeting of shareholders. The term of office of the members of the Compensation Committee is equal to the directors' term and extends until completion of the next Annual General Meeting.

Upon the recommendation of the Corporate Governance Committee, the Board of Directors has nominated for election by the shareholders at the 2015 Annual General Meeting Frederico F. Curado, Vincent J. Intrieri, Martin B. McNamara and Tan Ek Kia as members of the Compensation Committee of the Board of Directors. Biographical information regarding the nominees may be found above under Agenda Item 5.

#### **Recommendation**

The Board of Directors recommends a vote “**FOR**” the election of the nominees of the Compensation Committee of the Board of Directors.



#### **AGENDA ITEM 8.**

##### **Reelection of the Independent Proxy for a Term Extending Until Completion of the Next Annual General Meeting.**

Pursuant to the Minder Ordinance, the authority to elect the independent proxy is vested with the general meeting of shareholders. The independent proxy elected at the 2015 Annual General Meeting will serve as independent proxy at the 2016 Annual General Meeting and at any extraordinary general meeting of shareholders of the Company that may be held prior to the 2016 Annual General Meeting.

The Board of Directors has nominated for reelection as independent proxy Schweiger Advokatur / Notariat, Dammstrasse 19, CH-6300 Zug, Switzerland. Schweiger Advokatur / Notariat was elected at the 2014 Annual General Meeting to serve as independent proxy at the 2015 Annual General Meeting.

##### **Recommendation**

The Board of Directors recommends a vote “**FOR**” this Agenda Item 8.

## AGENDA ITEM 9.

### **Appointment of Ernst & Young LLP as the Company's Independent Registered Public Accounting Firm for Fiscal Year 2015 and Reelection of Ernst & Young Ltd, Zurich, as the Company's Auditor for a Further One-Year Term.**

#### **Proposal of the Board of Directors**

The Board of Directors proposes that Ernst & Young LLP be appointed as Transocean Ltd.'s independent registered public accounting firm for the fiscal year 2015 and that Ernst & Young Ltd, Zurich, be reelected as Transocean Ltd.'s auditor pursuant to the Swiss Code of Obligations for a further one-year term, commencing on the day of election at the 2015 Annual General Meeting and terminating on the day of the 2016 Annual General Meeting.

Representatives of Ernst & Young LLP and Ernst & Young Ltd will be present at the Annual General Meeting, will have the opportunity to make a statement and will be available to respond to questions you may ask. Information regarding the fees paid by the Company to Ernst & Young appears below.

#### **Recommendation**

The Board of Directors recommends a vote “**FOR**” this Agenda Item 9.

#### **FEES PAID TO ERNST & YOUNG**

Audit Fees for Ernst & Young LLP and its affiliates for each of the fiscal years 2014 and 2013 and Audit-Related Fees, Tax Fees and Total of All Other Fees for services rendered in 2014 and 2013 are as follows:

	<u>Audit Fees(1)</u>	<u>Audit-Related Fees(2)</u>	<u>Tax Fees(3)</u>	<u>Total of All Other Fees(4)</u>
Fiscal year 2014(5) . . . . .	\$10,000,545	\$223,937	\$—	\$2,138
Fiscal year 2013 . . . . .	\$ 7,415,170	\$181,661	\$—	\$2,755

- (1) The audit fees include those associated with our annual audit, reviews of our quarterly reports on Form 10-Q, statutory audits of our subsidiaries, services associated with documents filed with the SEC and audit consultations.
- (2) The audit-related fees include services in connection with accounting consultations, employee benefit plan audits and attest services related to financial reporting.
- (3) No tax services were rendered for the years ended December 31, 2014 and 2013.
- (4) All other fees were for other publications and subscription services.
- (5) Excludes fees incurred and paid by Transocean Partners LLC, a consolidated subsidiary which became a separate SEC registrant, subsequent to the completion of its initial public offering on August 5, 2014.

#### **Audit Committee Pre-Approval of Audit and Non-Audit Services**

The Audit Committee pre-approves all auditing services, review or attest engagements and permitted non-audit services to be performed by our independent registered public accounting firm. The Audit Committee has considered whether the provision of services rendered in 2014 other than the audit of our financial statements and reviews of quarterly financial statements was compatible with maintaining the independence of Ernst & Young LLP and determined that the provision of such services was compatible with maintaining such independence.

The Audit Committee has adopted policies and procedures for pre-approving all audit and non-audit services performed by the independent registered public accounting firm. The policy requires advance

approval by the Audit Committee of all audit and non-audit work; provided, that the Chairman of the Audit Committee may grant pre-approvals of audit or non-audit work so long as such pre-approvals are presented to the full Audit Committee at its next scheduled meeting. Unless the specific service has been previously pre-approved with respect to the 12-month period following the advance approval, the Audit Committee must approve a service before the independent registered public accounting firm is engaged to perform the service. The Audit Committee has given advance approval for specified audit, audit-related and other services for 2015. Requests for services that have received this pre-approval are subject to specified fee or budget restrictions as well as internal management controls.

## **AGENDA ITEM 10.**

### **Advisory Vote to Approve Named Executive Officer Compensation.**

#### **Proposal of the Board of Directors**

As required by Section 14A of the Securities Exchange Act, the Company is providing its shareholders the opportunity to vote on an advisory basis to approve the compensation of the Company's Named Executive Officers. The Board of Directors recommends that you vote for the approval of the compensation of the Named Executive Officers as described in this proxy statement.

Accordingly, you may vote on the following resolution:

RESOLVED, that the compensation of the Company's Named Executive Officers, as disclosed pursuant to the compensation disclosure rules of the SEC, including the Compensation Discussion and Analysis, the compensation tables, and the narrative disclosure in the proxy statement for the Company's 2015 Annual General Meeting is hereby APPROVED.

Our compensation program for our Named Executive Officers is designed to reward performance that creates long-term value for the Company's shareholders through the following features, which are discussed in more detail in our Compensation Discussion and Analysis:

- annual cash bonuses based on performance as measured against pre-determined performance goals;
- a compensation mix weighted toward long-term incentives to allow our Named Executive Officers to participate in the long-term growth and profitability of the Company;
- long-term incentives include fully contingent deferred units that vest based on total shareholder return compared to the companies in our performance peer group;
- median pay positioning for target performance, above median pay for above target performance, and below median pay for below target performance;
- a stock ownership policy that requires our executive officers to build and maintain a minimum equity stake in the Company to help align our executive officers' interests with the long-term interests of our shareholders;
- hedging and pledging policies that prohibit any of our executive officers from hedging or pledging our shares or holding derivative instruments tied to our shares, other than derivative instruments issued by us; and
- an Incentive Compensation Recoupment Policy that allows the Company to recover or adjust incentive compensation to the extent the Compensation Committee determines that payments or awards have exceeded the amount that would otherwise have been received due to a restatement of our financial statements or if the Compensation Committee determines that an executive has engaged in, or has knowledge of and fails to prevent or disclose, fraud or intentional misconduct pertaining to any financial reporting requirements.

The vote on this proposal is advisory and therefore not binding on the Company, the Compensation Committee or the Board of Directors. The Board of Directors and the Compensation Committee value the opinions of our shareholders. Following the 2015 Annual General Meeting, we will consider our shareholders' feedback and the Compensation Committee will evaluate whether any actions are necessary to address this feedback.

#### **Recommendation**

The Board of Directors recommends that you vote **"FOR"** approval of the compensation of the Company's Named Executive Officers, as disclosed in this proxy statement.

## **AGENDA ITEM 11**

### **Prospective Vote on the Maximum Compensation of the Board of Directors and the Executive Management Team.**

#### **11A Ratification of the Maximum Aggregate Amount of Compensation of the Board of Directors for the Period Between the 2015 Annual General Meeting and the 2016 Annual General Meeting.**

##### **Proposal of the Board of Directors**

The Board of Directors proposes that the shareholders ratify an amount of US \$4,121,000 as the maximum aggregate amount of compensation of the Board of Directors for the period between the 2015 Annual General Meeting and the 2016 Annual General Meeting.

##### **Explanation**

As required by our Articles of Association and the Swiss Federal Ordinance Against Excessive Compensation at Public Corporations (the “Compensation Ordinance”), the shareholders are provided the opportunity to vote on the maximum aggregate amount of compensation that can be paid or granted to the members of the Board of Directors for the period between the 2015 Annual General Meeting and the 2016 Annual General Meeting (the “2015/2016 Term”). The shareholder vote is of binding nature.

##### *Directors’ Compensation Principles*

The general principles of the compensation for our Board of Directors are described in article 29b of our Articles of Association.

We use a combination of cash and equity compensation to attract and retain qualified candidates to serve on our Board of Directors. Our directors’ compensation consists of (i) cash retainers, (ii) grants of deferred units and (iii) dividend equivalents on vested and unvested deferred units.

Set forth below is an overview of the non-employee director compensation elements for the term of office between the 2013 Annual General Meeting and the 2014 Annual General Meeting (the “2013/2014 Term”), and the term of office between the 2014 Annual General Meeting and the 2015 Annual General

Meeting (the “2014/2015 Term”). Additionally, the compensation elements contemplated for the 2015/2016 Term are also provided:

	Term of Office 2013 AGM - 2014 AGM	Term of Office 2014 AGM - 2015 AGM	Term of Office 2015 AGM - 2016 AGM
	US\$	US\$	US\$
<b>Cash Retainers</b>			
Retainer for non-executive chairman .	265,000	265,000	325,000
Retainer for non-executive vice-chairman . . . . .	0	250,000	250,000
Retainer for non-employee directors (other than the chairman and the vice-chairman) . . . . .	90,000	100,000	100,000
Additional retainer for Committee Chairmen:			
Audit Committee . . . . .	35,000	35,000	35,000
Compensation Committee . . . . .	20,000	20,000	20,000
Corporate Governance Committee, Finance Committee, and Health Safety and Environment Committee . .	10,000	10,000	10,000
Attendance fees:			
Board meeting attendance fee (for those meetings in excess of the four regularly scheduled board meetings) . .	2,500	0	0
Committee meeting attendance fee (for those meetings in excess of the first four committee meetings) . . . . .	2,500	0	0
<b>Grant of Deferred Units</b>			
Grant of deferred units to non-executive chairman . . . . .	260,000	260,000	325,000
Grant of deferred units to non-executive vice- chairman . . . . .	0	210,000	210,000
Grant of deferred units to non-employee directors (other than the chairman and the vice-chairman) .	260,000	210,000	210,000
<b>Dividend equivalents on vested and unvested deferred units . . . . .</b>	Amount depending on (i) dividend paid and (ii) number of vested and unvested deferred units held by the respective director		

A more detailed description of the compensation principles currently in effect for our Board of Directors can be found under “Board Meetings and Committees—Director Compensation Strategy.” The actual amounts paid to each member of the Board of Directors for fiscal year 2014 are disclosed under “2014 Director Compensation” and in our Swiss Compensation Report under the caption “Board of Directors’ Compensation.”

#### *Proposal for Ratification of Maximum Aggregate Amount*

The Board of Directors proposes that the shareholders ratify an amount of US\$ 4,121,000 as the maximum aggregate amount of compensation of the Board of Directors for the 2015/2016 Term. This amount is a maximum amount that the Company can pay or grant to the members of the Board of Directors for the 2015/2016 Term. The proposed aggregate maximum amount has been calculated based on the directors’ compensation elements as outlined above.

The table below shows the aggregate compensation paid to our Board of Directors for the 2013/2014 Term and the 2014/2015 Term. The 2013/2014 Term includes 13 non-employee directors, one of whom was Chairman of the Board. The 2014/2015 Term includes 11 non-employee directors, one of whom was Chairman and one of whom was Vice-Chairman. Further, the table explains our proposal for the maximum aggregate amount of compensation for our Board of Directors for the 2015/2016 Term. With the anticipated retirement of one non-employee director in May 2015, this proposal includes consideration for 10 non-employee directors, of whom one will be Chairman and one of whom may be Vice-Chairman.

	Term of Office 2013 AGM-2014 AGM (based on 13 non-employee directors and the assumptions described above)	Term of Office 2014 AGM-2015 AGM (based on 11 non-employee directors and the assumptions described above)	Term of Office 2015 AGM-2016 AGM Proposed Maximum Aggregate Amount(1)
	US\$	US\$	US\$
<b>Cash Retainers</b> . . . . .	1,460,550	1,617,550	1,510,000
<b>Grant of Deferred Units(2)</b> . . . . .	3,343,380(3)	2,232,690(3)	2,575,000(4)
<b>Dividend Equivalents(5)</b> . . . . .	441,070	491,760	300,000
<b>Total(6)</b> . . . . .	5,245,000	4,342,000	<b>4,121,000</b>

- (1) The cash retainer and the deferred units include the compensation paid by Transocean Partners LLC (“Transocean Partners”) to two directors for their role as directors of Transocean Partners; each receives a cash retainer of US\$ 75,000 and a grant of deferred units with an aggregate grant date fair value under of US\$ 75,000. Transocean Partner’s common units trade on the New York Stock Exchange. Transocean Ltd holds 21.3 million common units and 27.6 million subordinated units of Transocean Partners, representing a 70.8% limited liability company interest, and all of incentive distribution rights.
- (2) Deferred units are granted to each non-employee director annually immediately following the board meeting held in connection with our Annual General Meeting. On the date of grant, the deferred units have an aggregate value equal to the US\$ figures indicated in the compensation elements table on the previous page, and the deferred units vest on the date first to occur of (i) the first anniversary of the date of grant or (ii) the Annual General Meeting next following the date of grant, subject to continued service through the vesting date. Vesting of the deferred units is not subject to any performance measures.
- (3) Aggregate grant date fair value under accounting standards for recognition of share-based compensation expense for deferred units granted to our directors, computed in accordance with FASB ASC Topic 718.
- (4) Aggregate target amount.
- (5) Dividend equivalents paid or to be paid during the respective terms of office on all vested and unvested deferred units. For the 2015/2016 Term, the amount shown is based on the dividend as proposed under Agenda Item No. 4 and the estimated number of vested and unvested deferred units that will be held by our directors at the respective dividend payment dates during the 2015/2016 Term (for an overview of our directors’ vested and unvested deferred units, please see Note 6-Share Ownership in the Company’s statutory financial statements for fiscal year 2014).
- (6) Social security payments to be paid by the Company pursuant to applicable law are not included in the total amount.

The actual payout and grants will be disclosed in the 2016 and 2017 Proxy Statements, respectively, and the Swiss Compensation Report for fiscal years 2015 and 2016, respectively.

## Recommendation

The Board of Directors recommends that you vote “**FOR**” this Agenda Item 11A.



## **11B Ratification of the Maximum Aggregate Amount of Compensation of the Executive Management Team for Fiscal Year 2016.**

### **Proposal of the Board of Directors**

The Board of Directors proposes that the shareholders ratify an amount of US\$ 29,617,000 as the maximum aggregate amount of compensation of the Executive Management Team for fiscal year 2016.

### **Explanation**

As required by our Articles of Association and the Compensation Ordinance, the shareholders are provided the opportunity to vote on the maximum aggregate amount of compensation that can be paid or granted to the members of the Executive Management Team for fiscal year 2016. The shareholder vote is of binding nature.

#### *Executive Management Team Compensation Principles*

The general principles of the compensation for the Executive Management Team are described in article 29b of our Articles of Association.

We use a combination of cash and equity compensation to attract, motivate and retain leaders from the global executive talent market within and outside our highly competitive industry and to achieve our objective of pay to performance alignment by delivering the vast majority of our Executive Management Team's pay as performance-based, 'at-risk' compensation. Our Executive Management Team's compensation consists of (i) base salary, (ii) annual performance bonus, (iii) long-term incentives, which may comprise grants of deferred units, contingent deferred units and stock options and (iv) other compensation, including company contributions to savings and pension plans, life insurance premiums, dividend equivalents on vested and unvested deferred units, club membership dues, expatriate assignment allowances and expatriate relocation pay.

Our Executive Management Team comprises our President and Chief Executive Officer, our Executive Vice President and Chief Financial Officer, and our Executive Vice President and Chief Operating Officer.

A detailed description of our compensation principles currently in effect for the Executive Management Team (and our other Named Executive Officers) may be found under "Compensation Discussion and Analysis." Pursuant to U.S. securities laws, our Named Executive Officers include: (1) our former President and Chief Executive Officer ("CEO"), Steven L. Newman, and our Executive Vice President and Chief Financial Officer ("CFO"), Esa Ikaheimonen; (2) the three highest paid executive officers, other than the CEO and the CFO, who were serving as executive officers of the Company at the end of fiscal year 2014. These executive officers were: John B. Stobart, our Executive Vice President and Chief Operating Officer ("COO"), Lars Sjöbring, our Senior Vice President and General Counsel, and David Tonnel, our Senior Vice President and Controller; and (3) up to two additional executive officers who would have met the requirements in (2), but for the fact that the individual was not serving as an executive officer of the Company at the end of fiscal year 2014. In fiscal year 2014, there were no executive officers that would qualify as Named Executive Officers under the requirements in (3). Accordingly, all our Executive Management Team members are part of the group of executive officers who, pursuant to U.S. securities laws, are considered Named Executive Officers. We recommend our shareholders read the Articles of Association and the Compensation Discussion and Analysis to understand our Executive Management Team compensation principles and process when considering this proposal. The actual amounts paid to each member of the Executive Management Team for fiscal years 2012-2014 are further disclosed under "Executive Compensation—Summary Compensation Table," and in our Swiss Compensation Report under the caption "Executive Management Team Compensation."

In addition to this binding prospective vote on the maximum aggregate Executive Management Team compensation, shareholders have had the opportunity since 2011 under U.S. law to cast a non-binding

retrospective advisory vote to approve the compensation paid to our Named Executive Officers (including our Executive Management Team members) for the fiscal year preceding the Annual General Meeting. Since 2011, our shareholders have consistently expressed their strong support for the Company's executive compensation principles. For fiscal years 2011, 2012 and 2013, the shareholder approval levels have been 86%, 81% and 92%, respectively. Our shareholders are again provided the opportunity to cast a non-binding advisory retrospective vote to approve the compensation paid to our Named Executive Officers (including our Executive Management Team members) in fiscal year 2014, as is explained in detail in Agenda Item No. 10.

The proposed maximum aggregate amount of compensation for the Executive Management Team for fiscal year 2016 is derived substantially from the Company's executive compensation principles receiving strong historical shareholder support as noted above. Consistent with our historical practice in setting executive compensation, we do not anticipate that the aggregate amount actually paid to our Executive Management Team members for fiscal year 2016 will be at the proposed maximum aggregate amount. More information regarding our compensation practices can be found under "Compensation Discussion and Analysis."

#### *Proposal for Ratification of Maximum Aggregate Amount*

The Board of Directors proposes that the shareholders ratify an amount of US \$29,617,000 as the maximum aggregate amount of compensation of the Executive Management Team for fiscal year 2016. This amount is a maximum amount that the Company can pay or grant to its members of the Executive Management Team for fiscal year 2016, subject to the authority of the Board of Directors to grant or pay a "supplementary amount" pursuant to Article 29c of our Articles of Association.

Pursuant to Article 29c of our Articles of Association, the Board of Directors may pay or grant compensation for the 2016 fiscal year without additional shareholder ratification to persons who newly assume an Executive Management Team function after the prospective vote at the 2015 AGM. The compensation that the Board of Directors may grant or pay to such persons is limited, as further described in Article 29c of our Articles of Association.

The table below shows the maximum aggregate amount of compensation that could have been paid or granted in the last fully completed fiscal year (fiscal year 2014) under our compensation principles and plans, the maximum aggregate amount of compensation available to be paid or granted for the 2015 fiscal year under our compensation principles and plans currently in effect, and our proposed maximum aggregate amount of compensation for fiscal year 2016. The proposed maximum aggregate amount of compensation for fiscal year 2016 represent a 4.4% increase over the 2015 fiscal year maximum aggregate amount of compensation noted below. This proposed 2016 maximum amount of compensation is based on our estimated compensation levels and provides for a possible increase in base salary (with corresponding increases in long-term incentives, annual performance bonus and other compensation due to the link between the base salary and target levels for all other compensation elements). Whether the Board of Directors will actually adopt such increases in fiscal year 2016 will be determined by the Board at the

beginning of fiscal year 2016 and depend, among other things, on competitive market data, job responsibilities and expected future contributions.

	Fiscal Year 2014 Maximum Payable(1)	Fiscal Year 2015 Maximum Payable(1)	Fiscal Year 2016 Proposed Maximum Amount(2)
	US\$	US\$	US\$
<b>Base Salary</b> .....	2,680,000(3)	2,880,000(4)	3,024,000
<b>Annual Performance Bonus(5)</b> .....	5,757,000	6,257,000	6,570,000
<b>Long-Term Incentives(6)</b> .....	14,055,000	15,762,500	16,483,000
<b>All Other Compensation(7)</b> .....	2,614,000	3,467,500	3,540,000
<b>Total</b> .....	25,106,000	28,367,000	29,617,000

- (1) Assuming that the base salary, the annual performance bonus and all other compensation have been, or will be, paid or granted at the maximum level as provided under our compensation principles and plans (e.g., in relation to the annual performance bonus, assuming a payout of annual incentive bonuses at the maximum payout level of 200%). In relation to the long-term incentive compensation, the fair value calculations are based on an assumed achievement of performance targets at 100%; see note 6 below for further information.
- (2) The proposal of the Board of Directors for ratification by our shareholders only relates to the maximum aggregate amount of total compensation as shown in the “Total” row. The subtotals shown for each compensation category are included for illustration purposes only.
- (3) Reflects actual base salaries paid to our Executive Management Team members.
- (4) Reflects actual base salaries paid to, and base salaries for the remaining fiscal year to be paid to, our Executive Management Team members, based on base salary levels effective for fiscal year 2015, and consideration of potential compensation necessary to replace the former President and CEO, Steven Newman.
- (5) Based on individual target award opportunities and maximum payout at 200%. As further described under “Compensation Discussion and Analysis—Annual Performance Bonus, the potential payout ranges from 0% to 200% of the individual target award opportunity. Maximum payout is only available upon achievement of superior performance. Individual target award opportunities ranged, and will range, between 85% and 125% of the base salary, depending on the level of responsibility.
- (6) Based on target amounts and fair value calculations. With regard to performance-based long-term incentives such as contingent deferred units, the fair value calculations are based on an assumed achievement of performance targets at 100%. The actual number of shares to be allocated under such long-term incentive units will be determined in 2019 depending on performance achievement over a three-year performance cycle and may range between 0-200%.
- (7) Assumes that all compensation has been paid or granted at the maximum level as provided under our compensation principles and plans. Social security payments to be paid by the Company pursuant to applicable law are not included in the total amount.

We do not anticipate that the aggregate amount actually paid to our Executive Management Team members for fiscal year 2016 will be at the proposed maximum aggregate amount. Actual compensation paid to our Executive Management Team members for fiscal year 2014 was US\$ 19,376,859 million (on the basis of the grant date fair values of the long-term incentive grants for fiscal year 2014) (compared to a maximum amount payable under our compensation plans and principles of US\$ 25,106,000 million). Notwithstanding that we do not anticipate that the aggregate amount actually paid to our Executive Management Team members for fiscal year 2016 will be at the proposed maximum aggregate amount, we request our shareholders to approve the proposed maximum aggregate amount. This is because we want to ensure that the authorized compensation is set at a level that allows us to honor our compensation obligations and promises under our compensation principles and plans if the Executive Management Team

or its individual members deliver superior performance and achieve all of the performance objectives at maximum performance level.

The actual payout and grants will be disclosed in the 2017 Proxy Statement and the Swiss Compensation Report for fiscal year 2016.

**Recommendation**

The Board of Directors recommends that you vote “**FOR**” this Agenda Item 11B.

## AGENDA ITEM 12

### Approval of the Transocean Ltd. 2015 Long-Term Incentive Plan

We are asking shareholders to vote to approve our 2015 Long-Term Incentive Plan, or 2015 LTIP. On February 12, 2015, the Compensation Committee recommended to the Board of Directors that it adopt the 2015 LTIP to replace the Long-Term Incentive Plan of Transocean Ltd., or Prior LTIP, which was originally approved by shareholders on May 1, 1993. The 2015 LTIP was unanimously approved by our Board on February 13, 2015. The 2015 LTIP will become effective as of May 15, 2015 only if approved by our shareholders. If approved, the 2015 LTIP will provide for up to 19,500,000 shares that may be issued as long-term incentive compensation to our employees and non-employee directors.

The 2015 LTIP shares would be an increase of 19,500,000 shares above the approximately 1,960,183 shares available for award under the Prior LTIP as of the record date. If the proposed 2015 LTIP is approved by shareholders, the Prior LTIP will be terminated, shares remaining available for awards under the Prior LTIP as of May 15, 2015 will be available for awards under the 2015 LTIP and equity-based awards to employees and non-employee directors will thereafter be made only from the 2015 LTIP. Equity-based awards previously granted under the Prior LTIP will remain outstanding in accordance with their terms. If the proposed 2015 LTIP is not approved by shareholders, the Prior LTIP will remain in effect. As of March 9, 2015, we had the following with regard to all of our share-settled equity plans:

Total Stock Options Outstanding . . . . .	1,883,683
Total Restricted Share Awards/Units Outstanding . . . . .	3,368,390
Total Shares Outstanding . . . . .	363,338,805
Weighted-Average Exercise Price of Stock Options Outstanding . . . . .	\$73.52
Weighted-Average Remaining Duration of Stock Options Outstanding . . . . .	5.38 years
Total Shares Available for Grant Under the Prior LTIP . . . . .	1,960,183

### Summary of the 2015 Long-Term Incentive Plan

The following summary of the material features of our 2015 LTIP is qualified by reference to the full text of the 2015 LTIP, which is attached to this proxy statement as **Annex B**. Capitalized terms not defined in the summary are defined in the plan document.

### Highlights of the 2015 LTIP

- *Fungible share pool.* The 2015 LTIP uses a fungible share pool under which each share issued pursuant to a restricted share award or restricted share unit (including performance awards) will reduce the number of shares available under the 2015 LTIP by 1.68 shares, and each share issued pursuant to awards other than restricted share awards and restricted share units will reduce the number of shares available by 1.0 share.
- *No liberal share counting.* The 2015 LTIP prohibits the reuse of shares withheld or delivered to satisfy the exercise price of, or to satisfy tax withholding requirements for any awards under the 2015 LTIP. The 2015 LTIP also prohibits “net share counting” upon the exercise of options or stock appreciation rights (or SAR) and the use of shares reacquired in the open market or otherwise using cash proceeds from the exercise of stock options.
- *No repricing or reloading of stock options or SARs; no cash outs.* The 2015 LTIP prohibits the direct or indirect repricing of stock options or SARs without shareholder approval and also prohibits the repurchase by the Company of outstanding stock options or SARs with an exercise price higher than the current fair market value.
- *No discounted stock options or SARs.* All stock options and SARs must have an exercise price or base price equal to or greater than the fair market value of the underlying shares on the date of grant.

- *Definition of change of control.* The 2015 LTIP defines “change of control” in a manner such that a change of control would not be deemed to occur until the actual consummation of the event that results in the change of control.
- *No automatic vesting on a change of control.* The terms of the 2015 LTIP do not provide for automatic single-trigger vesting upon the occurrence of a change of control.
- *Minimum vesting.* Awards granted to employees under the 2015 LTIP may not vest earlier than the first anniversary of the grant date and awards granted to directors may not vest earlier than the first to occur of (i) the first anniversary of the grant date or (ii) the date of the annual general meeting of the Board next following the grant date.
- *No dividend equivalents on options, SARs or unvested awards.* The terms of the 2015 LTIP do not permit dividend equivalents to be made a part of an award of stock options or SARs and do not permit payment of dividend equivalents with respect to awards that are unvested.
- *Administered by an independent committee.* The Compensation Committee, which is made up entirely of independent directors, will have ultimate administration authority for the 2015 LTIP. More information about the Compensation Committee is provided under “Board Meetings and Committees—Compensation Committee.

### **Purpose of the 2015 LTIP**

The 2015 LTIP is designed to attract and retain employees of the Company and its subsidiaries, to attract and retain qualified non-employee directors of the Company, to encourage the sense of proprietorship of such employees and directors and to stimulate the active interest of such persons in the development and financial success of the Company and its subsidiaries. These objectives are to be accomplished by making awards under the 2015 LTIP and thereby providing award recipients with a proprietary interest in the growth and performance of the Company and its subsidiaries.

### **Shares Available for Award and Share Counting**

Subject to the approval of the shareholders, the aggregate number of shares which are available for award under the 2015 LTIP will be 19,500,000 shares, plus the number of shares remaining available for awards under the Prior LTIP as of the record date (approximately 21,460,183 shares). If the proposed 2015 LTIP is approved by shareholders, no further awards will be made under the Prior LTIP and equity-based awards to employees and non-employee directors will be made only from the 2015 LTIP. Awards under the 2015 LTIP will reduce the shares available for grant under the 2015 LTIP as follows: each share issued pursuant to a restricted share award or restricted share unit will reduce the number of shares available under the 2015 LTIP by 1.68 shares, and each share issued pursuant to awards other than restricted share awards and restricted share units will reduce the number of shares available by 1.0 share.

We believe we have demonstrated our commitment to sound equity compensation practices. Management and our Board are cognizant of the expense attributable to compensatory share awards, as well as dilution, and strive to maintain both at appropriate levels. As of March 15, 2015, the 19,500,000 shares the Board has reserved for issuance under the 2015 LTIP represent approximately 5% of our outstanding common shares. This level of dilution is in the bottom 25% of equity plan dilution levels relative to our peer group companies. The three-year average annual percentage of the Company’s outstanding shares that was issued under the Company’s various equity incentive plans, or the Company’s “burn rate,” was 1.36%, well below the ISS cap for our industry of 2.0%. We calculated our burn rate by (a) applying a factor of two and a half to restricted share and restricted share unit awards and a factor of one to stock option awards during the calendar year and (b) dividing the resulting number by the weighted average number of shares outstanding during such year. Based on recent and expected granting practices and the trading price of the Company’s shares, the 2015 LTIP is expected to cover awards for at least three years.



Any of the authorized shares may be used for any of the types of awards described in the 2015 LTIP. Shares related to performance awards that are payable solely in cash, which include performance share units to be awarded under the 2015 LTIP, will not be counted against the aggregate number of shares available under the 2015 LTIP. The aggregate number of shares underlying options and SARs and the aggregate number of shares pursuant to restricted share, restricted share units or other share-based awards that may be granted to any participant in any calendar year each may not exceed 600,000 shares. In addition, the maximum amount granted to an employee participant pursuant to awards that may be settled in cash in any calendar year may not exceed a grant date value of \$5,000,000. The maximum award value granted to a non-employee director in any calendar year may not exceed \$1,000,000.

If any shares subject to an award under the 2015 LTIP or, after May 15, 2015, any shares subject to an award under the Prior LTIP, are forfeited, expire, are settled for cash or otherwise cancelled, then, in each case, the shares subject to the award may be used again for awards under the 2015 LTIP to the extent of the forfeiture, expiration, cash settlement or cancellation. The shares will be added back as (a) 1.68 shares for every share if the shares were subject to restricted share awards or restricted share units granted under the 2015 LTIP or restricted shares, restricted share units or performance units granted under the Prior LTIP between May 15, 2009 and May 15, 2015 and (b) as 1.0 share for every share if the shares were subject to awards other than restricted share awards or restricted share units granted under the 2015 LTIP and other than restricted shares, restricted share units or performance units granted under the Prior LTIP between May 15, 2009 and May 15, 2015.

The following shares will not be added to the shares authorized for grant as described above:

- (i) shares tendered by the participant or withheld by us in payment of the purchase price of an option;
- (ii) shares tendered by the participant or withheld by us to satisfy any tax withholding obligation with respect to an award;
- (iii) shares that are not issued due to net settlement of an award; and
- (iv) shares reacquired by the Company on the open market or otherwise using cash proceeds from the exercise of options.

The 2015 LTIP provides for appropriate adjustments in the event of a merger, demerger, consolidation, recapitalization, stock split, combination of shares, plan of exchange, share dividend or similar transaction involving the Company.

#### **Administration**

The Compensation Committee of the Board has overall authority to administer the 2015 LTIP. The Board may designate another committee or committees to administer the 2015 LTIP.

#### **Eligible Participants**

As of the record date, the Company had approximately 10,000 employees (of which four employees were executive officers) and 10 non-employee directors who would be eligible to participate in the 2015 LTIP.

#### **Types of Awards**

The 2015 LTIP authorizes the issuance of the following types of awards:

- *Nonqualified and Incentive Stock Options.* Nonqualified stock options and incentive stock options may be granted under the 2015 LTIP. The exercise price of options may not be less than the fair market value of our shares on the date of grant and no option may be exercised after the expiration of ten years from the date of grant. The fair market value of our shares is determined by reference to the reported closing price on the NYSE. An option may be exercised only to the extent that the



option is vested in accordance with a schedule determined by the Compensation Committee in its sole discretion.

- *Stock appreciation rights or SARs.* SARs may be granted to participants under the 2015 LTIP. The exercise price of a SAR may not be less than the fair market value of our shares on the date of grant and no SAR may be exercised after the expiration of ten years from the date of grant. The payment of the appreciation associated with the exercise of a SAR will be made by the Company in shares of our common stock or in cash as determined by the Compensation Committee. A SAR may be exercised only to the extent that the SAR is vested in accordance with a schedule determined by the Compensation Committee in its sole discretion.
- *Restricted share awards and restricted share units.* Restricted share awards and restricted share units, or RSUs, may be granted under the 2015 LTIP. Restricted share awards and RSUs granted under the 2015 LTIP will vest in accordance with a schedule or achievement of certain performance or other criteria as determined by the Compensation Committee. Upon termination of service or employment prior to vesting, the restricted shares or RSUs will be forfeited, unless otherwise determined by the Compensation Committee. The Compensation Committee has the discretion to grant a holder of restricted shares the right to vote such shares and to receive dividends. RSUs do not entitle a holder to any of the rights of a shareholder with respect to the shares; however, the Compensation Committee has the discretion to grant dividend equivalents with respect to the RSUs provided that no dividend equivalents may be paid with respect to an award that has not vested.
- *Performance awards.* Performance awards may be granted under the 2015 LTIP. Performance awards issued under the 2015 LTIP will become payable in accordance with the achievement of certain performance or other criteria as determined by the Compensation Committee, provided that a performance period may be no less than one year in duration. Performance measures may be based on the achievement of one or more of the following: (1) increased revenue; (2) net income measures (including but not limited to income after capital costs and income before or after taxes); (3) share price measures (including but not limited to growth measures and total shareholder return); price per share; market share; earnings per share (actual or targeted growth); (4) earnings before interest, taxes, depreciation, and amortization (“EBITDA”); (5) economic value added (or an equivalent metric); (6) market value added; (7) debt to equity ratio; (8) cash flow measures (including but not limited to cash flow return on capital, cash flow return on tangible capital, net cash flow and net cash flow before financing activities, cash flow value added, cash flow return on market capitalization); (9) return measures (including but not limited to return on equity, return on average assets, return on capital, risk-adjusted return on capital, return on investors’ capital and return on average equity); (10) operating measures (including operating income, funds from operations, cash from operations, after-tax operating income; sales volumes, production volumes and production efficiency); (11) expense measures (including but not limited to overhead cost and general and administrative expense cost control and project management); (12) margins; (13) shareholder value; (14) total shareholder return; (15) proceeds from dispositions; and (16) total market value and corporate values measures (including ethics compliance, environmental, human resources development and safety). Approval of the 2015 LTIP will be considered approval of the use of these performance measures for purposes of Section 162(m) of the Code.
- *Cash awards.* Cash awards may be granted under the 2015 LTIP and may be made subject to a vesting schedule or other performance measures as determined by Compensation Committee.

### **Non-Employee Director Awards**

The Compensation Committee may grant awards of restricted share awards or restricted share units to non-employee directors under the 2015 LTIP.

## **Minimum Vesting Requirements**

The 2015 LTIP does not permit employee awards to vest earlier than the first anniversary of the grant date and does not permit non-employee director awards to vest earlier than the first to occur of (a) the first anniversary of the grant date or (b) the date of the annual general meeting of the Board next following the grant date.

## **Prohibitions Related to Stock Options and SARs**

Unless the approval of shareholders is obtained first, the 2015 LTIP does not permit (a) repricing of stock options or SARs after the grant date, (b) accepting outstanding stock options or SARs for surrender as consideration for the grant of a new option or SAR with a lower exercise price or for the grant of another award, (c) repurchasing from award recipients any outstanding stock options or SARs that have an exercise price higher than the current fair market value of a share, or (d) granting any stock option or SAR that contains a “reload” feature under which additional stock options, SARs or other awards are granted automatically upon exercise of the original stock option or SAR. The 2015 LTIP also prohibits dividend equivalents with respect to stock options and SARs.

## **Treatment of Awards Upon Certain Events**

*Retirement, Death, Disability or Change of Control.* The Committee may, in its sole discretion, accelerate the vesting of unvested awards or waive, eliminate or make less restrictive the restrictions or provisions governing awards or otherwise amend or modify awards in the case of retirement from employment or service on the Board, death, disability, change of control, or any other reason, except that any modification may not be materially adverse to the award recipient unless the recipient has consented to the modification or the modification relates to a merger, reorganization or similar transaction.

## **Termination and Agreement**

The 2015 LTIP may be terminated or amended by the Board. Shareholder approval is required for any amendment to the 2015 LTIP if (i) such approval is necessary or desirable to qualify or comply with any tax or regulatory requirement for which or with which the Board deems it necessary or desirable to qualify or comply; or (ii) in the opinion of counsel to the Company, shareholder approval is required by any federal or state laws or regulations or the rules of any stock exchange on which the shares may be listed.

## **Transferability**

Awards are not transferable except by will or by the laws of descent and distribution.

## **U.S. Federal Income Tax Consequences**

Under current federal tax law, the following are the U.S. federal income tax consequences generally arising with respect to restricted shares, performance shares, options and other awards granted under the 2015 LTIP. The discussion is not a complete analysis of all federal income tax consequences and does not cover all specific transactions which may occur.

Absent the filing of a Section 83(b) election with the IRS, no income will be recognized by a participant for U.S. federal income tax purposes upon the grant of restricted shares, performance shares or other stock awards. Upon the vesting of an award for which no payment was made by the participant, the participant will recognize ordinary income in an amount equal to the fair market value of the shares on the vesting date. Income recognized upon vesting by a participant who is an employee will be considered compensation subject to withholding at the time the income is recognized and, therefore, the Company must make the necessary arrangements with the participant to ensure that the amount of tax required to be withheld is available for payment. Stock awards provide the Company with a deduction equal to the amount of income recognized by the participant, subject to certain deduction limitations. A participant's adjusted basis in the shares received through stock awards is equal to any ordinary income related to the

award recognized by the participant. If a participant thereafter sells the shares, any amount realized over (under) the adjusted basis of the shares will constitute capital gain (loss) to the participant for U.S. federal income tax purposes. If a participant forfeits an award prior to its vesting, the participant will not recognize any ordinary income as a result of such forfeiture, and no deduction will be provided to the Company.

Upon the grant of restricted shares, the participant may file an election under Section 83(b) of the Code to accelerate the recognition of ordinary income to the grant date of the award. Such ordinary income is equal to the fair market value of the shares on the grant date (assuming no payment by the participant for the shares) and is considered compensation subject to withholding for employees.

There are no tax consequences associated with the grant or timely exercise of an incentive stock option. If a participant holds the shares acquired upon the exercise of an incentive stock option for at least one year after exercise and two years after the grant of the option, the participant will recognize capital gain or loss upon sale of the shares equal to the difference between the amount realized on the sale and the exercise price. If the shares are not held for the required period, the participant will recognize ordinary income upon disposition in an amount equal to the excess of the fair market value of the shares on the date of exercise over the exercise price, up to the amount of the gain on disposition. Any additional gain realized by the participant upon disposition will be capital gain. The excess of the fair market value of shares received upon the exercise of an incentive stock option over the option price for the shares is a preference item for purposes of the alternative minimum tax. An expense deduction by the Company in connection with the exercise of an incentive stock option is not allowed unless the participant recognizes ordinary income.

Generally, no income will be recognized by a participant for U.S. federal income tax purposes upon the grant of a nonqualified stock option. Upon exercise of a nonqualified stock option, the participant will recognize ordinary income in an amount equal to the excess of the fair market value of the shares on the date of exercise over the amount of the exercise price. Income recognized by a participant who is an employee, upon the exercise of a nonqualified stock option, will be considered compensation subject to withholding at the time the income is recognized and, therefore, the Company must make the necessary arrangements with the participant to ensure that the amount of tax required to be withheld is available for payment. Nonqualified stock options provide the Company with a deduction equal to the amount of income recognized by the participant, subject to certain deduction limitations. The adjusted basis of shares transferred to a participant pursuant to the exercise of a nonqualified stock option is the price paid for the shares plus an amount equal to any income recognized by the participant as a result of the exercise of the option. If a participant thereafter sells shares acquired upon exercise of a nonqualified stock option, any amount realized over (under) the adjusted basis of the shares will constitute capital gain (loss) to the participant for U.S. federal income tax purposes.

If a participant surrenders shares which the participant already owns as payment for the exercise price of a stock option, the participant will not recognize gain or loss as a result of such surrender. The number of shares received upon exercise of the option equal to the number of shares surrendered will have a tax basis equal to the tax basis of the surrendered shares. The holding period for such shares will include the holding period for the shares surrendered. The remaining shares received will have a basis equal to the amount of income the participant recognizes upon receipt of such shares. The participant's holding period for such shares will commence on the day after such exercise.

Generally, no income will be recognized by a participant for U.S. federal income tax purposes upon the grant of a SAR. Upon exercise of a SAR, the participant will recognize ordinary income in an amount equal to the excess of the fair market value of the shares on the date of exercise over the amount of the exercise price. Income recognized by a participant who is an employee, upon the exercise of a SAR, will be considered compensation subject to withholding at the time the income is recognized and, therefore, the Company must make the necessary arrangements with the participant to ensure that the amount of tax required to be withheld is available for payment. SARs provide the Company with a deduction equal to the amount of income recognized by the participant, subject to certain deduction limitations. The adjusted basis of shares transferred to a participant pursuant to the exercise of a SAR is the price paid for the shares

plus an amount equal to any income recognized by the participant as a result of the exercise of the SAR. If a participant thereafter sells shares acquired upon exercise of a SAR, any amount realized over (under) the adjusted basis of the shares will constitute capital gain (loss) to the participant for U.S. federal income tax purposes.

Upon the receipt of a cash award, the participant will recognize ordinary income in an amount equal to the cash received. Income recognized upon the receipt of a cash award by a participant who is an employee will be considered compensation subject to withholding at the time the cash is received and, therefore, the Company must properly withhold the required tax.

Section 162(m) limits the annual tax deduction to \$1 million for compensation paid by a publicly held company to its chief executive officer and each of the company's three other most highly compensated named executive officers (other than the chief financial officer), unless certain performance-based requirements are met. Stock options and SARs granted under the 2015 LTIP meet the performance-based requirements. Performance awards will meet such requirements if they are subject to performance objectives and administered in a manner that satisfies Code Section 162(m).

Code Section 409A generally provides that any deferred compensation arrangement must satisfy specific requirements, both in operation and in form, regarding (1) the timing of payment, (2) the election of deferrals, and (3) restrictions on the acceleration of payment. Failure to comply with Code Section 409A may result in the early taxation (plus interest) to the participant of deferred compensation and the imposition of a 20% penalty on the participant on such deferred amounts included in the participant's income. The Company intends to structure awards under the 2015 LTIP in a manner that is designed to be exempt from or comply with Code Section 409A.

#### **New Plan Benefits**

The selection of officers, employees, and non-employee directors who will receive future awards under the 2015 LTIP and the size and types of awards will be determined by the Compensation Committee. No awards have been made under the 2015 LTIP at this time, and it is not possible to predict the benefits or amounts that will be received by, or allocated to, particular individuals or groups eligible to receive future awards.

#### **Effectiveness and Vote Required**

If the 2015 LTIP is approved, future equity-based awards will be made from the 2015 LTIP, and we will not grant any additional awards under the Prior LTIP. The affirmative vote of a majority of the votes cast for this proposal is required to approve the adoption of the 2015 LTIP.

#### **Recommendation**

The Board of Directors recommends that you vote “**FOR**” this Agenda Item 12.

## Corporate Governance

We are committed to upholding high standards of corporate governance and business conduct and believe that we have maintained good corporate governance practices for many years.

In February 2011, the Board of Directors adopted a Code of Integrity to update and replace our previous Code of Business Conduct and Ethics. We regularly review and update our Code of Integrity and conduct online mandatory training for employees, officers and directors on our Code of Integrity and other relevant compliance topics. We also require all managerial and supervisory employees to certify compliance with our Code of Integrity each year.

The Corporate Governance Committee of the Board of Directors evaluates the Company's and the Board of Directors' governance practices and formally reviews all committee charters along with recommendations from the various committees of the Board of Directors and the Board of Directors' governance principles at least annually. The Corporate Governance Committee receives updates at each meeting regarding new developments in the corporate governance arena. Our committee charters also require, among other things, that the committees and the Board of Directors annually evaluate their own performance.

*Director Stock Holding Requirement.* In 2005, we adopted equity ownership guidelines for directors that require each current non-management director to acquire and retain a number of our shares and/or deferred units at least equal in value to an amount five times the director's annual cash retainer. Each new director is required to acquire and retain such number of shares and/or deferred units over his or her initial five years as a director. When serving as our Chief Executive Officer, Mr. Newman was subject to separate officer share ownership guidelines providing for a more stringent requirement of six times his base pay. See "Compensation Discussion and Analysis" for more information about these guidelines. Any new Chief Executive Officer will similarly be subject to the more stringent requirement of holding six times their base pay.

*Restrictions on Pledging, Hedging and Margin Accounts.* Pursuant to our Insider Trading Policy, employees, officers and directors are restricted from pledging, hedging or holding shares in a margin account. In connection with such ownership requirement, the Board of Directors currently grants deferred units to each of our non-management directors.

Our current governance documents may be found on our website at [www.deepwater.com](http://www.deepwater.com) under "Investor Relations—Governance." Among the information you can find there is the following:

- Articles of Association;
- Organizational Regulations;
- Corporate Governance Guidelines;
- Audit Committee Charter;
- Corporate Governance Committee Charter;
- Compensation Committee Charter;
- Finance Committee Charter;
- Health Safety and Environment Committee Charter;
- Our Mission Statement;
- Our FIRST Core Values; and
- Code of Integrity.

Information contained on our website is not part of this proxy statement. We will continue to monitor our governance practices in order to maintain our high standards.



*Board Leadership.* Except during extraordinary circumstances, the Board of Directors has chosen not to combine the positions of Chief Executive Officer and Chairman of the Board. The Board believes that separating these positions allows our Chief Executive Officer to focus on our day-to-day business, while our Chairman of the Board presides over the Board as it provides advice to, and independent oversight of, management and the Company's operations. The Board recognizes the time, effort, and energy that our Chief Executive Officer is required to devote to his position and the additional commitment the position of Chairman of the Board of Directors requires. The Board of Directors believes that having separate positions and having an independent outside director serve as Chairman of the Board of Directors is the appropriate leadership structure for us at this time and demonstrates our commitment to good corporate governance. However, following Mr. Newman stepping down as Chief Executive Officer of the Company and resignation from the Board of Directors in February 2015, Mr. Strachan has served in a dual capacity as Chairman of the Board and Interim Chief Executive Officer. In approving this arrangement, the Board considered the immediate needs of the Company for continuity and the period of time in which Mr. Strachan would need to serve in such dual-capacity. The Board concluded that it was advisable and in the best interests of the Company to temporarily have Mr. Strachan serve in a joint capacity of Chairman and Chief Executive Officer during the search for a new Chief Executive Officer as Mr. Strachan was most familiar with the day-to-day operations and strategic goals of the Company and would be well positioned to ensure an efficient transition of duties to a new Chief Executive Officer. The Company intends to separate the positions of Chief Executive Officer and Chairman of the Board as soon as reasonably possible after a new Chief Executive Officer is named.

*Risk Management.* Executive management is responsible for the day-to-day management of the risks we face, while the Board of Directors, as a whole and through its various committees, has responsibility for the oversight of risk management. Through their oversight role and their review of management's active role, the directors satisfy themselves that the risk management processes designed and implemented by management (as more particularly described below) are adapted to and integrated with the Company's corporate strategy, are functioning as designed and that steps are taken to foster a culture in which each employee understands his or her impact on the assessment and management of risk, his or her responsibility for acting within appropriate limits, and his or her ultimate accountability.

The Company has undertaken an extensive review and improvement of its Enterprise Risk Management ("ERM") process and has implemented an ERM framework which includes an executive risk management committee and a risk committee working group. The executive risk management committee is composed of members of senior management, including our Chief Executive Officer and other members of management in key functions and selected divisions of the Company. The duties of the executive risk management committee include the following: reviewing and approving appropriate changes to the Company's policies and procedures regarding risk management; identifying and assessing operational, commercial, strategic, financial, macroeconomic and geopolitical risks facing the Company; identifying risks and taking corrective actions, if appropriate; monitoring key indicators to assess the effectiveness and adequacy of the Company's risk management activities; and communicating with the Board of Directors at least once a year with respect to risk management. The Company's risk management activities are also presented to the Audit Committee and Board of Directors at least annually. The risk committee working group meets regularly and identifies risks facing the Company, makes an assessment of each risk, identifies preventive and mitigating controls and then makes recommendations for improvement opportunities to the Board of Directors or our Chief Executive Officer, as appropriate.

*Compensation and Risk.* We regularly assess risks related to our compensation programs, including our executive compensation programs, and do not believe that the risks arising from our compensation policies and practices are reasonably likely to have a material adverse effect on the Company. The Compensation Committee reviews information and solicits input from an independent compensation consultant regarding compensation factors which could mitigate or encourage excessive risk-taking. In its review in 2014, the Compensation Committee considered the attributes of our programs, including the metrics used to determine incentive awards, the weight of each metric, the timing and processes for setting

performance targets and validating results, the performance measurement periods and time horizons, the total mix of pay and the maximum compensation and incentive award payout opportunities.

*Independence of Board Members.* Our Corporate Governance Guidelines require that at least a majority of the members of the Board of Directors meet the independence standards set by the NYSE. In order to meet the NYSE's independence standards, a member of the Board of Directors must not have a relationship with the Company that falls within certain objective categories established by the NYSE. In addition, the Board of Directors must then affirmatively determine, with respect to each director and nominee, that he or she did not otherwise have a material relationship with the Company.

The Board of Directors has determined that all of its current members and its nominees, with the exception of Ian C. Strachan (our Interim Chief Executive Officer) who will retire prior to the 2015 Annual General Meeting, are independent and meet the independence standards set by the NYSE, the SEC and our guidelines. Accordingly, our Compensation, Audit and Corporate Governance Committees are composed solely of directors who meet the NYSE and SEC independence standards.

In making its independence determinations, the Board of Directors considered the fact that, while such relationships do not preclude independence under the NYSE and SEC rules or the Company's guidelines, Messrs. Barker, Deaton, Intrieri, Merksamer, Miller, Muller and Tan are, or within the past three years have been, directors or officers of companies with which we conduct business in the ordinary course.

Since 2012, Mr. Barker has served as a non-executive director of Aviva plc, a company that provides insurance related services to the Company. Additionally, since August 2014, Mr. Barker has served as a Director and Chairman of the Audit Committee of Transocean Partners LLC, a publicly-held subsidiary of Transocean Ltd. to whom we provide operating, support and administrative services, in addition to being the majority shareholder.

In 2013, Mr. Deaton resigned from his position as Executive Chairman of Baker Hughes Incorporated, from which the Company purchases drilling equipment and services. Since 2010, Mr. Deaton has served as a non-executive director of Air Products and Chemicals, Inc., from which the Company rented and purchased rig related products and equipment. Further, since 2014, Mr. Deaton has served as a non-executive director of Marathon Oil Corporation, from which we receive revenues for performing services.

In addition to his affiliation with the Icahn Group described further under Agenda Item 5 since 2013, Mr. Merksamer has served as a non-executive director of Talisman Energy, from which we receive revenues for performing services, and, beginning in 2014, Mr. Merksamer has served as a director on the Board of Hertz Global Holdings, Inc. from subsidiaries of which the Company procures car rental services. As with Mr. Barker, Mr. Merksamer joined the Board of Directors of Transocean Partners LLC in 2014.

Mr. Intrieri's affiliation with the Icahn Group is further disclosed in Agenda Item 5 and since 2014 has served as a Director of Hertz Global Holdings, Inc.

In 2014, Mr. Muller's son began working as an associate attorney at Munger, Tolles & Olson LLP, a law firm that provides legal services to the Company.

Since 2010, Mr. Tan has served as a non-executive director of Keppel Corporation, which provides the Company with services related to rig construction and shipyard work.

From 2001 to 2014, Mr. Miller served as President & Chief Executive Officer of National Oilwell Varco, Inc., from which the Company purchases drilling equipment and services. In 2014, National Oilwell Varco, Inc. received approximately \$354 million from the Company for such goods and services, which represented less than 0.02% of National Oilwell Varco's reported 2014 revenues. Mr. Miller currently serves as the Executive Chairman of NOW Inc. In 2014, the Company purchased approximately \$3 million in equipment and services from NOW Inc., representing less than 0.35% of NOW Inc.'s reported 2014 revenues.



The Board of Directors believes that all transactions with these companies were on arm's-length terms that were reasonable and competitive. Accordingly, the Board of Directors concluded that these relationships have no effect on the independence of these directors. Because of our extensive operations, transactions and director relationships, transactions of this nature are expected to take place in the ordinary course of business in the future.

*Executive Sessions.* Our independent directors met in executive session without management at each of the regularly scheduled Board of Directors meetings held in 2014. During 2015, they are again scheduled to meet in executive session at each regularly scheduled Board of Directors meeting. The independent directors generally designate the Chairman of the Board of Directors to act as the presiding director for executive sessions, but will designate an alternative Director to serve in such capacity while Mr. Strachan acts as Chairman of the Board and Interim Chief Executive Officer.

*Director Nomination Process.* The Board of Directors has designated the Corporate Governance Committee as the committee authorized to consider and recommend nominees for the Board of Directors. The Board of Directors believes that all members of the Corporate Governance Committee meet the NYSE independence requirements.

Our Corporate Governance Guidelines provide that the Corporate Governance Committee should periodically assess the needs of our Company and the Board of Directors, so as to recommend candidates who will further our goals. In making that assessment, the Corporate Governance Committee has determined that a recommended nominee must have the following minimum qualifications:

- high professional and personal ethics and values;
- a record of professional accomplishment in his/her chosen field;
- relevant expertise and experience; and
- a reputation, both personal and professional, consistent with our core values.

In addition to these minimum qualifications, the Corporate Governance Committee considers other qualities in nominees that may be desirable. In particular, the Board of Directors is committed to having a majority of independent directors and, accordingly, the Corporate Governance Committee evaluates the independence status of any potential director. The Corporate Governance Committee evaluates whether or not a candidate contributes to the Board of Directors' overall diversity and whether or not the candidate can contribute positively to the existing chemistry and collaborative culture among the Board members. Also, the Corporate Governance Committee considers whether or not the candidate may have professional or personal experiences and expertise relevant to our business, such as expertise in the industry and in critical health, safety and environmental matters, and position as the leading international provider of offshore drilling services. At the 2014 Annual General Meeting, one new director, Mr. Intrieri, was elected to the Board of Directors and ten directors were reelected. Subsequently, at an Extraordinary General Meeting of Shareholders held on September 22, 2014, Merrill A. "Pete" Miller, Jr. was elected as a new director.

As described above, in accordance with the majority vote provisions of our Corporate Governance Guidelines, the Board of Directors may nominate only those candidates for director who have submitted an irrevocable letter of resignation which would be effective upon and only in the event that (1) such nominee fails to receive more votes cast "FOR" than "AGAINST" his or her election in an uncontested election and (2) the Board of Directors accepts the resignation. The Board of Directors will also request a statement from any person nominated as a director by anyone other than the Board of Directors as to whether that person will also submit an irrevocable letter of resignation upon the same terms as a person nominated by the Board of Directors. An uncontested election occurs in an election of directors that does not constitute a contested election. A contested election for purposes of the Corporate Governance Guidelines occurs when (i) the Secretary of the Company receives a notice that a shareholder has nominated a person for election to the Board of Directors in compliance with the advance notice requirements for shareholder nominees for director set forth in our Articles of Association and (ii) such

nomination has not been withdrawn by such shareholder on or prior to the day next preceding the date the Company first mails its notice of meeting for such meeting to the shareholders.

The Corporate Governance Committee has several methods of identifying Board of Directors candidates. First, the Corporate Governance Committee considers and evaluates annually whether each director nominee is qualified to be nominated for election or reelection to the Board of Directors. Second, the Corporate Governance Committee requests from time-to-time that its members and the other Board members identify possible candidates for any vacancies or potential vacancies. Third, the Corporate Governance Committee has the authority to retain one or more executive search firms to aid in its search. Each executive search firm assists the Corporate Governance Committee in identifying potential Board of Directors candidates, interviewing those candidates and conducting investigations relative to their background and qualifications.

The Corporate Governance Committee considers nominees for director recommended by our shareholders. Recommendations may be submitted in writing, along with:

- the name of and contact information for the candidate;
- a statement detailing the candidate's qualifications and business and educational experience;
- information regarding the qualifications and qualities described under "Director Nomination Process" above;
- a signed statement of the proposed candidate consenting to be named as a candidate and, if nominated and elected, to serve as a director;
- a signed irrevocable letter of resignation from the proposed candidate which, in accordance with our Corporate Governance Guidelines, would be effective upon and only in the event that (1) in an uncontested election, such candidate fails to receive more votes cast "FOR" than "AGAINST" his or her election and (2) the Board of Directors accepts the resignation;
- a statement that the writer is a shareholder and is proposing a candidate for consideration by the Corporate Governance Committee;
- a statement detailing any relationship between the candidate and any customer, supplier or competitor of ours;
- financial and accounting experience of the candidate, to enable the Corporate Governance Committee to determine whether the candidate would be suitable for Audit Committee membership; and
- detailed information about any relationship or understanding between the proposing shareholder and the candidate.

Shareholders may submit nominations to our Corporate Secretary, Transocean Ltd., Turmstrasse 30, CH-6300 Zug, Switzerland. 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. The extent to which the Corporate Governance Committee dedicates time and resources to the consideration and evaluation of any potential nominee brought to its attention depends on the information available to the Corporate Governance Committee about the qualifications and suitability of the individual, viewed in light of the needs of the Board of Directors, and is at the Corporate Governance Committee's discretion. The Corporate Governance Committee evaluates the desirability for incumbent directors to continue on the Board of Directors following the expiration of their respective terms, taking into account their contributions as Board members and the benefit that results from the increasing insight and experience developed over a period of time. Although the Corporate Governance Committee will consider candidates for director recommended by shareholders, it may determine not to recommend that the Board of Directors, and the Board of Directors may determine not to, nominate those candidates for election to the Board of Directors.

In addition to recommending director nominees to the Corporate Governance Committee, any shareholder may, in compliance with applicable requirements, nominate directors for election at Annual General Meetings of the shareholders. For more information on this topic, see “Other Matters—Proposals of Shareholders.”

*Executive and Director Compensation Process.* Our Compensation Committee has established an annual process for reviewing and establishing executive compensation levels. An outside consultant, Pay Governance, retained by the Compensation Committee has provided the Compensation Committee with relevant market data and alternatives to consider in determining appropriate compensation levels for each of our executive officers. Pay Governance has served as the Compensation Committee’s outside consultant since February 2011. Our Chief Executive Officer also assists the Compensation Committee in the executive compensation setting process. For a more thorough discussion of the roles, responsibilities and process we use for setting executive compensation, see “Compensation Discussion and Analysis.”

Director compensation is set by the Board of Directors upon a recommendation from the Compensation Committee. Beginning this year, director compensation is also subject to shareholder approval and is proposed under Agenda Item 11. At its first meeting of each calendar year, the Compensation Committee reviews the compensation paid to our directors to be certain that it is competitive in attracting and retaining qualified directors. The Compensation Committee has used the Compensation Committee’s outside consultant to gather data regarding director compensation at (1) certain similar size companies in the general industry as well as (2) the same peer group of companies generally utilized in the consideration of executive compensation, as set forth in the “Compensation Discussion and Analysis.” Based upon its review of the data and its own judgment, the Compensation Committee develops a recommendation for consideration by the Board of Directors. Our Chief Executive Officer receives no additional compensation for serving as a director on the Board of Directors.

*Process for Communication by Shareholders and Interested Parties with the Board of Directors.* The Board of Directors has established a process whereby interested parties may communicate with the Board of Directors and/or with any individual director. Interested parties, including shareholders, may send communications in writing, addressed to the Board of Directors or an individual director, c/o the Corporate Secretary, Transocean Ltd., Turmstrasse 30, CH-6300 Zug, Switzerland. The Corporate Secretary will forward these communications as appropriate to the addressee depending on the facts and circumstances outlined in the communication. The Board of Directors has directed the Corporate Secretary not to forward certain items such as spam, junk mailings, product inquiries, resumes and other forms of job inquiries, surveys and business solicitations. Additionally, the Board of Directors has advised the Corporate Secretary not to forward material that is illegal or threatening, but to make the Board of Directors aware of such material which it may request be forwarded, retained or destroyed at the Board of Directors’ discretion.

*Policies and Procedures for Approval of Transactions with Related Persons.* The Board of Directors has a written policy with respect to related person transactions pursuant to which such transactions are reviewed, approved or ratified. The policy applies to any transaction in which (1) the Company is a participant, (2) any related person has a direct or indirect material interest and (3) the amount involved exceeds \$120,000, but excludes any transaction that does not require disclosure under Item 404(a) of Regulation S-K. The Audit Committee, with assistance from the Company’s General Counsel, is responsible for reviewing, approving and/or ratifying any related person transaction.

To identify related person transactions, each year we distribute and require our directors and officers to complete questionnaires identifying transactions with us in which the officer or director or their immediate family members have an interest. Our Code of Integrity further requires that an executive officer must inform the Company when the executive officer’s private interest interferes or appears to interfere in any way with our interests. In addition, the Board of Directors’ Corporate Governance Guidelines require that a director immediately must inform the Board of Directors or Chairman of the Board of Directors in the event that a director believes that the director has an actual or potential conflict

with our interests. Furthermore, under our Organizational Regulations, a director must disclose and abstain from voting with respect to certain conflicts of interest.

Under our related persons transaction policy, the Audit Committee considers all relevant facts and circumstances available, including the related persons involved, their relationship to the Company, their interest and role in the transaction, the proposed terms of the transaction (including expected aggregate value and value to be derived by the related person), the benefits to the Company, the availability to the Company of alternative means or transactions to obtain like benefits and the terms that would prevail in a similar transaction with an unaffiliated third party. For related person transactions that do not receive prior approval from the Audit Committee, the transactions are submitted to the Audit Committee to consider all relevant facts and circumstances and, based on its conclusions, evaluate all options, including, but not limited to, ratification, amendment or termination of the transaction. During 2014, there were no related person transactions where such policies and procedures were not followed.

*Director Attendance at Annual General Meeting.* We expect all of our directors who are nominated for re-election at the 2015 Annual General Meeting to attend our Annual General Meeting. At the 2014 Annual General Meeting, all directors then serving on the Board of Directors were in attendance.

### **Board Meetings and Committees**

During 2014, the Board of Directors of Transocean Ltd. held eight meetings. The Board of Directors and the committees of the Board of Directors met at least once a quarter and the quarterly meetings generally occurred over a period of two to three days. Each of our directors attended at least 80% of the meetings following their election, including meetings of committees on which the director served.

The Board of Directors has standing Compensation, Finance, Corporate Governance, Health Safety and Environment and Audit Committees. As noted above, the charters for these committees may be found on our website at [www.deepwater.com](http://www.deepwater.com) under “Investor Relations—Governance.” In addition, the Board of Directors may from time to time form special committees to consider particular matters that arise.

*Compensation Committee.* The purpose of the Compensation Committee is to assist the Board of Directors in (1) developing an appropriate compensation program for members of the Board of Directors, executives and other senior officers and (2) complying with the Board of Directors’ legal and regulatory requirements as to Board member, executive and senior officer compensation in order to facilitate the Company’s ability to attract, retain and motivate qualified individuals in a system that aligns compensation with the Company’s business performance. The authority and responsibilities of the Compensation Committee include, among others, the following:

- annually recommend to the Board of Directors for submission to and ratification by the shareholders the maximum aggregate amount of compensation of the Board of Directors and the Executive Management Team for the relevant period;
- annually review and approve the compensation paid to members of the Board of Directors, executive officers and other officers at or above the Senior Vice President level;
- select appropriate peer groups and market reference points against which the Company’s Board of Directors and executive compensation is compared;
- annually establish focus areas for our Chief Executive Officer, annually review our Chief Executive’s performance in light of the focus areas and set our Chief Executive Officer’s compensation based on this evaluation, together with competitive data;
- administer our Long-Term Incentive Plan, Performance Award and Cash Bonus Plan, Deferred Compensation Plan, and any other compensation plans or arrangements providing for benefits primarily to members of the Board of Directors and executive officers in accordance with goals and objectives established by the Board of Directors, the terms of the plans, and any applicable rules and regulations;

- consider and make recommendations to the Board of Directors, with guidance from an outside compensation consultant, concerning the existing Board of Directors and executive compensation programs and changes to such programs;
- consider, with guidance from an outside compensation consultant, and approve the terms of any contractual agreements and other similar arrangements (to the extent permitted by applicable law) that may be entered into with members of the Board of Directors and officers; provided, however, that the Compensation Committee shall not recommend and the Board of Directors shall not authorize “single-trigger” change of control agreements for any of our officers or directors;
- assess the risks, with the assistance of external resources as the Compensation Committee deems appropriate, of the Company’s compensation arrangements applicable to members of the Board of Directors and the Company’s executive officers and other employees; and
- retain and approve the fees of legal, accounting or other advisors, including any compensation consultant, employed by the Committee to assist it in the evaluation of executive and director compensation.

See “Compensation Discussion and Analysis” for a discussion of additional responsibilities of the Compensation Committee.

The Compensation Committee may delegate specific responsibilities to one or more individual committee members to the extent permitted by law, NYSE listing standards and the Compensation Committee’s governing documents. The Compensation Committee may delegate all or a portion of its powers and responsibilities with respect to the compensation plans and programs described above and in our “Compensation Discussion and Analysis” to one or more of our management committees; provided that the Compensation Committee retains all power and responsibility with respect to awards granted to our Board members and executive officers. The Chief Executive Officer has been delegated authority to award restricted shares, restricted units and deferred units under the Company’s Long-Term Incentive Plan to employees of the Company, excluding executive officers and other officers at or above the Senior Vice President level, not to exceed an aggregate of 100,000 restricted shares, restricted units or deferred units per calendar year. The Compensation Committee has delegated to a subcommittee composed of its chairman and at least one additional committee member the authority to approve interim compensation actions resulting from promotions, competitive realignment, or the hiring of new executive officers (excluding the Chief Executive Officer), including but not limited to establishing annual base salary, annual bonus targets, long-term bonus targets and the grant of equity awards, subject to any required vote of the shareholders. The Compensation Committee has also delegated authority to the Chief Executive Officer to approve “convenience of the company” treatment of Long-Term Incentive Plan awards to participants other than executive officers and directors. The Compensation Committee is notified of compensation actions made by the Chief Executive Officer or the subcommittee at the meeting following the end of each calendar quarter in which such actions are taken.

The current members of the Compensation Committee are Mr. Tan, Chairman, and Messrs. Curado, Intrieri and McNamara. Mr. Intrieri began service on the Compensation Committee in May 2014. The Compensation Committee met five times during 2014.

*Finance Committee.* The Finance Committee approves our long-term financial policies, insurance programs and investment policies. It also makes recommendations to the Board of Directors concerning the Company’s dividend policy, securities repurchase actions, the issuance and terms of debt and equity securities and the establishment of bank lines of credit. In addition, the Finance Committee approves the creation, termination and amendment of certain of our employee benefit programs and periodically reviews the status of these programs and the performance of the managers of the funded programs.

The current members of the Finance Committee are Mr. Muller, Chairman, Ms. Chang and Messrs. Barker and Merksamer. The Finance Committee met four times during 2014.



*Corporate Governance Committee.* The Corporate Governance Committee makes recommendations to the Board of Directors with respect to the nomination of candidates for election to the Board of Directors, how the Board of Directors functions and how the Board of Directors should interact with shareholders and management. It reviews the qualifications of potential candidates for the Board of Directors, coordinates the self-evaluation of the Board of Directors and committees and proposes to the Board candidates to stand for election at the next general meeting of shareholders.

The current members of the Corporate Governance Committee are Mr. McNamara, Chairman, and Messrs. Deaton and Intrieri. Mr. Intrieri began service on the Compensation Committee in May 2014. The Corporate Governance Committee met six times during 2014.

*Health Safety and Environment Committee.* The Health Safety and Environment Committee assists the Board of Directors in fulfilling its responsibilities to oversee the Company's management of risk in the areas of health, safety and the environment. The Health Safety and Environment Committee reviews and discusses with management the status of key environmental, health and safety issues. Additionally, the Health Safety and Environment Committee regularly evaluates Company policies, practices and performance related to health, safety and environmental issues and guides strategy decisions to promote company goals and compliance with applicable rules and regulations. Beginning in 2013, the Health Safety and Environment Committee assumed additional responsibility to oversee the Company's implementation of certain requirements of the Consent Decree by and among the U.S. Department of Justice and certain of the Company's affiliates. The Health Safety and Environment Committee has required the Company to provide, and will review, regular reports regarding compliance with all aspects of the Consent Decree.

The current members of the Health Safety and Environment Committee are Mr. Deaton, Chairman, and Messrs. Merksamer, Muller and Tan. Messrs. Deaton and Muller began service on the Health Safety and Environment Committee in May 2014. The Health Safety and Environment Committee met four times during 2014.

*Audit Committee.* The Audit Committee is responsible for recommending the selection, retention and termination of our independent registered public accountants and our auditor pursuant to the Swiss Code of Obligations to the Board of Directors and to our shareholders for their approval at a general meeting of shareholders. The Audit Committee is directly responsible for the compensation and oversight of our independent registered public accountants and our auditor pursuant to the Swiss Code of Obligations. The Audit Committee further advises as necessary in the selection of the lead audit partner. The Audit Committee also monitors the integrity of our financial statements and the independence and performance of our auditors and their lead audit partner and reviews our financial reporting processes. The Audit Committee reviews and reports to the Board of Directors the scope and results of audits by our independent registered public accounting firm, our auditor pursuant to the Swiss Code of Obligations and our internal auditing staff and reviews the audit and other professional services rendered by the accounting firm. It also reviews with the accounting firm the adequacy of our system of internal controls. It reviews transactions between us and our directors and officers for disclosure in the proxy statement, our policies regarding those transactions and compliance with our business ethics and conflict of interest policies.

The Board of Directors requires that all members of the Audit Committee meet the financial literacy standard required under the NYSE rules and that at least one member qualifies as having accounting or related financial management expertise under the NYSE rules. In addition, the SEC has adopted rules requiring that we disclose whether or not the Audit Committee has an "audit committee financial expert" as a member. An "audit committee financial expert" is defined as a person who, based on his or her experience, possesses all of the following attributes:

- an understanding of generally accepted accounting principles and financial statements;
- the ability to assess the general application of such principles in connection with the accounting for estimates, accruals, and reserves;

- experience preparing, auditing, analyzing or evaluating financial statements that present a breadth of complexity of accounting issues that are generally comparable to the breadth and level of complexity of issues that can reasonably be expected to be raised by our financial statements, or experience actively supervising one or more persons engaged in such activities;
- an understanding of internal control over financial reporting; and
- an understanding of audit committee functions.

The person must have acquired such attributes through one or more of the following:

- education and experience as a principal financial officer, principal accounting officer, controller, public accountant or auditor or experience in one or more positions that involve the performance of similar functions;
- experience actively supervising a principal financial officer, principal accounting officer, controller, public accountant, auditor or person performing similar functions;
- experience overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing or evaluation of financial statements; or
- other relevant experience.

The current members of the Audit Committee are Mr. Barker, Chairman, Ms. Chang and Mr. Curado. Mr. Barker assumed the chairmanship and was designated the “audit committee financial expert” in May 2014. Mr. Curado joined the Audit Committee in May 2014. The Audit Committee met eight times during 2014. The Board of Directors has reviewed the criteria set by the SEC and determined that each of the current members of the Audit Committee is “financially literate” and confirmed Mr. Barker qualifies as an “audit committee financial expert.” In addition, the Board of Directors has determined that Mr. Barker qualifies under NYSE rules as having accounting or related financial management expertise. Mr. Barker is a chartered accountant, served as an audit partner in an accounting firm and served as the Vice Chairman-U.K. of PricewaterhouseCoopers LLP from 2008 to 2011. Additional detail related to Mr. Barker’s qualifications is included under Agenda Item 5.

Finally, NYSE rules restrict directors that have relationships with the Company that may interfere with the exercise of their independence from management and the Company from serving on the Audit Committee. We believe that the members of the Audit Committee have no such relationships and are therefore independent for purposes of NYSE rules.

#### *Director Compensation Strategy*

Directors who are employees of the Company do not receive compensation for Board of Directors’ service. At present, all of the directors except, Mr. Strachan, our Interim Chief Executive Officer, are non-employees and receive compensation for Board of Directors service.

We use a combination of cash and equity compensation to attract and retain qualified candidates to serve on the Board of Directors. The Board of Directors believes that any compensation method should be weighted more toward compensation in the form of equity in order to more closely align director compensation with shareholders’ interests.



In 2014, non-employee director compensation includes the following fixed components:

Annual Retainer—non-employee Director . . . . .	\$100,000
Annual Retainer—non-employee Vice Chairman . . . . .	\$250,000
Annual Retainer—non-employee Chairman . . . . .	\$265,000
Additional Annual Retainer for Committee Chairmen Audit Committee . .	\$ 35,000
Compensation Committee . . . . .	\$ 20,000
Corporate Governance Committee, Finance Committee and Health Safety and Environment Committee . . . . .	
	\$ 10,000
Board Meeting Attendance Fee . . . . .	\$ 2,500(1)
Committee Meeting Attendance Fee . . . . .	\$ 2,500(2)
Grant of Deferred Units—non-employee Directors and Vice Chairman . .	\$210,000(3)
Grant of Deferred Units—non-employee Chairman . . . . .	\$260,000(3)

- (1) Prior to May, 2014 the board meeting attendance fee is only paid for those meetings that were attended in excess of the four regularly scheduled board meetings. Meetings fees are no longer paid.
- (2) Prior to May, 2014 the committee meeting attendance fee is only paid for those meetings that were attended in excess of the first four committee meetings. Meeting fees are no longer paid.
- (3) Deferred units are granted to each non-employee director annually and have an aggregate value equal to \$210,000 and \$260,000 respectively, based upon the average of the high and low sales prices of our shares for each of the 10 trading days immediately prior to the date of grant. The deferred units vest on the date first to occur of (i) the first anniversary of the date of grant or (ii) the Annual General Meeting next following the date of grant, subject to continued service through the vesting date. Vesting of the deferred units is not subject to any performance measures.

In addition, we pay or reimburse our directors' travel and incidental expenses incurred for attending Board of Directors, committee and shareholder meetings and for other Company business-related purposes.

## 2014 Director Compensation

In 2014, each non-employee member of the Board of Directors received the compensation described above.

At the Board of Directors meeting held immediately after the 2014 Annual General Meeting of our shareholders, the Board of Directors granted 4,943 deferred units to each non-employee director and 6,120 deferred units to the non-employee chairman in aggregate value equal to \$210,000 and \$260,000, respectively, based upon the average of the high and low sales prices of our shares for the 10 trading days immediately prior to the date of grant (calculated at \$42.48 per share). The deferred units vest on the date first to occur of (i) the first anniversary of the date of grant; or (ii) the Annual General Meeting next following the date of grant, subject to continued service on the Board of Directors through the vesting date. Each non-employee director is required to acquire and retain a number of our shares and/or deferred units at least equal in value to an amount five times the annual director retainer. Each non-employee director's vested deferred units generally are not settled until the termination of the non-employee director's service with the Company.

The following summarizes the compensation of our non-employee directors for 2014.

<u>Name</u>	<u>Fees Earned or Paid in Cash (\$)</u>	<u>Stock Awards(1)(2) (\$)</u>	<u>All Other Compensation(3)</u>	<u>Total (\$)</u>
Ian C. Strachan . . . . .	265,000	254,592	93,495	613,087
Glyn A. Barker . . . . .	123,434	205,629	30,948	360,011
Vanessa C. L. Chang . . . . .	101,511	205,629	40,632	347,772
Frederico F. Curado . . . . .	96,511	205,629	24,497	326,637
Chadwick C. Deaton . . . . .	107,775	205,629	40,632	354,036
Vincent J. Intrieri . . . . .	62,637	205,629	11,122	279,388
Martin B. McNamara . . . . .	106,538	205,629	90,847	403,015
Samuel J. Merksamer . . . . .	96,511	205,629	24,497	326,637
Merrill A. “Pete” Miller, Jr. (4) . . .	66,141	127,437	3,537	197,114
Edward R. Muller . . . . .	106,538	205,629	76,423	388,591
Tan Ek Kia . . . . .	116,566	205,629	51,220	373,415

- (1) This represents the aggregate grant date fair value under accounting standards for recognition of share-based compensation expense for deferred units granted to our directors in 2014, computed in accordance with FASB ASC Topic 718. For a discussion of the valuation assumptions with respect to these awards, please see Note 18 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2014.
- (2) The aggregate number of vested and unvested deferred units, stock appreciation rights and outstanding option awards at December 31, 2014 for each non-employee director was as follows: Mr. Strachan, 26,458 vested deferred units and 8,034 unvested deferred units; Mr. Barker, 4,760 vested deferred units and 6,857 unvested deferred units; Ms. Chang, 8,588 vested deferred units and 6,857 unvested deferred units; Mr. Curado, 4,760 vested deferred units and 4,943 unvested deferred units; Mr. Deaton, 8,588 vested deferred units and 6,857 unvested deferred units; Mr. Intrieri, zero vested deferred units and 4,943 unvested deferred units; Mr. McNamara, 26,458 vested deferred units and 6,857 unvested deferred units; Mr. Merksamer 4,760 vested deferred units and 4,943 unvested deferred units; Mr. Miller zero vested deferred units and 4,892 unvested deferred units; Mr. Muller, options to purchase 3,820 shares, 7,640 SARs and 21,325 vested deferred units and 6,857 unvested deferred units; Mr. Tan, 12,356 vested deferred units and 6,857 unvested deferred units.
- (3) Represents dividend equivalents paid during 2014 on all vested and unvested deferred units.
- (4) Mr. Miller’s deferred unit value represents a proportionate amount for the partial annual term extending from the date of his election in September 2014 to the date of the 2015 annual general meeting.

## AUDIT COMMITTEE REPORT

Two primary roles of the Audit Committee are to (i) assist the Board in overseeing the key financial and compliance related matters and (ii) monitor integrity of the financial statements of the Company. While management is responsible for the Company's internal controls and the financial reporting process, in accordance with its Charter, the Audit Committee encourages continuous improvement of and fosters adherence to the Company's policies, procedures and practices at all levels.

The Audit Committee is also directly responsible for the appointment, compensation, retention and oversight of the independent registered public accounting firm, Ernst & Young LLP and our auditor under the Swiss Code of Obligations. Ernst & Young LLP has been the Company's independent registered public accounting firm since 1993 and is responsible for performing an independent audit of the Company's financial statements in accordance with the standards of the PCAOB. The Audit Committee considers the effectiveness of these processes and the independence of Ernst & Young LLP on an on-going basis. A full description of the Audit Committee's key functions is contained in the Company's Audit Committee Charter available at: [www.deepwater.com/investor-relations/governance/committees/audit-committee](http://www.deepwater.com/investor-relations/governance/committees/audit-committee).

As part of its oversight function for the year ended December 31, 2014, the Audit Committee:

- Reviewed and discussed the audited financial statements of the Company to be included in the Annual Report, with management, our internal auditors and Ernst & Young LLP;
- Discussed with Ernst & Young LLP the matters required to be discussed by the Statement on Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1. AU section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T;
- In accordance with the Sarbanes-Oxley Act of 2002, which requires certifications by the Company's chief executive officer and chief financial officer in certain of the Company's filings with the Securities and Exchange Commission (SEC), discussed the review of the Company's reporting and internal controls undertaken in connection with these certifications with the Company's management and independent registered public accounting firm;
- Reviewed and discussed with the Company's management and independent registered public accounting firm management's report and Ernst & Young LLP's report on internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002;
- Developed quarterly meeting agendas based on input from each Committee member, Ernst & Young LLP, members of management and the Company's internal audit function;
- Conducted regular meetings with our internal auditors and Ernst & Young LLP (with and without management present) to discuss the overall scope and plans for future audits, results of examinations, evaluations of internal controls and other material matters;
- Reviewed all non-audit services and engagements, service quality and working relationships with Ernst & Young LLP;
- Interviewed and approved the selection of Ernst & Young LLP's new lead engagement partner, who began his rotation with the Company in 2014; and
- Reviewed 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 SEC and the NYSE.

The Audit Committee also has received the written disclosures and the letter from Ernst & Young LLP regarding the auditor's independence pursuant to the applicable requirements of the Public Company Accounting Oversight Board Ethics and Independence Rule 3526, and it has reviewed, evaluated and discussed the written disclosures with that firm and its independence from the Company. The Audit Committee further has discussed with management of the Company and the independent registered public accounting firm such other matters and received such assurances from them as it deemed appropriate.

Based on the foregoing review and discussions and relying thereon, the Audit Committee recommended to the Company's Board of Directors the inclusion of the Company's audited financial statements for the year ended December 31, 2014, in the Company's Annual Report on Form 10-K for such year filed with the SEC.

Members of the Audit Committee:

Glyn A. Barker, Chairman  
Vanessa C.L. Chang  
Frederico F. Curado

## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

Listed below are the only persons who, to the knowledge of the Company, may be deemed to be beneficial owners, as of March 15, of more than 5% of the Company's shares.

Name and Address of Beneficial Owner	Shares Beneficially Owned	Percent of Class(1)
PRIMECAP Management Company . . . . . 225 South Lake Ave., #400 Pasadena, CA 91101	29,555,486(2)	8.13%
BlackRock, Inc . . . . . 40 East 52nd Street New York, NY 10022	24,885,574(3)	6.84%
The Vanguard Group . . . . . 100 Vanguard Blvd. Malvern, PA 19355	24,247,294(4)	6.67%
Icahn Capital LP . . . . . White Plains Plaza 445 Hamilton Avenue, Suite 1210 White Plains, New York 10601	21,477,900(5)	5.91%

- (1) The percentage indicated is based on the 363,340,666 outstanding shares at March 16, 2015.
- (2) The number of shares is based on the Schedule 13G/A filed with the SEC on February 13, 2015 by PRIMECAP Management Company. According to the filing, PRIMECAP Management has sole voting power with regard to 7,366,482 shares and sole dispositive power with regard to 29,555,486 shares.
- (3) The number of shares is based on the Schedule 13G/A filed with the SEC on February 9, 2015 by BlackRock, Inc.
- (4) The number of shares is based on the Schedule 13G filed with the SEC on February 2, 2015 by Vanguard Group. According to the filing, Vanguard Group has sole voting power with regard to 414,483 shares and sole dispositive power with regard to 23,832,811 shares.
- (5) The number of shares is based on the Schedule 13D/A filed with the SEC on November 12, 2013 by Icahn Capital L.P. with respect to itself, Carl C. Icahn and certain other affiliated entities of Carl C. Icahn. According to the filing, (i) High River Limited Partnership, a Delaware limited partnership, has sole voting power and sole dispositive power with regard to 4,295,579 shares; (ii) Hopper Investments LLC, a Delaware limited liability company, has shared voting power and shared dispositive power with regard to 4,295,579 shares; (iii) Barberry Corp., a Delaware corporation, has shared voting power and shared dispositive power with regard to 4,295,579 shares; (iv) Icahn Partners Master Fund LP, a Delaware limited partnership, has sole voting power and sole dispositive power with regard to 6,836,919 shares; (v) Icahn Partners Master Fund II LP, a Delaware limited partnership, has sole voting power and sole dispositive power with regard to 2,682,968 shares; (vi) Icahn Partners Master Fund III LP, a Delaware limited partnership, has sole voting power and sole dispositive power with regard to 1,181,104 shares; (vii) Icahn Offshore LP, a Delaware limited partnership, has shared voting power and shared dispositive power with regard to 10,700,991; (viii) Icahn Partners LP, a Delaware limited partnership, has sole voting power and sole dispositive power with regard to 6,481,330 shares; (ix) Icahn Onshore LP, a Delaware limited partnership, has shared voting power and shared dispositive power with regard to 6,481,330 shares; (x) Icahn Capital LP, a Delaware limited partnership, has shared

voting power and shared dispositive power with regard to 17,182,321 shares; (xi) IPH GP LLC, a Delaware limited liability company, has shared voting power and shared dispositive power with regard to 17,182,321 shares; (xii) Icahn Enterprises Holdings L.P., a Delaware limited partnership, has shared voting power and shared dispositive power with regard to 17,182,321 shares; (xiii) Icahn Enterprises G.P. Inc., a Delaware corporation, has shared voting power and shared dispositive power with regard to 17,182,321 shares; (xiv) Beckton Corp., a Delaware corporation, has shared voting power and shared dispositive power with regard to 17,182,321 shares; and (xv) Carl C. Icahn has shared voting power and shared dispositive power with regard to 21,477,900 shares. Carl C. Icahn, by virtue of his relationship to the other reporting persons, is deemed to beneficially own the shares which the other reporting persons directly beneficially own. According to the Schedule 13D, each of the reporting persons may have shared voting and/or dispositive power over all or some of such shares.

## SECURITY OWNERSHIP OF DIRECTORS AND EXECUTIVE OFFICERS

The table below shows how many shares each of our directors and nominees, each of the Named Executive Officers included in the summary compensation section below and all directors and executive officers as a group beneficially owned as of March 15, 2015.

Name	Shares Owned(1)(2)	Shares Subject to Right to Acquire Beneficial Ownership(3)	Total Shares Beneficially Owned(2)(3)	Percent of Class(4)
Steven L. Newman(5)	171,090	454,105	625,195	*
Esa Ikaheimonen	19,799	28,590	48,389	*
John B. Stobart	21,685	25,731	47,416	*
Lars Sjobring	5,324		5,324	*
David Tonnel(6)	24,702	72,539	97,241	*
Glyn A. Barker	2,984	4,760	7,744	*
Vanessa C.L. Chang	200	8,588	8,788	*
Frederico F. Curado		4,760	4,760	*
Chadwick C. Deaton(7)	1,000	8,588	9,588	*
Vincent J. Intrieri				*
Martin B. McNamara	24,651	38,256	62,907	*
Samuel J. Merksamer		4,760	4,760	*
Merrill A. "Pete" Miller, Jr.				*
Edward R. Muller(8)	6,647	25,145	31,792	*
Ian C. Strachan	9,379	26,458	35,837	*
Tan Ek Kia		12,356	12,356	*
All of directors and executive officers as a group (16 persons)	287,461	714,636	1,002,097	*

\* Less than 1%.

- (1) The business address of each director and executive officer is c/o Transocean Management Ltd., 10 Chemin de Blandonnet, CH-1214, Vernier, Switzerland. None of the shares beneficially owned by our directors or executive officers are pledged as security.
- (2) Includes shares held by Mr. Tonnel through the Transocean Employee Savings Plan (987).
- (3) Includes shares that may be acquired within 60 days from March 15, 2015 through the exercise of options held by Messrs. Newman (454,105), Ikaheimonen (28,590), Stobart (25,731), Tonnel (72,539), Muller (3,820), and all directors and executive officers as a group (584,785). Also includes (a) rights to acquire shares under our deferred compensation plan held by Mr. McNamara (11,798) and all directors and executive officers as a group (11,798); (b) vested deferred units held by Deaton (8,588), McNamara (26,458), Muller (21,325), Tan (12,356), Ms. Chang (8,588), Barker (4,760), Curado (4,760), Merksamer (4,760), Strachan (26,458) and all directors and executive officers as a group (118,053). Does not include out-of-the-money SARs held by Mr. Muller (7,640), and all directors and executive officers as a group (7,640). The base prices of the SARs of \$90.27 per share and \$107.63 per share were above the closing price for our shares on the NYSE on February 28, 2015 of \$16.13 per share.
- (4) As of March 15, 2015, each listed individual and our directors and executive officers as a group beneficially owned less than 1.0% of the outstanding shares.
- (5) Includes 9,800 shares held in a joint account with his wife.
- (6) Includes 19,150 shares held in a joint account with his wife.
- (7) Includes 1,000 shares held in a joint account with his wife.
- (8) Includes 6,332 shares held in a family trust with Mr. Muller and his wife serving as trustees.



## **Compensation Discussion and Analysis**

This Compensation Discussion and Analysis provides an overview and analysis of Transocean's executive compensation program and policies, material compensation decisions and the key factors we considered in making those decisions. It includes specific information about the compensation paid, earned or granted to the following persons who represent our Named Executive Officers (as defined below) for 2014:

- Steven L. Newman, former President and Chief Executive Officer
- Esa Ikaheimonen, Executive Vice President and Chief Financial Officer
- John B. Stobart, Executive Vice President and Chief Operating Officer
- Lars A. Sjöbring, Senior Vice President and General Counsel
- David Tonnel, Senior Vice President, Finance and Controller

For purposes of this Compensation Discussion and Analysis, the term "Executive Officer" is as defined by Rule 3b-7 of the Securities Exchange Act of 1934, and the term "Executive Management Team" refers to designations made under Swiss law and the Company's organizational documents with respect to Messrs. Newman, Stobart and Ikaheimonen.

On February 16, 2015, Steven Newman, in mutual agreement with the Board of Directors, stepped down as the President and Chief Executive Officer. Additionally, Mr. Newman elected to resign as a Director of Transocean Ltd. Ian Strachan, Chairman of the Board of Transocean Ltd., immediately assumed the role of Interim Chief Executive Officer, pending selection of a new Chief Executive Officer.

### **Executive Summary**

Our executive compensation program reflects our commitment to best practices in compensation governance and strongly aligning pay with Company performance while allowing us to attract and retain highly qualified executives. The program is designed to motivate our executives to achieve important business objectives and to reward them for creating long-term value for our shareholders by delivering superior financial, safety and operational performance.

We believe our executive compensation program includes features that effectively align the interests of our senior management with those of our shareholders and exclude features that may result in

misalignment. Important features of our executive compensation programs and practices are provided in the following table:

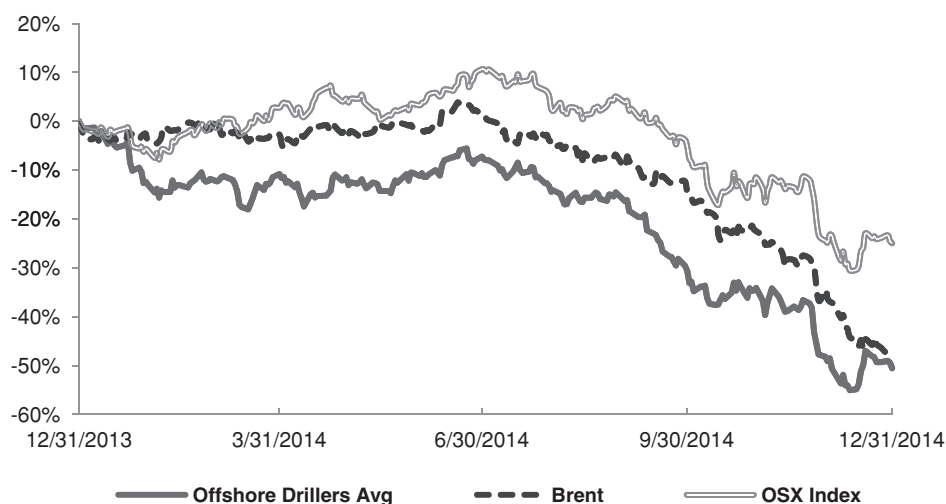
What We Do	What We Don't Do
<ul style="list-style-type: none"> <li>• Conduct an annual review of our compensation strategy, including a review of our compensation-related risk profile</li> <li>• Mandate meaningful stock ownership requirements for our executives</li> <li>• Maintain a clawback policy that allows for the forfeiture, recovery or adjustment of incentive compensation paid to executives due to a material misstatement of financial results Base incentive payments on quantitative metrics</li> </ul>	<ul style="list-style-type: none"> <li>• Allow our executives to hedge, sell short or hold derivative instruments tied to our shares (other than options issued by us)</li> <li>• Allow our executives or directors to pledge Company shares</li> <li>• Have pre-arranged individual severance agreements or special change-in-control compensation agreements with any executive officers; however, subject to the limitations phased in under the Minder Ordinance pursuant to which severance cannot be paid to members of our Executive Management Team, our executives are eligible for severance and change-in-control provisions pursuant to our company policies</li> </ul>
<ul style="list-style-type: none"> <li>• Maintain compensation plans designed to align our executive compensation program with long-term shareholder interests</li> <li>• Link long-term incentive compensation to both relative and absolute performance metrics</li> <li>• Deliver one-half (50%) of long-term incentives in performance-based stock</li> <li>• Retain an independent consultant that does not perform any services for management (retained by and reporting to our Compensation Committee)</li> </ul>	<ul style="list-style-type: none"> <li>• Maintain single-trigger change-in-control provisions or change-in-control gross-ups</li> <li>• Provide guaranteed salary increases, non-performance based bonuses or unrestricted equity compensation</li> <li>• Provide cash payments for tax equalization</li> <li>• Pay dividend equivalents on performance-contingent deferred units that have not been earned</li> </ul>

## 2014 Business Overview

Transocean is a leading international provider of offshore contract drilling services for oil and gas wells. The Company specializes in technically demanding sectors of the global offshore drilling business. With a particular focus on deepwater and harsh environment drilling services, we believe that Transocean operates one of the most capable and versatile offshore drilling fleets in the world.

As the result of the rapid decline in the price of crude oil in the context of a significant new supply of high-specification offshore drilling rigs, 2014 proved to be an exceptionally challenging year, particularly for the offshore drilling sector and Transocean. Demand for offshore drilling services has declined, resulting in shorter contract term, significantly lower dayrates and an increasing frequency of idle and stacked rigs. As illustrated in the chart below, the equity market valuations of offshore drillers and other service companies reflect these adverse industry pressures.

### Relative Performance of Crude Oil; Offshore Drillers; OSX Indices



Offshore Drillers Include: RIG, ATW, DO, ESV, HERO, NE, ORIG, PACD, RDC, SDRL, VTG

Transocean continues to be proactive in addressing the prevailing industry conditions by maintaining a sharp focus on cost management and efficient operational performance, as well as through the continued execution of our asset strategy. Given our long history as an industry-leading provider of offshore drilling services, we believe that we have the experience and discipline necessary to effectively manage our business throughout the cycles and deliver value to our shareholders.

As of February 17, 2015, Transocean owns, or has partial ownership interests in, and operates a fleet of 71 mobile offshore drilling units consisting of 44 high-specification floaters (ultra-deepwater, deepwater and harsh-environment drilling rigs), 17 midwater floaters and 10 high-specification jackups. In addition, the company has seven ultra-deepwater drillships and five high-specification jackups under construction.

Our focus on maximizing the utilization of our fleet resulted in the addition of contract backlog of approximately \$2.7 billion, contributing to an overall contract backlog of \$22.5 billion at December 31, 2014. In the context of increasingly challenging market conditions, our industry leading backlog provides us with a stable and visible foundation for future cash flow generation and enhances the Company's financial flexibility.

In 2014, we made notable progress on areas that are critical to the Company's success including: continued execution of our asset strategy; optimizing our cost structure and improving the operating performance of our fleet; increasing our financial flexibility; and continuing to improve our safety performance. Progress was also made in reducing several of the major litigation-related uncertainties that the Company faces.

Relating to our asset strategy, during the year, two newbuild high-specification drillships—the *Deepwater Asgard* and *Deepwater Invictus*—were placed into service on multi-year contracts with attractive dayrates. We also announced contracts for the construction of two dynamically positioned ultra-deepwater drillships for delivery in late 2017 and in 2018. We made additional progress divesting non-core assets, selling two jackups for net cash proceeds of approximately \$182 million. Also in 2014, we announced our intention to sell, or scrap in an environmentally responsible manner, nine lower-specification deepwater and midwater floaters for a total of 12 to date.

We continue to make progress rationalizing our cost structure globally and improving the operating performance of our fleet. Reflecting the success of our operational performance improvement initiatives, our revenue efficiency for 2014 was 94.7%, up significantly from 91.7% in 2013.

We conducted a successful initial public offering of Transocean Partners LLC, contributing \$417 million in net cash proceeds to Transocean. Consistent with our objective of reducing our absolute

level of debt, we completed our \$1 billion early debt retirement program during the fourth quarter of the year. Along with improvements in the Company's cost structure and in operational performance, reduced debt and cash proceeds generated by Transocean Partners are expected to enhance the Company's financial flexibility.

During 2014, progress was made in reducing key litigation-related uncertainties the company faces. Regarding Macondo, in September, the U.S. District Court for the Eastern District of Louisiana ruled that Transocean is indemnified by BP for below-surface discharge of oil under the drilling contract and that while BP had acted with gross negligence, Transocean had not. Although the decision is subject to appeal, we believe the key aspects of the ruling will be upheld and effectively eliminate Transocean's related financial risk. Additionally, the Texas Supreme Court recently determined that, under Texas law, BP is not an additional insured under our policies for below-surface discharge of oil. Separately, during the year we also received several very favorable court rulings related to ongoing Norway tax litigation.

Finally, the Company's safety performance in 2014 was favorable with our Total Recordable Incident Rate ("TRIR") improved approximately 8% versus 2013. Transocean remains committed to the vision of "an incident-free workplace all the time, everywhere" and will continue to make investments to promote safety.

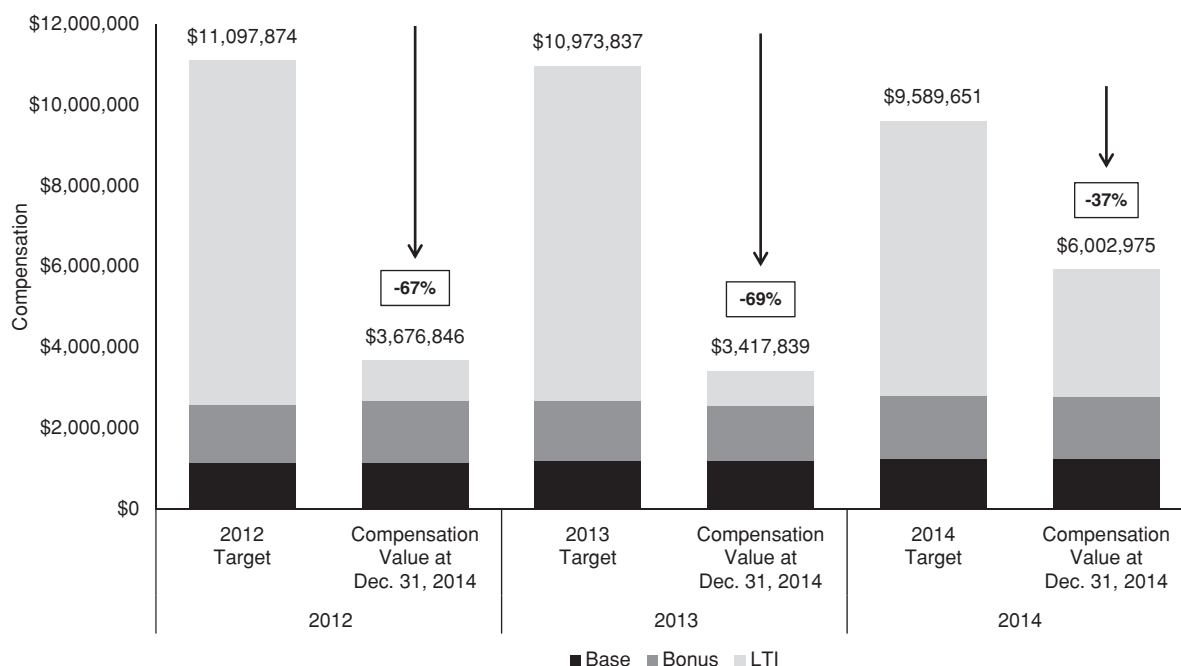
### **Relationship Between Target and Realizable Pay**

Consistent with our philosophy of aligning the interests of our Executive Officers with those of our shareholders by basing the majority of compensation on achieving desired performance outcomes, the actual total compensation values received by our Executive Officers, in recent years, have fallen below targeted and competitive market levels (and significantly below these levels with respect to 2012 and 2014). This is primarily a result of the lack of appreciation in the Company's share price and below-target total shareholder return relative to our peers which are reflected in our performance-based pay system.

In contrast to the information reported in the Summary Compensation Table, which reflects the grant date fair value for stock awards, we believe that realizable pay provides a better picture of the amounts actually earned by our Named Executive Officers. In particular, we note that there have been no payouts under our performance-based CDU program over the last five performance cycles and all outstanding stock options are currently underwater.

The graph below illustrates the effect of our performance-based compensation programs on the total compensation of our Chief Executive Officer.

### CEO Target Pay vs. Realizable Pay(1)



- (1) Realizable pay is defined as the compensation delivered or deliverable for each year calculated as of the end of the fiscal year, including: salary received, amounts actually paid under the annual incentive plan, payouts received under the contingent deferred unit (“CDU”) plan or, for performance periods still in progress, amounts that would be receivable if the CDU performance period ended 12/31/2014, the intrinsic (“in-the-money”) value of the stock options granted in the applicable year based on the closing price at 12/31/2014, and the value of time-based deferred units (“DU”)s at 12/31/2014

### 2014 Compensation Program Changes

The Company reinforced the alignment between pay and performance through changes to our executive compensation programs in 2014 and compensation award levels for 2014 and 2015.

#### *Program Changes*

- EBITDA Margin was added as a key performance measure to the performance-based Performance Award and Cash Bonus Plan for our Named Executive Officers for 2014.
- Eliminated the few remaining compensation peer companies that could be considered aspirational, such that the Company’s peer group now comprises companies of similar scale
- The design of the Company’s long-term incentive structure was also modified to further focus on performance-based compensation and to reinforce the alignment of executive compensation with shareholder interest.
- Performance-based contingent deferred units (“CDU”)s were re-weighted from 33% of the long term-incentive pay mix to 50% for the 2014 - 2016 CDU performance cycle.
- The focus on the CDU performance plan was further enhanced through the introduction of a second financial performance measure such that CDU payouts are now based on both absolute and relative performance metrics. For the 2014 - 2016 CDU performance cycle, Return on Capital Employed (“ROCE”) has been added to relative Total Shareholder Return (“TSR”), with both measures equally weighted in measuring performance results.
- Cash payments for tax equalization have been eliminated.

### *Award Levels*

In recognition of the current industry down-cycle, the Compensation Committee has implemented the following executive compensation actions for our Named Executive Officers:

- Reduction in 2014 annual incentive payouts (see “Discretionary Reduction in Actual Bonus Plan Compensation for 2014” below)
- No payout for the 2012-2014 CDU cycle
- Freeze of base salaries for all Named Executive Officers for 2015
- Freeze of annual incentive opportunities for all but one of our Named Executive Officers for 2015
- Reduction in target 2015 Long-Term Incentive awards for our Named Executive Officers by approximately 20%

These compensation actions reflect the reality of our current market, while maintaining competitive compensation packages for our Named Executive Officers.

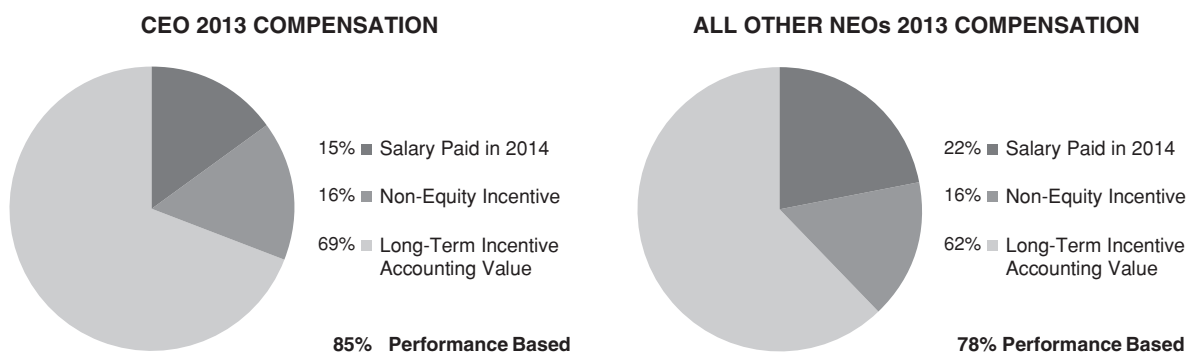
### **Executive Compensation Philosophy, Strategy and Design**

The objective of our compensation program is to align pay with performance. The program is designed to attract, motivate and retain superior executive talent in the geographic locations necessary to support our global operations. The program is also designed to provide our executives with a competitive compensation package that rewards performance against specific identified financial, strategic and operational goals that the Compensation Committee believes are critical to the Company’s long-term success and the achievement of sustainable long-term total returns to our shareholders.

In designing our executive compensation program, we are guided by the following principal objectives:

- positioning each element of total direct compensation at approximately the median of our peer companies;
- aligning annual incentive compensation with financial and strategic objectives; and
- rewarding absolute financial performance and relative performance in TSR through long-term equity incentive awards.

The Compensation Committee believes the principal elements of the compensation program of base salary, cash-based annual incentive compensation and equity-based long-term incentive compensation achieve our objective of pay and performance alignment by delivering the vast majority of executive pay as performance-based, ‘at-risk’ incentive compensation that is designed to balance short-term annual results and the long-term multi-year success of the Company and build long-term shareholder value without excessive risk-taking.



## Setting Executive Compensation Levels

We believe that our executive compensation program must be continuously monitored to ensure that we provide the opportunity for each of our Named Executive Officers to receive competitive compensation without providing an incentive for excessive risk-taking. The Compensation Committee annually reviews the total compensation and each component of compensation that may be paid or awarded to each of our Named Executive Officers and compares the total compensation and each component of compensation:

- externally against the amounts paid to Executive Officers holding comparable positions at companies with which we compete for executive talent; and
- internally for purposes of ensuring internal equity and taking individual performance, skills, and experience into account.

We regularly assess our compensation programs to ensure they are appropriately aligned with our industry sector and with companies in other industries of comparable size, international scope and organizational complexity. We also seek to provide a direct link to enhancing shareholder value and achieving our vision and business strategy.

The Compensation Committee employs two peer groups for setting executive compensation. The ‘Compensation Peer Group’ is used to assess the competitiveness of the compensation of our Named Executive Officers, and the ‘Performance Peer Group’ is used to evaluate the relative performance of our Company

### Compensation Peer Group

We compete for executive talent across many different sectors around the world. Our primary competitive market generally includes other companies in the energy industry (oil and gas companies, offshore drilling companies and other energy services companies). In making compensation decisions for the Named Executive Officers, each element of total direct compensation is compared against published compensation data.

The Compensation Peer Group for 2014 comprised the following companies:

Anadarko Petroleum Corporation	Diamond Offshore Drilling, Inc.	National Oilwell Varco, Inc.
Apache Corporation	Encana Corporation	Noble Corporation plc
Baker Hughes Incorporated	Ensco plc	Noble Energy, Inc.
BG Group plc	EOG Resources, Inc.	Petrofac Limited
Cameron International Corporation	FMC Technologies, Inc.	Seadrill Limited
Canadian Natural Resources Limited	Halliburton Company	Talisman Energy Inc.
Chesapeake Energy Corporation	Marathon Oil Corporation	Weatherford International Ltd.
Devon Energy Corporation	Nabors Industries Ltd.	

In addition, we consider the compensation practices of non-energy general industry peers of comparable size and international scope in setting executive compensation levels and use the general industry data as a secondary market reference. These non-energy general industry peers are expected to vary from year-to-year based on changes in the marketplace and the availability of published survey data for companies that meet the defined size, international scope and organizational structure criteria.

Competitive market data for the Compensation Peer Group are compiled both from published compensation surveys and from information disclosed publicly by each company for the prior year. Data for comparable non-energy general industry peers are obtained from published surveys. Our target market position is determined based on the data believed to be most relevant for a given position. For example, the Compensation Peer Group data are weighted more heavily for operations roles, and general industry data are weighted more heavily for executives overseeing administrative functions. However, in accordance with our pay-for-performance philosophy, the Compensation Peer Group data is the primary reference for assessing short-term and long-term incentive compensation levels.



Each element of compensation and the total direct compensation for each of the Named Executive Officers is compared to the estimated market median for his or her position.

### **Performance Peer Group**

The Compensation Committee established the Performance Peer Group in order to evaluate the Company's total shareholder return relative to that of companies considered to be direct business competitors and competitors for investment capital. The Performance Peer Group consists of:

Baker Hughes Incorporated	Noble Corporation plc.
Diamond Offshore Drilling, Inc	Rowan Companies Inc.
Ensc o plc	Schlumberger Limited
Halliburton Company	Seadrill Limited.
Nabors Industries Ltd	Weatherford International Ltd.
National Oilwell Varco, Inc.	

Following the 2014 Annual General Meeting, the Compensation Committee carefully considered the advisory vote on executive compensation result, conferred with our independent compensation consultant, evaluated the positions of shareholder advisory groups and assessed changes in global governance and Swiss legislation in an effort to maintain executive compensation programs and practices that are appropriate for the Company and effective in rewarding executives, commensurate with our business results.

### **Executive Compensation Components**

Our executive compensation program is designed to meet the objectives of our "pay for performance" compensation philosophy by linking a significant portion of each executive's compensation to Company and individual performance.

The following table summarizes the purpose and key characteristics of each of the primary components of our executive compensation program.

Compensation Element	Purpose	Key Characteristics
Base Salary . . . . .	Provide a base level of income, targeting the market median for executive talent. Individual circumstances may result in certain positions above or below market median.	Fixed compensation. Reviewed annually and adjusted as appropriate.
Annual Performance Bonus . . .	Motivate executives to achieve our short-term business objectives and reward contributions toward the achievement of pre-established performance goals.	Variable compensation. Based on corporate performance compared to pre-established financial and operational performance goals. Award potential ranges from 0% to 200% of target.
Long-Term Incentive— Contingent Deferred Units . . .	Align the interests of our executives with those of our shareholders by creating a direct correlation of realized pay to key value drivers and increased shareholder return relative to performance peers over the longterm.	Variable compensation. The number of earned units is based on both relative measures (e.g., total shareholder return relative to performance peers during three-year performance periods) and absolute performance measures (Return on Capital Employed).
Long-Term Incentive— Deferred Units . . . . .	Motivate executives to contribute to long-term increases in shareholder value, build executive ownership, retain executives through multi-year vesting	Variable compensation. Long-term award with ratable vesting over three years that provides a direct correlation of realized pay to shareholder value.
Expatriate Benefits . . . . .	Assist expatriate executives with part of the additional burden of an overseas posting.	Fixed compensation. Provided to expatriate executives to assist with living expenses (e.g., housing, dependent education, cost of living differentials and automobile allowances).
Other Compensation . . . . .	Provide benefits that promote employee health and welfare and assist executives in carrying out their duties and increasing productivity	Indirect compensation elements consisting of health and welfare plans and minimal perquisites.
Post-Employment . . . . .	Provides a measure of financial security in the event an executive's employment is terminated without cause.	Fixed compensation. Severance benefits, to the extent permissible under Swiss law, are provided pursuant to the Executive Severance Policy and are not payable in the event of a termination for cause or a voluntary resignation without good reason.

In addition, our Named Executive Officers also hold stock options, from prior equity awards, that provide a direct link to long-term stock price appreciation.

In assessing the reasonableness of the total direct compensation of the Named Executive Officers, particularly the compensation of our Chief Executive Officer, the Compensation Committee considered the amount and mix of compensation provided as a direct link to creating sustainable long-term shareholder value, achieving our vision and business strategy, and advancing the core principles of our compensation philosophy and objectives without excessive risk.

## Base Salary

Our Named Executive Officers receive base salaries constituting a basic level of compensation for services rendered during the year. The base salaries of our Named Executive Officers are determined by the Compensation Committee upon each officer's initial hire and reviewed in connection with a promotion

or other changes in job responsibility. Each base salary is also reviewed by the Compensation Committee annually thereafter, both individually and, for internal pay equity purposes, relative to other Executive Officers. Base salary adjustments are made to reflect our desired position in the competitive market.

The Compensation Committee reviewed the base salaries of the Named Executive Officers and gave consideration to recommendations from our Chief Executive Officer regarding the Named Executive Officers other than himself. Competitive compensation information based on Peer Group and other survey data, the job responsibilities, performance, and expected future contributions of each Named Executive Officer, and our compensation philosophy and objectives were considered when making pay adjustments. Considering input from its compensation consultant, the Compensation Committee approved the following base salaries (or US\$ base salary reference) for the individuals listed below, effective March 1, 2014.

Executive	2014 Base Salary	Increase over 2013
Mr. Newman . . . . .	\$1,250,000	4%
Mr. Ikaheimonen(1) . . . . .	\$ 760,000	4%
Mr. Stobart . . . . .	\$ 670,000	6%
Mr. Sjobring(1)(2) . . . . .	\$ 525,000	0%
Mr. Tonnel . . . . .	\$ 440,000	4%

- (1) Base salary paid in CHF and converted to USD using the CHF : USD average 2013 exchange rate of .927
- (2) Mr. Sjobring's 2014 base salary became effective on his hire date of March 1, 2014

In February, 2015 the Compensation Committee, in consideration of the current market down-cycle, and with consultation from the external compensation consultant, elected to freeze base salaries for the continuing Named Executive Officers, resulting in no 2015 increases over the 2014 base salaries noted above, recognizing that Mr. Newman is no longer with the Company and compensation for a new Chief Executive Officer has not yet been determined.

### Annual Performance Bonus

Our Performance Award and Cash Bonus Plan (the “Bonus Plan”) is a goal-driven plan that provides participants, including the Named Executive Officers, the opportunity to earn annual cash bonuses based on performance as measured against predetermined financial and operational performance objectives. Individual target award levels, expressed as percentages of the participants’ base salaries, are established by the Compensation Committee at the beginning of the year. The target award opportunities under the Bonus Plan, when combined with base salaries, are intended to position the participants, on average, to earn total cash compensation approximating competitive market median levels. Performance above and below the target provides the opportunity for participants to earn total annual cash compensation above the competitive market median, when warranted, by above-target performance, up to a designated maximum; or, the possibility of earning total annual cash compensation below the median for below-target performance.

Under the Bonus Plan for 2014, each Named Executive Officer had a potential payout range of 0% to 200% of his individual target award opportunity. In February 2014, the Compensation Committee established a 2014 target bonus opportunity for each of the following Named Executive Officers, which is expressed as a percentage of base salary, as follows:

Mr. Newman . . . . .	125%
Mr. Ikaheimonen . . . . .	85%
Mr. Stobart . . . . .	100%
Mr. Sjobring . . . . .	60%
Mr. Tonnel . . . . .	60%

Due to the industry down-cycle, all executive 2015 target annual incentive opportunities have been maintained at 2014 levels, with the exception of Mr. Sjobring, who received a market-based adjustment to 70% of salary, and with the exception of Mr. Newman's replacement, which has not yet been determined.

## 2014 Bonus Payout

The Compensation Committee considered the results of key performance areas, specified at the beginning of 2014, when determining the outcomes of the variable, performance-based compensation under the Performance Award and Cash Bonus Plan for our Named Executive Officers for 2014.

Each of the following performance areas are measured with potential payouts ranging from 0% to 200%.

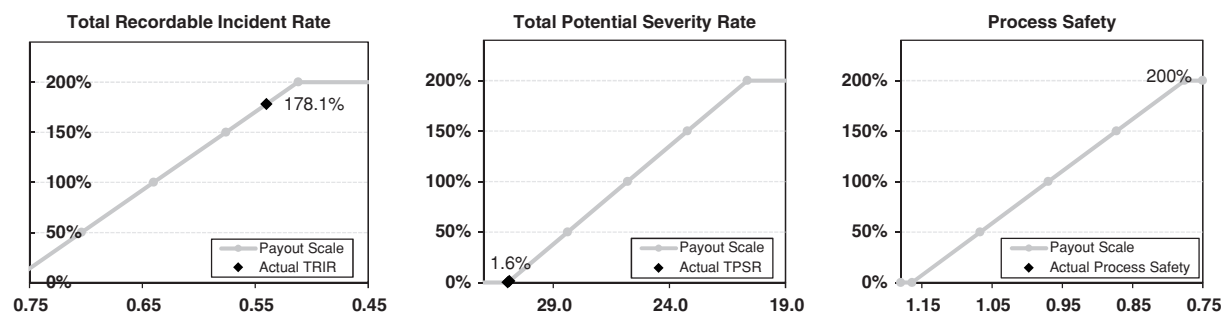
- Safety Performance—30% weighting
  - Total Recordable Incident Rate (“TRIR”)
  - Total Potential Severity Rate (“TPSR”)
  - Process Safety
- Cash Flow Value Added (“CFVA”)—50% weighting
- EBITDA Margin—20% weighting

## Safety Performance

Our business involves numerous operating hazards, and we are strongly committed to protecting people, property and the environment. Our ultimate goal is expressed in our safety vision of “an incident-free workplace-all the time, everywhere.” The safety performance targets for 2014 were approved by the Compensation Committee and levels are set annually to motivate our executives to achieve continuous improvement in safety performance and to meet strict internal standards. Safety performance targets are recommended to the Compensation Committee by the Board's Health Safety and Environment Committee.

The Compensation Committee measures our safety performance through a combination of components: Total Recordable Incident Rate (“TRIR”), Total Potential Severity Rate (“TPSR”) and Process Safety. Each component makes up one-third of the overall safety performance metric.

The following charts show our actual performance related to the formulaic payout amounts for TRIR, TPSR and Process Safety.



Together, the safety metric outcomes resulted in a formulaic payout percentage for this measure of 38% of the total target bonus opportunity for each of the Named Executive Officers in 2014.

## Total Recordable Incident Rate (TRIR)

TRIR is a safety performance metric recognized by the U.S. Occupational Safety & Health Administration and is used by companies across an array of different industries. We calculate TRIR based

upon the guidelines set forth by the International Association of Drilling Contractors (the “IADC”), an industry group for the drilling industry. The IADC methodology calculates TRIR by taking the aggregate number of occurrences of work-related injuries or illnesses that result in any of the following: fatality; a physician or licensed health care professional recommending days away from work due to the injury or illness; an employee not being able to perform all of his or her routine job functions (but not resulting in days away from work); or any other medical care or treatment beyond minor first aid. The TRIR is the number of such occurrences for every 200,000 employee hours worked.

The Compensation Committee approved a TRIR target for 2014 of .64, which would represent further progress toward our safety vision. Values above and below this target were calculated in accordance with the chart below, with outcomes falling in between two boundaries interpolated on a straight-line basis:

<b>TRIR Outcome to Target</b>	<b>Bonus Payout</b>
20% Improvement Exceeding Target . . . . .	200%
10% Improvement Exceeding Target . . . . .	150%
Target . . . . .	100%
10% Shortfall . . . . .	50%
20% Shortfall . . . . .	0%

Any TRIR outcome representing a shortfall of more than 20% as compared to the target would result in a 0% bonus payout for the TRIR metric and any outcome representing an improvement of 20% or greater as compared to the target would result in a payout of 200% for the TRIR metric. Our TRIR outcome for 2014 was .54, representing an improvement of just under 20% as compared to target. This resulted in a formulaic result of 178% of target for the TRIR metric.

#### ***Total Potential Severity Rate (TPSR)***

TPSR is an internally developed safety measure that we utilize to capture the potential severity of incidents over a period of time. TPSR is calculated by taking the sum of all potential severity values assigned to the incidents, multiplying that number by 200,000, then dividing that number by total employee hours worked. After the occurrence of an incident, the manager(s) responsible for the drilling unit or onshore facility where the incident took place complete an incident report that assigns a preliminary severity value to the incident. The Company also has an independent oversight and review process to evaluate and confirm the potential severity assigned to each incident. The severity value is derived by inputting data into our comprehensive severity calculator. For instance, for dropped objects, the height from which the item was dropped and the weight of the object are inputs into the severity calculator.

The Compensation Committee approved a TPSR target for 2014 of 25.80, which represents further progress toward our safety vision. Values above and below this target were calculated in accordance with the chart below, with outcomes falling in between two boundaries interpolated on a straight-line basis:

<b>TPSR Outcome to Target</b>	<b>Bonus Payout</b>
20% Improvement Exceeding Target . . . . .	200%
10% Improvement Exceeding Target . . . . .	150%
Target . . . . .	100%
10% Shortfall . . . . .	50%
20% Shortfall . . . . .	0%

Any TPSR outcome representing a shortfall of more than 20% as compared to the target would result in a 0% bonus payout for the TPSR metric and any outcome representing an improvement of 20% or greater as compared to the target would result in a payout of 200% for the TPSR metric. Our TPSR outcome for 2014 of 30.88 represented close to a 20% shortfall as compared to the target. This shortfall resulted in a formulaic result of 1.6% of target for the TPSR metric. This TPSR measure, when considered in relation to TRIR offers a more holistic view of our safety performance. During 2014, the company experienced a reduction in the number of recordable work related injuries or illnesses, leading to positive

results reflected in TRIR; however, in reviewing our recordable safety incidents, we identified an increased prevalence of potential severity, leading to the weak TPSR result noted above. Consistent with our commitment to safety, improving incident severity will be a point of focus for the Company in 2015.

### ***Process Safety***

We believe that in addition to personnel and behavioral safety, prevention and mitigation of major hazards or process incidents are critical components of a successful safety program. Accordingly, Process Safety is an internally developed safety measure designed to assess the management of major hazards in order to prevent or mitigate a major accident or significant event.

We use industry standard definitions of significant events, which include:

- Fire, explosion, or release of a hazardous substance with serious injury or fatality
- Major structural damage
- Serious injuries/fatalities
- Uncontrolled release of hazardous fluids

To implement this safety measure, we measure the number of process safety events that are likely predictors or leading indicators of a potential significant event. The 2014 target, for process safety events, was established equal to the baseline of events that occurred on our installations in 2013. In 2014, the reduction in the number of process safety events resulted in maximum achievement of the Process Safety metric.

### **Financial Performance**

#### ***Cash Flow Value Added (CFVA)***

Fifty percent of the target award opportunity for each Named Executive Officer under the 2014 Cash Bonus Plan was based upon our achievement of CFVA relative to the CFVA delivered in 2013.

The CFVA performance measure is designed to measure the generation of cash returns in excess of the Company's cost of capital. CFVA is equal to Earnings Before Interest, Depreciation and Amortization ("EBIDA") less a charge for Average Capital that is based on the weighted average cost of capital multiplied by Average Capital.

- EBIDA is calculated as net income (loss) before extraordinary items, plus depreciation expense, plus (minus) net interest (income) expense, plus (minus) loss (gain), net of tax, plus expenditures related to approved long-term investments.
- Average Capital is equal to total equity, plus total long-term debt (book value), minus cash and cash equivalents, minus goodwill, plus capitalized lease obligations under GAAP (short and long term), plus accumulated depreciation on fixed assets, plus incremental capital expenditures during the year, minus capital expenditures related to newbuilds and other approved long-term investments.
- For the purpose of calculating CFVA in 2014, the weighted average cost of capital was set at 9% at the start of the year.

Our method for setting the CFVA target is intended to improve the relationship between expected payouts and returns for shareholders. Performance was calculated on a sliding scale that measures our CFVA improvement in 2014 relative to our CFVA performance in 2013, adjusted to ensure consistency in the year-over-year calculation. This approach strongly focuses management on improving the CFVA generated from our existing assets, disposing of assets with poor CFVA generation prospects, making investments that build our company and enable us to deliver long-term improvements in performance. Under this model, if management delivers performance to earn the weighted average cost of capital on the increase in Average Capital, then our CFVA will be the same as in the prior year, which will provide a target bonus for this performance measure. If our CFVA improves by an amount equal to or greater than

4% of the Average Capital, at the end of the prior year, a bonus equal to 200% of the target bonus will be earned for this performance measure. Similarly, if our CFVA declines by an amount equal to or greater than 4% of the Average Capital at the end of the prior year, a bonus equal to 0% of the target bonus will be earned for this performance measure. The bonus multiple will be determined on a straight-line basis between these end points.

We achieved a CFVA of \$424 million in 2014, which resulted in a payout of 102.1% of the target bonus amount for this performance component, in accordance with this methodology, and a formulaic result for this measure of 51% of the total target bonus opportunity for each of the Named Executive Officers.

### ***EBITDA Margin***

The Earnings Before Interest, Tax, Depreciation and Amortization (“EBITDA”) Margin performance measure was added to the 2014 annual Performance Award and Cash Bonus Plan to more closely align the annual incentive plan with the company’s business priorities. This measure also sharpened the annual incentive plan’s focus on financial results. EBITDA margin is expressed as a percent of revenue.

This EBITDA Margin objective represented 20% of the total target annual bonus amount, with potential payouts ranging from 0% to 40% of the total target bonus amount based on actual performance.

Based on specific targets set at the beginning of the 2014 annual bonus performance cycle, we achieved an EBITDA margin of 41.8% in 2014, representing an increase from 37.0% EBITDA margin in 2013. This performance resulted in a payout of 95.0% of the target bonus amount for this performance component, and a formulaic payout percentage for this measure of 19.0% of the total target bonus opportunity for each of the Named Executive Officers.

### **Discretionary Reduction in Actual Bonus Plan Compensation for 2014**

Based on the performance measures described above and using the pre-determined weighting assigned to each measure by the Compensation Committee, the formulaic bonus outcome for each of our Named Executive Officers was 108% of targeted bonus opportunity under the Performance Award and Cash Bonus Plan for 2014. The components of this total bonus payout under the Performance Award and Cash Bonus Plan for 2014 are as follows:

<b>Performance Measure</b>	<b>Threshold Payout</b>	<b>Target Payout</b>	<b>Maximum Payout</b>	<b>Actual Payout</b>
Safety . . . . .	0%	30%	60%	38%
CFVA . . . . .	0%	50%	100%	51%
EBITDA Margin . . . . .	0%	20%	40%	19%
<b>Total . . . . .</b>				<b><u>108%</u></b>

With the formulaic bonus outcome confirmed at 108%, the Compensation Committee then applied its discretion, taking into account views from the Health, Safety and Environmental Committee with respect to overall safety performance. With this discretion, the Committee reduced the final actual bonus outcome for each Named Executive Officer from 108% to 99.1% of each executive’s target bonus opportunity. For specific award amounts, see “Executive Compensation Summary Compensation Table” below.

### ***Long-Term Incentives (LTI)***

We establish competitive long-term incentive opportunities for our Named Executive Officers that motivate achievement of long-term operational goals and increased total shareholder return, align the interests of participants with those of shareholders and vary in the ultimate actual value of the awards based on the Company’s actual total shareholder return and stock price appreciation.



Excluding Mr. Sjobring who was hired in March, 2014, all of our Named Executive Officers received a reduction in 2014 LTI grant value compared to 2013 LTI awards. The Named Executive Officer group, excluding Mr. Sjobring, received an aggregate LTI grant value of approximately \$12.2 million in 2014. This represents a \$2.9 million reduction from the 2013 aggregate LTI grant value of approximately \$15.1 million awarded to this group, reflecting a 19.5% reduction in LTI grant value from 2013 to 2014.

The grant date fair value of LTI awards granted to the Named Executive Officers in 2014, and as documented in the Summary Compensation Table, were as follows.

	<b>2014 LTI Grant Value</b>
Mr. Newman .....	\$6,975,900
Mr. Ikaheimonen .....	\$2,343,689
Mr. Stobart .....	\$2,156,353
Mr. Sjobring .....	\$1,621,429
Mr. Tonnel .....	\$ 876,890

- (1) Mr. Sjobring received an above target LTI equity grant in 2014 to, in part, restore equity value forfeited with his prior employer.

To provide an appropriate balance of incentives tied to performance, two types of long-term equity instruments were used in 2014 including Contingent Deferred Units and Deferred Units. The form of equity awards, and their weightings, made to our Named Executive Officers are discussed below.

#### *Contingent Deferred Units (CDU)*

The target value of the 2014 CDU grants to each of the Named Executive Officers was approximately one-half (50%) of each officer's total 2014 long-term incentive award target value.

Each CDU represents one share and is based on performance over a set performance cycle. In 2014, the Compensation Committee added a financial-based absolute metric of return on capital employed ("ROCE") to complement the existing market-based performance measure of total shareholder return of the Company relative to the Performance Peer Group. Performance is determined by comparing the Company's actual ROCE performance against the ROCE goal approved by the Compensation Committee, and relative TSR performance against the Company's performance peer group over the three year performance cycle. Each of the two performance measures, total shareholder return and return on capital employed, are weighted equally in determining the earned award, with maximum performance in both measures resulting in an earned award of 200% of target.

Threshold performance, with respect to total shareholder return, is total shareholder return ranking at or above the 25th percentile of the Performance Peer Group, at which 25% of the target award is earned. Performance ranking below the 25th percentile results in no award being earned with respect to total shareholder return.

Target performance, with respect to total shareholder return, is performance ranking at or above the median of the Performance Peer Group, at which 50% of the target award is earned.

At maximum performance with respect to total shareholder return, which is considered to be ranking at the top of the Performance Peer Group (or at or above the 90th percentile of the Performance Peer Group in the event that any peer ceases to be publicly traded), 100% of the target award is earned.

With respect to the return on capital employed CDU measure, a range of performance outcomes has been defined to set the threshold, target and maximum performance levels for this measure. In setting the ROCE goal, the Committee believed that achieving results at the target level would be challenging and substantially not certain, and achieving results meaningfully above target would be extremely difficult but not unattainable.

Upon completion of the 2014 - 2016 CDU performance cycle, the Committee will determine final payout levels and CDUs, combined with a cash payment equal to any dividends or equivalents accrued during the performance cycle for earned and vested shares, will be distributed to the Named Executive Officer.

#### *Deferred Units (DU)*

The target value of the 2014 DU grants to each of the Named Executive Officers was approximately one-half (50%) of each officer's total 2014 long-term incentive award target value.

Time-vested deferred units ("DUs") were granted to all Named Executive Officers as part of the 2014 annual long-term incentive grants. Each DU represents one share and vests over a three-year schedule (ratably one-third each year), contingent on continued service.

#### **Long-Term Incentive Compensation for 2014**

In 2015, the Compensation Committee evaluated the Company's total shareholder return ("TSR") relative to the Performance Peer Group, for the three-year performance period from January 1, 2012, through December 31, 2014, and determined that the Company's performance fell below threshold.

The result of this determination, by the Compensation Committee, was that no performance-contingent deferred units ("CDU"s) were earned. The CDUs granted to executives for the 2012-2014 performance period were canceled for no value.

#### **Employment Agreements with Members of the Executive Management Team**

In connection with the implementation of the Minder Ordinance, and as disclosed in the 2014 Annual General Meeting and Proxy Statement Compensation Discussion & Analysis, we entered into certain employment agreements with members of the Executive Management Team in December 2013 to memorialize prior arrangements in effect with them.

We have agreed in each of these employment agreements to propose alternative terms during the fourth quarter of 2015 to achieve compliance with the Minder Ordinance by January 1, 2016, and the members of the Executive Management Team have agreed to cooperate to reach acceptable terms in compliance with such legislation.

#### **Expatriate Benefits**

For our Named Executive Officers who accept an international assignment, we also provide certain expatriate benefits, including relocation expenses, housing, car, cost of living allowances and educational expenses for dependent children. The types and values of these mobility benefits for each Named Executive Officer are included in the Summary Compensation Table under "All Other Compensation" and described in the notes to that table.

Beginning in 2014, the above-mentioned expatriate benefits are no longer eligible for tax protection or tax equalization.

#### **Indirect Compensation**

In addition to base salary and annual and long-term incentive compensation, we offer other indirect compensatory arrangements to our executives. These indirect elements of executive compensation are not performance-based and are offered as part of the overall compensation package to ensure that the package is competitive with other companies with which we compete for talent. Below is a summary of the principal indirect elements of compensation for our Named Executive Officers.

### *Health, Welfare and Retirement*

Our Named Executive Officers are eligible for Company-wide benefits on substantially the same basis as other full-time employees, including: savings, pension, medical, and life insurance benefits. Our Named Executive Officers also receive a supplemental life insurance benefit equal to four times covered annual earnings. This benefit is capped at a maximum of \$1 million for Named Executive Officers on the U.S. payroll, and uncapped for the Named Executive Officers not on the U.S. payroll, consistent with respective market practice. In addition, we make a supplemental pension plan available to employees (including the Named Executive Officers) to compensate for benefits that otherwise would be unavailable due to Internal Revenue Service (“IRS”) limits on qualified plans.

### *Perquisites*

We offer limited perquisites as a recruiting and retention tool. Each of our Named Executive Officers may receive up to \$5,000 in financial planning. Our Named Executive Officers are also eligible to receive reimbursement for club membership dues and an annual physical exam paid by the Company. The amounts of these perquisites were taxable to the Named Executive Officers in 2014.

The Compensation Committee annually reviews the nature and amount of the perquisites and other personal benefits provided to each of our Named Executive Officers to ensure that such perquisites are reasonable and competitive with market practice.

### *Post-Employment Compensation*

We believe that the competitive marketplace for executive talent requires us, subject to compliance with the Minder Ordinance, to provide our Executive Officers with a severance package. Unless prohibited by the Minder Ordinance, each of our Executive Officers is eligible to receive severance benefits in the event we choose to terminate the Executive Officer at our convenience.

The benefits provided in the event of an involuntary termination under the terms of our executive severance benefit policy include a cash severance benefit limited to 52 weeks of base salary; a pro rata share of the termination year’s targeted award level under the Bonus Plan for such Named Executive Officer, as determined by the Compensation Committee, treatment of long-term incentive awards under the convenience-of-company termination provision as provided for in the terms and conditions of each award (as more fully described under “Executive Compensation-Potential Payments Upon Termination or Change of Control”); and outplacement services not to exceed 5% of the base salary of the Named Executive Officer.

We also believe that the interests of our shareholders are served by including a double-trigger change-of-control provision in the Bonus Plan and the Long-Term Incentive Plan for Named Executive Officers who would be integral to the success of, and are most likely to be impacted by, a change of control. By requiring two triggering events to occur, we believe that those Executive Officers who remain with us through a change of control will be appropriately focused while those who depart as a result of a change of control will be appropriately compensated. The types of payments that will be made to our executives, along with estimated values as of December 31, 2014, are described under “Executive Compensation-Potential Payments Upon Termination or Change in Control.”

The Compensation Committee periodically reviews severance packages offered to the Executive Officers to ensure the benefits are aligned with prevailing market practices. In order for a Named Executive Officer to receive the benefits described above, the Named Executive Officer must first sign a release of all claims against the Company and enter into a Confidentiality Agreement covering our trade secrets and proprietary information.

The Minder Ordinance will require changes to some of the post-employment compensation features described above in relation to our Executive Management Team. Full compliance with the requirements of the Minder Ordinance must be achieved by January 1, 2016. For any executive officers who become

members of the Executive Management Team after January 1, 2014, the limitations of the Minder Ordinance with respect to severance will apply immediately.

### **Executive Compensation Governance, Policy and Practice**

The Compensation Committee is responsible for the executive compensation program design and decision-making process. The Compensation Committee solicits input from the independent members of the Board of Directors, the Chief Executive Officer and other members of management, and the Compensation Committee's independent compensation consultant to assist with its responsibilities. The following summarizes the roles of each of the key participants in the executive compensation decision-making process.

#### *Compensation Committee*

The Compensation Committee, composed solely of Board members who (a) are elected to the Compensation Committee by our shareholders in accordance with Swiss law, (b) are not employees of the Company, (c) meet the independence requirements of the NYSE, and (d) meet the qualifications of outside directors under Section 162(m) of the U.S. Internal Revenue Code, is responsible for overseeing our executive compensation and long-term incentive programs. Specifically, the Compensation Committee is responsible for:

- reviewing and approving the target and actual compensation paid and the benefit levels received by our Executive Officers and other officers, at or above the Senior Vice President level;
- annually establishing focus areas for our Chief Executive Officer, annually evaluating all aspects of our Chief Executive Officer's performance in light of these focus areas (with the participation of all non-executive members of the Board of Directors), and setting our Chief Executive Officer's compensation based on this evaluation and after reviewing data concerning compensation practices in the competitive market;
- establishing and approving our executive compensation plans and arrangements to provide benefits to our Executive Officers and other officers at or above the Senior Vice President level, in accordance with the goals and objectives of the Company, as established by the Board of Directors;
- administering the Company's Long-Term Incentive Plan, including determining plan eligibility and approving individual awards for all plan participants;
- administering the Company's Performance Award and Cash Bonus plan and approving individual awards for all Executive Officers;
- considering and approving executive employment and, to the extent permissible under Swiss law, severance agreements or other contractual agreements that may be entered into with our Executive Officers (which shall not include "single-trigger" change-in-control agreements);
- reviewing and discussing this Compensation Discussion and Analysis with our management and, based upon such review and discussion, recommending to the Board of Directors that the Compensation Discussion and Analysis be included in the proxy statement for our Annual General Meeting;
- assessing the risks associated with the Company's compensation arrangements; and
- annually recommending to the Board of Directors for submission to and ratification by the shareholders the maximum aggregate amount of compensation for the Board of Directors and the Executive Management Team for the relevant period.

The Compensation Committee currently consists of four directors: Tan Ek Kia, Chairman, Frederico F. Curado, Vincent J. Intrieri and Martin B. McNamara.

### *Independent Compensation Consultant*

To assist in discharging its responsibilities, the Compensation Committee has engaged an independent executive compensation consulting firm, Pay Governance LLC, which continued to advise the Compensation Committee on executive compensation matters in 2014.

In order not to impair the independence of the Compensation Committee's compensation consultant or create the appearance of such an impairment, the Compensation Committee adopted a policy that any compensation consultant to the Compensation Committee may not provide other services to the Company in excess of \$100,000. Neither Pay Governance nor any of its affiliates provided the Company with any other services in 2014. In August 2013, the Compensation Committee assessed whether the work of Pay Governance for the Compensation Committee raised any conflict of interest and subsequently, annually reviews the performance, independence and potential conflicts of interest of Pay Governance each May considering the independence factors set forth under Rule 10C-1 of the Securities Exchange Act. The Compensation Committee has concluded that no conflict of interest exists that would prevent Pay Governance from continuing to independently represent the Compensation Committee.

In advising the Compensation Committee, the compensation consultant reports to and acts at the direction of the Compensation Committee. The Compensation Committee directs the compensation consultant in the performance of its duties under its engagement to provide certain guidance on an ongoing basis, including:

- expertise on compensation strategy and program design;
- information relating to the selection of the Company's peer groups;
- relevant market data and alternatives to consider when making compensation decisions;
- assistance in establishing and updating annual and long-term incentive guidelines;
- periodic reviews of the total executive compensation program; and
- support and advice as the Compensation Committee conducts its analysis of and makes its decisions regarding executive compensation.

The Compensation Committee does not necessarily adopt all recommendations given by the compensation consultant but uses the consultant's work as a reference in exercising its own judgment with respect to its own executive compensation actions and decisions.

The compensation consultant participates in every meeting of the Compensation Committee and meets privately with the Compensation Committee at the Compensation Committee's request. Our management provides information to the consultant but does not direct or oversee its activities with respect to our executive compensation program.

### *Other Advisors*

From time-to-time, management engages other advisors to assist in providing advice to the Compensation Committee, regarding executive compensation matters. Such advisors have included, among others, an outside corporate law firm to provide advice regarding various legal issues, financial analysts to examine relevant performance metrics and an outside actuarial firm to evaluate benefits programs. The Compensation Committee evaluates these advisors for independence, when retained.

### *Management*

Our Chief Executive Officer annually reviews the competitive pay position and the performance of each member of senior management other than himself/herself. Our Chief Executive Officer's conclusions and recommendations, including his or her conclusions and recommendations with respect to base salary adjustments and award amounts for the current year and target annual award amounts for the next year under our Performance Award and Cash Bonus Plan, are presented to the Compensation Committee. The

Compensation Committee makes all compensation decisions and approves all share-based awards for the Named Executive Officers and other officers at or above the Senior Vice President level. The Compensation Committee may exercise its discretion in modifying any compensation adjustment or awards to any Executive Officer, including reducing or increasing the payment amount for one or more components of such awards.

Officers and other employees in our Human Resources Department assist our Chief Executive Officer with his or her recommendations and develop and present other recommendations regarding compensation to the Compensation Committee as may be requested. Our officers and other employees participate in Compensation Committee discussions in an informational and advisory capacity and have no authority in the Compensation Committee's decision-making process.

## **Additional Executive Compensation Information**

### *Use of Tally Sheets*

The Compensation Committee reviews compensation tally sheets, prepared by management, that present comprehensive data on the total compensation and benefits package for each of our Named Executive Officers. Tally sheets include all current compensation components, as well as additional analyses with respect to hypothetical terminations to consider potential payments under such circumstances. The Compensation Committee does not use the tally sheets to determine the various elements of compensation or the actual amounts of compensation to be approved; but, rather to evaluate the various aspects of the Company's programs.

### *Stock Ownership Guidelines for Executives*

We believe it is important for our Named Executive Officers to build and maintain an appropriate minimum equity stake in the Company. The Company's stock ownership guidelines for Named Executive Officers are intended to further align executives' interests with the interests of our shareholders. Under these guidelines, Named Executive Officers must retain 50% of any vesting stock prior to coming into compliance with ownership requirements. Each of our Named Executive Officers must own an amount of shares equivalent to the following:

CEO .....	6x base pay
President and Executive Vice President .....	3x base pay
Senior Vice President .....	2x base pay

Compliance with this policy is reviewed by the Compensation Committee and executives must certify their compliance on an annual basis. The Committee may exercise its discretion in response to any non-compliance of this policy.

### *No Hedging of Company Stock*

We have a policy that prohibits any of our Executive Officers and directors from holding derivative instruments tied to our shares, other than derivative instruments that may be issued by us. Our Executive Officers and directors are prohibited from hedging, engaging in short sales and holding our shares in margin accounts.

## **No Pledging of Company Stock**

We have a policy that prohibits any of our Executive Officers and directors from pledging shares issued by us.

Our Executive Officers and directors must certify compliance with the hedging and pledging provisions of our Insider Trading Policy on an annual basis.

### *Executive Compensation Recoupment/Clawback Policy*

Under the Incentive Compensation Recoupment Policy, the Company is authorized to recover or adjust incentive compensation to the extent the Compensation Committee determines that payments or awards have exceeded the amount that would otherwise have been received, due to a restatement of our financial statements or if the Compensation Committee determines that an executive has engaged in, or has knowledge of, and fails to prevent or disclose, fraud or intentional misconduct pertaining to any financial reporting requirement.

### **Tax Impact on Compensation**

To the extent attributable to our United States subsidiaries and otherwise deductible, Section 162(m) of the Internal Revenue Code (“Section 162(m)”) limits the tax deduction that United States subsidiaries can take with respect to the compensation of designated Executive Officers, unless the compensation is “performance-based.”

Under the LTIP, the Compensation Committee has the discretion to award compensation that qualifies as performance-based compensation under Section 162(m) based on the achievement of objective performance goals. All Executive Officers are eligible to receive this type of award. The Compensation Committee has determined, and may in the future determine, to award compensation that does not qualify under Section 162(m) as performance-based compensation.



## **COMPENSATION COMMITTEE REPORT**

The Compensation Committee of the Board of Directors has reviewed and discussed the above Compensation Discussion and Analysis with management. Based on such review and discussions, the Compensation Committee recommended to the Company's Board of Directors that the above Compensation Discussion and Analysis be included in this proxy statement.

Members of the Compensation Committee:

Tan Ek Kia, Chairman

Frederico F. Curado

Vincent J. Intrieri

Martin B. McNamara

## EXECUTIVE COMPENSATION

### Summary Compensation Table

The following table summarizes annual and long-term compensation awarded, earned or paid for services in all capacities to the Named Executive Officers for the fiscal year ended December 31, 2014, and for those officers who were also Named Executive Officers for 2013 or 2012, for fiscal years ended December 31, 2013 or 2012.

Name and Principal Position	Year	Salary(1) \$	Discretionary Bonus \$	Stock Awards(2) \$	Option Awards(2) \$	Non-Equity Incentive Plan Compensation(3) \$	Change in Pension Value and Nonqualified Deferred Compensation Earnings(4) \$	All Other Compensation(6) \$	Total \$
Steven L. Newman(5) . . . . .	2014	1,241,667	—	6,795,900	—	1,539,065	3,819,129	852,854	14,248,615
President and Chief Executive Officer	2013	1,191,667	—	6,136,767	2,145,403	1,382,625	555,396	2,525,706	13,937,564
	2012	1,141,667	—	5,934,659	2,584,048	1,540,007	1,749,000	1,102,514	14,051,895
Esa Ikaheimonen . . . . .	2014	766,364	—	2,343,689	—	613,107	—	769,045	4,492,205
Executive Vice President and Chief Financial Officer	2013	731,487	—	2,130,800	744,930	544,921	—	984,635	5,136,773
	2012	89,694	248,724	726,383	—	77,759	—	185,338	1,327,898
John B. Stobart . . . . .	2014	664,167	—	2,156,353	—	658,636	202,852	687,852	4,369,860
Executive Vice President and Chief Operating Officer	2013	631,667	—	1,917,706	670,430	586,280	97,050	983,866	4,886,999
	2012	153,750	300,000	976,351	—	166,803	18,650	21,204	1,636,758
Lars A. Sjöbring . . . . .	2014	450,820	153,770	1,621,429	—	307,302	—	448,167	2,930,271
Senior Vice President and General Counsel									
David Tonnel . . . . .	2014	437,500	—	876,890	—	260,290	358,021	273,368	2,206,069
Senior Vice President and Controller	2013	420,833	—	1,022,795	357,561	234,290	85,842	249,841	2,371,162
	2012	387,875	—	1,032,105	449,400	242,341	92,548	368,865	2,573,134

- (1) Base salary is denominated in U.S. dollars (US\$). Mr. Ikaheimonen's salary was paid in Swiss francs (CHF) but, for purposes of this table, converted to US\$ using the average annual CHF to US\$ exchange rates of 1.09381 and 1.07895 for 2014 and 2013, respectively, and exchange rates ranging from 1.0074 to 1.1154 for 2012.
- (2) Represents the aggregate grant date fair value during such year under accounting standards for recognition of share-based compensation expense for the specified year. For a discussion of the valuation assumptions with respect to these awards, please see Note 18 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2014.
- (3) Non-Equity Incentive Plan Compensation includes annual cash bonuses paid to the Named Executive Officers based on service during the year included in the table and awarded in the following year pursuant to the Performance Award and Cash Bonus Plan. The Performance Award and Cash Bonus Plan, including the performance targets used for 2014, is described under "Compensation Discussion and Analysis—Performance Award and Cash Bonus Plan."
- (4) There are no nonqualified deferred compensation earnings included in this column because no Named Executive Officer received above-market or preferential earnings on such compensation during 2014, 2013 or 2012.
- (5) On February 16, 2015, Steven Newman stepped down as the President and Chief Executive Officer and Ian Strachan, Chairman of the Board of Transocean Ltd., immediately assumed the role of Interim Chief Executive Officer.
- (6) All other compensation for 2014 consists of the following:

Name	Company Contributions to Savings Plans(1) \$	Life Insurance Premiums \$	Dividend Equivalents on Time-vested DUs \$	Club Membership Dues \$	Expatriate Assignment Allowances(b) \$	Expatriate Relocation and Geographic Differential \$
Steven L. Newman . . . . .	15,600	4,212	409,717	398	422,927	—
Esa Ikaheimonen . . . . .	161,742	58,495	150,779	—	398,029	—
Lars A. Sjöbring . . . . .	75,144	13,884	60,503	2,404	251,673	44,559
John B. Stobart . . . . .	15,600	9,114	144,490	1,412	435,084	82,152
David Tonnel . . . . .	15,600	3,300	59,175	2,455	192,661	177

- (1) Messrs. Newman, Stobart and Tonnel participate in the U.S. 401(k) Savings Plan. Messrs. Ikaheimonen and Sjöbring participate in the Transocean Management Ltd. Pension Plan. Amounts shown represent Company contributions to those plans.
- (2) Amounts represent automobile allowances and housing allowances for Mr. Newman (\$198,341), Mr. Ikaheimonen (\$196,772), Mr. Sjöbring (\$163,934), Mr. Stobart (\$198,341) and Mr. Tonnel (\$60,600); home country leave allowances for Mr. Newman (\$41,335), Mr. Stobart (\$49,602), Mr. Ikaheimonen (\$17,078), Mr. Sjöbring (\$20,116) and Mr. Tonnel (\$43,319); cost of living adjustment for Mr. Newman (\$99,964), Mr. Stobart (\$99,964), Mr. Ikaheimonen (\$99,148) and Mr. Sjöbring (\$67,623); and dependent education costs for Mr. Newman (\$83,287), Mr. Ikaheimonen (\$85,082), Mr. Stobart (\$87,176), and Mr. Tonnel (\$88,742).

## Grants of Plan-Based Awards for 2014

The following table provides information concerning the annual performance bonus and long-term incentive awards made to each of the Named Executive Officers in the fiscal year ended December 31, 2014.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1)			Estimated Future Payouts Under Equity Incentive Plan Awards(2)			Number of Shares of Stock or Units(3)	Number of Securities Underlying Options(4)	Exercise or Base Price of Option Award (\$/Sh)	Grant Date Fair Value of Stock and Option Awards(5) (\$)
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)				
Steven L. Newman . . .	—	—	1,562,500	3,125,00	—	—	—	—	—	—	—
	2/13/2014	—	—	—	—	90,365	180,730	—	—	—	2,877,673
	2/13/2014	—	—	—	—	—	—	90,365	—	—	3,918,226
Esa Ikaheimonen . . .	—	—	646,000	1,292,000	—	—	—	—	—	—	—
	2/13/2014	—	—	—	—	31,164	62,328	—	—	—	992,418
	2/13/2014	—	—	—	—	—	—	31,164	—	—	1,351,271
Lars A. Sjobring . . .	—	—	315,000	630,000	—	—	—	—	—	—	—
	3/1/2014	—	—	—	—	16,430	32,860	—	—	—	488,628
	3/1/2014	—	—	—	—	—	—	26,717	—	—	1,132,801
John B. Stobart . . . .	—	—	670,000	1,340,000	—	—	—	—	—	—	—
	2/13/2014	—	—	—	—	28,673	57,346	—	—	—	913,092
	2/13/2014	—	—	—	—	—	—	28,673	—	—	1,243,261
David Tonnel . . . . .	—	—	264,000	528,000	—	—	—	—	—	—	—
	2/13/2014	—	—	—	—	11,660	23,320	—	—	—	371,313
	2/13/2014	—	—	—	—	—	—	11,660	—	—	505,577

- (1) This column shows the amount of cash payable to the Named Executive Officers under our Performance Award and Cash Bonus Plan. Actual amounts earned by the Named Executive Officers under the plan appear in the Non-Equity Incentive Plan Compensation Column of the Summary Compensation Table. For more information regarding our Performance Award and Cash Bonus Plan, including the performance targets used for 2014, see “Compensation Discussion and Analysis—Performance Award and Cash Bonus Plan.”
- (2) The February 13, 2014 contingent deferred unit award is subject to a three-year performance period ending on December 31, 2016. The actual number of deferred units received will be determined in the first 60 days of 2017 and is contingent on our performance in total shareholder return relative to the Performance Peer Group and achievement of ROCE performance goals. Any earned shares will vest on December 31, 2017. For more information regarding the LTIP, including the performance targets used for 2014 and the contingent nature of the awards granted under the LTIP, please read, “Compensation Discussion and Analysis—Long-Term Incentive Plan.”
- (3) This column shows the number of time-vested deferred units granted to the Named Executive Officers under the LTIP. The units vest in one-third increments over a three-year period commencing on the anniversary of the date of grant.
- (4) This column represents the grant date fair value of these awards calculated in accordance with accounting standards for recognition of share-based payment awards. The 2014 contingent deferral unit award’s fair value is calculated using both the Monte Carlo simulation to value TSR, and ROCE valued at the stock price on the grant date.
- (5) This column represents the grant date fair value of these awards calculated in accordance with accounting standards for recognition of share-based payment awards.

## Outstanding Equity Awards at Year-End 2014

The following table sets forth certain information with respect to outstanding equity awards at December 31, 2014, for the Named Executive Officers.

Name	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Not Exercisable (#)	Option Exercise Price (\$/Share)	Grant/Award Date	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested(1) (#)	Market Value of Shares or Units of Stock That Have Not Vested(2) (\$)	Equity Incentive Plan Awards: Number of Unearned Shares, Units, Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units, Other Rights That Have Not Vested(2) (\$)
Steven L. Newman .	17,248		\$ 83.70	7/13/2006	7/12/2016				
	17,248		\$ 73.21	10/12/2006	10/11/2016				
	27,728		\$144.32	7/9/2008	7/8/2018				
	56,000		\$ 60.19	2/12/2009	2/11/2019				
	63,675		\$ 80.26	3/1/2010	2/29/2020				
	57,621		\$ 78.76	2/10/2011	2/9/2021				
	88,162	44,082	\$ 50.79	2/17/2012	2/16/2022				
	41,170	82,342	\$ 59.30	2/14/2013	2/13/2023				
				2/17/2012		18,098	331,736		
				2/14/2013		30,680	562,364		
				2/13/2014		90,365	1,656,390		
				2/14/2013				46,020(3)	843,547
				2/13/2014				90,365(4)	1,656,390
Esa Ikaheimonen . .	14,295	28,591	\$ 59.30	2/14/2013	2/13/2023				
				11/15/2012		5,389	98,780		
				2/14/2013		10,653	195,269		
				2/13/2014		31,164	571,236		
				2/14/2013				15,979(3)	292,895
				2/13/2014				31,164(4)	571,236
Lars A. Sjobring . .				3/1/2014		10,287	188,561		
				3/1/2014		16,430	301,162		
				3/1/2014				16,430(4)	301,162
John B. Stobart . . .	12,865	25,732	\$ 59.30	2/14/2013	2/13/2023				
				10/1/2012		7,042	129,080		
				2/14/2013		9,588	175,748		
				2/13/2014		28,673	525,576		
				2/14/2013				14,381(3)	263,604
				2/13/2014				28,673(4)	525,576
David Tonnel . . . .	3,401		\$144.32	7/9/2008	7/8/2018				
	9,164		\$ 60.19	2/12/2009	2/11/2019				
	2,729		\$ 74.93	9/1/2009	8/31/2019				
	11,792		\$ 83.32	2/18/2010	2/17/2020				
	8,731		\$ 78.76	2/10/2011	2/9/2021				
	15,332	7,667	\$ 50.79	2/17/2012	2/16/2022				
	6,861	13,724	\$ 59.30	2/14/2013	2/13/2023				
				2/17/2012		3,148	57,703		
				2/14/2013		5,114	93,740		
				2/13/2014		11,660	213,728		
				2/14/2013				7,670(3)	140,591
				2/13/2014				11,660(4)	213,728

- (1) Represents time-vested deferred unit awards. Awards vest in one-third increments over a three-year period on the anniversary of the date of grant.
- (2) For purposes of calculating the amounts in these columns, the closing price of our shares on the NYSE on December 31, 2014, of \$18.33 was used.
- (3) Represents the February 13, 2013, contingent deferred unit award, which is subject to a three-year performance period ending on December 31, 2015. The actual number of deferred units received will be determined in the first 60 days of 2016 and is contingent on our performance in total shareholder return relative to the Performance Peer Group. Any shares earned will vest on December 31, 2015. For more information regarding the LTIP, please read “Compensation Discussion and Analysis—Long-Term Incentive Plan.”
- (4) Represents the February 13, 2014, contingent deferred unit award, which is subject to a three-year performance period ending on December 31, 2016. The actual number of deferred units received will be determined in the first 60 days of 2017 and is contingent on

our performance in total shareholder return relative to the Performance Peer Group. Any shares earned will vest on December 31, 2016. For more information regarding the LTIP, please read “Compensation Discussion and Analysis—Long-Term Incentive Plan.”

### Option Exercises and Shares Vested for 2014

The following table sets forth certain information with respect to the exercise of options and the vesting of deferred units, as applicable, during 2014 for the Named Executive Officers.

Name	Option Awards		Stock Awards(1)	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)
Steven L. Newman . . . . .	—	—	42,161	1,786,292
Esa Ikaheimonen . . . . .	—	—	6,489	221,767
Lars A. Sjobring . . . . .	—	—	—	—
John B. Stobart . . . . .	—	—	7,541	268,641
David Tonnel . . . . .	—	—	4,162	176,347

(1) Calculated by multiplying the closing price of our shares on the NYSE on the date of vesting multiplied by the number of shares that vested on such date.

### Pension Benefits for 2014

We maintain the following pension plans for executive officers and other employees that provide for post-retirement income based on age and years of service:

- Transocean U.S. Retirement Plan,
- Transocean Pension Equalization Plan,
- Transocean International Retirement Plan, and
- Transocean Management Ltd. Pension Plan.

The following table and narrative disclosure set forth certain information with respect to pension benefits payable to the Named Executive Officers pursuant to these plans:

Name	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated Benefit (\$)	Payments During 2014 (\$)
Steven L. Newman . . .	Transocean Pension Equalization Plan	21	8,397,468	—
	Transocean U.S. Retirement Plan	21	764,098	—
Esa Ikaheimonen . . . .	Transocean Management Ltd. Pension Plan	2	331,181	—
Lars A. Sjobring . . . . .	Transocean Management Ltd. Pension Plan	1	90,164	—
John B. Stobart . . . . .	Transocean U.S. Retirement Plan	2	89,336	—
	Transocean Pension Equalization Plan	2	229,216	—
David Tonnel . . . . .	Transocean U.S. Retirement Plan	9	259,334	—
	Transocean Pension Equalization Plan	9	478,500	—
	Transocean International Retirement Plan	9	104,199	—

### Transocean U.S. Retirement Plan

The Transocean U.S. Retirement Plan is a tax-qualified pension plan funded through cash contributions made by the Company based on actuarial valuations and regulatory requirements. Messrs. Newman, Stobart, and Tonnel were the Named Executive Officers in 2014 who participated in this plan. The purpose of the plan is to provide post-retirement income benefits to employees in recognition of

their long-term service to the Company. Employees working for the Company in the U.S. are fully vested after completing five years of eligible employment. Benefits available to the Named Executive Officers are no greater than those offered to non-executive participants. Employees earn the right to receive a benefit upon retirement at the normal retirement age of 65 or upon early retirement (age 55 or older). Effective as of January 1, 2015, the Company authorized the amendment of the Plan in order to freeze benefits under the Plan effective as of December 31, 2014.

The following elements of executive compensation are included in computing the retirement benefit: base salary, non-equity incentive plan compensation and special performance cash bonuses. Retirement benefits are calculated as (1) the product of (A) each year of an employee's credited service, times (B) 2.00%, times (C) the final average earnings, minus (2) the product (also referred to as the "Offset") of (A) each year of an employee's credited service, times (B) 0.65%, times (C) the final average social security earnings. However, the Offset cannot be greater than one-half of the gross benefit, calculated using the lesser of the final average earnings and final average Social Security earnings.

If the employee elects to retire between the ages of 55 and 64, the amount of benefits is reduced; actuarial reduction factors are applied to his or her "gross benefit" and his or her final average Social Security earnings offset to allow for the fact that his or her benefit will start earlier than "normal" and will, therefore, be paid for a longer period of time. If the employee terminates service at age 55 or later, he or she may elect to receive an unreduced benefit as early as age 62.

None of the Named Executive Officers met the eligibility requirements for "early retirement" under the plan. The gross benefit is reduced 2% per year for the first five years and 6% per year for the next five years that the early retirement date precedes the normal retirement date. The offset benefit is reduced 6.67% per year for the first five years and 3.33% per year for the next five years that the early retirement date precedes the normal retirement date.

Certain assumptions and calculation methods were used to determine the values of the pension benefits disclosed in the Pension Benefits Table above. In particular, monthly accrued pension benefits, payable at age 65, were determined as of December 31, 2014. The present value of these benefits was calculated based on assumptions used in the Company's financial statements for 2013. The key assumptions used were:

Interest Rate: . . . . .	4.18%
Mortality: . . . . .	2015-PPA
Form of Payment: . . . . .	Joint & 50% Survivor Annuity
Compensation: . . . . .	Base Salary + Non-Equity Incentive Plan Compensation
Retirement Age: . . . . .	62
Percentage Married: . . . .	70% Male—60% Female

#### **Transocean Pension Equalization Plan**

Officers, including each of the Named Executive Officers, are eligible to receive a benefit from the Company's nonqualified, unfunded, noncontributory Pension Equalization Plan ("PEP") if the level of their compensation would otherwise cause them to exceed the Internal Revenue Code compensation limitations imposed on the Transocean U.S. Retirement Plan. The purpose of this plan is to recognize an executive's service to the Company and provide supplemental post-retirement income to those individuals. Benefits are payable upon a participant's termination of employment, or six months after termination in the case of certain officers.

The plan recognizes the same forms of compensation as the U.S. Retirement Plan. Benefits are not earned until the individual has five years of credited service with the Company. The formula used to calculate the plan benefit is the same as that which is used to calculate benefits under the Transocean U.S. Retirement Plan; however, earnings are not limited to the pay cap under the Internal Revenue Code Section 401(a)(17) (\$260,000 in 2014). The plan was amended effective January 1, 2015, to (1) freeze

benefits under the plan effective as of December 31, 2014, and (2) change the Applicable Interest Rate in effect on January 1, 2015.

Certain assumptions and calculation methods were used to determine the values of the pension benefits disclosed in the Pension Benefits Table above. In particular, monthly accrued pension benefits, payable at age 65, were determined as of December 31, 2014. The present value of these benefits was calculated based on assumptions used in the Company's financial statements for 2014. The key assumptions are:

Interest Rate: . . . . .	3.23%
Mortality: . . . . .	2015-417(e)
Form of Payment: . . . . .	Lump Sum
Lump Sum Rate (grandfathered): . . . . .	1.73%
Lump Sum Rate (non-grandfathered): . . . . .	3.23%
Compensation: . . . . .	Base Salary + Non-Equity Incentive Plan Compensation
Retirement Age: . . . . .	62
Percentage Married: . . . . .	70% Male—60% Female

### **Transocean International Retirement Savings Plan**

In January 2014, the Transocean International Retirement Plan and the Transocean International Savings Plan were merged into one trust-based plan called the Transocean International Retirement Savings Plan. The plan is a nonqualified, defined contribution plan, for non-U.S. citizen employees who accept international assignments and have completed at least one full calendar month of service. Eligibility in the plan is based on residency outside of the U.S. Mr. Tonnel was the only Named Executive Officer in 2014 who held accrued benefits in this plan, however, he did not actively participate in this plan in 2014. The plan is funded through cash contributions by the Company as a percentage of compensation along with voluntary contributions by employees, which are limited to 15% of the employee's base pay. Current Company contribution levels are as follows:

<u>Service</u>	<u>Company Match</u>
< 5 years . . . . .	4.5%
5 - 9 years . . . . .	5%
10 - 14 years . . . . .	5.5%
15 - 19 years . . . . .	6%
20+ years . . . . .	6.5%

Contributions are based on a participant's compensation (regular pay, non-equity cash incentive pay and special performance cash awards). The normal retirement age under the plan is age 60; however, participants who are age 50 or older, and who are vested with two or more years of service, may upon termination or retirement, elect to receive a lump sum or an annuity based on the full cash value of the participant's retirement account. If a participant retires with less than two years of service, the participant will only be entitled to receive benefits under the plan based on the accumulated value of his voluntary employee contributions.

### **Transocean Management Ltd. Pension Plan**

The Company maintains the Transocean Management Ltd. Pension Plan, a nonqualified, defined contribution plan, for its non-U.S. dollar paid employees in Switzerland. Messrs. Ikaheimonen, and Sjobring were the Named Executive Officers in 2014 who participated in this plan. The plan is funded through cash contributions by the Company as a percentage of compensation along with contributions by employees. Mandatory contributions by the employees are 6% of pensionable salary. Additional voluntary



contributions are permitted but these contributions do not generate any additional match by the Company. Current Company contribution levels are as follows:

Age	Company Match
24 . . . . .	10%
34 . . . . .	12%
44 . . . . .	14%
54 . . . . .	16%

Contributions are based on a participant's annual salary. Regular retirement age under the plan is age 65 for men and 64 for women, as is customary in Switzerland.

#### Nonqualified Deferred Compensation for 2014

The following table and narrative disclosure set forth certain information with respect to nonqualified deferred compensation payable to the Named Executive Officers. All nonqualified deferred compensation plan benefits are payable in cash from the Company's general assets.

Name	Executive Contributions in Last FY (\$)	Registrant Contributions in Last FY(1) (\$)	Aggregate Earnings in Last FY(2) (\$)	Aggregate Withdrawals/ Distributions (\$)	Aggregate Balance at Last FYE(3) (\$)
Steven L. Newman . . . . .	—	—	1,321	—	41,465
Esa Ikaheimonen . . . . .	—	—	—	—	—
Lars A. Sjobring . . . . .	—	—	—	—	—
John B. Stobart . . . . .	—	—	—	—	—
David Tonnel . . . . .	—	—	7	—	228

- (1) The Transocean U.S. Supplemental Savings Plan was frozen as of December 31, 2008. Accordingly, no new participants have been added since 2008. The balances under the plan will continue to accrue interest and remain in the plan until the participant leaves the Company.
- (2) Represents earnings in 2014 on balances in the Transocean U.S. Supplemental Savings Plan.
- (3) Represents balances as of December 31, 2014 in the Transocean U.S. Supplemental Savings Plan.

#### Transocean U.S. Supplemental Savings Plan

The Named Executive Officers and certain other highly compensated employees as of December 31, 2008, were eligible to participate in the nonqualified, unfunded Transocean U.S. Supplemental Savings Plan if the level of their base salaries would otherwise cause them to exceed the contribution limits imposed by the Internal Revenue Code on the Transocean U.S. Savings Plan. Base pay is used to calculate the benefit. The Company maintains on its books an account for each participant to whom it credits (1) the amount of any Company matching contributions which are not paid to the Transocean U.S. Savings Plan due to limitations of the Internal Revenue Code, plus (2) earned interest. This interest is credited at the end of each calendar quarter and is calculated as a sum that is equal to the average balance for the quarter multiplied by one-fourth of the annual prime rate for corporate borrowers quoted by The Federal Reserve Statistical Release at the beginning of the quarter. The participant's supplemental savings benefit equals the balance recorded in his account. A participant receives a single lump sum payment of the balance at the time of such participant's termination, or six months after termination in the case of certain officers. A participant may not receive a distribution or make any withdrawals prior to such participant's termination. On December 31, 2008, the Transocean U.S. Supplemental Savings Plan was frozen. No further benefits have accrued under the plan since December 31, 2008.

## Potential Payments Upon Termination or Change of Control

The following tables and narrative disclosure set forth, as of December 31, 2014, certain information with respect to compensation that would be payable to the Named Executive Officers, still serving as officers of the Company as of December 31, 2014, upon a variety of termination or change of control scenarios.

As of December 31, 2014, the Named Executive Officers still serving as officers of the Company were eligible for the executive severance benefit policy. Members of the Executive Management Team are further subject to the full limitations of the Minder Ordinance regarding severance upon expiry of the grandfathering provisions of the Minder Ordinance in December 2015.

### Voluntary Not-for-Cause Termination

Compensation Element	Mr. Newman \$	Mr. Ikaheimonen \$	Mr. Sjobring \$	Mr. Stobart \$	Mr. Tonnel \$
Pension Equalization Plan(1) . . . . .	8,397,468	—	—	229,216	478,500
Supplemental Savings Plan(2) . . . . .	41,465	—	—	—	228
<b>Total Potential Payments . . . . .</b>	<b>8,438,933</b>	<b>—</b>	<b>—</b>	<b>229,216</b>	<b>478,728</b>

- (1) The amount of PEP benefits included in the table for each of Messrs. Newman and Tonnel represents the present value of those benefits, which would not have been payable as of December 31, 2014, but would be payable once he reaches 55 years of age.
- (2) The supplemental savings plan benefit is equal to the balance, which includes interest, recorded in each Named Executive Officer's account as of December 31, 2014. Each of Messrs. Newman and Tonnel is eligible to receive a lump sum payment of the balance after a six-month waiting period after their termination. No distributions or withdrawals are permitted prior to termination.

### Involuntary Not-for-Cause Termination

Compensation Element	Mr. Newman \$	Mr. Ikaheimonen \$	Mr. Sjobring \$	Mr. Stobart \$	Mr. Tonnel \$
Cash Severance Payment(1) . . . . .	1,250,000	760,000	525,000	670,000	440,000
Non-Equity Incentive Compensation(1) . . . . .	1,562,500	646,000	315,000	670,000	264,000
Equity Incentive Compensation					
Vested Stock Options . . . . .	—	—	—	—	—
Unvested Stock Options(2) . . . . .	—	—	—	—	—
Time-based Deferred Units(3) . . . . .	2,550,491	865,286	489,723	830,404	365,170
Performance-based Deferred Units(4) . . . . .	505,365	174,284	88,662	160,353	65,208
Pension Equalization Plan(5) . . . . .	8,397,468	—	—	229,216	478,500
Supplemental Savings Plan(6) . . . . .	41,465	—	—	—	228
Outplacement Services(1) . . . . .	62,500	38,000	26,250	33,500	22,000
<b>Total Potential Payments . . . . .</b>	<b>14,369,789</b>	<b>2,483,570</b>	<b>1,444,635</b>	<b>2,593,473</b>	<b>1,635,106</b>

- (1) Any involuntary not-for-cause termination as of December 31, 2014, would have been calculated under the executive severance benefit and the Performance Award and Cash Bonus Plan.
- (2) The terms and conditions of the non-qualified option awards provide that upon an involuntary, not-for-cause termination, any unvested options are canceled as of the date of termination.

- (3) The time-based deferred units (“DUs”) are awards that vest in equal installments over three years, on the first, second and third anniversaries of the date of grant. Upon an involuntary, not-for-cause termination, all of the DUs would vest.
- (4) The performance-based deferred units (“CDUs”) are based upon the achievement of a performance standard over a three-year period. The determination period for a portion of the CDUs ends on December 31, 2015, and the determination period for the remaining CDUs ends on December 31, 2016. The actual number of deferred units received will be determined in the first 60 days of 2016 of 2017, as applicable, and is contingent on our performance in total shareholder return relative to the Performance Peer Group. Upon an involuntary, not-for-cause termination, the Named Executive Officers would receive a pro-rata portion of the CDUs. The pro-rata portion of the CDUs is determined by multiplying the number of CDUs which would have otherwise been earned had the Named Executive Officer’s employment not been terminated by a fraction, the numerator of which is the number of calendar days he was employed during the performance cycle after the grant date and the denominator of which is the total number of calendar days in the performance cycle after the grant date.
- (5) The amount of PEP benefits included in the table for each of Messrs. Newman and Tonnel represents the present value of those benefits which would not have been payable as of December 31, 2014, but would be payable once he reaches 55 years of age.
- (6) The supplemental savings plan benefit is equal to the balance, which includes interest, recorded in each Named Executive Officer’s account as of December 31, 2014. Each of Messrs. Newman and Tonnel is eligible to receive a lump sum payment of the balance after a six-month waiting period after his termination. No distributions or withdrawals are permitted prior to termination.

#### Death

Compensation Element	Mr. Newman \$	Mr. Ikaheimonen \$	Mr. Sjobring \$	Mr. Stobart \$	Mr. Tonnel \$
Non-Equity Incentive Compensation(1) . . . . .	1,562,500	646,000	315,000	670,000	264,000
Equity Incentive Compensation					
Vested Stock Options . . . . .	—	—	—	—	—
Unvested Stock Options(2) . . . . .	—	—	—	—	—
Time-based Deferred Units(2) . . . . .	2,550,491	865,286	489,723	830,404	365,170
Performance-based Deferred Units(3) . . . . .	505,365	174,284	88,662	160,353	65,208
Pension Equalization Plan . . . . .	8,397,468	—	—	229,216	478,500
Supplemental Savings Plan(4) . . . . .	41,465	—	—	—	228
Life Insurance Benefit(5) . . . . .	1,000,000	3,040,000	2,100,000	1,000,000	1,000,000
<b>Total Potential Payments . . . . .</b>	<b><u>14,057,289</u></b>	<b><u>4,725,570</u></b>	<b><u>2,999,385</u></b>	<b><u>2,889,973</u></b>	<b><u>2,173,106</u></b>

- (1) Each Named Executive Officer’s beneficiary would receive the pro rata share of the deceased’s targeted non-equity incentive plan compensation for 2014. If the Named Executive Officer died on December 31, 2014, then this pro rata share would be equal to 100% of such Named Executive Officer’s targeted non-equity compensation for 2014.
- (2) The unvested portions of the stock options and DUs vest immediately upon death.
- (3) The beneficiary of each Named Executive Officer is entitled to a pro-rata portion of CDUs upon such Named Executive Officer’s death.

- (4) Each Named Executive Officer would be eligible to receive the same supplemental savings plan payments as contemplated under the “Involuntary Not-for-Cause Termination” scenario described above.
- (5) We provide each of our Named Executive Officers with a life insurance benefit equal to four times covered annual earnings; for USD-paid executives only, the life insurance benefit is capped at a maximum of \$1,000,000.

### Disability

Compensation Element	Mr. Newman \$	Mr. Ikaheimonen \$	Mr. Sjobring \$	Mr. Stobart \$	Mr. Tonnel \$
Non-Equity Incentive Compensation(1) . . . . .	1,562,500	646,000	315,000	670,000	264,000
Equity Incentive Compensation					
Vested Stock Options . . . . .	—	—	—	—	—
Unvested Stock Options(2) . . . . .	—	—	—	—	—
Time-based Deferred Units(2) . . . . .	2,550,491	865,286	489,723	830,404	365,170
Performance-based Deferred Units(3) . . . . .	505,365	174,284	88,662	160,353	65,208
Pension Equalization Plan . . . . .	8,397,468	—	—	229,216	478,500
Supplemental Savings Plan . . . . .	41,465	—	—	—	228
Disability Benefit(4) . . . . .	—	—	—	—	—
<b>Total Potential Payments . . . . .</b>	<b><u>13,057,289</u></b>	<b><u>1,685,570</u></b>	<b><u>893,385</u></b>	<b><u>1,889,973</u></b>	<b><u>1,173,106</u></b>

- (1) Each of the potential non-equity incentive plan compensation and supplemental savings plan payments under this “Disability” scenario would be the same as contemplated under the “Death” scenario described above.
- (2) The unvested portions of the stock options and DUs vest immediately upon disability.
- (3) Each Named Executive Officer is entitled to a pro-rata portion of the CDUs upon disability.
- (4) None of our Named Executive Officers is eligible for any disability benefits beyond those benefits that are available generally to all of our salaried employees.

### Retirement

Compensation Element	Mr. Newman \$	Mr. Ikaheimonen \$	Mr. Sjobring \$	Mr. Stobart \$	Mr. Tonnel \$
Non-Equity Incentive Compensation . . . . .	1,562,500	646,000	315,000	670,000	264,000
Equity Incentive Compensation					
Vested Stock Options . . . . .	—	—	—	—	—
Unvested Stock Options . . . . .	—	—	—	—	—
Time-based Deferred Units . . . . .	2,550,491	865,286	489,723	830,404	365,170
Performance-based Deferred Units(1) . . . . .	505,365	174,284	88,662	160,353	65,208
Pension Equalization Plan(2) . . . . .	8,397,468	—	—	229,216	478,500
Supplemental Savings Plan(3) . . . . .	41,465	—	—	—	228
<b>Total Potential Payments . . . . .</b>	<b><u>13,057,289</u></b>	<b><u>1,685,570</u></b>	<b><u>893,385</u></b>	<b><u>1,889,973</u></b>	<b><u>1,173,106</u></b>

- (1) The treatment of CDU awards upon retirement would be treated the same as described under “Involuntary Not-for-Cause Termination” above.

- (2) Each of Messrs. Newman and Tonnel had not reached at least 55 years of age as of December 31, 2014, and were therefore not eligible for early retirement or normal retirement (age 65) under the PEP. The amount of PEP benefits included in the table for each of Messrs. Newman and Tonnel represent the present value of those benefits which would not have been payable as of December 31, 2014, but would be payable once he reaches 55 years of age.
- (3) Each Named Executive Officer would be eligible to receive the same supplemental savings plan payments as contemplated under the “Involuntary Not-for-Cause Termination” scenario described above.

#### Change of Control

Compensation Element	Mr. Newman \$	Mr. Ikaheimonen \$	Mr. Sjobring \$	Mr. Stobart \$	Mr. Tonnel \$
Cash Severance Payment(1) . . . . .	1,250,000	760,000	525,000	670,000	440,000
Non-Equity Incentive Compensation(1) . . . . .	1,562,500	646,000	340,000	670,000	264,000
Equity Incentive Compensation					
Vested Stock Options . . . . .	—	—	—	—	—
Unvested Stock Options(2) . . . . .	—	—	—	—	—
Time-based Deferred Units(2) . . . . .	2,550,491	865,286	489,723	830,404	365,170
Performance-based Deferred Units(3) . . . . .	3,495,109	864,131	301,162	789,180	527,391
Pension Equalization Plan . . . . .	8,397,468	—	—	229,216	478,500
Supplemental Savings Plan(4) . . . . .	41,465	—	—	—	228
Outplacement Services(1) . . . . .	62,500	38,000	26,250	33,500	22,000
<b>Total Potential Payments . . . . .</b>	<b><u>17,359,533</u></b>	<b><u>3,173,417</u></b>	<b><u>1,682,135</u></b>	<b><u>3,222,300</u></b>	<b><u>2,097,289</u></b>

- (1) Any termination in connection with a change of control as of December 31, 2014, would have been calculated under the executive severance benefit policy and the Performance Award and Cash Bonus Plan.
- (2) The unvested portions of the stock options and DUs vest immediately upon a change of control termination.
- (3) Each Named Executive Officer is entitled to the number of CDUs equal to the target award upon a change of control termination.
- (4) Each Named Executive Officer would be eligible to receive the same supplemental savings plan payments as contemplated under the “Involuntary Not-for-Cause Termination” scenario described above.

## EQUITY COMPENSATION PLAN INFORMATION

The following table provides information concerning securities authorized for issuance under our equity compensation plans as of December 31, 2014.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders(1) . . . . .	1,866,370	\$73.35	6,075,234
Equity compensation plans not approved by security holders(2)(3) . . . . .	—	—	—
Total . . . . .	1,866,370	\$73.35	6,075,234

- (1) Restricted shares and deferred units are included in the awards we may grant under the LTIP, and 2,733,806 shares are available for future issuance pursuant to grants of restricted shares and deferred units.
- (2) Does not include 39,677 shares to be issued upon the exercise of options with a weighted average exercise price of \$59.04 that were granted under (a) equity compensation plans of GlobalSantaFe Corporation assumed by us in connection with our merger with GlobalSantaFe, (b) the Sedco Forex Option plan assumed by us in connection with our merger with Sedco Forex Holding Limited, and (c) equity compensation plans of R&B Falcon Corporation assumed by us in connection with our merger with R&B Falcon (collectively, the “Assumed Plans”). No new awards will be granted under the Assumed Plans.
- (3) Does not include any shares that may be distributed under our deferred compensation plan, which has not been approved by our shareholders. Under this plan, our directors could defer any fees or retainers by investing those amounts in Transocean Inc. ordinary share equivalents or in other investments selected by the administrative committee. Amounts that are invested in the share equivalents at the time of distribution are distributed in ordinary shares. After December 31, 2005, no further deferrals may be made under the plan. As of the time immediately prior to our merger with GlobalSantaFe, our directors had purchased 30,490 Transocean Inc. ordinary share equivalents under this plan. Each of the share equivalents was reclassified into 0.6996 share equivalents and \$33.03 cash. Fractional share equivalents were paid in cash. The total cash consideration was used to purchase additional share equivalents using the closing price for Transocean Inc. ordinary shares on November 27, 2007. As a result of the redomestication transaction pursuant to which Transocean Inc. merged by way of schemes of arrangement under Cayman Islands law with Transocean Cayman Ltd., with Transocean Inc. as the surviving company, each Transocean Inc. ordinary share equivalent was exchanged for a Transocean Ltd. share equivalent. For the years ended December 31, 2014, and 2013, our directors held 20,275 and 22,394 share equivalents, respectively, under the plan.

## OTHER MATTERS

### Compensation Committee Interlocks and Insider Participation

The members of the Compensation Committee of the Board of Directors during 2014 were Tan Ek Kia, Chairman, Frederico F. Curado, Vincent J. Intrieri and Martin B. McNamara. There are no matters relating to interlocks or insider participation that we are required to report.

### Section 16(a) Beneficial Ownership Reporting Compliance

Federal securities laws require the Company's executive officers and directors, and persons who own more than ten percent of the Company's shares, to file initial reports of ownership and reports of changes in ownership of the Company's equity securities with the Securities and Exchange Commission. Based solely on a review of such reports furnished to the Company and written representations that no report on Form 5 was required for 2014, and except one Form 4 filing for David Tonnel that was filed two days past the required deadline due to a delay in receipt of information from the broker conducting the stock transactions on behalf of Mr. Tonnel for which the forms relate, the Company believes that no director, officer or beneficial owner of more than ten percent of the Company's shares failed to file a report on a timely basis in 2014.

### Householding

The SEC permits us, under certain circumstances, to send a single set of the Notice of Internet Availability of Proxy Materials, proxy materials, and annual reports to any household at which two or more shareholders reside if they appear to be members of the same family. This procedure, referred to as householding, reduces the volume of duplicate information shareholders receive and reduces mailing and printing expenses.

In order to take advantage of this opportunity, we have delivered only one Notice of Internet Availability of Proxy Materials or, if you previously requested to receive paper proxy materials by mail, one proxy statement and annual report to shareholders who share an address (unless we received contrary instructions from the affected shareholders prior to the mailing date). However, if any such shareholder residing at such an address wishes to receive a separate copy of any of these documents either now or in the future, or if any such shareholder that elected to continue to receive separate copies wishes to receive a single copy in the future, that shareholder should send a request in writing to Investor Relations at our offices in the United States, at 4 Greenway Plaza, Houston, Texas 77046 or by calling +41 (41) 749 0500. We will deliver, promptly upon written or oral request to Investor Relations, a separate copy of the proxy materials to a shareholder at a shared address to which a single copy of the documents was delivered.

A number of brokerage firms have instituted householding. If your family or others with a shared address have one or more "street name" accounts under which you beneficially own shares, you may have received householding information from your broker/dealer, financial institution or other nominee in the past. Please contact the holder of record directly if you have questions, require additional copies of the proxy materials or wish to revoke your decision to household and thereby receive multiple copies.

### Proposals of Shareholders

*Shareholder Proposals in the Proxy Statement.* Rule 14a-8 under the Securities Exchange Act of 1934 addresses when a company must include a shareholder's proposal in its proxy statement and identify the proposal in its form of proxy when the company holds an annual or special meeting of shareholders. Under Rule 14a-8, in order for your proposals to be considered for inclusion in the proxy statement and proxy card relating to our 2016 Annual General Meeting, your proposals must be received at our principal executive offices c/o Transocean Management Ltd., 10 Chemin de Blandonnet, CH-1214 Vernier, Switzerland by no later than November 30, 2015 at 5:00 p.m., Swiss time. However, if the date of the 2016 Annual General Meeting changes by more than 30 days from the anniversary of the 2015 Annual General Meeting, the deadline is a reasonable time before we begin to print and mail our proxy materials. We will



notify you of this deadline in a Quarterly Report on Form 10-Q, in a Current Report on Form 8-K or in another communication to you. Shareholder proposals must also be otherwise eligible for inclusion.

*Shareholder Proposals and Nominations for Directors to Be Presented at Meetings.* If you desire to bring a matter before an Annual General Meeting and the proposal is submitted outside the process of Rule 14a-8, you must follow the procedures set forth in our Articles of Association. Our Articles of Association provide generally that, if you desire to propose any business at an Annual General Meeting (including the nomination of any director), you must give us written notice at least 30 calendar days prior to the anniversary date of the proxy statement in connection with Transocean's last Annual General Meeting; provided, however, that if the date of the Annual General Meeting is 30 calendar days before or after the anniversary date of the last Annual General Meeting, such request must instead be made by the tenth day following the date on which we have made public disclosure of the date of the Annual General Meeting. The deadline under our Articles of Association for submitting proposals will be February 22, 2016 at 5:00 p.m., Swiss time for the 2016 annual meeting unless it is more than 30 calendar days before or after May 15, 2015.

In order for the notice to be considered timely under Rule 14a-4(c) of the Securities Exchange Act of 1934, proposals must be received no later than February 22, 2016 at 5:00 p.m., Swiss time. The request must specify the relevant agenda items and motions, together with evidence of the required shareholdings recorded in the share register, as well as any other information as would be required to be included in a proxy statement pursuant to the rules of the SEC.

If you desire to nominate directors to be presented at an Annual General Meeting, you must give us written notice within the time period described in the preceding paragraph. If you desire to nominate directors to be presented at an extraordinary general meeting at which the Board of Directors has determined that directors will be elected, you must give us written notice by the close of business on the tenth day following our public disclosure of the meeting date. Notice for the nomination of directors at any general meeting must set forth:

- your name and address and the name and address of the person or persons to be nominated;
- a representation that you are a holder of record of our shares entitled to vote at the meeting or, if the record date for the meeting is subsequent to the date required for that shareholder notice, a representation that you are a holder of record at the time of the notice and intend to be a holder of record on the date of the meeting and, in either case, setting forth the class and number of shares so held, including shares held beneficially;
- a representation that you intend to appear in person or by proxy as a holder of record at the meeting to nominate the person or persons specified in the notice;
- a description of all arrangements or understandings between you and each nominee you propose and any other person or persons under which the nomination or nominations are to be made by you;
- any other information regarding each nominee you propose that would be required to be included in a proxy statement filed pursuant to the proxy rules of the SEC; and
- the consent of each nominee to serve as a director if so elected.

The Board of Directors may refuse to transact any business or to acknowledge the nomination of any person if you fail to comply with the foregoing procedures. You may obtain a copy of our Articles of Association and Organizational Regulations, in which these procedures are set forth, upon written request to our Corporate Secretary, Transocean Ltd., Turmstrasse 30, CH-6300 Zug, Switzerland.

### **Cost of Solicitation**

The accompanying proxy is being solicited on behalf of the Board of Directors. The expenses of preparing, printing and mailing the proxy and the materials used in the solicitation will be borne by us. We

have retained Innisfree M&A Incorporated (New York) for a fee of \$20,000, plus expenses, to aid in the solicitation of proxies. Proxies may be solicited by personal interview, mail, telephone, facsimile, Internet or other means of electronic distribution by our directors, officers and employees, who will not receive additional compensation for those services. Arrangements also may be made with brokerage houses and other custodians, nominees and fiduciaries for the forwarding of solicitation materials to the beneficial owners of shares held by those persons, and we will reimburse them for reasonable expenses incurred by them in connection with the forwarding of solicitation materials.

### **Forward-Looking Statements**

The statements included in this proxy statement, including in the section entitled “Compensation Discussion and Analysis-Executive Summary-2014 Business Overview,” regarding future financial performance and results of operations and other statements that are not historical facts are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements include, but are not limited to, statements about the following subjects: a near-term oversupply of floating drilling rigs and delayed demand for rig capacity; demand for newbuild jackup rigs; next-generation BOPs; the accelerated debt repayment program; and operational improvements. Such statements are subject to numerous risks, uncertainties and assumption, including, but not limited to, operating hazards and delays actions by customers and other third parties, conditions in the capital markets and those described under “Item 1A. Risk Factors” in the 2014 Annual Report and in our filings with the SEC. Should one or more of these risks or uncertainties materialize (or the other consequences of such a development worsen), or should underlying assumptions prove incorrect, actual results may vary materially from those indicated or expressed or implied by such forward-looking statements. All subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by reference to these risks and uncertainties. You should not place undue reliance on forward-looking statements. Each forward-looking statement speaks only as of the date of the particular statement, and we undertake no obligation to publicly update or revise any forward-looking statements, except as required by law.

## ANNEX A

### Proposed Shareholder Resolution

The Board of Directors submits and recommends for approval the shareholder resolution set forth below for approval by the Company's shareholders.

#### Shareholder Resolution

It is hereby resolved as follows:

(1) A dividend in the amount of USD 0.60 per share of the Company (the "Per Share USD Dividend Amount," and the aggregate Per Share USD Dividend Amount, calculated on the basis of the total number of shares outstanding as of the 2015 Annual General Meeting, excluding any shares held by the Company or any of its direct or indirect subsidiaries, the "Aggregate USD Dividend Amount") shall be distributed out of the dividend reserve from capital contribution (expressed in CHF and amounting to CHF 422,084,000) pursuant to the proposal of the Board of Directors (the "Dividend Reserve"); the dividend shall be payable in four equal installments of USD 0.15 per share of the Company outstanding (excluding any shares held by the Company or any of its direct or indirect subsidiaries) on the record date for the applicable installment (each such installment hereinafter a "Per Share Quarterly USD Dividend Amount;" each date on which a Per Share Quarterly USD Dividend Amount is paid hereinafter an "Installment Date;" and the aggregate Per Share Quarterly USD Dividend Amount payable on an Installment Date, calculated on the basis of the total number of shares outstanding as of the record date for the relevant Per Share Quarterly USD Dividend Amount, the "Aggregate Quarterly USD Dividend Amount"); provided, however, that:

(a) if, on the date of the 2015 Annual General Meeting, the Aggregate USD Dividend Amount exceeds, when converted into CHF at a USD/CHF exchange rate prevailing on or about the date of the 2015 Annual General Meeting as determined by the Board of Directors or, upon due authorization by the Board of Directors, the Company's Executive Management Team, in its reasonable discretion, the Dividend Reserve (expressed in CHF), the proposed Per Share USD Dividend Amount shall be reduced such that the Aggregate USD Dividend Amount, converted into CHF at a USD/CHF exchange rate prevailing on or about the date of the 2015 Annual General Meeting as determined by the Board of Directors or, upon due authorization by the Board of Directors, the Company's Executive Management Team, in its reasonable discretion, is at a maximum equal to the Dividend Reserve (expressed in CHF); and provided, further, that:

(b) if any Aggregate Quarterly USD Dividend Amount, when converted into CHF at a USD/CHF exchange rate prevailing on or about the record date for that Aggregate Quarterly USD Dividend Amount as determined by the Board of Directors or, upon due authorization by the Board of Directors, the Company's Executive Management Team, in its reasonable discretion, exceeds the Dividend Reserve amount (expressed in CHF) as of the record date for that Aggregate Quarterly USD Dividend Amount, taking into account the payment of any preceding Aggregate Quarterly USD Dividend Amount (if any) (the Dividend Reserve so calculated hereinafter the "Remaining Dividend Reserve"), the Per Share Quarterly USD Dividend Amount shall be reduced such that the Aggregate Quarterly USD Dividend Amount, converted into CHF at a USD/CHF exchange rate prevailing on or about the record date for such Aggregate Quarterly USD Dividend Amount as determined by the Board of Directors or, upon due authorization by the Board of Directors, Executive Management Team in its reasonable discretion, is at a maximum equal to the Remaining Dividend Reserve; and

provided, further, that:

(c) the Board of Directors or, upon due authorization by the Board of Directors, the Company's Executive Management Team, in its reasonable discretion, shall at any time have the authority to, in its discretion, accelerate or otherwise change the timing of the payment of the Per

Share Quarterly USD Dividend Amount or to pay on an Installment Date more than one Per Share Quarterly USD Dividend Amount.

(2) Shareholders may, upon the terms and conditions provided by the Board of Directors in its reasonable discretion, elect, during the election period as determined by the Board of Directors or, upon due authorization by the Board of Directors, the Company's Executive Management Team, to receive any Per Share Quarterly USD Dividend Amount in CHF (subject to the downward adjustments in accordance with the principles set forth above under (1)), at the USD/CHF exchange rate as determined by the Board of Directors or, upon due authorization by the Board of Directors, the Company's Executive Management Team, in its discretion.

(3) It shall be the task of the Board of Directors or, upon due authorization by the Board of Directors, the Company's Executive Management Team to execute this resolution of the 2015 Annual General Meeting, including, but not limited to, reducing as appropriate the Per Share USD Dividend Amount and/or the Per Share Quarterly USD Dividend Amount, setting the record dates, the ex-dividend dates, the Installment Dates, and determining the duration of the election period to request payment of the Per Share Quarterly USD Dividend Amount in CHF and, for purposes of such election, the applicable USD/CHF exchange rate. As specified in the Articles of Association, the Board of Directors will determine the date from which shares newly issued out of the authorized share capital of the Company are entitled to dividend payments. Shares newly issued out of the conditional share capital are entitled to dividend payments if such shares are issued and outstanding on or before the record date for the relevant Per Share Quarterly USD Dividend Amount. For the avoidance of doubt, shareholders who sell their shares prior to the relevant record date lose their dividend entitlement and transfer such entitlement to the purchaser(s) of their shares.

(4) Any Dividend Reserve amount remaining after the payment of the final Aggregate Quarterly USD Dividend Amount shall, by operation of this shareholder resolution, be immediately reallocated to the account "General legal reserves—Reserve from capital contribution," included in the Company's statutory standalone balance sheet, without any requirement that such reallocation be approved by the Board of Directors or the general meeting of shareholders.

**ANNEX B**  
**TRANSOCEAN LTD.**  
**2015 LONG-TERM INCENTIVE PLAN**

1. **Plan.** Transocean Ltd., a Swiss corporation (the “*Company*”), established this Transocean Ltd. 2015 Long-Term Incentive Plan (this “*Plan*”), effective as of May 15, 2015 (the “*Effective Date*”).
2. **Objectives.** This Plan is designed to attract and retain employees of the Company and its Subsidiaries, to attract and retain qualified non-employee directors of the Company, to encourage the sense of proprietorship of such employees and directors and to stimulate the active interest of such persons in the development and financial success of the Company and its Subsidiaries. These objectives are to be accomplished by making Awards under this Plan and thereby providing Participants with a proprietary interest in the growth and performance of the Company and its Subsidiaries.
3. **Definitions.** As used herein, the terms set forth below shall have the following respective meanings:

“*Award*” means the grant of any Option, Share Appreciation Right, Share-Based Award or Cash Award, any of which may be structured as a Performance Award, whether granted singly, in combination or in tandem, to a Participant pursuant to such applicable terms, conditions and limitations as the Committee may establish in accordance with the objectives of this Plan.

“*Award Agreement*” means the document (in written or electronic form) communicating the terms, conditions and limitations applicable to an Award. The Committee may, in its discretion, require that the Participant execute such Award Agreement or may provide for procedures through which Award Agreements are made effective without execution.

“*Board*” means the Board of Directors of the Company.

“*Cash Award*” means an Award denominated in cash.

“*Change of Control*” means:

  - (i) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) (a “*Person*”) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 50% or more of either (x) the then outstanding shares of the Company (the “*Outstanding Company Shares*”) or (y) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the “*Outstanding Company Voting Securities*”); *provided, however*, that for purposes of this subsection (i), the following acquisitions shall not constitute a Change of Control: (1) any acquisition directly from the Company, (2) any acquisition by the Company, (3) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation or other entity controlled by the Company or (4) any acquisition by any corporation or other entity pursuant to a transaction which complies with clauses (x) and (y) of subsection (iii) of this definition; or
  - (ii) Individuals who, as of the Effective Date, constitute the Board (the “*Incumbent Board*”) cease for any reason to constitute at least a majority of the Board; *provided, however*, that for purposes of this definition any individual becoming a director subsequent to the Effective Date whose election, or nomination for election by the Company’s shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or
  - (iii) Consummation of a scheme of arrangement, reorganization, merger, demerger, conversion or consolidation or sale or other disposition of all or substantially all of the assets of the Company (a

*“Business Combination”*), in each case, unless, following such Business Combination, (x) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Shares and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of, respectively, the then outstanding shares or shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation or other entity resulting from such Business Combination (including, without limitation, a corporation or other entity which as a result of such transaction owns the Company or all or substantially all of the Company’s assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Company Shares and Outstanding Company Voting Securities, as the case may be, and (y) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the action of the Board providing for such Business Combination; or

- (iv) Approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

*“Code”* means the Internal Revenue Code of 1986, as amended from time to time.

*“Committee”* means the Compensation Committee of the Board, and any successor committee thereto or such other committee of the Board as may be designated by the Board to administer this Plan in whole or in part including any subcommittee of the Board as designated by the Board.

*“Company”* means Transocean Ltd., a Swiss corporation, or any successor thereto.

*“Director”* means an individual serving as a member of the Board who is not an Employee.

*“Director Award”* means the grant of any Award (other than an Option, SAR or Cash Award) to a Participant who is a Director pursuant to such applicable terms, conditions, and limitations established by the Board.

*“Dividend Equivalents”* means, in the case of Restricted Share Units or Performance Units settled in Shares, an amount equal to all dividends and other distributions (or the economic equivalent thereof) that are payable to shareholders of record during the Restriction Period or performance period, as applicable, on a like number of Shares that are subject to the Award. Dividend Equivalents may be payable in cash or in any form determined by the Committee in its absolute discretion.

*“Employee”* means an employee of the Company or any of its Subsidiaries.

*“Employee Award”* means the grant of any Award, whether granted singly, in combination, or in tandem, to an Employee pursuant to such applicable terms, conditions, and limitations established by the Committee.

*“Exchange Act”* means the Securities Exchange Act of 1934, as amended from time to time.

*“Exercise Price”* means the price at which a Participant may exercise an Option or SAR.

*“Fair Market Value”* means, as of any day, the closing price of the Shares on such day (or on the next preceding business day, if such day is not a business day or if no trading occurred on such day) as reported on the New York Stock Exchange or on such other securities exchange or reporting system as may be designated by the Committee. In the event that the price of a Share shall not be so reported, the Fair Market Value of a Share shall be determined by the Committee in its absolute discretion.

*“Grant Date”* means the date an Award is granted to a Participant pursuant to this Plan.

*“Incentive Stock Option”* means an Option that is intended to comply with the requirements set forth in Code Section 422.



“*Nonqualified Stock Option*” means an Option that is not intended to comply with the requirements set forth in Code Section 422.

“*Option*” means a right to purchase a specified number of Shares at a specified Exercise Price, which is either an Incentive Stock Option or a Nonqualified Stock Option.

“*Participant*” means an Employee or Director to whom an Award has been made under this Plan.

“*Performance Award*” means an Award made pursuant to this Plan to a Participant which is subject to the attainment of one or more Performance Objectives.

“*Performance Objective*” means one or more standards established by the Committee to determine in whole or in part whether a Performance Award shall be earned.

“*Performance Unit*” means a unit evidencing the right to receive in specified circumstances one Share or equivalent value in cash, determined as a function of the extent to which established performance criteria have been satisfied.

“*Performance Unit Award*” means an Award in the form of Performance Units.

“*Prior Plan*” means the Long-Term Incentive Plan of Transocean Ltd., as amended and restated as of February 12, 2009.

“*Qualified Performance Awards*” has the meaning set forth in Paragraph 8(a)(vii)(B).

“*Restricted Share Award*” means an Award in the form of Restricted Shares.

“*Restricted Shares*” means a Share that is restricted or subject to forfeiture provisions.

“*Restricted Share Unit*” means a unit evidencing the right to receive in specified circumstances one Share or equivalent value in cash that is restricted or subject to forfeiture provisions.

“*Restricted Share Unit Award*” means an Award in the form of Restricted Share Units.

“*Restriction Period*” means a period of time beginning as of the date upon which a Restricted Share Award or Restricted Share Unit Award is made pursuant to this Plan and ending as of the date upon which such Award is no longer restricted or subject to forfeiture provisions.

“*Share Appreciation Right*” or “*SAR*” means a right to receive a payment, in cash or Shares, equal to the excess of the Fair Market Value of a specified number of Shares on the date the right is exercised over a specified Exercise Price.

“*Share-Based Award*” means an Award in the form of Shares, including a Restricted Share Award, a Restricted Share Unit Award or Performance Unit Award that may be settled in Shares, and excluding Options and SARs.

“*Share-Based Award Limitations*” has the meaning set forth in Paragraph 5(f)(ii).

“*Shares*” means the registered shares, par value 15.00 Swiss francs per share, of the Company.

“*Subsidiary*” means any entity, including partnerships and joint ventures, in which the Company has a significant ownership interest, as determined by the Committee.

4. ***Eligibility.*** All Employees are eligible for Employee Awards under this Plan. All Directors are eligible for Director Awards under this Plan. The Committee (or the Board, in the case of Director Awards) shall determine the type or types of Awards to be made under this Plan and shall designate from time to time the Employees or Directors who are to be granted Awards under this Plan.
5. ***Shares Available for Awards; Award Limitations.***
  - (a) ***Shares Initially Available for Awards.*** Subject to the provisions of Paragraph 15 hereof, there shall be available for Awards under this Plan granted wholly or partly in Shares (including rights or Options



that may be exercised for or settled in Shares) an aggregate of 19,500,000 Shares plus the shares remaining available for awards under the Prior Plan as of the Effective Date, all of which shall be available for Incentive Stock Options. Each Share issued pursuant to an award of Restricted Shares or Restricted Share Units (including those designated as Performance Awards) granted on or after the Effective Date shall reduce the Available Shares by 1.68.

- (b) *Shares Again Available for Awards.* If an Award expires or is terminated, cancelled or forfeited, the Shares associated with the expired, terminated, cancelled or forfeited Award shall again be available for Awards under this Plan. Notwithstanding the foregoing, the following Shares shall not become available for Awards under this Plan: (i) Shares tendered by a Participant or withheld by the Company for payment of an Exercise Price, (ii) Shares tendered by a Participant or withheld by the Company to satisfy the Company's tax withholding obligation in connection with an Award, (iii) Shares reacquired in the open market or otherwise using cash proceeds from the exercise of Options, and (iv) Shares that are not issued to a Participant due to a net settlement of an Award. For purposes of clarity, SARs and Options shall be counted in full against the Shares available for issuance under this Plan, regardless of the number of Shares issued upon settlement of the SARs and Options.
- (c) *Prior Plan.* Shares represented by awards granted under the Prior Plan that are forfeited, expired or canceled without delivery of Shares shall again become available for Awards under this Plan, with each such Share that relates to (i) awards of Options or SARs granted at any time or awards of Restricted Shares, Restricted Share Units, or Performance Units granted prior to May 15, 2009, increasing the Shares available for Awards under this Plan by 1.00 Share and (ii) awards of Restricted Shares, Restricted Share Units, or Performance Units granted between May 15, 2009 and the Effective Date, increasing the Shares available for Awards under this Plan by 1.68 Shares.
- (d) *Substitute Awards.* The foregoing notwithstanding, subject to applicable securities exchange listing requirements, the number Shares available for Awards shall not be reduced by (x) Shares issued under Awards granted in assumption, substitution or exchange for previously granted awards of a company acquired by the Company and (y) available shares under a shareholder approved plan of an acquired company (as appropriately adjusted to reflect the transaction) and such shares shall be available for Awards under this Plan.
- (e) *Authority.* The Board and the appropriate officers of the Company shall from time to time take whatever actions are necessary to file any required documents with governmental authorities, stock exchanges and transaction reporting systems to ensure that Shares are available for issuance pursuant to Awards.
- (f) *Award Limitations.* Notwithstanding anything to the contrary contained in this Plan, the following limitations shall apply to any Awards made hereunder:
  - (i) No Employee may be granted during any calendar year Awards consisting of Options or SARs that are exercisable for more than 600,000 Shares;
  - (ii) No Employee may be granted during any calendar year Awards that are Share-Based Awards covering or relating to more than 600,000 Shares (the limitation set forth in this clause (ii), together with the limitation set forth in clause (i) above, being hereinafter collectively referred to as the "*Share-Based Award Limitations*");
  - (iii) No Employee may be granted during any calendar year Awards that may be settled solely in cash having a value determined on the Grant Date in excess of \$5,000,000; and
  - (iv) No Director may be granted during any calendar year Director Awards having a value determined on the Grant Date in excess of \$1,000,000.

Shares delivered by the Company in settlement of Awards may be authorized and unissued Shares (Shares issued out of the Company's authorized or conditional share capital), Shares held in the treasury of the Company, Shares purchased on the open market or by private purchase or any combination of the foregoing.

6. *Administration.*

- (a) *Authority of the Committee.* Except as otherwise provided in this Plan with respect to actions or determinations by the Board, this Plan shall be administered by the Committee; *provided, however*, that (i) any and all members of the Committee shall satisfy any independence requirements prescribed by any stock exchange on which the Company lists its Shares; (ii) Awards may be granted to individuals who are subject to Section 16(b) of the Exchange Act only if the Committee is composed solely of two or more “Non-Employee Directors” as defined in Securities and Exchange Commission Rule 16b-3 (as amended from time to time, and any successor rule, regulation or statute fulfilling the same or similar function); and (iii) any Award intended to qualify for the “performance-based compensation” exception under Code Section 162(m) shall be granted only if the Committee is composed solely of two or more “outside directors” within the meaning of Code Section 162(m) and regulations pursuant thereto. Subject to the provisions hereof, the Committee shall have full and exclusive power and authority to administer this Plan and to take all actions that are specifically contemplated hereby or are necessary or appropriate in connection with the administration hereof. The Committee shall also have full and exclusive power to interpret this Plan and to adopt such rules, regulations and guidelines for carrying out this Plan as it may deem necessary or proper, all of which powers shall be exercised in the best interests of the Company and in keeping with the objectives of this Plan. Subject to Paragraph 6(c) hereof, the Committee may, in its discretion, (x) provide for the extension of the exercisability of an Award, or (y) in the event of death, disability, retirement, Change of Control or any other reason, accelerate the vesting or exercisability of an Award, eliminate or make less restrictive any restrictions contained in an Award, waive any restriction or other provision of this Plan or an Award or otherwise amend or modify an Award in any manner that is, in either case, (i) not materially adverse to the Participant to whom such Award was granted, (ii) consented to by such Participant or (iii) authorized by Paragraph 15(c) hereof; *provided, however*, that except as expressly provided in Paragraph 8(a)(i) or 8(a)(ii) hereof, no such action shall permit the term of any Option or SAR to be greater than 10 years from its Grant Date. The Committee may correct any defect or supply any omission or reconcile any inconsistency in this Plan or in any Award Agreement in the manner and to the extent the Committee deems necessary or desirable to further this Plan’s purposes. Any decision of the Committee in the interpretation and administration of this Plan shall lie within its sole and absolute discretion and shall be final, conclusive and binding on all parties concerned. The Board shall have the same powers as the Committee with respect to Director Awards.
- (b) *Indemnity.* No member of the Board or the Chief Executive Officer of the Company to whom the Committee has delegated authority in accordance with the provisions of Paragraph 7 of this Plan shall be liable for anything done or omitted to be done by such person, by any member of the Board or the Committee or by any officer of the Company in connection with the performance of any duties under this Plan, except for his own willful misconduct or as expressly provided by statute.
- (c) *Prohibition on Repricing of Awards.* Except for adjustments made pursuant to Paragraph 15, in no event will the Committee, without first obtaining approval by the majority of the shareholders of the Company, (i) decrease the Exercise Price of an Option or SAR after the Grant Date; (ii) accept for surrender to the Company any outstanding Option or SAR granted under this Plan as consideration for the grant of a new Option or SAR with a lower Exercise Price or for the grant of any other Award; (iii) repurchase from Participants whether for cash or any other consideration any outstanding Options or SARs that have an Exercise Price per share higher than the then current Fair Market Value of a Share; or (iv) grant any Option or SAR that contains a so-called “reload” feature under which additional Options, SARs or other Awards are granted automatically to the Participant upon exercise of the original Option or SAR.
7. *Delegation of Authority.* The Committee may delegate any of its authority to grant Awards to Employees who are not subject to Section 16(b) of the Exchange Act subject to Paragraph 6(a) above, to the Board or the Chief Executive Officer of the Company, provided such delegation is made in writing and specifically sets forth such delegated authority. The Committee and the Board, as

applicable, may engage or authorize the engagement of a third party administrator to carry out administrative functions under this Plan. Any such delegation hereunder shall only be made to the extent permitted by applicable law.

8. ***Employee Awards.***

- (a) *Award Provisions.* The Committee shall determine the type or types of Employee Awards to be made under this Plan and shall designate from time to time the Employees who are to be the recipients of such Awards. Each Employee Award shall be embodied in an Award Agreement, which shall contain such terms, conditions and limitations as shall be determined by the Committee, in its sole discretion, and, if required by the Committee, shall be signed by the Participant to whom the Award is granted and by the Company. Awards may consist of those listed in this Paragraph 8(a) and may be granted singly, in combination or in tandem. Awards may also be made in combination or in tandem with, in replacement of, or as alternatives to, grants or rights under this Plan or any other plan of the Company or any of its Subsidiaries, including the plan of any acquired entity. All or part of an Award may be subject to conditions established by the Committee. Upon the termination of employment by a Participant who is an Employee, any unexercised, unvested or unpaid Awards shall be treated as set forth in the applicable Award Agreement or in any other written agreement the Company has entered into with the Participant.
- (i) *Options.* An Employee Award may be in the form of an Option. An Option awarded pursuant to this Plan may consist of either an Incentive Stock Option or a Nonqualified Stock Option. The Exercise Price of an Option shall be not less than the Fair Market Value of the Shares on the Grant Date, subject to adjustment as provided in Paragraph 15 hereof. The term of an Option shall not exceed 10 years from the Grant Date. Subject to the foregoing provisions, the terms, conditions and limitations applicable to any Option, including, but not limited to, the term of any Option and the date or dates upon which the Option becomes vested and exercisable, shall be determined by the Committee.
- (ii) *Share Appreciation Rights.* An Employee Award may be in the form of an SAR. The Exercise Price for an SAR shall not be less than the Fair Market Value of the Shares on the Grant Date, subject to adjustment as provided in Paragraph 15 hereof. The holder of a tandem SAR may elect to exercise either the Option or the SAR, but not both. The exercise period for an SAR shall extend no more than 10 years after the Grant Date. Subject to the foregoing provisions, the terms, conditions, and limitations applicable to any SAR, including, but not limited to, the term of any SAR and the date or dates upon which the SAR becomes vested and exercisable, shall be determined by the Committee.
- (iii) *Restricted Share Awards.* An Employee Award may be in the form of a Restricted Share Award. The terms, conditions and limitations applicable to any Restricted Share Award, including, but not limited to, the Restriction Period, shall be determined by the Committee.
- (iv) *Restricted Share Unit Awards.* An Employee Award may be in the form of a Restricted Share Unit Award. The terms, conditions and limitations applicable to a Restricted Share Unit Award, including, but not limited to, the Restriction Period, shall be determined by the Committee. Subject to the terms of this Plan, the Committee, in its sole discretion, may settle Restricted Share Units in the form of cash or in Shares (or in a combination thereof) equal to the value of the vested Restricted Share Units.
- (v) *Performance Unit Awards.* An Employee Award may be in the form of a Performance Unit Award. Subject to the terms of this Plan, after the applicable performance period has ended, the Participant shall be entitled to receive settlement of the value and number of Performance Units earned by the Participant over the performance period, as determined based on the extent to which the corresponding performance objectives have been achieved. Settlement of earned Performance Units shall be as determined by the Committee and as evidenced in an Award Agreement. Subject to the terms of this Plan, the Committee, in its sole discretion, may settle earned Performance Units in the form of cash or in Shares (or in a combination thereof) equal to the value of the earned Performance

Units as soon as practicable after the end of the performance period and following the Committee's determination of actual performance against the performance measures and related goals established by the Committee.

- (vi) *Cash Awards.* An Employee Award may be in the form of a Cash Award. The terms, conditions and limitations applicable to a Cash Award, including, but not limited to, vesting or other restrictions, shall be determined by the Committee.
- (vii) *Performance Awards.* Without limiting the type or number of Awards that may be made under the other provisions of this Plan, an Employee Award may be in the form of a Performance Award. The terms, conditions and limitations applicable to an Award that is a Performance Award shall be determined by the Committee. The Committee shall set Performance Objectives in its discretion which, depending on the extent to which they are met, will determine the value and/or amount of Performance Awards that will be paid out to the Participant and/or the portion of an Award that may be exercised.
- (A) *Nonqualified Performance Awards.* Performance Awards granted to Employees that are not intended to qualify as qualified performance-based compensation under Code Section 162(m) shall be based on achievement of such Performance Objectives and be subject to such terms, conditions and restrictions as the Committee or its delegate shall determine.
- (B) *Qualified Performance Awards.* Performance Awards granted to Employees under this Plan that are intended to qualify as qualified performance-based compensation under Code Section 162(m) ("*Qualified Performance Awards*") shall be paid, vested or otherwise deliverable solely on account of the attainment of one or more pre-established, objective Performance Objectives established by the Committee prior to the earlier to occur of (1) 90 days after the commencement of the period of service to which the Performance Objective relates and (2) the lapse of 25% of the period of service (as scheduled in good faith at the time the goal is established), and in any event while the outcome is substantially uncertain. A Performance Objective is objective if a third party having knowledge of the relevant facts could determine whether the goal is met. One or more of such goals may apply to the Employee, one or more business units, divisions or sectors of the Company, or the Company as a whole, and if so desired by the Committee, by comparison with a peer group of companies. A Performance Objective shall include one or more of the following: (1) increased revenue; (2) net income measures (including but not limited to income after capital costs and income before or after taxes); (3) Share price measures (including but not limited to growth measures and total shareholder return); price per Share; market share; earnings per Share (actual or targeted growth); (4) earnings before interest, taxes, depreciation, and amortization ("*EBITDA*"); (5) economic value added (or an equivalent metric); (6) market value added; (7) debt to equity ratio; (8) cash flow measures (including but not limited to cash flow return on capital, cash flow return on tangible capital, net cash flow and net cash flow before financing activities cash flow value added, cash flow return on market capitalization); (9) return measures (including but not limited to return on equity, return on average assets, return on capital, risk-adjusted return on capital, return on investors' capital and return on average equity); (10) operating measures (including operating income, funds from operations, cash from operations, after-tax operating income; sales volumes, production volumes and production efficiency); (11) expense measures (including but not limited to overhead cost and general and administrative expense cost control and project management); (12) margins; (13) shareholder value; (14) total shareholder return; (15) proceeds from dispositions; and (16) total market value and corporate values measures (including ethics compliance, environmental, human resources development and safety).

Unless otherwise stated, such a Performance Objective need not be based upon an increase or positive result under a particular business criterion and could include, for example, maintaining the status quo or limiting economic losses (measured, in each case, by reference to specific business criteria). In interpreting Plan provisions applicable to Qualified Performance Awards, it is the intent of this Plan to conform with the standards of Code Section 162(m) and Treasury Regulation § 1.162-27(e)(2)(i), as

to grants to Employees, who are or may be “covered employees,” as defined in Code Section 162(m), and the Committee in establishing such goals and interpreting this Plan shall be guided by such provisions. Prior to the payment of any compensation based on the achievement of Performance Objectives applicable to Qualified Performance Awards, the Committee must certify in writing that applicable Performance Objectives and any of the material terms thereof were, in fact, satisfied. For this purpose, approved minutes of the Committee meeting in which the certification is made shall be treated as such written certification. Subject to the foregoing provisions, the terms, conditions and limitations applicable to any Qualified Performance Awards made pursuant to this Plan shall be determined by the Committee.

- (b) *Minimum Vesting.* Subject to Paragraph 6(a) hereof, all Employee Awards shall have a minimum vesting period or Restriction Period, as applicable, of one year from the Grant Date.
- 9. ***Director Awards.*** The Board has the sole authority to grant Director Awards from time to time in accordance with this Paragraph 9. Director Awards may consist of the forms of Award described in Paragraph 8, with the exception of Options, SARs, Performance Awards and Cash Awards, and shall be granted subject to such terms and conditions as specified in Paragraph 8. Each Director Award may, in the discretion of the Board, be embodied in an Award Agreement, which shall contain such terms, conditions, and limitations as shall be determined by the Board, in its sole discretion. Subject to Paragraph 6(a) hereof, all Director Awards shall vest at such time as the Board may designate in its sole discretion, but not earlier than the first to occur of (a) the first anniversary of the Grant Date of such Director Award or (b) the date of the annual general meeting of the Board next following the Grant Date of such Director Award.
- 10. ***Award Payment; Dividends and Dividend Equivalents.***
  - (a) *General.* Payment of Awards may be made in the form of cash or Shares, or a combination thereof, and may include such restrictions as the Committee (or the Board, in the case of Director Awards) shall determine, including, but not limited to, in the case of Shares, restrictions on transfer and forfeiture provisions. For a Restricted Share Award, the certificates evidencing the shares of such Restricted Shares (to the extent that such shares are so evidenced) shall contain appropriate legends and restrictions that describe the terms and conditions of the restrictions applicable thereto. For a Restricted Share Unit Award that may be settled in Shares, the Shares that may be issued at the end of the Restriction Period shall be evidenced by book entry registration or in such other manner as the Committee may determine.
  - (b) *Dividends and Dividend Equivalents.* Rights to (i) dividends will be extended to and made part of any Restricted Share Award and (ii) Dividend Equivalents may be extended to and made part of any Restricted Share Unit Award and Performance Unit Award, subject in each case to such terms, conditions and restrictions as the Committee may establish; *provided, however*, that no such Dividend Equivalents shall be paid with respect to unvested Restricted Share Unit Awards or Performance Unit Awards. Dividend Equivalents with respect to unvested Restricted Share Unit Awards or Performance Unit Awards may, in the discretion of the Committee, be accumulated and paid to the Participant at the time that such Restricted Share Unit Award or Performance Unit Award vests. Dividends and/or Dividend Equivalents shall not be made part of any Options or SARs.
- 11. ***Option Exercise.*** The Exercise Price shall be paid in full at the time of exercise in cash or, if permitted by the Committee and elected by the Participant, the Participant may purchase such shares by means of the Company withholding Shares otherwise deliverable on exercise of the Award or tendering Shares valued at Fair Market Value on the date of exercise, or any combination thereof. The Committee, in its sole discretion, shall determine acceptable methods for Participants to tender Shares or other Awards. The Committee may provide for procedures to permit the exercise or purchase of such Awards by use of the proceeds to be received from the sale of Shares issuable pursuant to an Award (including cashless exercise procedures approved by the Committee involving a



broker or dealer approved by the Committee). The Committee may adopt additional rules and procedures regarding the exercise of Options from time to time, provided that such rules and procedures are not inconsistent with the provisions of this Paragraph 11.

12. **Taxes.** The Company shall have the right to deduct applicable taxes from any Award payment and withhold, at the time of delivery or vesting of cash or Shares under this Plan, an appropriate amount of cash or number of Shares or a combination thereof for payment of required withholding taxes or to take such other action as may be necessary in the opinion of the Company to satisfy all obligations for withholding of such taxes; *provided, however*, that the number of Shares withheld for payment of required withholding taxes must equal no more than the required minimum withholding taxes. The Committee may also permit withholding to be satisfied by the transfer to the Company of Shares theretofore owned by the holder of the Award with respect to which withholding is required. If Shares are used to satisfy tax withholding, such Shares shall be valued based on the Fair Market Value when the tax withholding is required to be made.
13. **Amendment, Modification, Suspension or Termination.** The Board may amend, modify, suspend or terminate this Plan (and the Committee may amend an Award Agreement) for the purpose of meeting or addressing any changes in legal requirements or for any other purpose permitted by law, except that (i) no amendment or alteration that would materially adversely affect the rights of any Participant under any Award previously granted to such Participant shall be made without the consent of such Participant and (ii) no amendment or alteration shall be effective prior to its approval by the shareholders of the Company to the extent shareholder approval is otherwise required by applicable legal requirements or the requirements of the securities exchange on which the Company's shares are listed, including any amendment that expands the types of Awards available under this Plan, materially increases the number of Shares available for Awards under this Plan, materially expands the classes of persons eligible for Awards under this Plan, materially extends the term of this Plan, materially changes the method of determining the Exercise Price of Options, or deletes or limits any provisions of this Plan that prohibit the repricing of Options or SARs.
14. **Assignability.** Unless otherwise determined by the Committee (or the Board in the case of Director Awards) or expressly provided for in an Award Agreement, no Award or any other benefit under this Plan shall be assignable or otherwise transferable except (i) by will or the laws of descent and distribution or (ii) pursuant to a domestic relations order issued by a court of competent jurisdiction that is not contrary to the terms and conditions of this Plan or applicable Award and in a form acceptable to the Committee. The Committee may prescribe and include in applicable Award Agreements other restrictions on transfer. Any attempted assignment of an Award or any other benefit under this Plan in violation of this Paragraph 14 shall be null and void. Notwithstanding the foregoing, no Award may be transferred for value or consideration.
15. **Adjustments.**
  - (a) The existence of outstanding Awards shall not affect in any manner the right or power of the Company or its shareholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in the capital stock of the Company or its business or any merger or consolidation of the Company, or any issue of bonds, debentures, preferred or prior preference stock (whether or not such issue is prior to, on a parity with or junior to Shares) or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding of any kind, whether or not of a character similar to that of the acts or proceedings enumerated above.
  - (b) In the event of any subdivision or consolidation of outstanding Shares, declaration of a dividend payable in Shares, combination of shares, or other stock split, then (1) the number of Shares reserved under this Plan, (2) the number of Shares covered by outstanding Awards in the form of Shares or units denominated in Shares, (3) the Exercise Price or other price in respect of such Awards, (4) the

Share-Based Award Limitations, and (5) the appropriate Fair Market Value and other price determinations for such Awards shall each be proportionately adjusted by the Committee as appropriate to reflect such transaction. In the event of any other recapitalization or capital reorganization of the Company, any consolidation or merger of the Company with another corporation or entity, the adoption by the Company of any plan of exchange affecting the Shares, rights offer, dissolution, demerger, conversion, spin-off, or any distribution to holders of Shares of securities or property (other than normal cash dividends or dividends payable in Shares), the Committee shall make appropriate adjustments to (i) the number of Shares reserved under this Plan, (ii) the number and kind of Shares covered by Awards in the form of Shares or units denominated in Shares, (iii) the Exercise Price or other price in respect of such Awards, (iv) the appropriate Fair Market Value and other price determinations for such Awards, and (v) the Share-Based Award Limitations to reflect such transaction; provided that such adjustments shall only be such as are necessary to maintain the proportionate interest of the holders of the Awards and preserve, without increasing, the value of such Awards.

- (c) In the event of a corporate merger, consolidation, acquisition of property or stock, separation, reorganization or liquidation, the Committee may make such adjustments to Awards or other provisions for the disposition of Awards as it deems equitable, and shall be authorized, in its discretion, (i) to provide for the substitution of a new Award or other arrangement (which, if applicable, may be exercisable for such property or stock as the Committee determines) for an Award or the assumption of the Award, regardless of whether in a transaction to which Code Section 424(a) applies, (ii) to provide, prior to the transaction, for the acceleration of the vesting and exercisability of, or lapse of restrictions with respect to, the Award and, if the transaction is a cash merger, provide for the termination of any portion of the Award that remains unexercised at the time of such transaction, or (iii) to cancel any such Awards and to deliver to the Participants cash in an amount that the Committee shall determine in its sole discretion is equal to the Fair Market Value of such Awards on the date of such event, which in the case of Options or Share Appreciation Rights shall be the excess (if any) of the Fair Market Value of Shares on such date over the Exercise Price of such Award.
  - (d) No adjustment or substitution pursuant to this Paragraph 15 shall be made in a manner that results in noncompliance with the requirements of Code Section 409A, to the extent applicable.
16. **Restrictions.** No Shares or other form of payment shall be issued with respect to any Award unless the Company shall be satisfied based on the advice of its counsel that such issuance will be in compliance with applicable federal and state securities and other laws. Certificates evidencing Shares delivered under this Plan (to the extent that such Shares are so evidenced) may be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations and other requirements of the Securities and Exchange Commission, any securities exchange or transaction reporting system upon which the Shares are then listed or to which it is admitted for quotation and any applicable federal or state securities or other laws. The Committee may cause a legend or legends to be placed upon such certificates (if any) to make appropriate reference to such restrictions.
17. **Unfunded Plan.** This Plan is unfunded. Although bookkeeping accounts may be established with respect to Participants who are entitled to cash, Shares or rights thereto under this Plan, any such accounts shall be used merely as a bookkeeping convenience. The Company shall not be required to segregate any assets that may at any time be represented by cash, Shares or rights thereto, nor shall this Plan be construed as providing for such segregation, nor shall the Company, the Board or the Committee be deemed to be a trustee of any cash, Shares or rights thereto to be granted under this Plan. Any liability or obligation of the Company to any Participant with respect to an Award of cash, Shares or rights thereto under this Plan shall be based solely upon any contractual obligations that may be created by this Plan and any Award Agreement, and no such liability or obligation of the Company shall be deemed to be secured by any pledge or other encumbrance on any property of the Company. None of the Company, the Board or the Committee shall be required to give any security



or bond for the performance of any obligation that may be created by this Plan. With respect to this Plan and any Awards granted hereunder, Participants are general and unsecured creditors of the Company and have no rights or claims except as otherwise provided in this Plan or any applicable Award Agreement.

18. **Code Section 409A.**

- (a) Awards made under this Plan are intended to comply with or be exempt from Code Section 409A, and ambiguous provisions hereof, if any, shall be construed and interpreted in a manner consistent with such intent. No payment, benefit or consideration shall be substituted for an Award if such action would result in the imposition of taxes under Code Section 409A. Notwithstanding anything in this Plan to the contrary, if any Plan provision or Award under this Plan would result in the imposition of an additional tax under Code Section 409A, that Plan provision or Award shall be reformed, to the extent permissible under Code Section 409A, to avoid imposition of the additional tax, and no such action shall be deemed to adversely affect the Participant's rights to an Award.
- (b) Unless the Committee provides otherwise in an Award Agreement, each Restricted Share Unit Award, Performance Unit Award or Cash Award (or portion thereof if the Award is subject to a vesting schedule) shall be settled no later than the 15th day of the third month after the end of the first calendar year in which the Award (or such portion thereof) is no longer subject to a "substantial risk of forfeiture" within the meaning of Code Section 409A. If the Committee determines that a Restricted Share Unit Award, Performance Unit Award or Cash Award is intended to be subject to Code Section 409A, the applicable Award Agreement shall include terms that are designed to satisfy the requirements of Code Section 409A.
- (c) If the Participant is identified by the Company as a "specified employee" within the meaning of Code Section 409A(a)(2)(B)(i) on the date on which the Participant has a "separation from service" (other than due to death) within the meaning of Treasury Regulation § 1.409A-1(h), any Award payable or settled on account of a separation from service that is deferred compensation subject to Code Section 409A shall be paid or settled on the earliest of (i) the first business day following the expiration of six months from the Participant's separation from service, (ii) the date of the Participant's death, or (iii) such earlier date as complies with the requirements of Code Section 409A.

19. **Governing Law.** This Plan and all determinations made and actions taken pursuant hereto, to the extent not otherwise governed by mandatory provisions of the Code or the securities laws of the United States, shall be governed by and construed in accordance with the laws of the State of Texas.

20. **Right to Continued Service or Employment.** Nothing in this Plan or an Award Agreement shall interfere with or limit in any way the right of the Company or any of its Subsidiaries to terminate any Participant's employment or other service relationship with the Company or its Subsidiaries at any time, nor confer upon any Participant any right to continue in the capacity in which such Participant is employed or otherwise serves the Company or its Subsidiaries.

21. **Non-Uniform Determinations.** Determinations by the Committee or the Board under this Plan (including, without limitation, determinations of the persons to receive Awards under this Plan; the form, amount and timing of such Awards; the terms and provisions of such Award Agreements evidencing same; and provisions with respect to termination of employment or service) need not be uniform and may be made by it selectively among persons who receive, or are eligible to receive, awards under this Plan, whether or not such persons are similarly situated.

22. **Clawback Right.** Notwithstanding any other provisions in this Plan, any Award shall be subject to recovery or clawback by the Company under any clawback policy adopted by the Company whether before or after the Grant Date of the Award.

23. **Usage.** Words used in this Plan in the singular shall include the plural and in the plural the singular, and the gender of words used shall be construed to include whichever may be appropriate under any particular circumstances of the masculine, feminine or neuter genders.
24. **Headings.** The headings in this Plan are inserted for convenience of reference only and shall not affect the meaning or interpretation of this Plan.
25. **Effectiveness.** This Plan shall be effective as of the Effective Date. This Plan shall continue until terminated by action of the Board. Notwithstanding the foregoing, the adoption of this Plan is expressly conditioned upon the approval by the holders of a majority of Shares present, or represented, and entitled to vote at the 2015 annual general meeting of the Company's shareholders. If the shareholders of the Company should fail to so approve this Plan at such meeting, (i) this Plan shall not be of any force or effect and (ii) any grants of Awards hereunder shall be null and void.

**TRANSOCEAN LTD.**

**COMPENSATION REPORT**

**For the years ended December 31, 2014 and 2013**

Ernst & Young Ltd  
Maagplatz 1  
P.O. Box  
CH-8010 Zurich

Phone +41 58 286 86 86  
Fax +41 58 286 86 00  
[www.ey.com/ch](http://www.ey.com/ch)

To the General Meeting of  
Transocean Ltd., Steinhausen  
Zurich, March 20, 2015

### **Report of the statutory auditor on the compensation report**

We have audited the compensation report (pages CR-2 to CR-7) dated March 20, 2015 of Transocean Ltd. for the year ended December 31, 2014.

### **Board of Directors' responsibility**

The Board of Directors is responsible for the preparation and overall fair presentation of the compensation report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the compensation system and defining individual compensation packages.

### **Auditor's responsibility**

Our responsibility is to express an opinion on the accompanying compensation report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the compensation report complies with Swiss law and articles 14-16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the compensation report with regard to compensation, loans and credits in accordance with articles 14-16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the compensation report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of compensation, as well as assessing the overall presentation of the compensation report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion, the compensation report for the year ended December 31, 2014 of Transocean Ltd. complies with Swiss law and articles 14-16 of the Ordinance.

Ernst & Young Ltd

/s/ Robin Errico  
Licensed audit expert  
(Auditor in charge)

/s/ Jolanda Dolente  
Licensed audit expert

# TRANSOCEAN LTD. COMPENSATION REPORT

## General

Transocean Ltd. (the "Company", the "Group", "we", "us", or "our") is the parent company of Transocean Inc., Transocean Management Ltd., and Transocean Services AS, our wholly-owned subsidiaries. Transocean Ltd. is registered with the commercial register in the canton of Zug, and its stock is listed on the New York Stock Exchange and on the SIX Swiss Exchange. We are thus bound by the legal and regulatory requirements of both the United States of America and Switzerland. This Compensation Report reflects the requirements of Articles 13–16 of the Swiss Federal Ordinance Against Excessive Compensation in Public Corporations, and discloses any compensation paid to our members of the Board of Directors and the Executive Management Team for the fiscal years ended December 31, 2014 and 2013, respectively.

For a description of our governance framework relating to executive and director compensation, please refer to page P-37 et seq. of the 2015 Proxy Statement under the caption "Executive and Director Compensation Process." For a description of our directors' compensation principles, please refer to page P-40 et seq. of the 2015 Proxy Statement under the captions "Director Compensation Strategy" and "2014 Director Compensation." For a description of our Executive Management Team compensation principles, please refer to page P-47 et seq. of the 2015 Proxy Statement under the caption "Compensation Discussion and Analysis."

All 2014 compensation amounts are presented in CHF and USD and have been translated at the 2014 average annual currency exchange rate of USD 1.00 to CHF 0.915.

We have presented the comparative amounts for the year ended December 31, 2013 in the same manner that we presented such amounts in our statutory financial statements for the year ended December 31, 2013.

## Board of Directors' Compensation

Our non-employee directors were eligible to receive compensation as follows:

	Year ended December 31, 2014		Year ended December 31, 2013	
	Payment currency	Swiss franc equivalent	Payment currency	Swiss franc equivalent
Annual retainer for non-executive chairman (a) (b)	USD 265,000	CHF 242,475	USD 265,000	CHF 246,450
Annual retainer for non-executive vice-chairman (a) (b)	250,000	228,750	—	—
Annual retainer for non-employee directors (b)	100,000	91,500	90,000	83,700
Annual award of deferred units for non-executive chairman	260,000	237,900	260,000	252,200
Annual award of deferred units for non-executive vice-chairman	210,000	192,150	—	—
Annual award of deferred units for non-employee directors	210,000	192,150	260,000	252,200
Additional annual retainer for committee chairmen:				
Audit committee	35,000	32,025	35,000	32,550
Compensation committee	20,000	18,300	20,000	18,600
Corporate governance committee, finance and benefits committee, and health, safety and environment committee	10,000	9,150	10,000	9,300
Board meeting attendance fee (c)	—	—	2,500	2,325
Committee meeting attendance fee (d)	—	—	2,500	2,325

- (a) The annual retainer for our non-executive chairman and our non-executive vice-chairman are paid in lieu of the annual retainer paid to other non-employee directors and are prorated for a year in which the non-executive chairman or the non-executive vice-chairman serves as such for a partial year.
- (b) We pay our non-executive chairman, non-executive vice-chairman and non-employee directors in U.S. dollars in quarterly installments in quarters for which the director has served. The Swiss franc equivalent amounts presented above reflect changes that resulted from translation of the U.S. dollar amounts for presentation in the statutory financial statements.
- (c) Prior to May, 2014, the board meeting attendance fee was only paid for board member attendance at meetings in excess of the four regularly scheduled board meetings. Meeting fees are no longer paid.
- (d) Prior to May, 2014, the committee meeting attendance fee was only paid for committee member attendance at meetings in excess of four regularly scheduled committee meetings. Meeting fees are no longer paid.

In addition to the directors' compensation, we pay or reimburse our directors for travel and incidental expenses incurred for attending board, committee and shareholder meetings and for other company-related business purposes. Directors who are our employees do not receive compensation for board service. With the exception of Steven L. Newman, all of the directors on our board of directors are non-employees and receive compensation.

Deferred units are granted to each non-employee director, the non-executive vice-chairman, and the non-executive chairman annually and have an aggregate value equal to USD 210,000, USD 210,000 and USD 260,000 respectively, based upon the average of the high and low sales prices of our shares for each of the 10 trading days immediately prior to the date of grant. The deferred units vest on the date first to occur of (i) the first anniversary of the date of grant or (ii) the Annual General Meeting next following the date of grant,

**TRANSOCEAN LTD.**  
**COMPENSATION REPORT – continued**

subject to continued service through the vesting date. Vesting of the deferred units is not subject to any performance measures. Each director may elect to receive the vested units, or the shares attributable to such vested units, upon vesting or to have the company hold such vested units, or shares attributable to such vested units, until the director no longer serves on the board.

We paid our non-employee directors total compensation as follows:

Name and function	Year ended December 31, 2014				Year ended December 31, 2013			
	Total compensation (a)	Fees earned (b)	Deferred units (value) (c)	Deferred units (units)	Total compensation (a)	Fees earned (b)	Deferred units (value) (c)	Deferred units (units)
<b>Ian C. Strachan (d)</b> Chairman of the board since May 17, 2013; chairman of the finance committee and member of the corporate governance committee until May 17, 2013	CHF 560,975 USD 613,087	CHF 328,023 USD 358,495	CHF 232,952 USD 254,592	6,120 6,120	CHF 496,849	CHF 244,649	CHF 252,200	4,760
<b>Glyn Barker (e)</b> Member of the board; chairman of the audit committee since May 16, 2014 and a prior member of such committee; member of the finance committee	329,410 360,010	141,260 154,382	188,150 205,629	4,943 4,943	367,918	115,718	252,200	4,760
<b>Jagjeet Bindra (k)</b> Member of the board until May 16, 2014; member of the corporate governance and health safety and environment committees until May 16, 2014	48,487 52,991	48,487 52,991	— —	— —	367,496	115,296	252,200	4,760
<b>Thomas W. Cason (k)</b> Member of the board until May 16, 2014; member of the audit committee and the finance committee until May 16, 2014	57,658 63,014	57,658 63,014	— —	— —	390,809	138,609	252,200	4,760
<b>Vanessa C.L. Chang (k)</b> Member of the board; member of the audit committee and finance committee	318,212 347,772	130,062 142,143	188,150 205,629	4,943 4,943	370,908	118,708	252,200	4,760
<b>Frederico F. Curado (f)</b> Member of the board; member of the compensation committee since May 17, 2013 and member of the audit committee since May 16, 2014; member of the health safety and environment committee from May 17, 2013 to May 16, 2014	298,873 326,637	110,723 121,008	188,150 205,629	4,943 4,943	316,484	64,284	252,200	4,760
<b>Chad Deaton (k)</b> Member of the board; chairman of the health safety and environment committee since May 16, 2014 and member of such committee since May 17, 2013; member of the corporate governance committee since May 17, 2013; member of the audit committee until May 16, 2014	323,943 354,036	135,793 148,407	188,150 205,629	4,943 4,943	368,583	116,383	252,200	4,760
<b>Tan Ek Kia (g)</b> Member of the board; chairman of the compensation committee since May 17, 2013 and a prior member of such committee; member of the health safety and environment committee	341,675 373,415	153,525 167,786	188,150 205,629	4,943 4,943	383,745	131,545	252,200	4,760
<b>Vincent J. Intrieri (k)</b> Member of the board since May 16, 2014; member of the corporate governance committee and compensation committee since May 16, 2014	255,640 279,388	67,490 73,759	188,150 205,629	4,943 4,943	—	—	—	—
<b>Steve Lucas (h)</b> Member of the board until May 16, 2014; chairman of the audit committee and member of the finance committee until May 16, 2014	69,074 75,491	69,074 75,491	— —	— —	407,021	154,821	252,200	4,760
<b>Martin B. McNamara (k)</b> Member of the board; chairman of the corporate governance committee and member of the compensation committee	368,758 403,014	180,608 197,386	188,150 205,629	4,943 4,943	405,803	153,603	252,200	4,760
<b>Samuel Merksamer (i)</b> Member of the board since May 17, 2013; member of the finance and health, safety and environment committees since May 17, 2013	298,873 326,637	110,723 121,008	188,150 205,629	4,943 4,943	314,159	61,959	252,200	4,760

**TRANSOCEAN LTD.**  
**COMPENSATION REPORT – continued**

Name and function	Year ended December 31, 2014				Year ended December 31, 2013			
	Total compensation (a)	Fees earned (b)	Deferred units (value) (c)	Deferred units (units)	Total compensation (a)	Fees earned (b)	Deferred units (value) (c)	Deferred units (units)
<b>Merrill A. "Pete" Miller, Jr. (j)</b> Member of the board since September 22, 2014; vice-chairman of the board since November 14, 2014	180,359	63,755	116,604	4,892	—	—	—	—
	197,115	69,678	127,437	4,892				
<b>Edward R. Muller (k)</b> Member of the board; chairman of the finance committee since May 17, 2013; member of the health safety and environment committee since May 16, 2014; member of the corporate governance committee until May 16, 2014; chairman of the compensation committee until May 17, 2013	355,560	167,410	188,150	4,943	400,109	147,909	252,200	4,760
	388,591	182,962	205,629	4,943				
<b>Robert M. Sprague (k)</b> Member of the board until May 16, 2014; chairman of the health safety and environment committee until May 16, 2014; member of the compensation committee until May 16, 2014	60,288	60,288	—	—	403,478	151,278	252,200	4,760
	65,888	65,888	—	—				
<b>J. Michael Talbert (k)</b> Chairman of the board until May 17, 2013	—	—	—	—	127,875	127,875	—	—
	—	—	—	—				
<b>Total (CHF)</b>	CHF 3,867,785	CHF 1,824,879	CHF 2,042,906	55,499	CHF 5,121,237	CHF 1,842,637	CHF 3,278,600	61,880
<b>Total (USD)</b>	USD 4,227,087	USD 1,994,398	USD 2,232,690	55,499				

- (a) Total compensation for board membership.
- (b) Fees earned, including retainer fees, meeting fees, and dividend equivalents earned on vested and unvested deferred units.
- (c) The fair value of deferred units was based on the market price of our shares on the grant date.
- (d) In addition to the CHF 560,975 / USD 613,087 in 2014 Total compensation disclosed above, Mr. Strachan received compensation representing UK social tax contributions paid for his benefit, in the amount of CHF 44,607 / USD 48,751. 2013 Total compensation was subject to UK employer-paid social tax contributions in the amounts of CHF 32,556 / USD 35,007.
- (e) In addition to the CHF 329,410 / USD 360,010 in 2014 Total compensation disclosed above, Mr. Barker received 2014 compensation of CHF 110,827 / USD 121,122, comprising CHF 28,848 / USD 31,527 in UK employer-paid social tax contributions on Transocean Ltd compensation; CHF 72,038 / USD 78,730 in fees for service on the board of directors of Transocean Partners LLC, and CHF 9,941 / USD 10,865 in UK employer-paid social tax contributions on Transocean Partners LLC fees. 2013 Total compensation was subject to UK employer-paid social tax contributions in the amounts of CHF 16,026 / USD 17,232.
- (f) In addition to the CHF 298,873 / USD 326,637 in 2014 Total compensation disclosed above, Mr. Curado received compensation representing Swiss social tax contributions paid for his benefit, in the amount of CHF 8,775 / USD 9,591. In 2013, Swiss employer-paid social tax contributions in the amounts of CHF 5,233 / USD 5,627 were paid.
- (g) In addition to the CHF 341,675 / USD 373,415 in 2014 Total compensation disclosed above, Mr. Tan received compensation representing Swiss social tax contributions paid for his benefit, in the amount of CHF 12,192 / USD 13,325. In 2013 Swiss employer-paid social tax contributions in the amounts of CHF 10,634 / USD 11,434 were paid.
- (h) In addition to the CHF 69,074 / USD 75,491 in 2014 Total compensation disclosed above, Mr. Lucas received compensation representing UK social tax contributions paid for his benefit, in the amount of CHF 81,645 / USD 89,229. 2013 Total compensation was subject to UK employer-paid social tax contributions in the amounts of CHF 21,457 / USD 23,072.
- (i) In addition to the CHF 298,873 / USD 326,637 in 2014 Total compensation disclosed above, Mr. Merksamer received 2014 compensation of CHF 26,385 / USD 28,836, for fees for service on the board of directors of Transocean Partners LLC.
- (j) Mr. Miller received a grant of deferred units with an aggregate value of CHF 128,100 / USD 140,000, representing the proportionate amount of the USD 210,000 annual grant for the partial annual term extending from the date of his election in September 2014 to the date of our annual general meeting in May 2015.
- (k) Total compensation was not subject to employer-paid social tax contributions in 2014 or 2013.



**TRANSOCEAN LTD.**  
**COMPENSATION REPORT – continued**

**Executive Management Team Compensation**

We paid the members of our Executive Management Team total compensation as follows:

Name and function	Year ended December 31, 2014			Year ended December 31, 2013		
	Total salary and other non share-based compensation	Total share-based compensation	Total compensation	Total salary and other non share-based compensation	Total share-based compensation	Total compensation
<b>Steven L. Newman</b> President and Chief Executive Officer since March 1, 2010; member of the board since May 14, 2010	CHF 3,413,606 USD 3,730,716	CHF 6,218,248 USD 6,795,900	CHF 9,631,854 USD 10,526,616	CHF 4,851,722	CHF 7,702,418	CHF 12,554,140
<b>Esa Ikaheimonen</b> Executive Vice President and Chief Financial Officer since November 15, 2012	2'125'671 2,290,335	2,144,475 2,343,689	4,270,194 4,634,024	2,289,252	2,674,429	4,963,681
<b>John Stobart</b> Executive Vice President and Chief Operating Officer since October 1, 2012	1,884,778 2,059,867	1,973,063 2,156,353	3,857,841 4,216,219	2,152,551	2,406,967	4,559,518
<b>Allen Katz (a)</b> Senior Vice President and Interim General Counsel from November 17, 2012 to February 28, 2014	— —	— —	— —	1,100,117	—	1,100,117
<b>David Tonnel (a)</b> Senior Vice President, Finance and Controller since March 1, 2012	— —	— —	— —	884,291	1,283,731	2,168,022
<b>Ihab Toma (a)</b> Executive Vice President and Chief of Staff from October 1, 2012 to December 31, 2013; Executive Vice President, Operations from August 17, 2011 to October 1, 2012; Executive Vice President, Global Business from August 16, 2010 to August 16, 2011	— —	— —	— —	1,948,365	2,139,521	4,087,886
<b>Total (CHF)</b>	CHF 7'424'055	CHF 10,335,786	CHF 17,759,889	CHF 13,226,298	CHF 16,207,066	CHF 29,433,364
<b>Total (USD)</b>	USD 8,080,918	USD 11,295,941	USD 19,376,859			

- (a) Effective December 3, 2013, Mr. Katz, Mr. Tonnel and Mr. Toma were no longer designated as members of the executive management team. For the year ended December 31, 2013, total compensation for Mr. Katz, Mr. Tonnel and Mr. Toma, for practical purposes, includes amounts for the full year.

We paid members of our Executive Management Team total salary and other non-share-based compensation, before deductions for employee social insurance and pension contributions, as follows:

Name	Year ended December 31, 2014					
	Base salary	Bonus (a)	Additional compensation (b)	Employer's pension contributions	Employer's social security payments (c)	Total salary and other non share-based compensation
<b>Steven L. Newman</b>	CHF 1,136,125 USD 1,241,667	CHF 1,408,245 USD 1,539,065	CHF 764,692 USD 835,729	CHF 14,274 USD 15,600	CHF 90,270 USD 98,655	CHF 3,413,606 USD 3,730,716
<b>Esa Ikaheimonen</b>	701,223 766,364	591,005 613,107	502,461 549,136	147,994 161,742	182,988 199,986	2,125,671 2,290,335
<b>John Stobart</b>	607,713 664,167	602,652 658,636	604,542 660,702	14,274 15,600	55,597 60,762	1,884,778 2,059,867
<b>Total (CHF)</b>	CHF 2,445,061	CHF 2,601,902	CHF 1,871,695	CHF 176,542	CHF 328,855	CHF 7,424,055
<b>Total (USD)</b>	USD 2,672,198	USD 2,810,808	USD 2,045,567	USD 192,942	USD 359,403	USD 8,080,918

- (a) Bonus represents the amount earned in the year ended December 31, 2014, but not paid as of December 31, 2014.
- (b) Additional compensation includes relocation pay and moving expenses; housing, automobile, home leave and cost of living allowances; dividend equivalents; club membership dues; and other company-reimbursed expenses and benefits provided to expatriate employees.
- (c) Employer's social security payments include costs of health benefits, such as medical and dental insurance, and unemployment and social security taxes.

**TRANSOCEAN LTD.**  
**COMPENSATION REPORT – continued**

Year ended December 31, 2013

Name	Base salary	Bonus (a)	Additional compensation (b)	Swiss tax on global earnings and benefits	Employer's pension contributions	Employer's social security payments (c)	Total salary and other non share-based compensation
Steven L. Newman	CHF 1,108,250	CHF 1,285,841	CHF 2,204,900	CHF 127,928	CHF 14,229	CHF 110,574	CHF 4,851,722
Esa Ikäheimonen	680,283	506,777	608,955	211,842	143,089	138,306	2,289,252
John Stobart	587,450	545,240	725,750	231,040	7,115	55,956	2,152,551
Allen Katz (d)	558,000	446,400	44,897	—	5,720	45,100	1,100,117
David Tonnel (d)	391,375	217,983	216,147	—	14,229	44,557	884,291
Ihab Toma (d)	587,071	482,700	352,864	172,741	103,585	249,404	1,948,365
<b>Total</b>	<b>CHF 3,912,429</b>	<b>CHF 3,484,941</b>	<b>CHF 4,153,513</b>	<b>CHF 743,551</b>	<b>CHF 287,967</b>	<b>CHF 643,897</b>	<b>CHF 13,226,298</b>

- (a) Bonus represents the amount earned in the year ended December 31, 2013, but not paid as of December 31, 2013.
- (b) Additional compensation includes tax reimbursements; relocation pay and moving expenses; housing, automobile, home leave and cost of living allowances; unused vacation payout; dividend equivalents; club membership dues; and other company-reimbursed expenses and benefits provided to expatriate employees.
- (c) Employer's social security payments include costs of health benefits, such as medical and dental insurance, and unemployment and social security taxes.
- (d) Effective December 3, 2013, Mr. Katz, Mr. Tonnel and Mr. Toma were no longer designated as members of the executive management team. For the year ended December 31, 2013, total compensation for Mr. Katz, Mr. Tonnel and Mr. Toma, for practical purposes, includes amounts for the full year.

We granted to the members of our executive management team share-based compensation awards under our long-term incentive plans, as follows:

Name	December 31, 2014					
	Deferred units		Contingent deferred units		Total share-based compensation (e)	
	Units (a)	Fair value (b)	Units (c)	Fair value (d)		
Steven L. Newman	90,365	CHF 3,585,177	90,365	CHF 2,633,071	CHF	6,218,248
	90,365	USD 3,918,226	90,365	USD 2,877,673	USD	6,795,900
Esa Ikäheimonen	31,164	1,236,413	31,164	908,062		2,144,475
	31,164	1,351,271	31,164	992,418		2,343,689
John Stobart	28,673	1,137,584	28,673	835,479		1,973,063
	28,673	1,243,261	28,673	913,092		2,156,353
<b>Total</b>	150,202	CHF 5,959,174	150,202	CHF 4,376,612	CHF	10,335,786
	150,202	USD 6,512,758	150,202	USD 4,783,183	USD	11,295,941

- (a) We granted the time-based deferred units to the members of our executive management team on February 13, 2014.
- (b) We estimate the fair value of time-based deferred units using the market price for our shares on the grant date.
- (c) We granted the contingent deferred units to the members of our executive management team on February 13, 2014. The actual number of deferred units earned will be determined in the first 60 days of 2017, contingent upon our total shareholder return relative to our performance peer group and our performance against established targets for return on capital employed. The three-year performance period ends on December 31, 2016. The number of contingent deferred units reflects the target number of shares for the award. Actual shares earned and allocated will be determined based on performance thresholds and may range between 0 and 2 shares per contingent deferred unit.
- (d) We estimate the grant date fair value of contingent deferred units using a Monte Carlo simulation model.
- (e) Total share-based compensation in 2014 represents the fair value of grants made to the members of our executive management team and does not represent actual income earned. Any income earned from subsequent vesting of the awards will be subject to employer-paid social tax contributions at the statutory rate prevailing at the time income is earned.

# TRANSOCEAN LTD. COMPENSATION REPORT – continued

Name	December 31, 2013									
	Deferred units		Contingent deferred units				Stock options		Total share-based compensation (h)	
	Units (a)	Fair value (b)	Units (c)	Fair value (d)	Options (e)	Fair value (f)				
Steven L. Newman	46,020	CHF 2,537,957	46,020	CHF 3,169,236	123,512	CHF 1,995,225			CHF	7,702,418
Esa Ikäheimonen	15,979	881,226	15,979	1,100,418	42,886	692,785				2,674,429
John Stobart	14,381	793,098	14,381	990,369	38,597	623,500				2,406,967
David Tonnel (g)	7,670	422,993	7,670	528,206	20,585	332,532				1,283,731
Ihab Toma (g)	12,783	704,970	12,783	880,320	34,309	554,231				2,139,521
<b>Total</b>	<b>96,833</b>	<b>CHF 5,340,244</b>	<b>96,833</b>	<b>CHF 6,668,549</b>	<b>259,889</b>	<b>CHF 4,198,273</b>			<b>CHF</b>	<b>16,207,066</b>

- (a) We granted the time-based deferred units to the members of our Executive Management Team on February 14, 2013.
- (b) We estimate the fair value of time-based deferred units using the market price for our shares on the grant date.
- (c) We granted the contingent deferred units to the members of our Executive Management Team on February 14, 2013. The actual number of deferred units to be granted will be determined in the first sixty days of 2016, contingent upon our total shareholder return relative to our performance peer group. The performance measurement is evaluated over the three-year performance period ending on December 31, 2015. The number of contingent deferred units reflects the target number of shares for the award. Actual shares earned and allocated will be determined based on performance thresholds and may range between 0 and 2 shares per contingent deferred unit.
- (d) We estimate the grant date fair value of contingent deferred units using a Monte Carlo simulation model.
- (e) We granted stock options to the members of our executive management team on February 14, 2013. The stock options vest in one-third increments over a three-year period on the anniversary of the grant date.
- (f) We estimate the fair value of stock options using option pricing models for non-qualified stock option grants.
- (g) Effective December 3, 2013, Mr. Tonnel and Mr. Toma were no longer designated as members of the Executive Management Team.
- (h) Total share-based compensation represents the fair value of grants made to the members of our executive management team and does not represent actual income earned. Any income earned from subsequent vesting of the awards will be subject to employer-paid social tax contributions at the statutory rate prevailing at the time income is earned.

## Credits and Loans Granted to Governing Bodies

In compliance with Article 29f paragraph 1 of our Articles of Association, which was adopted at the annual general meeting held in May 2014, we did not grant credits or loans to active or former members of our Board of Directors, members of our Executive Management Team or to any other related persons during the years ended December 31, 2014 and 2013. At December 31, 2014 and 2013, we had no outstanding credits or loans to active or former members of our Board of Directors, members of our Executive Management Team or to any other related persons.

## Compensation to Former Members of our Board of Directors or our Executive Management Team or to Related Persons

During the years ended December 31, 2014 and 2013, we did not pay or grant any compensation to former members of our Board of Directors or our Executive Management Team or to related persons of active or former members of our Board of Directors or our Executive Management Team.

## Subsequent event

**Chief Executive Officer**—Effective February 15, 2015, Steven L. Newman and our board of directors mutually agreed that he would step down as Chief Executive Officer. Effective February 16, 2015, Ian C. Strachan, the chairman of our board of directors, assumed the role on an interim basis.

## **ANNUAL REPORT TO SHAREHOLDERS**

**TRANSOCEAN LTD.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**For the years ended December 31, 2014, 2013 and 2012**

**TRANSOCEAN LTD. AND SUBSIDIARIES**  
**INDEX TO ANNUAL REPORT**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

<u>Item</u>		<u>Page</u>
<b>PART I</b>		
Item 1.	Business	AR-2
Item 1A.	Risk Factors	AR-11
Item 1B.	Unresolved Staff Comments	AR-27
Item 2.	Properties	AR-27
Item 3.	Legal Proceedings	AR-27
Item 4.	Mine Safety Disclosures	AR-27
<b>PART II</b>		
Item 5.	Market for Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities	AR-30
Item 6.	Selected Financial Data	AR-33
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	AR-34
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk	AR-61
Item 8.	Financial Statements and Supplementary Data	AR-63
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	AR-126
Item 9A.	Controls and Procedures	AR-126
Item 9B.	Other Information	AR-126
<b>PART III</b>		
Item 10.	Directors, Executive Officers and Corporate Governance	AR-127
Item 11.	Executive Compensation	AR-127
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters	AR-127
Item 13.	Certain Relationships and Related Transactions, and Director Independence	AR-127
Item 14.	Principal Accounting Fees and Services	AR-127
<b>PART IV</b>		
Item 15.	Exhibits and Financial Statement Schedules	AR-128

## Forward-Looking Information

The statements included in this annual report regarding future financial performance and results of operations and other statements that are not historical facts are forward-looking statements within the meaning of Section 27A of the United States ("U.S.") Securities Act of 1933, as amended, and Section 21E of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). Forward-looking statements in this annual report include, but are not limited to, statements about the following subjects:

- our results of operations and cash flow from operations, including revenues, revenue efficiency, costs and expenses,
- the offshore drilling market, including the impact of enhanced regulations in the jurisdictions in which we operate, supply and demand, utilization rates, dayrates, customer drilling programs, commodity prices, stacking of rigs, reactivation of rigs, effects of new rigs on the market and effects of declines in commodity prices and a downturn in the global economy or market outlook for our various geographical operating sectors and classes of rigs,
- customer drilling contracts, including contract backlog, force majeure provisions, contract commencements, contract extensions, contract terminations, contract option exercises, contract revenues, indemnity provisions, contract awards and rig mobilizations,
- liquidity and adequacy of cash flows for our obligations,
- debt levels, including impacts of a financial and economic downturn,
- uses of excess cash, including the payment of dividends and other distributions, share repurchases and debt retirement, including the amounts, timing and, as applicable shareholder proposals or approvals associated with uses of excess cash,
- newbuild, upgrade, shipyard and other capital projects, including completion, delivery and commencement of operation dates, expected downtime and lost revenue, the level of expected capital expenditures and the timing and cost of completion of capital projects,
- the cost and timing of acquisitions and the proceeds and timing of dispositions,
- the optimization of rig-based spending,
- the impact of the Macondo well incident, claims, settlement and related matters,
- tax matters, including our effective tax rate, changes in tax laws, treaties and regulations, tax assessments and liabilities for tax issues, including those associated with our activities in Brazil, Norway, the United Kingdom ("U.K.") and the U.S.,
- legal and regulatory matters, including results and effects of legal proceedings and governmental audits and assessments, outcomes and effects of internal and governmental investigations, customs and environmental matters,
- insurance matters, including adequacy of insurance, renewal of insurance, insurance proceeds and cash investments of our wholly owned captive insurance company,
- effects of accounting changes and adoption of accounting policies, and
- investments in recruitment, retention and personnel development initiatives, pension plan and other postretirement benefit plan contributions, the timing of severance payments and benefit payments.

Forward-looking statements in this annual report are identifiable by use of the following words and other similar expressions:

- |                 |               |               |              |               |
|-----------------|---------------|---------------|--------------|---------------|
| ▪ "anticipates" | ▪ "could"     | ▪ "forecasts" | ▪ "might"    | ▪ "projects"  |
| ▪ "believes"    | ▪ "estimates" | ▪ "intends"   | ▪ "plans"    | ▪ "scheduled" |
| ▪ "budgets"     | ▪ "expects"   | ▪ "may"       | ▪ "predicts" | ▪ "should"    |

Such statements are subject to numerous risks, uncertainties and assumptions, including, but not limited to:

- those described under "Item 1A. Risk Factors" in this annual report,
- the adequacy of and access to sources of liquidity,
- our inability to obtain drilling contracts for our rigs that do not have contracts,
- our inability to renew drilling contracts at comparable dayrates,
- operational performance,
- the impact of regulatory changes,
- the cancellation of drilling contracts currently included in our reported contract backlog,
- shipyard, construction and other delays,
- the results of meetings of our shareholders,
- changes in political, social and economic conditions,
- the effect and results of litigation, regulatory matters, settlements, audits, assessments and contingencies, and
- other factors discussed in this annual report and in our other filings with the U.S. Securities and Exchange Commission ("SEC"), which are available free of charge on the SEC website at [www.sec.gov](http://www.sec.gov).

The foregoing risks and uncertainties are beyond our ability to control, and in many cases, we cannot predict the risks and uncertainties that could cause our actual results to differ materially from those indicated by the forward-looking statements. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those indicated. All subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by reference to these risks and uncertainties. You should not place undue reliance on forward-looking statements. Each forward-looking statement speaks only as of the date of the particular statement. We expressly disclaim any obligations or undertaking to release publicly any updates or revisions to any forward-looking statement to reflect any change in our expectations or beliefs with regard to the statement or any change in events, conditions or circumstances on which any forward-looking statement is based.



## PART I

### Item 1. Business

#### Overview

Transocean Ltd. (together with its subsidiaries and predecessors, unless the context requires otherwise, “Transocean,” the “Company,” “we,” “us” or “our”) is a leading international provider of offshore contract drilling services for oil and gas wells. As of February 17, 2015, we owned or had partial ownership interests in and operated 71 mobile offshore drilling units. As of February 17, 2015, our fleet consisted of 44 High-Specification Floaters (Ultra-Deepwater, Deepwater and Harsh Environment semisubmersibles and drillships), 17 Midwater Floaters and 10 High-Specification Jackups. At February 17, 2015, we also had seven Ultra-Deepwater drillships and five High-Specification Jackups under construction or under contract to be constructed.

Our primary business is to contract our drilling rigs, related equipment and work crews predominantly on a dayrate basis to drill oil and gas wells. We specialize in technically demanding regions of the global offshore drilling business with a particular focus on deepwater and harsh environment drilling services. We believe our mobile offshore drilling fleet is one of the most versatile fleets in the world, consisting of floaters and high-specification jackups used in support of offshore drilling activities and offshore support services on a worldwide basis.

Transocean Ltd. is a Swiss corporation with its registered office in Steinhausen, Canton of Zug and with principal executive offices located at Chemin de Blandonnet 10, 1214 Vernier, Switzerland. Our telephone number at that address is +41 22 930-9000. Our shares are listed on the New York Stock Exchange (“NYSE”) under the symbol “RIG” and on the SIX Swiss Exchange (“SIX”) under the symbol “RIGN.” For information about the revenues, operating income, assets and other information related to our business, our segments and the geographic areas in which we operate, see “Part II. Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Part II. Item 8. Financial Statements and Supplementary Data—Notes to Consolidated Financial Statements—Note 23—Operating Segments, Geographical Analysis and Major Customers.”

#### Recent Developments

On August 5, 2014, we completed an initial public offering to sell a noncontrolling interest in Transocean Partners LLC (“Transocean Partners”), a consolidated Marshall Islands limited liability company, which was formed on February 6, 2014, by Transocean Partners Holdings Limited, a Cayman Islands company and our wholly owned subsidiary, to own, operate and acquire modern, technologically advanced offshore drilling rigs. See “Part II. Item 8. Financial Statements and Supplementary Data—Notes to Consolidated Financial Statements—Note 15—Noncontrolling Interest.”

In February 2014, in connection with our efforts to discontinue non-strategic operations, we completed the sale of Applied Drilling Technology International Limited, a U.K. company that performs drilling management services in the North Sea. Following the completion of the sale transaction, we agreed to provide a \$15 million working capital line of credit to the buyer for up to two years. The disposal of this component of our business results in the discontinuation of our drilling management services operating segment in the year ending December 31, 2014. See “Part II. Item 8. Financial Statements and Supplementary Data—Notes to Consolidated Financial Statements—Note 7—Discontinued Operations.”

## Drilling Fleet

**Fleet overview**—Most of our drilling equipment is suitable for both exploration and development drilling, and we normally engage in both types of drilling activity. Likewise, all of our drilling rigs are mobile and can be moved to new locations in response to customer demand. All of our mobile offshore drilling units are designed to operate in locations away from port for extended periods of time and have living quarters for the crews, a helicopter landing deck and storage space for pipe and drilling supplies. Our drilling fleet can be generally characterized as follows: (1) floaters, including drillships and semisubmersibles, and (2) jackups.

Drillships are generally self-propelled vessels, shaped like conventional ships, and are the most mobile of the major rig types. All of our high-specification drillships are equipped with a computer-controlled dynamic positioning thruster system, which allows them to maintain position without anchors through the use of their onboard propulsion and station-keeping systems. Drillships typically have greater load capacity than early generation semisubmersible rigs. This enables them to carry more supplies on board, which often makes them better suited for drilling in remote locations where resupply is more difficult. However, drillships are generally limited to operations in calmer water conditions than those in which semisubmersibles can operate. We have 12 Ultra-Deepwater drillships in operation that are, and seven Ultra-Deepwater drillships under construction that will be, equipped with our patented dual-activity technology. Dual-activity technology employs structures, equipment and techniques using two drilling stations within a single derrick to allow these drillships to perform simultaneous drilling tasks in a parallel rather than sequential manner, reducing critical path activity, to improve efficiency in both exploration and development drilling. In addition to dynamic positioning thruster systems, dual-activity technology, industry-leading hoisting capacity and a second blowout preventer system, five of our seven newbuild drillships under construction will be outfitted to accommodate a future upgrade to a 20,000 pounds per square inch ("psi") blowout preventer.

Semisubmersibles are floating vessels that can be submerged by means of a water ballast system such that the lower hulls are below the water surface during drilling operations. These rigs are capable of maintaining their position over a well through the use of an anchoring system or a computer-controlled dynamic positioning thruster system. Although most semisubmersible rigs are relocated with the assistance of tugs, some units are self-propelled and move between locations under their own power when afloat on pontoons. Typically, semisubmersibles are better suited than drillships for operations in rougher water conditions. We have two custom-designed, high-capacity, dual-activity semisubmersible drilling rigs, equipped for year-round operations in harsh environments, including those of the Norwegian continental shelf and sub-Arctic waters. We have three semisubmersibles, which are designed for mild environments and are equipped with the unique tri-act derrick. The tri-act derrick was designed to reduce overall well construction costs, as it allows offline tubular and riser handling operations to occur at two sides of the derrick while the center portion of the derrick is being used for normal drilling operations through the rotary table. Additionally, five of our 38 semisubmersibles are equipped with our patented dual-activity technology.

Jackup rigs are mobile self-elevating drilling platforms equipped with legs that can be lowered to the ocean floor until a foundation is established to support the drilling platform. Once a foundation is established, the drilling platform is then jacked further up the legs so that the platform is above the highest expected waves. These rigs are generally suited for water depths of 400 feet or less. We have five newbuild High-Specification Jackups under construction that are expected to be capable of constructing wells up to 35,000 feet deep and feature advanced offshore drilling technology, including offline tubular handling features and simultaneous operations support.

**Fleet categories**—We further categorize the drilling units of our fleet as follows: (1) "High-Specification Floaters," consisting of our "Ultra-Deepwater Floaters," "Deepwater Floaters" and "Harsh Environment Floaters," (2) "Midwater Floaters" and (3) "High-Specification Jackups".

High-Specification Floaters are specialized offshore drilling units that we categorize into three sub-classifications based on their capabilities. Ultra-Deepwater Floaters are equipped with high-pressure mud pumps and are capable of drilling in water depths of 7,500 feet or greater. Deepwater Floaters are generally those other semisubmersible rigs and drillships capable of drilling in water depths between 4,500 and 7,500 feet. Harsh Environment Floaters are capable of drilling in harsh environments in water depths between 1,500 and 10,000 feet and have greater displacement, which offers larger variable load capacity, more useable deck space and better motion characteristics. Midwater Floaters are generally comprised of those non-high-specification semisubmersibles that have a water depth capacity of less than 4,500 feet. High-Specification Jackups have high capacity derricks, drawworks, mud systems and storage and generally have a water depth capacity of between 350 and 400 feet.

As of February 17, 2015, we owned and operated a fleet of 71 rigs, excluding rigs under construction, as follows:

- 44 High-Specification Floaters, which are comprised of:
  - 29 Ultra-Deepwater Floaters;
  - Eight Deepwater Floaters; and
  - Seven Harsh Environment Floaters;
- 17 Midwater Floaters; and
- 10 High-Specification Jackups.

**Fleet status**—Depending on market conditions, we may idle or stack non-contracted rigs. An *idle* rig is between drilling contracts, readily available for operations, and operating costs are typically at or near normal levels. A *stacked* rig typically has reduced operating costs, is staffed by a reduced crew or has no crew and is (a) preparing for an extended period of inactivity, (b) expected to continue to be inactive for an extended period, or (c) completing a period of extended inactivity. Stacked rigs will continue to incur operating costs at or above normal operating levels for 30 to 60 days following initiation of stacking. Some idle rigs and all stacked rigs require additional costs to return to service. The actual cost to return to service, which in many instances could be significant and could fluctuate over time, depends upon various factors, including the availability and cost of shipyard facilities, cost of equipment and materials and the extent of repairs and maintenance that may ultimately be required. We consider these factors, together with market conditions, length of contract, dayrate and other contract terms, when deciding whether to return a stacked rig to service. We may, from time to time, consider marketing stacked rigs as accommodation units or for other alternative uses until drilling activity increases and we obtain drilling contracts for these units. We may not return some stacked rigs to work for drilling services or for these alternative uses at all.

**Drilling units**—The following tables, presented as of February 17, 2015, provide certain specifications for our rigs. Unless otherwise noted, the stated location of each rig indicates either the current drilling location, if the rig is operating, or the next operating location, if the rig is in shipyard with a follow-on contract. As of February 17, 2015, we owned all of the drilling rigs in our fleet noted in the tables below, except for the following: (1) those specifically described as being owned through our interests in consolidated entities that were less than wholly owned and (2) *Petrobras 10000*, which is subject to a capital lease through August 2029.

### **Rigs Under Construction (12)**

<u>Name</u>	<u>Type</u>	<u>Expected completion</u>	<u>Water depth capacity (in feet)</u>	<u>Drilling depth capacity (in feet)</u>	<u>Contracted location</u>
<b>Ultra-Deepwater Floaters</b>					
Deepwater Thalassa	HSD	1Q 2016	12,000	40,000	To be determined
Deepwater Proteus	HSD	3Q 2016	12,000	40,000	To be determined
Deepwater Pontus	HSD	1Q 2017	12,000	40,000	To be determined
Deepwater Poseidon	HSD	2Q 2017	12,000	40,000	To be determined
Deepwater Conqueror	HSD	4Q 2016	12,000	40,000	U.S. Gulf
Ultra-Deepwater drillship TBN1	HSD	2Q 2017	12,000	40,000	To be determined
Ultra-Deepwater drillship TBN2	HSD	1Q 2018	12,000	40,000	To be determined
<b>High-Specification Jackups</b>					
Transocean Cassiopeia	Jackup	3Q 2016	400	35,000	To be determined
Transocean Centaurus	Jackup	1Q 2017	400	35,000	To be determined
Transocean Cepheus	Jackup	3Q 2017	400	35,000	To be determined
Transocean Cetus	Jackup	1Q 2018	400	35,000	To be determined
Transocean Circinus	Jackup	3Q 2018	400	35,000	To be determined

“HSD” means high-specification drillship.

## High-Specification Floaters (44)

Name	Type	Year entered service/ upgraded (a)	Water depth capacity (in feet)	Drilling depth capacity (in feet)	Location
<b>Ultra-Deepwater Floaters (29)</b>					
Discoverer Clear Leader (b) (c) (d) (e)	HSD	2009	12,000	40,000	U.S. Gulf
Discoverer Americas (b) (c) (d)	HSD	2009	12,000	40,000	Tanzania
Discoverer Inspiration (b) (c) (d) (e)	HSD	2010	12,000	40,000	U.S. Gulf
Deepwater Champion (b) (c)	HSD	2011	12,000	40,000	U.S. Gulf
Deepwater Asgard (b) (c) (d)	HSD	2014	12,000	40,000	Indonesia
Deepwater Invictus (b) (c) (d)	HSD	2014	12,000	40,000	U.S. Gulf
Petrobras 10000 (b) (c)	HSD	2009	12,000	37,500	Brazil
Dhirubhai Deepwater KG1 (b)	HSD	2009	12,000	35,000	Brazil
Dhirubhai Deepwater KG2 (b)	HSD	2010	12,000	35,000	India
Discoverer India (b) (c) (d)	HSD	2010	12,000	40,000	U.S. Gulf
Discoverer Deep Seas (b) (c) (d)	HSD	2001	10,000	35,000	U.S. Gulf
Discoverer Enterprise (b) (c) (d)	HSD	1999	10,000	35,000	U.S. Gulf
Discoverer Spirit (b) (c) (d)	HSD	2000	10,000	35,000	Idle
GSF C.R. Luigs (b)	HSD	2000	10,000	35,000	Idle
GSF Jack Ryan (b)	HSD	2000	10,000	35,000	Idle
Deepwater Discovery (b)	HSD	2000	10,000	30,000	Idle
Deepwater Frontier (b)	HSD	1999	10,000	30,000	Idle
Deepwater Millennium (b)	HSD	1999	10,000	30,000	Australia
Deepwater Pathfinder (b)	HSD	1998	10,000	30,000	Idle
Deepwater Expedition (b)	HSD	1999	8,500	30,000	Idle
Cajun Express (b) (f)	HSS	2001	8,500	35,000	Ivory Coast
Deepwater Nautilus (g)	HSS	2000	8,000	30,000	U.S. Gulf
GSF Explorer (b)	HSD	1972/1998	7,800	30,000	Idle
Discoverer Luanda (b) (c) (d) (h)	HSD	2010	7,500	40,000	Angola
GSF Development Driller I (b) (c)	HSS	2005	7,500	37,500	Angola
GSF Development Driller II (b) (c)	HSS	2005	7,500	37,500	Romania
Development Driller III (b) (c) (e)	HSS	2009	7,500	37,500	U.S. Gulf
Sedco Energy (b) (f)	HSS	2001	7,500	35,000	Congo
Sedco Express (b) (f)	HSS	2001	7,500	35,000	Nigeria
<b>Deepwater Floaters (8)</b>					
Deepwater Navigator (b)	HSD	1971/2000	7,200	25,000	Brazil
Transocean Marianas (g)	HSS	1979/1998	7,000	30,000	South Africa
Sedco 702 (b)	HSS	1973/2007	6,500	25,000	Nigeria
Sedco 706 (b)	HSS	1976/2008	6,500	25,000	Brazil
Sedco 707 (b)	HSS	1976/1997	6,500	25,000	Idle
GSF Celtic Sea (g)	HSS	1982/1998	5,750	25,000	Angola
Jack Bates (g)	HSS	1986/1997	5,400	30,000	Australia
M.G. Hulme, Jr. (g)	HSS	1983/1996	5,000	25,000	Malaysia
<b>Harsh Environment Floaters (7)</b>					
Transocean Spitsbergen (b) (c)	HSS	2010	10,000	30,000	Norwegian N. Sea
Transocean Barents (b) (c)	HSS	2009	10,000	30,000	Norwegian N. Sea
Henry Goodrich (g)	HSS	1985/2007	5,000	30,000	Canada
Transocean Leader (g)	HSS	1987/1997	4,500	25,000	Norwegian N. Sea
Paul B. Loyd, Jr. (g)	HSS	1990	2,000	25,000	U.K. N. Sea
Transocean Arctic (g)	HSS	1986	1,650	25,000	Norwegian N. Sea
Polar Pioneer (g)	HSS	1985	1,500	25,000	Singapore

"HSD" means high-specification drillship.

"HSS" means high-specification semisubmersible.

- (a) Dates shown are the original service date and the date of the most recent upgrade, if any.
- (b) Dynamically positioned.
- (c) Dual-activity.
- (d) Enterprise-class or Enhanced Enterprise-class rig.
- (e) Owned through our 70 percent interest in Transocean Partners.
- (f) Express-class rig.
- (g) Moored floaters.
- (h) Owned through our 65 percent interest in Angola Deepwater Drilling Company Limited ("ADDCL").

### Midwater Floaters (17)

Name	Type	Year entered service/ upgraded (a)	Water depth capacity (in feet)	Drilling depth capacity (in feet)	Location
Transocean Amirante	OS	1978/1997	3,500	25,000	Libya
Transocean Legend	OS	1983	3,500	25,000	Idle
Transocean Driller	OS	1991	3,000	25,000	Brazil
GSF Rig 135	OS	1983	2,800	25,000	Nigeria
GSF Rig 140	OS	1983	2,800	25,000	India
GSF Aleutian Key	OS	1976/2001	2,300	25,000	Stacked
GSF Arctic III	OS	1984	1,800	25,000	Idle
Sedco 711	OS	1982	1,800	25,000	U.K. N. Sea
Transocean John Shaw	OS	1982	1,800	25,000	U.K. N. Sea
Sedco 712	OS	1983	1,600	25,000	U.K. N. Sea
Sedco 714	OS	1983/1997	1,600	25,000	U.K. N. Sea
Actinia	OS	1982	1,500	25,000	India
GSF Grand Banks	OS	1984	1,500	25,000	Canada
Transocean Prospect	OS	1983/1992	1,500	25,000	U.K. N. Sea
Transocean Searcher	OS	1983/1988	1,500	25,000	Norwegian N. Sea
Transocean Winner	OS	1983	1,500	25,000	Norwegian N. Sea
Sedco 704	OS	1974/1993	1,000	25,000	U.K. N. Sea

"OS" means other semisubmersible.

(a) Dates shown are the original service date and the date of the most recent upgrade, if any.

### High-Specification Jackups (10)

Name	Year entered service/ upgraded (a)	Water depth capacity (in feet)	Drilling depth capacity (in feet)	Location
Transocean Ao Thai	2013	350	35,000	Thailand
Transocean Andaman	2013	350	35,000	Thailand
Transocean Siam Driller	2013	350	35,000	Thailand
Transocean Honor (b)	2012	400	30,000	Angola
GSF Constellation I	2003	400	30,000	Indonesia
GSF Constellation II	2004	400	30,000	Gabon
GSF Galaxy I	1991/2001	400	30,000	U.K. N. Sea
GSF Galaxy II	1998	400	30,000	U.K. N. Sea
GSF Galaxy III	1999	400	30,000	Denmark
GSF Monarch	1986	350	30,000	U.K. N. Sea

(a) Dates shown are the original service date and the date of the most recent upgrades, if any.

(b) Owned through our 70 percent interest in Transocean Drilling Services Offshore Inc. ("TDSOI").

## Markets

Our operations are geographically dispersed in oil and gas exploration and development areas throughout the world. We operate in a single, global offshore drilling market because our drilling rigs are mobile assets and are able to be moved according to prevailing market conditions, as we have the ability to mobilize our drilling rigs between regions based on customer contracting requirements or reposition the drilling rigs to capture demand. Consequently, we cannot predict the percentage of our revenues that will be derived from particular geographic or political areas in future periods.

As of February 17, 2015, our drilling fleet was located in the U.S. Gulf of Mexico (12 units), the U.K. North Sea (11 units), Far East (nine units), Norway (six units), African countries other than Nigeria and Angola (six units), Brazil (five units), Angola (four units), India (four units), Australia (four units), Nigeria (three units), Mediterranean (three units), Canada (two units), Denmark (one unit) and Europe (one unit).

The market for offshore drilling rigs and associated services reflects oil companies' demand for equipment for drilling exploration, appraisal and development wells and for performing maintenance on existing production wells. Activity levels of exploration and production companies and their associated capital expenditures are to a large extent driven by the worldwide demand for energy, including crude oil and natural gas. Demand and supply for hydrocarbons drives commodity prices which in turn impact exploration and production companies' ability to fund investments in exploration, development and production activities.

In addition to absolute levels of demand from oil companies, the offshore drilling industry has experienced significant improvements in the technical specifications for rigs required for many regions. Factors such as water depth, more advanced well designs, deeper drilling depth, high pressure and temperature, sub-salt, and harsh environments, as well as heightened regulatory standards, are driving the need for more sophisticated drilling units. We expect the production of hydrocarbons from these more challenging environments to support the demand for modern, technologically advanced mobile offshore drilling units.

The global offshore drilling market is becoming more specialized as new technology enables drilling activities in deeper waters and harsher environments, facilitating exploration and development drilling in new geographical areas. As a result, drilling contractors have been turning their focus to water depth, technical capacities and rig types required to meet changes in rig requirements from oil companies.

Notwithstanding the recent cyclical downturn, deepwater oil and gas production has increased in importance. Evolving drilling technology combined with a period of continued growth in energy demand has led to the discovery of several new deepwater basins and plays in the past several years. These discoveries marked the beginning of our customers' increasing strategic focus on deepwater and represent a backlog of deepwater development opportunities, with Brazil, the U.S. Gulf of Mexico and West Africa being the key ultra-deepwater provinces. Outside of these core regions, activity has also increased in the Mediterranean, East Africa, Mexico and Asia, among other areas. Because offshore discoveries have been concentrated in deepwater, the majority of the global ultra-deepwater fleet operates in this space; however, the design of ultra-deepwater drilling rigs enables them to operate in ultra-deepwater areas, which have experienced growing interest in exploration and development activity. Ultra-deepwater rigs represent the newest and most modern class of the offshore fleet and have capabilities that are attractive to exploration and production companies operating in many water depths.

Additionally, licensing activity during the past several years demonstrates the increased interest in deepwater as exploration and production companies look to explore new frontiers. This significant reloading of exploration portfolios, particularly by the major oil companies, reflects the strategic importance of deepwater as companies look to areas they can access and that are prospective for material discoveries. Deepwater is, therefore, an increasingly important part of the major oil companies' long-term strategies.

Although our long-term view of the offshore drilling market remains favorable, particularly for high-specification assets, we expect the near to medium term to be challenging, given customers' decisions to focus on capital allocation, reduce costs and delay various exploration and development programs. The significant rapid decline in oil and natural gas prices has accelerated the rapid decrease in demand in all markets. We currently expect the pace of contracting for the global floater fleet to remain slow in the near to medium term, resulting in excess capacity, lower dayrates and idle time for some rigs. Any overcapacity of higher specification rigs capable of operating in shallower water depths cause a shift in customer preference to higher specification units during such periods of overcapacity. Additionally, this excess capacity may result in some lower capability assets in the industry being permanently retired ultimately reducing the available supply of drilling rigs, all else being equal.

We categorize the market sectors in which we operate as follows: (1) ultra-deepwater, (2) deepwater, (3) midwater and (4) jackup. The ultra-deepwater, deepwater and midwater market sectors, collectively known as the floater market, are serviced by our drillships and semisubmersibles. We generally view the ultra-deepwater market sector as water depths beginning at 7,500 feet and extending to the maximum water depths in which rigs are capable of drilling, which is currently up to 12,000 feet. The deepwater market sector services water depths beginning at approximately 4,500 feet to approximately 7,500 feet, and the midwater market sector services water depths from approximately 300 feet to approximately 4,500 feet.

The jackup market sector begins at the outer limit of the transition zone, which is characterized by coastal and state water areas, extending to water depths of approximately 400 feet. This sector has developed to levels of consistent demand for approximately 450 rigs globally.



## Financial Information about Geographic Areas

The following table presents the geographic areas in which our operating revenues were earned (in millions):

	Years ended December 31,		
	2014	2013	2012
<b>Operating revenues</b>			
U.S.	\$ 2,289	\$ 2,382	\$ 2,472
U.K.	1,194	1,181	1,028
Norway	1,036	1,208	1,174
Brazil	651	855	1,114
Other countries (a)	4,004	3,623	3,157
Total operating revenues	<u>\$ 9,174</u>	<u>\$ 9,249</u>	<u>\$ 8,945</u>

(a) Other countries represents countries in which we operate that individually had operating revenues representing less than 10 percent of total operating revenues earned for any of the periods presented.

The following table presents the geographic areas in which our long-lived assets were located (in millions):

	December 31,	
	2014	2013
<b>Long-lived assets</b>		
U.S.	\$ 7,080	\$ 6,996
Norway	1,952	2,091
Other countries (a)	12,506	12,620
Total long-lived assets	<u>\$ 21,538</u>	<u>\$ 21,707</u>

(a) Other countries represents countries in which we operate that individually had long-lived assets representing less than 10 percent of total long-lived assets for any of the periods presented.

## Contract Drilling Services

Our contracts to provide offshore drilling services are individually negotiated and vary in their terms and provisions. We obtain most of our drilling contracts through competitive bidding against other contractors and direct negotiations with operators. Drilling contracts generally provide for payment on a dayrate basis, with higher rates for periods while the drilling unit is operating and lower rates or zero rates for periods of mobilization or when drilling operations are interrupted or restricted by equipment breakdowns, adverse environmental conditions or other conditions beyond our control.

A dayrate drilling contract generally extends over a period of time covering either the drilling of a single well or group of wells or covering a stated term. At December 31, 2014, the contract backlog was approximately \$22.5 billion, representing a decrease of 20 percent and 23 percent compared to the contract backlog at December 31, 2013 and 2012, which was \$28.2 billion and \$29.4 billion, respectively. See "Part II. Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Outlook—Drilling market" and "Part II. Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Performance and Other Key Indicators."

Certain of our drilling contracts with customers may be cancelable at the option of the customer upon payment of an early termination payment. Such payments, however, may not fully compensate us for the loss of the contract. Contracts also customarily provide for either automatic termination or termination at the option of the customer typically without the payment of any termination fee, under various circumstances such as non-performance, in the event of extended downtime or impaired performance caused by equipment or operational issues, or periods of extended downtime due to force majeure events. Many of these events are beyond our control. The contract term in some instances may be extended by the customer exercising options for the drilling of additional wells or for an additional term. Our contracts also typically include a provision that allows the customer to extend the contract to finish drilling a well-in-progress. During periods of depressed market conditions, our customers may seek to renegotiate firm drilling contracts to reduce their obligations or may seek to repudiate their contracts. Suspension of drilling contracts will result in the reduction in or loss of dayrate for the period of the suspension. If our customers cancel some of our contracts and we are unable to secure new contracts on a timely basis and on substantially similar terms, or if contracts are suspended for an extended period of time or if a number of our contracts are renegotiated, it could adversely affect our consolidated results of operations or cash flows. See "Item 1A. Risk Factors—Risks related to our business—Our drilling contracts may be terminated due to a number of events."

Consistent with standard industry practice, our customers generally assume, and indemnify us against, well control and subsurface risks under dayrate drilling contracts. Under all of our current drilling contracts, the operator indemnifies us for pollution



damages in connection with reservoir fluids stemming from operations under the contract and we indemnify the operator for pollution from substances in our control that originate from the rig, such as diesel used onboard the rig or other fluids stored onboard the rig and above the water surface. Also, under all of our current drilling contracts, the operator indemnifies us against damage to the well or reservoir and loss of subsurface oil and gas and the cost of bringing the well under control. However, our drilling contracts are individually negotiated, and the degree of indemnification we receive from the operator against the liabilities discussed above can vary from contract to contract, based on market conditions and customer requirements existing when the contract was negotiated. In some instances, we have contractually agreed upon certain limits to our indemnification rights and can be responsible for damages up to a specified maximum dollar amount, which is, in any case, immaterial to us. The nature of our liability and the prevailing market conditions, among other factors, can influence such contractual terms. In most instances in which we are indemnified for damages to the well, we have the responsibility to redrill the well at a reduced dayrate. Notwithstanding a contractual indemnity from a customer, there can be no assurance that our customers will be financially able to indemnify us or will otherwise honor their contractual indemnity obligations. See "Item 1A. Risk Factors—Risks related to our business—Our business involves numerous operating hazards, and our insurance and indemnities from our customers may not be adequate to cover potential losses from our operations."

The interpretation and enforceability of a contractual indemnity depends upon the specific facts and circumstances involved, as governed by applicable laws, and may ultimately need to be decided by a court or other proceeding which will need to consider the specific contract language, the facts and applicable laws. In connection with the Macondo well incident, although certain aspects of our contractual indemnity was enforced, a court refused to enforce an indemnity in respect of certain penalties and punitive damages under the Clean Water Act ("CWA"). The law generally considers contractual indemnity for criminal fines and penalties to be against public policy. The inability or other failure of our customers to fulfill their indemnification obligations to us could have a material adverse effect on our consolidated statement of financial position, results of operations or cash flows. Courts also restrict indemnification for criminal fines and penalties. See "Part II. Item 8. Financial Statements and Supplementary Data—Notes to Consolidated Financial Statements—Note 15—Commitments and Contingencies—Macondo well incident contingencies—Contractual indemnity."

## **Significant Customers**

We engage in offshore drilling services for most of the leading international oil companies or their affiliates, as well as for many government-controlled oil companies and independent oil companies. For the year ended December 31, 2014, our most significant customers were Chevron Corporation (together with its affiliates, "Chevron") and BP plc. (together with its affiliates, "BP"), representing approximately 11 percent and nine percent, respectively, of our consolidated operating revenues. No other customers accounted for 10 percent or more of our consolidated operating revenues in the year ended December 31, 2014. Additionally, as of February 17, 2015, the customers with the most significant aggregate amount of contract backlog associated with our drilling contracts were Royal Dutch Shell plc and Chevron, representing approximately 41 percent and 20 percent, respectively, of our total contract backlog. See "Item 1A. Risk Factors—Risks related to our business—We rely heavily on a relatively small number of customers and the loss of a significant customer or a dispute that leads to the loss of a customer could have a material adverse impact on our financial results."

## **Employees**

We require highly skilled personnel to operate our drilling units. Consequently, we conduct extensive personnel recruiting, training and safety programs. At December 31, 2014, we had approximately 13,100 employees associated with our continuing operations, including approximately 1,000 persons engaged through contract labor providers. Approximately 30 percent of our total workforce, working primarily in Angola, the U.K., Nigeria, Norway, Australia and Brazil are represented by, and some of our contracted labor work under, collective bargaining agreements, substantially all of which are subject to annual salary negotiation. These negotiations could result in higher personnel expenses, other increased costs or increased operational restrictions, as the outcome of such negotiations apply to all offshore employees not just the union members. Additionally, failure to reach agreement on certain key issues may result in strikes, lockouts or other work stoppages that may materially impact our operations.

Legislation has been introduced in the U.S. Congress that could encourage additional unionization efforts in the U.S., as well as increase the chances that such efforts succeed. Additional unionization efforts, if successful, new collective bargaining agreements or work stoppages could materially increase our labor costs and operating restrictions.

## **Joint Venture, Agency and Sponsorship Relationships and Other Investments**

On July 31, 2014, we announced the pricing of an initial public offering of common units representing limited liability company interests in Transocean Partners, which began trading on the New York Stock Exchange under the ticker symbol "RIGP," for \$22.00 per unit. On August 5, 2014, we completed the initial public offering of 20.1 million common units. We hold 21.3 million common units and 27.6 million subordinated units of Transocean Partners, representing a 70.8 percent limited liability company interest, and all of its incentive distribution rights. The remaining 20.1 million common units, representing a 29.2 percent limited liability interest, trades on the New York Stock Exchange under the ticker symbol "RIGP".

Additionally, in some areas of the world, local customs and practice or governmental requirements necessitate the formation of joint ventures with local participation. We may or may not control these joint ventures. We are an active participant in several joint venture drilling companies, principally in Angola, Indonesia, Malaysia and Nigeria. Local laws or customs in some areas of the world also effectively mandate establishment of a relationship with a local agent or sponsor. When appropriate in these areas, we enter into agency or sponsorship agreements. Some of the joint ventures in which we participate are as follows:

We hold a 65 percent interest in ADDCL, a consolidated Cayman Islands joint venture company formed to own *Discoverer Luanda*, which operates in Angola. Our local partner, Angco Cayman Limited, a Cayman Islands company, holds the remaining 35 percent interest in ADDCL. Beginning January 31, 2016, Angco Cayman Limited will have the right to exchange its interest in the joint venture for cash at an amount based on an appraisal of the fair value of the drillship, subject to certain adjustments.

We hold a 70 percent interest in TDSOI, a consolidated British Virgin Islands joint venture company formed to own *Transocean Honor*, which operates in Angola. Our local partner, Angco II, a Cayman Islands company, holds the remaining 30 percent interest in TDSOI. Under certain circumstances, Angco II will have the right to exchange its interest in the joint venture for cash at an amount based on an appraisal of the fair value of the jackup, subject to certain adjustments.

We hold a 24 percent direct interest and a 36 percent indirect interest in Indigo Drilling Limited (“Indigo”), a consolidated Nigerian joint venture company formed to engage in drilling operations offshore Nigeria. Our local partners, Mr. Fidelis Oditah and Mr. Chima Ibeneche, each holds a 12.5 percent direct interest and Mr. Joseph Obi and Mr. Ben Osuno, together own a 15 percent indirect interest, in Indigo.

Additionally, we hold interests in certain joint venture companies in Angola, Indonesia, Malaysia and Nigeria that have been formed to perform certain management services and other onshore support services for our operations.

## **Technological Innovation**

We are a leading international provider of offshore contract drilling services for oil and gas wells. We specialize in technically demanding sectors of the global offshore drilling business. Our fleet is considered one of the most versatile in the world with a particular focus on deepwater and harsh environment drilling capabilities. Since launching the offshore industry’s first jackup drilling rig in 1954, we have achieved a long history of technological innovations, including the first dynamically positioned drillship, the first rig to drill year-round in the North Sea and the first semisubmersible rig for year-round sub-Arctic operations. In recent years, we have repeatedly achieved the world water depth record, holding the current world record at 10,411 feet. Seventeen rigs in our existing fleet are, and seven of our rigs that are currently under construction will be, equipped with our patented dual-activity technology, which allows our rigs to perform simultaneous drilling tasks in a parallel rather than sequential manner and reduces critical path activity while improving efficiency in both exploration and development drilling. Additionally, three rigs in our existing fleet are equipped with the unique tri-act derrick, which allows offline tubular and riser activities during normal drilling operations and is patented in certain market sectors in which we operate.

We continue to develop and deploy industry-leading technology. In addition to our patented dual-activity drilling technology, some of our most recent newbuild drillships will include industry-leading hookload capability, compensated cranes for performing subsea installations, hybrid power systems and reduced emissions and advanced generator protection. The newbuild drillships will also be outfitted with two blowout preventers and triple liquid mud systems and are designed to accept 20,000 psi blowout preventers in the future. The effective use of and continued improvements in technology to address our customers’ requirements are critical to maintaining our competitive position within the contract drilling services industry. We expect to continue to develop technology internally, through partnerships, such as our collaboration with a customer to develop a fault-resistant and fault-tolerant blowout preventer control system, or to acquire technology through strategic acquisitions.

## **Environmental Compliance**

Our operations are subject to a variety of global environmental regulations. We monitor our compliance with environmental regulation in each country of operation and, while we see an increase in general environmental regulation, we have made and will continue to make the required expenditures to comply with current and future environmental requirements. We make expenditures to further our commitment to environmental improvement and the setting of a global environmental standard as part of our wider corporate responsibility effort. We assess the environmental impacts of our business, focusing on the areas of greenhouse gas emissions, climate change, discharges and waste management. Our actions are designed to reduce risk in our current and future operations, to promote sound environmental management and to create a proactive environmental program. To date, we have not incurred material costs in order to comply with recent environmental legislation, and we do not believe that our compliance with such requirements will have a material adverse effect on our competitive position, consolidated results of operations or cash flows.

For a discussion of the effects of environmental regulation, see “Item 1A. Risk Factors—Risks related to our business—Compliance with or breach of environmental laws can be costly, expose us to liability and could limit our operations.”

## Available Information

Our website address is [www.deepwater.com](http://www.deepwater.com). Information contained on or accessible from our website is not incorporated by reference into this annual report and should not be considered a part of this report or any other filing that we make with the U.S. Securities and Exchange Commission (the "SEC"). We make available on this website free of charge, our annual reports, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports as soon as reasonably practicable after we electronically file those materials with, or furnish those materials to, the SEC. You may also find on our website information related to our corporate governance, board committees and company code of business conduct and ethics. The SEC also maintains a website, [www.sec.gov](http://www.sec.gov), which contains reports, proxy statements and other information regarding SEC registrants, including us.

We intend to satisfy the requirement under Item 5.05 of Form 8-K to disclose any amendments to our Code of Integrity and any waiver from any provision of our Code of Integrity by posting such information in the Governance section of our website at [www.deepwater.com](http://www.deepwater.com).

## Item 1A. Risk Factors

### Risks related to our business

***Our business depends on the level of activity in the offshore oil and gas industry, which is significantly affected by volatile oil and gas prices and other factors.***

Our business depends on the level of activity in oil and gas exploration, development and production in offshore areas worldwide. Demand for our services depends on oil and natural gas industry activity and expenditure levels that are directly affected by trends in oil and, to a lesser extent, natural gas prices.

Oil and gas prices are extremely volatile and are affected by numerous factors, including the following:

- worldwide demand for oil and gas, including economic activity in the U.S. and other large energy-consuming markets;
- the ability of the Organization of the Petroleum Exporting Countries ("OPEC") to set and maintain production levels, productive spare capacity and pricing;
- the level of production in non-OPEC countries;
- the policies of various governments regarding exploration and development of their oil and gas reserves;
- advances in exploration, development and production technology;
- the discovery rate of new oil and gas reserves;
- the rate of decline of existing oil and gas reserves;
- laws and regulations related to environmental matters, including those addressing alternative energy sources and the risks of global climate change;
- the development and exploitation of alternative fuels;
- the development of new technology to exploit oil and gas reserves, such as shale oil;
- accidents, adverse weather conditions; natural disasters and other similar incidents relating to the oil and gas industry; and
- the worldwide military and political environment, including uncertainty or instability resulting from an escalation or outbreak of armed hostilities, civil unrest or other crises in the Middle East or other geographic areas or acts of terrorism.

Demand for our services is particularly sensitive to the level of exploration, development and production activity of, and the corresponding capital spending by, oil and natural gas companies, including national oil companies. Any prolonged reduction in oil and natural gas prices could depress the immediate levels of exploration, development and production activity. Perceptions of longer-term lower oil and natural gas prices by oil and gas companies could similarly reduce or defer major expenditures given the long-term nature of many large-scale development projects. Lower levels of activity result in a corresponding decline in the demand for our services, which could have a material adverse effect on our revenue and profitability. Oil and gas prices and market expectations of potential changes in these prices significantly affect this level of activity. However, higher near-term commodity prices do not necessarily translate into increased drilling activity since customers' expectations of longer-term future commodity prices typically drive demand for our rigs. Also, increased competition for customers' drilling budgets could come from, among other areas, land-based energy markets in Africa, Russia, China, Western Asian countries, the Middle East, the U.S. and elsewhere. The availability of quality drilling prospects, exploration success, relative production costs, the stage of reservoir development and political and regulatory environments also affect customers' drilling campaigns. Worldwide military, political and economic events have contributed to oil and gas price volatility and are likely to do so in the future.

***The offshore drilling industry is highly competitive and cyclical, with intense price competition.***

The offshore contract drilling industry is highly competitive with numerous industry participants, none of which has a dominant market share. Drilling contracts are traditionally awarded on a competitive bid basis. Intense price competition is often the primary factor in determining which qualified contractor is awarded a job, although rig availability and the quality and technical capability of services and equipment are also considered.

The offshore drilling industry has historically been cyclical and is impacted by oil and gas price levels and volatility. There have been periods of high demand, short rig supply and high dayrates, followed by periods of low demand, excess rig supply and low dayrates. Changes in commodity prices can have a dramatic effect on rig demand, and periods of excess rig supply may intensify competition in the industry and result in the idling of older and less technologically advanced equipment. We have idled and stacked rigs, and may in the future idle or stack additional rigs or enter into lower dayrate drilling contracts in response to market conditions. We cannot predict when or if any idled or stacked rigs will return to service.

During prior periods of high dayrates and rig utilization rates, we and other industry participants have increased the supply of rigs by ordering the construction of new units. This has historically resulted in an oversupply of rigs and has caused a subsequent decline in dayrates and rig utilization rates, sometimes for extended periods of time. Presently, there are numerous recently constructed high-specification floaters and other drilling units that are capable of competing with our rigs that have entered the global market, and there are more that are under contract for construction. The entry into service of these new units has increased and will continue to increase supply and could curtail a strengthening, or trigger a reduction, in dayrates as rigs are absorbed into the active fleet or lead to accelerated stacking of the existing fleet.

A significant number of the newbuild units, including our two Ultra-Deepwater drillships and our five High-Specification Jackups currently under construction, have not been contracted for work, which may intensify price competition. Any further increase in construction of new units would likely exacerbate the negative impact on dayrates and utilization rates. Additionally, intense price competition may drive customers to demand renegotiation of existing contracts to lower dayrates in exchange for longer contract terms. In an over-supplied market, we may have limited bargaining power to renegotiate on more favorable terms. Lower dayrates and rig utilization rates could adversely affect our revenues and profitability.

***Credit rating agencies may lower our corporate credit ratings below investment grade.***

Credit rating agencies may downgrade our credit ratings to non-investment grade levels. Such ratings levels could have material adverse consequences on our business and future prospects, including the following:

- limit our ability to access debt markets, including for the purpose of refinancing our existing debt;
- cause us to refinance or issue debt with less favorable terms and conditions, which debt may require collateral and restrict, among other things, our ability to pay distributions or repurchase shares;
- increase certain fees under our credit facilities and interest rates under agreements governing certain of our senior notes;
- negatively impact current and prospective customers' willingness to transact business with us;
- impose additional insurance, guarantee and collateral requirements;
- limit our access to bank and third-party guarantees, surety bonds and letters of credit; and
- suppliers and financial institutions may lower or eliminate the level of credit provided through payment terms or intraday funding when dealing with us thereby increasing the need for higher levels of cash on hand, which would decrease our ability to repay debt balances.

Since the Macondo well incident, Moody's Investors Service, Standard & Poor's and Fitch have each downgraded their ratings of our senior unsecured debt on more than one occasion. Any further downgrade by any of the rating agencies could have the effects described above. We cannot provide assurance that our credit ratings will not be downgraded to a non-investment grade rating in the near future. See "Item 1A. Risk Factors—Risks related to our business—The Macondo well incident could result in increased expenses and decreased revenues, which could ultimately have a material adverse effect on us."

***We may not be able to renew or obtain new and favorable drilling contracts for rigs whose contracts are expiring or are terminated or obtain drilling contracts for our uncontracted newbuilds, which could adversely affect our consolidated statements of operations.***

Our ability to renew expiring drilling contracts or obtain new drilling contracts will depend on the prevailing market conditions at the time. If we are unable to obtain new drilling contracts in direct continuation with existing contracts or for our uncontracted newbuild units, or if new drilling contracts are entered into at dayrates substantially below the existing dayrates or on terms otherwise less favorable compared to existing contract terms, our revenues and profitability could be adversely affected.

The offshore drilling markets in which we compete experience fluctuations in the demand for drilling services. A number of existing drilling contracts for our drilling rigs that are currently operating are scheduled to expire in 2015 and 2016. Also, of the units we currently have under construction as part of our newbuild program, two Ultra-Deepwater drillships and our five High-Specification Jackups are being constructed without customer drilling contracts. We will attempt to secure drilling contracts for these units prior to their completion. We may be unable to obtain drilling contracts for our rigs that are currently operating upon the expiration or termination of such contracts or obtain drilling contracts for our newbuilds, and there may be a gap in the operation of the rigs between current contracts and subsequent contracts. In particular, if oil and natural gas prices are low, or it is expected that such prices will decrease in the future, at a time when we are seeking drilling contracts for our rigs, we may be unable to obtain drilling contracts at attractive dayrates or at all.

***We must make substantial capital and operating expenditures to maintain our fleet, and we may be required to make significant capital expenditures to maintain our competitiveness and to comply with laws and the applicable regulations and standards of governmental authorities and organizations, or to execute our growth plan, each of which could negatively affect our financial condition, results of operations and cash flows.***

We must make substantial capital and operating expenditures to maintain our fleet. These expenditures could increase as a result of changes in the following:

- the cost of labor and materials;
- customer requirements;
- fleet size;
- the cost of replacement parts for existing drilling rigs;
- the geographic location of the drilling rigs;
- length of drilling contracts;
- governmental regulations and maritime self-regulatory organization and technical standards relating to safety, security or the environment; and
- industry standards.

Changes in offshore drilling technology, customer requirements for new or upgraded equipment and competition within our industry may require us to make significant capital expenditures in order to maintain our competitiveness. In addition, changes in governmental regulations, safety or other equipment standards, as well as compliance with standards imposed by maritime self-regulatory organizations, may require us to make additional unforeseen capital expenditures. As a result, we may be required to take our rigs out of service for extended periods of time, with corresponding losses of revenues, in order to make such alterations or to add such equipment. In the future, market conditions may not justify these expenditures or enable us to operate our older rigs profitably during the remainder of their economic lives.

In addition, in order to execute our growth plan, we may require additional capital in the future. If we are unable to fund capital expenditures with our cash flow from operations or sales of non-strategic assets, we may be required to either incur additional borrowings or raise capital through the sale of debt or equity securities. Our ability to access the capital markets may be limited by our financial condition at the time, by changes in laws and regulations or interpretation thereof and by adverse market conditions resulting from, among other things, general economic conditions and contingencies and uncertainties that are beyond our control. If we raise funds by issuing equity securities, existing shareholders may experience dilution. Our failure to obtain the funds for necessary future capital expenditures could have a material adverse effect on our business and on our statements of financial condition, results of operations and cash flows.

***We have a substantial amount of debt, and we may lose the ability to obtain future financing and suffer competitive disadvantages.***

At December 31, 2014 and 2013, our overall debt level was approximately \$10.1 billion and \$10.7 billion, respectively. This substantial level of debt and other obligations could have significant adverse consequences on our business and future prospects, including the following:

- we may not be able to obtain financing in the future for working capital, capital expenditures, acquisitions, debt service requirements, distributions, share repurchases, or other purposes;
- we may not be able to use operating cash flow in other areas of our business because we must dedicate a substantial portion of these funds to service the debt;
- we could become more vulnerable to general adverse economic and industry conditions, including increases in interest rates, particularly given our substantial indebtedness, some of which bears interest at variable rates;
- we may not be able to meet financial ratios or satisfy certain other conditions included in our bank credit agreements, which could result in our inability to meet requirements for borrowings under our bank credit agreements or a default under these agreements and trigger cross default provisions in our other debt instruments; and
- we may be less able to take advantage of significant business opportunities and to react to changes in market or industry conditions than our less levered competitors.

***We rely heavily on a relatively small number of customers and the loss of a significant customer or a dispute that leads to the loss of a customer could have a material adverse impact on our financial results.***

We engage in offshore drilling services for most of the leading international oil companies or their affiliates, as well as for many government-controlled oil companies and independent oil companies. For the year ended December 31, 2014, our most significant customers were Chevron and BP, accounting for approximately 11 percent and nine percent, respectively, of our consolidated operating revenues from continuing operations. As of February 17, 2015, the customers with the most significant aggregate amount of contract backlog associated with our drilling contracts were Royal Dutch Shell plc and Chevron, representing approximately 41 percent and 20 percent, respectively, of our total contract backlog.

Our relationship with BP, whose affiliate was the operator of the Macondo well, has been and could continue to be negatively impacted by the Macondo well incident. In addition, subject to certain exceptions, the EPA Agreement prohibits us from entering into, extending or engaging in certain business relationships with individuals or entities that are debarred, suspended, proposed for debarment or similarly restricted in the U.S., including affiliates of BP. The loss of any of these customers or another significant customer, or a decline



in payments under any of our drilling contracts, could, at least in the short term, have a material adverse effect on our results of operations and cash flows.

In addition, our drilling contracts subject us to counterparty risks. The ability of each of our counterparties to perform its obligations under a contract with us will depend on a number of factors that are beyond our control and may include, among other things, general economic conditions, the condition of the offshore drilling industry, prevailing prices for oil and natural gas, the overall financial condition of the counterparty, the dayrates received and the level of expenses necessary to maintain drilling activities. In addition, in depressed market conditions, our customers may no longer need a drilling rig that is currently under contract or may be able to obtain a comparable drilling rig at a lower dayrate. Should a counterparty fail to honor its obligations under an agreement with us, we could sustain losses, which could have a material adverse effect on our business, financial condition and results of operations.

***Our drilling contracts may be terminated due to a number of events.***

Certain of our drilling contracts with customers may be cancelable at the option of the customer upon payment of an early termination payment. Such payments may not, however, fully compensate us for the loss of the contract. Drilling contracts also customarily provide for either automatic termination or termination at the option of the customer typically without the payment of any termination fee, under various circumstances such as non-performance, as a result of significant downtime or impaired performance caused by equipment or operational issues, or sustained periods of downtime due to force majeure events. Many of these events are beyond our control. During periods of depressed market conditions, we are subject to an increased risk of our customers seeking to repudiate their contracts, including through claims of non-performance. Our customers' ability to perform their obligations under their drilling contracts, including their ability to fulfill their indemnity obligations to us, may also be negatively impacted by an economic downturn. Our customers, which include national oil companies, often have significant bargaining leverage over us. If our customers cancel some of our contracts, and we are unable to secure new contracts on a timely basis and on substantially similar terms, or if contracts are suspended for an extended period of time or if a number of our contracts are renegotiated, it could adversely affect our consolidated statement of financial position, results of operations or cash flows.

***Our current backlog of contract drilling revenue may not be fully realized, which may have a material adverse impact on our consolidated statement of financial position, results of operations or cash flows.***

At February 17, 2015, the contract backlog associated with our continuing operations was approximately \$21.2 billion. This amount represents the firm term of the drilling contract multiplied by the contractual operating rate, which may be higher than the actual dayrate we receive or we may receive other dayrates included in the contract such as waiting on weather rate, repair rate, standby rate or force majeure rate. The contractual operating dayrate may also be higher than the actual dayrate we receive because of a number of factors, including rig downtime or suspension of operations.

Several factors could cause rig downtime or a suspension of operations, including:

- breakdowns of equipment and other unforeseen engineering problems;
- work stoppages, including labor strikes;
- shortages of material and skilled labor;
- surveys by government and maritime authorities;
- periodic classification surveys;
- severe weather, strong ocean currents or harsh operating conditions; and
- force majeure events.

In certain drilling contracts, the dayrate may be reduced to zero or result in customer credit against future dayrate if, for example, repairs extend beyond a stated period of time. Our contract backlog includes signed drilling contracts and, in some cases, other definitive agreements awaiting contract execution. We may not be able to realize the full amount of our contract backlog due to events beyond our control. In addition, some of our customers have experienced liquidity issues in the past and these liquidity issues could be experienced again if commodity prices decline to lower levels for an extended period of time. Liquidity issues and other market pressures could lead our customers to go into bankruptcy or could encourage our customers to seek to repudiate, cancel or renegotiate these agreements for various reasons (see "—Our drilling contracts may be terminated due to a number of events"). Our inability to realize the full amount of our contract backlog may have a material adverse effect on our consolidated statement of financial position, results of operations or cash flows.

***Significant part or equipment shortages, supplier capacity constraints, supplier production disruptions, supplier quality and sourcing issues or price increases could increase our operating costs, decrease our revenues and adversely impact our operations.***

Our reliance on third-party suppliers, manufacturers and service providers to secure equipment, parts, components and sub-systems used in our operations exposes us to volatility in the quality, prices and availability of such items. Certain parts and equipment that we use in our operations may be available only from a small number of suppliers, manufacturers or service providers, or in some cases must be sourced through a single supplier, manufacturer or service provider. Recent industry developments have reduced the number of available suppliers. A disruption in the deliveries from such third-party suppliers, manufacturers or service providers, capacity constraints, production disruptions, price increases, quality control issues, recalls or other decreased availability of parts and equipment

could adversely affect our ability to meet our commitments to customers, adversely impact our operations and revenues or increase our operating costs.

***Our operating and maintenance costs will not necessarily fluctuate in proportion to changes in our operating revenues.***

Our operating and maintenance costs will not necessarily fluctuate in proportion to changes in our operating revenues. Costs for operating a rig are generally fixed or only semi-variable regardless of the dayrate being earned. In addition, should our rigs incur unplanned downtime while on contract or idle time between drilling contracts, we typically will not reduce the staff on those rigs because we will use the crew to prepare the rig for its next contract. During times of reduced activity, reductions in costs may not be immediate as portions of the crew may be required to prepare rigs for stacking, after which time the crew members are assigned to active rigs or dismissed. As our rigs are mobilized from one geographic location to another, the labor and other operating and maintenance costs can vary significantly. In general, labor costs increase primarily due to higher salary levels and inflation. Equipment maintenance expenses fluctuate depending upon the type of activity the unit is performing and the age and condition of the equipment, and these expenses could increase for short or extended periods as a result of regulatory or customer requirements that raise maintenance standards above historical levels. Contract preparation expenses vary based on the scope and length of contract preparation required and the duration of the firm contractual period over which such expenditures are amortized.

***Our shipyard projects and operations are subject to delays and cost overruns.***

As of February 17, 2015, we had seven Ultra-Deepwater Floater and five High-Specification Jackup newbuild rig projects. We also have a variety of other more limited shipyard projects at any given time. These shipyard projects are subject to the risks of delay or cost overruns inherent in any such construction project resulting from numerous factors, including the following:

- shipyard availability, failures and difficulties;
- shortages of equipment, materials or skilled labor;
- unscheduled delays in the delivery of ordered materials and equipment;
- design and engineering problems, including those relating to the commissioning of newly designed equipment;
- latent damages or deterioration to hull, equipment and machinery in excess of engineering estimates and assumptions;
- unanticipated actual or purported change orders;
- disputes with shipyards and suppliers;
- failure or delay of third-party vendors or service providers;
- availability of suppliers to recertify equipment for enhanced regulations;
- strikes, labor disputes and work stoppages;
- customer acceptance delays;
- adverse weather conditions, including damage caused by such conditions;
- terrorist acts, war, piracy and civil unrest;
- unanticipated cost increases; and
- difficulty in obtaining necessary permits or approvals.

These factors may contribute to cost variations and delays in the delivery of our newbuild units and other rigs undergoing shipyard projects. Delays in the delivery of these units would result in delay in contract commencement, resulting in a loss of revenue to us, and may also cause customers to terminate or shorten the term of the drilling contract for the rig pursuant to applicable late delivery clauses. In the event of termination of any of these drilling contracts, we may not be able to secure a replacement contract on as favorable terms, if at all.

Our operations also rely on a significant supply of capital and consumable spare parts and equipment to maintain and repair our fleet. We also rely on the supply of ancillary services, including supply boats and helicopters. Shortages in materials, manufacturing defects, delays in the delivery of necessary spare parts, equipment or other materials, or the unavailability of ancillary services could negatively impact our future operations and result in increases in rig downtime and delays in the repair and maintenance of our fleet.

***The Macondo well incident could result in increased expenses and decreased revenues, which could ultimately have a material adverse effect on us.***

Numerous lawsuits have been filed against us and unaffiliated defendants related to the Macondo well incident. We are subject to claims alleging that we are jointly and severally liable, along with BP and others, for damages arising from the Macondo well incident. We have incurred and expect to continue to incur significant legal fees and costs in responding to these matters. In January 2013, we agreed with the U.S. Department of Justice ("DOJ") to pay \$1.4 billion in fines, recoveries and penalties, excluding interest, over a five-year period through 2017, and we may be subject to additional governmental fines or penalties. These payments are not deductible for tax purposes. Although we have excess liability insurance coverage relating to certain other liabilities associated with the Macondo well incident, our personal injury and other third-party liability insurance coverage is subject to deductibles and overall aggregate policy limits and does not cover criminal fines and penalties. There can be no assurance that our insurance will ultimately be adequate to cover all of our remaining potential liabilities in connection with these matters. For a discussion of the potential impact of the failure of the Macondo well operator to honor its indemnification obligations to us, see "—We could experience a material adverse effect on our consolidated statement of financial position, results of operations or cash flows to the extent any of the Macondo well operator's indemnification obligations to us are not enforceable or the operator does not indemnify us" below. If we ultimately incur substantial



additional liabilities in connection with these matters with respect to which we are neither insured nor indemnified, those liabilities could have a material adverse effect on us.

We are currently unable to estimate the full impact the Macondo well incident will have on us. We have recognized a liability for estimated loss contingencies that we believe are probable and for which a reasonable estimate can be made. At December 31, 2014, our liability for such loss contingencies was \$426 million. This liability takes into account certain events related to the litigation and investigations arising out of the incident. There are loss contingencies related to the Macondo well incident that we believe are reasonably possible and for which we do not believe a reasonable estimate can be made. These loss contingencies could increase the liabilities we ultimately recognize. Our estimates involve a significant amount of judgment. As a result of new information or future developments, we may adjust our estimated loss contingencies arising out of the Macondo well incident, and the resulting liabilities could have a material adverse effect on our consolidated statement of financial position, results of operations or cash flows.

Our business may also be adversely impacted by any negative publicity relating to the incident and us, any negative perceptions about us by customers, the skilled personnel whom we require to support our operations or others, any further increases in premiums for insurance or difficulty in obtaining coverage and the diversion of management's attention from our operations to focus on matters relating to the incident. In addition, the Macondo well incident could negatively impact our ongoing business relationship with BP, which accounted for approximately nine percent of our consolidated operating revenues from continuing operations in the year ended December 31, 2014. Ultimately, these factors could have a material adverse effect on our consolidated statement of financial position, results of operations or cash flows.

***We could experience a material adverse effect on our consolidated statement of financial position, results of operations or cash flows to the extent any of the Macondo well operator's indemnification obligations to us are not enforceable or the operator does not indemnify us.***

The combined response team to the Macondo well incident was unable to stem the flow of hydrocarbons from the well prior to the sinking of *Deepwater Horizon*. The resulting spill of hydrocarbons was the most extensive in U.S. history. The operator has stated in its public filings that it has recognized cumulative pre-tax losses of \$43.5 billion in relation to the spill as of February 3, 2015. As described under "Part II. Item 8. Financial Statements and Supplementary Data—Notes to Consolidated Financial Statements—Note 15—Commitments and Contingencies—Macondo well incident contingencies—Contractual indemnity," under the *Deepwater Horizon* drilling contract, BP agreed to indemnify us with respect to certain matters, and we agreed to indemnify BP with respect to certain matters. We could experience a material adverse effect on our consolidated statement of financial position, results of operations or cash flows to the extent that BP does not honor its indemnification obligations, including by reason of financial or legal restrictions, or our insurance policies do not fully cover these amounts. In April 2011, BP filed a claim seeking a declaration that it is not liable to us in contribution, indemnification, or otherwise, and further, BP has brought claims against us seeking indemnification and contribution. On November 1, 2011, we filed a motion for partial summary judgment regarding the scope and enforceability of the indemnity obligations in the drilling contract. On January 26, 2012, the court ruled that the drilling contract requires BP to indemnify us for compensatory damages asserted by third parties against us related to pollution that did not originate on or above the surface of the water, even if the claim is the result of our strict liability, negligence or gross negligence. The court also held that BP does not owe us indemnity to the extent that we are held liable for punitive damages or civil penalties under the CWA. The court deferred ruling on BP's argument that we committed a core breach of the drilling contract or otherwise materially increased BP's risk or prejudiced its rights so as to impair BP's indemnity obligations. The law generally considers contractual indemnity for criminal fines and penalties to be against public policy. In May 2013, we filed a motion for partial summary judgment seeking to enforce BP's agreement to release claims made by BP itself. On September 4, 2014, the U.S. District Court, Eastern District of Louisiana (the "MDL Court") entered Findings of Fact and Conclusions of Law for phase one of the multidistrict litigation trial (the "Phase One Trial"). The MDL Court concluded that BP was grossly negligent and reckless and 67 percent at fault for the blowout, explosion, and spill; that Transocean was negligent and 30 percent at fault; and that Halliburton Company ("Halliburton") was negligent and three percent at fault. Because the MDL Court found that Transocean was not grossly negligent, it concluded that BP's contractual agreement to indemnify us for compensatory damages is valid and enforceable and that we no longer have exposure for punitive damages. The MDL Court also ruled that BP's contractual agreement to release its own claims against us is valid and enforceable. This release bars the Plaintiff's Steering Committee (the "PSC") from pursuing claims that have been assigned to it by BP in the BP/PSC settlement. These findings are appealable and we are unable to predict how an appellate court may ultimately rule on the MDL conclusions in the Phase One Trial.

In addition, in connection with our settlement with the DOJ, we agreed that we will not use payments pursuant to a civil consent decree by and among the DOJ and certain of our affiliates (the "Consent Decree") as a basis for indemnity or reimbursement from non-insurer defendants named in the complaint by the U.S. or their affiliates.

***Despite our settlement with the DOJ, we could have additional liabilities to the U.S. government and others. The ultimate outcome of investigations of the Macondo well incident, DOJ lawsuits and our settlement with the DOJ is uncertain.***

On December 15, 2010, the DOJ filed a civil lawsuit against us and other unaffiliated defendants. The complaint alleged claims under the Oil Pollution Act of 1990 (the "OPA") and the CWA, including claims for per barrel civil penalties. The complaint asserted that all defendants are jointly and severally liable for all removal costs and damages resulting from the Macondo well incident. On December 6, 2011, the DOJ filed a motion for partial summary judgment seeking a ruling that we were jointly and severally liable under OPA, and liable for civil penalties under the CWA, for all discharges from the Macondo well on the theory that the discharges not only came from the well,

but also came from the blowout preventer and riser, appurtenances of *Deepwater Horizon*. On February 22, 2012, the U.S. District Court, Eastern District of Louisiana, ruled that we are not liable as a responsible party for damages under OPA with respect to the below surface discharges from the Macondo well. The court also ruled that the below surface discharge was discharged from the well facility, and not from the *Deepwater Horizon* vessel, within the meaning of the CWA, and that we therefore are not liable for such discharges as an owner of the vessel under the CWA. This ruling is currently being appealed to the Fifth Circuit Court of Appeals. In addition, the court ruled that the issue of whether we could be held liable for such discharge under the CWA as an “operator” of the well facility could not be resolved on summary judgment. The court did not determine whether we could be liable for removal costs under OPA, or the extent of such removal costs.

The DOJ also conducted a criminal investigation into the Macondo well incident. On March 7, 2011, the DOJ announced the formation of a task force to investigate possible violations by us and certain unaffiliated parties of the CWA, the Migratory Bird Treaty Act, the Refuse Act, the Endangered Species Act, and the Seaman’s Manslaughter Act, among other federal statutes, and possible criminal liabilities, including fines under those statutes and under the Alternative Fines Act. On January 3, 2013, we reached an agreement with the DOJ to resolve certain outstanding civil and potential criminal charges against us arising from the Macondo well incident through a cooperation guilty plea agreement by and among the DOJ and certain of our affiliates (the “Plea Agreement”) and the Consent Decree. Our settlement with the DOJ did not release us from liabilities to the U.S. government as to all Macondo-related matters nor did it release all Transocean-related persons and entities. In particular, this agreement was without prejudice to the rights of the U.S. with respect to all other matters, including certain liabilities under the OPA for removal costs or for damages for injury to, loss of or loss of use of natural resources, including the reasonable cost of assessing the damage, certain claims for a declaratory judgment of liability under OPA already claimed by the U.S., and certain liabilities for response costs and damages including injury to park system resources, damages for injury to or loss of natural resources and for the cost of any natural resource damage assessments. We have incurred and will continue to incur costs and have been and will continue to be required to devote management and other corporate resources to comply with our agreements with the U.S. Under these agreements, we are subject to restrictions and obligations not imposed on other drilling contractors, which may adversely impact us. Our failure to comply with the terms of these agreements could also result in additional sanctions and penalties that could adversely affect us.

See “Part II. Item 8. Financial Statements and Supplementary Data—Notes to Consolidated Financial Statements—Note 15—Commitments and Contingencies—Macondo well incident contingencies—Multidistrict litigation proceeding.”

Pursuant to our Plea Agreement, we are subject to probation, through February 2018. Pursuant to the terms of our Consent Decree, we are subject to the restrictions of that decree for an extended period of time that will be at least through 2017. Any failure to comply with the Consent Decree or probation could result in additional penalties, sanctions and costs and could adversely affect us. See “Part II. Item 8. Financial Statements and Supplementary Data—Notes to Consolidated Financial Statements—Note 15—Commitments and Contingencies—Macondo well incident contingencies—Multidistrict litigation proceeding.”

In addition, a number of other governmental and regulatory bodies as well as we and other companies have conducted investigations into the Macondo well incident. Many of these investigations have resulted in reports that are critical of us and our actions leading up to and in connection with the incident.

See “Part II. Item 8. Financial Statements and Supplementary Data—Notes to Consolidated Financial Statements—Note 15—Commitments and Contingencies—Macondo well incident contingencies—Multidistrict litigation proceeding.”

We cannot predict the ultimate outcome of the remaining DOJ or other governmental claims or any of the investigations, including any impact on the litigation related to the Macondo well incident, outcome of appeals to the Phase One Ruling by the MDL Court, the extent to which we could be subject to fines, sanctions or other penalties or the potential impact of measures implemented as a result of the settlement with the DOJ, our guilty plea or arising from the investigations or the costs to be incurred in completing the investigations.

***Our agreement with the U.S. Environmental Protection Agency may prohibit us from entering into, extending or engaging in certain business relationships. In addition, if we do not comply with the terms of our agreement with the U.S. Environmental Protection Agency, we may be subject to suspension, debarment or statutory disqualification.***

On February 25, 2013, we and the U.S. Environmental Protection Agency (the “EPA”) entered into an administrative agreement (the “EPA Agreement”) related to the Macondo well incident, which has a five-year term. In the EPA Agreement, we agreed to, among other things, continue the implementation of certain programs and systems; comply with certain employment and contracting procedures; engage independent compliance auditors and a process safety consultant; and give reports and notices with respect to various matters. Subject to certain exceptions, the EPA Agreement prohibits us from entering into, extending or engaging in certain business relationships with individuals or entities that are debarred, suspended, proposed for debarment or similarly restricted. In addition, if we fail to comply with the terms of the EPA Agreement, we may be subject to suspension, debarment or statutory disqualification.

See “Part II. Item 8. Financial Statements and Supplementary Data—Notes to Consolidated Financial Statements—Note 15—Commitments and Contingencies—Macondo well incident settlement obligations—EPA Agreement.”

***The continuing effects of the enhanced regulations enacted following the Macondo well incident could materially and adversely affect our worldwide operations.***

New governmental safety and environmental requirements applicable to both deepwater and shallow water operations have been adopted for drilling in the U.S. Gulf of Mexico following the Macondo well incident. In order to obtain drilling permits, operators must submit applications that demonstrate compliance with the enhanced regulations, which require independent third-party inspections, certification of well design and well control equipment and emergency response plans in the event of a blowout, among other requirements. Operators have previously had, and may in the future have, difficulties obtaining drilling permits in the U.S. Gulf of Mexico. In addition, the oil and gas industry has adopted new equipment and operating standards, such as the American Petroleum Institute Standard 53 relating to the installation and testing of well control equipment. These new safety and environmental guidelines and standards and any further new guidelines or standards the U.S. government or industry may issue or any other steps the U.S. government or industry may take, could disrupt or delay operations, increase the cost of operations, increase out-of-service time or reduce the area of operations for drilling rigs in U.S. and non-U.S. offshore areas.

Other governments could take similar actions relating to implementing new safety and environmental regulations in the future. Additionally, some of our customers have elected to voluntarily comply with some or all of the new inspections, certification requirements and safety and environmental guidelines on rigs operating outside of the U.S. Gulf of Mexico. Additional governmental regulations and requirements concerning licensing, taxation, equipment specifications and training requirements or the voluntary adoption of such requirements or guidelines by our customers could increase the costs of our operations, increase certification and permitting requirements, increase review periods and impose increased liability on offshore operations. The requirements applicable to us under the Consent Decree and the EPA Agreement cover safety, environmental, reporting, operational and other matters and are in addition to the regulations applicable to all industry participants and may add additional costs and liabilities.

The continuing effects of the enhanced regulations may also decrease the demand for drilling services, negatively affect dayrates and increase out-of-service time, which could ultimately have a material adverse effect on our revenue and profitability. We are unable to predict the full impact that the continuing effects of the enhanced regulations will have on our operations.

***Compliance with or breach of environmental laws can be costly, expose us to liability and could limit our operations.***

Our business in the offshore drilling industry is affected by laws and regulations relating to the energy industry and the environment, including international conventions and treaties, and regional, national, state, and local laws and regulations. The offshore drilling industry depends on demand for services from the oil and gas exploration and production industry, and, accordingly, we are directly affected by the adoption of laws and regulations that, for economic, environmental or other policy reasons, curtail exploration and development drilling for oil and gas. Compliance with such laws, regulations and standards, where applicable, may require us to make significant capital expenditures, such as the installation of costly equipment or operational changes, and may affect the resale values or useful lives of our rigs. We may also incur additional costs in order to comply with other existing and future regulatory obligations, including, but not limited to, costs relating to air emissions, including greenhouse gases ("GHGs"), the management of ballast waters, maintenance and inspection, development and implementation of emergency procedures and insurance coverage or other financial assurance of our ability to address pollution incidents. Offshore drilling in certain areas has been curtailed and, in certain cases, prohibited because of concerns over protection of the environment. These costs could have a material adverse effect on our consolidated statement of financial position, results of operations or cash flows. A failure to comply with applicable laws and regulations may result in administrative and civil penalties, criminal sanctions or the suspension or termination of our operations.

To the extent new laws are enacted or other governmental actions are taken that prohibit or restrict offshore drilling or impose additional environmental protection requirements that result in increased costs to the oil and gas industry, in general, or the offshore drilling industry, in particular, our business or prospects could be materially adversely affected. The operation of our drilling rigs will require certain governmental approvals. These governmental approvals may involve public hearings and costly undertakings on our part. We may not obtain such approvals or such approvals may not be obtained in a timely manner. If we fail to timely secure the necessary approvals or permits, our customers may have the right to terminate or seek to renegotiate their drilling contracts to our detriment. The amendment or modification of existing laws and regulations or the adoption of new laws and regulations curtailing or further regulating exploratory or development drilling and production of oil and gas could have a material adverse effect on our business, operating results or financial condition. Compliance with any such new legislation or regulations could have an adverse effect on our statements of operations and cash flows.

As an operator of mobile offshore drilling units in some offshore areas, we may be liable for damages and costs incurred in connection with oil spills or waste disposals related to those operations, and we may also be subject to significant fines in connection with spills. For example, an oil spill could result in significant liability, including fines, penalties and criminal liability and remediation costs for natural resource damages, as well as third-party damages, to the extent that the contractual indemnification provisions in our drilling contracts are not enforceable or otherwise sufficient, or if our customers are unwilling or unable to contractually indemnify us from these risks. Additionally, we may not be able to obtain such indemnities in our future drilling contracts, and our customers may not have the financial capability to fulfill their contractual obligations to us. Also, these indemnities may be held to be unenforceable in certain jurisdictions, as a result of public policy or for other reasons. For example, one of the courts in the litigation related to the Macondo well incident has refused to enforce aspects of our indemnity with respect to certain environmental-related liabilities. Laws and regulations protecting the environment have become more stringent in recent years, and may in some cases impose strict liability, rendering a person

liable for environmental damage without regard to negligence. These laws and regulations may expose us to liability for the conduct of or conditions caused by others or for acts that were in compliance with all applicable laws at the time they were performed. The application of these requirements or the adoption of new requirements or measures could have a material adverse effect on our consolidated statement of financial position, results of operations or cash flows. In addition, our Consent Decree, the EPA Agreement and probation arising out of our Plea Agreement add to these regulations, requirements and liabilities. Our guilty plea to negligently discharging oil into the U.S. Gulf of Mexico in connection with the Macondo well incident caused us to incur liabilities under the environmental laws relating to the Macondo well incident. We may be subject to additional liabilities and penalties. See “—The Macondo well incident could result in increased expenses and decreased revenues, which could ultimately have a material adverse effect on us.”

***The global nature of our operations involves additional risks.***

We operate in various regions throughout the world, which may expose us to political and other uncertainties, including risks of:

- terrorist acts, war, piracy and civil unrest;
- seizure, expropriation or nationalization of our equipment;
- expropriation or nationalization of our customers' property;
- repudiation or nationalization of contracts;
- imposition of trade or immigration barriers;
- import-export quotas;
- wage and price controls;
- changes in law and regulatory requirements, including changes in interpretation and enforcement;
- involvement in judicial proceedings in unfavorable jurisdictions;
- damage to our equipment or violence directed at our employees, including kidnappings;
- complications associated with supplying, repairing and replacing equipment in remote locations;
- the inability to move income or capital; and
- currency exchange fluctuations.

Our non-U.S. contract drilling operations are subject to various laws and regulations in certain countries in which we operate, including laws and regulations relating to the import and export, equipment and operation of drilling units, currency conversions and repatriation, oil and gas exploration and development, taxation and social contributions of offshore earnings and earnings of expatriate personnel. We are also subject to the U.S. Treasury Department's Office of Foreign Assets Control (“OFAC”) and other U.S. laws and regulations governing our international operations. In addition, various state and municipal governments, universities and other investors have proposed or adopted divestment and other initiatives regarding investments including, with respect to state governments, by state retirement systems in companies that do business with countries that have been designated as state sponsors of terrorism by the U.S. State Department. Failure to comply with applicable laws and regulations, including those relating to sanctions and export restrictions, may subject us to criminal sanctions or civil remedies, including fines, denial of export privileges, injunctions or seizures of assets. Investors could view any potential violations of OFAC regulations negatively, which could adversely affect our reputation and the market for our shares.

Governments in some foreign countries have become increasingly active in regulating and controlling the ownership of concessions and companies holding concessions, the exploration for oil and gas and other aspects of the oil and gas industries in their countries, including local content requirements for participating in tenders for certain drilling contracts. Many governments favor or effectively require the awarding of drilling contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction or require use of a local agent. In addition, government action, including initiatives by OPEC, may continue to cause oil or gas price volatility. In some areas of the world, this governmental activity has adversely affected the amount of exploration and development work by major oil companies and may continue to do so.

A substantial portion of our drilling contracts are partially payable in local currency. Those amounts may exceed our local currency needs, leading to the accumulation of excess local currency, which, in certain instances, may be subject to either temporary blocking or other difficulties converting to U.S. dollars, our functional currency, or to other currencies in which we operate. Excess amounts of local currency may be exposed to the risk of currency exchange losses.

The shipment of goods, services and technology across international borders subjects us to extensive trade laws and regulations. Our import and export activities are governed by unique customs laws and regulations in each of the countries where we operate. Moreover, many countries, including the U.S., control the import and export of certain goods, services and technology and impose related import and export recordkeeping and reporting obligations. Governments also may impose economic sanctions against certain countries, persons and other entities that may restrict or prohibit transactions involving such countries, persons and entities, and we are also subject to the U.S. anti-boycott law.

The laws and regulations concerning import and export activity, recordkeeping and reporting, import and export control and economic sanctions are complex and constantly changing. These laws and regulations may be enacted, amended, enforced or interpreted in a manner materially impacting our operations. Ongoing economic challenges may increase some foreign governments' efforts to enact, enforce, amend or interpret laws and regulations as a method to increase revenue. Shipments can be delayed and denied import or export for a variety of reasons, some of which are outside our control and some of which may result from failure to comply with existing legal and regulatory regimes. Shipping delays or denials could cause unscheduled operational downtime.



An inability to obtain visas and work permits for our employees on a timely basis could hurt our operations and have an adverse effect on our business. Our ability to operate worldwide depends on our ability to obtain the necessary visas and work permits for our personnel to travel in and out of, and to work in, the jurisdictions in which we operate. Governmental actions in some of the jurisdictions in which we operate may make it difficult for us to move our personnel in and out of these jurisdictions by delaying or withholding the approval of these permits. If we are not able to obtain visas and work permits for the employees we need to operate our rigs on a timely basis, we might not be able to perform our obligations under our drilling contracts, which could allow our customers to cancel the contracts. If our customers cancel some of our drilling contracts, and we are unable to secure new drilling contracts on a timely basis and on substantially similar terms, it could adversely affect our consolidated statement of financial position, results of operations or cash flows.

***Our business involves numerous operating hazards, and our insurance and indemnities from our customers may not be adequate to cover potential losses from our operations.***

Our operations are subject to the usual hazards inherent in the drilling of oil and gas wells, such as, blowouts, reservoir damage, loss of production, loss of well control, lost or stuck drill strings, equipment defects, craterings, fires, explosions and pollution. Contract drilling requires the use of heavy equipment and exposure to hazardous conditions, which may subject us to liability claims by employees, customers and other parties. These hazards can cause personal injury or loss of life, severe damage to or destruction of property and equipment, pollution or environmental damage, claims by third parties or customers and suspension of operations. Our offshore fleet is also subject to hazards inherent in marine operations, either while on site or during mobilization, such as capsizing, sinking, grounding, collision, piracy, damage from severe weather and marine life infestations.

The South China Sea, the Northwest Coast of Australia and the U.S. Gulf of Mexico area are subject to typhoons, hurricanes or other extreme weather conditions on a relatively frequent basis, and our drilling rigs in these regions may be exposed to damage or total loss by these storms, some of which may not be covered by insurance. The occurrence of these events could result in the suspension of drilling operations, damage to or destruction of the equipment involved and injury to or death of rig personnel. Some experts believe global climate change could increase the frequency and severity of these extreme weather conditions. Operations may also be suspended because of machinery breakdowns, abnormal drilling conditions, failure of subcontractors to perform or supply goods or services, or personnel shortages. We customarily provide contract indemnity to our customers for certain claims that could be asserted by us relating to damage to or loss of our equipment, including rigs, and claims that could be asserted by us or our employees relating to personal injury or loss of life.

Damage to the environment could also result from our operations, particularly through spillage of hydrocarbons, fuel, lubricants or other chemicals and substances used in drilling operations, or extensive uncontrolled fires. We may also be subject to property damage, environmental indemnity and other claims by oil and natural gas companies. Drilling involves certain risks, including risks associated with the loss of control of a well, such as blowout, cratering, the cost to regain control of or re-drill the well and remediation of associated pollution. Our customers may be unable or unwilling to indemnify us against such risks. In addition, a court may decide that certain indemnities in our current or future drilling contracts are not enforceable. The law generally considers contractual indemnity for criminal fines and penalties to be against public policy, and the enforceability of an indemnity as to other matters may be limited.

Our insurance policies and drilling contracts contain rights to indemnity that may not adequately cover our losses, and we do not have insurance coverage or rights to indemnity for all risks. We have two main types of insurance coverage: (1) hull and machinery coverage for physical damage to our property and equipment and (2) excess liability coverage, which generally covers offshore risks, such as personal injury, third-party property claims, and third-party non-crew claims, including wreck removal and pollution. We generally have no hull and machinery insurance coverage for damages caused by named storms in the U.S. Gulf of Mexico. We maintain per occurrence deductibles that generally range up to \$10 million for various third-party liabilities and an additional aggregate annual deductible of \$50 million, which is self-insured through our wholly-owned captive insurance company. We also retain the risk for any liability in excess of our \$750 million excess liability coverage. However, pollution and environmental risks generally are not completely insurable.

If a significant accident or other event occurs that is not fully covered by our insurance or by an enforceable or recoverable indemnity from a customer or from Shelf Drilling with respect to the three standard jackups that Shelf Drilling operates, for which we have agreed to provide a limited guarantee in favor of Shelf Drilling's customer from the time the drilling contracts are novated through expiration of such drilling contracts, such occurrence could adversely affect our consolidated statement of financial position, results of operations or cash flows. The amount of our insurance may also be less than the related impact on enterprise value after a loss. Our insurance coverage will not in all situations provide sufficient funds to protect us from all liabilities that could result from our drilling operations. Our coverage includes annual aggregate policy limits. As a result, we generally retain the risk for any losses in excess of these limits. We generally do not carry insurance for loss of revenue unless contractually required, and certain other claims may also not be reimbursed by insurance carriers. Any such lack of reimbursement may cause us to incur substantial costs. In addition, we could decide to retain more risk in the future, resulting in higher risk of losses, which could be material. Moreover, we may not be able to maintain adequate insurance in the future at rates that we consider reasonable or be able to obtain insurance against certain risks.

***Recent developments in Swiss corporate governance may affect our ability to attract and retain top executives.***

On January 1, 2014, subject to certain transitional provisions, the Swiss Federal Council Ordinance Against Excessive Compensation at Public Companies (the "Ordinance") became effective. The Ordinance, among other things, (a) requires a binding shareholder "say on pay" vote with respect to the compensation of members of our executive management and board of directors

(b) generally prohibits the making of severance, advance, transaction premiums and similar payments to members of our executive management and board of directors, and (c) requires the declassification of our board of directors and the amendment of our articles of association to specify various compensation-related matters. At the 2014 annual general meeting, our shareholders approved amendments to our articles of association that implement the requirements of the Ordinance. At the 2015 annual general meeting, our shareholders will, for the first time, be required to approve the maximum aggregate compensation of (1) our board of directors for the period between the 2015 annual general meeting and the 2016 annual general meeting and (2) our executive management team for the year ending December 31, 2016. The Ordinance further provides for criminal penalties against directors and members of executive management in case of noncompliance with certain of its requirements. The Ordinance may negatively affect our ability to attract and retain executive management and members of our board of directors.

***Corporate restructuring activity, divestitures, acquisitions and other business combinations and reorganizations could adversely affect our ability to achieve our strategic goals.***

We have undertaken and continue to seek appropriate opportunities for restructuring our organization, engaging in strategic acquisitions, divestitures and other business combinations, such as our initial public offering of and investment in Transocean Partners LLC, in order to optimize our fleet and strengthen our competitiveness. We face risks arising from these activities, which could adversely affect our ability to achieve our strategic goals. For example:

- We may be unable to realize the growth or investment opportunities, improvement of our financial position and other expected benefits by these activities in the expected time period or at all;
- Transactions may not be completed as scheduled or at all due to legal or regulatory requirements, market conditions or contractual and other conditions to which such transactions are subject;
- Unanticipated problems could also arise in the integration or separation processes, including unanticipated restructuring or separation expenses and liabilities, as well as delays or other difficulties in transitioning, coordinating, consolidating, relacing and integrating personnel, information and management systems, and customer products and services; and
- The diversion of management and key employees' attention may detract from the our ability to increase revenues and minimize costs;
- Certain transactions may result in other unanticipated adverse consequences.
- We may be required to guarantee certain obligations or provide funding to Transocean Partners through a \$300 million revolving credit facility between us and Transocean Partners which may impact our liquidity of ability to borrow the full amount of capacity under our existing credit facilities.

***Failure to recruit and retain key personnel could hurt our operations.***

We depend on the continuing efforts of key members of our management, as well as other highly skilled personnel, to operate and provide technical services and support for our business worldwide. Historically, competition for the personnel required for drilling operations has intensified as the number of rigs activated, added to worldwide fleets or under construction increased, leading to shortages of qualified personnel in the industry and creating upward pressure on wages and higher turnover. We may experience a reduction in the experience level of our personnel as a result of any increased turnover, which could lead to higher downtime and more operating incidents, which in turn could decrease revenues and increase costs. If increased competition for qualified personnel were to intensify in the future we may experience increases in costs or limits on operations.

***Our labor costs and the operating restrictions under which we operate could increase as a result of collective bargaining negotiations and changes in labor laws and regulations.***

Approximately 30 percent of our total workforce, working primarily in Angola, the U.K., Nigeria, Norway, Australia and Brazil are represented by, and some of our contracted labor work under, collective bargaining agreements, substantially all of which are subject to annual salary negotiation. These negotiations could result in higher personnel expenses, other increased costs or increased operational restrictions as the outcome of such negotiations apply to all offshore employees not just the union members. Legislation has been introduced in the U.S. Congress that could encourage additional unionization efforts in the U.S., as well as increase the chances that such efforts succeed. Additional unionization efforts, if successful, new collective bargaining agreements or work stoppages could materially increase our labor costs and operating restrictions.

***Worldwide financial, economic and political conditions could have a material adverse effect on our consolidated statement of financial position, results of operations or cash flows.***

Worldwide financial and economic conditions could cause our ability to access the capital markets to be severely restricted at a time when we would like, or need, to access such markets, which could have an impact on our flexibility to react to changing economic and business conditions. Worldwide economic conditions have in the past impacted, and could in the future impact, the lenders participating in our credit facilities and our customers, causing them to fail to meet their obligations to us. In addition, a portion of the credit under our credit facilities is provided by European banking institutions. If economic conditions in Europe preclude or limit financing from these banking institutions, we may not be able to obtain financing from other institutions on terms that are acceptable to us, or at all, even if conditions outside Europe remain favorable for lending. A slowdown in economic activity could reduce worldwide demand for energy and result in an extended period of lower oil and natural gas prices. A decline in oil and natural gas prices could reduce demand for our drilling services and have a material adverse effect on our consolidated statement of financial position, results of operations or cash flows.

The world economy and, in particular, the European economy are currently facing a number of challenges. As a result of the credit crisis in Europe, concerns persist regarding the debt burden of certain Eurozone countries and their ability to meet future financial

obligations and the overall stability of the euro. An extended period of adverse development in the outlook for European countries could reduce the overall demand for oil and natural gas and for our services. These potential developments, or market perceptions concerning these and related issues, could affect our consolidated statement of financial position, results of operations or cash flows. In addition, turmoil and hostilities in the Middle East, North Africa and other geographic areas and countries are adding to overall risk. An extended period of adverse development in the outlook for the world economy could reduce the overall demand for oil and natural gas and for our services. Such changes could adversely affect our consolidated statement of financial position, results of operations or cash flows.

***Failure to comply with anti-bribery statutes, such as the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act 2010, could result in fines, criminal penalties, drilling contract terminations and an adverse effect on our business.***

The U.S. Foreign Corrupt Practices Act ("FCPA"), the U.K. Bribery Act 2010 ("Bribery Act") and similar anti-bribery laws in other jurisdictions, generally prohibit companies and their intermediaries from making improper payments for the purpose of obtaining or retaining business. We operate in many parts of the world that have experienced corruption to some degree and, in certain circumstances, strict compliance with anti-bribery laws may conflict with local customs and practices. If we are found to be liable for violations under the FCPA or the Bribery Act, either due to our acts or omissions or due to the acts or omissions of others, including our partners in our various joint ventures, we could suffer from civil and criminal penalties or other sanctions, which could have a material adverse effect on our business, financial condition and results of operations. In addition, investors could view any potential violations under the FCPA or the Bribery Act negatively, which could adversely affect our reputation and the market for our shares.

We could also face fines, sanctions and other penalties from authorities in the relevant foreign jurisdictions, including prohibition of our participating in or curtailment of business operations in those jurisdictions and the seizure of rigs or other assets. Our customers in those jurisdictions could seek to impose penalties or take other actions adverse to our interests. We could also face other third-party claims by agents, shareholders, debt holders, or other interest holders or constituents of our company. In addition, disclosure of the subject matter of the investigation could adversely affect our reputation and our ability to obtain new business or retain existing business from our current customers and potential customers, to attract and retain employees and to access the capital markets.

***Regulation of greenhouse gases and climate change could have a negative impact on our business.***

Some scientific studies have suggested that emissions of certain gases, commonly referred to as greenhouse gases ("GHGs") and including carbon dioxide and methane, may be contributing to warming of the Earth's atmosphere and other climatic changes. In response to such studies, the issue of climate change and the effect of GHG emissions, in particular emissions from fossil fuels, is attracting increasing attention worldwide.

Legislation to regulate emissions of GHGs has been introduced in the U.S. Congress. Some of the proposals would require industries to meet stringent new standards that may require substantial reductions in carbon emissions. Such reductions could be costly and difficult to implement. In addition, efforts have been made and continue to be made in the international community toward the adoption of international treaties or protocols that would address global climate change issues.

In the U.S., the EPA has undertaken efforts to regulate GHG emissions and has finalized motor vehicle GHG emissions standards, the effect of which could reduce demand for motor fuels refined from crude oil, and has also issued a final rule to address permitting of GHG emissions from stationary sources under the Clean Air Act's Prevention of Significant Deterioration and Title V programs commencing when the motor vehicle standards took effect on January 2, 2011. To the extent that our operations are subject to the EPA's GHG regulations, we may face increased capital and operating costs.

Because our business depends on the level of activity in the offshore oil and gas industry, existing or future laws, regulations, treaties or international agreements related to GHGs and climate change, including incentives to conserve energy or use alternative energy sources, could have a negative impact on our business if such laws, regulations, treaties or international agreements reduce the worldwide demand for oil and gas or limit drilling opportunities. In addition, such laws, regulations, treaties or international agreements could result in increased compliance costs or additional operating restrictions, which may have a negative impact on our business.

***We are subject to litigation that, if not resolved in our favor and not sufficiently insured against, could have a material adverse effect on us.***

In addition to the litigation surrounding the Macondo well incident, we are subject to a variety of other litigation. Certain of our subsidiaries are named as defendants in numerous lawsuits alleging personal injury as a result of exposure to asbestos or toxic fumes or resulting from other occupational diseases, such as silicosis, and various other medical issues that can remain undiscovered for a considerable amount of time. Some of these subsidiaries that have been put on notice of potential liabilities have no assets. Further, our patent for dual-activity technology has been successfully challenged in certain jurisdictions, and we have been accused of infringing other patents. Other subsidiaries are subject to litigation relating to environmental damage. We cannot predict the outcome of the cases involving those subsidiaries or the potential costs to resolve them. Insurance may not be applicable or sufficient in all cases, insurers may not remain solvent, and policies may not be located, and liabilities associated with the Macondo well incident may exhaust some or all of the insurance available to cover certain claims. Suits against non-asset-owning subsidiaries have and may in the future give rise to alter ego or successor-in-interest claims against us and our asset-owning subsidiaries to the extent a subsidiary is unable to pay a claim or insurance is not available or sufficient to cover the claims. We are also subject to a number of significant tax disputes, including trials on



criminal and civil charges that commenced in Norway in late 2012. To the extent that one or more pending or future litigation matters is not resolved in our favor and is not covered by insurance, a material adverse effect on our financial results and condition could result.

***Public health threats could have a material adverse effect on our operations and our financial results.***

Public health threats, such as Severe Acute Respiratory Syndrome, severe influenza and other highly communicable viruses or diseases, outbreaks of which have already occurred in various parts of the world in which we operate, could adversely impact our operations, the operations of our customers and the global economy, including the worldwide demand for oil and natural gas and the level of demand for our services. Any quarantine of personnel or inability to access our offices or rigs could adversely affect our operations. Travel restrictions or operational problems in any part of the world in which we operate, or any reduction in the demand for drilling services caused by public health threats in the future, may materially impact operations and adversely affect our financial results.

***Our information technology systems are subject to cybersecurity risks and threats.***

We depend on digital technologies to conduct our offshore and onshore operations, to collect payments from customers and to pay vendors and employees. Threats to our information technology systems associated with cybersecurity risks and cyber incidents or attacks continue to grow. In addition, breaches to our systems could go unnoticed for some period of time. Risks associated with these threats include disruptions of certain systems on our rigs; other impairments of our ability to conduct our operations; loss of intellectual property, proprietary information or customer data; disruption of our customers' operations; loss or damage to our customer data delivery systems; and increased costs to prevent, respond to or mitigate cybersecurity events. If such a cyber-incident were to occur, it could have a material adverse effect on our business, financial condition, cash flows and results of operations.

***Acts of terrorism, piracy and social unrest could affect the markets for drilling services, which may have a material adverse effect on our results of operations.***

Acts of terrorism and social unrest, brought about by world political events or otherwise, have caused instability in the world's financial and insurance markets in the past and may occur in the future. Such acts could be directed against companies such as ours. In addition, acts of terrorism, piracy and social unrest could lead to increased volatility in prices for crude oil and natural gas and could affect the markets for drilling services. Insurance premiums could increase and coverage may be unavailable in the future.

Our drilling contracts do not generally provide indemnification against loss of capital assets or loss of revenues resulting from acts of terrorism, piracy or social unrest. We have limited insurance for our assets providing coverage for physical damage losses resulting from risks, such as terrorist acts, piracy, vandalism, sabotage, civil unrest, expropriation and acts of war, and we do not carry insurance for loss of revenues resulting from such risks. Government regulations may effectively preclude us from actively engaging in business activities in certain countries. These regulations could be amended to cover countries where we currently operate or where we may wish to operate in the future.

**Other risks**

***A change in tax laws, treaties or regulations, or their interpretation, of any country in which we have operations, are incorporated or are resident could result in a higher tax rate on our worldwide earnings, which could result in a significant negative impact on our earnings and cash flows from operations.***

We operate worldwide through our various subsidiaries. Consequently, we are subject to changes in applicable tax laws, treaties or regulations in the jurisdictions in which we operate, which could include laws or policies directed toward companies organized in jurisdictions with low tax rates. A material change in the tax laws or policies, or their interpretation, of any country in which we have significant operations, or in which we are incorporated or resident, could result in a higher effective tax rate on our worldwide earnings and such change could be significant to our financial results.

In the U.S., tax legislative proposals intending to eliminate some perceived tax advantages of companies that have legal domiciles outside the U.S., but have certain U.S. connections, have repeatedly been introduced in the U.S. Congress. Recent examples include, but are not limited to, legislative proposals that would broaden the circumstances in which a non-U.S. company would be considered a U.S. resident, including the use of "management and control" provisions to determine corporate residency, and proposals that could override certain tax treaties and limit treaty benefits on certain payments by U.S. subsidiaries to non-U.S. affiliates. Additionally, members of the U.S. Congress have repeatedly introduced proposals which would disallow any deduction for otherwise tax deductible payments relating to any incident resulting in the discharge of oil into navigable waters, such as the Macondo well incident. Any material change in tax laws or policies, or their interpretation, resulting from such legislative proposals or inquiries could result in a higher effective tax rate on our worldwide earnings and such change could have a material adverse effect on our consolidated statement of financial position, results of operations or cash flows.

In Switzerland, draft tax legislative proposals intending to abolish certain cantonal tax privileges to the extent such provisions treat Swiss and non-Swiss income differently as well as implement other significant changes to existing tax laws and practices have been released. These draft proposals are in response to certain guidance and demands from both the European Union and the Organisation for Economic Co-operation and Development. The Swiss government is expected to release its definitive draft proposal within the next 12 months. Switzerland's implementation of any material change in tax laws or policies or its adoption of new interpretations of existing tax

laws and rulings could result in a higher effective tax rate on our worldwide earnings and such change could have a material adverse effect on our consolidated statement of financial position, results of operations or cash flows.

In December 2013, the U.K. Treasury released draft proposals that would cap the amount a U.K.-based contractor would be able to claim as a deductible expense for charter payments made to related companies. A ring fence was also proposed to ensure that the profits from activities in relation to the chartering of rigs from affiliates are not reduced by tax relief from any unconnected activities. On July 17, 2014, the U.K. legislation received Royal Assent with retroactive application effective as of April 2014. In December 2014, the U.K. Treasury released additional draft proposals that would impose tax on aggressive tax planning techniques used by multinational entities to divert profits from the U.K. The draft legislation would tax companies that had structured its operations to avoid a permanent establishment in the U.K. and as a result of the structure the U.K. tax liability was reduced by 20 percent. The draft legislation would also apply to transactions lacking economic substance that occur between common controlled entities and the resulting transaction reduces the U.K. tax liability by 20 percent. The draft legislation would apply a 25 percent tax on companies that utilized these aggressive techniques. Any material change in tax laws or policies, or their interpretation, resulting from such legislative proposals or inquiries could result in a higher effective tax rate on our worldwide earnings and such change could have a material adverse effect on our consolidated statement of financial position, results of operations or cash flows.

In December 2014, a special commission issued recommendations for significant tax reform in Norway. These recommendations included consideration of a decrease in the corporate income tax rate, as well as a cap on the tax deduction for charter payments made to related companies and a withholding tax on certain charter payments to related companies. Any material change in tax laws or policies, or their interpretation, resulting from such legislative proposals or inquiries could result in a higher effective tax rate on our worldwide earnings and such change could have a material adverse effect on our consolidated statement of financial position, results of operations or cash flows.

Similarly, the Organization for Economic Co-Operation and Development (the "OECD") issued an action plan in July 2013 that called for member states to take action to prevent "base erosion and profit shifting" in situations where payments are made between affiliates from a jurisdiction with high tax rates to a jurisdiction with lower tax rates. A number of specific tax reform changes have been recently proposed and are currently being publicly debated. Some of these proposals would impact transfer pricing, requirements to qualify for tax treaty benefits, and the definition of permanent establishments. Any material change in tax laws or policies, or their interpretation, resulting from such legislative proposals or inquiries could result in a higher effective tax rate on our worldwide earnings and such change could have a material adverse effect on our consolidated statement of financial position, results of operations or cash flows.

Other tax jurisdictions in which we operate may consider implementing similar legislation, the implementation of such legislation, any other material changes in tax laws or policies or its adoption of new interpretations of existing tax laws and rulings could result in a higher effective tax rate on our worldwide earnings and such change could have a material adverse effect on our consolidated statement of financial position, results of operations or cash flows.

***A loss of a major tax dispute or a successful tax challenge to our operating structure, intercompany pricing policies or the taxable presence of our key subsidiaries in certain countries could result in a higher tax rate on our worldwide earnings, which could result in a significant negative impact on our earnings and cash flows from operations.***

We are a Swiss corporation that operates through our various subsidiaries in a number of countries throughout the world. Consequently, we are subject to tax laws, treaties and regulations in and between the countries in which we operate. Our income taxes are based upon the applicable tax laws and tax rates in effect in the countries in which we operate and earn income as well as upon our operating structures in these countries.

Our income tax returns are subject to review and examination. We do not recognize the benefit of income tax positions we believe are more likely than not to be disallowed upon challenge by a tax authority. If any tax authority successfully challenges our operational structure, intercompany pricing policies or the taxable presence of our key subsidiaries in certain countries; or if the terms of certain income tax treaties are interpreted in a manner that is adverse to our structure; or if we lose a material tax dispute in any country, particularly in the U.S., Norway or Brazil, our effective tax rate on our worldwide earnings could increase substantially and our earnings and cash flows from operations could be materially adversely affected. For example, we cannot be certain that the U.S. Internal Revenue Service ("IRS") will not successfully contend that we or any of our key subsidiaries were or are engaged in a trade or business in the U.S. or, when applicable, that we or any of our key subsidiaries maintained or maintain a permanent establishment in the U.S., since, among other things, such determination involves considerable uncertainty. If we or any of our key subsidiaries were considered to have been engaged in a trade or business in the U.S., when applicable, through a permanent establishment, we could be subject to U.S. corporate income and additional branch profits taxes on the portion of our earnings effectively connected to such U.S. business during the period in which this was considered to have occurred, in which case our effective tax rate on worldwide earnings for that period could increase substantially, and our earnings and cash flows from operations for that period could be adversely affected.

***U.S. tax authorities could treat us as a passive foreign investment company, which could have adverse U.S. federal income tax consequences to U.S. holders.***

A foreign corporation will be treated as a passive foreign investment company ("PFIC") for U.S. federal income tax purposes if either (1) at least 75 percent of its gross income for any taxable year consists of certain types of passive income or (2) at least 50 percent of the average value of the corporation's assets produce or are held for the production of those types of passive income. For purposes of

these tests, passive income includes dividends, interest and gains from the sale or exchange of investment property and certain rents and royalties, but does not include income derived from the performance of services.

We believe that we have not been and will not be a PFIC with respect to any taxable year. Our income from offshore contract drilling services should be treated as services income for purposes of determining whether we are a PFIC. Accordingly, we believe that our income from our offshore contract drilling services should not constitute "passive income," and the assets that we own and operate in connection with the production of that income should not constitute passive assets.

There is significant legal authority supporting this position, including statutory provisions, legislative history, case law and IRS pronouncements concerning the characterization, for other tax purposes, of income derived from services where a substantial component of such income is attributable to the value of the property or equipment used in connection with providing such services. It should be noted, however, that a recent case and an IRS pronouncement which relies on the recent case characterize income from time chartering of vessels as rental income rather than services income for other tax purposes. However, the IRS subsequently has formally announced that it does not agree with the decision in that case. Moreover, we believe that the terms of the time charters in the recent case differ in material respects from the terms of our drilling contracts with customers. No assurance can be given that the IRS or a court will accept our position, and there is a risk that the IRS or a court could determine that we are a PFIC.

If we were to be treated as a PFIC for any taxable year, our U.S. shareholders would face adverse U.S. tax consequences. Under the PFIC rules, unless a shareholder makes certain elections available under the Internal Revenue Code of 1986, as amended, and such elections could themselves have adverse consequences for such shareholder, such shareholder would be liable to pay U.S. federal income tax at the highest applicable income tax rates on ordinary income upon the receipt of excess distributions, as defined for U.S. tax purposes, and upon any gain from the disposition of our shares, plus interest on such amounts, as if such excess distribution or gain had been recognized ratably over the shareholder's holding period of our shares. In addition, under applicable statutory provisions, the preferential 15 percent tax rate on "qualified dividend income," which applies to dividends paid to non-corporate shareholders prior to 2011, does not apply to dividends paid by a foreign corporation if the foreign corporation is a PFIC for the taxable year in which the dividend is paid or the preceding taxable year.

***We have significant carrying amounts of long-lived assets that are subject to impairment testing.***

At December 31, 2014, the carrying amount of our property and equipment was \$21.5 billion, representing 76 percent of our total assets. In accordance with our critical accounting policies, we review our property and equipment for impairment when events or changes in circumstances indicate that carrying amounts of our assets held and used may not be recoverable.

In the year ended December 31, 2014, we recognized a loss of \$788 million associated with the impairment of our Deepwater Floater asset group. In the year ended December 31, 2012, in connection with the sale of 38 drilling units to Shelf Drilling, we recognized a loss of \$744 million associated with the impairment of the long-lived assets attributable to the transactions. Future expectations of lower dayrates or rig utilization rates or a significant change to the composition of one or more of our asset groups or to our contract drilling services reporting unit could result in the recognition of additional losses on impairment of our long-lived asset groups, particularly with respect to our Deepwater Floaters and Midwater Floaters if future cash flow expectations, based upon information available to management at the time of measurement, indicate that the carrying amount of our asset groups may be impaired.

***We have significant exposure to losses resulting from our contractual relationships with Shelf Drilling and its affiliates.***

In connection with our sale transactions with Shelf Drilling in the year ended December 31, 2012, we agreed to indemnify Shelf Drilling from certain liabilities, and Shelf Drilling agreed to indemnify us from certain liabilities and make certain payments to us. However, the indemnity from Shelf Drilling may not be sufficient to protect us against the full amount of liabilities to third parties, and Shelf Drilling may not be willing or able to satisfy its indemnification or payment obligations in the future.

Pursuant to the agreements we entered into with Shelf Drilling, including purchase agreements, operating agreements with respect to rigs that we operated on behalf of Shelf Drilling and a transition services agreement, we agreed to indemnify Shelf Drilling from certain liabilities, and Shelf Drilling agreed to indemnify us from certain liabilities, including, without limitation, liabilities related to operational risks with respect to Shelf Drilling's rigs, liabilities related to credit support we are providing to Shelf Drilling and certain liabilities related to employees, and to make certain payments to us. However, third parties could seek to hold us responsible for the liabilities with respect to which Shelf Drilling has agreed to indemnify us. In addition, the indemnity may not be sufficient to protect us against the full amount of such liabilities, and Shelf Drilling may not be willing or able to satisfy its indemnification or payment obligations to us. Moreover, even if we ultimately succeed in recovering from Shelf Drilling any amounts for which we are held liable, we may be temporarily required to bear these losses ourselves. Each of these risks could adversely affect our business or our consolidated statement of financial position, results of operations or cash flows.

***We may be limited in our use of net operating losses.***

Our ability to benefit from our deferred tax assets depends on us having sufficient future earnings to utilize our net operating loss carryforwards before they expire. We have established a valuation allowance against the future tax benefit for a number of our non-U.S. net operating loss carryforwards, and we could be required to record an additional valuation allowance against our non-U.S. or U.S. deferred tax assets if market conditions change materially and, as a result, our future earnings are, or are projected to be, significantly less

than we currently estimate. Our net operating loss carryforwards are subject to review and potential disallowance upon audit by the tax authorities of the jurisdictions where the net operating losses are incurred.

***Our status as a Swiss corporation may limit our flexibility with respect to certain aspects of capital management and may cause us to be unable to make distributions or repurchase shares without subjecting our shareholders to Swiss withholding tax.***

Under Swiss law, our shareholders may approve an authorized share capital that allows the board of directors to issue new shares without additional shareholder approval. As a matter of Swiss law, authorized share capital is limited to a maximum of 50 percent of a company's registered share capital and is subject to re-approval by shareholders every two years. At our 2014 annual general meeting, our shareholders approved an authorized share capital, which will expire on May 16, 2016. Our current authorized share capital is limited to approximately six percent of our registered share capital. Unless our shareholders approve a new authorized share capital at our 2016 annual general meeting, we will generally need to obtain shareholder approval in the event we need to raise common equity capital. Additionally, subject to specified exceptions, Swiss law grants preemptive rights to existing shareholders to subscribe for new issuances of shares. Further, Swiss law does not provide as much flexibility in the various terms that can attach to different classes of shares as the laws of some other jurisdictions. Swiss law also reserves for shareholder approval certain corporate actions over which a board of directors would have authority in some other jurisdictions. For example, dividends must be approved by shareholders. These Swiss law requirements relating to our capital management may limit our flexibility, and situations may arise where greater flexibility would have provided substantial benefits to our shareholders.

Distributions to shareholders in the form of a par value reduction and dividend distributions out of qualifying additional paid-in capital are not currently subject to the 35 percent Swiss federal withholding tax. However, the Swiss withholding tax rules could also be changed in the future, and any such change may adversely affect us or our shareholders. In addition, over the long term, the amount of par value available for us to use for par value reductions or the amount of qualifying additional paid-in capital available for us to pay out as distributions is limited. If we are unable to make a distribution through a reduction in par value, or out of qualifying additional paid-in capital as shown on Transocean Ltd.'s standalone Swiss statutory financial statements, we may not be able to make distributions without subjecting our shareholders to Swiss withholding taxes.

Under present Swiss tax law, repurchases of shares for the purposes of capital reduction are treated as a partial liquidation subject to a 35 percent Swiss withholding tax on the repurchase price less the par value, and since January 1, 2011, to the extent attributable to qualifying additional paid-in capital, if any. At our 2009 annual general meeting, our shareholders approved the repurchase of up to CHF 3.5 billion of our shares for cancellation under the share repurchase program. On February 12, 2010, our board of directors authorized our management to implement the share repurchase program. On May 24, 2013, we received approval from the Swiss authorities for the continuation of the share repurchase program for an additional three-year repurchase period through May 23, 2016. We may repurchase shares under the share repurchase program via a second trading line on the SIX from institutional investors who are generally able to receive a full refund of the Swiss withholding tax. Alternatively, in relation to the U.S. market, we may repurchase shares under the share repurchase program using an alternative procedure pursuant to which we can repurchase shares under the share repurchase program via a "virtual second trading line" from market players (in particular, banks and institutional investors) who are generally entitled to receive a full refund of the Swiss withholding tax. There may not be sufficient liquidity in our shares on the SIX to repurchase the amount of shares that we would like to repurchase using the second trading line on the SIX. In addition, our ability to use the "virtual second trading line" is limited to the share repurchase program currently approved by our shareholders, and any use of the "virtual second trading line" with respect to future share repurchase programs will require the approval of the competent Swiss tax and other authorities. We may not be able to repurchase as many shares as we would like to repurchase for purposes of capital reduction on either the "virtual second trading line" or, in the future, a SIX second trading line without subjecting the selling shareholders to Swiss withholding taxes.

***We are subject to anti-takeover provisions.***

Our articles of association and Swiss law contain provisions that could prevent or delay an acquisition of the company by means of a tender offer, a proxy contest or otherwise. These provisions may also adversely affect prevailing market prices for our shares. These provisions, among other things:

- provide that the board of directors is authorized, subject to obtaining shareholder approval every two years, at any time during a maximum two-year period, which under the current authorized share capital of the Company will expire on May 16, 2016, to issue a specified number of shares, which under the current authorized share capital of the Company is approximately six percent of the share capital registered in the commercial register, and to limit or withdraw the preemptive rights of existing shareholders in various circumstances;
- provide for a conditional share capital that authorizes the issuance of additional shares up to a maximum amount of 50 percent of the share capital registered in the commercial register without obtaining additional shareholder approval through: (1) the exercise of conversion, exchange, option, warrant or similar rights for the subscription of shares granted in connection with bonds, options, warrants or other securities newly or already issued in national or international capital markets or new or already existing contractual obligations by or of any of our subsidiaries; or (2) in connection with the issuance of shares, options or other share-based awards;
- provide that any shareholder who wishes to propose any business or to nominate a person or persons for election as director at any annual meeting may only do so if advance notice is given to the company;
- provide that directors can be removed from office only by the affirmative vote of the holders of at least 66 2/3 percent of the shares entitled to vote;
- provide that a merger or demerger transaction requires the affirmative vote of the holders of at least 66 2/3 percent of the shares represented at the meeting and provide for the possibility of a so-called “cashout” or “squeezeout” merger if the acquirer controls 90 percent of the outstanding shares entitled to vote at the meeting;
- provide that any action required or permitted to be taken by the holders of shares must be taken at a duly called annual or extraordinary general meeting of shareholders;
- limit the ability of our shareholders to amend or repeal some provisions of our articles of association; and
- limit transactions between us and an “interested shareholder,” which is generally defined as a shareholder that, together with its affiliates and associates, beneficially, directly or indirectly, owns 15 percent or more of our shares entitled to vote at a general meeting.

**Item 1B. Unresolved Staff Comments**

None.

**Item 2. Properties**

The description of our property included under “Item 1. Business” is incorporated by reference herein.

We maintain offices, land bases and other facilities worldwide, including the following:

- principal executive offices in Vernier, Switzerland; and
- corporate offices in Zug, Switzerland; Houston, Texas; Cayman Islands and Luxembourg.

Our remaining offices and bases are located in various countries in North America, South America, Europe, Africa, the Middle East, India, the Far East and Australia. We lease most of these facilities.

**Item 3. Legal Proceedings**

We have certain actions, claims and other matters pending as discussed and reported in “Part II. Item 8. Financial Statements and Supplementary Data—Notes to Consolidated Financial Statements—Note 15—Commitments and Contingencies” and “Part II. Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Contingencies—Macondo well incident” in this annual report for the year ended December 31, 2014. We are also involved in various tax matters as described in “Part II. Financial Statements and Supplementary Data—Notes to Consolidated Financial Statements—Note 6—Income Taxes” and in “Part II. Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Contingencies—Tax matters” in this annual report for the year ended December 31, 2014. All such actions, claims, tax and other matters are incorporated herein by reference.

As of December 31, 2014, we were also involved in a number of other lawsuits and other matters which have arisen in the ordinary course of our business and for which we do not expect the liability, if any, resulting from these lawsuits to have a material adverse effect on our current consolidated statement of financial position, results of operations or cash flows. We cannot predict with certainty the outcome or effect of any of the matters referred to above or of any such other pending or threatened litigation or legal proceedings. There can be no assurance that our beliefs or expectations as to the outcome or effect of any lawsuit or other matters will prove correct and the eventual outcome of these matters could materially differ from management’s current estimates.

**Item 4. Mine Safety Disclosures**

Not applicable.



## Executive Officers of the Registrant

We have included the following information, presented as of February 17, 2015, on our executive officers for purposes of U.S. securities laws in Part I of this report in reliance on General Instruction G(3) to Form 10-K. The board of directors elects the officers of the Company, generally on an annual basis. There is no family relationship between any of our executive officers.

Officer	Office	Age as of February 17, 2015
Ian C. Strachan (a)	Chairman of the Board of Directors and Chief Executive Officer	71
Steven L. Newman (a)	President and Chief Executive Officer	50
Esa Ikäheimonen (a)	Executive Vice President, Chief Financial Officer	51
Lars Sjöbring	Senior Vice President and General Counsel	47
John B. Stobart (a)	Executive Vice President, Chief Operating Officer	60
David Tonnel	Senior Vice President, Finance and Controller	45

(a) Member of our executive management team for purposes of Swiss law.

Effective February 16, 2015, Ian C. Strachan assumed the position of Chief Executive Officer. Mr. Strachan has served as a member of the board of directors of the Company since December 1999 and as Chairman of the Board since May 2013. Mr. Strachan served as a member of the board of directors of Caithness Petroleum Ltd. from April 2008 to December 2013, Rolls Royce Group plc from September 2003 to May 2013, Johnson Matthey plc from January 2002 to March 2009 and as Chairman of the Board of Instinet Group Incorporated from 2003 to 2005. He also served as Chief Executive Officer of BTR plc from 1996 to 1999. At Rio Tinto plc, Mr. Strachan served as Deputy Chief Executive Officer from 1991 to 1995 and as Chief Financial Officer from 1987 to 1991. He began his career with Exxon Corporation, where he served in various positions from 1970 to 1986. Additionally, he served as a teaching fellow at Harvard University from 1969 to 1970. Mr. Strachan received his Master of Arts degree from Christ's College, Cambridge University in 1965, and his Master of Public Affairs from the Woodrow Wilson School, Princeton University, in 1967.

Until February 15, 2015, Steven L. Newman was President and Chief Executive Officer and a member of the board of directors of the Company. Before being named as Chief Executive Officer in March 2010, Mr. Newman served as President and Chief Operating Officer from May 2008 to November 2009 and subsequently as President. Mr. Newman's prior senior management roles included Executive Vice President, Performance from November 2007 to May 2008, Executive Vice President and Chief Operating Officer from October 2006 to November 2007, Senior Vice President of Human Resources and Information Process Solutions from May 2006 to October 2006, Senior Vice President of Human Resources, Information Process Solutions and Treasury from March 2005 to May 2006, and Vice President of Performance and Technology from August 2003 to March 2005. He also has served as Regional Manager for the Asia and Australia Region and in international field and operations management positions, including Project Engineer, Rig Manager, Division Manager, Region Marketing Manager and Region Operations Manager. Mr. Newman joined the Company in 1994 in the Corporate Planning Department. Mr. Newman received his Bachelor of Science degree in Petroleum Engineering from the Colorado School of Mines in 1989 and received his Master of Business Administration from the Harvard University Graduate School of Business in 1992. Mr. Newman is also a member of the Society of Petroleum Engineers and the National Association of Corporate Directors.

Esa Ikäheimonen is Executive Vice President, Chief Financial Officer of the Company. Before being named Executive Vice President, Chief Financial Officer in November 2012, Mr. Ikäheimonen served as a consultant to the Company from September 2012 to November 2012. Mr. Ikäheimonen was appointed Chairman of the Board of Transocean Partners LLC in August 2014, and continues to serve in that role. He has served as a non-executive director and the chairman of the audit committee of Ahlstrom Corporation since April 2011. Mr. Ikäheimonen served as Senior Vice President and Chief Financial Officer of Seadrill Ltd. from August 2010 to September 2012, and he served as Executive Vice President and Chief Financial Officer of Poyry plc from March 2009 to July 2010. At Royal Dutch Shell, Mr. Ikäheimonen served as Vice President Finance, Shell Africa E&P from June 2007 to March 2009, as Vice President Finance, Shell Upstream Middle East from January 2007 to June 2007, and as Finance and Commercial Director, Shell Qatar from May 2004 to January 2007. Prior to May 2004, Mr. Ikäheimonen served in various financial roles for Royal Dutch Shell, including Strategy and Portfolio Manager, Shell Europe Oil Products, Finance Director, Shell Scandinavia, and Finance Director, Shell Finland. Mr. Ikäheimonen received his Master of Laws degree from the University of Turku in Finland in 1989.

Lars Sjöbring is Senior Vice President and General Counsel of the Company. Before being named to this position in March 2014, Mr. Sjöbring served as the Vice President Legal Affairs, General Counsel and Secretary of Autoliv, Inc. from September 2007 to February 2014. Mr. Sjöbring served as Senior Legal Counsel and, subsequently, as Director, Legal, Mergers and Acquisitions for Nokia Corporation from September 2003 to September 2007. He also served as Foreign Legal Counsel for Skadden, Arps, Slate, Meagher & Flom LLP from September 2000 to June 2003. Mr. Sjöbring received his Master of Laws degrees from Lund University in Sweden in 1994 and from University of Amsterdam in Netherlands in 1995, and he received a Master of Corporate Law degree from Fordham University School of Law in New York in 2003.



John B. Stobart is Executive Vice President, Chief Operating Officer of the Company. Before joining the Company in October 2012, Mr. Stobart served as Vice President, Global Drilling for BHP Billiton Petroleum from July 2011 to October 2012. At BHP Billiton, he also served as Worldwide Drilling Manager for BHP Billiton in Australia, the U.K. and the U.S. from January 1995 to June 2011 and as Senior Drilling Engineer, Senior Drilling Supervisor, Drilling Superintendent and Drilling Manager in the United Arab Emirates, Oman, India, Burma, Malaysia, Vietnam and Australia from June 1988 to December 1994. Mr. Stobart served as Engineering Manager at Husky/Bow Valley from November 1984 to May 1988, and he worked in engineering roles at Dome Petroleum/Canadian Marine Drilling from May 1980 to October 1984. He began his career working on land rigs in Canada and the High Arctic in June 1971. Mr. Stobart received his Bachelor of Science in Mechanical Engineering from the University of Calgary in 1980 and completed the London Business School Accelerated Development Program in 2000.

David Tonnel is Senior Vice President, Finance and Controller of the Company. Before being named to his current position in March 2012, Mr. Tonnel served as Senior Vice President of the Europe and Africa Unit from June 2009 to March 2012. Mr. Tonnel served as Vice President of Global Supply Chain from November 2008 to June 2009, as Vice President of Integration and Process Improvement from November 2007 to November 2008, and as Vice President and Controller from February 2005 to November 2007. Prior to February 2005, he served in various financial roles, including Assistant Controller; Finance Manager, Asia Australia Region; and Controller, Nigeria. Mr. Tonnel joined the Company in 1996 after working for Ernst & Young in France as Senior Auditor. Mr. Tonnel received his Master of Science in Management from Ecole des Hautes Etudes Commerciales in Paris, France in 1991.

## PART II

### Item 5. Market for Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities

#### Markets for Shares of Our Common Equity

Our shares are listed on the New York Stock Exchange ("NYSE") under the ticker symbol "RIG" and on the SIX Swiss Exchange ("SIX") under the symbol "RIGN." The following table presents the intraday high and low per share sales prices as reported on the NYSE and the SIX for the periods indicated.

	NYSE Stock Price				SIX Stock Price			
	2014		2013		2014		2013	
	High	Low	High	Low	High	Low	High	Low
First quarter	\$ 49.58	\$ 38.47	\$ 59.50	\$ 45.23	CHF 44.72	CHF 33.30	CHF 54.70	CHF 42.12
Second quarter	46.12	39.41	55.79	46.02	41.31	34.62	54.25	43.09
Third quarter	45.21	31.76	50.45	44.32	40.18	30.47	48.00	40.09
Fourth quarter	32.41	15.97	55.74	44.19	31.04	15.32	51.25	40.12

On February 17, 2015, the last reported sales price of our shares on the NYSE and the SIX was \$19.05 per share and CHF 17.60 per share, respectively. On such date, there were 6,777 holders of record of our shares and 362,297,133 shares outstanding.

#### Shareholder Matters

##### Shareholder distributions

On February 15, 2015, our board of directors announced its recommendation that our shareholders at the 2015 annual general meeting approve a distribution of qualifying additional paid-in capital in the form of a U.S. dollar denominated dividend of \$0.60 per outstanding share, payable in four quarterly installments of \$0.15 per outstanding share, subject to certain limitations. If approved, we expect that the dividend installments will be paid in June 2015, September 2015, December 2015 and March 2016.

In May 2014, at our annual general meeting, our shareholders approved the distribution of qualifying additional paid-in capital in the form of a U.S. dollar denominated dividend of \$3.00 per outstanding share, payable in four quarterly installments of \$0.75 per outstanding share, subject to certain limitations. On June 18, September 17 and December 17, 2014, we paid the first three installments in the aggregate amount of \$816 million to shareholders of record as of May 30, August 22 and November 14, 2014, respectively. On March 18, 2015, we expect to pay the final installment in the aggregate amount of \$272 million to shareholders of record as of February 20, 2015.

In May 2013, at our annual general meeting, our shareholders approved the distribution of qualifying additional paid-in capital in the form of a U.S. dollar denominated dividend of \$2.24 per outstanding share, payable in four installments of \$0.56 per outstanding share, subject to certain limitations. On June 19, September 18 and December 18, 2013, we paid the first three installments, in the aggregate amount of \$606 million, to shareholders of record as of May 31, August 23 and November 15, 2013, respectively. On March 19, 2014, we paid the final installment in the aggregate amount of \$202 million to shareholders of record as of February 21, 2014.

We do not pay the distribution of qualifying additional paid-in capital with respect to our shares held in treasury or held by our subsidiary. Any future declaration and payment of any cash distributions will (1) depend on our results of operations, financial condition, cash requirements and other relevant factors, (2) be subject to shareholder approval, (3) be subject to restrictions contained in our credit facilities and other debt covenants, (4) be affected by our plans regarding share repurchases or noncash shareholder distributions and (5) be subject to restrictions imposed by Swiss law, including the requirement that sufficient distributable profits from the previous year or freely distributable reserves must exist.

##### Swiss tax consequences to our shareholders

**Overview**—The tax consequences discussed below are not a complete analysis or listing of all the possible tax consequences that may be relevant to our shareholders. Shareholders should consult their own tax advisors in respect of the tax consequences related to receipt, ownership, purchase or sale or other disposition of our shares and the procedures for claiming a refund of withholding tax.

**Swiss income tax on dividends and similar distributions**—A non-Swiss holder will not be subject to Swiss income taxes on dividend income and similar distributions in respect of our shares, unless the shares are attributable to a permanent establishment or a fixed place of business maintained in Switzerland by such non-Swiss holder. However, dividends and similar distributions are subject to Swiss withholding tax, subject to certain exceptions. See "—Swiss withholding tax on dividends and similar distributions to shareholders."

**Swiss wealth tax**—A non-Swiss holder will not be subject to Swiss wealth taxes unless the holder's shares are attributable to a permanent establishment or a fixed place of business maintained in Switzerland by such non-Swiss holder.

**Swiss capital gains tax upon disposal of shares**—A non-Swiss holder will not be subject to Swiss income taxes for capital gains unless the holder's shares are attributable to a permanent establishment or a fixed place of business maintained in Switzerland by such non-Swiss holder. In such case, the non-Swiss holder is required to recognize capital gains or losses on the sale of such shares, which will be subject to cantonal, communal and federal income tax.

**Swiss withholding tax on dividends and similar distributions to shareholders**—A Swiss withholding tax of 35 percent is due on dividends and similar distributions to our shareholders from us, regardless of the place of residency of the shareholder, subject to the exceptions discussed under “—*Exemption*” below. We will be required to withhold at such rate and remit on a net basis any payments made to a holder of our shares and pay such withheld amounts to the Swiss federal tax authorities.

*Exemption*—Distributions to shareholders in relation to a reduction of par value are exempt from Swiss withholding tax. Since January 1, 2011, distributions to shareholders out of qualifying additional paid-in capital for Swiss statutory purposes are also exempt from the Swiss withholding tax. On December 31, 2014, the aggregate amount of par value of our outstanding shares was CHF 5.6 billion, equivalent to \$5.7 billion, and the aggregate amount of qualifying additional paid-in capital of our outstanding shares was CHF 8.4 billion, equivalent to \$8.5 billion, at an exchange rate of \$1.00 to CHF 0.99 on December 31, 2014. Consequently, we expect that a substantial amount of any potential future distributions may be exempt from Swiss withholding tax.

*Refund available to Swiss holders*—A Swiss tax resident, corporate or individual, can recover the withholding tax in full if such resident is the beneficial owner of our shares at the time the dividend or other distribution becomes due and provided that such resident reports the gross distribution received on such resident's income tax return, or in the case of an entity, includes the taxable income in such resident's income statement.

*Refund available to non-Swiss holders*—If the shareholder that receives a distribution from us is not a Swiss tax resident, does not hold our shares in connection with a permanent establishment or a fixed place of business maintained in Switzerland, and resides in a country that has concluded a treaty for the avoidance of double taxation with Switzerland for which the conditions for the application and protection of and by the treaty are met, then the shareholder may be entitled to a full or partial refund of the withholding tax described above. The procedures for claiming treaty refunds, and the time frame required for obtaining a refund, may differ from country to country.

Switzerland has entered into bilateral treaties for the avoidance of double taxation with respect to income taxes with numerous countries, including the U.S., whereby under certain circumstances all or part of the withholding tax may be refunded.

*Refund available to U.S. residents*—The Swiss-U.S. tax treaty provides that U.S. residents eligible for benefits under the treaty can seek a refund of the Swiss withholding tax on dividends for the portion exceeding 15 percent, leading to a refund of 20 percent, or a 100 percent refund in the case of qualified pension funds.

As a general rule, the refund will be granted under the treaty if the U.S. resident can show evidence of:

- beneficial ownership,
- U.S. residency, and
- meeting the U.S.-Swiss tax treaty's limitation on benefits requirements.

The claim for refund must be filed with the Swiss federal tax authorities (Eigerstrasse 65, 3003 Bern, Switzerland), not later than December 31 of the third year following the year in which the dividend payments became due. The relevant Swiss tax form is Form 82C for companies, 82E for other entities and 82I for individuals. These forms can be obtained from any Swiss Consulate General in the U.S. or from the Swiss federal tax authorities at the above address or can be downloaded from the webpage of the Swiss federal tax administration. Each form needs to be filled out in triplicate, with each copy duly completed and signed before a notary public in the U.S. Evidence that the withholding tax was withheld at the source must also be included.

**Stamp duties in relation to the transfer of shares**—The purchase or sale of our shares may be subject to Swiss federal stamp taxes on the transfer of securities irrespective of the place of residency of the purchaser or seller if the transaction takes place through or with a Swiss bank or other Swiss securities dealer, as those terms are defined in the Swiss Federal Stamp Tax Act and no exemption applies in the specific case. If a purchase or sale is not entered into through or with a Swiss bank or other Swiss securities dealer, then no stamp tax will be due. The applicable stamp tax rate is 0.075 percent for each of the two parties to a transaction and is calculated based on the purchase price or sale proceeds. If the transaction does not involve cash consideration, the transfer stamp duty is computed on the basis of the market value of the consideration.

## Repurchases of shares

Repurchases of shares for the purposes of capital reduction are treated as a partial liquidation subject to the 35 percent Swiss withholding tax. However, for shares repurchased for capital reduction, the portion of the repurchase price attributable to the par value of the shares repurchased will not be subject to the Swiss withholding tax. Since January 1, 2011, the portion of the repurchase price that is according to Swiss tax law and practice attributable to the qualifying additional paid-in capital for Swiss statutory reporting purposes of the shares repurchased will also not be subject to the Swiss withholding tax. We would be required to withhold at such rate the tax from the difference between the repurchase price and the related amount of par value and, since January 2011, the related amount of qualifying additional paid-in capital, if any. We would be required to remit on a net basis the purchase price with the Swiss withholding tax deducted to a holder of our shares and pay the withholding tax to the Swiss federal tax authorities.

In most instances, Swiss companies listed on the SIX carry out share repurchase programs through a second trading line on the SIX. Swiss institutional investors typically purchase shares from shareholders on the open market and then sell the shares on the second trading line back to the company. The Swiss institutional investors are generally able to receive a full refund of the withholding tax. Due to, among other things, the time delay between the sale to the company and the institutional investors' receipt of the refund, the price companies pay to repurchase their shares has historically been slightly higher, but less than one percent, than the price of such companies' shares in ordinary trading on the SIX first trading line. Because our shares are listed on the SIX, we may repurchase our shares from institutional investors who are generally able to receive a full refund of the Swiss withholding tax via a second trading line on the SIX. There may not be sufficient liquidity in our shares on the SIX to repurchase the amount of shares that we would like to repurchase using the second trading line on the SIX. In relation to the U.S. market, we may therefore repurchase such shares using an alternative procedure pursuant to which we repurchase our shares via a "virtual second trading line" from market players, such as banks and institutional investors, who are generally entitled to receive a full refund of the Swiss withholding tax. Currently, our ability to use the "virtual second trading line" will be limited to the share repurchase program currently approved by our shareholders, and any use of the "virtual second trading line" with respect to future share repurchase programs will require approval of the competent Swiss tax and other authorities. We may not be able to repurchase as many shares as we would like to repurchase for purposes of capital reduction on either the "virtual second trading line" or a SIX second trading line without subjecting the selling shareholders to Swiss withholding taxes. The repurchase of shares for purposes other than for cancellation, such as to retain as treasury shares for use in connection with stock incentive plans, convertible debt or other instruments within certain periods, will generally not be subject to Swiss withholding tax.

## Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased (1)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs (2) (in millions)
October 2014	3,045	\$ 30.85	—	\$ 3,295
November 2014	2,125	26.05	—	3,295
December 2014	—	—	—	3,295
Total	5,170	\$ 28.87	—	\$ 3,295

- (1) Total number of shares purchased in the fourth quarter of 2014 consists of 5,170 shares withheld by us through a broker arrangement and limited to statutory tax in satisfaction of withholding taxes due upon the vesting of restricted shares granted to our employees under our Long-Term Incentive Plan.
- (2) In May 2009, at the annual general meeting of Transocean Ltd., our shareholders approved and authorized our board of directors, at its discretion, to repurchase an amount of our shares for cancellation with an aggregate purchase price of up to CHF 3.5 billion, which is equivalent to approximately \$3.5 billion at an exchange rate as of December 31, 2014 of USD 1.00 to CHF 0.99. On February 12, 2010, our board of directors authorized our management to implement the share repurchase program. On May 24, 2013, we received approval from the Swiss authorities for the continuation of the share repurchase program for an additional three-year repurchase period through May 23, 2016. We may decide, based upon our ongoing capital requirements, our program of distributions to our shareholders, the price of our shares, matters relating to the Macondo well incident, regulatory and tax considerations, cash flow generation, the amount and duration of our contract backlog, general market conditions, debt rating considerations and other factors, that we should retain cash, reduce debt, make capital investments or acquisitions or otherwise use cash for general corporate purposes, and consequently, repurchase fewer or no additional shares under this program. Decisions regarding the amount, if any, and timing of any share repurchases would be made from time to time based upon these factors. Through December 31, 2014, we have repurchased a total of 2,863,267 of our shares under this share repurchase program at a total cost of \$240 million, equivalent to an average cost of \$83.74 per share. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Sources and Uses of Liquidity—Overview."

## Item 6. Selected Financial Data

The selected financial data as of December 31, 2014 and 2013 and for each of the three years in the period ended December 31, 2014 have been derived from the audited consolidated financial statements included in "Item 8. Financial Statements and Supplementary Data." The selected financial data as of December 31, 2012, 2011 and 2010, and for each of the two years in the period ended December 31, 2011 have been derived from our accounting records. The following data should be read in conjunction with "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and the audited consolidated financial statements and the notes thereto included under "Item 8. Financial Statements and Supplementary Data."

	Years ended December 31,				
	2014 (a)	2013	2012	2011 (b)	2010
(In millions, except per share data)					
<b>Statement of operations data</b>					
Operating revenues	\$ 9,174	\$ 9,249	\$ 8,945	\$ 7,598	\$ 7,821
Operating income (loss)	(1,378)	2,217	1,600	(4,802)	2,731
Income (loss) from continuing operations	(1,946)	1,398	832	(5,801)	1,863
Net income (loss)	(1,966)	1,407	(211)	(5,677)	969
Net income (loss) attributable to controlling interest	(1,913)	1,407	(219)	(5,754)	926
Per share earnings (loss) from continuing operations					
Basic	\$ (5.23)	\$ 3.85	\$ 2.32	\$ (18.27)	\$ 5.66
Diluted	\$ (5.23)	\$ 3.85	\$ 2.32	\$ (18.27)	\$ 5.66
<b>Balance sheet data (at end of period)</b>					
Total assets	\$ 28,413	\$ 32,546	\$ 34,255	\$ 35,032	\$ 36,814
Debt due within one year	1,033	323	1,367	2,187	2,160
Long-term debt	9,059	10,379	11,092	11,349	9,061
Total equity	13,982	16,685	15,730	15,627	21,340
<b>Other financial data</b>					
Cash provided by operating activities	\$ 2,220	\$ 1,918	\$ 2,708	\$ 1,825	\$ 3,906
Cash used in investing activities	(1,828)	(1,658)	(389)	(1,896)	(721)
Cash provided by (used in) financing activities	(1,000)	(2,151)	(1,202)	734	(961)
Capital expenditures	2,165	2,238	1,303	974	1,349
Distributions of qualifying additional paid-in capital	1,018	606	276	759	—
Per share distributions of qualifying additional paid-in capital	\$ 2.81	\$ 1.68	\$ 0.79	\$ 2.37	\$ —

- (a) In August 2014, we completed an initial public offering to sell a noncontrolling interest in Transocean Partners, which was formed on February 6, 2014, by Transocean Partners Holdings Limited, a Cayman Islands company and our wholly owned subsidiary, to own, operate and acquire modern, technologically advanced offshore drilling rigs.
- (b) In October 2011, we completed our acquisition of Aker Drilling ASA ("Aker Drilling") and applied the acquisition method of accounting for the business combination. The balance sheet data as of December 31, 2011 represents the consolidated statement of financial position of the combined company. The statement of operations and other financial data for the year ended December 31, 2011 include approximately three months of operating results and cash flows for the combined company.

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

The following information should be read in conjunction with the information contained in "Part I. Item 1. Business," "Part I. Item 1A. Risk Factors" and the audited consolidated financial statements and the notes thereto included under "Item 8. Financial Statements and Supplementary Data" elsewhere in this annual report.

### Business

Transocean Ltd. (together with its subsidiaries and predecessors, unless the context requires otherwise, "Transocean," the "Company," "we," "us" or "our") is a leading international provider of offshore contract drilling services for oil and gas wells. As of February 17, 2015, we owned or had partial ownership interests in and operated 71 mobile offshore drilling units associated with our continuing operations. As of February 17, 2015, our fleet consisted of 44 High-Specification Floaters (Ultra-Deepwater, Deepwater and Harsh Environment semisubmersibles and drillships), 17 Midwater Floaters, and 10 High-Specification Jackups. At February 17, 2015, we also had seven Ultra-Deepwater drillships and five High-Specification Jackups under construction or under contract to be constructed.

We provide contract drilling services in a single, global operating segment, which involves contracting our mobile offshore drilling fleet, related equipment and work crews primarily on a dayrate basis to drill oil and gas wells. We specialize in technically demanding regions of the offshore drilling business with a particular focus on deepwater and harsh environment drilling services. We believe our drilling fleet is one of the most versatile fleets in the world, consisting of floaters and high-specification jackups used in support of offshore drilling activities and offshore support services on a worldwide basis.

Our contract drilling services operations are geographically dispersed in oil and gas exploration and development areas throughout the world. Although rigs can be moved from one region to another, the cost of moving rigs and the availability of rig-moving vessels may cause the supply and demand balance to fluctuate somewhat between regions. Still, significant variations between regions do not tend to persist long term because of rig mobility. Our fleet operates in a single, global market for the provision of contract drilling services. The location of our rigs and the allocation of resources to operate, build or upgrade our rigs are determined by the activities and needs of our customers.

On August 5, 2014, we completed an initial public offering to sell a noncontrolling interest in Transocean Partners LLC ("Transocean Partners"), a Marshall Islands limited liability company, which was formed on February 6, 2014, by Transocean Partners Holdings Limited, a Cayman Islands company and our wholly owned subsidiary, to own, operate and acquire modern, technologically advanced offshore drilling rigs. See Notes to Consolidated Financial Statements—Note 16—Noncontrolling Interest.

In February 2014, in connection with our efforts to discontinue non-strategic operations, we completed the sale of Applied Drilling Technology International Limited ("ADTI"), a U.K. company, which performs drilling management services in the North Sea. See Notes to Consolidated Financial Statements—Note 7—Discontinued Operations.

In September 2012, in connection with our efforts to dispose of non-strategic assets and to reduce our exposure to low-specification drilling units, we committed to a plan to discontinue operations associated with the standard jackup and swamp barge asset groups, components of our contract drilling services operating segments. In November 2012, in connection with our plan to discontinue operations associated with the standard jackup and swamp barge asset groups, we completed the sale of 37 standard jackups and one swamp barge to Shelf Drilling Holdings, Ltd. ("Shelf Drilling"). See Note 7—Discontinued Operations.

### Significant Events

**Impairment of goodwill**—During the three months ended September 30 and December 31, 2014, we identified indicators, such as the rapid and significant decline in the market value of our stock and the actual and projected declines in dayrates and utilization, that the fair value of our goodwill could have fallen below its carrying amount. As a result, we performed a goodwill impairment test and determined that the goodwill associated with our contract drilling services reporting unit was impaired. During the three months ended September 30 and December 31, 2014, we recognized a loss of \$2.0 billion and \$1.0 billion, respectively, which had no tax effect, associated with the impairment of the remaining balance of our goodwill. See "—Operating Results."

**Impairment of long-lived assets**—During the three months ended September 30, 2014, we determined that the Deepwater Floater asset group was impaired due to projected declines in dayrates and utilization. In the three months ended September 30, 2014, we recognized a loss of \$788 million, or \$693 million, net of tax, associated with the impairment of our Deepwater Floater asset group. See "—Operating Results."

**Dispositions**—During the year ended December 31, 2014, in connection with our efforts to dispose of non-strategic assets, we completed the sale of the High-Specification Jackups *GSF Magellan* and *GSF Monitor* along with related equipment. In connection with the sale of these assets, we received aggregate net cash proceeds of \$182 million, and recognized an aggregate net loss of \$1 million.

Also during the year ended December 31, 2014, we committed to plans to sell for scrap value certain lower-specification floaters and recognized a loss of \$227 million, or \$179 million, net of tax, associated with the impairment of such floaters, including the Deepwater Floaters *Discoverer Seven Seas*, *Sedco 710* and *Sovereign Explorer* and the Midwater Floaters *Sedneth 701*, *Falcon 100*, *GSF Arctic I*, *J.W. McLean*, *Sedco 601* and *Sedco 700*, along with related equipment, all of which were classified as assets held for sale at the time of impairment. During the year ended December 31, 2014, we completed the sale of the Deepwater Floater *Sedco 709* and the Midwater



Floater *Sedco 703* along with related equipment, and received aggregate net cash proceeds of \$3 million, representing scrap value for such assets. See “—Liquidity and Capital Resources—Drilling fleet.”

**Norwegian tax investigations and trial**—On July 2, 2014, the Norwegian authorities acquitted three of our subsidiaries of criminal charges relating to Norwegian tax returns filed for the years 1999 through 2002, as well as inaccuracies in Norwegian statutory financial statements for the years ended December 31, 1996 through 2001. On July 16, 2014, the Norwegian authorities filed an appeal with respect to certain of the charges. See “—Contingencies—Tax matters.”

**Sale of a noncontrolling interest in Transocean Partners**—On August 5, 2014, we completed an initial public offering to sell a noncontrolling interest in Transocean Partners, a consolidated limited liability company. As a result of the offering, we received net cash proceeds of approximately \$417 million, after deducting approximately \$26 million for underwriting discounts and commissions and other estimated offering expenses. See “—Liquidity and Capital Resources—Sources and uses of liquidity.”

**Distributions of qualifying additional paid-in capital**—In May 2014, at our annual general meeting, our shareholders approved the distribution of qualifying additional paid-in capital in the form of a U.S. dollar denominated dividend of \$3.00 per outstanding share, payable in four quarterly installments of \$0.75 per outstanding share, subject to certain limitations. In May 2014, we recognized a liability of \$1.1 billion for the distribution payable, recorded in other current liabilities, with a corresponding entry to additional paid-in capital. On June 18, September 17 and December 17, 2014, we paid the first three installments in the aggregate amount of \$816 million to shareholders of record as of May 30, August 22 and November 14, 2014, respectively.

In May 2013, at our annual general meeting, our shareholders approved the distribution of qualifying additional paid-in capital in the form of a U.S. dollar denominated dividend of \$2.24 per outstanding share, payable in four installments, subject to certain limitations. In May 2013, we recognized a liability of \$808 million for the distribution payable, recorded in other current liabilities, with a corresponding entry to additional paid-in capital. In June, September and December 2013, we paid the first three installments in the aggregate amount of \$606 million to shareholders as of the respective record dates. In March 2014, we paid the final installment in the aggregate amount of \$202 million to shareholders as of the record date. See “—Liquidity and Capital Resources—Sources and uses of liquidity.”

**Macondo well incident**—On September 4, 2014, the U.S. District Court, Eastern District of Louisiana (the “MDL Court”) entered Findings of Fact and Conclusions of Law for the Phase One trial. The MDL Court concluded that BP was grossly negligent and reckless and 67 percent at fault for the blowout, explosion, and spill; that Transocean was negligent and 30 percent at fault; and that Halliburton Company (“Halliburton”) was negligent and three percent at fault. Because the MDL Court found that Transocean was not grossly negligent, it concluded that BP’s contractual agreement to indemnify us for compensatory damages is valid and enforceable and that we no longer have exposure for punitive damages. The MDL Court also ruled that BP’s contractual agreement to release its own claims against us is valid and enforceable. Subject to appeal, this release bars the Plaintiff’s Steering Committee (the “PSC”) from pursuing claims that have been assigned to it by BP in the BP/PSC settlement. See “—Contingencies—Macondo well incident.”

**Fleet expansion**—During the year ended December 31, 2014, we completed construction of the Ultra-Deepwater drillships *Deepwater Invictus* and *Deepwater Asgard*, which have commenced operations under their contracts. On February 26, 2014, we entered into agreements for the construction of two newbuild dynamically positioned Ultra-Deepwater drillships. See “—Liquidity and Capital Resources—Drilling fleet.”

**Debt repayment**—Angola Deepwater Drilling Company Limited (“ADDCL”), a consolidated joint venture company, had two credit facilities, established under a bank credit agreement (the “ADDCL Credit Facilities”). On February 12, 2014, we repaid borrowings of \$163 million outstanding under the ADDCL Credit Facilities and terminated the bank credit agreement under which the credit facilities were established. See “—Liquidity and Capital Resources—Sources and uses of liquidity.”

**Debt redemption**—On November 17, 2014, we redeemed \$207 million aggregate principal amount of the 4.95% Senior Notes due November 2015. See “—Liquidity and Capital Resources—Sources and uses of liquidity.”

**Discontinued operations**—In February 2014, in connection with our efforts to discontinue non-strategic operations, we completed the sale of ADTI, which was the final remaining component of our drilling management services operating segment. In the year ended December 31, 2014, we received net cash proceeds of \$10 million and recognized a net loss of \$12 million in connection with the sale. See “—Operating Results—Discontinued operations.”

## Outlook

**Drilling market**—Although our long-term view of the offshore drilling market remains favorable, particularly for high-specification assets, we expect the near to medium term to be challenging given our customers’ decisions to focus on capital allocation, cost reductions and to delay various exploration and development programs. The significant and rapid decline in oil and natural gas prices has accelerated the rapid decline in demand for drilling rigs across all asset classes and regions. We currently expect the pace of executing drilling contracts for the global floater fleet to remain stagnant in the near to medium term, resulting in excess capacity, lower dayrates and idle time for some rigs. Additionally, this excess capacity may result in some lower capability assets in the industry being permanently retired, ultimately reducing the available supply of drilling rigs, all else being equal. As of February 17, 2015, the contract backlog for our continuing operations was \$21.2 billion compared to \$23.6 billion as of October 15, 2014.

Following the Macondo well incident, the U.S. government implemented enhanced regulations related to offshore drilling in the U.S. Gulf of Mexico, which require operators to submit applications for new drilling permits that demonstrate compliance with such enhanced regulations. The enhanced regulations require independent third-party inspection, certification of well design and well control equipment and emergency response plans in the event of a blowout, among other requirements. The voluntary application by some of our customers of such third-party inspections and certifications of well control equipment operating outside the U.S. Gulf of Mexico has caused and may continue to cause us to experience additional out of service time and incur additional maintenance costs. We have entered into an agreement with the U.S. Department of Justice ("DOJ") that also requires us to undertake certain inspections and certifications beyond current legal standards. Although the enhanced regulations and additional maintenance requirements have affected our revenues, costs and out of service time, we are unable to predict, with certainty, the magnitude with which these matters will continue to impact our operations.

**Fleet status**—As of February 17, 2015, uncommitted fleet rates for the years ending December 31, 2015, 2016, 2017, 2018 and 2019 were as follows:

	2015	2016	2017	2018	2019
<b>Uncommitted fleet rate (a)</b>					
High-Specification Floaters	36 %	59 %	71 %	80 %	84 %
Midwater Floaters	36 %	85 %	100 %	100 %	100 %
High-Specification Jackups	26 %	59 %	80 %	93 %	100 %

(a) The uncommitted fleet rate is defined as the number of uncommitted days divided by the total number of rig calendar days in the measurement period, expressed as a percentage. An uncommitted day is defined as a calendar day during which a rig is idle or stacked, is not contracted to a customer and is not committed to a shipyard.

As of February 17, 2015, we had nine existing contracts associated with our continuing operations that had fixed-price or capped options to extend the contract terms that are exercisable, at the customer's discretion, any time through their expiration dates. Customers are more likely to exercise fixed-price options when dayrates are higher on new contracts relative to existing contracts, and customers are less likely to exercise fixed-price options when dayrates are lower on new contracts relative to existing contracts. Given current market conditions, we are uncertain whether these options will be exercised by our customers, and, therefore, we have excluded the effect of priced options in the presentation of our uncommitted fleet rates above. Additionally, well-in-progress or similar provisions of our existing contracts may delay the start of higher or lower dayrates in subsequent contracts, and some of the delays could be significant.

**High-Specification Floaters**—During the fourth quarter of 2014, 16 contracts for Ultra-Deepwater Floaters were entered into worldwide. We recently entered into a two-year drilling contract for *GSF Development Driller I* and a five-month extension for *Dhirubhai Deepwater KG2*, and we have secured three one-well contracts for this fleet. However, availability continues to exceed demand as customers increasingly focus on capital discipline, resulting in further delays to drilling programs and pressure on dayrates and rig utilization through 2015. Our Ultra-Deepwater Floater fleet has fifteen units with availability in 2015.

The Deepwater Floater fleet rig utilization rate for the industry decreased during the fourth quarter of 2014 with seven contracts entered into worldwide, including one new contract and two exercised options for our fleet. Our Deepwater Floater fleet has four active units with availability in 2015. The pace of tendering and length of contract terms have decreased, and we are experiencing increased competition for each tendering opportunity. As of February 17, 2015, we had 22 of our 44 High-Specification Floaters contracted through the end of 2015.

Although we believe continued exploration successes in the major deepwater offshore provinces and the emerging markets will eventually generate additional demand and support our long-term positive outlook for our High-Specification Floater fleet, we expect reduced dayrates, increased idling of rigs and more intense competition for our floaters in the short term. We also expect some older high-specification drilling rigs, and particularly certain Deepwater Floaters in the industry, to be permanently retired, ultimately reducing the available supply of drilling rigs, all else being equal.

**Midwater Floaters**—Customer demand for our Midwater Floater fleet, which includes 17 semisubmersible rigs, continues to show signs of weakness in the U.K. and Norway. During the fourth quarter, two of our units were awarded contracts. We have nine units available in our active fleet in 2015. Demand for rigs in this class has declined, pressuring global rig utilization rates and dayrates for this asset class. We have observed higher capability assets competing with these assets more frequently, increasing the likelihood that some of the industry's rigs in this asset class may be permanently retired.

**High-Specification Jackups**—We believe that market conditions for High-Specification Jackups will begin to show signs of weakness in 2015 as many newbuilds are delivered and programs are delayed. The newbuilds are expected to displace older assets with lower capabilities. During the fourth quarter, one of our High-Specification Jackups was awarded a six-month contract for accommodation work. As of February 17, 2015, three of our existing 10 High-Specification Jackups have availability in 2015.

**Operating results**—We expect our total revenues for the year ending December 31, 2015 to be less than our total revenues for the year ended December 31, 2014 primarily due to increased idle time for our floater fleet, lower dayrates on new contracts and asset disposals, partially offset by full years of operations for our two newbuild Ultra-Deepwater Floaters placed into service in the third quarter of 2014 and fewer anticipated out of service days for maintenance and contract preparations. We are unable to predict, with certainty, the

impact on our business from any changes to offshore activity levels, the results of our efforts to improve our revenue efficiency rates or the full impact that the enhanced regulations and other matters, described under “—Drilling market”, will have on our operations for the year ending December 31, 2015 and beyond.

We expect our total operating and maintenance expenses for the year ending December 31, 2015 to be less than our total operating and maintenance expenses for the year ended December 31, 2014 primarily due to lower costs resulting from increased idle time and stacked rigs, improvements to our cost structure, and asset divestitures, partially offset by full years of operations for our newbuild Ultra-Deepwater Floaters placed into service in the third quarter of 2014. Our projected operating and maintenance expenses for the year ending December 31, 2015 are subject to change and could be affected by actual activity levels, changes in shipyard timing, the effective execution of our cost-saving initiatives, the enhanced regulations and other matters described under “—Drilling market”, the Macondo well incident and related contingencies, exchange rates and cost inflation above expectations, as well as other factors. It is difficult to project operating and maintenance expenses given the nature and variety of these factors that impact these expenses. See “—Forward-Looking Information.”

Although we are unable to estimate the full direct and indirect effect that the Macondo well incident will have on our business, the incident has had and could continue to have a material adverse effect on our consolidated statement of financial position, results of operations or cash flows. See “—Contingencies—Macondo well incident.”

In accordance with our critical accounting policies, we review our property and equipment for impairment when events occur or circumstances change that may indicate that the carrying amounts of our assets held and used may not be recoverable. In the three months ended September 30, 2014, in connection with the interim testing and impairment of our goodwill, we also reviewed our assets held and used and determined that the Deepwater Floater asset group in our contract drilling services reporting unit was impaired due to projected declines in dayrates and utilization for this asset group, and we recognized a loss on impairment of \$788 million (see “—Operating Results”). If we experience increasingly unfavorable changes to actual or anticipated dayrates or other impairment indicators, or if we are unable to secure new or extended contracts for our active units or the reactivation of any of our stacked units, we may be required to recognize additional losses in future periods as a result of impairments of the carrying amount of one or more of our asset groups. At December 31, 2014, the carrying amount of our property and equipment, net of accumulated depreciation, was \$21.5 billion, representing 76 percent of our total assets, taking into consideration the impairment we recognized in the year ended December 31, 2014.

## Performance and Other Key Indicators

**Contract backlog**—Contract backlog is defined as the maximum contractual operating dayrate multiplied by the number of days remaining in the firm contract period, excluding revenues for mobilization, demobilization and contract preparation or other incentive provisions, which are not expected to be significant to our contract drilling revenues. Average contractual dayrate relative to our contract backlog is defined as the maximum contractual operating dayrate to be earned per operating day in the measurement period. An operating day is defined as a day for which a rig is contracted to earn a dayrate during the firm contract period after commencement of operations.

The contract backlog represents the maximum contract drilling revenues that can be earned considering the contractual operating dayrate in effect during the firm contract period and represents the basis for the maximum revenues in our revenue efficiency measurement. To determine maximum revenues for purposes of calculating revenue efficiency, however, we include the revenues earned for mobilization, demobilization and contract preparation, which are excluded from the amounts presented for contract backlog.

The contract backlog for our contract drilling services was as follows:

	February 17, 2015	October 15, 2014	February 18, 2014
<b>Contract backlog</b>			
	(In millions)		
High-Specification Floaters			
Ultra-Deepwater Floaters	\$ 16,529	\$ 17,540	\$ 19,690
Deepwater Floaters	673	833	1,209
Harsh Environment Floaters	1,591	2,017	1,887
Total High-Specification Floaters	18,793	20,390	22,786
Midwater Floaters	1,613	2,165	3,224
High-Specification Jackups	834	1,018	1,234
Total	\$ 21,240	\$ 23,573	\$ 27,244

Our contract backlog includes only firm commitments, which are represented by signed drilling contracts or, in some cases, by other definitive agreements awaiting contract execution. Our contract backlog includes amounts associated with our newbuild units that are currently under construction. The contractual operating dayrate may be higher than the actual dayrate we ultimately receive or an alternative contractual dayrate, such as a waiting-on-weather rate, repair rate, standby rate or force majeure rate, may apply under certain circumstances. The contractual operating dayrate may also be higher than the actual dayrate we ultimately receive because of a number

of factors, including rig downtime or suspension of operations. In certain contracts, the dayrate may be reduced to zero if, for example, repairs extend beyond a stated period of time.

At February 17, 2015, the contract backlog and average contractual dayrates for our contract drilling services were as follows:

		For the years ending December 31,				
	Total	2015	2016	2017	2018	Thereafter
Contract backlog		(In millions, except average dayrates)				
High-Specification Floaters						
Ultra-Deepwater Floaters	\$ 16,529	\$ 2,674	\$ 2,639	\$ 2,318	\$ 1,712	\$ 7,186
Deepwater Floaters	673	515	158	—	—	—
Harsh Environment Floaters	1,591	616	515	303	115	42
Total High-Specification Floaters	18,793	3,805	3,312	2,621	1,827	7,228
Midwater Floaters	1,613	1,254	359	—	—	—
High-Specification Jackups	834	388	262	133	51	—
Total contract backlog	\$ 21,240	\$ 5,447	\$ 3,933	\$ 2,754	\$ 1,878	\$ 7,228

**Average-contractual dayrates**

High-Specification Floaters						
Ultra-Deepwater Floaters	\$ 523,000	\$ 515,000	\$ 522,000	\$ 521,000	\$ 532,000	\$ 526,000
Deepwater Floaters	\$ 354,000	\$ 362,000	\$ 332,000	\$ —	\$ —	\$ —
Harsh Environment Floaters	\$ 427,000	\$ 454,000	\$ 443,000	\$ 428,000	\$ 316,000	\$ 305,000
Total High-Specification Floaters	\$ 505,000	\$ 477,000	\$ 495,000	\$ 508,000	\$ 510,000	\$ 524,000
Midwater Floaters	\$ 368,000	\$ 361,000	\$ 397,000	\$ —	\$ —	\$ —
High-Specification Jackups	\$ 162,000	\$ 165,000	\$ 167,000	\$ 153,000	\$ 140,000	\$ —
Total fleet average	\$ 454,000	\$ 395,000	\$ 429,000	\$ 457,000	\$ 476,000	\$ 524,000

The actual amounts of revenues earned and the actual periods during which revenues are earned will differ from the amounts and periods shown in the tables above due to various factors, including shipyard and maintenance projects, unplanned downtime and other factors that result in lower applicable dayrates than the full contractual operating dayrate. Additional factors that could affect the amount and timing of actual revenue to be recognized include customer liquidity issues and contract terminations, which are available to our customers under certain circumstances.

**Average daily revenue**—Average daily revenue is defined as contract drilling revenues earned per operating day. An operating day is defined as a calendar day during which a rig is contracted to earn a dayrate during the firm contract period after commencement of operations.

The average daily revenue for our contract drilling services was as follows:

	Years ended December 31,		
	2014	2013	2012
<b>Average daily revenue</b>			
High-Specification Floaters			
Ultra-Deepwater Floaters	\$ 539,300	\$ 500,200	\$ 500,300
Deepwater Floaters	\$ 378,300	\$ 353,300	\$ 338,200
Harsh Environment Floaters	\$ 507,400	\$ 451,700	\$ 444,500
Total High-Specification Floaters	\$ 501,100	\$ 459,800	\$ 455,000
Midwater Floaters	\$ 347,200	\$ 311,100	\$ 262,200
High-Specification Jackups	\$ 168,500	\$ 164,400	\$ 141,300
Total fleet average daily revenue	\$ 411,600	\$ 382,300	\$ 370,300

Our average daily revenue fluctuates relative to market conditions and our revenue efficiency. Our total fleet average daily revenue is also affected by the mix of rig classes being operated, as Midwater Floaters and High-Specification Jackups are typically contracted at lower dayrates compared to High-Specification Floaters. We include newbuilds in the calculation when the rigs commence operations upon acceptance by the customer. We remove rigs from the calculation upon disposal, classification as held for sale or classification as discontinued operations.

**Revenue efficiency**—Revenue efficiency is defined as actual contract drilling revenues for the measurement period divided by the maximum revenue calculated for the measurement period, expressed as a percentage. Maximum revenue is defined as the greatest amount of contract drilling revenues the drilling unit could earn for the measurement period, excluding amounts related to incentive provisions.

The revenue efficiency rates for our contract drilling services were as follows:

	Years ended December 31,		
	2014	2013	2012
<b>Revenue efficiency</b>			
High-Specification Floaters			
Ultra-Deepwater Floaters	94 %	89 %	93 %
Deepwater Floaters	96 %	91 %	91 %
Harsh Environment Floaters	96 %	97 %	97 %
Total High-Specification Floaters	95 %	91 %	93 %
Midwater Floaters	93 %	94 %	91 %
High-Specification Jackups	97 %	98 %	95 %
Total fleet average revenue efficiency	95 %	92 %	93 %

Our revenue efficiency rate varies due to revenues earned under alternative contractual dayrates, such as a waiting-on-weather rate, repair rate, standby rate, force majeure rate or zero rate, that may apply under certain circumstances. We include newbuilds in the calculation when the rigs commence operations upon acceptance by the customer. We exclude rigs that are not operating under contract, such as those that are stacked.

**Rig utilization**—Rig utilization is defined as the total number of operating days divided by the total number of rig calendar days in the measurement period, expressed as a percentage.

The rig utilization rates for our contract drilling services were as follows:

	Years ended December 31,		
	2014	2013	2012
<b>Rig utilization</b>			
High-Specification Floaters			
Ultra-Deepwater Floaters	82 %	92 %	94 %
Deepwater Floaters	62 %	68 %	61 %
Harsh Environment Floaters	85 %	100 %	87 %
Total High-Specification Floaters	77 %	86 %	83 %
Midwater Floaters	64 %	61 %	66 %
High-Specification Jackups	93 %	91 %	84 %
Total fleet average utilization	76 %	79 %	78 %

Our rig utilization rate declines as a result of idle and stacked rigs and during shipyard and mobilization periods to the extent these rigs are not earning revenues. We include newbuilds in the calculation when the rigs commence operations upon acceptance by the customer. We remove rigs from the calculation upon disposal, classification as held for sale or classification as discontinued operations.



## Operating Results

### Year ended December 31, 2014 compared to the year ended December 31, 2013

The following is an analysis of our operating results from continuing operations. See “—Performance and Other Key Indicators” for definitions of operating days, average daily revenue, revenue efficiency and rig utilization.

	Years ended December 31,			
	2014	2013	Change	% Change
	(In millions, except day amounts and percentages)			
Operating days	21,710	23,687	(1,977)	(8)%
Average daily revenue	\$ 411,600	\$ 382,300	\$ 29,300	8%
Revenue efficiency	95%	92%		
Rig utilization	76%	79%		
Contract drilling revenues	\$ 8,952	\$ 9,070	\$ (118)	(1)%
Other revenues	222	179	43	24%
	9,174	9,249	(75)	(1)%
Operating and maintenance expense	(5,110)	(5,563)	453	8%
Depreciation expense	(1,139)	(1,109)	(30)	(3)%
General and administrative expense	(234)	(286)	52	18%
Loss on impairment	(4,043)	(81)	(3,962)	n/m
Gain (loss) on disposal of assets, net	(26)	7	(33)	n/m
Operating income (loss)	(1,378)	2,217	(3,595)	n/m
Other income (expense), net				
Interest income	39	52	(13)	(25)%
Interest expense, net of amounts capitalized	(483)	(584)	101	17%
Other, net	22	(29)	51	n/m
Income (loss) from continuing operations before income tax expense	(1,800)	1,656	(3,456)	n/m
Income tax expense	(146)	(258)	112	43%
Income (loss) from continuing operations	\$ (1,946)	\$ 1,398	\$ (3,344)	n/m

“n/m” means not meaningful.

**Operating revenues**—Contract drilling revenues decreased for the year ended December 31, 2014 compared to the year ended December 31, 2013 primarily due to the following: (a) approximately \$500 million of decreased revenues due to a greater number of idle rigs in the year ended December 31, 2014, (b) approximately \$245 million of decreased revenues due to rigs that were sold or classified as held for sale during the year ended December 31, 2014 and (c) approximately \$210 million of decreased revenues due to increased time dedicated to mobilization between contracts, shipyard projects and rig certifications. These decreases were partially offset by the following: (a) approximately \$290 million of increased revenues due to improved dayrates, (b) approximately \$285 million of increased revenues due to improved revenue efficiency and (c) approximately \$265 million of increased revenues associated with our newbuild High-Specification Jackups that commenced operations during the year ended December 31, 2013 and our newbuild Ultra-Deepwater drillships that commenced operations in the year ended December 31, 2014.

Other revenues increased for the year ended December 31, 2014 compared to the year ended December 31, 2013, primarily due to increased revenues associated with reimbursable items.

**Costs and expenses**—Operating and maintenance expense decreased for the year ended December 31, 2014 compared to the year ended December 31, 2013 primarily due to the following: (a) approximately \$195 million of decreased costs and expenses due to rigs that were sold or classified as held for sale in the year ended December 31, 2014, (b) approximately \$190 million of decreased costs and expenses, net of insurance recoveries, associated with the Macondo well incident and (c) approximately \$130 million of decreased costs and expenses associated with stacked and idle rigs. These decreases were partially offset by approximately \$70 million of increased costs and expenses due to our newbuild rigs placed in service.

General and administrative expense decreased for the year ended December 31, 2014 compared to the year ended December 31, 2013 primarily due to the following: (a) \$24 million of decreased personnel costs primarily associated with reduced wages and salaries, and (b) \$21 million of decreased legal and professional fees, primarily related to litigation and the 2013 proxy campaign.



In the year ended December 31, 2014, we recognized losses related to the following: (a) a loss of \$3.0 billion associated with the impairment of the remaining balance of our goodwill, (b) a loss of \$788 million associated with the impairment of the Deepwater Floater asset group in our contract drilling services reporting unit and (c) a loss of \$268 million primarily associated with the impairment of the Deepwater Floater *Discoverer Seven Seas*, the Midwater Floaters *GSF Arctic I*, *Falcon 100*, *Sedneth 701* and *J.W. McLean* and the High-Specification Jackup *GSF Magellan*, along with related equipment, all of which were classified as assets held for sale at the time of impairment. In the year ended December 31, 2013, we recognized an aggregate loss of \$81 million associated with the impairment of assets, including \$64 million associated with the impairment of the Deepwater Floater *Sedco 709*, the Midwater Floaters *C. Kirk Rhein, Jr.* and *Sedco 703* and the High-Specification Jackup *GSF Monitor*, along with related equipment, all of which were classified as assets held for sale at the time of impairment, and a loss of \$17 million associated with the impairment of certain corporate assets.

In the year ended December 31, 2014, we completed the sale of the Deepwater Floater *Sedco 709*, the Midwater Floater *Sedco 703* and the High-Specification Jackups *GSF Monitor* and *GSF Magellan*, along with related equipment, and recognized an aggregate net loss of \$1 million. Additionally, in the year ended December 31, 2014, we recognized an aggregate net loss of \$25 million primarily associated with the disposal of assets unrelated to rig sales. In the year ended December 31, 2013, we recognized a net gain of \$33 million associated with the sale of the Deepwater Floater *Transocean Richardson*, along with related equipment, partially offset by an aggregate net loss of \$26 million associated with the disposal of assets unrelated to dispositions of rigs.

**Other income and expense**—Interest expense, net of amounts capitalized, decreased in the year ended December 31, 2014 compared to the year ended December 31, 2013, primarily due to approximately \$55 million of increased interest capitalization associated with our newbuild construction program and \$34 million of decreased interest expense associated with debt repaid in the year ended December 31, 2014.

In the year ended December 31, 2014, we recognized other income, net, primarily related to the following: (a) a gain of \$18 million associated with currency exchange, (b) a gain of \$7 million associated with the prepayment of Awilco notes receivable and (c) a gain of \$7 million associated with settlement of litigation related to our dual-activity patent, partially offset by (d) a loss of \$13 million primarily associated with the partial redemption of our 4.95% Senior Notes and the early termination of our \$900 million three-year secured revolving credit facility. In the year ended December 31, 2013, we recognized other expense, net, primarily related to the following: (a) a loss of \$11 million associated with currency exchange, (b) a loss of \$10 million associated with the sale of the Shelf Drilling preference shares and (c) a loss of \$9 million associated with the early termination of the interest rate swaps related to the TPDI Credit Facilities.

**Income tax expense**—We operate internationally and provide for income taxes based on the tax laws and rates in the countries in which we operate and earn income. For the years ended December 31, 2014 and 2013, our annual effective tax rates were 18.7 percent and 20.1 percent, respectively, based on income from continuing operations before income taxes, after excluding certain items, such as expenses for litigation matters, losses on impairment, and gains and losses on certain asset disposals. The tax effect, if any, of the excluded items as well as settlements of prior year tax liabilities and changes in prior year tax estimates are all treated as discrete period tax expenses or benefits. For the years ended December 31, 2014 and 2013, the effect of the various discrete period tax items was a net tax benefit of \$138 million and \$82 million, respectively. For the years ended December 31, 2014 and 2013, these discrete tax items, together with the excluded income and expense items noted above, resulted in effective tax rates of (8.1) percent and 15.6 percent, respectively, based on income from continuing operations before income tax expense, including these discrete tax items, together with the excluded income and expense items noted above.

The relationship between our provision for or benefit from income taxes and our income before income taxes can vary significantly from period to period considering, among other factors, (a) the overall level of income before income taxes, (b) changes in the blend of income that is taxed based on gross revenues versus income before taxes, (c) rig movements between taxing jurisdictions and (d) our rig operating structures. Generally, our annual marginal tax rate is lower than our annual effective tax rate. Consequently, our income tax expense does not change proportionally with our income before income taxes. Significant decreases in our income before income taxes typically lead to higher effective tax rates, while significant increases in income before income taxes can lead to lower effective tax rates, subject to the other factors impacting income tax expense noted above. In the year ended December 31, 2014 compared to the year ended December 31, 2013, the annual effective tax rate decreased to 18.7 percent from 20.1 percent primarily due to changes in the blend of income that is taxed based on gross revenues versus income before taxes, the effect of higher income before income taxes offset by the impact of new UK legislation and the currency exchange effect of the weakened Norwegian krone relative to the U.S. dollar. With respect to the annual effective tax rate calculation for the year ended December 31, 2014, a significant portion of our income tax expense was generated in countries in which income taxes are imposed on gross revenues, with the most significant of these countries being Angola, India, Nigeria, Indonesia and the Republic of Congo. Conversely, the countries in which we incurred the most significant income taxes during this period that were based on income before income tax include Norway, the U.K., Switzerland, Australia and the U.S.

Our rig operating structures further complicate our tax calculations, especially in instances where we have more than one operating structure for the particular taxing jurisdiction and, thus, more than one method of calculating taxes depending on the operating structure utilized by the rig under the contract. For example, two rigs operating in the same country could generate significantly different provisions for income taxes if they are owned by two different subsidiaries that are subject to differing tax laws and regulations in the respective country of incorporation.

## Year ended December 31, 2013 compared to the year ended December 31, 2012

The following is an analysis of our operating results from continuing operations. See “—Performance and Other Key Indicators” for definitions of operating days, average daily revenue, revenue efficiency and rig utilization.

	Years ended December 31,			
	2013	2012	Change	% Change
	(In millions, except day amounts and percentages)			
Operating days	23,687	23,577	110	—%
Average daily revenue	\$ 382,300	\$ 370,300	\$ 12,000	3%
Revenue efficiency	92%	93%		
Rig utilization	79%	78%		
Contract drilling revenues	\$ 9,070	\$ 8,773	\$ 297	3%
Other revenues	179	172	7	4%
	9,249	8,945	304	3%
Operating and maintenance expense	(5,563)	(5,859)	296	5%
Depreciation expense	(1,109)	(1,122)	13	1%
General and administrative expense	(286)	(282)	(4)	(1)%
Loss on impairment	(81)	(118)	37	31%
Gain on disposal of assets, net	7	36	(29)	(81)%
Operating income	2,217	1,600	617	39%
Other income (expense), net				
Interest income	52	56	(4)	(7)%
Interest expense, net of amounts capitalized	(584)	(723)	139	19%
Other, net	(29)	(49)	20	41%
Income from continuing operations before income tax expense	1,656	884	772	87%
Income tax expense	(258)	(52)	(206)	n/m
Income from continuing operations	\$ 1,398	\$ 832	\$ 566	68%

“n/a” means not applicable.

“n/m” means not meaningful.

**Operating revenues**—Contract drilling revenues increased for the year ended December 31, 2013 compared to the year ended December 31, 2012 primarily due to the following: (a) approximately \$375 million of increased contract drilling revenues due to improved dayrates, (b) approximately \$90 million of increased contract drilling revenues associated with our newbuild High-Specification Jackups that commenced operations during the year ended December 31, 2013 and 2012, and (c) approximately \$80 million of increased contract drilling revenues due to greater rig utilization caused by less time dedicated to mobilization between contracts, shipyard projects and rig certifications. This increase was partially offset by (a) approximately \$120 million of decreased contract drilling revenues caused by lower revenue efficiency and (b) approximately \$105 million of decreased contract drilling revenues due to an increased number of rigs idle in the year ended December 31, 2013 compared to the year ended December 31, 2012.

Other revenues increased for the year ended December 31, 2013 compared to the year ended December 31, 2012, primarily due to increased revenues associated with reimbursable items.

**Costs and expenses**—Excluding the losses of \$120 million and \$756 million, recognized in the years ended December 31, 2013 and 2012, respectively, associated with contingencies related to the Macondo well incident, operating and maintenance costs and expenses increased for the year ended December 31, 2013 compared to the year ended December 31, 2012 primarily due to the following: (a) approximately \$335 million of increased costs and expenses due to greater rig utilization and higher shipyard costs, including \$50 million related to the reactivation of the Midwater Floater *Sedco 712*, and (b) approximately \$40 million of increased costs and expenses associated with our newbuild High-Specification Jackups that commenced operations during the years ended December 31, 2013 and 2012. These increases were partially offset by approximately \$50 million of decreased costs and expenses due to an increased number of rigs idle in 2013.

In the year ended December 31, 2013, we recognized an aggregate loss of \$81 million associated with the impairment of assets, including \$64 million associated with the impairment of the Deepwater Floater *Sedco 709*, the Midwater Floaters *C. Kirk Rhein, Jr.* and *Sedco 703* and the High-Specification Jackup *GSF Monitor*, which were classified as assets held for sale at the time of impairment, and \$17 million associated with the impairment of certain corporate assets. In the year ended December 31, 2012, we recognized a loss of \$118 million associated with completing our measurement of the impairment of goodwill associated with our contract drilling services.

reporting unit and a loss of \$22 million associated with the impairment of the customer relationship intangible assets attributed to our drilling management services reporting unit.

In the year ended December 31, 2013, we completed the sale of the Deepwater Floater *Transocean Richardson* along with related equipment and recognized a net gain of \$33 million associated with the sale, partially offset by an aggregate net loss of \$26 million associated with the disposal of assets unrelated to dispositions of rigs. In the year ended December 31, 2012, we completed the sale of the Deepwater Floaters *Discoverer 534* and *Jim Cunningham* along with related equipment and recognized an aggregate net gain of \$36 million associated with the sale.

**Other income and expense**—Interest expense, net of amounts capitalized, decreased in the year ended December 31, 2013 compared to the year ended December 31, 2012, primarily due to approximately \$150 million of decreased interest expense associated with debt repaid or redeemed in the year ended December 31, 2013, and \$24 million of increased interest capitalization associated with our newbuild construction program, partially offset by \$40 million of increased interest expense associated with debt issued or bank credit agreements entered into in the year ended December 31, 2012.

In the year ended December 31, 2013, we recognized \$29 million in other expense, net, primarily related to the following: (a) a loss of \$11 million associated with currency exchange, (b) a loss of \$10 million associated with the sale of the Shelf Drilling preference shares and (c) a loss of \$9 million associated with the termination of the interest rate swaps related to the TPDI Credit Facilities. In the year ended December 31, 2012, we recognized \$49 million in other expense, net, primarily related to the following: (a) a loss of \$27 million associated with currency exchange and (b) a loss of \$24 million associated with the redeemed noncontrolling interest in TPDI.

**Income tax expense**—We operate internationally and provide for income taxes based on the tax laws and rates in the countries in which we operate and earn income. For the years ended December 31, 2013 and 2012, our annual effective tax rates were 20.1 percent and 17.7 percent, respectively, based on income from continuing operations before income taxes, after excluding certain items, such as expenses for litigation matters, losses on impairment, gains on certain asset disposals and acquisition, costs for one-time termination benefits, and gains and losses on debt retirements. The tax effect, if any, of the excluded items as well as settlements of prior year tax liabilities and changes in prior year tax estimates are all treated as discrete period tax expenses or benefits. For the years ended December 31, 2013 and 2012, the effect of the various discrete period tax items was a net tax benefit of \$82 million and \$256 million, respectively. For the years ended December 31, 2013 and 2012, these discrete tax items, together with the excluded income and expense items noted above, resulted in effective tax rates of 15.6 percent and 5.9 percent, respectively, on income from continuing operations before income tax expense.

The relationship between our provision for or benefit from income taxes and our income before income taxes can vary significantly from period to period considering, among other factors, (a) the overall level of income before income taxes, (b) changes in the blend of income that is taxed based on gross revenues versus income before taxes, (c) rig movements between taxing jurisdictions and (d) our rig operating structures. Generally, our annual marginal tax rate is lower than our annual effective tax rate. Consequently, our income tax expense does not change proportionally with our income before income taxes. Significant decreases in our income before income taxes typically lead to higher effective tax rates, while significant increases in income before income taxes can lead to lower effective tax rates, subject to the other factors impacting income tax expense noted above. In the year ended December 31, 2013 compared to the year ended December 31, 2012, the annual effective tax rate increased to 20.1 percent from 17.7 percent primarily due to changes in the blend of income that is taxed based on gross revenues versus income before taxes, the currency exchange effect of the weakened Norwegian krone relative to the U.S. dollar off-set by the effect of higher income before income taxes. With respect to the annual effective tax rate calculation for the year ended December 31, 2013, a significant portion of our income tax expense was generated in countries in which income taxes are imposed on gross revenues, with the most significant of these countries being Angola, India, Nigeria, Gabon and Mozambique. Conversely, the most significant countries in which we incurred income taxes during this period that were based on income before income tax include Norway, the U.K., Switzerland, Australia and the U.S.

Our rig operating structures further complicate our tax calculations, especially in instances where we have more than one operating structure for the particular taxing jurisdiction and, thus, more than one method of calculating taxes depending on the operating structure utilized by the rig under the contract. For example, two rigs operating in the same country could generate significantly different provisions for income taxes if they are owned by two different subsidiaries that are subject to differing tax laws and regulations in the respective country of incorporation.

## Discontinued operations

**Overview**—During the three years ended December 31, 2014, we discontinued the operations of (a) the standard jackup and swamp barge asset groups of our contract drilling services operating segment, (b) the drilling management services operating segment and (c) the oil and gas properties operating segment.

A summary of the results of our discontinued operations, before income taxes, was as follows:

	Years ended December 31,		
	2014	2013	2012
	(In millions)		
Loss on impairment of assets in discontinued operations	\$ —	\$ (14)	\$ (1,008 )
Gain (loss) on disposal of assets in discontinued operations, net	(10)	54	82
Other income (loss) from operations of discontinued operations	4	9	(114 )

In the year ended December 31, 2014, other income from operations of discontinued operations was negligible, primarily as the result of the operations of standard jackups under operating agreements with Shelf Drilling. In the years ended December 31, 2013 and 2012, other loss from operations of discontinued operations was primarily attributable to the operations of the standard jackup and swamp barge contract drilling services. Losses on impairment and net gains on disposal of assets in discontinued operations are discussed below.

**Standard jackup and swamp barge contract drilling services**—In September 2012, in connection with our efforts to dispose of non-strategic assets and to reduce our exposure to low-specification drilling units, we committed to a plan to sell the 46 standard jackups and one swamp barge in our fleet, reflecting our decision to discontinue operations associated with the standard jackup and swamp barge asset groups, components of our contract drilling services operating segment. On November 30, 2012, we completed the sale of 38 drilling units in these asset groups, along with related equipment, to Shelf Drilling.

For a transition period following the completion of the sale transactions, we agreed to continue to operate a substantial portion of the standard jackups under operating agreements with Shelf Drilling and to provide certain other transition services to Shelf Drilling. Under the operating agreements, we agreed to remit the collections from our customers under the associated drilling contracts to Shelf Drilling, and Shelf Drilling agreed to reimburse us for our direct costs and expenses incurred while operating the standard jackups on behalf of Shelf Drilling with certain exceptions. The costs to us for providing such operating and transition services, including allocated indirect costs, have exceeded the amounts we have received from Shelf Drilling for providing such services. We have also agreed to provide a limited guarantee with respect to three standard jackups and in favor of Shelf Drilling's customer from the time the drilling contracts are novated through expiration of such drilling contracts, and we may be required to perform if Shelf Drilling becomes unable to do so. As of February 17, 2015, we no longer operate drilling units for Shelf Drilling.

In the year ended December 31, 2013, we recognized an aggregate loss of \$14 million associated with the impairment of the standard jackups *GSF Rig 127* and *GSF Rig 134*, which were classified as assets held for sale at the time of impairment.

In the year ended December 31, 2012, we recognized losses of \$744 million and \$112 million associated with the impairment of the long-lived assets and the goodwill, respectively, related to the standard jackup and swamp barge disposal group, which was classified as held for sale at the time of the impairments. In the year ended December 31, 2012, we also recognized a loss of \$20 million, included in loss on impairment of assets in discontinued operations, associated with postemployment benefits for employees and contract labor directly related to this disposal group. Additionally, in the year ended December 31, 2012, we recognized an aggregate loss of \$29 million associated with the impairment of the standard jackups *GSF Adriatic II* and *GSF Rig 136*, which were classified as assets held for sale at the time of impairment.

In the years ended December 31, 2014, 2013, and 2012, we recognized an aggregate net gain of \$2 million, an aggregate net loss of \$1 million and an aggregate net loss of \$9 million, respectively, associated with the disposal of assets unrelated to dispositions of rigs. In the years ended December 31, 2013 and 2012, we recognized aggregate gains of \$11 million and \$8 million, respectively, associated with the sale of equipment and materials and supplies related to the sale transactions with Shelf Drilling. In the years ended December 31, 2013 and 2012, we recognized aggregate net gains of \$44 million and \$74 million, respectively, associated with the sale of drilling units not related to the sale transactions with Shelf Drilling.

**Drilling management services**—In February 2014, in connection with our efforts to discontinue non-strategic operations, we completed the sale of ADTI, which performs drilling management services in the North Sea. Following the completion of the sale transaction, we agreed to provide a \$15 million working capital line of credit to the buyer through March 2016. We also provided a limited guarantee in favor of one customer through completion of its drilling project, which concluded in the third quarter of 2014. In the year ended December 31, 2014, we recognized a net loss of \$12 million associated with the sale of the drilling management services business. In the year ended December 31, 2012, we recognized an aggregate loss of \$22 million associated with the impairment of the customer relationships intangible asset attributed to our drilling management services reporting unit.

In March 2012, we announced our intent to discontinue drilling management operations in the shallow waters of the U.S. Gulf of Mexico, a component of our drilling management services operating segment, upon completion of our then existing contracts. In December 2012, we completed the final drilling management project and discontinued offering our drilling management services in this region. In the year ended December 31, 2012, we recognized an aggregate loss of \$70 million associated with the impairment of the customer relationships intangible asset and the trade name intangible asset attributed to our drilling management services reporting unit.

**Oil and gas properties**—During the year ended December 31, 2011, in connection with our efforts to dispose of non-strategic assets, we committed to a plan to sell the assets, reflecting our decision to discontinue the operations of our oil and gas properties reporting unit, a component of our former other operations segment, which included the exploration, development and production activities performed by Challenger Minerals Inc., Challenger Minerals (North Sea) Limited and Challenger Minerals (Ghana) Limited. In the year ended December 31, 2011, we completed the sale of Challenger Minerals (North Sea) Limited. In the year ended December 31, 2012, we completed the sales of the assets of Challenger Minerals Inc. and Challenger Minerals (Ghana) Limited.

In the year ended December 31, 2012, we recognized losses of \$11 million, associated with the impairment of our oil and gas properties, which were classified as assets held for sale at the time of impairment. In the year ended December 31, 2012, we recognized net gains of \$9 million associated with the disposal of these assets.

See Notes to Consolidated Financial Statements—Note 7—Discontinued Operations.

## **Liquidity and Capital Resources**

### ***Sources and uses of cash***

At December 31, 2014, we had \$2.6 billion in cash and cash equivalents. At any given time, we may require a significant portion of our cash and cash equivalents for working capital and other needs related to the operation of our business. At December 31, 2014, we estimate the amount of cash required for these purposes, which is not generally available to us for other uses, was approximately \$1.3 billion.

In the year ended December 31, 2014, our primary sources of cash were our cash flows from operating activities, proceeds from sale of noncontrolling interest, proceeds from asset disposals, and net proceeds from restricted cash investments. Our primary uses of cash were capital expenditures, primarily associated with our newbuild projects, repayments of debt, payments to our shareholders installments of distributions of qualifying paid-in capital and payment of our Macondo well incident settlement obligations.



	<u>Years ended December 31,</u>		<u>Change</u>
	<u>2014</u>	<u>2013</u>	
	(In millions)		
<b>Cash flows from operating activities</b>			
Net income (loss)	\$ (1,966)	\$ 1,407	\$ (3,373)
Amortization of drilling contract intangibles	(15)	(15)	—
Depreciation	1,139	1,109	30
Loss on impairment	4,043	95	3,948
(Gain) loss on disposal of assets, net	36	(61)	97
Other non-cash items, net	66	199	(133)
Changes in Macondo well incident assets and liabilities, net	(498)	(455)	(43)
Changes in other operating assets and liabilities, net	(585)	(361)	(224)
	<u>\$ 2,220</u>	<u>\$ 1,918</u>	<u>\$ 302</u>

Net cash provided by operating activities increased primarily due to an increase in net income, after adjusting for non-cash items, including losses of \$3.0 billion and \$788 million associated with the impairment of the remaining balance of our goodwill and Deepwater Floater asset group, respectively, and changes in working capital.

	<u>Years ended December 31,</u>		<u>Change</u>
	<u>2014</u>	<u>2013</u>	
	(In millions)		
<b>Cash flows from investing activities</b>			
Capital expenditures	\$ (2,165)	\$ (2,238)	\$ 73
Proceeds from disposal of assets, net	250	378	(128)
Proceeds from sale of preference shares	—	185	(185)
Proceeds from repayment of notes receivable	101	17	84
Other, net	(14)	—	(14)
	<u>\$ (1,828)</u>	<u>\$ (1,658)</u>	<u>\$ (170)</u>

Net cash used in investing activities increased primarily due to a reduction of proceeds from disposal of assets, and the sale or repayment of investments in debt and equity instruments, as cash proceeds from prepayments of the Awilco notes during the year ended December 31, 2014 were less than cash proceeds from the sale of Shelf Drilling preference shares in the year ended December 31, 2013.

	<u>Years ended December 31,</u>		<u>Change</u>
	<u>2014</u>	<u>2013</u>	
	(In millions)		
<b>Cash flows from financing activities</b>			
Repayments of debt	\$ (539)	\$ (1,692)	\$ 1,153
Proceeds from restricted cash investments, net	156	179	(23)
Distribution of qualifying additional paid-in capital	(1,018)	(606)	(412)
Proceeds from sale of noncontrolling interest	443	—	443
Other, net	(42)	(32)	(10)
	<u>\$ (1,000)</u>	<u>\$ (2,151)</u>	<u>\$ 1,151</u>

Net cash used in financing activities decreased primarily due to a reduction in cash used to repay debt and proceeds from our sale of a noncontrolling interest in Transocean Partners during the year ended December 31, 2014. Partially offsetting this net decrease was an increase in cash used to pay to our shareholders installments of distributions of qualifying paid-in capital.



## Drilling fleet

**Expansion**—From time to time, we review possible acquisitions of businesses and drilling rigs and may make significant future capital commitments for such purposes. We may also consider investments related to major rig upgrades or new rig construction, including new rigs the construction of which we may begin without first obtaining customer contracts. Any such acquisition, upgrade or new rig construction could involve the payment by us of a substantial amount of cash or the issuance of a substantial number of additional shares or other securities. Our failure to secure drilling contracts for rigs under construction could have an adverse effect on our results of operations or cash flows.

Our historical and projected capital expenditures and other capital additions, including capitalized interest, for our recently completed and ongoing major construction projects were as follows:

	Total costs through December 31, 2014	Expected costs for the year ending December 31, 2015	Estimated costs thereafter	Total estimated costs at completion
	(In millions)			
Deepwater Invictus (a) (b)	\$ 736	\$ —	\$ —	\$ 736
Deepwater Asgard (a) (b)	786	—	—	786
Deepwater Thalassa (c)	375	504	41	920
Deepwater Proteus (c)	338	443	74	855
Deepwater Conqueror (d)	226	99	490	815
Deepwater Pontus (c)	310	63	432	805
Deepwater Poseidon (c)	282	61	467	810
Transocean Cassiopeia (e)	49	9	197	255
Transocean Centaurus (e)	48	7	205	260
Transocean Cepheus (e)	48	7	205	260
Transocean Cetus (e)	48	7	210	265
Ultra-Deepwater drillship TBN1 (f)	32	14	644	690
Transocean Circinus (e)	48	5	217	270
Ultra-Deepwater drillship TBN2 (f)	27	72	596	695
Total	\$ 3,353	\$ 1,291	\$ 3,778	\$ 8,422

- (a) The accumulated construction costs of these rigs are no longer included in construction work in progress, as the construction projects had been completed as of December 31, 2014.
- (b) The Ultra-Deepwater drillships *Deepwater Invictus* and *Deepwater Asgard* commenced operations in July 2014 and August 2014, respectively. Total costs through December 31, 2014 include construction work in progress acquired in connection with our acquisition of Aker Drilling with an aggregate estimated fair value of \$272 million.
- (c) *Deepwater Thalassa*, *Deepwater Proteus*, *Deepwater Pontus* and *Deepwater Poseidon*, four newbuild Ultra-Deepwater drillships under construction at the Daewoo Shipbuilding & Marine Engineering Co. Ltd. shipyard in Korea, are expected to commence operations in the first quarter of 2016, the third quarter of 2016, the first quarter of 2017 and the second quarter of 2017, respectively.
- (d) *Deepwater Conqueror*, a newbuild Ultra-Deepwater drillship under construction at the Daewoo Shipbuilding & Marine Engineering Co. Ltd. shipyard in Korea, is expected to commence operations in the fourth quarter of 2016.
- (e) *Transocean Cassiopeia*, *Transocean Centaurus*, *Transocean Cepheus*, *Transocean Cetus* and *Transocean Circinus*, five Keppel FELS Super B 400 Bigfoot class design newbuild High-Specification Jackups under construction at Keppel FELS' shipyard in Singapore do not yet have drilling contracts and are expected to be delivered in the third quarter of 2016, the first quarter of 2017, the third quarter of 2017, the first quarter of 2018 and the third quarter of 2018, respectively. These delivery expectations reflect our decision to delay delivery in consideration of existing market conditions.
- (f) Our two unnamed dynamically positioned Ultra-Deepwater drillships under construction at the Jurong Shipyard PTE Ltd. in Singapore do not yet have drilling contracts and are expected to be delivered in the second quarter of 2017 and the first quarter of 2018, respectively.

For the year ending December 31, 2015, we expect total capital expenditures to be approximately \$1.8 billion, approximately \$1.3 billion of which is associated with our major construction projects. The ultimate amount of our capital expenditures is partly dependent upon financial market conditions, the actual level of operational and contracting activity, the costs associated with the new regulatory environment and customer requested capital improvements and equipment for which the customer agrees to reimburse us.

At December 31, 2014, we held options to order up to four Keppel FELS Super B 400 Bigfoot class design High-Specification Jackups. The first of these four jackup options must be exercised within consecutive four-month intervals starting in March 2015. At December 31, 2014, we also held options with Jurong Shipyard PTE Ltd. in Singapore to order up to three newbuild Ultra-Deepwater drillships, which must be exercised by February 2015, August 2015 and February 2016. We allowed the first of these three drillship options, and we expect to allow the first of the four jackup options, to expire unexercised.

As with any major shipyard project that takes place over an extended period of time, the actual costs, the timing of expenditures and the project completion date may vary from estimates based on numerous factors, including actual contract terms, weather, exchange

rates, shipyard labor conditions, availability of suppliers to recertify equipment and the market demand for components and resources required for drilling unit construction.

We intend to fund the cash requirements relating to our capital expenditures through available cash balances, cash generated from operations and asset sales. We also have available credit under the New Five-Year Revolving Credit Facility, as described below, and may utilize other commercial bank or capital market financings. Economic conditions could impact the availability of these sources of funding.

**Dispositions**—From time to time, we may also review the possible disposition of non-strategic drilling units. Considering recent market conditions, we have committed to plans to sell certain lower-specification drilling units for scrap, the demolition for which will be conducted in an environmentally responsible manner. During the year ended December 31, 2014, we identified 12 such drilling units that we have sold or we will sell for scrap, including the Deepwater Floaters *Discoverer Seven Seas*, *Sedco 709*, *Sedco 710*, and *Sovereign Explorer*, the Midwater Floaters *C. Kirk Rhein, Jr.*, *Falcon 100*, *GSF Arctic I*, *J.W. McLean*, *Sedco 601*, *Sedco 700*, *Sedneth 701* and *Sedco 703*. In February 2015, we committed to a plan to sell for scrap the Deepwater Floater *Transocean Rather*. We continue to evaluate the drilling units in our fleet and may identify additional lower-specification drilling units to be sold for scrap.

During the year ended December 31, 2014, we completed the sale of the Deepwater Floater *Sedco 709*, the Midwater Floater *Sedco 703* and the High-Specification Jackups *GSF Magellan* and *GSF Monitor*, along with related equipment. In the year ended December 31, 2014, in connection with the disposal of these assets, we received aggregate net cash proceeds of \$185 million, and recognized an aggregate net loss of \$1 million.

During the year ended December 31, 2013, we completed the sale of the Deepwater Floater *Transocean Richardson* along with related equipment. In the year ended December 31, 2013, in connection with the disposal of these assets, we received net cash proceeds of \$142 million and recognized a gain of \$33 million, or \$22 million, net of tax.

During the year ended December 31, 2012, we completed the sales of the Deepwater Floaters *Discoverer 534* and *Jim Cunningham* along with related equipment. In connection with these sales, we received aggregate net cash proceeds of \$178 million and recognized an aggregate net gain of \$51 million.

In the three years ended December 31, 2014, we also completed the sales of 59 drilling units and other assets associated with our discontinued operations. See “—Results of Operations—Discontinued operations.”

### **Sources and uses of liquidity**

**Overview**—We expect to use existing cash balances, internally generated cash flows, borrowings under our bank credit agreement and proceeds from the disposal of assets or proceeds from the sale of additional noncontrolling interests in or debt securities of Transocean Partners or other subsidiaries to fulfill anticipated obligations, such as scheduled debt maturities or other payments, repayment of debt due within one year, capital expenditures, shareholder-approved distributions, payments of our Macondo well incident settlement obligations, working capital and other needs in our operations. Subject in each case to then existing market conditions and to our then expected liquidity needs, among other factors, we may continue to use a portion of our internally generated cash flows and proceeds from asset sales or proceeds from the sale of additional noncontrolling interests in or debt securities of Transocean Partners to reduce debt prior to scheduled maturities through debt repurchases, either in the open market or in privately negotiated transactions, through debt redemptions or tender offers, or through repayments of bank borrowings.

At any given time, we may require a significant portion of our cash on hand for working capital and other needs related to the operation of our business. We currently estimate this amount to be approximately \$1.3 billion. As a result, this portion of cash is not generally available to us for other uses. From time to time, we may also use borrowings under our bank credit agreement to maintain liquidity for short-term cash needs.

On January 3, 2013, we reached an agreement with the DOJ to resolve certain outstanding civil and potential criminal charges against us arising from the Macondo well incident (see “—Plea Agreement obligations” and “—Consent Decree obligations”). However, we are unable to predict the ultimate outcome of the investigations of the Macondo well incident and the DOJ lawsuits and other litigation related to other claims that were not addressed in our resolution with the DOJ. We can give no assurance that the matters arising out of the Macondo well incident will not adversely affect our liquidity in the future.

Our access to debt and equity markets may be limited due to a variety of events, including, among others, credit rating agency downgrades of our debt ratings, potential liability related to the Macondo well incident, industry conditions, general economic conditions, market conditions and market perceptions of us and our industry. Uncertainty related to our potential liabilities from the Macondo well incident has had, and could continue to have, an adverse effect on our business and our financial condition. Our ability to access such markets may be severely restricted at a time when we would like, or need, to access such markets, which could have an impact on our flexibility to react to changing economic and business conditions. An economic downturn could have an impact on the lenders participating in our credit facilities or on our customers, causing them to fail to meet their obligations to us. Uncertainty related to our potential liabilities from the Macondo well incident has had an adverse effect on our share price, could impact our ability to access capital markets in the future and has had, and could continue to have, an adverse effect on our consolidated statement of financial position, results of operations or cash flows.

Our internally generated cash flow is directly related to our business and the market sectors in which we operate. Should the drilling market deteriorate, or should we experience poor results in our operations, cash flow from operations may be reduced. We have, however, continued to generate positive cash flow from operating activities over recent years and expect that such cash flow will continue to be positive over the next year.

**Distributions of qualifying additional paid-in capital**—On February 15, 2015, our board of directors announced its recommendation that our shareholders at the 2015 annual general meeting approve a distribution of qualifying additional paid-in capital in the form of a U.S. dollar denominated dividend of \$0.60 per outstanding share, payable in four quarterly installments of \$0.15 per outstanding share, subject to certain limitations. If approved, we expect that the dividend installments will be paid in June 2015, September 2015, December 2015 and March 2016.

In May 2014, at our annual general meeting, our shareholders approved the distribution of qualifying additional paid-in capital in the form of a U.S. dollar denominated dividend of \$3.00 per outstanding share, payable in four quarterly installments, subject to certain limitations. We do not pay the distribution of qualifying additional paid-in capital with respect to our shares held in treasury or held by our subsidiary. In May 2014, we recognized a liability of \$1.1 billion for the distribution payable, recorded in other current liabilities, with a corresponding entry to additional paid-in capital. On June 18, September 17 and December 17, 2014, we paid the first three installments in the aggregate amount of \$816 million to shareholders of record as of May 30, August 22 and November 14, 2014, respectively. At February 17, 2015, the aggregate carrying amount of the distribution payable was \$272 million, which we expect to pay in March 2015.

In May 2013, at our annual general meeting, our shareholders approved the distribution of qualifying additional paid-in capital in the form of a U.S. dollar denominated dividend of \$2.24 per outstanding share, payable in four quarterly installments, subject to certain limitations. We did not pay the distribution of qualifying additional paid-in capital with respect to our shares held in treasury or held by our subsidiary. In May 2013, we recognized a liability of \$808 million for the distribution payable, recorded in other current liabilities, with a corresponding entry to additional paid-in capital. On June 19, September 18 and December 18, 2013, we paid the first three installments in the aggregate amount of \$606 million to shareholders of record as of May 31, August 23 and November 15, 2013, respectively. On March 19, 2014, we paid the final installment in the aggregate amount of \$202 million to shareholders of record as of February 21, 2014.

**Noncontrolling interest in Transocean Partners**—On July 31, 2014, we announced the pricing of an initial public offering of common units representing limited liability company interests in Transocean Partners, which began trading on the New York Stock Exchange under the ticker symbol “RIGP,” for \$22.00 per unit. On August 5, 2014, we completed the initial public offering of 20.1 million common units, including 2.6 million common units sold pursuant to the exercise in full of the underwriters’ option to purchase additional common units, which represented a 29.2 percent limited liability company interest in Transocean Partners. Through Transocean Partners Holdings Limited, a Cayman Islands company and our wholly owned subsidiary, we hold the remaining 21.3 million common units and 27.6 million subordinated units, which collectively represented a 70.8 percent limited liability company interest. As a result of the offering, we received net cash proceeds of approximately \$417 million, after deducting approximately \$26 million for underwriting discounts and commissions and other estimated offering expenses. We may consider selling additional noncontrolling interests in or debt securities of Transocean Partners to provide additional sources of liquidity.

On November 4, 2014, Transocean Partners declared a distribution of \$0.2246 per outstanding unit. On November 24, 2014, Transocean Partners paid to its unitholders of record as of November 17, 2014, an aggregate distribution of \$15 million, of which \$11 million was paid to us and eliminated in consolidation. On February 9, 2015, Transocean Partners declared a dividend of \$0.3625 per outstanding unit, an aggregate dividend of \$25 million, of which \$18 million is payable to us and will be eliminated in consolidation. On February 26, 2015, Transocean Partners expects to pay to its unitholders of record as of February 20, 2015 the aggregate distribution of \$25 million, of which \$18 million is payable to us and will be eliminated in consolidation.

See Notes to Consolidated Financial Statements—Note 15—Noncontrolling interest.

**Primary Revolving Credit Facilities**—In June 2014, we entered into an amended and restated bank credit agreement, which established a \$3.0 billion unsecured five-year revolving credit facility, that is scheduled to expire on June 28, 2019 (the “New Five-Year Revolving Credit Facility”). Among other things, the New Five-Year Revolving Credit Facility includes limitations on creating liens, incurring subsidiary debt, transactions with affiliates, sale/leaseback transactions, mergers and the sale of substantially all assets. The New Five-Year Revolving Credit Facility also includes a covenant imposing a maximum debt to tangible capitalization ratio of 0.6 to 1.0. As of December 31, 2014, our debt to tangible capitalization ratio, as defined, was 0.4 to 1.0. In order to borrow or have letters of credit issued under the New Five-Year Revolving Credit Facility, we must, at the time of the borrowing request, not be in default under the bank credit agreements and make certain representations and warranties, including with respect to compliance with laws and solvency, to the lenders, but we are not required to make any representation to the lenders as to the absence of a material adverse effect. Repayment of borrowings under the New Five-Year Revolving Credit Facility is subject to acceleration upon the occurrence of an event of default. We are also subject to various covenants under the indentures pursuant to which our public debt was issued, including restrictions on creating liens, engaging in sale/leaseback transactions and engaging in certain merger, consolidation or reorganization transactions. A default under our public debt indentures, our capital lease contract or any other debt owed to unaffiliated entities that exceeds \$125 million could trigger a default under the New Five-Year Revolving Credit Facility and, if not waived by the lenders, could cause us to lose access to the New Five-Year Revolving Credit Facility.

We may borrow under the New Five-Year Revolving Credit Facility at either (1) the adjusted London Interbank Offered Rate ("LIBOR") plus a margin (the "New Five-Year Revolving Credit Facility Margin"), which ranges from 1.125 percent to 2.0 percent based on the credit rating of our non-credit enhanced senior unsecured long-term debt ("Debt Rating"), or (2) the base rate specified in the credit agreement plus the Five-Year Revolving Credit Facility Margin, less one percent per annum. Throughout the term of the New Five-Year Revolving Credit Facility, we pay a facility fee on the daily unused amount of the underlying commitment which ranges from 0.15 percent to 0.35 percent depending on our Debt Rating. At December 31, 2014, based on our Debt Rating on that date, the New Five-Year Revolving Credit Facility Margin was 1.5 percent and the facility fee was 0.225 percent. At February 17, 2015, we had no borrowings outstanding, no letters of credit issued, and \$3.0 billion of available borrowing capacity under the New Five-Year Revolving Credit Facility.

We had a \$2.0 billion five-year revolving credit facility, established under a bank credit agreement dated November 1, 2011, as amended, that was scheduled to expire on November 1, 2016 (the "Former Five-Year Revolving Credit Facility"). We also had a \$900 million three-year secured revolving credit facility, established under a bank credit agreement dated October 25, 2012, that was scheduled to expire on October 25, 2015 (the "Former Three-Year Secured Revolving Credit Facility" and, together with the Former Five-Year Revolving Credit Facility, the "Former Revolving Credit Facilities"). Borrowings under the Former Three-Year Secured Revolving Credit Facility were secured by the Ultra-Deepwater Floaters *Deepwater Champion*, *Discoverer Americas* and *Discoverer Inspiration* and were guaranteed by Transocean Ltd. and Transocean Inc. In June 2014, we terminated the Former Three-Year Revolving Credit Facility and the related security agreements, and the New Five-Year Revolving Credit Facility replaced the Former Five-Year Revolving Credit Facility. At the time of their termination or replacement, no borrowings were outstanding under the Former Revolving Credit Facilities.

**Debt issuance**—In September 2012, we issued \$750 million aggregate principal amount of 2.5% Senior Notes due October 2017 (the "2.5% Senior Notes") and \$750 million aggregate principal amount of 3.8% Senior Notes due October 2022 (the "3.8% Senior Notes," and together with the 2.5% Senior Notes, the "2012 Senior Notes"). The interest rates for the notes are subject to adjustment from time to time upon a change to our Debt Rating. We are required to pay interest on the 2012 Senior Notes on April 15 and October 15 of each year. We may redeem some or all of the 2012 Senior Notes at any time prior to maturity at a redemption price equal to 100 percent of the principal amount plus accrued and unpaid interest, if any, together with a make-whole premium unless, in the case of the 3.8% Senior Notes, such redemption occurs on or after July 15, 2022, in which case no such make-whole premium will apply. The indenture pursuant to which the 2012 Senior Notes were issued contains restrictions on creating liens, engaging in sale/leaseback transactions and engaging in merger, consolidation or reorganization transactions. At February 17, 2015, \$750 million aggregate principal amount of the 2.5% Senior Notes due 2017 and \$750 million aggregate principal amount of the 3.8% Senior Notes due 2022 were outstanding.

**Debt repayments**—ADDCL had a senior secured credit facility, comprised of Tranche A for \$215 million and Tranche C for \$399 million, established under a bank credit agreement that was scheduled to expire in December 2017 (the "ADDCL Primary Loan Facility"). Unaffiliated financial institutions provided the commitment for and borrowings under Tranche A, and one of our subsidiaries provided the commitment for Tranche C. ADDCL also had a \$90 million secondary credit facility, established under a bank credit agreement that was scheduled to expire in December 2015 (the "ADDCL Secondary Loan Facility" and together with the ADDCL Primary Loan Facility, the "ADDCL Credit Facilities"). One of our subsidiaries provided 65 percent of the total commitment under the ADDCL Secondary Loan Facility. ADDCL was required to maintain certain cash balances in restricted accounts for the payment of the scheduled installments on the ADDCL Credit Facilities. On February 12, 2014, we repaid the remaining borrowings of \$163 million outstanding under the ADDCL Credit Facilities and terminated the bank credit agreement under which the credit facilities were established. In connection with the repayment of borrowings under the ADDCL Credit Facilities, the restricted cash investments were released.

We had a \$1.265 billion secured credit facility, comprised of a \$1.0 billion senior term loan, a \$190 million junior term loan and a \$75 million revolving credit facility, established under a bank credit agreement that was scheduled to expire in March 2015 (the "TPDI Credit Facilities"). One of our subsidiaries participated in the term loan with an aggregate commitment of \$595 million. In June 2013, we repaid the \$735 million of borrowings outstanding under the TPDI Credit Facilities, of which \$367 million was paid to one of our subsidiaries and eliminated in consolidation. Upon repayment of all borrowings, we terminated the bank credit agreement under which the credit facilities were established.

During the year ended December 31, 2013, we also repaid the outstanding \$250 million and \$500 million aggregate principal amount of the 5% Notes due February 2013 and the 5.25% Senior Notes due March 2013, respectively, as of the stated maturity dates.

**Debt redemptions**—On October 6, 2014, in connection with our efforts to reduce debt, we issued notice of partial redemption to holders of our 4.95% Senior Notes due November 2015. On November 17, 2014, we made an aggregate cash payment of \$216 million to redeem an aggregate principal amount of \$207 million of the outstanding senior notes. At February 17, 2015, the aggregate principal amount of the 4.95% Senior Notes due November 2015 was \$894 million.

Holders of the Series C Convertible Senior Notes had the right to require us to repurchase all or any portion of such holders' notes on December 14, 2012. As a result, in December 2012, we were required to repurchase an aggregate principal amount of \$1.7 billion of our Series C Convertible Senior Notes for an aggregate cash payment of \$1.7 billion. On February 7, 2013, we redeemed the remaining aggregate principal amount of \$62 million of our Series C Convertible Senior Notes for an aggregate cash payment of \$62 million.



We were obligors of the Callable Bonds, issued on February 21, 2011, which were publicly traded on the Oslo Stock Exchange. The FRN Callable Bonds and the 11% Callable Bonds were denominated in Norwegian kroner in the aggregate principal amounts of NOK 940 million and NOK 560 million, respectively. On March 6, 2013, we redeemed the FRN Callable Bonds and the 11% Callable Bonds with aggregate outstanding principal amounts of NOK 940 million and NOK 560 million, equivalent to \$164 million and \$98 million, respectively, using an exchange rate of NOK 5.73 to \$1.00. In connection with the redemption, we made an aggregate cash payment of NOK 1,567 million, equivalent to \$273 million.

**Eksportfinans Loans**—We have outstanding borrowings under the Loan Agreement dated September 12, 2008 (“Eksportfinans Loan A”) and outstanding borrowings under the Loan Agreement dated November 18, 2008 (“Eksportfinans Loan B,” and together with Eksportfinans Loan A, the “Eksportfinans Loans”), between one of our subsidiaries and Eksportfinans ASA, which were established to finance the construction and delivery of the Harsh Environment Ultra-Deepwater semisubmersibles *Transocean Spitsbergen* and *Transocean Barents*. Eksportfinans Loan A and Eksportfinans Loan B bear interest at a fixed rate of 4.15 percent and require semi-annual installments of principal and interest through September 2017 and January 2018, respectively. At February 17, 2015, borrowings of \$165 million and \$165 million were outstanding under Eksportfinans Loan A and Eksportfinans Loan B, respectively.

The Eksportfinans Loans require restricted cash investments to be held at a certain financial institution through expiration (the “Eksportfinans Restricted Cash Investments”). The Eksportfinans Restricted Cash Investments bear interest at a fixed rate of 4.15 percent with semi-annual installments that correspond with those of the Eksportfinans Loans. At February 17, 2015, the aggregate principal amount of the Eksportfinans Restricted Cash Investments was \$330 million.

**Capital lease contract**—*Petrobras 10000* is held by one of our subsidiaries under a capital lease contract that requires scheduled monthly payments of \$6 million through its stated maturity on August 4, 2029, at which time our subsidiary will have the right and obligation to acquire *Petrobras 10000* from the lessor for one dollar. Upon the occurrence of certain termination events, our subsidiary is also required to purchase *Petrobras 10000* and pay a termination amount determined by a formula based upon the total cost of the drillship. The capital lease contract includes limitations on creating liens on *Petrobras 10000* and requires our subsidiary to make certain representations in connection with each monthly payment, including with respect to the absence of pending or threatened litigation or other proceedings against our subsidiary or any of its affiliates, which, if determined adversely, could have a material adverse effect on our subsidiary’s ability to perform its obligations under the capital lease contract. Additionally, Transocean Inc. has guaranteed the obligations under the capital lease contract, and Transocean Inc. is required to maintain an adjusted net worth, as defined, of at least \$5.0 billion as of the end of each fiscal quarter. In the event Transocean Inc. does not satisfy this covenant at the end of any fiscal quarter, it is required to deposit the deficit amount, determined as the difference between \$5.0 billion and the adjusted net worth for such fiscal quarter, into an escrow account for the benefit of the lessor. At February 17, 2015, \$612 million was outstanding under the capital lease contract.

**Plea Agreement obligations**—Pursuant to a cooperation guilty plea agreement by and among the DOJ and certain of our affiliates (the “Plea Agreement”), which was accepted by the court on February 14, 2013, we agreed to pay a criminal fine of \$100 million and to consent to the entry of an order requiring us to pay a total of \$150 million to the National Fish and Wildlife Foundation, and \$150 million to the National Academy of Sciences. In the years ended December 31, 2014 and 2013, we made an aggregate cash payment of \$60 million and \$160 million, respectively, in satisfaction of amounts due under the Plea Agreement. On February 13, 2015, we made an aggregate cash payment of \$60 million in satisfaction of amounts due under the Plea Agreement. At February 17, 2015, the remaining balance of our Plea Agreement obligations was \$120 million, including two payments of \$60 million payable to the National Academy of Sciences on or before February 12, 2016 and February 14, 2017.

**Consent Decree obligations**—Pursuant to a civil consent decree by and among the DOJ and certain of our affiliates (the “Consent Decree”), which was approved by the court on February 19, 2013, we agreed to pay a civil penalty totaling \$1.0 billion, plus interest at a rate of 2.15 percent. On March 15, 2013, February 19, 2014 and January 8, 2015, we paid \$404 million, \$412 million and \$204 million, respectively, including interest. At February 17, 2015, we had fully paid amounts due under the Consent Decree.

**Notes receivable**—We held two notes receivable from Awilco, a U.K. company listed on the Oslo Stock Exchange. The notes receivable were originally accepted in exchange for, and were secured by, two drilling units. In April 2014, Awilco repaid the notes, and we received cash proceeds of \$98 million as prepayment of the aggregate principal outstanding.

**Share repurchase program**—In May 2009, at our annual general meeting, our shareholders approved and authorized our board of directors, at its discretion, to repurchase an amount of our shares for cancellation with an aggregate purchase price of up to CHF 3.5 billion, which is equivalent to approximately \$3.7 billion at an exchange rate as of the close of trading on February 17, 2015 of \$1.00 to CHF 0.94. On February 12, 2010, our board of directors authorized our management to implement the share repurchase program. We intend to fund any repurchases using available cash balances and cash from operating activities. On May 24, 2013, we received approval from the Swiss authorities for the continuation of the share repurchase program for an additional three-year repurchase period through May 23, 2016. In the year ended December 31, 2014, we did not purchase shares under our share repurchase program.

We may decide, based upon our ongoing capital requirements, our program of distributions to our shareholders, the price of our shares, matters relating to the Macondo well incident, regulatory and tax considerations, cash flow generation, the amount and duration of our contract backlog, general market conditions, debt ratings considerations and other factors, that we should retain cash, reduce debt, make capital investments or acquisitions or otherwise use cash for general corporate purposes, and consequently, repurchase fewer or no

additional shares under this program. Decisions regarding the amount, if any, and timing of any share repurchases will be made from time to time based upon these factors.

Any shares repurchased under this program are expected to be purchased from time to time either, with respect to the U.S. market, from market participants that have acquired those shares on the open market and that can fully recover Swiss withholding tax resulting from the share repurchase or, with respect to the Swiss market, on the second trading line for our shares on the SIX. Repurchases could also be made by tender offer, in privately negotiated transactions or by any other share repurchase method. Any repurchased shares would be held by us for cancellation by the shareholders at a future annual general meeting. The share repurchase program could be suspended or discontinued by our board of directors or company management, as applicable, at any time.

Under Swiss corporate law, the right of a company and its subsidiaries to repurchase and hold its own shares is limited. A company may repurchase its shares to the extent it has freely distributable reserves as shown on its Swiss statutory balance sheet in the amount of the purchase price and the aggregate par value of all shares held by the company as treasury shares does not exceed 10 percent of the company's share capital recorded in the Swiss Commercial Register, whereby for purposes of determining whether the 10 percent threshold has been reached, shares repurchased under a share repurchase program for cancellation purposes authorized by the company's shareholders are disregarded. As of February 17, 2015, Transocean Inc., our wholly owned subsidiary, held as treasury shares approximately three percent of our issued shares. At the annual general meeting in May 2009, the shareholders approved the release of CHF 3.5 billion of additional paid-in capital to other reserves, or freely available reserves as presented on our Swiss statutory balance sheet, to create the freely available reserve necessary for the CHF 3.5 billion share repurchase program for the purpose of the cancellation of shares (the "Currently Approved Program"). At the May 2011 annual general meeting, our shareholders approved the reallocation of CHF 3.2 billion, which is the remaining amount authorized under the share repurchase program, from free reserve to legal reserve, reserve from capital contributions. This amount will continue to be available for Swiss federal withholding tax-free share repurchases. We may only repurchase shares to the extent freely distributable reserves are available. Our board of directors could, to the extent freely distributable reserves are available, authorize the repurchase of additional shares for purposes other than cancellation, such as to retain treasury shares for use in satisfying our obligations in connection with incentive plans or other rights to acquire our shares. Based on the current amount of shares held as treasury shares, approximately seven percent of our issued shares could be repurchased for purposes of retention as additional treasury shares. Although our board of directors has not approved such a share repurchase program for the purpose of retaining repurchased shares as treasury shares, if it did so, any such shares repurchased would be in addition to any shares repurchased under the Currently Approved Program.

**Contractual obligations**—At December 31, 2014, our contractual obligations stated at face value, were as follows:

	For the years ending December 31,				
	Total	2015	2016 - 2017 (in millions)	2018 - 2019	Thereafter
<b>Contractual obligations</b>					
Debt	\$ 9,467	\$ 1,007	\$ 1,978	\$ 1,275	\$ 5,207
Interest on debt	4,927	539	931	681	2,776
Capital lease obligation (a)	1,046	65	143	144	694
Plea Agreement obligations	180	60	120	—	—
Consent Decree obligations (b)	204	204	—	—	—
Distribution of qualifying additional paid-in capital	272	272	—	—	—
Operating lease obligations	130	23	30	15	62
Purchase obligations	4,573	1,439	2,283	851	—
Total (c)	<u>\$ 20,799</u>	<u>\$ 3,609</u>	<u>\$ 5,485</u>	<u>\$ 2,966</u>	<u>\$ 8,739</u>

(a) Includes scheduled installments of principal and imputed interest on our capital lease obligation.

(b) Includes interest on our Consent Decree obligations.

(c) As of December 31, 2014, our defined benefit pension and other postretirement plans represented an aggregate liability of \$521 million, representing the aggregate projected benefit obligation, net of the aggregate fair value of plan assets. The carrying amount of this liability is affected by net periodic benefit costs, funding contributions, participant demographics, plan amendments, significant current and future assumptions, and returns on plan assets. Due to the uncertainties resulting from these factors and since the carrying amount is not representative of future liquidity requirements, we have excluded this amount from the contractual obligations presented in the table above. See "—Pension Plans and Other Postretirement Benefit Plans" and Notes to Consolidated Financial Statements—Note 14—Postemployment Benefit Plans.

As of December 31, 2014, our unrecognized tax benefits related to uncertain tax positions, net of prepayments, represented a liability of \$383 million. Due to the high degree of uncertainty regarding the timing of future cash outflows associated with the liabilities recognized in this balance, we are unable to make reasonably reliable estimates of the period of cash settlement with the respective taxing authorities, and we have excluded this amount from the contractual obligations presented in the table above. See Notes to Consolidated Financial Statements—Note 6—Income Taxes.



**Other commercial commitments**—We have other commercial commitments that we are contractually obligated to fulfill with cash under certain circumstances. These commercial commitments include standby letters of credit and surety bonds that guarantee our performance as it relates to our drilling contracts, insurance, customs, tax and other obligations in various jurisdictions. Standby letters of credit are issued under a number of committed and uncommitted bank credit facilities. The obligations that are the subject of these standby letters of credit and surety bonds are primarily geographically concentrated in Nigeria, India and Indonesia. Obligations under these standby letters of credit and surety bonds are not normally called, as we typically comply with the underlying performance requirement.

At December 31, 2014, these obligations stated in U.S. dollar equivalents and their time to expiration were as follows:

	For the years ending December 31,				
	Total	2015	2016 - 2017	2018 - 2019	Thereafter
			(in millions)		
<b>Other commercial commitments</b>					
Standby letters of credit (a)	\$ 338	\$ 294	\$ 39	\$ 5	\$ —
Surety bonds	6	6	—	—	—
<b>Total</b>	<b>\$ 344</b>	<b>\$ 300</b>	<b>\$ 39</b>	<b>\$ 5</b>	<b>\$ —</b>

- (a) Included in the \$338 million outstanding standby letters of credit at December 31, 2014 were \$91 million of standby letters of credit that we have agreed to maintain in support of the operations for Shelf Drilling for up to three years following the closing of the sale transactions (See Notes to Consolidated Financial Statements—Note 7—Discontinued Operations). Shelf Drilling is required to reimburse us in the event that standby letters of credit relating to this performance are called.

We have established a wholly owned captive insurance company to insure various risks of our operating subsidiaries. Access to the cash investments of the captive insurance company may be limited due to local regulatory restrictions. At December 31, 2014, the cash investments held by the captive insurance company totaled \$158 million, and the amount of such cash investments is expected to range from \$110 million to \$210 million by December 31, 2015. The amount of actual cash investments held by the captive insurance company varies, depending on the amount of premiums paid to the captive insurance company, the timing and amount of claims paid by the captive insurance company, and the amount of dividends paid by the captive insurance company.

### **Derivative instruments**

Our board of directors has approved policies and procedures for derivative instruments that require the approval of our Chief Financial Officer prior to entering into any derivative instruments. From time to time, we may enter into a variety of derivative instruments in connection with the management of our exposure to fluctuations in interest rates or currency exchange rates. We do not enter into derivative transactions for speculative purposes; however, we may enter into certain transactions that do not meet the criteria for hedge accounting. See Notes to Consolidated Financial Statements—Note 13—Derivatives and Hedging.

### **Pension Plans and Other Postretirement Benefit Plans**

**Overview**—We maintain a qualified defined benefit pension plan in the U.S. (the “U.S. Plan”) covering substantially all U.S. employees. We also maintain a funded supplemental benefit plan (the “Supplemental Plan”) that offers benefits to certain employees that are ineligible for benefits under the U.S. Plan and two unfunded supplemental benefit plans (the “Other Supplemental Plans”) that provide certain eligible employees with benefits in excess of those allowed under the U.S. Plan. Additionally, we maintain two funded and two unfunded defined benefit plans (collectively, the “Frozen Plans”) that we assumed in connection with our mergers with GlobalSantaFe and R&B Falcon Corporation, all of which were frozen prior to the respective mergers and for which benefits no longer accrue but the pension obligations have not been fully distributed. We refer to the U.S. Plan, the Supplemental Plan, the Other Supplemental Plans and the Frozen Plans, collectively, as the “U.S. Plans.”

We maintain a defined benefit plan in the U.K. (the “U.K. Plan”) covering certain current and former employees in the U.K. We also provide several funded defined benefit plans, three of which we assumed in connection with our acquisition of Aker Drilling, which are primarily group pension schemes with life insurance companies, and two unfunded plans, covering our eligible Norway employees and former employees (the “Norway Plans”). We also maintain unfunded defined benefit plans (the “Other Plans”) that provide retirement and severance benefits for certain of our Indonesian, Nigerian and Egyptian employees. We refer to the U.K. Plan, the Norway Plans and the Other Plans, collectively, as the “Non-U.S. Plans.”

We refer to the U.S. Plans and the Non-U.S. Plans, collectively, as the “Transocean Plans”. Additionally, we have several unfunded contributory and noncontributory other postretirement employee benefit plans (the “OPEB Plans”) covering substantially all of our U.S. employees.

In June 2014, we committed to freeze benefits of our qualified defined benefit pension plan in the U.S., which covers substantially all U.S. employees, and one of our unfunded supplemental benefit plans, in each case, with an effective date of January 1, 2015. In the year ended December 31, 2014, we recognized settlement and curtailment charges of \$3 million for two of our unfunded

defined benefit plans in Nigeria and Egypt associated with certain employee terminations. See Notes to Consolidated Financial Statements—Note 12—Postemployment Benefit Plans.

In October 2014, the Society of Actuaries released new actuarial tables for applying mortality rate assumptions to measure the obligations for qualified defined benefit pension plans. We have applied the new actuarial tables in connection with measuring the funded status of our pension plans as of December 31, 2014, and such application resulted in an increase of \$121 million to our measured liability.

The following table presents the amounts and weighted-average assumptions associated with the U.S. Plans, the Non-U.S. Plans and the OPEB Plans.

	Year ended December 31, 2014				Year ended December 31, 2013			
	U.S. Plans	Non-U.S. Plans	OPEB Plans	Total	U.S. Plans	Non-U.S. Plans	OPEB Plans	Total
Net periodic benefit costs (a)	\$ 37	\$ 36	\$ 2	\$ 75	\$ 95	\$ 34	\$ 3	\$ 132
Other comprehensive income (loss)	(261 )	(199)	(4)	(464)	(198)	(114)	1	(311)
Employer contributions	43	56	2	101	64	50	1	115

**At end of period:**

Accumulated benefit obligation	\$ 1,588	\$ 553	\$ 59	\$ 2,200	\$ 1,210	\$ 490	\$ 53	\$ 1,753
Projected benefit obligation	1,592	629	59	2,280	1,380	573	53	2,006
Fair value of plan assets	1,271	488	—	1,759	1,116	481	—	1,597
Funded status	(321 )	(141)	(59)	(521)	(264)	(92)	(53)	(409)

**Weighted-Average Assumptions**

**-Net periodic benefit costs**

Discount rate (b)	5.04 %	4.41 %	4.54%	4.85%	4.19%	5.13%	3.39%	4.43%
Long-term rate of return (c)	7.18 %	6.07%	n/a	6.88%	7.48%	5.79%	n/a	6.97%
Compensation trend rate (b)	4.13 %	4.25%	n/a	4.16%	4.22%	4.21%	n/a	4.22%
Health care cost trend rate-initial	n/a	n/a	7.81%	7.81%	n/a	n/a	8.07%	8.07%
Health care cost trend rate-ultimate (d)	n/a	n/a	5.00%	5.00%	n/a	n/a	5.00%	5.00%

**-Benefit obligations**

Discount rate (b)	4.15 %	3.13%	3.86%	3.86%	5.01%	4.92%	4.54%	4.97%
Compensation trend rate (b)	3.82 %	3.72%	n/a	3.74%	4.24%	4.57%	n/a	4.35%

“n/a” means not applicable.

- (a) Net periodic benefit costs were reduced by expected returns on plan assets of \$103 million and \$95 million in the years ended December 31, 2014 and 2013, respectively.
- (b) Weighted-average based on relative average projected benefit obligation for the year.
- (c) Weighted-average based on relative average fair value of plan assets for the year.
- (d) Ultimate health care trend rate is expected to be reached in 2020.

**Net periodic benefit cost**—In the year ended December 31, 2014, net periodic benefit costs decreased \$57 million and, in the year ending December 31, 2015, we expect net periodic benefit costs to decrease by an additional \$33 million, primarily as a result of our decision to freeze the qualified defined benefit pension plan in the U.S.

**Plan assets**—We review our investment policies at least annually and our plan assets and asset allocations at least quarterly to evaluate performance relative to specified objectives. In determining our asset allocation strategies for the U.S. Plans, we review results of regression models to assess the most appropriate target allocation for each plan, given the plan’s status, demographics, and duration. For the U.K. Plan, the plan trustees establish the asset allocation strategies consistent with the regulations of the U.K. pension regulators and in consultation with financial advisors and company representatives. Investment managers for the U.S. Plans and the U.K. Plan are given established ranges within which the investments may deviate from the target allocations. For the Norway Plans, we establish minimum returns under the terms of investment contracts with insurance companies.

In the year ended December 31, 2014, plan assets of the funded Transocean Plans were favorably impacted by improvements in world equity markets, given the allocation of approximately 49 percent of plan assets to equity securities. To a lesser extent, plan assets allocated to debt securities and other investments also experienced better than expected gains. In the year ended December 31, 2014, the fair value of the investments in the funded Transocean Plans increased by \$162 million, or 10 percent, due to investment returns of \$197 million, funding contributions of \$4 million, net of benefits paid, and currency revaluations of \$39 million in connection with the funded Non-U.S. Plans.

**Funding contributions**—We review the funded status of our plans at least annually and contribute an amount at least equal to the minimum amount required. For the funded U.S. Plans, we contribute an amount at least equal to that required by the Employee Retirement Income Security Act of 1974 (“ERISA”) and the Pension Protection Act of 2006 (“PPA”). We use actuarial computations to establish the minimum contribution required under ERISA and PPA and the maximum deductible contribution allowed for income tax purposes. For the funded U.K. Plan, we contribute an amount, as mutually agreed with the plan trustees, based on actuarial recommendations. For the funded Norway Plans, we contribute an amount determined by the plan trustee based on Norwegian pension laws. For the unfunded Transocean Plans and OPEB Plans, we generally fund benefit payments for plan participants as incurred. We fund our contributions to the Transocean Plans and the OPEB Plans using cash flows from operations.

In the year ended December 31, 2014, we contributed \$101 million and participants contributed \$3 million to the Transocean Plans and the OPEB Plans. In the year ended December 31, 2013, we contributed \$115 million and participants contributed \$4 million to the Transocean Plans and the OPEB Plans.

For the year ending December 31, 2015, we expect to contribute \$29 million to the Transocean Plans and \$4 million to the OPEB Plans. These estimated contributions for the Transocean Plans are comprised of \$25 million to meet the funding requirements for the funded Non-U.S. Plans, and approximately \$4 million to fund expected benefit payments for the unfunded U.S. Plans and unfunded Non-U.S. Plans.

**Benefit payments**—Our projected benefit payments for the Transocean Plans and the OPEB Plans are as follows (in millions):

	U.S. Plans	Non-U.S. Plans	OPEB Plans	Total
<b>Years ending December 31,</b>				
2015	\$ 53	\$ 7	\$ 4	\$ 64
2016	57	9	4	70
2017	61	11	4	76
2018	65	11	4	80
2019	69	12	4	85
2020-2024	395	96	20	511

## Contingencies

### *Macondo well incident*

**Overview**—On April 22, 2010, the Ultra-Deepwater Floater *Deepwater Horizon* sank after a blowout of the Macondo well caused a fire and explosion on the rig. Eleven persons were declared dead and others were injured as a result of the incident. At the time of the explosion, *Deepwater Horizon* was located approximately 41 miles off the coast of Louisiana in Mississippi Canyon Block 252 and was contracted to an affiliate of BP plc. (together with its affiliates, “BP”). The rig was declared a total loss. Although we are unable to estimate the full direct and indirect effect that the Macondo well incident will have on our business, the incident has had and could continue to have a material adverse effect on our consolidated statement of financial position, results of operations and cash flows.

We have recognized a liability for estimated loss contingencies associated with litigation and investigations resulting from the incident that we believe are probable and for which a reasonable estimate can be made. At December 31, 2014 and 2013, the liability for estimated loss contingencies that we believe are probable and for which a reasonable estimate can be made was \$426 million and \$464 million, respectively, recorded in other current liabilities. The litigation and investigations also give rise to certain loss contingencies that we believe are either reasonably possible or probable but for which we do not believe a reasonable estimate can be made. Although we have not recognized a liability for such loss contingencies, these contingencies could result in liabilities that we ultimately recognize.

We have also recognized an asset associated with the portion of our estimated losses, primarily related to the personal injury and fatality claims of our crew and vendors, that we believe is probable of recovery from insurance. At December 31, 2014 and 2013, the insurance recoverable asset was \$10 million, recorded in other assets. Although we have available policy limits that could result in additional amounts recoverable from insurance, recovery of such additional amounts is not probable and we are not currently able to estimate such amounts. Our estimates involve a significant amount of judgment. As a result of new information or future developments, we may increase our estimated loss contingencies arising out of the Macondo well incident or reduce our estimated recoveries from insurance, and the resulting losses could have a material adverse effect on our consolidated statement of financial position, results of operations or cash flows.

We can provide no assurance as to the outcome of the trial, the timing of any upcoming phase of trial or ruling, that we will not enter into additional settlements as to some or all of the matters related to the Macondo well incident, including those to be determined at a trial, or the timing or terms of any such settlement. We can provide no assurance as to the estimated costs, insurance recoveries, or other actions that will result from the Macondo well incident.

**Multidistrict litigation proceeding**—Many of the Macondo well related claims are pending in the MDL Court. In March 2012, BP and the Plaintiff’s Steering Committee (the “PSC”) announced that they had agreed to a partial settlement related primarily to private

party environmental and economic loss claims as well as response effort related claims (the “BP/PSC Settlement”). On December 21, 2012, the MDL Court granted final approval of the economic and property damage class settlement between BP and the PSC. Various parties who objected to the BP/PSC Settlement filed appeals in the Fifth Circuit Court of Appeals (the “Fifth Circuit”) challenging the MDL Court’s final approval of the BP/PSC Settlement. BP filed appeals in the Fifth Circuit challenging the manner in which the BP/PSC Settlement has been interpreted by the MDL Court with respect to business economic loss claims (“BEL Claims”). In these appeals, BP argues that, if the MDL Court’s interpretation of the settlement with respect to BEL Claims is not overturned, the entire BP/PSC Settlement is invalid and should not have been approved. On October 2, 2013, a panel of the Fifth Circuit issued an opinion questioning the manner in which the settlement has been interpreted with respect to BEL Claims. On December 24, 2013, the MDL Court issued an order (the “BEL Order”) regarding the BEL Claims. BP appealed the BEL Order, but on March 3, 2014, the same panel of the Fifth Circuit affirmed the MDL Court’s ruling that claimants were not required to submit evidence of causation.

On January 10, 2014, another panel of the Fifth Circuit affirmed the MDL Court’s final approval of the BP/PSC Settlement. Thereafter, BP and certain plaintiffs who objected to the settlement filed petitions seeking rehearing in the Fifth Circuit of both decisions. On May 20, 2014, the Fifth Circuit denied those petitions. On August 1, 2014, BP filed a petition for writ of certiorari in the U.S. Supreme Court seeking review of the Fifth Circuit’s decisions. On December 8, 2014, the Supreme Court denied BP’s petition for certiorari.

In December 2012, in response to the BP/PSC Settlement, we filed three motions seeking partial summary judgment on various claims, including punitive damages claims. If successful, these motions would eliminate or reduce our exposure to punitive damages. The MDL Court has not yet ruled on these motions.

The first phase of the trial began on February 25, 2013 and testimony concluded on April 17, 2013. This phase addressed fault issues, including negligence, gross negligence, or other bases of liability of the various defendants with respect to the cause of the blowout and the initiation of the oil spill, as well as limitation of liability issues. On September 4, 2014, the MDL Court entered Findings of Fact and Conclusions of Law for the Phase One trial. The MDL Court concluded that BP was grossly negligent and reckless and 67 percent at fault for the blowout, explosion, and spill; that Transocean was negligent and 30 percent at fault; and that Halliburton was negligent and three percent at fault. Because the MDL Court found that Transocean was not grossly negligent, it concluded that BP’s contractual agreement to indemnify us for compensatory damages is valid and enforceable and that we no longer have exposure for punitive damages. The MDL Court also ruled that BP’s contractual agreement to release its own claims against us is valid and enforceable. This release bars the PSC from pursuing claims that have been assigned to it by BP in the BP/PSC Settlement.

On October 2, 2014, BP filed a motion to amend the Phase One Findings of Fact and Conclusions of Law, alter or amend the judgment, or for a new trial. That motion asserts that the MDL Court made errors in its conclusions about the causes of the failure of the cement in the well. On November 13, 2014, the MDL Court denied this motion.

The second phase of the trial occurred between September 30, 2013 and October 17, 2013, and the MDL Court issued its Findings of Fact and Conclusions of Law (the “Phase Two Ruling”) on January 15, 2015. The first segment of the trial addressed BP’s conduct related to stopping the release of hydrocarbons. The MDL Court ruled that BP was not grossly negligent, reckless, willful or wanton in its source control planning before the spill. The MDL Court declined to decide whether BP was negligent in its planning because it ruled that any negligence finding would not change its fault determinations from the first phase of the trial. The MDL Court also found that it had not been shown that BP’s misrepresentations about the flow rate from the well delayed the capping of the well or adversely affected source control, or that post-blowout source control decisions were unreasonable.

The second segment of the trial addressed quantification of the amount of oil discharged and the MDL Court found that four million barrels of oil discharged during the spill. After deducting the barrels that were collected, the MDL Court found that, for purposes of calculating the maximum CWA civil penalty that may be imposed on BP and Anadarko, 3.19 million barrels of oil discharged. We participated in the first segment of trial, but were not a party to the second segment because the ruling as to the quantification of oil primarily relates to setting maximum CWA civil penalty and we have settled the DOJ’s CWA penalty claim against us.

See Notes to Consolidated Financial Statements—Note 13—Commitments and Contingencies and —Note 27—Subsequent Events.

### ***Insurance matters***

Our hull and machinery and excess liability insurance program is comprised of commercial market and captive insurance policies that we renew annually on May 1. We periodically evaluate our insurance limits and self-insured retentions. As of February 17, 2015, the insured value of our drilling rig fleet was approximately \$27.8 billion, excluding our rigs under construction. We generally do not carry commercial market insurance coverage for loss of revenues, unless it is contractually required, or for losses resulting from physical damage to our fleet caused by named windstorms in the U.S. Gulf of Mexico, including liability for wreck removal costs. See Notes to Consolidated Financial Statements—Note 13—Commitments and Contingencies.

### ***Tax matters***

We are a Swiss corporation, and we operate through our various subsidiaries in a number of countries throughout the world. Our provision for income taxes is based on the tax laws and rates applicable in the jurisdictions in which we operate and earn income. The relationship between our provision for or benefit from income taxes and our income or loss before income taxes can vary significantly from

period to period considering, among other factors, (a) the overall level of income before income taxes, (b) changes in the blend of income that is taxed based on gross revenues rather than income before taxes, (c) rig movements between taxing jurisdictions and (d) our rig operating structures. Generally, our annual marginal tax rate is lower than our annual effective tax rate.

We conduct operations through our various subsidiaries in a number of countries throughout the world. Each country has its own tax regimes with varying nominal rates, deductions and tax attributes. From time to time, we may identify changes to previously evaluated tax positions that could result in adjustments to our recorded assets and liabilities. Although we are unable to predict the outcome of these changes, we do not expect the effect, if any, resulting from these adjustments to have a material adverse effect on our consolidated statement of financial position, results of operations or cash flows.

We file federal and local tax returns in several jurisdictions throughout the world. Tax authorities in certain jurisdictions are examining our tax returns and in some cases have issued assessments. We are defending our tax positions in those jurisdictions. We are also defending against tax-related claims in courts, including our ongoing criminal trial in Norway.

While we cannot predict or provide assurance as to the final outcome of these proceedings, we do not expect the ultimate liability to have a material adverse effect on our consolidated statement of financial position or results of operations, although it may have a material adverse effect on our consolidated cash flows.

See Notes to Consolidated Financial Statements—Note 6—Income Taxes.

### ***Regulatory matters***

For a description of regulatory and environmental matters relating to the Macondo well incident, please see “—Macondo well incident.”

### ***Other matters***

In addition, from time to time, we receive inquiries from governmental regulatory agencies regarding our operations around the world, including inquiries with respect to various tax, environmental, regulatory and compliance matters. To the extent appropriate under the circumstances, we investigate such matters, respond to such inquiries and cooperate with the regulatory agencies.

### **Off-Balance Sheet Arrangements**

We had no off-balance sheet arrangements as of December 31, 2014.

### **Related Party Transactions**

**Quantum Pacific Management Limited**—On October 18, 2007, one of our subsidiaries acquired a 50 percent interest in TPDI, an entity formed to operate two Ultra-Deepwater Floaters, *Dhirubhai Deepwater KG1* and *Dhirubhai Deepwater KG2*. Until May 31, 2012, Quantum held the remaining 50 percent interest in TPDI. Quantum had the unilateral right to exchange its interest in TPDI for our shares or cash, at its election, measured at an amount based on an appraisal of the fair value of the drillships that are owned by TPDI, subject to certain adjustments. During the year ended December 31, 2012, Quantum exercised its rights under the put option agreement electing to exchange its interest in TPDI for our shares. We issued 8.7 million shares to Quantum, and as a result, TPDI became our wholly owned subsidiary. In the year ended December 31, 2012, under the terms of the put option agreement, we made a cash payment of \$72 million to Quantum to settle TPDI's working capital.

### **Critical Accounting Policies and Estimates**

**Overview**—We prepared our consolidated financial statements in accordance with accounting principles generally accepted in the U.S., which require us to make estimates that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosures of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to our allowance for doubtful accounts, materials and supplies obsolescence, investments, property and equipment, goodwill, income taxes, defined benefit pension plans and other postretirement employee benefits, contingent liabilities and share-based compensation. These estimates require significant judgments and assumptions. We base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

We consider the following to be our critical accounting policies and estimates, and we have discussed the development, selection and disclosure of such policies and estimates with the audit committee of our board of directors. For a discussion of our significant accounting policies, refer to our Notes to Consolidated Financial Statements—Note 2—Significant Accounting Policies.

**Income taxes**—We are a Swiss corporation, operating through our various subsidiaries in a number of countries throughout the world. We have provided for income taxes based upon the tax laws and rates in the countries in which we operate and earn income. The relationship between the provision for or benefit from income taxes and our income or loss before income taxes can vary significantly from period to period because the countries in which we operate have taxation regimes that vary with respect to the nominal tax rate and the availability of deductions, credits and other benefits. Generally, our annual marginal tax rate is lower than our annual effective tax rate. Consequently, our income tax expense does not change proportionally with our income before income taxes. Variations also arise when income earned and taxed in a particular country or countries fluctuates from year to year.



Our annual tax provision is based on expected taxable income, statutory rates and tax planning opportunities available to us in the various jurisdictions in which we operate. The determination of our annual tax provision and evaluation of our tax positions involves interpretation of tax laws in the various jurisdictions and requires significant judgment and the use of estimates and assumptions regarding significant future events, such as the amount, timing and character of income, deductions and tax credits. Our tax liability in any given year could be affected by changes in tax laws, regulations, agreements, and treaties, currency exchange restrictions or our level of operations or profitability in each jurisdiction. Additionally, we operate in many jurisdictions where the tax laws relating to the offshore drilling industry are not well developed. Although our annual tax provision is based on the best information available at the time, a number of years may elapse before the ultimate tax liabilities in the various jurisdictions are determined.

We maintain liabilities for estimated tax exposures in our jurisdictions of operation, and the provisions and benefits resulting from changes to those liabilities are included in our annual tax provision along with related interest. Tax exposure items include potential challenges to permanent establishment positions, intercompany pricing, disposition transactions, and withholding tax rates and their applicability. These exposures are resolved primarily through the settlement of audits within these tax jurisdictions or by judicial means, but can also be affected by changes in applicable tax law or other factors, which could cause us to revise past estimates. At December 31, 2014, the liability for estimated tax exposures in our jurisdictions of operation was approximately \$385 million.

We are currently undergoing examinations in a number of taxing jurisdictions for various fiscal years. We review our liabilities on an ongoing basis and, to the extent audits or other events cause us to adjust the liabilities accrued in prior periods, we recognize those adjustments in the period of the event. We do not believe it is possible to reasonably estimate the future impact of changes to the assumptions and estimates related to our annual tax provision because changes to our tax liabilities are dependent on numerous factors that cannot be reasonably projected. These factors include, among others, the amount and nature of additional taxes potentially asserted by local tax authorities; the willingness of local tax authorities to negotiate a fair settlement through an administrative process; the impartiality of the local courts; and the potential for changes in the taxes paid to one country that either produce, or fail to produce, offsetting tax changes in other countries.

We consider the earnings of certain of our subsidiaries to be indefinitely reinvested. As such, we have not provided for taxes on these unremitted earnings. At December 31, 2014, the amount of indefinitely reinvested earnings was approximately \$2.4 billion. Should we make a distribution from the unremitted earnings of these subsidiaries, we would be subject to taxes payable to various jurisdictions. We estimate taxes in the range of \$200 million to \$250 million would be payable upon distribution of all previously unremitted earnings at December 31, 2014.

We have recognized deferred taxes related to the earnings of certain subsidiaries that are not permanently reinvested or that will not be permanently reinvested in the future. If facts and circumstances cause us to change our expectations regarding future tax consequences, the resulting adjustments to our deferred tax balances could have a material effect on our consolidated statement of financial position, results of operations or cash flows.

Estimates, judgments and assumptions are required in determining whether deferred tax assets will be fully or partially realized. When it is estimated to be more likely than not that all or some portion of certain deferred tax assets, such as foreign tax credit carryovers or net operating loss carryforwards, will not be realized, we establish a valuation allowance for the amount of the deferred tax assets that is considered to be unrealizable. We continually evaluate strategies that could allow for the future utilization of our deferred tax assets. We did not make any significant changes to our valuation allowance against deferred tax assets during the years ended December 31, 2014, 2013 and 2012.

See Notes to Consolidated Financial Statements—Note 6—Income Taxes.

**Contingencies**—We perform assessments of our contingencies on an ongoing basis to evaluate the appropriateness of our liabilities and disclosures for such contingencies. We establish liabilities for estimated loss contingencies when we believe a loss is probable and the amount of the probable loss can be reasonably estimated. We recognize corresponding assets for loss contingencies that we believe are probable of being recovered through insurance. Once established, we adjust the carrying amount of a contingent liability upon the occurrence of a recognizable event when facts and circumstances change, altering our previous assumptions with respect to the likelihood or amount of loss. We recognize liabilities for legal costs as they are incurred, and we recognize a corresponding asset for those legal costs only if we expect such legal costs to be recovered through insurance.

We have recognized a liability for estimated loss contingencies associated with litigation and investigations resulting from the Macondo well incident that we believe are probable and for which a reasonable estimate can be made. The litigation and investigations also give rise to certain loss contingencies that we believe are either reasonably possible or probable but for which we do not believe a reasonable estimate can be made. Although we have not recognized a liability for such loss contingencies, these contingencies could increase the liabilities we ultimately recognize. As of December 31, 2014 and 2013, the liability for estimated loss contingencies that we believe are probable and for which a reasonable estimate can be made was \$426 million and \$464 billion, respectively, recorded in other current liabilities.

We have also recognized an asset associated with the portion of our estimated losses that we believe is probable of recovery from insurance. Although we have available policy limits that could result in additional amounts, such as legal costs, being recoverable from insurance, recovery of such additional amounts is not probable and we are not currently able to estimate such amounts. At December 31, 2014 and 2013, the insurance recoverable asset was \$10 million, recorded in other assets.



Our estimates involve a significant amount of judgment. Actual results may differ from our estimates. As a result of new information or developments, we may adjust our estimated loss contingencies arising from the Macondo well incident, and the resulting liabilities could have a material adverse effect on our consolidated statement of financial position, results of operations or cash flows.

See Notes to Consolidated Financial Statements—Note 15—Commitments and Contingencies.

**Goodwill impairment**—We conduct impairment testing for our goodwill annually as of October 1 and more frequently, on an interim basis, when an event occurs or circumstances change that may indicate a reduction in the fair value of a reporting unit below its carrying amount. We test goodwill at the reporting unit level, which is defined as an operating segment or a component of an operating segment that constitutes a business for which financial information is available and is regularly reviewed by management. We have determined that contract drilling services is our single reporting unit for this purpose.

Before testing goodwill, we consider whether or not to first assess qualitative factors to determine whether the existence of events or circumstances lead to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount and whether the two-step impairment test is required. If, as the result of our qualitative assessment, we determine that the two-step impairment test is required, or, alternatively, if we elect to forgo the qualitative assessment, we test goodwill for impairment by comparing the carrying amount of the reporting unit, including goodwill, to the fair value of the reporting unit.

To estimate the fair value of each reporting unit, we apply a variety of valuation methods, incorporating the income, market and cost approaches. For our contract drilling services reporting unit, we estimate fair value using discounted cash flows, publicly traded company multiples and acquisition multiples. To develop the projected cash flows associated with our contract drilling services reporting unit, which are based on estimated future dayrates and rig utilization, we consider key factors that include assumptions regarding future commodity prices, credit market conditions and the effect these factors may have on our contract drilling operations and the capital expenditure budgets of our customers. We discount projected cash flows using a long-term weighted-average cost of capital, which is based on our estimate of the investment returns that market participants would require for each of our reporting units. To develop the publicly traded company multiples, we gather available market data for companies with operations similar to our reporting unit and publicly available information for recent acquisitions in the marketplace. We may weight the approaches, under certain circumstances, when a single approach produces inconclusive results or when results from multiple approaches deviate significantly.

Our estimates of fair value require us to use significant unobservable inputs, representative of a Level 3 fair value measurement, including assumptions related to the future performance of our contract drilling services reporting unit, such as future commodity prices, projected demand for our services, rig utilization and dayrates. Because our business is cyclical in nature, the results of our impairment testing are expected to vary significantly depending on the timing of the assessment relative to the business cycle. Altering either the timing of or the assumptions used in a reporting unit's fair value calculations could result in an estimate that is significantly below its carrying amount, which may indicate its goodwill is impaired.

As a result of interim impairment tests as of September 30 and December 31, 2014, we determined that the goodwill associated with our contract drilling services reporting unit was impaired due to rapid and significant declines in the market value of our stock, oil and natural gas prices and the actual and projected declines in dayrates and utilization. In the year ended December 31, 2014, we recognized a loss of \$3.0 billion, which had no tax effect, associated with the impairment of the remaining balance of our goodwill.

In the years ended December 31, 2013 and 2012, as a result of our annual impairment testing, we concluded that the goodwill associated with our contract drilling services reporting unit was not impaired. In the three months ended March 31, 2012, we completed the analysis for our annual impairment test, performed as of October 1, 2011, and recognized an incremental loss of \$118 million, as an adjustment to our original estimate of the impairment of goodwill. In September 2012, we committed to a plan to discontinue operations associated with the standard jackup and swamp barge asset groups, components of our contract drilling services operating segment. As a result of our decision to discontinue operations associated with these components of our contract drilling services operating segment, we allocated \$112 million of goodwill to the disposal group based on the fair value of the disposal group relative to the fair value of the contract drilling services operating segment. We then determined that the disposal group was impaired since its aggregate carrying amount exceeded its aggregate fair value, and, as a result, we recognized a loss of \$112 million on the impairment of the allocated goodwill.

See Notes to Consolidated Financial Statements—Note 5—Impairments, Note 7—Discontinued Operations and Note 11—Goodwill and Other Intangible Assets.

**Property and equipment**—The carrying amount of property and equipment is subject to various estimates, assumptions, and judgments related to capitalized costs, useful lives and salvage values and impairments. At December 31, 2014 and 2013, the carrying amount of our property and equipment was \$21.5 billion and \$21.7 billion, representing 76 percent and 67 percent of our total assets, respectively.

**Capitalized costs**—We capitalize costs incurred to enhance, improve and extend the useful lives of our property and equipment and expense costs incurred to repair and maintain the existing condition of our rigs. For newbuild construction projects, we also capitalize the initial preparation, mobilization and commissioning costs incurred until the drilling unit is placed into service. Capitalized costs increase the carrying amounts and depreciation expense of the related assets, which also impact our results of operations.

**Useful lives and salvage values**—We depreciate our assets using the straight-line method over their estimated useful lives after allowing for salvage values. We estimate useful lives and salvage values by applying judgments and assumptions that reflect both

historical experience and expectations regarding future operations, rig utilization and asset performance. Useful lives and salvage values of rigs are difficult to estimate due to a variety of factors, including (a) technological advances that impact the methods or cost of oil and gas exploration and development, (b) changes in market or economic conditions, and (c) changes in laws or regulations affecting the drilling industry. Applying different judgments and assumptions in establishing the useful lives and salvage values would likely result in materially different net carrying amounts and depreciation expense for our assets. We reevaluate the remaining useful lives and salvage values of our rigs when certain events occur that directly impact the useful lives and salvage values of the rigs, including changes in operating condition, functional capability and market and economic factors. When evaluating the remaining useful lives of rigs, we also consider major capital upgrades required to perform certain contracts and the long-term impact of those upgrades on future marketability. At December 31, 2014, a hypothetical one-year increase in the useful lives of all of our rigs would cause a decrease in our annual depreciation expense of approximately \$94 million and a hypothetical one-year decrease would cause an increase in our annual depreciation expense of approximately \$90 million. On December 31, 2014, we adjusted the salvage values of certain drilling units due to existing market conditions. As a result of the adjustments, we expect depreciation expense to increase by approximately \$120 million in the year ending December 31, 2015.

**Long-lived asset impairment**—We review our property and equipment for impairment when events or changes in circumstances indicate that the carrying amounts of our assets held and used may not be recoverable or when carrying amounts of assets held for sale exceed fair value less cost to sell. Potential impairment indicators include rapid declines in commodity prices and related market conditions, declines in dayrates or utilization, cancellations of contracts or credit concerns of multiple customers. During periods of oversupply, we may idle or stack rigs for extended periods of time or we may elect to sell certain rigs for scrap, which could be an indication that an asset group may be impaired since supply and demand are the key drivers of rig utilization and our ability to contract our rigs at economical rates. Our rigs are mobile units, equipped to operate in geographic regions throughout the world and, consequently, we may move rigs from an oversupplied market sector to a more lucrative and undersupplied market sector when it is economical to do so. Many of our contracts generally allow our customers to relocate our rigs from one geographic region to another, subject to certain conditions, and our customers utilize this capability to meet their worldwide drilling requirements. Accordingly, our rigs are considered to be interchangeable within classes or asset groups, and we evaluate impairment by asset group. We consider our asset groups to be Ultra-Deepwater Floaters, Transocean Partners Ultra-Deepwater Floaters, Deepwater Floaters, Harsh Environment Floaters, Midwater Floaters, and High-Specification Jackups.

We assess recoverability of assets held and used by projecting undiscounted cash flows for the asset group being evaluated. When the carrying amount of the asset group is determined to be unrecoverable, we recognize an impairment loss, measured as the amount by which the carrying amount of the asset group exceeds its estimated fair value. To estimate the fair value of each asset group, we apply a variety of valuation methods, incorporating income, market and cost approaches. We may weight the approaches, under certain circumstances, when relevant data is limited, when results are inconclusive or when results deviate significantly. Our estimate of fair value generally requires us to use significant unobservable inputs, representative of a Level 3 fair value measurement, including assumptions related to the long-term future performance of our asset groups, such as projected revenues and costs, dayrates, rig utilization and revenue efficiency. These projections involve uncertainties that rely on assumptions about demand for our services, future market conditions and technological developments. Significant and unanticipated changes to these assumptions could materially alter an outcome that could otherwise result in an impairment loss. Given the nature of these evaluations and their application to specific asset groups and specific time periods, it is not possible to reasonably quantify the impact of changes in these assumptions.

During the year ended December 31, 2014, we identified indicators that our asset groups in our contract drilling services reporting unit may be impaired as a result of recent market developments, including recent low dayrate fixtures, partly caused by more technologically advanced drilling units competing with less capable drilling units, and projected declines in dayrates and utilization, particularly for the Deepwater Floater asset group. We conducted testing for impairment, and as a result, we determined that the carrying amount of the Deepwater Floater asset group exceeded its fair value. In the year ended December 31, 2014, we recognized a loss of \$788 million associated with the impairment of these long-lived assets. If we experience increasingly unfavorable changes to actual or anticipated dayrates or other impairment indicators, or if we are unable to secure new or extended contracts for our active units or the reactivation of any of our stacked units, we may be required to recognize additional losses in future periods as a result of impairments of the carrying amount of one or more of our asset groups.

**Pension and other postretirement benefits**—We use a January 1 measurement date for net periodic benefit costs and a December 31 measurement date for projected benefit obligations and plan assets. We measure our pension liabilities and related net periodic benefit costs using actuarial assumptions based on a market-related value of assets that reduces year-to-year volatility. In applying this approach, we recognize investment gains or losses subject to amortization over a five-year period beginning with the year in which they occur. Investment gains or losses for this purpose are measured as the difference between the expected and actual returns calculated using the market-related value of assets. If gains or losses exceed 10 percent of the greater of plan assets or plan liabilities, we amortize such gains or losses over the average expected future service period of the employee participants. Actual results may differ from these measurements under different conditions or assumptions. Future changes in plan asset returns, assumed discount rates and various other factors related to the pension plans will impact our future pension obligations and net periodic benefit costs.

Additionally, the pension obligations and related net periodic benefit costs for our defined benefit pension and other postretirement benefit plans, including retiree life insurance and medical benefits, are actuarially determined and are affected by assumptions, including long-term rate of return, discount rates, mortality rates, compensation increases, employee turnover rates and

health care cost trend rates. The two most critical assumptions are the long-term rate of return and the discount rate. We periodically evaluate our assumptions and, when appropriate, adjust the recorded liabilities and expense. Changes in these and other assumptions used in the actuarial computations could impact our projected benefit obligations, pension liabilities, net periodic benefit costs and other comprehensive income. See “—Pension Plans and Other Postretirement Benefit Plans.”

**Long-term rate of return**—We develop our assumptions regarding the estimated rate of return on plan assets based on historical experience and projected long-term investment returns, considering each plan’s target asset allocation and long-term asset class expected returns. We regularly review our actual asset allocation and periodically rebalance plan assets as appropriate. At December 31, 2014, a hypothetical percentage point decrease of the expected long-term rate of return assumption would result in an increase to net periodic benefit costs and approximately \$16 million.

**Discount rate**—As a basis for determining the discount rate, we utilize a yield curve approach based on Aa-rated corporate bonds and the expected timing of future benefit payments. At December 31, 2014, a hypothetical one-half percentage point decrease of the discount rate would result in an increase to net periodic benefit costs of approximately \$19 million.

## New Accounting Pronouncements

For a discussion of the new accounting pronouncements that have had or are expected to have an effect on our consolidated financial statements, see Notes to Consolidated Financial Statements—Note 3—New Accounting Pronouncements.

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

**Overview**—We are exposed to interest rate risk and currency exchange rate risk, primarily associated with our restricted cash investments, our long-term and short-term debt and our derivative instruments. For our restricted cash investments and debt instruments, the following table presents the principal cash flows and related weighted-average interest rates by contractual maturity date. For our derivative instruments, the following table presents the notional amounts and weighted-average interest rates by contractual maturity dates. The information is stated in U.S. dollar equivalents. The instruments are denominated in either U.S. dollars or Norwegian kroner, as indicated. The following table presents information for the years ending December 31 (in millions, except interest rate percentages):

	Scheduled Maturity Date (a)								
	2015	2016	2017	2018	2019	Thereafter	Total		Fair Value
Restricted cash investments									
Fixed rate (NOK)	\$ 114	\$ 114	\$ 114	\$ 28	\$ —	\$ —	\$ 370	\$	385
Average interest rate	4.15 %	4.15 %	4.15 %	4.15 %	— %	— %			
Debt									
Fixed rate (USD)	\$ 914	\$ 1,025	\$ 778	\$ 1,277	\$ 32	\$ 5,686	\$ 9,712	\$	9,393
Average interest rate	5.02 %	5.12 %	2.69 %	6.31 %	7.76 %	6.49 %			
Fixed rate (NOK)	\$ 114	\$ 114	\$ 114	\$ 28	\$ —	\$ —	\$ 370	\$	385
Average interest rate	4.15 %	4.15 %	4.15 %	4.15 %	— %	— %			
Interest rate swaps									
Fixed to variable (USD)	\$ —	\$ —	\$ —	\$ 750	\$ —	\$ 750	\$ 1,500	\$	11
Average receive rate	— %	— %	— %	6.00 %	— %	6.50 %			
Average pay rate	— %	— %	— %	4.82 %	— %	4.50 %			

(a) Expected maturity amounts are based on the face value of debt.

We have engaged in certain hedging activities designed to reduce our exposure to interest rate risk and currency exchange rate risk. See Notes to Consolidated Financial Statements—Note 13—Derivatives and Hedging.

**Interest rate risk**—At December 31, 2014 and 2013, the face value of our variable-rate debt was approximately \$1.5 billion and \$163 million, which represented 15 percent and two percent of the aggregate principal amount of our total debt, respectively, after the effect of our hedging activities. At December 31, 2014, we were exposed to the variable interest rates associated with our interest rate swaps. At December 31, 2013, we were exposed to the variable interest rates associated with borrowings under the ADDCL Credit Facilities. Based upon variable-rate debt amounts outstanding as of December 31, 2014 and 2013, a hypothetical one percentage point change in annual interest rates would result in a corresponding change in annual interest expense of approximately \$15 million and \$2 million, respectively.

At December 31, 2014 and 2013, the fair value of our debt was \$9.8 billion and \$11.8 billion, respectively. During the year ended December 31, 2014, the fair value of our debt decreased by \$2.0 billion due to the repayment or redemption of \$207 million aggregate principal amount of debt and a decrease of approximately \$1.8 billion in the market valuation of our outstanding debt.

A large portion of our cash investments is subject to variable interest rates and would earn commensurately higher rates of return if interest rates increase. Based upon the amounts of our cash investments as of December 31, 2014 and 2013, a hypothetical one percentage point change in interest rates would result in a corresponding change in annual interest income of approximately \$26 million and \$32 million, respectively.

**Currency exchange rate risk**—We are exposed to currency exchange rate risk associated with our international operations and with some of our long-term and short-term debt. We may engage in hedging activities to mitigate our exposure to currency exchange risk in certain instances through the use of currency exchange derivative instruments, including forward exchange contracts, or spot purchases. A forward exchange contract obligates us to exchange predetermined amounts of specified currencies at a stated exchange rate on a stated date or to make a U.S. dollar payment equal to the value of such exchange.

For our international operations, our primary currency exchange rate risk management strategy involves structuring customer contracts to provide for payment in both U.S. dollars, which is our functional currency, and local currency. The payment portion denominated in local currency is based on our anticipated local currency needs over the contract term. Due to various factors, including customer acceptance, local banking laws, other statutory requirements, local currency convertibility and the impact of inflation on local costs, actual local currency needs may vary from those anticipated in the customer contracts, resulting in partial exposure to currency exchange rate risk. The effect of fluctuations in currency exchange rates caused by our international operations generally has not had a material impact on our overall operating results. In situations where local currency receipts do not equal local currency requirements, we may use currency exchange derivative instruments, including forward exchange contracts, or spot purchases, to mitigate our currency exchange risk.

At December 31, 2014, we had NOK 2.8 billion aggregate principal amount of debt obligations, all of which were secured by a corresponding amount of restricted cash investments that were also denominated in Norwegian kroner. These corresponding restricted cash investments form an economic hedge of our exposure to currency exchange rate risk associated with these debt obligations.

## Item 8. Financial Statements and Supplementary Data

### MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of Transocean Ltd. (the "Company" or "our") is responsible for establishing and maintaining adequate internal control over financial reporting for the Company as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934. The Company's internal control system was designed to provide reasonable assurance to the Company's management and Board of Directors regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with United States ("U.S.") generally accepted accounting principles.

Internal control over financial reporting includes the controls themselves, monitoring (including internal auditing practices), and actions taken to correct deficiencies as identified.

There are inherent limitations to the effectiveness of internal control over financial reporting, however well designed, including the possibility of human error and the possible circumvention or overriding of controls. The design of an internal control system is also based in part upon assumptions and judgments made by management about the likelihood of future events, and there can be no assurance that an internal control will be effective under all potential future conditions. As a result, even an effective system of internal controls can provide no more than reasonable assurance with respect to the fair presentation of financial statements and the processes under which they were prepared.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2014. In making this assessment, management used the criteria for internal control over financial reporting described in *Internal Control-Integrated Framework*, as published in 2013 by the Committee of Sponsoring Organizations of the Treadway Commission. Management's assessment included an evaluation of the design of the Company's internal control over financial reporting and testing of the operating effectiveness of its internal control over financial reporting.

Management reviewed the results of its assessment with the Audit Committee of the Company's Board of Directors. Based on this assessment, management has concluded that, as of December 31, 2014, the Company's internal control over financial reporting was effective.

The Company's independent auditors, Ernst & Young LLP, a registered public accounting firm, are appointed by the Audit Committee of the Company's Board of Directors, subject to ratification by our shareholders. Ernst & Young LLP has audited and reported on the consolidated financial statements of Transocean Ltd. and Subsidiaries, and the Company's internal control over financial reporting. The reports of the independent auditors are contained in this annual report.

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

The Board of Directors and Shareholders of Transocean Ltd.

We have audited Transocean Ltd. and Subsidiaries internal control over financial reporting (the Company) 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 (2013 framework) (the COSO criteria). Transocean Ltd. and Subsidiaries' management is responsible 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 an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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 (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) 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 (3) 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.

In our opinion, Transocean Ltd. and Subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Transocean Ltd. and Subsidiaries as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive income (loss), equity, and cash flows for each of the three years in the period ended December 31, 2014, and our report dated February 25, 2015 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Houston, Texas

February 25, 2015



## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of Transocean Ltd.

We have audited the accompanying consolidated balance sheets of Transocean Ltd. and Subsidiaries (the Company) as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive income (loss), equity, and cash flows for each of the three years in the period ended December 31, 2014. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's Board of Directors and management. Our responsibility is to express an opinion on these financial statements and schedule based on our 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Transocean Ltd. and Subsidiaries at December 31, 2014 and 2013, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Transocean Ltd. and Subsidiaries' 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 (2013 framework) and our report dated February 25, 2015 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Houston, Texas

February 25, 2015

To the General Meeting of  
Transocean Ltd., Steinhausen  
Zurich, February 25, 2015

## **Report of the statutory auditor on the consolidated financial statements**

As statutory auditor, we have audited the consolidated financial statements of Transocean Ltd. and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2014 and 2013 and the related consolidated statements of operations, comprehensive income (loss), equity, and cash flows for each of the three years in the period ended December 31, 2014 and notes thereto (pages AR-67 to AR-125).

### **Board of Directors' responsibility**

The Board of Directors is responsible for the preparation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

### **Auditor's responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law, Swiss Auditing Standards and standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly in all material respects, the consolidated financial position of Transocean Ltd. and Subsidiaries at December 31, 2014 and 2013, and the consolidated 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 and comply with Swiss law.

### **Report on other legal requirements**

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Ernst & Young Ltd

Robin Errico  
Licensed audit expert  
(Auditor in charge)

Jolanda Dolente  
Licensed audit expert

**TRANSOCEAN LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(In millions, except per share data)

	Years ended December 31,		
	2014	2013	2012
<b>Operating revenues</b>			
Contract drilling revenues	\$ 8,952	\$ 9,070	\$ 8,773
Other revenues	222	179	172
	9,174	9,249	8,945
<b>Costs and expenses</b>			
Operating and maintenance	5,110	5,563	5,859
Depreciation	1,139	1,109	1,122
General and administrative	234	286	282
	6,483	6,958	7,263
Loss on impairment	(4,043)	(81)	(118)
Gain (loss) on disposal of assets, net	(26)	7	36
<b>Operating income (loss)</b>	<b>(1,378)</b>	<b>2,217</b>	<b>1,600</b>
<b>Other income (expense), net</b>			
Interest income	39	52	56
Interest expense, net of amounts capitalized	(483)	(584)	(723)
Other, net	22	(29)	(49)
	(422)	(561)	(716)
Income (loss) from continuing operations before income tax expense	(1,800)	1,656	884
Income tax expense	146	258	52
<b>Income (loss) from continuing operations</b>	<b>(1,946)</b>	<b>1,398</b>	<b>832</b>
Income (loss) from discontinued operations, net of tax	(20)	9	(1,043)
<b>Net income (loss)</b>	<b>(1,966)</b>	<b>1,407</b>	<b>(211)</b>
Net income (loss) attributable to noncontrolling interest	(53)	—	8
<b>Net income (loss) attributable to controlling interest</b>	<b>\$ (1,913)</b>	<b>\$ 1,407</b>	<b>\$ (219)</b>
<b>Earnings (loss) per share-basic</b>			
Earnings (loss) from continuing operations	\$ (5.23)	\$ 3.85	\$ 2.32
Earnings (loss) from discontinued operations	(0.06)	0.02	(2.94)
<b>Earnings (loss) per share</b>	<b>\$ (5.29)</b>	<b>\$ 3.87</b>	<b>\$ (0.62)</b>
<b>Earnings (loss) per share-diluted</b>			
Earnings (loss) from continuing operations	\$ (5.23)	\$ 3.85	\$ 2.32
Earnings (loss) from discontinued operations	(0.06)	0.02	(2.94)
<b>Earnings (loss) per share</b>	<b>\$ (5.29)</b>	<b>\$ 3.87</b>	<b>\$ (0.62)</b>
<b>Weighted-average shares outstanding</b>			
Basic	362	360	356
Diluted	362	360	356

See accompanying notes.

**TRANSOCEAN LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**  
(In millions)

	Years ended December 31,		
	2014	2013	2012
<b>Net income (loss)</b>	\$ (1,966 )	\$ 1,407	\$ (211 )
Net income (loss) attributable to noncontrolling interest	(53 )	—	8
<b>Net income (loss) attributable to controlling interest</b>	<b>(1,913 )</b>	<b>1,407</b>	<b>(219 )</b>
<b>Other comprehensive income (loss) before reclassifications</b>			
Components of net periodic benefit costs	(170 )	198	(52 )
Gain (loss) on derivative instruments	—	(5 )	3
<b>Reclassifications to net income</b>			
Components of net periodic benefit costs	17	49	47
(Gain) loss on derivative instruments	(2 )	18	(1 )
Loss on marketable securities	—	—	2
Other comprehensive income (loss) before income taxes	(155 )	260	(1 )
Income taxes related to other comprehensive income (loss)	13	2	(7 )
<b>Other comprehensive income (loss)</b>	<b>(142 )</b>	<b>262</b>	<b>(8 )</b>
Other comprehensive income attributable to noncontrolling interest	—	3	—
<b>Other comprehensive income (loss) attributable to controlling interest</b>	<b>(142 )</b>	<b>259</b>	<b>(8 )</b>
<b>Total comprehensive income (loss)</b>	<b>(2,108 )</b>	<b>1,669</b>	<b>(219 )</b>
Total comprehensive income (loss) attributable to noncontrolling interest	(53 )	3	8
<b>Total comprehensive income (loss) attributable to controlling interest</b>	<b>\$ (2,055 )</b>	<b>\$ 1,666</b>	<b>\$ (227 )</b>

See accompanying notes.

**TRANSOCEAN LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(In millions, except share data)

	December 31,	
	2014	2013
<b>Assets</b>		
Cash and cash equivalents	\$ 2,635	\$ 3,243
Accounts receivable, net		
Trade	2,084	2,112
Other	36	50
Materials and supplies, net	818	737
Assets held for sale	25	148
Deferred income taxes, net	161	151
Other current assets	242	331
Total current assets	6,001	6,772
Property and equipment	28,516	29,518
Less accumulated depreciation	(6,978 )	(7,811 )
Property and equipment, net	21,538	21,707
Goodwill	—	2,987
Other assets	874	1,080
Total assets	\$ 28,413	\$ 32,546
<b>Liabilities and equity</b>		
Accounts payable	\$ 784	\$ 1,106
Accrued income taxes	131	53
Debt due within one year	1,033	323
Other current liabilities	1,822	2,072
Total current liabilities	3,770	3,554
Long-term debt	9,059	10,379
Deferred income taxes, net	237	374
Other long-term liabilities	1,354	1,554
Total long-term liabilities	10,650	12,307
Commitments and contingencies		
Redeemable noncontrolling interest	11	—
Shares, CHF 15.00 par value, 396,260,487 authorized, 167,617,649 conditionally authorized, 373,830,649 issued and 362,279,530 outstanding at December 31, 2014 and 373,830,649 authorized, 167,617,649 conditionally authorized, 373,830,649 issued and 360,764,100 outstanding at December 31, 2013	5,169	5,147
Additional paid-in capital	5,797	6,784
Treasury shares, at cost, 2,863,267 held at December 31, 2014 and 2013	(240 )	(240 )
Retained earnings	3,349	5,262
Accumulated other comprehensive loss	(404 )	(262 )
Total controlling interest shareholders' equity	13,671	16,691
Noncontrolling interest	311	(6 )
Total equity	13,982	16,685
Total liabilities and equity	\$ 28,413	\$ 32,546

See accompanying notes.

**TRANSOCEAN LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF EQUITY**  
(In millions)

	Years ended December 31,			Years ended December 31,		
	2014	2013	2012	2014	2013	2012
<b>Shares</b>	<b>Shares</b>			<b>Amount</b>		
Balance, beginning of period	361	360	350	\$ 5,147	\$ 5,130	\$ 4,982
Issuance of shares under share-based compensation plans	1	1	1	22	17	14
Issuance of shares in exchange for noncontrolling interest	—	—	9	—	—	134
Balance, end of period	362	361	360	\$ 5,169	\$ 5,147	\$ 5,130
<b>Additional paid-in capital</b>						
Balance, beginning of period				\$ 6,784	\$ 7,521	\$ 7,211
Share-based compensation				98	113	97
Issuance of shares under share-based compensation plans				(21)	(34)	(17)
Issuance of shares in exchange for noncontrolling interest				—	—	233
Reclassification of obligation for distribution of qualifying additional paid-in capital				(1,088)	(808)	—
Allocated capital for sale of noncontrolling interest				33	(6)	—
Other, net				(9)	(2)	(3)
Balance, end of period				\$ 5,797	\$ 6,784	\$ 7,521
<b>Treasury shares, at cost</b>						
Balance, beginning of period				\$ (240)	\$ (240)	\$ (240)
Balance, end of period				\$ (240)	\$ (240)	\$ (240)
<b>Retained earnings</b>						
Balance, beginning of period				\$ 5,262	\$ 3,855	\$ 4,180
Net income (loss) attributable to controlling interest				(1,913)	1,407	(219)
Fair value adjustment of redeemable noncontrolling interest				—	—	(106)
Balance, end of period				\$ 3,349	\$ 5,262	\$ 3,855
<b>Accumulated other comprehensive loss</b>						
Balance, beginning of period				\$ (262)	\$ (521)	\$ (496)
Other comprehensive income (loss) attributable to controlling interest				(142)	259	(8)
Reclassification from redeemable noncontrolling interest				—	—	(17)
Balance, end of period				\$ (404)	\$ (262)	\$ (521)
<b>Total controlling interest shareholders' equity</b>						
Balance, beginning of period				\$ 16,691	\$ 15,745	\$ 15,637
Total comprehensive income (loss) attributable to controlling interest				(2,055)	1,666	(227)
Share-based compensation				98	113	97
Issuance of shares under share-based compensation plans				1	(17)	(3)
Issuance of shares in exchange for noncontrolling interest				—	—	367
Fair value adjustment of redeemable noncontrolling interest				—	—	(106)
Reclassification from redeemable noncontrolling interest				—	—	(17)
Reclassification of obligation for distribution of qualifying additional paid-in capital				(1,088)	(808)	—
Allocated capital for sale of noncontrolling interest				33	(6)	—
Other, net				(9)	(2)	(3)
Balance, end of period				\$ 13,671	\$ 16,691	\$ 15,745
<b>Noncontrolling interest</b>						
Balance, beginning of period				\$ (6)	\$ (15)	\$ (10)
Total comprehensive income (loss) attributable to noncontrolling interest				(62)	3	(5)
Sale of noncontrolling interest, net of issue costs				417	—	—
Allocated capital for sale of noncontrolling interest				(33)	6	—
Distributions to holders of noncontrolling interest				(5)	—	—
Balance, end of period				\$ 311	\$ (6)	\$ (15)
<b>Total equity</b>						
Balance, beginning of period				\$ 16,685	\$ 15,730	\$ 15,627
Total comprehensive income (loss)				(2,117)	1,669	(232)
Share-based compensation				98	113	97
Issuance of shares under share-based compensation plans				1	(17)	(3)
Issuance of shares in exchange for noncontrolling interest				—	—	367
Fair value adjustment of redeemable noncontrolling interest				—	—	(106)
Reclassification from redeemable noncontrolling interest				—	—	(17)
Reclassification of obligation for distribution of qualifying additional paid-in capital				(1,088)	(808)	—
Sale of noncontrolling interest, net of issue costs				417	—	—
Distributions to holders of noncontrolling interest				(5)	—	—
Other, net				(9)	(2)	(3)
Balance, end of period				\$ 13,982	\$ 16,685	\$ 15,730

See accompanying notes.



**TRANSOCEAN LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In millions)

	Years ended December 31,		
	2014	2013	2012
<b>Cash flows from operating activities</b>			
Net income (loss)	\$ (1,966)	\$ 1,407	\$ (211)
Adjustments to reconcile to net cash provided by operating activities:			
Amortization of drilling contract intangibles	(15)	(15)	(42)
Depreciation	1,139	1,109	1,122
Depreciation of assets in discontinued operations	—	—	184
Share-based compensation expense	98	113	97
Loss on impairment	4,043	81	118
Loss on impairment of assets in discontinued operations	—	14	1,008
(Gain) loss on disposal of assets, net	26	(7)	(36)
(Gain) loss on disposal of assets in discontinued operations, net	10	(54)	(82)
Amortization of debt issue costs, discounts and premiums, net	6	6	68
Deferred income tax benefit	(142)	(9)	(133)
Other, net	46	93	72
Changes in deferred revenue, net	106	(78)	(54)
Changes in deferred expenses, net	(48)	74	85
Changes in operating assets and liabilities	(1,083)	(816)	512
Net cash provided by operating activities	2,220	1,918	2,708
<b>Cash flows from investing activities</b>			
Capital expenditures	(2,165)	(2,238)	(1,303)
Capital expenditures for discontinued operations	—	—	(106)
Proceeds from disposal of assets, net	215	174	191
Proceeds from disposal of assets in discontinued operations, net	35	204	789
Proceeds from sale of preference shares	—	185	—
Proceeds from repayment of notes receivable	101	17	40
Other, net	(14)	—	—
Net cash used in investing activities	(1,828)	(1,658)	(389)
<b>Cash flows from financing activities</b>			
Changes in short-term borrowings, net	—	—	(260)
Proceeds from debt	—	—	1,493
Repayments of debt	(539)	(1,692)	(2,282)
Proceeds from restricted cash investments	176	298	311
Deposits to restricted cash investments	(20)	(119)	(167)
Distribution of qualifying additional paid-in capital	(1,018)	(606)	(276)
Proceeds from sale of noncontrolling interest	443	—	—
Other, net	(42)	(32)	(21)
Net cash used in financing activities	(1,000)	(2,151)	(1,202)
Net increase (decrease) in cash and cash equivalents	(608)	(1,891)	1,117
Cash and cash equivalents at beginning of period	3,243	5,134	4,017
Cash and cash equivalents at end of period	\$ 2,635	\$ 3,243	\$ 5,134

See accompanying notes.

## TRANSOCEAN LTD. AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### **Note 1—Nature of Business**

Transocean Ltd. (together with its subsidiaries and predecessors, unless the context requires otherwise, “Transocean,” the “Company,” “we,” “us” or “our”) is a leading international provider of offshore contract drilling services for oil and gas wells. We specialize in technically demanding sectors of the offshore drilling business with a particular focus on deepwater and harsh environment drilling services. Our mobile offshore drilling fleet is considered one of the most versatile fleets in the world. We contract our drilling rigs, related equipment and work crews predominantly on a dayrate basis to drill oil and gas wells. At December 31, 2014, we owned or had partial ownership interests in and operated 72 mobile offshore drilling units associated with our continuing operations. At December 31, 2014, our fleet consisted of 45 High-Specification Floaters (Ultra-Deepwater, Deepwater and Harsh Environment semisubmersibles and drillships), 17 Midwater Floaters, and 10 High-Specification Jackups. At December 31, 2014, we also had seven Ultra-Deepwater drillships and five High-Specification Jackups under construction or under contract to be constructed. See Note 10—Drilling Fleet.

On August 5, 2014, we completed an initial public offering to sell a noncontrolling interest in Transocean Partners LLC (“Transocean Partners”), a Marshall Islands limited liability company, which was formed on February 6, 2014, by Transocean Partners Holdings Limited, a Cayman Islands company and our wholly owned subsidiary, to own, operate and acquire modern, technologically advanced offshore drilling rigs. See Note 16—Noncontrolling Interest.

In February 2014, in connection with our efforts to discontinue non-strategic operations, we completed the sale of Applied Drilling Technology International Limited (“ADTI”), a United Kingdom (“U.K.”) company, which performs drilling management services in the North Sea. In March 2012, we announced our intent to discontinue drilling management operations in the shallow waters of the U.S. Gulf of Mexico, upon completion of our then existing contracts. In December 2012, we completed the final project of our drilling management services operations in the U.S. Gulf of Mexico and discontinued offering our drilling management services in this region. See Note 7—Discontinued Operations.

In September 2012, in connection with our efforts to dispose of non-strategic assets and to reduce our exposure to low-specification drilling units, we committed to a plan to discontinue operations associated with the standard jackup and swamp barge asset groups, components of our contract drilling services operating segments. In November 2012, in connection with our plan to discontinue operations associated with the standard jackup and swamp barge asset groups, we completed the sale of 37 standard jackups and one swamp barge to Shelf Drilling Holdings, Ltd. (“Shelf Drilling”). See Note 7—Discontinued Operations.

In March 2011, we committed to a plan to sell the assets and discontinue the operations of our oil and gas properties operating segment, which comprised the exploration, development and production activities performed by Challenger Minerals Inc., Challenger Minerals (North Sea) Limited and Challenger Minerals (Ghana) Limited (collectively, “CMI”). In October 2011, we completed the sale of Challenger Minerals (North Sea) Limited, in April 2012, we completed the sale of the assets of Challenger Minerals Inc. and, in December 2012, we completed the sale of the assets of Challenger Minerals (Ghana) Limited. See Note 7—Discontinued Operations.

#### **Note 2—Significant Accounting Policies**

**Accounting estimates**—To prepare financial statements in accordance with accounting principles generally accepted in the U.S., we are required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosures of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates and assumptions, including those related to our discontinued operations, allowance for doubtful accounts, materials and supplies obsolescence, property and equipment, investments, goodwill, income taxes, contingencies, share-based compensation, defined benefit pension plans and other postretirement benefits. We base our estimates and assumptions on historical experience and on various other factors we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results could differ from such estimates.

**Fair value measurements**—We estimate fair value at a price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market for the asset or liability. Our valuation techniques require inputs that we categorize using a three-level hierarchy, from highest to lowest level of observable inputs, as follows: (1) significant observable inputs, including unadjusted quoted prices for identical assets or liabilities in active markets (“Level 1”), (2) significant other observable inputs, including direct or indirect market data for similar assets or liabilities in active markets or identical assets or liabilities in less active markets (“Level 2”) and (3) significant unobservable inputs, including those that require considerable judgment for which there is little or no market data (“Level 3”). When multiple input levels are required for a valuation, we categorize the entire fair value measurement according to the lowest level of input that is significant to the measurement even though we may have also utilized significant inputs that are more readily observable.

**Consolidation**—We consolidate entities in which we have a majority voting interest and entities that meet the criteria for variable interest entities for which we are deemed to be the primary beneficiary for accounting purposes. We eliminate intercompany transactions and accounts in consolidation. We apply the equity method of accounting for an investment in an entity if we have the ability to exercise significant influence over the entity that (a) does not meet the variable interest entity criteria or (b) meets the variable interest entity criteria, but for which we are not deemed to be the primary beneficiary. We apply the cost method of accounting for an investment in an entity if we do not have the ability to exercise significant influence over the unconsolidated entity. We separately present within equity on our consolidated balance sheets the ownership interests attributable to parties with noncontrolling interests in our consolidated subsidiaries,

**TRANSOCEAN LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued**

and we separately present net income attributable to such parties on our consolidated statements of operations. See Note 4—Variable Interest Entities and Note 16—Noncontrolling interest.

**Discontinued operations**—We present as discontinued operations the operating results of a component of our business that either has been disposed of or is classified as held for sale when both of the following conditions are met: (a) the operations and cash flows of the component have been or will be eliminated from our ongoing operations as a result of the disposal transaction and (b) we will not have any significant continuing involvement in the operations of the disposed component. For discontinued operations that are disposed of other than by sale, we present the operating results as discontinued in the period in which the disposal group is either abandoned, distributed or exchanged, depending on the manner of disposal. We consider a component of our business to be one that comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of our business. For the year ended December 31, 2013, we reclassified to discontinued operations the operating results, assets and liabilities associated with the operations of ADTI, which performed drilling management services in the North Sea. The disposal of this component of our business results in the discontinuation of our drilling management services operating segment in the year ending December 31, 2014. During the year ended December 31, 2012, we reclassified to discontinued operations the operating results, assets and liabilities associated with the operations of the standard jackup and swamp barge asset groups, components of our contract drilling services operating segment, and the operations of our U.S. Gulf of Mexico drilling management services, a component of our drilling management services operating segment. See Note 7—Discontinued Operations.

**Operating revenues and expenses**—We recognize operating revenues as they are realized and earned and can be reasonably measured, based on contractual dayrates, and when collectability is reasonably assured. In connection with drilling contracts, we may receive revenues for preparation and mobilization of equipment and personnel or for capital improvements to rigs. We defer the revenues earned and incremental costs incurred that are directly related to contract preparation and mobilization and recognize such revenues and costs over the primary contract term of the drilling project using the straight-line method. We amortize, in operating and maintenance costs and expenses, the fees related to contract preparation and mobilization on a straight-line basis over the estimated firm period of drilling, which is consistent with the general pace of activity, level of services being provided and dayrates being earned over the life of the contract. For contractual daily rate contracts, we recognize the losses for loss contracts as such losses are incurred. We recognize the costs of relocating drilling units without contracts to more promising market sectors as such costs are incurred. Upon completion of drilling contracts, we recognize in earnings any demobilization fees received and expenses incurred. We defer capital upgrade revenues received and recognize such revenues over the primary contract term of the drilling project. We depreciate the actual costs incurred for the capital upgrade on a straight-line basis over the estimated useful life of the asset. We defer the periodic survey and drydock costs incurred in connection with obtaining regulatory certification to operate our rigs and well control systems on an ongoing basis, and we recognize such costs over the period until the next survey using the straight-line method.

Included in our contract drilling revenues, we recognize amortization associated with our drilling contract intangible assets and liabilities. In connection with our business combination with GlobalSantaFe Corporation in November 2007, we recognized drilling contract intangible assets and liabilities for acquired drilling contracts for future contract drilling services. The terms of the acquired contracts include fixed dayrates that were above or below the market dayrates that were available for similar contracts as of the date of the business combination. We recognized the fair value adjustments as contract intangible assets and liabilities, recorded in other assets and other long-term liabilities, respectively. We amortize the resulting contract drilling intangible revenues based on the cash flows projected over the respective contract period and include such revenues in contract drilling revenues on our consolidated statements of operations. See Note 11—Goodwill and Other Intangibles.

Our other revenues represent those derived from customer reimbursable revenues. We recognize customer reimbursable revenues as we bill our customers for reimbursement of costs associated with certain equipment, materials and supplies, subcontracted services, employee bonuses and other expenditures, resulting in little or no net effect on operating income since such recognition is concurrent with the recognition of the respective reimbursable costs in operating and maintenance expense.

**Share-based compensation**—For time-based awards, we recognize compensation expense on a straight-line basis through the date the employee is no longer required to provide service to earn the award (the “service period”). For market-based awards that vest at the end of the service period, we recognize compensation expense on a straight-line basis through the end of the service period. For performance-based awards with graded vesting conditions, we recognize compensation expense on a straight-line basis over the service period for each separately vesting portion of the award as if the award was, in substance, multiple awards. We recognize share-based compensation expense net of a forfeiture rate that we estimate at the time of grant based on historical experience and future expectations, and we adjust the estimated forfeiture rate, if necessary, in subsequent periods based on actual forfeitures or changed expectations.

To measure the fair values of granted or modified time-based restricted shares and deferred units, we use the market price of our shares on the grant date or modification date. To measure the fair values of stock options and stock appreciation rights granted or modified, we use the Black-Scholes-Merton option-pricing model and apply assumptions for the expected life, risk-free interest rate, dividend yield and expected volatility. The expected life is based on historical information of past employee behavior regarding exercises and forfeitures of options. The risk-free interest rate is based upon the published U.S. Treasury yield curve in effect at the time of grant or modification for instruments with a similar life. The dividend yield is based on our history and expectation of dividend payouts. The expected volatility is based on a blended rate with an equal weighting of the (a) historical volatility based on historical data for an amount of time approximately equal to the expected life and (b) implied volatility derived from our at-the-money, long-dated call options. To measure the fair values of granted or modified market-based deferred units, we use a Monte Carlo simulation model and, in addition to the

**TRANSOCEAN LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued**

assumptions applied for the Black-Scholes-Merton option-pricing model, we apply assumptions using a risk neutral approach and an average price at the performance start date. The risk neutral approach assumes that all peer group stocks grow at the risk-free rate. The average price at the performance start date is based on the average stock price for the preceding 30 trading days.

We recognize share-based compensation expense in the same financial statement line item as cash compensation paid to the respective employees. We recognize cash flows resulting from the tax deduction benefits for awards in excess of recognized compensation costs as financing cash flows. In the years ended December 31, 2014, 2013 and 2012, share-based compensation expense was \$98 million, \$113 million and \$97 million, respectively. In the years ended December 31, 2014, 2013 and 2012, income tax benefit on share-based compensation expense was \$15 million, \$17 million and \$12 million, respectively. See Note 18—Share-Based Compensation Plans.

**Capitalized interest**—We capitalize interest costs for qualifying construction and upgrade projects. In the years ended December 31, 2014, 2013 and 2012, we capitalized interest costs of \$133 million, \$78 million and \$54 million, respectively, for our construction work in progress.

**Foreign currency**—We consider the U.S. dollar to be the functional currency for all of our operations since the majority of our revenues and expenditures are denominated in U.S. dollars, which limits our exposure to currency exchange rate fluctuations. We recognize foreign currency exchange gains and losses in other, net. In the years ended December 31, 2014, 2013 and 2012, we recognized net foreign currency exchange gains (losses) of \$18 million, \$(11) million and \$(27) million, respectively. See Note 13—Derivatives and Hedging.

**Income taxes**—We provide for income taxes based upon the tax laws and rates in effect in the countries in which operations are conducted and income is earned. There is little or no expected relationship between the provision for or benefit from income taxes and income or loss before income taxes because the countries in which we operate have taxation regimes that vary not only with respect to nominal rate, but also in terms of the availability of deductions, credits and other benefits. Variations also arise because income earned and taxed in any particular country or countries may fluctuate from year to year.

We recognize deferred tax assets and liabilities for the anticipated future tax effects of temporary differences between the financial statement basis and the tax basis of our assets and liabilities using the applicable jurisdictional tax rates in effect at year end. We record a valuation allowance for deferred tax assets when it is more likely than not that some or all of the benefit from the deferred tax asset will not be realized. We also record a valuation allowance for deferred tax assets resulting from net operating losses incurred during the year in certain jurisdictions and for other deferred tax assets where, in our opinion, it is more likely than not that the financial statement benefit of these losses will not be realized. Additionally, we record a valuation allowance for foreign tax credit carryforwards to reflect the possible expiration of these benefits prior to their utilization.

We maintain liabilities for estimated tax exposures in our jurisdictions of operation, and we recognize the provisions and benefits resulting from changes to those liabilities in our income tax expense or benefit along with related interest and penalties. Tax exposure items include potential challenges to permanent establishment positions, intercompany pricing, disposition transactions, and withholding tax rates and their applicability. These tax exposures are resolved primarily through the settlement of audits within these tax jurisdictions or by judicial means, but can also be affected by changes in applicable tax law or other factors, which could cause us to revise past estimates. See Note 6—Income Taxes.

**Cash and cash equivalents**—Cash equivalents are highly liquid debt instruments with original maturities of three months or less that may include time deposits with commercial banks that have high credit ratings, U.S. Treasury and government securities, Eurodollar time deposits, certificates of deposit and commercial paper. We may also invest excess funds in no-load, open-end, management investment trusts (“management trusts”). The management trusts invest exclusively in high-quality money market instruments.

We maintain restricted cash investments that are pledged for debt service, as required under certain bank credit agreements. We classify such restricted cash investment balances in other current assets if the restriction is expected to expire within one year and in other assets if the restriction is expected to expire in greater than one year. At December 31, 2014, the aggregate carrying amount of our restricted cash investments was \$378 million, of which \$114 million and \$264 million was classified in other current assets and other assets, respectively. At December 31, 2013, the aggregate carrying amount of our restricted cash investments was \$624 million, of which \$159 million and \$465 million was classified in other current assets and other assets, respectively. See Note 12—Debt.

**Accounts receivable**—We derive a majority of our revenues from services to international oil companies and government-owned or government-controlled oil companies. We evaluate the credit quality of our customers on an ongoing basis, and we do not generally require collateral or other security to support customer receivables. We establish an allowance for doubtful accounts on a case-by-case basis, considering changes in the financial position of a customer, when we believe the required payment of specific amounts owed to us is unlikely to occur. At December 31, 2014 and 2013, the allowance for doubtful accounts was \$14 million.

**Materials and supplies**—We record materials and supplies at their average cost less an allowance for obsolescence. We estimate the allowance for obsolescence based on historical experience and expectations for future use of the materials and supplies. At December 31, 2014 and 2013, the allowance for obsolescence was \$109 million and \$80 million, respectively.

**Assets held for sale**—We classify an asset as held for sale when the facts and circumstances meet the criteria for such classification, including the following: (a) we have committed to a plan to sell the asset, (b) the asset is available for immediate sale, (c) we



**TRANSOCEAN LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued**

have initiated actions to complete the sale, including locating a buyer, (d) the sale is expected to be completed within one year, (e) the asset is being actively marketed at a price that is reasonable relative to its fair value, and (f) the plan to sell is unlikely to be subject to significant changes or termination. At December 31, 2014 and 2013, the aggregate carrying amount of our assets held for sale was \$25 million and \$148 million, respectively. See Note 7—Discontinued Operations and Note 10—Drilling Fleet.

**Property and equipment**—The carrying amounts of our property and equipment, consisting primarily of offshore drilling rigs and related equipment, are based on our estimates, assumptions and judgments relative to capitalized costs, useful lives and salvage values of our rigs. These estimates, assumptions and judgments reflect both historical experience and expectations regarding future industry conditions and operations. At December 31, 2014, the aggregate carrying amount of our property and equipment represented approximately 76 percent of our total assets.

We compute depreciation using the straight-line method after allowing for salvage values. We capitalize expenditures for newbuilds, renewals, replacements and improvements, including capitalized interest, if applicable, and we recognize the expense for maintenance and repair costs as incurred. For newbuild construction projects, we also capitalize the initial preparation, mobilization and commissioning costs incurred until the drilling unit is placed into service. Upon sale or other disposition of an asset, we recognize a net gain or loss on disposal of the asset, which is measured as the difference between the net carrying amount of the asset and the net proceeds received.

The estimated original useful lives of our drilling units range from 18 to 35 years, our buildings and improvements range from 10 to 30 years and our machinery and equipment range from four to 20 years. We reevaluate the remaining useful lives and salvage values of our rigs when certain events occur that directly impact the useful lives and salvage values of the rigs, including changes in operating condition, functional capability and market and economic factors. When evaluating the remaining useful lives of rigs, we also consider major capital upgrades required to perform certain contracts and the long-term impact of those upgrades on future marketability.

During the year ended December 31, 2013, we adjusted the useful lives for five rigs, extending the estimated useful lives from between 29 and 40 years to between 35 and 44 years. During the year ended December 31, 2012, we adjusted the useful lives for three rigs, extending the estimated useful lives from between 29 and 30 years to between 35 and 38 years. We deemed the life extensions appropriate for each of these rigs based on the respective contracts under which the rigs were operating and the additional life-extending work, upgrades and inspections we performed on the rigs. In each of the years ended December 31, 2013 and 2012, the changes in estimated useful lives of these rigs resulted in a reduction in annual depreciation expense of \$3 million (\$0.01 per diluted share) and \$27 million (\$0.08 per diluted share), respectively, which had no tax effect for any period.

In December 31, 2014, we adjusted the salvage values of certain drilling units due to existing market conditions. As a result of the adjustments, we expect depreciation expense to increase by approximately \$120 million in the year ending December 31, 2015.

**Long-lived asset impairment**—We review the carrying amounts of long-lived assets, principally property and equipment, for potential impairment when events occur or circumstances change that indicate that the carrying amount of such assets may not be recoverable.

For assets classified as held and used, we determine recoverability by evaluating the estimated undiscounted future net cash flows based on projected dayrates and utilization of the asset group under review. We consider our asset groups to be Ultra-Deepwater Floaters, Transocean Partners Ultra-Deepwater Floaters, Deepwater Floaters, Harsh Environment Floaters, Midwater Floaters and High-Specification Jackups. When an impairment of one or more of our asset groups is indicated, we measure the impairment as the amount by which the asset group's carrying amount exceeds its estimated fair value. We measure the fair values of our contract drilling asset groups by applying a variety of valuation methods, incorporating a combination of cost, income and market approaches, using projected discounted cash flows and estimates of the exchange price that would be received for the assets in the principal or most advantageous market for the assets in an orderly transaction between market participants as of the measurement date. For an asset classified as held for sale, we consider the asset to be impaired to the extent its carrying amount exceeds its estimated fair value less cost to sell.

In the three months ended September 30, 2014, we determined that the carrying amount of the Deepwater Floater asset group exceeded its fair value, and we recognized a loss of \$788 million (\$693 million, or \$1.91 per diluted share, net of tax) associated with the impairment of these long-lived assets. If we experience increasingly unfavorable changes to actual or anticipated dayrates or other impairment indicators, or if we are unable to secure new or extended contracts for our active units or the reactivation of any of our stacked units, we may be required to recognize additional losses in future periods as a result of impairments of the carrying amount of one or more of our asset groups.

**Goodwill impairment**—We conduct impairment testing for our goodwill annually as of October 1 and more frequently, on an interim basis, when an event occurs or circumstances change that indicate that the fair value of a reporting unit may have declined below its carrying value.

We test goodwill at the reporting unit level, which is defined as an operating segment or one level below an operating segment that constitutes a business for which financial information is available and is regularly reviewed by management. We determined that we have a single reporting unit for this purpose. Before testing goodwill, we consider whether or not to first assess qualitative factors to determine whether the existence of events or circumstances lead to a determination that it is more likely than not that the fair value of a

**TRANSOCEAN LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued**

reporting unit is less than its carrying amount and whether the two-step impairment test is required. If, as the result of our qualitative assessment, we determine that the two-step impairment test is required, or, alternatively, if we elect to forgo the qualitative assessment, we test goodwill for impairment by comparing the carrying amount of the reporting unit, including goodwill, to the fair value of the reporting unit.

We estimate the fair value of our reporting unit using projected discounted cash flows, publicly traded company multiples and acquisition multiples. To develop the projected cash flows associated with our reporting unit, which are based on estimated future dayrates and rig utilization, we consider key factors that include assumptions regarding future commodity prices, credit market conditions and the effect these factors may have on our contract drilling operations and the capital expenditure budgets of our customers. We discount the projected cash flows using a long-term, risk-adjusted weighted-average cost of capital, which is based on our estimate of the investment returns that market participants would require for each of our reporting units. We derive publicly traded company multiples for companies with operations similar to our reporting units using observable information related to shares traded on stock exchanges and, when available, observable information related to recent acquisitions. If the reporting unit's carrying amount exceeds its fair value, we consider goodwill impaired and perform a second step to measure the amount of the impairment loss, if any.

In the year ended December 31, 2014, as a result of interim goodwill tests, we recognized an aggregate loss of \$3.0 billion, which had no tax effect, associated with the impairment of the remaining balance of our goodwill, of which \$2.9 billion was attributable to controlling interest (\$8.01 per diluted share) and \$74 million was attributable to noncontrolling interest.

As a result of our annual goodwill impairment test in the years ended December 31, 2013 and 2012, we concluded that goodwill was not impaired. During the year ended December 31, 2012, we conducted an interim test on the goodwill attributed to the standard jackup and swamp barge disposal group. We determined that such goodwill was impaired and recognized a loss of \$112 million (\$0.31 per diluted share), which had no tax effect (see Note 7—Discontinued Operations). As a result of our annual impairment test, performed as of October 1, 2011, we determined that the goodwill associated with our contract drilling services reporting unit was impaired due to a decline in projected cash flows and market valuations for this reporting unit. In the three months ended March 31, 2012, we completed our analysis and recognized a loss of \$118 million (\$0.33 per diluted share), which had no tax effect, representing an incremental adjustment to our original estimate. See Note 5—Impairments and Note 11—Goodwill and Other Intangible Assets.

**Derivatives and hedging**—From time to time, we may enter into a variety of derivative financial instruments in connection with the management of our exposure to variability in interest rates and currency exchange rates. We record derivatives on our consolidated balance sheet, measured at fair value. For derivatives that do not qualify for hedge accounting, we recognize the gains and losses associated with changes in the fair value in current period earnings.

We may enter into cash flow hedges to manage our exposure to variability of the expected future cash flows of recognized assets or liabilities or of unrecognized forecasted transactions. For a derivative that is designated and qualifies as a cash flow hedge, we initially recognize the effective portion of the gains or losses in other comprehensive income and subsequently recognize the gains and losses in earnings in the period in which the hedged forecasted transaction affects earnings. We recognize the gains and losses associated with the ineffective portion of the hedges in interest expense in the period in which they are realized.

We may enter into fair value hedges to manage our exposure to changes in fair value of recognized assets or liabilities, such as fixed-rate debt, or of unrecognized firm commitments. For a derivative that is designated and qualifies as a fair value hedge, we simultaneously recognize in current period earnings the gains or losses on the derivative along with the offsetting losses or gains on the hedged item attributable to the hedged risk. The resulting ineffective portion, which is measured as the difference between the change in fair value of the derivative and the hedged item, is recognized in current period earnings. See Note 13—Derivatives and Hedging, Note 21—Financial Instruments and Note 22—Risk Concentration.

**Pension and other postretirement benefits**—We use a measurement date of January 1 for determining net periodic benefit costs and December 31 for determining plan benefit obligations and the fair values of plan assets. We determine our net periodic benefit costs based on a market-related value of assets that reduces year-to-year volatility by including investment gains or losses subject to amortization over a five-year period from the year in which they occur. Investment gains or losses for this purpose are measured as the difference between the expected return calculated using the market-related value of assets and the actual return based on the market-related value of assets. If gains or losses exceed 10 percent of the greater of plan assets or plan liabilities, we amortize such gains or losses over the average expected future service period of the employee participants.

We measure our actuarially determined obligations and related costs for our defined benefit pension and other postretirement benefit plans, retiree life insurance and medical benefits, by applying assumptions, including long-term rate of return on plan assets, discount rates, mortality rates, compensation increases, employee turnover rates and health care cost trend rates. The two most critical assumptions are the long-term rate of return on plan assets and the discount rate.

For the long-term rate of return, we develop our assumptions regarding the expected rate of return on plan assets based on historical experience and projected long-term investment returns, and we weight the assumptions based on each plan's asset allocation. For the discount rate, we base our assumptions on a yield curve approach using Aa-rated corporate bonds and the expected timing of future benefit payments. For the projected compensation trend rate, we consider short-term and long-term compensation expectations for participants, including salary increases and performance bonus payments. For the health care cost trend rate for other postretirement benefits, we establish our assumptions for health care cost trends, applying an initial trend rate that reflects both our recent historical



**TRANSOCEAN LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued**

experience and broader national statistics with an ultimate trend rate that assumes that the portion of gross domestic product devoted to health care eventually becomes constant.

At December 31, 2014 and 2013, our pension and other postretirement benefit plan obligations represented an aggregate liability of \$521 million and \$409 million, respectively, representing the amount of their net underfunded status. In the years ended December 31, 2014, 2013 and 2012, net periodic benefit costs were \$75 million, \$132 million and \$149 million, respectively. See Note 14—Postemployment Benefit Plans.

**Contingencies**—We perform assessments of our contingencies on an ongoing basis to evaluate the appropriateness of our liabilities and disclosures for such contingencies. We establish liabilities for estimated loss contingencies when we believe a loss is probable and the amount of the probable loss can be reasonably estimated. We recognize corresponding assets for those loss contingencies that we believe are probable of being recovered through insurance. Once established, we adjust the carrying amount of a contingent liability upon the occurrence of a recognizable event when facts and circumstances change, altering our previous assumptions with respect to the likelihood or amount of loss. We recognize expense for legal costs as they are incurred, and we recognize a corresponding asset for those legal costs only if we expect such legal costs to be recovered through insurance.

**Reclassifications**—We have made certain reclassifications, which did not have an effect on net income, to prior period amounts to conform with the current year's presentation. These reclassifications did not have a material effect on our consolidated statement of financial position, results of operations or cash flows.

**Subsequent events**—We evaluate subsequent events through the time of our filing on the date we issue our financial statements. See Note 27—Subsequent Events.

### **Note 3—New Accounting Pronouncements**

#### ***Recently adopted accounting standards***

**Income taxes**—Effective January 1, 2014, we adopted the accounting standards update that requires an unrecognized tax benefit to be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss or a tax credit carryforward if net settlement is required or expected. The update is effective for interim and annual periods beginning on or after December 15, 2013. Our adoption did not have a material effect on our consolidated balance sheets or the disclosures contained in our notes to consolidated financial statements.

#### ***Recently issued accounting standards***

**Presentation of financial statements**—Effective January 1, 2015, we will adopt the accounting standards update that changes the criteria for reporting discontinued operations. The update expands the disclosures for discontinued operations and requires new disclosures related to the disposal of individually significant components of an entity that do not qualify for discontinued operations. The update is effective for interim and annual periods beginning on or after December 15, 2014 and does not apply to components that have been evaluated and reported as discontinued operations under previous guidance. We do not expect that our adoption will have a material effect on our consolidated balance sheets or the disclosures contained in our notes to consolidated financial statements.

Effective with our annual report for the period ending December 31, 2016, we will adopt the accounting standards update that requires us to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about our ability to continue as a going concern within one year after the date that the financial statements are issued. The update is effective for the annual period ending after December 15, 2016 and for annual periods and interim periods thereafter. We do not expect that our adoption will have a material effect on the disclosures contained in our notes to consolidated financial statements.

**Revenue from contracts with customers**—Effective January 1, 2017, we will adopt the accounting standards update that requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The update is effective for interim and annual periods beginning on or after December 15, 2016. We are evaluating the requirements to determine the effect such requirements may have on our revenue recognition policies.

### **Note 4—Variable Interest Entities**

**Consolidated variable interest entities**—The carrying amounts associated with our consolidated variable interest entities, after eliminating the effect of intercompany transactions, were as follows (in millions):

	Years ended December 31,	
	2014	2013
Assets	\$ 1,257	\$ 1,280
Liabilities	74	261
Net carrying amount	<u>\$ 1,183</u>	<u>\$ 1,019</u>

**TRANSOCEAN LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued**

Angola Deepwater Drilling Company Limited ("ADDCL"), a consolidated Cayman Islands company, and Transocean Drilling Services Offshore Inc. ("TDSOI"), a consolidated British Virgin Islands Company, were joint venture companies formed to own and operate certain drilling units. We determined that each of these joint venture companies met the criteria of a variable interest entity for accounting purposes because its equity at risk was insufficient to permit it to carry on its activities without additional subordinated financial support from us. We also determined, in each case, that we were the primary beneficiary for accounting purposes since (a) we had the power to direct the construction, marketing and operating activities, which are the activities that most significantly impact each entity's economic performance, and (b) we had the obligation to absorb losses or the right to receive a majority of the benefits that could be potentially significant to the variable interest entity. As a result, we consolidated ADDCL and TDSOI in our consolidated financial statements, we eliminated intercompany transactions, and we presented the interests that were not owned by us as noncontrolling interest on our consolidated balance sheets.

In October 2012, Angco II, a Cayman Islands company, acquired a 30 percent interest in TDSOI, a British Virgin Islands joint venture company formed to own and operate *Transocean Honor*. We hold the remaining 70 percent interest in TDSOI. Under certain circumstances, Angco II will have the right to exchange its interest in the joint venture for cash at an amount based on an appraisal of the fair value of the jackup, subject to certain adjustments.

At December 31, 2013, the aggregate carrying amount of assets of our consolidated variable interest entities that were pledged as security for the outstanding debt of our consolidated variable interest entities was \$768 million. See Note 12—Debt.

**Unconsolidated variable interest entities**—We previously held two notes receivable, which represented a variable interest in Awilco Drilling plc ("Awilco"), a U.K. company listed on the Oslo Stock Exchange. The notes receivable were originally accepted in exchange for, and were secured by, two drilling units. The notes receivable had stated interest rates of nine percent and were payable in scheduled quarterly installments of principal and interest through maturity in January 2015. At December 31, 2013, the aggregate carrying amount of the notes receivable was \$93 million. In April 2014, Awilco prepaid the notes, and we received aggregate cash proceeds of \$98 million and recognized a gain of \$7 million associated with the prepayment.

## **Note 5—Impairments**

**Goodwill**—During the year ended December 31, 2014, we noted rapid and significant declines in the market value of our stock, oil and natural gas prices and the actual and projected declines in dayrates and utilization. We identified these as indicators that the fair value of our goodwill could have fallen below its carrying amount. As a result, we performed a goodwill impairment test as of September 30, 2014 and determined that the goodwill associated with our contract drilling services reporting unit was impaired. In the three months ended September 30, 2014, we recognized a loss of \$2.0 billion associated with the impairment of our goodwill, which had no tax effect, representing our best estimate. We determined that, of the \$2.0 billion estimated loss, \$1.9 billion was attributable to controlling interest (\$5.29 per diluted share) and \$52 million was attributable to noncontrolling interest. We estimated the implied fair value of the goodwill using a variety of valuation methods, including the income and market approaches. Our estimate of fair value required us to use significant unobservable inputs, representative of a Level 3 fair value measurement, including assumptions related to the future performance of our contract drilling services reporting unit, such as future oil and natural gas prices, projected demand for our services, rig availability and dayrates.

In the three months ended December 31, 2014, we completed the measurement of our goodwill impairment resulting from our interim test performed in the three months ended September 30, 2014, and we identified additional indicators that the remaining goodwill associated with our contract drilling services reporting unit may have again fallen below its carrying amount. As a result of our valuations, we determined that the remaining balance of our goodwill was impaired. In the three months ended December 31, 2014, we recognized a loss of \$1.0 billion, which had no tax effect, associated with the impairment of our goodwill. We determined that, of the \$1.0 billion loss, \$992 million was attributable to controlling interest (\$2.75 per diluted share) and \$22 million was attributable to noncontrolling interest. We estimated the implied fair value of the goodwill using a variety of valuation methods, including the income and market approaches. Our estimate of fair value required us to use significant unobservable inputs, representative of a Level 3 fair value measurement, including assumptions related to the future performance of our contract drilling services reporting unit, such as future oil and natural gas prices, projected demand for our services, rig availability and dayrates.

As a result of our annual impairment test, performed as of October 1, 2013, we determined that our goodwill was not impaired. During the year ended December 31, 2012, we completed the measurement of the impairment that resulted from our annual goodwill impairment test for our contract drilling services reporting unit, performed as of October 1, 2011. In the year ended December 31, 2012, we recognized an incremental loss of \$118 million (\$0.33 per diluted share), which had no tax effect, as an adjustment to our original estimate. We estimated the implied fair value of the goodwill by applying a variety of valuation methods, incorporating the cost, income and market approaches. Our estimate of fair value required us to use significant unobservable inputs, representative of a Level 3 fair value measurement, including assumptions related to the future performance of our contract drilling services reporting unit, such as future commodity prices, projected demand for our services, rig utilization and dayrates.

**Assets held and used**—During the year ended December 31, 2014, we identified indicators that our asset groups in our contract drilling services reporting unit may be impaired as a result of recent market developments, including recent low dayrate fixtures, partly caused by more technologically advanced drilling units competing with less capable drilling units, and projected declines in dayrates and utilization, particularly for the Deepwater Floater asset group. We conducted testing for impairment, and as a result, we determined

**TRANSOCEAN LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued**

that the carrying amount of the Deepwater Floater asset group exceeded its fair value. In the year ended December 31, 2014, we recognized a loss of \$788 million (\$693 million, or \$1.91 per diluted share from continuing operations, net of tax) associated with the impairment of these long-lived assets. We measured the fair value of the asset group by applying a combination of income, market and cost approaches, using projected discounted cash flows and estimates of the exchange price that would be received for the assets in the principal or most advantageous market for the assets in an orderly transaction between market participants as of the measurement date. Our estimate of fair value required us to use significant unobservable inputs, representative of a Level 3 fair value measurement, including assumptions related to the future performance of our contract drilling services reporting unit, such as future commodity prices, projected demand for our services, rigs availability and dayrates.

In the year ended December 31, 2013, we recognized a loss of \$17 million associated with the impairment of certain corporate assets. We estimated the fair value of the assets using significant other observable inputs, representative of a Level 2 fair value measurement, including comparable market data for the corporate assets.

**Assets held for sale**—In the year ended December 31, 2014, we recognized an aggregate loss of \$268 million (\$221 million, or \$0.60 per diluted share from continuing operations, net of tax), associated with the impairment of the Deepwater Floaters *Discoverer Seven Seas*, *Sedco 709*, *Sedco 710* and *Sovereign Explorer*, the Midwater Floaters *C. Kirk Rhein, Jr.*, *Falcon 100*, *GSF Arctic I*, *J.W. McLean*, *Sedco 601*, *Sedco 700*, *Sedco 703* and *Sedneth 701* and the High-Specification Jackups *GSF Magellan* and *GSF Monitor*, along with related equipment, which were classified as assets held for sale at the time of impairment. We measured the impairments of the drilling units and related equipment as the amount by which the carrying amount exceeded the estimated fair value less costs to sell. We estimated the fair value of the assets using significant other observable inputs, representative of Level 2 fair value measurements, including, in the case of the High-Specification Jackups *GSF Magellan* and *GSF Monitor*, binding sale and purchase agreements for the drilling units and related equipment or, in the case of the Deepwater Floaters *Sedco 710* and *Sovereign Explorer* and the Midwater Floaters *GSF Arctic I*, *J.W. McLean*, *Sedco 601* and *Sedco 700*, indicative market values for the drilling units and related equipment to be sold for scrap value.

In the year ended December 31, 2013, we recognized an aggregate loss of \$64 million (\$0.17 per diluted share), which had no tax effect, associated with the impairment of the Deepwater Floater *Sedco 709*, the Midwater Floaters *C. Kirk Rhein, Jr.* and *Sedco 703* and the High-Specification Jackup *GSF Monitor*, all of which were classified as assets held for sale at the time of impairment. We measured the impairments of the drilling units and related equipment as the amount by which the carrying amounts exceeded the estimated fair values less costs to sell. We estimated the fair values of the assets using significant other observable inputs, representative of Level 2 fair value measurements, including, in the case of *GSF Monitor*, a binding sale and purchase agreement, or, in the case of *Sedco 709*, *C. Kirk Rhein, Jr.* and *Sedco 703*, nonbinding sale and purchase agreements for the drilling units and related equipment.

## **Note 6—Income Taxes**

**Tax rate**—Transocean Ltd., a holding company and Swiss resident, is exempt from cantonal and communal income tax in Switzerland, but is subject to Swiss federal income tax. At the federal level, qualifying net dividend income and net capital gains on the sale of qualifying investments in subsidiaries are exempt from Swiss federal income tax. Consequently, Transocean Ltd. expects dividends from its subsidiaries and capital gains from sales of investments in its subsidiaries to be exempt from Swiss federal income tax.

Our provision for income taxes is based on the tax laws and rates applicable in the jurisdictions in which we operate and earn income. The relationship between our provision for or benefit from income taxes and our income or loss before income taxes can vary significantly from period to period considering, among other factors, (a) the overall level of income before income taxes, (b) changes in the blend of income that is taxed based on gross revenues rather than income before taxes, (c) rig movements between taxing jurisdictions and (d) our rig operating structures. Generally, our annual marginal tax rate is lower than our annual effective tax rate.

In December 2013, the U.K. Treasury released draft proposals that would cap the amount a U.K.-based contractor would be able to claim as a deductible expense for charter payments made to related companies. A ring fence was also proposed to ensure that the profits from activities in relation to the chartering of rigs from affiliates are not reduced by tax relief from any unconnected activities. On July 17, 2014, the U.K. legislation received Royal Assent with retroactive application effective as of April 2014.

The change in the law did not affect existing deferred balances. In the years ended December 31, 2014 and 2013, our annual effective tax rates were 18.7 percent and 20.1 percent, respectively.

The components of our provision (benefit) for income taxes were as follows (in millions):

	Years ended December 31,		
	2014	2013	2012
Current tax expense	\$ 288	\$ 267	\$ 185
Deferred tax benefit	(142)	(9)	(133)
Income tax expense	<u>\$ 146</u>	<u>\$ 258</u>	<u>\$ 52</u>

**TRANSOCEAN LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued**

The following is a reconciliation of the differences between the income tax expense for our continuing operations computed at the Swiss holding company federal statutory rate of 7.83 percent and our reported provision for income taxes (in millions):

	Years ended December 31,		
	2014	2013	2012
Income tax expense at the Swiss federal statutory rate	\$ (141 )	\$ 130	\$ 68
Taxes on earnings subject to rates different than the Swiss federal statutory rate	88	185	141
Taxes on impairment loss subject to rates different than the Swiss federal statutory rate	174	5	5
Taxes on revaluation of Norwegian assets	69	—	—
Taxes on asset sales subject to rates different than the Swiss federal statutory rate	2	9	(1 )
Taxes on litigation matters subject to rates different than the Swiss federal statutory rate	5	(33 )	59
Changes in unrecognized tax benefits, net	(119 )	(62 )	(179 )
Change in valuation allowance	93	37	1
Benefit from foreign tax credits	(23 )	(18 )	(38 )
Taxes on asset acquisition costs at rates lower than the Swiss federal statutory rate	—	—	—
Other, net	(2 )	5	(4 )
Income tax expense	<u>\$ 146</u>	<u>\$ 258</u>	<u>\$ 52</u>

**Deferred taxes**—The significant components of our deferred tax assets and liabilities were as follows (in millions):

	December 31,	
	2014	2013
<b>Deferred tax assets</b>		
Net operating loss carryforwards	\$ 315	\$ 369
Tax credit carryforwards	14	21
Accrued payroll expenses not currently deductible	113	98
Deferred income	125	62
Loss contingencies	66	36
Professional fees	94	89
U.K. charter limitation	28	—
Other	28	28
Valuation allowance	(340 )	(247 )
Total deferred tax assets	<u>443</u>	<u>456</u>
<b>Deferred tax liabilities</b>		
Depreciation and amortization	(483 )	(650 )
Other	(37 )	(29 )
Total deferred tax liabilities	<u>(520 )</u>	<u>(679 )</u>
<b>Net deferred tax liabilities</b>	<u>\$ (77 )</u>	<u>\$ (223 )</u>

At December 31, 2014 and 2013, our deferred tax assets include U.S. foreign tax credit carryforwards of \$14 million and \$21 million, respectively, which will expire between 2017 and 2024. The deferred tax assets related to our net operating losses were generated in various worldwide tax jurisdictions. At December 31, 2014, the tax effect of our Norwegian and Brazilian net operating losses, which do not expire, was \$108 million and \$40 million, respectively. At December 31, 2013, the tax effect of our Norwegian and Brazilian net operating losses, which do not expire, was \$161 million and \$49 million, respectively.

The valuation allowance for our non-current deferred tax assets was as follows (in millions):

	December 31,	
	2014	2013
Valuation allowance for non-current deferred tax assets	\$ 340	\$ 247

Our deferred tax liabilities include taxes related to the earnings of certain subsidiaries that are not permanently reinvested or that will not be permanently reinvested in the future. Should our expectations change regarding future tax consequences, we may be required to record additional deferred taxes that could have a material adverse effect on our consolidated statement of financial position, results of operations or cash flows.

**TRANSOCEAN LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued**

We consider the earnings of certain of our subsidiaries to be indefinitely reinvested. As such, we have not provided for taxes on these unremitted earnings. Should we make a distribution from the unremitted earnings of these subsidiaries, we would be subject to taxes payable to various jurisdictions. At December 31, 2014, the amount of indefinitely reinvested earnings was approximately \$2.4 billion. If all of these indefinitely reinvested earnings were distributed, we would be subject to estimated taxes of \$200 million to \$250 million.

**Unrecognized tax benefits**—The changes to our liabilities related to unrecognized tax benefits, excluding interest and penalties that we recognize as a component of income tax expense, were as follows (in millions):

	Years ended December 31,		
	2014	2013	2012
Balance, beginning of period	\$ 326	\$ 382	\$ 515
Additions for current year tax positions	25	24	58
Additions for prior year tax positions	3	10	25
Reductions for prior year tax positions	(19)	(72)	(24 )
Settlements	(47)	(6)	(120 )
Reductions related to statute of limitation expirations	(23)	(12)	(72 )
Balance, end of period	<u>\$ 265</u>	<u>\$ 326</u>	<u>\$ 382</u>

The liabilities related to our unrecognized tax benefits, including related interest and penalties that we recognize as a component of income tax expense, were as follows (in millions):

	December 31,	
	2014	2013
Unrecognized tax benefits, excluding interest and penalties	\$ 265	\$ 326
Interest and penalties	120	176
Unrecognized tax benefits, including interest and penalties	<u>\$ 385</u>	<u>\$ 502</u>

In the years ended December 31, 2014, 2013 and 2012, we recognized interest and penalties of \$57 million, \$23 million and \$56 million, respectively, associated with our unrecognized tax benefits and recorded as a component of income tax expense. As of December 31, 2014, if recognized, \$385 million of our unrecognized tax benefits, including interest and penalties, would favorably impact our effective tax rate.

It is reasonably possible that our existing liabilities for unrecognized tax benefits may increase or decrease in the year ending December 31, 2014, primarily due to the progression of open audits and the expiration of statutes of limitation. However, we cannot reasonably estimate a range of potential changes in our existing liabilities for unrecognized tax benefits due to various uncertainties, such as the unresolved nature of various audits.

**Tax returns**—We file federal and local tax returns in several jurisdictions throughout the world. With few exceptions, we are no longer subject to examinations of our U.S. and non-U.S. tax matters for years prior to 2010.

Our tax returns in the major jurisdictions in which we operate, other than the U.S., Norway and Brazil, which are mentioned below, are generally subject to examination for periods ranging from three to six years. We have agreed to extensions beyond the statute of limitations in two major jurisdictions for up to 20 years. Tax authorities in certain jurisdictions are examining our tax returns and in some cases have issued assessments. We are defending our tax positions in those jurisdictions. While we cannot predict or provide assurance as to the timing or the outcome of these proceedings, we do not expect the ultimate liability to have a material adverse effect on our consolidated statement of financial position or results of operations, although it may have a material adverse effect on our consolidated statement of cash flows.

**U.S. tax investigations**—In the year ended December 31, 2014, we received an assessment from the U.S. tax authorities related to our 2010 and 2011 U.S. federal income tax returns. The significant issue raised in the assessment relates to transfer pricing for certain charters of drilling rigs between our subsidiaries. This issue, if successfully challenged, would result in net adjustments of approximately \$290 million of additional taxes, excluding interest and penalties. An unfavorable outcome on these adjustments could result in a material adverse effect on our consolidated statement of financial position, results of operations or cash flows. Furthermore, if the authorities were to continue to pursue these positions with respect to subsequent years and were successful in such assertions, our effective tax rate on worldwide earnings with respect to years following 2011 could increase substantially, and could have a material adverse effect on our consolidated results of operations or cash flows. We believe our U.S. federal income tax returns are materially correct as filed, and we intend to continue to vigorously defend against all such claims to the contrary.

**Norway tax investigations and trial**—Norwegian civil tax and criminal authorities are investigating various transactions undertaken by our subsidiaries in 1999, 2001 and 2002 as well as the actions of certain employees of our former external tax advisors on these transactions. The authorities issued tax assessments as follows: (a) NOK 684 million, equivalent to approximately \$92 million, plus



**TRANSOCEAN LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued**

interest, related to the migration of our subsidiary that was previously subject to tax in Norway, (b) NOK 412 million, equivalent to approximately \$55 million, plus interest, related to a 2001 dividend payment and (c) NOK 43 million, equivalent to approximately \$6 million, plus interest, related to certain foreign exchange deductions and dividend withholding tax. In November 2012, the Norwegian district court in Oslo heard the civil tax case regarding the disputed tax assessment of NOK 684 million related to the migration of our subsidiary. On March 1, 2013, the Norwegian district court in Oslo overturned the initial civil tax assessment and ruled in our favor, and the tax authorities filed an appeal. On June 26, 2014, the Norwegian district court in Oslo ruled that our subsidiary was liable for the civil tax assessment of NOK 412 million, equivalent to approximately \$55 million, but waived all penalties and interest. On September 12, 2014, we filed an appeal. We intend to take all other appropriate action to continue to support our position that our Norwegian tax returns are materially correct as filed.

In October 2011, we provided a parent company guarantee in the amount of NOK 699 million, equivalent to approximately \$94 million, with respect to one of the tax disputes. In September 2014, the Norwegian tax authorities formally abandoned part of the claim by issuing a revised writ, and we reduced our parent guarantee to NOK 35 million, equivalent to approximately \$5 million. In October 2014, the Norwegian tax authorities formally dismissed all remaining claims related to the migration of our subsidiary that was previously subject to tax in Norway. As a result, we terminated the parent company guarantee of NOK 35 million, equivalent to approximately \$5 million.

In June 2011, the Norwegian authorities issued criminal indictments against two of our subsidiaries alleging misleading or incomplete disclosures in Norwegian tax returns for the years 1999 through 2002, as well as inaccuracies in Norwegian statutory financial statements for the years ended December 31, 1996 through 2001. Two employees of our former external tax advisors were also issued criminal indictments with respect to the disclosures in our tax returns, and our former external Norwegian tax attorney was issued criminal indictments related to certain of our restructuring transactions and the 2001 dividend payment. In January 2012, the Norwegian authorities supplemented the previously issued criminal indictments by issuing a financial claim of NOK 1.8 billion, equivalent to approximately \$242 million, jointly and severally, against our two subsidiaries, the two external tax advisors and the external tax attorney. In February 2012, the authorities dropped the previously existing civil tax claim related to a certain restructuring transaction. In April 2012, the Norwegian tax authorities supplemented the previously issued criminal indictments against our two subsidiaries by extending a criminal indictment against a third subsidiary, alleging misleading or incomplete disclosures in Norwegian tax returns for the years 2001 and 2002. The criminal trial commenced in December 2012. In May 2013, the Norwegian authorities dropped the financial claim of NOK 1.8 billion against one of our subsidiaries and the criminal case related to the migration case of another subsidiary. The criminal trial proceedings ended in September 2013. The Norwegian authorities subsequently suggested, if we were found guilty, that the court assess criminal penalties of NOK 230 million, equivalent to approximately \$31 million, against three of our subsidiaries in addition to any civil tax penalties and the financial claim.

On July 2, 2014, the Norwegian district court in Oslo acquitted our three subsidiaries, two external tax attorneys and an external tax advisor of all criminal charges related to the disclosures in our Norwegian tax returns for the years 1999 through 2002 and statutory financial statements for the years ended December 31, 1996 through 2001. On July 16, 2014, the Norwegian authorities dropped the financial claim of NOK 1.8 billion, equivalent to approximately \$242 million, against two of our subsidiaries, fully closing this matter, and on the same date, filed an appeal with respect to the following charges: (a) disclosures in our Norwegian tax returns related to a dividend payment in 2001, (b) disclosures in our Norwegian tax returns related to an intercompany rig sale in 1999 and (c) certain inaccuracies in Norwegian statutory financial statements for the years ended December 31, 1996 through 2001. We believe our Norwegian tax returns are materially correct as filed, and we intend to continue to vigorously contest any assertions to the contrary by the Norwegian civil and criminal authorities in connection with the various transactions being investigated. An unfavorable outcome on the Norwegian civil or criminal tax matters could result in a material adverse effect on our consolidated statement of financial position, results of operations or cash flows.

*Brazil tax investigations*—Certain of our Brazilian income tax returns for the years 2000 through 2004 are currently under examination. In December 2005, the Brazilian tax authorities issued an aggregate tax assessment of BRL 713 million, equivalent to approximately \$269 million, including a 75 percent penalty and interest. On January 25, 2008, we filed a protest letter with the Brazilian tax authorities, and we are currently engaged in the appeals process. On May 19, 2014, with respect to our Brazilian income tax returns for the years 2009 and 2010, the Brazilian tax authorities issued an aggregate tax assessment of BRL 124 million, equivalent to approximately \$47 million, including a 75 percent penalty and interest. On June 18, 2014, we filed a protest letter with the Brazilian tax authorities. We believe our returns are materially correct as filed, and we are vigorously contesting these assessments. An unfavorable outcome on these proposed assessments could result in a material adverse effect on our consolidated statement of financial position, results of operations or cash flows.

*Other tax matters*—We conduct operations through our various subsidiaries in a number of countries throughout the world. Each country has its own tax regimes with varying nominal rates, deductions, employee contribution requirements and tax attributes. From time to time, we may identify changes to previously evaluated tax positions that could result in adjustments to our recorded assets and liabilities. Although we are unable to predict the outcome of these changes, we do not expect the effect, if any, resulting from these adjustments to have a material adverse effect on our consolidated statement of financial position, results of operations or cash flows.



**TRANSOCEAN LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued**

**Note 7—Discontinued Operations**

**Summarized results of discontinued operations**

The summarized results of operations included in income from discontinued operations were as follows (in millions):

	Years ended December 31,		
	2014	2013	2012
Operating revenues	\$ 166	\$ 1,031	\$ 1,306
Operating and maintenance expense	(162)	(1,022)	(1,236)
Depreciation and amortization expense	—	—	(184)
Loss on impairment of assets in discontinued operations	—	(14)	(1,008)
Gain (loss) on disposal of assets in discontinued operations, net	(10)	54	82
Income (loss) from discontinued operations before income tax expense	(6)	49	(1,040)
Income tax expense	(14)	(40)	(3)
Income (loss) from discontinued operations, net of tax	<u>\$ (20)</u>	<u>\$ 9</u>	<u>\$ (1,043)</u>

**Assets and liabilities of discontinued operations**

The carrying amounts of the major classes of assets and liabilities associated with our discontinued operations were classified as follows (in millions):

	December 31,	
	2014	2013
<b>Assets</b>		
Materials and supplies, net	\$ 2	\$ 18
Other related assets	—	1
Assets held for sale	2	19
Other current assets	—	6
Total current assets	<u>\$ 2</u>	<u>\$ 25</u>
<b>Liabilities</b>		
Deferred revenues	\$ —	\$ 8
Other current liabilities	<u>\$ —</u>	<u>\$ 8</u>

**Standard jackup and swamp barge contract drilling services**

**Overview**—In September 2012, in connection with our efforts to dispose of non-strategic assets and to reduce our exposure to low-specification drilling units, we committed to a plan to discontinue operations associated with the standard jackup and swamp barge asset groups, components of our contract drilling services operating segment. As a result, we allocated \$112 million of goodwill to this disposal group based on the fair value of the disposal group relative to the fair value of the contract drilling services operating segment. We estimated the fair values of the disposal group and the contract drilling services operating segment by applying a variety of valuation methods, incorporating the income and market approaches, and using significant unobservable inputs, representative of a Level 3 fair value measurement, including assumptions related to the future performance of the disposal group and of our contract drilling services reporting unit, such as future commodity prices, projected demand for our services, rig utilization and dayrates.

At December 31, 2012, we had seven standard jackups, including *D.R. Stewart*, *GSF Adriatic VIII*, *GSF Rig 127*, *GSF Rig 134*, *Interocean III*, *Trident IV-A* and *Trident VI*, along with related equipment, which we reclassified to assets held for sale with an aggregate carrying amount of \$112 million, including \$8 million in materials and supplies. In the year ended December 31, 2013, we completed the sales of these standard jackups and related equipment.

**Impairments**—In the year ended December 31, 2013, we recognized an aggregate loss of \$14 million (\$0.04 per diluted share), which had no tax effect, associated with the impairment of standard jackups *GSF Rig 127* and *GSF Rig 134*. In the year ended December 31, 2012, we also recognized an aggregate loss of \$29 million (\$0.08 per diluted share), which had no tax effect, associated with the impairment of the standard jackups *GSF Adriatic II* and *GSF Rig 136*. We measured the impairment of the drilling units and related equipment as the amount by which the carrying amounts exceeded the estimated fair values less costs to sell. We estimated the fair value of the assets using significant other observable inputs, representative of Level 2 fair value measurements, including a binding sale and purchase agreement for the drilling units and related equipment.

In September 2012, in connection with our reclassification of the standard jackup and swamp barge disposal group to assets held for sale, we determined that the disposal group was impaired since its aggregate carrying amount exceeded its aggregate fair value.

**TRANSOCEAN LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued**

We estimated the fair value of this disposal group by applying a variety of valuation methods, incorporating cost, income and market approaches, to estimate the exit price that would be received for the assets in the principal or most advantageous market for the assets in an orderly transaction between market participants as of the measurement date. Although we based certain components of our valuation on significant other observable inputs, including binding sale and purchase agreements, a significant portion of our valuation required us to project the future performance of the disposal group based on significant unobservable inputs, representative of a Level 3 fair value measurement, including assumptions regarding long-term projections for future revenues and costs, dayrates, rig utilization rates and revenue efficiency rates. We measured the impairments of the disposal group as the amount by which its carrying amount exceeded its estimated fair value less costs to sell. We included in our estimated loss on impairment as a reduction to the expected proceeds approximately \$60 million of costs for certain shipyard projects and other obligations required pursuant to the sale agreement and approximately \$17 million of costs to sell the disposal group, including legal and financial advisory costs and expenses. In the year ended December 31, 2012, as a result of our valuation, we recognized losses of \$744 million (\$2.09 per diluted share) and \$112 million (\$0.31 per diluted share), which had no tax effect, associated with the impairment of long-lived assets and the goodwill, respectively.

In connection with our sale transactions with Shelf Drilling, we were, and continue to be, required to pay postemployment benefits to certain employees and contract labor for which employment was or will be terminated as a direct result of the sale transactions upon expiration of the operating agreements and transition services agreement. In the year ended December 31, 2012, we recognized a loss of \$20 million, included in loss on impairment of assets in discontinued operations, associated with such postemployment benefits.

**Sale transactions with Shelf Drilling**—On November 30, 2012, we completed the sale of 38 drilling units, along with related equipment, to Shelf Drilling. In connection with the sale, we received cash proceeds of \$568 million, net of certain working capital and other adjustments, and non-cash proceeds in the form of perpetual preference shares that had a stated value of \$195 million and an estimated fair value of \$194 million, including the fair value associated with embedded derivatives, estimated at the time of the closing of the sale transactions. In June 2013, we sold the preference shares to an unaffiliated party for cash proceeds of \$185 million and, in the year ended December 31, 2013, we recognized a loss of \$10 million (\$0.03 per diluted share), recorded in other expense, net, which had no tax effect, associated with the sale of the preference shares.

For a transition period following the completion of the sale transactions with Shelf Drilling, we agreed to continue to operate a substantial portion of the standard jackups under operating agreements with Shelf Drilling and to provide certain other transition services to Shelf Drilling. Under the operating agreements, we have agreed to remit the collections from our customers under the associated drilling contracts to Shelf Drilling, and Shelf Drilling has agreed to reimburse us for our direct costs and expenses incurred while operating the standard jackups on behalf of Shelf Drilling with certain exceptions. Amounts due to Shelf Drilling under the operating agreements and transition services agreement may be contractually offset against amounts due from Shelf Drilling. The costs to us for providing such operating and transition services, including allocated indirect costs, have exceeded the amounts we receive from Shelf Drilling for providing such services.

Under the operating agreements, we agreed to continue to operate these standard jackups on behalf of Shelf Drilling for periods ranging from nine months to 27 months, until expiration or novation of the underlying drilling contracts by Shelf Drilling, and under a transition services agreement, we agreed to provide certain transition services for a period of up to 18 months following the completion of the sale transactions. As of December 31, 2014, we operated one standard jackup under an operating agreement with Shelf Drilling. Until the expiration or novation of such drilling contracts, we retain possession of the materials and supplies associated with the standard jackups that we operate under the operating agreements. In the year ended December 31, 2014, we received cash proceeds of \$25 million associated with the sale of equipment and materials and supplies to Shelf Drilling upon expiration or novation of the drilling contracts. In the years ended December 31, 2013 and 2012, we received cash proceeds of \$64 million and \$30 million and recognized aggregate gains of \$11 million (\$0.03 per diluted share), which had no tax effect, and \$8 million (net loss of \$5 million or \$0.01 per diluted share, net of tax), respectively, associated with the sale of equipment and materials and supplies to Shelf Drilling upon expiration or novation of the drilling contracts. At December 31, 2014 and 2013, the materials and supplies associated with the drilling units that we operated under operating agreements with Shelf Drilling had an aggregate carrying amount of \$2 million and \$18 million, respectively.

For a period of up to three years following the closing of the sale transactions, we have agreed to provide to Shelf Drilling up to \$125 million of financial support by maintaining letters of credit, surety bonds and guarantees for various contract bidding and performance activities associated with the drilling units sold to Shelf Drilling and in effect at the closing of the sale transactions. At the time of the sale transactions, we had \$113 million of outstanding letters of credit, issued under our committed and uncommitted credit lines, in support of rigs sold to Shelf Drilling. Included within the \$125 million maximum amount, we agreed to provide up to \$65 million of additional financial support in connection with any new drilling contracts related to such drilling units. Shelf Drilling is required to reimburse us in the event that any of these instruments are called. At December 31, 2014 and 2013, we had \$91 million and \$104 million, respectively, of outstanding letters of credit, issued under our committed and uncommitted credit lines, in support of drilling units sold to Shelf Drilling. See Note 15—Commitments and Contingencies.

**Other dispositions**—During the year ended December 31, 2013, we completed the sale of the standard jackups *D.R. Stewart*, *GSF Adriatic VIII*, *GSF Rig 127*, *GSF Rig 134*, *Interocean III*, *Trident IV-A* and *Trident VI*, along with related equipment. In the year ended December 31, 2013, in connection with the disposal of these assets, we received aggregate net cash proceeds of \$140 million and recognized an aggregate net gain of \$44 million (\$0.12 per diluted share), which had no tax effect.

**TRANSOCEAN LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued**

During the year ended December 31, 2012, we also completed the sales of the standard jackups *GSF Adriatic II*, *GSF Rig 103*, *GSF Rig 136*, *Roger W. Mowell*, *Transocean Nordic*, *Transocean Shelf Explorer* and *Trident 17*, along with related equipment. In the year ended December 31, 2012, in connection with the disposal of these assets, we received aggregate net cash proceeds of \$198 million and recognized an aggregate net gain of \$74 million (\$0.20 per diluted share), which had no tax effect.

In the years ended December 31, 2014, 2013, and 2012, we recognized an aggregate net gain of \$2 million, an aggregate net loss of \$1 million and an aggregate net loss of \$9 million, respectively, associated with the disposal of assets unrelated to dispositions of rigs.

**Drilling management services**

**Overview**—In February 2014, in connection with our efforts to discontinue non-strategic operations, we completed the sale of ADTI, which performs drilling management services in the North Sea. As a result of the sale, we reclassified the results of operations of our drilling management services operating segment to discontinued operations for all periods presented. At December 31, 2013, the aggregate carrying amount of assets of the drilling management services operating segment was \$6 million.

In March 2012, we announced our intent to discontinue drilling management operations in the shallow waters of the U.S. Gulf of Mexico, a component of our drilling management services operating segment, upon completion of our then existing contracts. We based our decision to abandon this market on the declining market outlook for these services in the shallow waters of the U.S. Gulf of Mexico as well as the more difficult regulatory environment for obtaining drilling permits. In December 2012, we completed the final drilling management project and discontinued offering our drilling management services in this region.

**Impairments**—During the year ended December 31, 2012, we determined that the customer relationships intangible asset associated with the U.K. operations of our drilling management services reporting unit was impaired due to the diminishing demand for our drilling management services. We estimated the fair value of the customer relationships intangible asset using the multiperiod excess earnings method, a valuation method that applies the income approach. We estimated fair value using significant unobservable inputs, representative of a Level 3 fair value measurement, including assumptions related to the future performance of the drilling management services reporting unit, such as future commodity prices, projected demand for our services, rig utilization and dayrates. In the year ended December 31, 2012, as a result of our valuation, we determined that the carrying amount of the customer relationships intangible asset exceeded its fair value, and we recognized a loss of \$22 million (\$17 million, or \$0.05 per diluted share, net of tax) associated with the impairment of the intangible asset.

During the year ended December 31, 2012, we determined that the customer relationships intangible asset and the trade name intangible asset associated with the U.S. operations of our drilling management services reporting unit was impaired due to the declining market outlook for these services in the shallow waters of the U.S. Gulf of Mexico as well as the increasingly difficult regulatory environment for obtaining drilling permits and the diminishing demand for our drilling management services. We estimated the fair value of the customer relationships intangible asset using the multiperiod excess earnings method, a valuation methodology that applies the income approach. We estimated fair value using significant unobservable inputs, representative of a Level 3 fair value measurement, including assumptions related to the future performance of the drilling management services reporting unit, such as future commodity prices, projected demand for our services, rig utilization and dayrates. We estimated the fair value of the trade name intangible asset using the relief from royalty method, a valuation methodology that applies the income approach. We estimated fair value using significant unobservable inputs, representative of a Level 3 fair value measurement, including assumptions related to the future performance of the drilling management services reporting unit, such as future commodity prices, projected demand for drilling management services, rig utilization and dayrates. In the year ended December 31, 2012, as a result of our valuations, we determined that the carrying amounts of these intangible assets exceeded their respective fair values, and we recognized losses of \$31 million (\$20 million or \$0.06 per diluted share, net of tax) and \$39 million (\$25 million or \$0.07 per diluted share, net of tax) associated with the impairment of the customer relationships intangible asset and the trade name intangible asset, respectively.

**Disposition**—In the year ended December 31, 2014, we received net cash proceeds of \$10 million and recognized a net loss of \$12 million (\$0.03 per diluted share), which had no tax effect, associated with the sale of the drilling management services business. We provided a limited guarantee in favor of one customer through completion of its drilling project, which was completed during the three months ended September 30, 2014. We also agreed to provide a \$15 million working capital line of credit to the buyer through March 2016. We earn interest on the outstanding borrowings at a fixed rate of 8.3 percent per annum, payable quarterly. At December 31, 2014, ADTI had borrowings of \$15 million outstanding under the working capital line of credit, recorded in other assets.

**Oil and gas properties**

**Overview**—In March 2011, in connection with our efforts to dispose of non-strategic assets, we engaged an unaffiliated advisor to coordinate the sale of the assets of our oil and gas properties reporting unit, formerly a component of our other operations segment, which comprised the exploration, development and production activities performed by CMI. During the year ended December 31, 2012, we completed the sale of these assets.

**Impairments**—In the years ended December 31, 2012, we recognized losses of \$11 million (\$10 million or \$0.02 per diluted share, net of tax), associated with the impairment of our oil and gas properties, which were classified as assets held for sale at the time of impairment, since the carrying amount of the properties exceeded the estimated fair value less costs to sell the properties.

**TRANSOCEAN LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued**

**Dispositions**—During the year ended December 31, 2012, we completed the sales of the assets of Challenger Minerals Inc. and Challenger Minerals (Ghana) Limited for aggregate net cash proceeds of \$13 million, which had no tax effect. During the year ended December 31, 2011, we completed the sale of Challenger Minerals (North Sea) Limited for aggregate net cash proceeds of \$24 million, and in May 2012, we received additional cash proceeds of \$10 million. In the year ended December 31, 2012, we recognized an aggregate net gain of \$9 million (\$0.02 per diluted share), which had no tax effect, associated with the completion of these sales.

**Note 8—Earnings (Loss) Per Share**

The numerator and denominator used for the computation of basic and diluted per share earnings from continuing operations were as follows (in millions, except per share data):

	Years ended December 31,					
	2014		2013		2012	
	Basic	Diluted	Basic	Diluted	Basic	Diluted
<b>Numerator for earnings (loss) per share</b>						
Income (loss) from continuing operations attributable to controlling interest	\$ (1,893 )	\$ (1,893 )	\$ 1,398	\$ 1,398	\$ 824	\$ 824
Undistributed earnings allocable to participating securities	—	—	(12)	(12)	—	—
Income (loss) from continuing operations available to shareholders	<u>\$ (1,893 )</u>	<u>\$ (1,893 )</u>	<u>\$ 1,386</u>	<u>\$ 1,386</u>	<u>\$ 824</u>	<u>\$ 824</u>
<b>Denominator for earnings (loss) per share</b>						
Weighted-average shares outstanding	362	362	360	360	356	356
Effect of stock options and other share-based awards	—	—	—	—	—	—
Weighted-average shares for per share calculation	<u>362</u>	<u>362</u>	<u>360</u>	<u>360</u>	<u>356</u>	<u>356</u>
<b>Per share earnings (loss) from continuing operations</b>	<u>\$ (5.23 )</u>	<u>\$ (5.23 )</u>	<u>\$ 3.85</u>	<u>\$ 3.85</u>	<u>\$ 2.32</u>	<u>\$ 2.32</u>

For the years ended December 31, 2014, 2013 and 2012, we excluded 2.5 million, 1.4 million and 2.4 million share-based awards, respectively, from the calculation since the effect would have been anti-dilutive.

**Note 9—Other Comprehensive Income (Loss)**

The allocation of other comprehensive income (loss) attributable to controlling interest and to noncontrolling interest, including our redeemable noncontrolling interest, was as follows (in millions):

	Years ended December 31,								
	2014			2013			2012		
	Controlling interest	Non-controlling interest (a)	Total	Controlling interest	Non-controlling interest (a)	Total	Controlling interest	Non-controlling interest (a)	Total
<b>Other comprehensive income (loss) before reclassifications</b>									
Components of net periodic benefit costs	\$ (170)	\$ —	\$ (170)	\$ 198	\$ —	\$ 198	\$ (52)	\$ —	\$ (52)
Gain (loss) on derivative instruments	—	—	—	(5)	—	(5)	6	(3)	3
<b>Reclassifications to net income</b>									
Components of net periodic benefit costs	17	—	17	49	—	49	47	—	47
(Gain) loss on derivative instruments	(2)	—	(2)	15	3	18	(4)	3	(1)
Loss on marketable securities	—	—	—	—	—	—	2	—	2
Other comprehensive income (loss) before income taxes	(155)	—	(155)	257	3	260	(1)	—	(1)
Income taxes related to other comprehensive income (loss)	13	—	13	2	—	2	(7)	—	(7)
Other comprehensive income (loss), net of income tax	<u>\$ (142)</u>	<u>\$ —</u>	<u>\$ (142)</u>	<u>\$ 259</u>	<u>\$ 3</u>	<u>\$ 262</u>	<u>\$ (8)</u>	<u>\$ —</u>	<u>\$ (8)</u>

(a) Includes amounts attributable to noncontrolling interest and redeemable noncontrolling interest.

**TRANSOCEAN LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued**

**Note 10—Drilling Fleet**

**Construction work in progress**—For each of the three years ended December 31, 2014, the changes in our construction work in progress, including capital expenditures and other capital additions, such as capitalized interest, were as follows (in millions):

	Years ended December 31,		
	2014	2013	2012
Construction work in progress, at beginning of period	\$ 2,710	\$ 2,010	\$ 1,391
Newbuild construction program			
Transocean Honor (a) (b)	—	—	35
Transocean Siam Driller (a) (c)	—	74	39
Transocean Andaman (a) (c)	—	82	38
Transocean Ao Thai (a) (c)	—	90	72
Deepwater Invictus (a) (d)	492	65	40
Deepwater Asgard (a) (d)	291	309	46
Deepwater Thalassa (e)	82	154	139
Deepwater Proteus (e)	64	146	128
Deepwater Conqueror (f)	118	108	—
Deepwater Pontus (e)	169	65	76
Deepwater Poseidon (e)	140	66	76
Transocean Cassiopeia (g)	5	44	—
Transocean Centaurus (g)	4	44	—
Transocean Cepheus (g)	4	44	—
Transocean Cetus (g)	4	44	—
Ultra-Deepwater drillship TBN1 (h)	32	—	—
Transocean Circinus (g)	4	44	—
Ultra-Deepwater drillship TBN2 (h)	27	—	—
Other construction projects and capital additions	729	859	614
Total capital expenditures	2,165	2,238	1,303
Changes in accrued capital expenditures	(43)	44	61
Impairment of certain corporate assets under construction	—	(17)	—
Property and equipment placed into service			
Transocean Honor (a) (b)	—	—	(262)
Transocean Siam Driller (a) (c)	—	(236)	—
Transocean Andaman (a) (c)	—	(242)	—
Transocean Ao Thai (a) (c)	—	(242)	—
Deepwater Invictus (a) (d)	(736)	—	—
Deepwater Asgard (a) (d)	(786)	—	—
Other property and equipment	(859)	(845)	(483)
Construction work in progress, at end of period	<u>\$ 2,451</u>	<u>\$ 2,710</u>	<u>\$ 2,010</u>

- (a) The accumulated construction costs of this rig are no longer included in construction work in progress, as the construction project had been completed as of December 31, 2014.
- (b) The High-Specification Jackup *Transocean Honor*, owned through our 70 percent interest in TDSOI, commenced operations in May 2012. The costs presented above represent 100 percent of TDSOI's expenditures in the construction of *Transocean Honor*.
- (c) The High-Specification Jackups *Transocean Siam Driller*, *Transocean Andaman* and *Transocean Ao Thai* commenced operations in March 2013, May 2013 and October 2013, respectively.
- (d) The Ultra-Deepwater drillships *Deepwater Invictus* and *Deepwater Asgard*, commenced operations in July 2014 and August 2014, respectively. The total carrying amount included capitalized costs of \$272 million, representing the estimated fair value of construction in progress acquired in connection with our acquisition of Aker Drilling ASA in October 2011.
- (e) *Deepwater Thalassa*, *Deepwater Proteus*, *Deepwater Pontus* and *Deepwater Poseidon*, four newbuild Ultra-Deepwater drillships under construction at the Daewoo Shipbuilding & Marine Engineering Co. Ltd. shipyard in Korea, are expected to commence operations in the first quarter of 2016, the third quarter of 2016, the first quarter of 2017 and the second quarter of 2017, respectively.
- (f) *Deepwater Conqueror*, a newbuild Ultra-Deepwater drillship under construction at the Daewoo Shipbuilding & Marine Engineering Co. Ltd. shipyard in Korea, is expected to commence operations in the fourth quarter of 2016.
- (g) *Transocean Cassiopeia*, *Transocean Centaurus*, *Transocean Cepheus*, *Transocean Cetus* and *Transocean Circinus*, five Keppel FELS Super B 400 Bigfoot class design newbuild High-Specification Jackups under construction at Keppel FELS' shipyard in Singapore do not yet have drilling contracts and are expected to be delivered in the third quarter of 2016, the first quarter of 2017, the third quarter of 2017, the first quarter of 2018 and the third quarter of 2018, respectively. These delivery expectations reflect our decision to delay delivery in consideration of existing market conditions.
- (h) Our two unnamed dynamically positioned Ultra-Deepwater drillships under construction at the Jurong Shipyard PTE Ltd. in Singapore do not yet have drilling contracts and are expected to be delivered in the second quarter of 2017 and the first quarter of 2018, respectively.



**TRANSOCEAN LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued**

**Dispositions**—During the year ended December 31, 2014, we completed the sale of the Deepwater Floater *Sedco 709*, the Midwater Floater *Sedco 703* and the High-Specification Jackups *GSF Magellan* and *GSF Monitor*, along with related equipment. In the year ended December 31, 2014, in connection with the disposal of these assets, we received aggregate net cash proceeds of \$185 million, and recognized an aggregate net loss of \$1 million. In the year ended December 31, 2014, we received cash proceeds of \$37 million, and recognized an aggregate net loss of \$25 million, associated with the disposal of assets unrelated to rig sales.

During the year ended December 31, 2013, we completed the sale of *Transocean Richardson* along with related equipment, and as a result of the sale, we received net cash proceeds of \$142 million and recognized a net gain of \$33 million (\$22 million or \$0.06 per diluted share, net of tax). In the year ended December 31, 2013, we received cash proceeds of \$32 million and recognized an aggregate net loss of \$26 million associated with the disposal of assets unrelated to dispositions of rigs.

During the year ended December 31, 2012, in connection with our efforts to dispose of non-strategic assets, we completed the sales of the Deepwater Floaters *Discoverer 534* and *Jim Cunningham*. In connection with these sales, we received aggregate net cash proceeds of \$178 million and recognized an aggregate net gain of \$51 million (\$48 million or \$0.13 per diluted share, net of tax). In the year ended December 31, 2012, we recognized an aggregate net loss of \$15 million associated with the disposal of assets unrelated to dispositions of rigs.

At December 31, 2014, in addition to the remaining assets of our discontinued operations, our assets held for sale included the Deepwater Floaters *Discoverer Seven Seas*, *Sedco 710* and *Sovereign Explorer* and the Midwater Floaters *Sedneth 701*, *C. Kirk Rhein, Jr.*, *Falcon 100*, *GSF Arctic I*, *J.W. McLean*, *Sedco 601* and *Sedco 700*, along with related equipment, with an aggregate carrying amount of \$23 million. At December 31, 2013, in addition to the remaining assets of our discontinued operations, our assets held for sale included *Sedco 709*, *C. Kirk Rhein, Jr.*, *Falcon 100*, *Sedco 703* and *GSF Monitor*, along with related equipment, with an aggregate carrying amount of \$129 million.

See Note 5—Impairments.

**Note 11—Goodwill and Other Intangibles**

**Goodwill**—The gross carrying amounts of goodwill and accumulated impairment associated with our contract drilling services reporting unit were as follows (in millions):

	Year ended December 31, 2014			Year ended December 31, 2013		
	Gross carrying amount	Accumulated impairment	Net carrying amount	Gross carrying amount	Accumulated impairment	Net carrying amount
Balance, beginning of period	\$ 10,799	\$ (7,812)	\$ 2,987	\$ 10,799	\$ (7,812)	\$ 2,987
Impairment associated with continuing operations	—	(2,987)	(2,987)	—	—	—
Balance, end of period	\$ 10,799	\$ (10,799)	\$ —	\$ 10,799	\$ (7,812)	\$ 2,987

**Definite-lived intangible liabilities**—The gross carrying amounts of our drilling contract intangibles which we consider to be definite-lived intangible liabilities, and accumulated amortization were as follows (in millions):

	Year ended December 31, 2014			Year ended December 31, 2013		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
<b>Drilling contract intangible liabilities</b>						
Balance, beginning of period	\$ 1,410	\$ (1,366)	\$ 44	\$ 1,410	\$ (1,351)	\$ 59
Amortization	—	(15)	(15)	—	(15)	(15)
Balance, end of period	\$ 1,410	\$ (1,381)	\$ 29	\$ 1,410	\$ (1,366)	\$ 44

At December 31, 2014, the estimated future amortization of our drilling contract intangible liabilities was as follows (in millions):

Years ending December 31,	Drilling contract intangible liabilities
2015	\$ 15
2016	14
Total intangible liabilities	\$ 29



**TRANSOCEAN LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued**

**Note 12—Debt**

Debt, net of unamortized discounts, premiums and fair value adjustments, was comprised of the following (in millions):

	December 31, 2014	December 31, 2013
4.95% Senior Notes due November 2015 (a)	\$ 898	\$ 1,113
5.05% Senior Notes due December 2016 (a)	999	999
2.5% Senior Notes due October 2017 (a)	748	748
ADDCL Credit Facilities due December 2017	—	163
Eksportfinans Loans due January 2018	369	591
6.00% Senior Notes due March 2018 (a)	1,001	998
7.375% Senior Notes due April 2018 (a)	247	247
6.50% Senior Notes due November 2020 (a)	911	900
6.375% Senior Notes due December 2021 (a)	1,199	1,199
3.8% Senior Notes due October 2022 (a)	745	745
7.45% Notes due April 2027 (a)	97	97
8% Debentures due April 2027 (a)	57	57
7% Notes due June 2028	309	311
Capital lease contract due August 2029	615	637
7.5% Notes due April 2031 (a)	598	598
6.80% Senior Notes due March 2038 (a)	999	999
7.35% Senior Notes due December 2041 (a)	300	300
Total debt	10,092	10,702
Less debt due within one year		
4.95% Senior Notes due November 2015 (a)	898	—
ADDCL Credit Facilities due December 2017	—	163
Eksportfinans Loans due January 2018	114	140
Capital lease contract due August 2029	21	20
Total debt due within one year	1,033	323
Total long-term debt	<u>\$ 9,059</u>	<u>\$ 10,379</u>

- (a) Transocean Inc., a 100 percent owned subsidiary of Transocean Ltd., is the issuer of the notes and debentures, which have been guaranteed by Transocean Ltd. Transocean Ltd. has also guaranteed borrowings under the Five-Year Revolving Credit Facility. Transocean Ltd. and Transocean Inc. are not subject to any significant restrictions on their ability to obtain funds from their consolidated subsidiaries by dividends, loans or return of capital distributions. See Note 24—Condensed Consolidating Financial Information.

**Scheduled maturities**—At December 31, 2014, the scheduled maturities of our debt were as follows (in millions):

Years ending December 31,	Consolidated total
2015	\$ 1,028
2016	1,139
2017	892
2018	1,305
2019	32
Thereafter	5,686
Total debt, excluding unamortized discounts, premiums and fair value adjustments	10,082
Total unamortized discounts, premiums and fair value adjustments, net	10
Total debt	<u>\$ 10,092</u>

**TRANSOCEAN LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued**

**New Five-Year Revolving Credit Facility**—In June 2014, we entered into an amended and restated bank credit agreement, which established a \$3.0 billion unsecured five-year revolving credit facility, that is scheduled to expire on June 28, 2019 (the “New Five-Year Revolving Credit Facility”). Among other things, the New Five-Year Revolving Credit Facility includes limitations on creating liens, incurring subsidiary debt, transactions with affiliates, sale/leaseback transactions, mergers and the sale of substantially all assets. The New Five-Year Revolving Credit Facility also includes a covenant imposing a maximum debt to tangible capitalization ratio of 0.6 to 1.0. Borrowings under the Five-Year Revolving Credit Facility are subject to acceleration upon the occurrence of an event of default, borrowings are guaranteed by Transocean Ltd. and may be prepaid in whole or in part without premium or penalty.

We may borrow under the New Five-Year Revolving Credit Facility at either (1) the adjusted London Interbank Offered Rate (“LIBOR”) plus a margin (the “New Five-Year Revolving Credit Facility Margin”), which ranges from 1.125 percent to 2.0 percent based on the credit rating of our non-credit enhanced senior unsecured long-term debt (“Debt Rating”), or (2) the base rate specified in the credit agreement plus the Five-Year Revolving Credit Facility Margin, less one percent per annum. Throughout the term of the New Five-Year Revolving Credit Facility, we pay a facility fee on the daily unused amount of the underlying commitment which ranges from 0.15 percent to 0.35 percent depending on our Debt Rating. At December 31, 2014, based on our Debt Rating on that date, the New Five-Year Revolving Credit Facility Margin was 1.5 percent and the facility fee was 0.225 percent. At December 31, 2014, we had no borrowings outstanding or letters of credit issued, and we had \$3.0 billion of available borrowing capacity under the New Five-Year Revolving Credit Facility.

**Former Five-Year Revolving Credit Facility**—We had a \$2.0 billion five-year revolving credit facility, established under a bank credit agreement dated November 1, 2011, as amended, that was scheduled to expire on November 1, 2016 (the “Former Five-Year Revolving Credit Facility”). In June 2014, we replaced the Former Five-Year Revolving Credit Facility with the New Five-Year Revolving Credit Facility.

**Former Three-Year Secured Revolving Credit Facility**—We had a \$900 million three-year secured revolving credit facility, established under a bank credit agreement dated October 25, 2012, that was scheduled to expire on October 25, 2015 (the “Former Three-Year Secured Revolving Credit Facility”). Borrowings under the Former Three-Year Secured Revolving Credit Facility were secured by the Ultra-Deepwater Floaters *Deepwater Champion*, *Discoverer Americas* and *Discoverer Inspiration*. At December 31, 2013, the aggregate carrying amount of *Deepwater Champion*, *Discoverer Americas* and *Discoverer Inspiration* was \$2.2 billion. In June 2014, we terminated the Former Three-Year Secured Revolving Credit Facility and the related security agreements. No borrowings were outstanding under the Former Three-Year Secured Revolving Credit Facility at the time of its termination. In the year ended December 31, 2014, we recognized a loss of \$4 million associated with the early termination of the Former Three-Year Secured Revolving Credit Facility.

**5% Notes and 7% Notes**—Two of our wholly-owned subsidiaries are the obligors on the 5% Notes due 2013 (the “5% Notes”) and the 7% Notes due 2028 (the “7% Notes”), and we have not guaranteed either obligation. The indentures related to the 5% Notes and the 7% Notes contain limitations on creating liens and sale/leaseback transactions. The respective obligor may redeem the 5% Notes and the 7% Notes in whole or in part at a price equal to 100 percent of the principal amount plus accrued and unpaid interest, if any, and a make-whole premium.

On February 15, 2013, we repaid the outstanding \$250 million aggregate principal amount of the 5% Notes as of the stated maturity date. At December 31, 2014, the aggregate outstanding principal amount of the 7% Notes was \$300 million.

**5.25% Senior Notes, 6.00% Senior Notes and 6.80% Senior Notes**—In December 2007, we issued \$500 million aggregate principal amount of 5.25% Senior Notes due March 2013 (the “5.25% Senior Notes”), \$1.0 billion aggregate principal amount of 6.00% Senior Notes due March 2018 (the “6.00% Senior Notes”) and \$1.0 billion aggregate principal amount of 6.80% Senior Notes due March 2038 (the “6.80% Senior Notes”). The indenture pursuant to which the notes were issued contains restrictions on creating liens, engaging in sale/leaseback transactions and engaging in merger, consolidation or reorganization transactions. We may redeem some or all of the notes at any time, at a redemption price equal to 100 percent of the principal amount plus accrued and unpaid interest, if any, and a make-whole premium.

On March 15, 2013, we repaid the outstanding \$500 million aggregate principal amount of the 5.25% Senior Notes as of the stated maturity date. At December 31, 2014, the aggregate outstanding principal amount of the 6.00% Senior Notes and the 6.80% Senior Notes was \$1.0 billion each.

**TPDI Credit Facilities**—Through Transocean Pacific Drilling Inc. (“TPDI”), our wholly owned subsidiary, we had a \$1.265 billion secured credit facility, comprised of a \$1.0 billion senior term loan, a \$190 million junior term loan and a \$75 million revolving credit facility, established under a bank credit agreement dated October 28, 2008, that was scheduled to expire in March 2015 (the “TPDI Credit Facilities”). One of our subsidiaries participated in the senior and junior term loans with an aggregate commitment of \$595 million.

Under the TPDI Credit Facilities, we were required to satisfy certain liquidity requirements, including a requirement to maintain certain cash balances in restricted accounts for the payment of scheduled installments. At December 31, 2012, we had restricted cash investments of \$23 million. At December 31, 2012, we had an outstanding letter of credit in the amount of \$60 million to satisfy additional liquidity requirements under the TPDI Credit Facilities.

In June 2013, we repaid the \$735 million of borrowings outstanding under the TPDI Credit Facilities, of which \$367 million was paid to one of our subsidiaries and eliminated in consolidation. Upon repayment of all borrowings, we terminated the bank credit agreement under which the credit facilities were established and the related security agreement with respect to the Ultra-Deepwater

**TRANSOCEAN LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued**

Floater *Dhirubhai Deepwater KG1* and *Dhirubhai Deepwater KG2*. In the year ended December 31, 2013, we recognized a loss of \$1 million associated with the retirement of debt.

**4.95% Senior Notes and 6.50% Senior Notes**— In September 2010, we issued \$1.1 billion aggregate principal amount of 4.95% Senior Notes due November 2015 (the “4.95% Senior Notes”) and \$900 million aggregate principal amount of 6.50% Senior Notes due November 2020 (the “6.50% Senior Notes,” and together with the 4.95% Senior Notes, the “2010 Senior Notes”). We are required to pay interest on the 2010 Senior Notes on May 15 and November 15 of each year, beginning November 15, 2010. We may redeem some or all of the 2010 Senior Notes at any time at a redemption price equal to 100 percent of the principal amount plus accrued and unpaid interest, if any, and a make-whole premium. The indenture pursuant to which the 2010 Senior Notes were issued contains restrictions on creating liens, engaging in sale/leaseback transactions and engaging in merger, consolidation or reorganization transactions.

On November 17, 2014, we redeemed an aggregate principal amount of \$207 million of the outstanding 4.95% Senior Notes with an aggregate payment of \$216 million and we recognized a loss of \$9 million associated with the partial redemption. At December 31, 2014, the aggregate outstanding principal amount of the 4.95% Senior Notes and the 6.50% Senior Notes was \$893 million and \$900 million, respectively.

**5.05% Senior Notes, 6.375% Senior Notes and 7.35% Senior Notes**—In December 2011, we issued \$1.0 billion aggregate principal amount of 5.05% Senior Notes due December 2016 (the “5.05% Senior Notes”), \$1.2 billion aggregate principal amount of 6.375% Senior Notes due December 2021 (the “6.375% Senior Notes”) and \$300 million aggregate principal amount of 7.35% Senior Notes due December 2041 (the “7.35% Senior Notes,” and collectively with the 5.05% Senior Notes and the 6.375% Senior Notes, the “2011 Senior Notes”). The interest rates for the notes are subject to adjustment from time to time upon a change to our Debt Rating. The indenture pursuant to which the 2011 Senior Notes were issued contains restrictions on creating liens, engaging in sale/leaseback transactions and engaging in merger, consolidation or reorganization transactions. We may redeem some or all of the 2011 Senior Notes at any time at a redemption price equal to 100 percent of the principal amount plus accrued and unpaid interest, if any, and a make-whole premium. At December 31, 2014, the aggregate outstanding principal amount of the 5.05% Senior Notes, the 6.375% Senior Notes and the 7.35% Senior Notes was \$1.0 billion, \$1.2 billion and \$300 million, respectively.

**Aker Revolving Credit and Term Loan Facility**—We had a credit facility, comprised of a \$500 million revolving credit facility and a \$400 million term loan, established under the Revolving Credit and Term Loan Facility Agreement dated February 21, 2011 (the “Aker Revolving Credit and Term Loan Facility”). In the year ended December 31, 2012, we prepaid \$333 million of borrowings outstanding under the Aker Term Loan, and we recognized a gain of \$2 million associated with the retirement of debt. In September 2012, we cancelled the Aker Revolving Credit and Term Loan Facility.

**Callable Bonds**—We were the obligor for the FRN Aker Drilling ASA Senior Unsecured Callable Bond Issue 2011/2016 (the “FRN Callable Bonds”) and the 11% Aker Drilling ASA Senior Unsecured Callable Bond Issue 2011/2016 (the “11% Callable Bonds,” and together with the FRN Callable Bonds, the “Callable Bonds”), which were publicly traded on the Oslo Stock Exchange. On March 6, 2013, we redeemed the FRN Callable Bonds and the 11% Callable Bonds with aggregate outstanding principal amounts of NOK 940 million and NOK 560 million, equivalent to \$164 million and \$98 million, respectively, using an exchange rate of NOK 5.73 to \$1.00. In connection with the redemption, we made an aggregate cash payment of NOK 1,567 million, equivalent to \$273 million. In the year ended December 31, 2013, we recognized a loss of \$1 million associated with the retirement of debt.

**2.5% Senior Notes and 3.8% Senior Notes**—In September 2012, we issued \$750 million aggregate principal amount of 2.5% Senior Notes due October 2017 (the “2.5% Senior Notes”) and \$750 million aggregate principal amount of 3.8% Senior Notes due October 2022 (the “3.8% Senior Notes,” and together with the 2.5% Senior Notes, the “2012 Senior Notes”). The interest rates for the notes are subject to adjustment from time to time upon a change to our Debt Rating. The indenture pursuant to which the 2012 Senior Notes were issued contains restrictions on creating liens, engaging in sale/leaseback transactions and engaging in merger, consolidation or reorganization transactions. We may redeem some or all of the 2012 Senior Notes at any time prior to maturity at a redemption price equal to 100 percent of the principal amount plus accrued and unpaid interest, if any, together with a make-whole premium unless, in the case of the 3.8% Senior Notes, such redemption occurs on or after July 15, 2022, in which case no such make-whole premium will apply. At December 31, 2014, the aggregate outstanding principal amount of the 2.5% Senior Notes and the 3.8% Senior Notes was \$750 million each.

**ADDCL Credit Facilities**—ADDCL had a senior secured credit facility, comprised of Tranche A for \$215 million and Tranche C for \$399 million, established under a bank credit agreement dated June 2, 2008 that was scheduled to expire in December 2017 (the “ADDCL Primary Loan Facility”). Unaffiliated financial institutions provided the commitment for and borrowings under Tranche A, and one of our subsidiaries provided the commitment for Tranche C. ADDCL also had a \$90 million secondary credit facility, established under a bank credit agreement dated June 2, 2008 that was scheduled to expire in December 2015 (the “ADDCL Secondary Loan Facility” and together with the ADDCL Primary Loan Facility, the “ADDCL Credit Facilities”). One of our subsidiaries provided 65 percent of the total commitment under the ADDCL Secondary Loan Facility. At December 31, 2013, borrowings of \$534 million and \$80 million were outstanding under the ADDCL Primary Loan Facility and the ADDCL Secondary Loan Facility, respectively, of which \$399 million and \$52 million, respectively, were provided by one of our subsidiaries and were eliminated in consolidation. In February 2014, we repaid the outstanding borrowings under the ADDCL Credit Facilities and terminated the bank credit agreements under which the credit facilities were established.

**TRANSOCEAN LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued**

ADDCL was required to maintain certain cash balances in restricted accounts for the payment of the scheduled installments on the ADDCL Credit Facilities. At December 31, 2013, ADDCL had restricted cash investments of \$20 million. The restricted cash investments were released as a result of our repayment of borrowings under the ADDCL Credit Facilities.

**Eksportfinans Loans**—We have borrowings under the Loan Agreement dated September 12, 2008 (“Eksportfinans Loan A”) and under the Loan Agreement dated November 18, 2008 (“Eksportfinans Loan B,” and together with Eksportfinans Loan A, the “Eksportfinans Loans”). The Eksportfinans Loans bear interest at a fixed rate of 4.15 percent and require semi-annual installments of principal and interest through September 2017 and January 2018 for Eksportfinans Loan A and Eksportfinans Loan B, respectively. At December 31, 2014 and 2013, the aggregate principal amount outstanding under the Eksportfinans Loans was NOK 2.8 billion and NOK 3.6 billion, equivalent to approximately \$370 million and \$594 million, respectively.

The Eksportfinans Loans require collateral to be held by a financial institution through expiration (the “Eksportfinans Restricted Cash Investments”). The Eksportfinans Restricted Cash Investments bear interest at a fixed rate of 4.15 percent with semi-annual installments that correspond with those of the Eksportfinans Loans. At December 31, 2014 and 2013, the aggregate principal amount of the Eksportfinans Restricted Cash Investments was NOK 2.8 billion and NOK 3.6 billion, equivalent to approximately \$370 million and \$594 million, respectively.

**7.375% Senior Notes**—In March 2002, we issued \$247 million principal amount of our 7.375% Senior Notes due April 2018 (the “7.375% Senior Notes”). The indenture pursuant to which the 7.375% Senior Notes were issued contains restrictions on creating liens, engaging in sale/leaseback transactions and engaging in merger, consolidation or reorganization transactions. At December 31, 2014, the aggregate outstanding principal amount of the 7.375% Senior Notes was \$246 million.

**TPDI Notes**—We previously issued promissory notes (the “TPDI Notes”), which were payable to our former partner and TPDI’s former other shareholder with maturities through October 2019. On May 31, 2012, we extinguished the aggregate principal amount of \$148 million and accrued and unpaid interest of \$16 million associated with the TPDI Notes with a corresponding adjustment to additional paid-in capital. See Note 16—Noncontrolling Interest.

**7.45% Notes and 8% Debentures**—In April 1997, a predecessor of Transocean Inc. issued \$100 million aggregate principal amount of 7.45% Notes due April 2027 (the “7.45% Notes”) and \$200 million aggregate principal amount of 8% Debentures due April 2027 (the “8% Debentures”). The indenture pursuant to which the 7.45% Notes and the 8% Debentures were issued contains restrictions on creating liens, engaging in sale/leaseback transactions and engaging in merger, consolidation or reorganization transactions. The 7.45% Notes and the 8% Debentures are redeemable at any time at our option subject to a make-whole premium. At December 31, 2014, the aggregate outstanding principal amount of the 7.45% Notes and the 8% Debentures was \$100 million and \$57 million, respectively.

**Capital lease contract**—In August 2009, we accepted delivery of *Petrobras 10000*, an asset held under capital lease, and we recorded \$716 million to property and equipment, net and a corresponding increase to long-term debt. The capital lease contract has an implicit interest rate of 7.8 percent and requires scheduled monthly payments of \$6 million through August 2029, after which we will have the right and obligation to acquire the drillship from the lessor for one dollar. See Note 15—Commitments and Contingencies.

**7.5% Notes**—In April 2001, we issued \$600 million aggregate principal amount of 7.5% Notes due April 2031 (the “7.5% Notes”). The indenture pursuant to which the notes were issued contains restrictions on creating liens, engaging in sale/leaseback transactions and engaging in merger, consolidation or reorganization transactions. At December 31, 2014, the aggregate outstanding principal amount of the 7.5% Notes was \$600 million.

**1.50% Series C Convertible Senior Notes**—In December 2007, we issued \$2.2 billion aggregate principal amount of the 1.50% Series C Convertible Senior Notes due December 2037 (the “Convertible Senior Notes”). On December 14, 2012, holders of the Series C Convertible Senior Notes had the option to require us to repurchase all or any part of such holders’ notes. As a result of certain holders exercising the options, we were required to repurchase an aggregate principal amount of \$1.7 billion of the Series C Convertible Senior Notes for an aggregate cash payment of \$1.7 billion. In February 2013, we redeemed the remaining \$62 million aggregate principal amount of the Series C Convertible Senior Notes for an aggregate cash payment of \$62 million.

In the year ended December 31, 2013, interest expense for our Convertible Senior Notes, excluding amortization of debt issue costs, was less than \$1 million. In the year ended December 31, 2012, interest expense for our Convertible Senior Notes, excluding amortization of debt issue costs, was \$84 million.

**TRANSOCEAN LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued**

**Note 13—Derivatives and Hedging**

**Derivatives designated as hedging instruments**—During the year ended December 31, 2014, we entered into interest rate swaps, which are designated and qualify as a fair value hedge, to reduce our exposure to changes in the fair value of the 6.0% Senior Notes due March 2018 and the 6.5% Senior Notes due November 2020. The interest rate swaps have aggregate notional amounts equal to the corresponding face values of the hedged instruments and have stated maturities that coincide with those of the hedged instruments. We have determined that the hedging relationships qualify for, and we have applied, the shortcut method of accounting under which the interest rate swaps are considered to have no ineffectiveness and no ongoing assessment of effectiveness is required. Accordingly, changes in the fair value of the interest rate swaps recognized in interest expense offset the changes in the fair value of the hedged fixed-rate notes.

We had interest rate swaps, which were designated and qualified as fair value hedges, to reduce our exposure to changes in the fair values of the 5% Notes due February 2013, the 5.25% Senior Notes due March 2013 and the 4.95% Senior Notes due November 2015. In February and March 2013, the interest rate swaps designated as hedges of the 5% Notes and the 5.25% Senior Notes, respectively, expired. In June 2012, we terminated the interest rate swaps designated as hedges of the 4.95% Senior Notes due November 2015 and, in the year ended December 31, 2012, we received an aggregate net cash payment of \$23 million.

We also had interest rate swaps, which were designated and qualified as a cash flow hedge, to reduce the variability of cash interest payments associated with the variable-rate borrowings under the TPDI Credit Facilities. In June 2013, we repaid the borrowings under the TPDI Credit Facilities, and we terminated these interest rate swaps. In connection with the termination, we made a net cash payment of \$22 million, and we reclassified \$9 million from accumulated other comprehensive loss to other expense, net.

Additionally, we had cross-currency interest rate swaps, which were designated and qualified as a cash flow hedge, to reduce the variability of cash interest payments and the final cash principal payment associated with the 11% Callable Bonds resulting from the changes in the U.S. dollar to Norwegian krone exchange rate. In March 2013, in connection with our redemption of the 11% Callable Bonds, we terminated these cross-currency interest rate swaps and the related security agreement with respect to the Harsh Environment Ultra-Deepwater Floaters *Transocean Spitsbergen* and *Transocean Barents*. As a result of the termination, we made a cash payment of \$128 million and received a cash payment of NOK 705 million, which we applied to the redemption of the 11% Callable Bonds, and we reclassified \$5 million from accumulated other comprehensive loss to other expense, net.

At December 31, 2014, the aggregate notional amounts and the weighted average interest rates associated with our derivatives designated as hedging instruments were as follows (in millions, except weighted average rates):

	Pay			Receive		
	Aggregate notional amount	Fixed or variable rate	Weighted average rate	Aggregate notional amount	Fixed or variable rate	Weighted average rate
Interest rate swaps, fair value hedge	\$ 1,500	Variable	4.66%	\$ 1,500	Fixed	6.25%

The effect on our consolidated statements of operations resulting from changes in the fair values of derivatives designated as cash flow hedges was as follows (in millions):

	Statement of operations classification	Years ended December 31,		
		2014	2013	2012
Loss associated with effective portion	Interest expense, net of amounts capitalized	\$ —	\$ (4)	\$ (5)
Gain associated with effective portion	Other, net	—	—	6
Loss associated with terminations	Other, net	—	(14)	—

The balance sheet classification and aggregate carrying amount of our derivatives designated as hedging instruments, measured at fair value, were as follows (in millions):

	Balance sheet classification	December 31,	
		2014	2013
Interest rate swaps, fair value hedges	Other current assets	\$ 4	\$ —
Interest rate swaps, fair value hedges	Other assets	11	—



**TRANSOCEAN LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued**

**Note 14—Postemployment Benefit Plans**

**Defined benefit pension plans and other postretirement employee benefit plans**

**Overview**—We maintain a single qualified defined benefit pension plan in the U.S. (the “U.S. Plan”) covering substantially all U.S. employees. We also maintain a funded supplemental benefit plan (the “Supplemental Plan”) that offers benefits to certain employees that are ineligible for benefits under the U.S. Plan and two unfunded supplemental benefit plans (the “Other Supplemental Plans”) that provide certain eligible employees with benefits in excess of those allowed under the U.S. Plan. Additionally, we maintain two funded and two unfunded defined benefit plans (collectively, the “Frozen Plans”) that we assumed in connection with our mergers with GlobalSantaFe and R&B Falcon Corporation, all of which were frozen prior to the respective mergers and for which benefits no longer accrue but the pension obligations have not been fully distributed. We refer to the U.S. Plan, the Supplemental Plan, the Other Supplemental Plans and the Frozen Plans, collectively, as the “U.S. Plans.”

We maintain a defined benefit plan in the U.K. (the “U.K. Plan”) covering certain current and former employees in the U.K. We also provide seven funded defined benefit plans, primarily group pension schemes with life insurance companies, three of which we assumed in connection with our acquisition of Aker Drilling, and two unfunded plans covering our eligible Norway employees and former employees (the “Norway Plans”). We also maintain unfunded defined benefit plans (the “Other Plans”) that provide retirement and severance benefits for certain of our Indonesian, Nigerian and Egyptian employees. We refer to the U.K. Plan, the Norway Plans and the Other Plans, collectively, as the “Non-U.S. Plans.”

We refer to the U.S. Plans and the Non-U.S. Plans, collectively, as the “Transocean Plans”. Additionally, we have several unfunded contributory and noncontributory other postretirement employee benefit plans (the “OPEB Plans”) covering substantially all of our U.S. employees.

In June 2014, we committed to freeze benefits of our qualified defined benefit pension plan in the U.S., which covers substantially all U.S. employees, and one of our unfunded supplemental benefit plans. In September and December 2014, we recognized settlement and curtailment charges for two of our unfunded defined benefit plans in Nigeria and Egypt associated with certain employee terminations.

In October 2014, the Society of Actuaries released new actuarial tables for applying mortality rate assumptions to measure the obligations for qualified defined benefit pension plans. We have applied the new actuarial tables in connection with measuring the funded status of our pension plans as of December 31, 2014, and such application resulted in an increase of \$121 million to our measured liability.

**Assumptions**—We estimated our benefit obligations using the following weighted-average assumptions:

	December 31, 2014			December 31, 2013		
	U.S. Plans	Non-U.S. Plans	OPEB Plans	U.S. Plans	Non-U.S. Plans	OPEB Plans
Discount rate	4.15 %	3.13 %	3.86 %	5.01 %	4.92 %	4.54 %
Compensation trend rate	3.82 %	3.72 %	n/a	4.24 %	4.57 %	n/a

We estimated our net periodic benefit costs using the following weighted-average assumptions:

	Year ended December 31, 2014			Year ended December 31, 2013			Year ended December 31, 2012		
	U.S. Plans	Non-U.S. Plans	OPEB Plans	U.S. Plans	Non-U.S. Plans	OPEB Plans	U.S. Plans	Non-U.S. Plans	OPEB Plans
Discount rate	5.04 %	4.41 %	4.54 %	4.19 %	5.13 %	3.39 %	4.67 %	5.43 %	4.27 %
Expected rate of return	7.18 %	6.07 %	n/a	7.48 %	5.79 %	n/a	7.47 %	6.07 %	n/a
Compensation trend rate	4.13 %	4.25 %	n/a	4.22 %	4.21 %	n/a	4.22 %	4.61 %	n/a
Health care cost trend rate									
-initial	n/a	n/a	7.81 %	n/a	n/a	8.07 %	n/a	n/a	8.08 %
-ultimate	n/a	n/a	5.00 %	n/a	n/a	5.00 %	n/a	n/a	5.00 %
-ultimate year	n/a	n/a	2020	n/a	n/a	2020	n/a	n/a	2019

“n/a” means not applicable.



**TRANSOCEAN LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued**

**Funded status**—The changes in projected benefit obligation, plan assets and funded status and the amounts recognized on our consolidated balance sheets were as follows (in millions):

	Year ended December 31, 2014				Year ended December 31, 2013			
	U.S. Plans	Non-U.S. Plans	OPEB Plans	Total	U.S. Plans	Non-U.S. Plans	OPEB Plans	Total
<b>Change in projected benefit obligation</b>								
Projected benefit obligation, beginning of period	\$ 1,380	\$ 573	\$ 53	\$ 2,006	\$ 1,452	\$ 499	\$ 58	\$ 2,009
Actuarial (gains) losses, net	343	103	5	451	(147)	55	(7)	(99)
Service cost	39	29	1	69	55	27	1	83
Interest cost	64	27	2	93	63	25	2	90
Currency exchange rate changes	—	(57)	—	(57)	—	(11)	—	(11)
Benefits paid	(48)	(48)	(4)	(100)	(45)	(28)	(3)	(76)
Participant contributions	—	1	2	3	—	2	2	4
Special termination benefits	1	—	—	1	1	—	—	1
Settlements and curtailments	(187)	1	—	(186)	1	4	—	5
Projected benefit obligation, end of period	<u>1,592</u>	<u>629</u>	<u>59</u>	<u>2,280</u>	<u>1,380</u>	<u>573</u>	<u>53</u>	<u>2,006</u>
<b>Change in plan assets</b>								
Fair value of plan assets, beginning of period	1,116	481	—	1,597	948	422	—	1,370
Actual return on plan assets	160	37	—	197	149	45	—	194
Currency exchange rate changes	—	(39)	—	(39)	—	(10)	—	(10)
Employer contributions	43	56	2	101	64	50	1	115
Participant contributions	—	1	2	3	—	2	2	4
Benefits paid	(48)	(48)	(4)	(100)	(45)	(28)	(3)	(76)
Fair value of plan assets, end of period	<u>1,271</u>	<u>488</u>	<u>—</u>	<u>1,759</u>	<u>1,116</u>	<u>481</u>	<u>—</u>	<u>1,597</u>
Funded status, end of period	<u>\$ (321)</u>	<u>\$ (141)</u>	<u>\$ (59)</u>	<u>\$ (521)</u>	<u>\$ (264)</u>	<u>\$ (92)</u>	<u>\$ (53)</u>	<u>\$ (409)</u>

**Balance sheet classification, end of period:**

Pension asset, non-current	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 8	\$ —	\$ 8
Accrued pension liability, current	(3)	—	(4)	(7)	(2)	(23)	(4)	(29)
Accrued pension liability, non-current	(318)	(141)	(55)	(514)	(262)	(77)	(49)	(388)
Accumulated other comprehensive income (loss) (a)	(261)	(199)	(4)	(464)	(198)	(114)	1	(311)

(a) Amounts are before income tax effect.

The aggregate projected benefit obligation and fair value of plan assets for plans with a projected benefit obligation in excess of plan assets were as follows (in millions):

	December 31, 2014				December 31, 2013			
	U.S. Plans	Non-U.S. Plans	OPEB Plans	Total	U.S. Plans	Non-U.S. Plans	OPEB Plans	Total
Projected benefit obligation	\$ 1,592	\$ 629	\$ 59	\$ 2,280	\$ 1,380	\$ 573	\$ 53	\$ 2,006
Fair value of plan assets	1,271	488	—	1,759	1,116	481	—	1,597

The accumulated benefit obligation for all defined benefit pension plans was \$2.1 billion and \$1.7 billion at December 31, 2014 and 2013, respectively. The aggregate accumulated benefit obligation and fair value of plan assets for plans with an accumulated benefit obligation in excess of plan assets were as follows (in millions):

	December 31, 2014				December 31, 2013			
	U.S. Plans	Non-U.S. Plans	OPEB Plans	Total	U.S. Plans	Non-U.S. Plans	OPEB Plans	Total
Accumulated benefit obligation	\$ 1,588	\$ 553	\$ 59	\$ 2,200	\$ 1,210	\$ 374	\$ 53	\$ 1,637
Fair value of plan assets	1,271	488	—	1,759	1,116	351	—	1,467

**Plan assets**—We periodically review our investment policies, plan assets and asset allocation strategies to evaluate performance relative to specified objectives. In determining our asset allocation strategies for the U.S. Plans, we review the results of regression models to assess the most appropriate target allocation for each plan, given the plan's status, demographics and duration. For the U.K. Plans, the plan trustees establish the asset allocation strategies consistent with the regulations of the U.K. pension regulators and

**TRANSOCEAN LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued**

in consultation with financial advisors and company representatives. Investment managers for the U.S. Plans and the U.K. Plan are given established ranges within which the investments may deviate from the target allocations. For the Norway Plans, we establish minimum rates of return under the terms of investment contracts with insurance companies.

As of December 31, 2014 and 2013, the weighted-average target and actual allocations of the investments for our funded Transocean Plans were as follows:

	December 31, 2014				December 31, 2013			
	Target allocation		Actual allocation		Target allocation		Actual allocation	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
Equity securities	50 %	53 %	49 %	52 %	63%	51%	68%	53%
Fixed income securities	50 %	15 %	51 %	19 %	37%	15%	32%	17%
Other investments	—	32 %	—	29 %	—	34%	—	30%
Total	100 %	100 %	100 %	100 %	100%	100%	100%	100%

As of December 31, 2014, the investments for our funded Transocean Plans were categorized as follows (in millions):

	December 31, 2014								
	Significant observable inputs			Significant other observable inputs			Total		
	U.S. Plans	Non-U.S. Plans	Transocean Plans	U.S. Plans	Non-U.S. Plans	Transocean Plans	U.S. Plans	Non-U.S. Plans	Transocean Plans
<b>Mutual funds</b>									
U.S. equity funds	\$ 500	\$ —	\$ 500	\$ —	\$ 43	\$ 43	\$ 500	\$ 43	\$ 543
Non-U.S. equity funds	113	—	113	3	211	214	116	211	327
Bond funds	651	—	651	—	94	94	651	94	745
Total mutual funds	1,264	—	1,264	3	348	351	1,267	348	1,615
<b>Other investments</b>									
Cash and money market funds	4	3	7	—	—	—	4	3	7
Property collective trusts	—	—	—	—	19	19	—	19	19
Investment contracts	—	—	—	—	118	118	—	118	118
Total other investments	4	3	7	—	137	137	4	140	144
<b>Total investments</b>	<b>\$ 1,268</b>	<b>\$ 3</b>	<b>\$ 1,271</b>	<b>\$ 3</b>	<b>\$ 485</b>	<b>\$ 488</b>	<b>\$ 1,271</b>	<b>\$ 488</b>	<b>\$ 1,759</b>

As of December 31, 2013, the investments for our funded Transocean Plans were categorized as follows (in millions):

	December 31, 2013								
	Significant observable inputs			Significant other observable inputs			Total		
	U.S. Plans	Non-U.S. Plans	Transocean Plans	U.S. Plans	Non-U.S. Plans	Transocean Plans	U.S. Plans	Non-U.S. Plans	Transocean Plans
<b>Mutual funds</b>									
U.S. equity funds	\$ 610	\$ —	\$ 610	\$ —	\$ 43	\$ 43	\$ 610	\$ 43	\$ 653
Non-U.S. equity funds	141	—	141	3	209	212	144	209	353
Bond funds	357	—	357	—	83	83	357	83	440
Total mutual funds	1,108	—	1,108	3	335	338	1,111	335	1,446
<b>Other investments</b>									
Cash and money market funds	5	1	6	—	—	—	5	1	6
Property collective trusts	—	—	—	—	15	15	—	15	15
Investment contracts	—	—	—	—	130	130	—	130	130
Total other investments	5	1	6	—	145	145	5	146	151
<b>Total investments</b>	<b>\$ 1,113</b>	<b>\$ 1</b>	<b>\$ 1,114</b>	<b>\$ 3</b>	<b>\$ 480</b>	<b>\$ 483</b>	<b>\$ 1,116</b>	<b>\$ 481</b>	<b>\$ 1,597</b>

The U.S. Plans and the U.K. Plan invest primarily in passively managed funds that reference market indices. The funded Norway Plans are subject to contractual terms under selected insurance programs. Each plan's investment managers have discretion to select the securities held within each asset category. Given this discretion, the managers may occasionally invest in our debt or equity

**TRANSOCEAN LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued**

securities, and may hold either long or short positions in such securities. As the plan investment managers are required to maintain well diversified portfolios, the actual investment in our securities would be immaterial relative to asset categories and the overall plan assets.

**Net periodic benefit costs**—Net periodic benefit costs, before tax, included the following components (in millions):

	Year ended December 31, 2014			Year ended December 31, 2013			Year ended December 31, 2012		
	U.S. Plans	Non-U.S. Plans	Transocean Plans	U.S. Plans	Non-U.S. Plans	Transocean Plans	U.S. Plans	Non-U.S. Plans	Transocean Plans
Service cost	\$ 39	\$ 29	\$ 68	\$ 55	\$ 27	\$ 82	\$ 49	\$ 31	\$ 80
Interest cost	64	27	91	63	25	88	59	24	83
Expected return on plan assets	(75)	(28)	(103)	(70)	(25)	(95)	(62)	(22)	(84)
Settlements and curtailments	(7)	3	(4)	2	3	5	3	19	22
Special termination benefits	—	—	—	1	—	1	1	—	1
Actuarial losses, net	17	5	22	45	3	48	41	4	45
Prior service cost, net	(1)	—	(1)	(1)	1	—	(2)	1	(1)
Net periodic benefit costs	<u>\$ 37</u>	<u>\$ 36</u>	<u>\$ 73</u>	<u>\$ 95</u>	<u>\$ 34</u>	<u>\$ 129</u>	<u>\$ 89</u>	<u>\$ 57</u>	<u>\$ 146</u>

For the OPEB Plans, the combined components of net periodic benefit costs, including service cost, interest cost, recognized net actuarial losses, prior service cost amortization and special termination benefits were \$2 million, \$3 million and \$3 million in the years ended December 31, 2014, 2013 and 2012, respectively.

The following table presents the amounts in accumulated other comprehensive income, before tax, that have not been recognized as components of net periodic benefit costs (in millions):

	December 31, 2014				December 31, 2013			
	U.S. Plans	Non-U.S. Plans	OPEB Plans	Total	U.S. Plans	Non-U.S. Plans	OPEB Plans	Total
Actuarial loss, net	\$ 261	\$ 199	\$ 5	\$ 465	\$ 205	\$ 116	\$ 1	\$ 322
Prior service cost, net	—	—	(1)	(1)	(7)	—	(2)	(9)
Transition obligation, net	—	—	—	—	—	(2)	—	(2)
Total	<u>\$ 261</u>	<u>\$ 199</u>	<u>\$ 4</u>	<u>\$ 464</u>	<u>\$ 198</u>	<u>\$ 114</u>	<u>\$ (1)</u>	<u>\$ 311</u>

The following table presents the amounts in accumulated other comprehensive income expected to be recognized as components of net periodic benefit costs during the year ending December 31, 2015 (in millions):

	Year ending December 31, 2015			
	U.S. Plans	Non-U.S. Plans	OPEB Plans	Total
Actuarial loss, net	\$ 28	\$ 10	\$ —	\$ 38
Prior service cost, net	—	—	—	—
Transition obligation, net	—	—	—	—
Total amount expected to be recognized	<u>\$ 28</u>	<u>\$ 10</u>	<u>\$ —</u>	<u>\$ 38</u>

**Funding contributions**—In the years ended December 31, 2014, 2013 and 2012, we contributed \$101 million, \$115 million and \$159 million, respectively, to the Transocean Plans and the OPEB Plans using our cash flows from operations. For the year ending December 31, 2015, we expect to contribute \$29 million to the Transocean Plans, and we expect to fund benefit payments of approximately \$4 million for the OPEB Plans as costs are incurred.

**Benefit payments**—The following were the projected benefits payments (in millions):

	U.S. Plans	Non-U.S. Plans	OPEB Plans	Total
<b>Years ending December 31,</b>				
2015	\$ 53	\$ 7	\$ 4	\$ 64
2016	57	9	4	70
2017	61	11	4	76
2018	65	11	4	80
2019	69	12	4	85
2020-2024	395	96	20	511

**TRANSOCEAN LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued**

**Defined contribution plans**

At December 31, 2014, we sponsored two defined contribution plans, including (1) one qualified defined contribution savings plan covering certain employees working in the U.S. (the “U.S. Savings Plan”) and (2) one defined contribution savings plan covering certain employees working outside the U.S. (the “Non-U.S. Savings Plan”). In the years ended December 31, 2014, 2013 and 2012, we recognized expense of \$84 million, \$88 million and \$85 million, respectively, related to our defined contribution plans.

For the U.S. Savings Plan, we make a matching contribution of up to 6.0 percent of each participant’s base salary based on the participant’s contribution to the plan. Effective January 1, 2015, we will make a matching contribution of up to 10.0 percent of each participant’s base salary based on the participant’s contribution to the plan. Also, effective January 1, 2015, we have established a supplemental defined contribution plan that provides certain eligible employees with benefits in excess of those allowed under the U.S. Savings Plan.

For the Non-U.S. Savings Plan, in addition to a matching contribution of up to 6.0 percent of each participant’s base salary based on the participant’s contribution to the plans, we contribute between 4.5 percent and 6.5 percent of each participant’s base salary, based on the participant’s years of eligible service.

**Note 15—Commitments and Contingencies**

**Lease obligations**

We have operating lease obligations expiring at various dates, principally for real estate, office space and office equipment. In the years ended December 31, 2014, 2013 and 2012, our rental expense for all operating leases, including operating leases with terms of less than one year, was approximately \$95 million, \$128 million and \$97 million, respectively.

We also have a capital lease obligation, which is due to expire in August 2029. In each of the years ended December 31, 2014, 2013 and 2012, depreciation expense associated with *Petrobras 10000*, the asset held under capital lease, was \$21 million, \$20 million and \$20 million, respectively. At December 31, 2014 and 2013, the aggregate carrying amount of this asset held under capital lease was as follows (in millions):

	December 31,	
	2014	2013
Property and equipment, cost	\$ 780	\$ 752
Accumulated depreciation	(105 )	(84 )
Property and equipment, net	<u>\$ 675</u>	<u>\$ 668</u>

As of December 31, 2014, the aggregate future minimum rental payments related to our non-cancellable operating leases and the capital lease were as follows (in millions):

	Capital lease	Operating leases
<b>Years ending December 31,</b>		
2015	\$ 65	\$ 23
2016	71	20
2017	72	10
2018	72	8
2019	72	7
Thereafter	694	62
Total future minimum rental payment	1,046	<u>\$ 130</u>
Less amount representing imputed interest	(431 )	
Present value of future minimum rental payments under capital leases	615	
Less current portion included in debt due within one year	(21 )	
Long-term capital lease obligation	<u>\$ 594</u>	

**TRANSOCEAN LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued**

**Purchase obligations**

At December 31, 2014, the aggregate future payments required under our purchase obligations, primarily related to our newbuild construction programs, were as follows (in millions):

Years ending December 31,	Purchase obligations
2015	\$ 1,439
2016	1,355
2017	928
2018	851
Total	<u>\$ 4,573</u>

**Macondo well incident settlement obligations**

**Overview**—On April 22, 2010, the Ultra-Deepwater Floater *Deepwater Horizon* sank after a blowout of the Macondo well caused a fire and explosion on the rig. Eleven persons were declared dead and others were injured as a result of the incident. At the time of the explosion, *Deepwater Horizon* was located approximately 41 miles off the coast of Louisiana in Mississippi Canyon Block 252 and was contracted to an affiliate of BP plc. (together with its affiliates, “BP”).

On January 3, 2013, we reached an agreement with the U.S. Department of Justice (“DOJ”) to resolve certain outstanding civil and potential criminal charges against us arising from the Macondo well incident. As part of this resolution, we agreed to a guilty plea (“Plea Agreement”) and a civil consent decree (“Consent Decree”) by which, among other things, we agreed to pay \$1.4 billion in fines, recoveries and civil penalties, excluding interest, in scheduled payments through February 2017. On February 25, 2013, we and the U.S. Environmental Protection Agency (“EPA”) entered into an administrative agreement (the “EPA Agreement”), which resolved all matters relating to suspension, debarment and statutory disqualification arising from the Plea Agreement. We agreed that payments made pursuant to the Plea Agreement or the Consent Decree are not deductible for tax purposes and that payments made pursuant to the Consent Decree are not to be used as a basis for indemnity or reimbursement from BP or other non-insurer defendants named in the complaint by the U.S.

**Plea Agreement**—Pursuant to the Plea Agreement, which was accepted by the court on February 14, 2013, one of our subsidiaries pled guilty to one misdemeanor count of negligently discharging oil into the U.S. Gulf of Mexico, in violation of the Clean Water Act (“CWA”) and agreed to be subject to probation through February 2018.

We also agreed to pay a criminal fine of \$100 million and to consent to the entry of an order requiring us to pay a total of \$150 million to the National Fish & Wildlife Foundation and \$150 million to the National Academy of Sciences. In the year ended December 31, 2014, we made an aggregate cash payment of \$60 million in satisfaction of amounts due under the Plea Agreement, including \$53 million to the National Fish and Wildlife Foundation and \$7 million to the National Academy of Sciences. In the year ended December 31, 2013, we made an aggregate cash payment of \$160 million in satisfaction of amounts due under the Plea Agreement, including \$100 million for the payment of the criminal fine, \$58 million for the initial payment to the National Fish and Wildlife Foundation and \$2 million for the initial payment to the National Academy of Sciences.

The DOJ agreed, subject to the provisions of the Plea Agreement, not to further prosecute us for certain conduct generally regarding matters under investigation by the DOJ’s *Deepwater Horizon* Task Force. In addition, we agreed to continue to cooperate with the *Deepwater Horizon* Task Force in any ongoing investigation related to or arising from the accident.

**Consent Decree**—Pursuant to the Consent Decree, which was approved by the court on February 19, 2013, we agreed to pay \$1.0 billion in civil penalties, excluding interest. In the years ended December 31, 2014 and 2013, we paid \$412 million and \$404 million, respectively, including interest at a rate of 2.15 percent, in satisfaction of amounts due under the Consent Decree. See Note 27—Subsequent Events.

We also agreed to take specified actions relating to operations in U.S. waters. Such actions include, among other things, the design and implementation of, and compliance with, additional systems and procedures; blowout preventer certification and reports; measures to strengthen well control competencies, drilling monitoring, recordkeeping, incident reporting, risk management and oil spill training, exercises and response planning; communication with operators; alarm systems; transparency and responsibility for matters relating to the Consent Decree; and technology innovation, with a primary emphasis on blowout preventers. The Consent Decree requires the submission of certain plans, reports and submissions acceptable to the U.S. and also requires certain publicly available filings. One of the required plans is a performance plan (the “Performance Plan”) that contains, among other things, interim milestones for actions in specified areas and schedules for reports required under the Consent Decree. On January 2, 2014, the DOJ approved our proposed Performance Plan.

The Consent Decree also provides for the appointment of (i) an independent auditor to review, audit and report on our compliance with the injunctive provisions of the Consent Decree and (ii) an independent process safety consultant to review, report on and assist with the process safety aspects of the Consent Decree, including operational risk identification and risk management. On March 31,

**TRANSOCEAN LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued**

2014, the DOJ approved the appointment of Labyrinth Group to act as the independent auditor. On May 12, 2014, the DOJ approved the appointment of Mr. Malcolm Sharples as the independent process safety consultant.

Under the terms of the Consent Decree, the U.S. agreed not to sue Transocean Ltd., certain of our subsidiaries and certain related individuals for civil or administrative penalties for the Macondo well incident under specified provisions of the CWA, the Outer Continental Shelf Lands Act (“OCSLA”), the Endangered Species Act, the Marine Mammal Protection Act, the National Marine Sanctuaries Act, the federal Oil and Gas Royalty Management Act, the Comprehensive Environmental Response, Compensation and Liability Act (“CERCLA”), the Emergency Planning and Community Right-to-Know Act (“EPCRA”) and the Clean Air Act. In addition, the Consent Decree resolved our appeal of the incidents of noncompliance under the OCSLA issued by the Bureau of Safety and Environmental Enforcement on October 12, 2011 without any admission of liability by us, and we subsequently dismissed our appeal.

We may request termination of the Consent Decree after we have: (i) completed timely the civil penalty payment requirements of the Consent Decree; (ii) operated under the approved Performance Plan through the five-year performance period ending January 2, 2019; (iii) complied with the terms of the Performance Plan and certain provisions of the Consent Decree, generally relating to a framework and outline of measures to improve performance, for at least 12 consecutive months prior to seeking termination; and (iv) complied with the other requirements of the Consent Decree, including payment of any stipulated penalties and compliance reporting.

**EPA Agreement**—On February 25, 2013, we and the EPA entered into the EPA Agreement which has a five-year term. Subject to our compliance with the terms of the EPA Agreement, the EPA agreed that it will not suspend, debar or statutorily disqualify us and will lift any existing suspension, debarment or statutory disqualification. In the EPA Agreement, we agreed to, among other things, (i) comply with our obligations under the Plea Agreement and the Consent Decree; (ii) continue the implementation of certain programs and systems, including the scheduled revision of our environmental management system and maintenance of certain compliance and ethics programs; (iii) comply with certain employment and contracting procedures; (iv) engage an independent compliance auditor to, among other things, assess and report to the EPA on our compliance with the terms of the Plea Agreement, the Consent Decree and the EPA Agreement; and (v) give reports and notices with respect to various matters, including those relating to compliance, misconduct, legal proceedings, audit reports, the EPA Agreement, the Consent Decree and the Plea Agreement. Subject to certain exceptions, the EPA Agreement prohibits us from entering into, extending or engaging in certain business relationships with individuals or entities that are debarred, suspended, proposed for debarment or similarly restricted.

**Future settlement obligation payments**—At December 31, 2014, the aggregate future payments required under our outstanding settlement obligations under the Plea Agreement and the Consent Decree, excluding interest, were as follows (in millions):

	<u>Plea Agreement</u>	<u>Consent Decree</u>	<u>Settlement obligations</u>
<b>Years ending December 31,</b>			
2015	60	200	260
2016	60	—	60
2017	60	—	60
Total settlement obligations	<u>\$ 180</u>	<u>\$ 200</u>	<u>\$ 380</u>

**Macondo well incident contingencies**

**Overview**—We have recognized a liability for estimated loss contingencies associated with litigation and investigations resulting from the incident that we believe are probable and for which a reasonable estimate can be made. At December 31, 2014 and 2013, the liability for estimated loss contingencies that we believe are probable and for which a reasonable estimate can be made was \$426 million and \$464 million, respectively, recorded in other current liabilities. The litigation and investigations also give rise to certain loss contingencies that we believe are either reasonably possible or probable but for which we do not believe a reasonable estimate can be made. Although we have not recognized a liability for such loss contingencies, these contingencies could result in liabilities that we ultimately recognize.

We have also recognized an asset associated with the portion of our estimated losses, primarily related to the personal injury and fatality claims of our crew and vendors, that we believe is probable of recovery from insurance. At December 31, 2014 and 2013, the insurance recoverable asset was \$10 million, recorded in other assets. Although we have available policy limits that could result in additional amounts recoverable from insurance, recovery of such additional amounts is not probable and we are not currently able to estimate such amounts (see “—Insurance coverage”). Our estimates involve a significant amount of judgment. As a result of new information or future developments, we may increase our estimated loss contingencies arising out of the Macondo well incident or reduce our estimated recoveries from insurance, and the resulting losses could have a material adverse effect on our consolidated statement of financial position, results of operations or cash flows.

**Multidistrict litigation proceeding**—Most of the Macondo well related claims have been consolidated by the U.S. Judicial Panel on Multidistrict Litigation and transferred to the U.S. District Court for the Eastern District of Louisiana (the “MDL Court”) for pretrial purposes if they were not filed originally in that court. These claims include, *inter alia*, claims by private parties represented by the Plaintiffs’ Steering Committee (the “PSC”), claims by state and local governments, and the claims of the U.S. As of December 31, 2014, the MDL Court has completed two phases of a trial, and additional litigation is ongoing.



**TRANSOCEAN LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued**

*Phase One trial*—The MDL Court held the Phase One trial between February and April 2013, and entered its Findings of Fact and Conclusions of Law (the “Phase One Ruling”) on September 4, 2014. The trial addressed the claims, cross claims, and counter-claims asserted in our petition to limit liability under the Limitation of Liability Act and the claims asserted by the DOJ in its civil complaint against various defendants. The trial focused on fault issues, including negligence and gross negligence; other bases of liability of the various defendants with respect to the cause of the blowout and the initiation of the oil spill; and fault allocation among the defendants. The Phase One Ruling concluded that BP was grossly negligent and reckless and 67 percent at fault for the blowout, explosion, and spill; that Transocean was negligent and 30 percent at fault; and that Halliburton Company (“Halliburton”) was negligent and three percent at fault.

The finding that Transocean was negligent, but not grossly negligent, means that we are not liable for punitive damages. Because the MDL Court found we were not grossly negligent, it concluded that BP’s contractual agreement to indemnify us for compensatory damages caused by pollution that did not originate on or above the surface of the water is valid and enforceable. The MDL Court also ruled that BP’s contractual agreement to release its own claims against us is valid and enforceable. This release bars the PSC from pursuing claims that have purportedly been assigned to it by BP in a settlement reached between BP and the PSC prior to the Phase One trial (see “—Impact of the BP/PSC settlement on pending claims.”).

The MDL Court’s rulings include a number of Transocean-specific findings and conclusions. The MDL Court found that the *Deepwater Horizon*’s crew was negligent in its conduct of a negative pressure test, which was intended, among other things, to test the integrity of the cement in the well, and in certain well control decisions in the hour before the blowout. The MDL Court found three other bases for imposing negligence liability on Transocean as follows: (1) the crew’s improper diversion of fluids that had entered the riser to the rig’s mud-gas separator instead of overboard; (2) the crew’s failure to properly maintain the blowout preventer; and (3) the master’s failure to timely activate the Emergency Disconnect System as a consequence of an ambiguous command structure. The MDL Court held that these three failures were “within Transocean’s privity and knowledge.” As a result, the MDL Court held that Transocean Holdings LLC, Transocean Deepwater Inc., and Transocean Offshore Deepwater Drilling Inc., three of our wholly owned subsidiaries, could not limit their liability under the Limitation of Liability Act. Under the MDL Court’s ruling, however, we are entitled to indemnity from BP for any compensatory damages caused by pollution that did not originate on or above the surface of the water.

The MDL Court also concluded that we were an “operator” of the Macondo well for purposes of 33 U.S.C. § 2704(c)(3), a provision of the Oil Pollution Act (“OPA”) that permits government entities to recover removal costs by owners and operators of a facility or vessel that caused a discharge. The MDL Court, however, reiterated that “Transocean’s liability to government entities for removal costs is ultimately shifted to BP by virtue of contractual indemnity.”

The MDL Court released two Transocean entities from liability under general maritime law. First, the MDL Court held that Transocean Ltd. was not liable under general maritime law. The MDL Court also granted a motion for judgment on partial findings by Triton Asset Leasing GmbH, the entity that owned *Deepwater Horizon* and our wholly owned subsidiary, on the grounds that any negligence or unseaworthiness that caused the blowout arose after the bareboat charter commenced.

Following the Phase One Ruling, BP filed a motion to amend the Phase One Findings of Fact and Conclusions of Law, alter or amend the judgment, or for a new trial, alleging the MDL Court made errors in its conclusions about the causes of the failure of the cement in the well. The MDL Court denied the motion.

The Phase One Ruling did not quantify damages or result in a final monetary judgment. However, because it is a determination of liability under maritime law, the Phase One Ruling is appealable, and BP, the PSC, Transocean, Halliburton and the State of Alabama have all appealed or cross-appealed aspects of the ruling. We can provide no assurances as to the outcome of these appeals, as to the timing of any further rulings, or that we will not enter into additional settlements as to some or all of the matters related to the Macondo well incident, including those to be determined at a trial, or the timing or terms of any such settlements.

*Phase Two trial*—The Phase Two of the trial occurred between September 30, 2013 and October 17, 2013. The first segment of the trial addressed BP’s conduct related to stopping the release of hydrocarbons after April 22, 2010, and the second segment addressed quantification of the amount of oil discharged. We participated in the first segment of trial, but were not a party to the second segment because the ruling as to the quantification of oil primarily relates to setting the statutory maximum civil penalty under the CWA, and we have settled the DOJ’s CWA penalty claim against us.

*Pending claims*—As of December 31, 2014, approximately 1,400 actions or claims were pending against us, along with other unaffiliated defendants. These claims were originally filed in various state and federal courts, and most have been consolidated in the MDL Court. Additionally, government agencies have initiated investigations into the Macondo well incident. We have categorized below the nature of these claims. We are vigorously defending all claims and pursuing any and all defenses available.

*Wrongful death and personal injury claims*—As of December 31, 2014, we and certain of our subsidiaries have been named, along with unaffiliated defendants, in nine complaints that were pending in state and federal courts in Louisiana and Texas involving multiple plaintiffs that allege wrongful death and other personal injuries arising out of the Macondo well incident. Nine complaints involve fatalities and 63 complaints seek recovery for bodily injuries. Per the order of the Judicial Panel on Multidistrict Litigation, all claims but one have been centralized for discovery purposes in the MDL Court. The complaints by our employees or representatives of our employees generally allege negligence, unseaworthiness and gross negligence and seek maintenance and cure under the Jones Act and general maritime law and are seeking awards of unspecified economic damages and punitive damages. BP, MI-SWACO, Weatherford International Ltd. and Cameron International Corporation (“Cameron”) and certain of their affiliates, have, based on

**TRANSOCEAN LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued**

contractual arrangements, also made indemnity demands upon us with respect to personal injury and wrongful death claims asserted by our employees or representatives of our employees against these entities. See “—Contractual indemnity.”

*Economic loss and punitive damages claims*—As of December 31, 2014, we and certain of our subsidiaries were named, along with other unaffiliated defendants, in 986 pending individual complaints as well as 190 putative class-action complaints that were filed in the federal and state courts in Louisiana, Texas, Mississippi, Alabama, Georgia, Kentucky, South Carolina, Tennessee, Florida and possibly other courts. Most of these complaints have been consolidated in the MDL Court. The complaints generally allege, among other things, economic losses as a result of environmental pollution arising out of the Macondo well incident and are based primarily on OPA, state OPA analogues, and/or general maritime law. The plaintiffs are generally seeking awards of unspecified economic, compensatory and punitive damages, as well as injunctive relief. No classes have been certified at this time. Those plaintiffs who have settled their claims against BP as part of BP’s settlement with the PSC have given up their claims for compensatory damages against us, but purport to retain their claims for punitive damages (see “-Impact of BP/PSC settlement on pending claims”).

*Cross-claims, counter-claims, and third party claims*—Several defendants in the MDL litigation have filed cross-claims or third-party claims against us and certain of our subsidiaries. BP filed a claim seeking contribution under OPA and maritime law and seeking subrogation, and also alleging breach of contract, unseaworthiness, negligence and gross negligence. Through these claims, BP sought to recover from us damages it has paid or may pay arising from the Macondo well incident. BP also sought a declaration that it is not liable in contribution, indemnification, or otherwise to us. BP has assigned some of its claims as part of its settlement with the PSC (see “-Impact of BP/PSC settlement on pending claims”).

Certain other parties, including (a) Anadarko Petroleum Corporation (“Anadarko”), which owned a 25 percent non-operating interest in the Macondo well, (b) MOEX Offshore 2007 LLC (“MOEX”), which owned a 10 percent non-operating interest in the Macondo well, (c) Cameron, the manufacturer and designer of the blowout preventer, and (d) Halliburton, which provided cementing and mud-logging services to the operator have asserted claims seeking indemnity and contribution under various theories. BP has reached settlements with certain parties, including Anadarko, MOEX and Cameron, in which BP has agreed to indemnify those parties for certain liabilities, including compensatory damages.

We have filed cross-claims and counter-claims against BP, Halliburton, Anadarko, MOEX, certain of these parties’ affiliates, the U.S. and certain other third parties. We seek indemnity, contribution, including contribution under OPA, and subrogation under OPA, and have asserted claims for breach of warranty of workmanlike performance, strict liability for manufacturing and design defect, breach of express contract, and damages for the difference between the fair market value of *Deepwater Horizon* and the amount received from insurance proceeds. The Consent Decree limits our ability to seek indemnification or reimbursement with respect to payments made under the Consent Decree and dismissed our claims against the U.S. We are not pursuing arbitration on the key contractual issues with BP; instead, we are relying on the court to resolve the disputes.

*Impact of BP/PSC settlement on pending claims*—Before the Phase One trial, in March 2012, BP and the PSC agreed to a partial settlement related primarily to private party environmental and economic loss claims as well as response effort-related claims (the “BP/PSC Settlement”). The BP/PSC Settlement agreement provides that (i) to the extent permitted by law, BP will assign to the settlement class certain of BP’s claims against us for damages, but the settlement class cannot recover from us on those claims unless it is finally determined that we cannot recover such amounts from BP by way of indemnity or any other theory, and (ii) the settlement class releases all claims for compensatory damages against us but purports to retain claims for punitive damages against us. This provision of the settlement became effective on December 8, 2014, when the Supreme Court denied BP’s petition for certiorari seeking review of the trial court’s approval of the settlement. The Phase One Ruling, however, precludes the PSC from recovering on the claims assigned by BP to the settlement class and on the purportedly reserved punitive damages claims (see “-Phase One Trial”).

On December 21, 2012, the MDL Court granted final approval of the economic and property damage class settlement between BP and the PSC. Various parties who objected to the BP/PSC Settlement appealed the MDL Court’s final approval of the BP/PSC Settlement to the U.S. Court of Appeals for the Fifth Circuit (the “Fifth Circuit”), and BP later appealed rulings challenging the manner in which the settlement has been interpreted by the MDL Court. In the appeals by BP, the Fifth Circuit ordered the MDL Court to reconsider certain rulings governing the method by which lost profits are calculated for businesses claiming economic loss, but the Fifth Circuit otherwise affirmed the district court’s interpretation of the settlement agreement. In the appeal by objectors to the settlement, the Fifth Circuit affirmed the MDL Court’s approval of the settlement. The Fifth Circuit subsequently denied BP’s petitions for rehearing in both appeals. On December 8, 2014, the Supreme Court denied BP’s petition for certiorari.

*Impact of Halliburton/PSC settlement on pending claims*—On September 2, 2014, Halliburton and the PSC filed a proposed settlement of the PSC’s punitive damages and assigned claims against Halliburton. The proposed agreement purports to reserve the PSC’s rights to continue pursuing assigned or punitive damages claims against us, but the MDL Court’s Phase One Ruling prevents the PSC from pursuing those claims. The proposed agreement also prohibits the PSC from settling any assigned claims against us unless we agree to release Halliburton from any claims for contribution or indemnity for amounts paid under the settlement. The proposed agreement does not impact Halliburton’s cross-claims and counter claims against us. The MDL Court has not yet approved the settlement.

**U.S. Department of Justice claims**—On December 15, 2010, the DOJ filed a civil lawsuit against us and certain of our subsidiaries and other unaffiliated defendants. The complaint alleged violations under OPA and the CWA. The CWA claims for both

**TRANSOCEAN LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued**

monetary and injunctive relief have been resolved through our Consent Decree with the DOJ. See “—Macondo well incident settlement obligations.”

The Consent Decree did not resolve the rights of the U.S. with respect to other matters, including certain liabilities under OPA for Natural Resource Damages (NRD) or for removal costs. The MDL Court has held that we are not a responsible party under OPA for NRD resulting from discharge of oil from the Macondo well below the surface of the water. If this ruling is upheld on appeal, our NRD liability as a responsible party would be limited to damages arising from any discharge on or above the surface of the water. In its Phase One Ruling, the MDL Court also found that Transocean was the “operator” of the Macondo well and was therefore liable for removal costs under 33 U.S.C. § 2704(c)(3), a separate provision of OPA that permits government entities to recover removal costs from owners and operators of a facility or vessel from which oil discharges. However, the MDL Court found that “Transocean’s liability to government entities for removal costs is ultimately shifted to BP by virtue of the contractual indemnity.”

In addition to the civil complaint, the DOJ served us with civil investigative demands on December 8, 2010. These demands were part of an investigation by the DOJ to determine if we made false claims, or false statements in support of claims, in violation of the False Claims Act, in connection with the operator’s acquisition of the leasehold interest in the Mississippi Canyon Block 252, Gulf of Mexico and drilling operations on *Deepwater Horizon*. The resolution with the DOJ of civil and potential criminal claims did not include potential claims arising from this False Claims Act investigation. As part of the settlement discussions, however, we inquired whether the U.S. intends to pursue any actions under the False Claims Act as discussed below. In response, the DOJ sent us a letter stating that the Civil Division of the DOJ, based on facts then known, was no longer pursuing, and did not have any present intention to pursue any investigation or claims, under the False Claims Act against the various Transocean entities for their involvement in the Macondo well incident.

*State and other government claims*—Claims have been filed against us by over 200 state, local and foreign governments, including the States of Alabama, Florida, Louisiana, Mississippi and Texas; the Mexican States of Veracruz, Quintana Roo, Tamaulipas and Yucatan; the federal government of Mexico and other local governments by and on behalf of multiple towns and parishes. These governments generally assert claims under OPA, other statutory environmental state claims, general maritime law and various other common law claims. A local government master complaint also was filed in the MDL Court in which cities, municipalities, and other local government entities have joined.

The MDL Court dismissed damages claims brought under state common and statutory law and subsequently dismissed civil penalty claims brought under state statutory law. Certain Louisiana parishes appealed the dismissal of their civil penalty claims brought under Louisiana law. The Fifth Circuit affirmed the MDL Court’s dismissal of these claims, and the Supreme Court denied certiorari.

The state, local and foreign government claims include claims under OPA for economic damages, natural resource damages and removal costs. As noted above, the MDL Court concluded that we were an “operator” of the Macondo well for purposes of OPA. The MDL Court, however, reiterated that “Transocean’s liability to government entities for removal costs is ultimately shifted to BP by virtue of contractual indemnity.”

The OPA claims of the Mexican States of Veracruz, Quintana Roo, Tamaulipas and Yucatan were dismissed for failure to demonstrate that recovery under OPA was authorized by treaty or executive agreement. The MDL Court subsequently granted summary judgment on the Mexican States’ general maritime law claims on the ground that the federal government of Mexico, rather than the Mexican States, had the proprietary interest in the property and natural resources allegedly injured by the spill. The Mexican States have appealed the grant of summary judgment on their general maritime law claims to the Fifth Circuit, and the Fifth Circuit heard arguments on October 27, 2014. The claims of the federal government of Mexico remain pending, but under the Phase One Ruling, we are entitled to indemnity from BP for any compensatory damages caused by pollution that did not originate on or above the surface of the water.

In addition, by letter dated June 21, 2010, the Attorneys General of the 11 Atlantic Coast states of Connecticut, Delaware, Georgia, Maine, Maryland, Massachusetts, New Hampshire, New York, North Carolina, Rhode Island and South Carolina informed us that their states have not sustained any damage from the Macondo well incident but they would like assurances that we will be responsible financially if damages are sustained. We responded to the letter from the Attorneys General and indicated that we intend to fulfill our obligations as a responsible party for any discharge of oil from *Deepwater Horizon* on or above the surface of the water, and we assume that the operator and other leaseholders will similarly fulfill their obligations under OPA for discharges from the undersea well.

The MDL Court has begun proceeding with respect to Alabama’s compensatory damages claims under OPA and general maritime law. BP has moved to strike Alabama’s demand for a jury trial, and we have joined that motion along with Halliburton. The MDL Court has not yet ruled on the motion. On November 14, 2014, the MDL Court approved a stipulation between us, Alabama, and BP in which the parties agreed that we would be excused from participating in the Alabama compensatory damages trial and in further pretrial proceedings related to that trial. Pursuant to the stipulation, we agreed not to challenge in any future proceeding the amount of compensatory damages, excluding NRD, that may be determined at the trial. The parties further agreed that the amount of damages determined at trial would fully satisfy Alabama’s compensatory damages claims under OPA and general maritime law, excluding NRD, and that certain issues, including what damages, if any, resulted from above-surface discharge, will not be determined in the Alabama compensatory damages trial.

*Natural Resources Damages Assessment*—Under OPA, designated state and federal trustees are authorized to undertake a natural resources damages assessment (“NRDA”) to assess potential natural resource injuries resulting from a discharge of oil or the

**TRANSOCEAN LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued**

substantial threat of a discharge and response activities and develop and implement a plan for restoration of injured resources, if any. The trustees invite responsible parties to participate in and fund such efforts. As of December 31, 2014, we have received at least 11 such requests from government agencies. We responded to these requests and declined to participate in the funding on the grounds that we are not a responsible party for discharges from the wellhead. The NRDA trustees are proceeding with the NRDA with funding provided by BP.

*Citizen suits under environmental statutes*—The Center for Biological Diversity (the “Center”), a private environmental group, sued BP, us and certain of our affiliates under multiple federal environmental statutes seeking monetary penalties and injunctive relief. The MDL Court dismissed all of the claims, and in January 2013, the Fifth Circuit affirmed the dismissal with one exception: the Fifth Circuit remanded to the MDL Court the Center’s claim for injunctive relief, but not for penalties, based on BP and Transocean’s alleged failure to make certain reports about the constituents of oil spilled into the U.S. Gulf of Mexico as required by EPCRA.

In April 2014, BP and we moved for summary judgment and the Center moved for partial summary judgment against BP. It did not move for partial summary judgment against us, though it purported to reserve its right to do so in the future. The MDL Court has not indicated when it will rule on the motions.

*Shareholder derivative claims*—In June 2010, two shareholder derivative suits were filed in the state district court in Texas by our shareholders naming us as a nominal defendant and certain of our current and former officers and directors as defendants. These cases alleged breach of fiduciary duty, unjust enrichment, abuse of control, gross mismanagement and waste of corporate assets in connection with the Macondo well incident. One of these cases was voluntarily dismissed in December 2012 by the plaintiff, and the other was fully and finally dismissed by the state district court in August 2013 on the ground that the action must be maintained in the courts of Switzerland. The First Court of Appeals in Texas affirmed the dismissal in July 2014. No further review was sought, and the case is now closed.

*Federal securities claims*—On September 30, 2010, a proposed federal securities class action was filed in the U.S. District Court for the Southern District of New York, naming us, former chief executive officers of Transocean Ltd. and one of our acquired companies as defendants. In the action, a former shareholder of the acquired company alleged that the joint proxy statement relating to our shareholder meeting in connection with the merger with the acquired company violated Section 14(a) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), Rule 14a-9 promulgated thereunder and Section 20(a) of the Exchange Act. The plaintiff claimed that the acquired company’s shareholders received inadequate consideration for their shares as a result of the alleged violations and sought compensatory and rescissory damages and attorneys’ fees on behalf of the plaintiff and the proposed class members. In connection with this action, we are obligated to pay the defense fees and costs for the individual defendants, which may be covered by our directors’ and officers’ liability insurance, subject to a deductible. On March 11, 2014, the District Court for the Southern District of New York dismissed the claims as time-barred. Plaintiffs appealed to the U.S. Court of Appeals for the Second Circuit (“Second Circuit”) and filed an opening brief on December 19, 2014.

*Wreck removal*—By letter dated December 6, 2010, the U.S. Coast Guard requested that we formulate and submit a comprehensive oil removal plan to remove any diesel fuel that can be recovered from *Deepwater Horizon*. We have conducted a survey of the rig wreckage and have confirmed that no diesel fuel remains on the rig. The U.S. Coast Guard has not requested that we remove the rig wreckage from the sea floor. In February 2013, the U.S. Coast Guard submitted a request seeking analysis and recommendations as to the potential life of the rig’s riser and cofferdam, which are resting on the seafloor and potential remediation or removal options. We have insurance coverage for wreck removal for up to 25 percent of *Deepwater Horizon*’s insured value, or \$140 million, with any excess wreck removal liability generally covered to the extent of our remaining excess liability limits.

**Insurance coverage**—At the time of the Macondo well incident, our excess liability insurance program offered aggregate insurance coverage of \$950 million, excluding a \$15 million deductible and a \$50 million self-insured layer through our wholly owned captive insurance subsidiary. This excess liability insurance coverage consisted of a first and a second layer of \$150 million each, a third and fourth layer of \$200 million each and a fifth layer of \$250 million. The first four excess layers have similar coverage and contractual terms, while the \$250 million fifth layer is on a different policy form, which varies to some extent from the underlying coverage and contractual terms. Generally, we believe that the policy forms for all layers include coverage for personal injury and fatality claims, subject to reasonableness determinations, of our crew and vendors, for which indemnity agreements are in place as to the latter, actual and compensatory damages, punitive damages and related legal defense costs. The policy forms for the first four excess layers provide coverage for fines; however, we do not expect payments deemed to be criminal in nature to be covered by any of the layers.

In May 2010, we received notice from BP claiming an entitlement to unlimited additional insured status under our excess liability insurance program. Our insurers have also received notices from Anadarko and MOEX advising of their intent to preserve any rights they may have to our insurance policies as an additional insured under the drilling contract. In response, our wholly owned captive insurance subsidiary and our first four excess layer insurers filed declaratory judgment actions in the Houston Division of the U.S. District Court for the Southern District of Texas in May 2010 seeking a declaration that they have limited additional insured obligations to BP. We are parties to the declaratory judgment actions, which were transferred to the MDL Court for discovery and other purposes. On November 15, 2011, the MDL Court ruled that BP’s coverage rights are limited to the scope of our indemnification of BP in the drilling contract. A final judgment was entered against BP, Anadarko and MOEX, and BP appealed. On March 1, 2013, the Fifth Circuit Court of Appeals issued an opinion reversing the decision of the MDL Court, and holding that BP is an unrestricted additional insured under the policies issued by our wholly owned captive insurance company and the first four excess layer insurers. We and the insurers filed petitions for rehearing with



**TRANSOCEAN LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued**

the Fifth Circuit Court of Appeals. On August 29, 2013, the Fifth Circuit Court of Appeals withdrew the March 1, 2013 opinion and certified certain insurance law questions to the Texas Supreme Court. The Texas Supreme Court accepted certification of these questions, and the oral argument was held on September 16, 2014. See Note 27—Subsequent Events.

We believe that additional insured coverage for BP, Anadarko or MOEX under the \$250 million fifth layer of our insurance program is limited to the scope of our indemnification of BP under the drilling contract. While we cannot predict the outcome of any subsequent proceedings in the Fifth Circuit, we do not expect them to have a material adverse effect on our consolidated statement of financial position, results of operations or cash flows.

On June 17, 2011 and July 31, 2012, our first layer and second layer of excess insurers, respectively, each representing \$150 million of insurance coverage, filed interpleader actions. On February 14, 2013, the third and fourth layers, each representing \$200 million of insurance coverage, filed interpleader actions substantially similar to those of the first and second layers. The insurers contend that they face multiple, and potentially competing, claims to the relevant insurance proceeds. In these actions, the insurers effectively ask the court to manage disbursement of the funds to the alleged claimants, as appropriate, and discharge the insurers of any additional liability. The parties to the first and second excess insurer interpleader actions have executed protocol agreements to facilitate the reimbursement and funding of settlements of personal injury and fatality claims of our crew and vendors (collectively, “crew claims”) using insurance funds and claims were submitted to the court for review. Following the court’s determination and approval of the amounts to be paid by the insurers with respect to the crew claims submitted by the parties, the first layer of excess insurers made reimbursement payments to the parties for crew claims during the years ended December 31, 2013 and 2014. We expect additional claims to be submitted to the court for a determination and approval of the amounts insurers owe. Parties to the third and fourth excess insurer interpleader actions have agreed to adjourn the deadline for responses to the pleadings to an unspecified date that will follow a decision in another action that pertains to our insurance.

**Contractual indemnity**—Under our drilling contract for *Deepwater Horizon*, BP has agreed, among other things, to assume responsibility for and defend, release and indemnify us from any loss, expense, claim, fine, penalty or liability for pollution or contamination, including control and removal thereof, arising out of or connected with operations under the contract other than those for pollution or contamination originating on or above the surface of the water from hydrocarbons or other specified substances within our control and possession, as to which we agreed to assume responsibility and protect, release and indemnify BP. Although we do not believe it is applicable to the Macondo well incident, we also agreed to indemnify and defend BP up to a limit of \$15 million for claims for loss or damage to third parties arising from pollution caused by the rig while it is off the drilling location, while the rig is underway or during drive off or drift off of the rig from the drilling location. BP has also agreed, among other things, (i) to defend, release and indemnify us against loss or damage to the reservoir, and loss of property rights to oil, gas and minerals below the surface of the earth and (ii) to defend, release and indemnify us and bear the cost of bringing the well under control in the event of a blowout or other loss of control. We agreed to defend, release and indemnify BP for personal injury and death of our employees and the employees of our contractors while BP agreed to defend, release and indemnify us for personal injury and death of its employees and the employees of its contractors, other than us. We also agreed to defend, release and indemnify BP for damages to the rig and equipment, including salvage or removal costs.

BP has sought to avoid its indemnification obligations. On January 26, 2012, the MDL Court ruled that the drilling contract requires BP to indemnify us for compensatory damages sought by third parties related to pollution that did not originate from the rig on or above the surface of the water, regardless whether the claim is the result of our strict liability, negligence, or gross negligence. The MDL Court ruled that BP had a contractual duty to defend us, but that the duty to defend only required BP to reimburse our defense costs after there is a judicial determination on the merits. The MDL Court did not rule on the scope of BP’s duty to defend, although it did rule that BP is not obligated to pay the attorneys’ fees incurred by us in proving our right to indemnity. The MDL Court also held that BP does not owe us indemnity for civil penalties under the CWA or punitive damages. We subsequently agreed, as part of our Consent Decree not to seek indemnity or reimbursement of our CWA civil penalty payments from BP or the other non-insurer defendants named in the complaint by the U.S.

The MDL Court’s 2012 order deferred ruling on BP’s argument that we committed a core breach of the drilling contract or otherwise materially increased BP’s risk or prejudiced its rights so as to vitiate BP’s indemnity obligations. In the Phase One Ruling, however, the MDL Court found we were not grossly negligent and otherwise upheld the indemnities, implicitly finding no core breach of contract occurred. The impact of this ruling is that BP is obligated to indemnify us as provided for in the contract and that we are entitled to recover certain of our attorneys’ fees from BP as a result of its contractual duty to defend us.

The MDL Court has not ruled on the issue of whether contractual indemnity for criminal fines and penalties is enforceable, but the law generally considers contractual indemnity for criminal fines and penalties to be against public policy..

In its Phase One Ruling, the MDL Court noted that a finding of gross negligence against us would have invalidated BP’s release, in the drilling contract of its direct claims against us. As a result of the MDL Court’s finding of simple negligence as to us, however, the MDL Court ruled that BP’s release of its claims against us is valid and enforceable. Accordingly, the PSC is precluded from pursuing BP’s direct claims against us that were assigned to the PSC as part of the BP/PSC Settlement. This ruling, and the MDL Court’s other rulings regarding indemnity may be challenged in the pending appeals from the Phase One Ruling.

**TRANSOCEAN LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued**

***Other legal proceedings***

**Asbestos litigation**—In 2004, several of our subsidiaries were named, along with numerous other unaffiliated defendants, in 21 complaints filed on behalf of 769 plaintiffs in the Circuit Courts of the State of Mississippi and which claimed injuries arising out of exposure to asbestos allegedly contained in drilling mud during these plaintiffs' employment in drilling activities between 1965 and 1986. The complaints generally allege that the defendants used or manufactured asbestos containing drilling mud additives for use in connection with drilling operations and have included allegations of negligence, products liability, strict liability and claims allowed under the Jones Act and general maritime law. In each of these cases, the complaints have named other unaffiliated defendant companies, including companies that allegedly manufactured the drilling-related products that contained asbestos. The plaintiffs generally seek awards of unspecified compensatory and punitive damages, but the court-appointed special master has ruled that a Jones Act employer defendant, such as us, cannot be sued for punitive damages. After ten years of litigation, this group of cases has been winnowed to the point where now only 15 plaintiffs' individual claims remaining pending in Mississippi in which we have or may have an interest.

During the year ended December 31, 2014, a group of lawsuits premised on the same allegations as those in Mississippi were filed in Louisiana. As of December 31, 2014, 20 plaintiffs have claims pending against one or more of our subsidiaries in four different lawsuits in Louisiana.

We intend to defend these lawsuits vigorously, although we can provide no assurance as to the outcome. We historically have maintained broad liability insurance, although we are not certain whether insurance will cover the liabilities, if any, arising out of these claims. Based on our evaluation of the exposure to date, we do not expect the liability, if any, resulting from these claims to have a material adverse effect on our consolidated statement of financial position, results of operations or cash flows.

One of our subsidiaries was involved in lawsuits arising out of the subsidiary's involvement in the design, construction and refurbishment of major industrial complexes. The operating assets of the subsidiary were sold and its operations discontinued in 1989, and the subsidiary has no remaining assets other than the insurance policies involved in its litigation, with its insurers and, either directly or indirectly through a qualified settlement fund. The subsidiary has been named as a defendant, along with numerous other companies, in lawsuits alleging bodily injury or personal injury as a result of exposure to asbestos. As of December 31, 2014, the subsidiary was a defendant in approximately 902 lawsuits, some of which include multiple plaintiffs, and we estimate that there are approximately 1,702 plaintiffs in these lawsuits. For many of these lawsuits, we have not been provided with sufficient information from the plaintiffs to determine whether all or some of the plaintiffs have claims against the subsidiary, the basis of any such claims, or the nature of their alleged injuries. The first of the asbestos-related lawsuits was filed against the subsidiary in 1990. Through December 31, 2014, the costs incurred to resolve claims, including both defense fees and expenses and settlement costs, have not been material, all known deductibles have been satisfied or are inapplicable, and the subsidiary's defense fees and expenses and settlement costs have been met by insurance made available to the subsidiary. The subsidiary continues to be named as a defendant in additional lawsuits, and we cannot predict the number of additional cases in which it may be named a defendant nor can we predict the potential costs to resolve such additional cases or to resolve the pending cases. However, the subsidiary has in excess of \$1.0 billion in insurance limits potentially available to the subsidiary. Although not all of the policies may be fully available due to the insolvency of certain insurers, we believe that the subsidiary will have sufficient funding directly or indirectly from settlements and claims payments from insurers, assigned rights from insurers and coverage-in-place settlement agreements with insurers to respond to these claims. While we cannot predict or provide assurance as to the outcome of these matters, we do not believe that the ultimate liability, if any, arising from these claims will have a material impact on our consolidated statement of financial position, results of operations or cash flows.

**Rio de Janeiro tax assessment**—In the third quarter of 2006, we received tax assessments of BRL 422 million, equivalent to approximately \$159 million, including interest and penalties, from the state tax authorities of Rio de Janeiro in Brazil against one of our Brazilian subsidiaries for taxes on equipment imported into the state in connection with our operations. The assessments resulted from a preliminary finding by these authorities that our record keeping practices were deficient. We currently believe that the substantial majority of these assessments are without merit. We filed an initial response with the Rio de Janeiro tax authorities on September 9, 2006 refuting these additional tax assessments. In September 2007, we received confirmation from the state tax authorities that they believe the additional tax assessments are valid, and as a result, we filed an appeal on September 27, 2007 to the state Taxpayer's Council contesting these assessments. While we cannot predict or provide assurance as to the final outcome of these proceedings, we do not expect it to have a material adverse effect on our consolidated statement of financial position, results of operations or cash flows.

**Brazilian import license assessment**—In the fourth quarter of 2010, we received an assessment from the Brazilian federal tax authorities in Rio de Janeiro of BRL 528 million, equivalent to approximately \$199 million, including interest and penalties, based upon the alleged failure to timely apply for import licenses for certain equipment and for allegedly providing improper information on import license applications. We believe that a substantial majority of the assessment is without merit and are vigorously pursuing legal remedies. The case was decided partially in favor of our Brazilian subsidiary in the lower administrative court level. The decision cancelled the majority of the assessment, reducing the total assessment to BRL 35 million, equivalent to approximately \$13 million. On July 14, 2011, we filed an appeal to eliminate the assessment. On May 23, 2013, a ruling was issued that eliminated all assessment amounts. A further appeal by the taxing authorities was filed in November 2014. While we cannot predict or provide assurance as to the outcome of these proceedings, we do not expect it to have a material adverse effect on our consolidated statement of financial position, results of operations or cash flows.



**TRANSOCEAN LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued**

**Petrobras withholding taxes**—In July 2014, we received letters from Petróleo Brasileiro S.A. (“Petrobras”) informing us that the Brazilian Federal Revenue Service (the “RFB”) is assessing Petrobras for withholding taxes presumably due and unpaid on payments made in 2008 and 2009 to beneficiaries domiciled outside of Brazil in connection with the charter agreements related to work performed by its contractors, including us. Petrobras is challenging such tax assessment and has indicated that, if it loses the tax dispute, it will seek to recover from its contractors, including us, any taxes, penalties, interest and fees that Petrobras is being requested to pay. Petrobras has informed us that it has received from the RFB notices of deficiencies for BRL 283 million, equivalent to approximately \$107 million, excluding penalties, interest and fees, related to work performed by us. We have informed Petrobras that we believe it has no basis for seeking reimbursement from us, and we intend to vigorously challenge any assertions to the contrary. An unfavorable outcome on these matters could result in a material adverse effect on our consolidated statement of financial position, results of operations or cash flows.

**Nigerian Cabotage Act litigation**—In October 2007, three of our subsidiaries were each served a Notice and Demand from the Nigeria Maritime Administration and Safety Agency, imposing a two percent surcharge on the value of all contracts performed by us in Nigeria pursuant to the Coastal and Inland Shipping (Cabotage) Act 2003 (the “Cabotage Act”). Our subsidiaries each filed an originating summons in the Federal High Court in Lagos challenging the imposition of this surcharge on the basis that the Cabotage Act and associated levy is not applicable to drilling rigs. The respondents challenged the competence of the suits on several procedural grounds. The court upheld the objections and dismissed the suits. In December 2010, our subsidiaries filed a new joint Cabotage Act suit. While we cannot predict or provide assurance as to the outcome of these proceedings, we do not expect it to have a material adverse effect on our consolidated statement of financial position, results of operations or cash flows.

**Other matters**—We are involved in various tax matters, various regulatory matters, and a number of claims and lawsuits, asserted and unasserted, all of which have arisen in the ordinary course of our business. We do not expect the liability, if any, resulting from these other matters to have a material adverse effect on our consolidated statement of financial position, results of operations or cash flows. We cannot predict with certainty the outcome or effect of any of the litigation matters specifically described above or of any such other pending, threatened, or possible litigation or liability. We can provide no assurance that our beliefs or expectations as to the outcome or effect of any tax, regulatory, lawsuit or other litigation matter will prove correct and the eventual outcome of these matters could materially differ from management’s current estimates.

***Other environmental matters***

**Hazardous waste disposal sites**—We have certain potential liabilities under CERCLA and similar state acts regulating cleanup of various hazardous waste disposal sites, including those described below. CERCLA is intended to expedite the remediation of hazardous substances without regard to fault. Potentially responsible parties (“PRPs”) for each site include present and former owners and operators of, transporters to and generators of the substances at the site. Liability is strict and can be joint and several.

We have been named as a PRP in connection with a site located in Santa Fe Springs, California, known as the Waste Disposal, Inc. site. We and other PRPs have agreed with the EPA and the DOJ to settle our potential liabilities for this site by agreeing to perform the remaining remediation required by the EPA. The form of the agreement is a consent decree, which has been entered by the court. The parties to the settlement have entered into a participation agreement, which makes us liable for approximately eight percent of the remediation and related costs. The remediation is complete, and we believe our share of the future operation and maintenance costs of the site is not material. There are additional potential liabilities related to the site, but these cannot be quantified, and we have no reason at this time to believe that they will be material.

One of our subsidiaries has been ordered by the California Regional Water Quality Control Board (“CRWQCB”) to develop a testing plan for a site known as Campus 1000 Fremont in Alhambra, California. This site was formerly owned and operated by certain of our subsidiaries. It is presently owned by an unrelated party, which has received an order to test the property. We have also been advised that one or more of our subsidiaries is likely to be named by the EPA as a PRP for the San Gabriel Valley, Area 3, Superfund site, which includes this property. Testing has been completed at the property, but no contaminants of concern were detected. In discussions with CRWQCB staff, we were advised of their intent to issue us a “no further action” letter, but it has not yet been received. Based on the test results, we would contest any potential liability. We have no knowledge at this time of the potential cost of any remediation, who else will be named as PRPs, and whether in fact any of our subsidiaries is a responsible party. The subsidiaries in question do not own any operating assets and have limited ability to respond to any liabilities.

Resolutions of other claims by the EPA, the involved state agency or PRPs are at various stages of investigation. These investigations involve determinations of:

- the actual responsibility attributed to us and the other PRPs at the site;
- appropriate investigatory or remedial actions; and
- allocation of the costs of such activities among the PRPs and other site users.

Our ultimate financial responsibility in connection with those sites may depend on many factors, including:

- the volume and nature of material, if any, contributed to the site for which we are responsible;
- the number of other PRPs and their financial viability; and
- the remediation methods and technology to be used.

**TRANSOCEAN LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued**

It is difficult to quantify with certainty the potential cost of these environmental matters, particularly in respect of remediation obligations. Nevertheless, based upon the information currently available, we believe that our ultimate liability arising from all environmental matters, including the liability for all other related pending legal proceedings, asserted legal claims and known potential legal claims which are likely to be asserted, is adequately accrued and should not have a material effect on our consolidated statement of financial position or results of operations.

**Retained risk**

**Overview**—Our hull and machinery and excess liability insurance program is comprised of commercial market and captive insurance policies that we renew annually on May 1. We periodically evaluate our insurance limits and self-insured retentions. At December 31, 2014, the insured value of our drilling rig fleet was approximately \$27.8 billion, excluding our rigs under construction. We generally do not carry commercial market insurance coverage for loss of revenues, unless it is contractually required, or for losses resulting from physical damage to our fleet caused by named windstorms in the U.S. Gulf of Mexico, including liability for wreck removal costs.

**Hull and machinery coverage**—At December 31, 2014, under the hull and machinery program, we generally maintained a \$125 million per occurrence deductible, limited to a maximum of \$200 million per policy period. Subject to the same shared deductible, we also had coverage for an amount equal to 50 percent of a rig's insured value for combined costs incurred to mitigate rig damage, wreck or debris removal and collision liability. Any excess wreck or debris removal costs and excess collision liability costs are generally covered to the extent of our remaining excess liability coverage.

**Excess liability coverage**—At December 31, 2014, we carried excess liability coverage of \$700 million in the commercial market excluding the deductibles and self-insured retention noted below, which generally covers offshore risks such as personal injury, third-party property claims, and third-party non-crew claims, including wreck removal and pollution. Our excess liability coverage had separate \$10 million per occurrence deductibles on collision liability claims and \$5 million per occurrence deductibles on crew personal injury claims and on other third-party non-crew claims. Through our wholly owned captive insurance company, we retained the risk of the primary \$50 million excess liability coverage. In addition, we generally retained the risk for any liability losses in excess of \$750 million.

**Other insurance coverage**—At December 31, 2014, we also carried \$100 million of additional insurance that generally covers expenses that would otherwise be assumed by the well owner, such as costs to control the well, redrill expenses and pollution from the well. This additional insurance provides coverage for such expenses in circumstances in which we have legal or contractual liability arising from our gross negligence or willful misconduct.

**Letters of credit and surety bonds**

At December 31, 2014 and 2013, we had outstanding letters of credit totaling \$338 million and \$575 million, respectively, issued under various committed and uncommitted credit lines provided by several banks to guarantee various contract bidding, performance activities and customs obligations, including letters of credit totaling \$91 million and \$104 million, respectively, that we agreed to maintain in support of the operations for Shelf Drilling (see Note 7—Discontinued Operations).

As is customary in the contract drilling business, we also have various surety bonds in place that secure customs obligations relating to the importation of our rigs and certain performance and other obligations. At December 31, 2014 and 2013, we had outstanding surety bonds totaling \$6 million.

**Note 16—Noncontrolling Interest**

**Redeemable noncontrolling interest**—Changes in redeemable noncontrolling interest were as follows (in millions):

	Year ended December 31,		
	2014	2013	2012
<b>Redeemable noncontrolling interest</b>			
Balance, beginning of period	\$ —	\$ —	\$ 116
Net income attributable to noncontrolling interest	9	—	13
Reclassification from noncontrolling interest	2	—	—
Fair value adjustment to redeemable noncontrolling interest	—	—	106
Reclassification to accumulated other comprehensive loss	—	—	17
Reclassification to other current liabilities	—	—	(252)
Balance, end of period	<u>\$ 11</u>	<u>\$ —</u>	<u>\$ —</u>

**Angola Deepwater Drilling Company Limited**—We own a 65 percent interest and Angco Cayman Limited (“Angco Cayman”) owns a 35 percent interest, in ADDCL, a variable interest entity (see Note 4—Variable Interest Entities). Angco Cayman has the right to require us to purchase its shares for cash. Accordingly, we present the carrying amount of Angco Cayman's ownership interest as redeemable noncontrolling interest on our consolidated balance sheets.

**TRANSOCEAN LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued**

*Transocean Pacific Drilling Inc.*—On October 18, 2007, one of our subsidiaries acquired a 50 percent interest in TPDI, a consolidated British Virgin Islands company formed to operate two Ultra-Deepwater Floaters, *Dhirubhai Deepwater KG1* and *Dhirubhai Deepwater KG2*. Quantum Pacific Management Limited (“Quantum”) held the remaining 50 percent interest in TPDI. Through February 29, 2012, Quantum had the unilateral right, pursuant to a put option agreement, to exchange its 50 percent interest in TPDI for our shares or cash, at its election, at an amount based on an appraisal of the fair value of the drillships that are owned by TPDI, subject to certain adjustments. Accordingly, we presented Quantum’s interest as redeemable noncontrolling interest on our consolidated balance sheets until Quantum exercised its rights under the put option agreement.

On February 29, 2012, Quantum exercised its rights under the put option agreement to exchange its interest in TPDI for our shares or cash, at its election. Based on the redemption value of Quantum’s interest as of that date, we adjusted the carrying amount of the noncontrolling interest and reclassified Quantum’s interest to other current liabilities with a corresponding adjustment of \$106 million to retained earnings within shareholders’ equity. We estimated the fair value of Quantum’s interest using significant other observable inputs, representative of a Level 2 fair value measurement, including indications of market values of the drilling units owned by TPDI.

On March 29, 2012, Quantum elected to exchange its interest in TPDI for our shares, net of Quantum’s share of TPDI’s indebtedness, as defined in the put option agreement. Quantum had the right, prior to closing of this exchange, to change its election to cash, net of Quantum’s share of TPDI’s indebtedness.

Through settlement of the exchange transactions on May 31, 2012, we measured the carrying amount of Quantum’s interest at its estimated fair value resulting in a cumulative adjustment of \$25 million to increase the liability with corresponding adjustments to other expense on our consolidated statement of operations. On May 31, 2012, we issued 8.7 million shares to Quantum in a non-cash exchange for its interest in TPDI to satisfy our obligation, resulting in an adjustment of \$134 million and \$233 million to shares and additional paid-in capital, respectively. The adjustment included the extinguishment of the outstanding principal amount and unpaid interest associated with the TPDI Notes payable to Quantum (see Note 12—Debt). As a result of the transaction, TPDI became our wholly owned subsidiary.

**Noncontrolling interest**—On February 6, 2014, we formed Transocean Partners to own, operate and acquire modern, technologically advanced offshore drilling rigs. The drilling units included in the initial fleet include 51 percent ownership interest in the entities that own and operate the Ultra-Deepwater drillships *Discoverer Inspiration* and *Discoverer Clear Leader* and the Ultra-Deepwater semisubmersible *Development Driller III*, all of which are currently located in the U.S. Gulf of Mexico.

On July 31, 2014, we announced the pricing of an initial public offering of common units representing limited liability company interests in Transocean Partners, which began trading on the New York Stock Exchange under the ticker symbol “RIGP,” for \$22.00 per unit. On August 5, 2014, we completed the initial public offering of 20.1 million common units, including the 2.6 million common units sold pursuant to the exercise in full of the underwriters’ option to purchase additional common units, which represented a 29.2 percent limited liability company interest in Transocean Partners. We hold the remaining 21.3 million common units and 27.6 million subordinated units, which collectively represented a 70.8 percent limited liability company interest. As a result of the offering, we received cash proceeds of \$417 million, net of \$26 million for underwriting discounts and commissions and other offering costs. In the year ended December 31, 2014, as a result of the transaction, we recognized a decrease of \$44 million to noncontrolling interest and a corresponding increase to additional paid-in capital.

On November 24, 2014, Transocean Partners declared and paid an aggregate distribution of \$15 million to its unitholders of record as of November 17, 2014, of which \$11 million was paid to us and was eliminated in consolidation.

During the year ended December 31, 2014, we completed transactions with holders of noncontrolling interest in other subsidiaries, and as a result, we recognized an increase of \$11 million to noncontrolling interest and a corresponding decrease to additional paid-in capital.

See Note 5—Impairments.

## **Note 17—Shareholders’ Equity**

**Distributions of qualifying additional paid-in capital**—In May 2014, at our annual general meeting, our shareholders approved the distribution of qualifying additional paid-in capital in the form of a U.S. dollar denominated dividend of \$3.00 per outstanding share, payable in four quarterly installments of \$0.75 per outstanding share, subject to certain limitations. We do not pay the distribution of qualifying additional paid-in capital with respect to our shares held in treasury or held by our subsidiary. In May 2014, we recognized a liability of \$1.1 billion for the distribution payable, recorded in other current liabilities, with a corresponding entry to additional paid-in capital. On June 18, September 17 and December 17, 2014, we paid the first three installments in the aggregate amount of \$816 million to shareholders of record as of May 30, August 22 and November 14, 2014, respectively. At December 31, 2014, the aggregate carrying amount of the distribution payable was \$272 million.

In May 2013, at our annual general meeting, our shareholders approved the distribution of qualifying additional paid-in capital in the form of a U.S. dollar denominated dividend of \$2.24 per outstanding share, payable in four quarterly installments of \$0.56 per outstanding share, subject to certain limitations. We do not pay the distribution of qualifying additional paid-in capital with respect to our shares held in treasury or held by our subsidiary. In May 2013, we recognized a liability of \$808 million for the distribution payable, recorded in other current liabilities, with a corresponding entry to additional paid-in capital. On June 19, September 18 and December 18,

**TRANSOCEAN LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued**

2013, we paid the first three installments in the aggregate amount of \$606 million to shareholders of record as of May 31, August 23 and November 15, 2013, respectively. At December 31, 2013, the carrying amount of the unpaid distribution payable was \$202 million. On March 19, 2014, we paid the final installment in the aggregate amount of \$202 million to shareholders of record as of February 21, 2014.

In May 2011, at our annual general meeting, our shareholders approved the distribution of additional paid-in capital in the form of a U.S. dollar denominated dividend of \$3.16 per outstanding share, payable in four installments of \$0.79 per outstanding share, subject to certain limitations. On March 21, 2012, we paid the final installment in the aggregate amount of \$276 million to shareholders of record as of February 24, 2012.

**Share issuances**—On May 31, 2012, we issued 8.7 million shares to Quantum in a non-cash exchange for its interest in TPDI. See Note 16—Noncontrolling Interest.

**Shares held in treasury**—In May 2009, at our annual general meeting, our shareholders approved and authorized our board of directors, at its discretion, to repurchase an amount of our shares for cancellation with an aggregate purchase price of up to CHF 3.5 billion, which is equivalent to approximately \$3.5 billion, using an exchange rate of USD 1.00 to CHF 0.99 as of the close of trading on December 31, 2014. On February 12, 2010, our board of directors authorized our management to implement the share repurchase program.

During the years ended December 31, 2014, 2013 and 2012, we did not purchase any of our shares under our share repurchase program. At December 31, 2014 and 2013, we held 2.9 million shares in treasury, recorded at cost.

**Shares held by subsidiary**—One of our subsidiaries holds our shares for future use to satisfy our obligations to deliver shares in connection with awards granted under our incentive plans or other rights to acquire our shares. At December 31, 2014 and 2013, our subsidiary held 8.7 million shares and 10.2 million shares, respectively.

**Accumulated other comprehensive loss**—The changes in accumulated other comprehensive loss, presented net of tax, were as follows (in millions):

	Year ended December 31, 2014			Year ended December 31, 2013		
	Defined benefit pension plans	Derivative instruments	Total	Defined benefit pension plans	Derivative instruments	Total
Balance, beginning of period	\$ (264)	\$ 2	\$ (262)	\$ (511)	\$ (10)	\$ (521)
Other comprehensive income (loss) before reclassifications	(155)	—	(155)	202	(6)	196
Reclassifications to net income	15	(2)	13	45	18	63
Other comprehensive income (loss), net	(140)	(2)	(142)	247	12	259
Balance, end of period	\$ (404)	\$ —	\$ (404)	\$ (264)	\$ 2	\$ (262)

Significant reclassifications from accumulated other comprehensive income to net income included the following (in millions):

		Years ended December 31,		
	Statement of operations classification	2014	2013	2012
Defined benefit pension plans				
Actuarial losses		\$ 22	\$ 48	\$ 45
Prior service costs		(1)	—	(1)
Settlements and curtailments		(4)	1	3
Total amortization, before income taxes	Net periodic benefit costs (a)	17	49	47
Income tax (benefit) expense	Income tax expense	(2)	(4)	(5)
Total amortization, net of income taxes		\$ 15	\$ 45	\$ 42

- (a) We recognize the amortization of accumulated other comprehensive income components related to defined benefit pension plans in net periodic benefit costs. In the year ended December 31, 2014, the amortization components of our net periodic benefit costs were \$12 million, recorded in operating and maintenance costs, and \$5 million, recorded in general and administrative costs. In the year ended December 31, 2013, the amortization components of our net periodic benefit costs were \$37 million, recorded in operating and maintenance costs, and \$12 million, recorded in general and administrative costs. In the year ended December 31, 2012, the amortization components of our net periodic benefit costs were \$31 million, recorded in operating and maintenance costs, and \$16 million, recorded in general and administrative costs. See Note 14—Postemployment Benefit Plans.

**TRANSOCEAN LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued**

**Note 18—Share-Based Compensation Plans**

**Overview**—We have (i) a long-term incentive plan (the “Long-Term Incentive Plan”) for executives, key employees and non-employee directors under which awards can be granted in the form of deferred units, restricted shares, stock options, stock appreciation rights and cash performance awards and (ii) other incentive plans under which awards are currently outstanding. Awards that may be granted under the Long-Term Incentive Plan include time-vesting awards (“time-based awards”) and awards that are earned based on the achievement of certain performance criteria (“performance-based awards”) or market factors (“market-based awards”). Our executive compensation committee of our board of directors determines the terms and conditions of the awards granted under the Long-Term Incentive Plan. As of December 31, 2014, we had 36.0 million shares authorized and 6.1 million shares available to be granted under the Long-Term Incentive Plan.

Time-based awards typically vest either in three equal annual installments beginning on the first anniversary date of the grant or in an aggregate installment at the end of the stated vesting period. Performance-based and market-based awards are typically awarded subject to either a two-year or a three-year measurement period during which the number of options, shares or deferred units remains uncertain. At the end of the measurement period, the awarded number of options, shares or deferred units is determined (the “determination date”) subject to the stated vesting period. The performance-based and market-based awards generally vest in one aggregate installment following the determination date. Once vested, stock options and stock appreciation rights generally have a 10-year term during which they are exercisable.

As of December 31, 2014, total unrecognized compensation costs related to all unvested share-based awards were \$90 million, which are expected to be recognized over a weighted-average period of 1.5 years. In the years ended December 31, 2014, 2013 and 2012, we recognized additional share-based compensation expense of \$9 million, \$22 million and \$4 million, respectively, in connection with modifications of share-based awards.

**Option valuation assumptions**—We estimated the fair value of each option award under the Long-Term Incentive Plan on the grant date using the Black-Scholes-Merton option-pricing model with the following weighted-average assumptions:

	<u>Years ended December 31,</u>	
	<u>2013</u>	<u>2012</u>
Dividend yield	2%	—
Expected price volatility	39%	43%
Risk-free interest rate	0.94%	0.87%
Expected life of options	5.3 years	5.0 years
Weighted-average fair value of options granted	\$ 17.37	\$ 18.87

We did not grant stock options during the year ended December 31, 2014.

**Time-based awards**

**Deferred units**—A deferred unit is a unit that is equal to one share but has no voting rights until the underlying shares are issued. Our time-based deferred units are participating securities since they have the right to receive dividends and other cash distributions to shareholders. The following table summarizes unvested activity for time-based vesting deferred units (“time-based units”) granted under our incentive plans during the year ended December 31, 2014:

	<u>Number of units</u>	<u>Weighted-average grant-date fair value per share</u>
Unvested at January 1, 2014	2,732,328	\$ 56.84
Granted	1,208,790	42.80
Vested	(1,520,023 )	57.41
Forfeited	(150,242 )	51.10
Unvested at December 31, 2014	<u>2,270,853</u>	<u>\$ 49.37</u>

The total grant-date fair value of the time-based units that vested during the year ended December 31, 2014 was \$87 million.

There were 1,691,029 and 2,183,853 time-based units granted during the years ended December 31, 2013 and 2012, respectively. The weighted-average grant-date fair value of time-based units granted was \$58.91 and \$50.07 per share for the years ended December 31, 2013 and 2012, respectively. There were 1,556,840 and 1,064,359 time-based units that vested during the years ended December 31, 2013 and 2012, respectively. The total grant-date fair value of the time-based units that vested was \$95 million and \$74 million for the years ended December 31, 2013 and 2012, respectively.



**TRANSOCEAN LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued**

**Stock options**—The following table summarizes activity for vested and unvested time-based vesting stock options (“time-based options”) outstanding under our incentive plans during the year ended December 31, 2014:

	Number of shares under option	Weighted-average exercise price per share	Weighted-average remaining contractual term (years)	Aggregate intrinsic value (in millions)
Outstanding at January 1, 2014	1,854,164	\$ 71.49	6.55	\$ —
Granted	—	—		
Exercised	(31,785 )	38.64		
Forfeited	(56,344 )	64.77		
Expired	(19,792 )	42.66		
Outstanding at December 31, 2014	<u>1,746,243</u>	<u>\$ 72.64</u>	<u>5.77</u>	<u>\$ —</u>
Vested and exercisable at December 31, 2014	1,362,395	\$ 77.06	5.19	\$ —

The total grant-date fair value of time-based options that vested during the year ended December 31, 2014 was \$9 million. The total pre-tax intrinsic value of time-based options exercised during the year ended December 31, 2014 was \$2 million. At January 1 and December 31, 2014, we have presented the aggregate intrinsic value as zero since the weighted-average exercise price per share exceeded the market price of our shares on these dates. There were unvested time-based options to purchase 383,848 shares as of December 31, 2014.

There were time-based options to purchase 455,915 and 395,673 shares granted during the years ended December 31, 2013 and 2012, respectively. The weighted-average grant-date fair value of time-based options granted was \$17.37 and \$18.87 per time-based option for the years ended December 31, 2013 and 2012, respectively. The total grant-date fair value of time-based options that vested was \$7 million and \$5 million for the years ended December 31, 2013 and 2012, respectively. There were time-based options to purchase 102,254 and 264,707 shares exercised during the years ended December 31, 2013 and 2012, respectively. The total pretax intrinsic value of time-based options exercised was \$5 million and \$3 million during the years ended December 31, 2013 and 2012, respectively.

**Stock appreciation rights**—The following table summarizes activity for stock appreciation rights outstanding under our incentive plans during the year ended December 31, 2014:

	Number of awards	Weighted-average exercise price per share	Weighted-average remaining contractual term (years)	Aggregate intrinsic value (in millions)
Outstanding at January 1, 2014	187,739	\$ 93.39	2.76	\$ —
Outstanding at December 31, 2014	<u>187,739</u>	<u>\$ 93.39</u>	<u>1.76</u>	<u>\$ —</u>
Vested and exercisable at December 31, 2014	187,739	\$ 93.39	1.76	\$ —

We did not grant stock appreciation rights during the years ended December 31, 2014, 2013, and 2012. At January 1 and December 31, 2014, we have presented the aggregate intrinsic value as zero since the weighted-average exercise price per share exceeded the market price of our shares on those dates. There were no stock appreciation rights exercised for the years ended December 31, 2014 and 2013. There were no unvested stock appreciation rights outstanding as of December 31, 2014.



**TRANSOCEAN LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued**

**Market-based awards**

**Deferred units**—We grant market-based deferred units (“market-based units”) that can be earned depending on the achievement of certain market conditions. Our market-based deferred units are participating securities since they have the right to receive dividends and other cash distributions to shareholders. The number of units earned is quantified upon completion of the specified period at the determination date. The following table summarizes unvested activity for market-based units granted under our incentive plans during the year ended December 31, 2014:

	Number of units	Weighted-average grant-date fair value per share
Unvested at January 1, 2014	306,163	\$ 66.65
Granted	302,630	31.73
Vested	(2,457)	58.52
Vested and cancelled	(128,865)	58.52
Forfeited	(14,518)	58.52
Unvested at December 31, 2014	462,953	\$ 46.39

Total grant date fair value of the market-based units that vested during the year ended December 31, 2014 was \$8 million. The cancelled market-based units presented above represent units that had not satisfied the market condition.

There were 171,001 and 163,319 market-based units granted during the years ended December 31, 2013 and 2012 with a weighted-average grant-date fair value of \$74.05 and \$58.52 per share, respectively. The total grant-date fair value of the market-based units that vested was \$6 million and \$24 million for the years ended December 31, 2013 and 2012, respectively.

**Performance-based awards**

**Stock options**—We have previously granted performance-based stock options (“performance-based options”) that could be earned depending on the achievement of certain performance targets. The number of options earned is quantified upon completion of the performance period at the determination date. The following table summarizes activity for vested and unvested performance-based options outstanding under our incentive plans during the year ended December 31, 2014:

	Number of shares under option	Weighted-average exercise price per share	Weighted-average remaining contractual term (years)	Aggregate intrinsic value (in millions)
Outstanding at January 1, 2014	171,877	\$ 77.55	2.28	\$ —
Exercised	(12,073)	14.65		
Outstanding at December 31, 2014	159,804	\$ 81.17	1.41	\$ —
Vested and exercisable at December 31, 2014	159,804	\$ 81.17	1.41	\$ —

We did not grant performance-based options during the years ended December 31, 2014, 2013 and 2012. At January 1 and December 31, 2014, we have presented the aggregate intrinsic value as zero since the weighted-average exercise price per share exceeded the market price of our shares on that date. There were 7,385 performance-based stock options exercised during the year ended December 31, 2013. There were no performance-based options exercised during the year ended December 31, 2012. There were no unvested performance-based stock options outstanding as of December 31, 2014.

**TRANSOCEAN LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued**

**Note 19—Supplemental Balance Sheet Information**

Other current liabilities were comprised of the following (in millions):

	December 31,	
	2014	2013
<b>Other current liabilities</b>		
Accrued payroll and employee benefits	\$ 387	\$ 431
Distribution payable	272	202
Deferred revenue	219	195
Deferred revenue of consolidated variable interest entities	18	21
Accrued taxes, other than income	78	145
Accrued interest	95	108
Contingent liabilities	460	490
Macondo well incident settlement obligations	260	460
Other	33	20
Total other current liabilities	<u>\$ 1,822</u>	<u>\$ 2,072</u>

Other long-term liabilities were comprised of the following (in millions):

	December 31,	
	2014	2013
<b>Other long-term liabilities</b>		
Long-term income taxes payable	\$ 383	\$ 502
Accrued pension liabilities	459	339
Deferred revenue	201	108
Deferred revenue of consolidated variable interest entities	32	51
Drilling contract intangibles	29	44
Accrued retiree life insurance and medical benefits	56	49
Macondo well incident settlement obligations	120	380
Other	74	81
Total other long-term liabilities	<u>\$ 1,354</u>	<u>\$ 1,554</u>

**TRANSOCEAN LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued**

**Note 20—Supplemental Cash Flow Information**

Net cash provided by operating activities attributable to the net change in operating assets and liabilities were composed of the following (in millions):

	Years ended December 31,		
	2014	2013	2012
<b>Changes in operating assets and liabilities</b>			
Decrease (increase) in accounts receivable	\$ 63	\$ 58	\$ (139 )
Increase in other current assets	(164 )	(152 )	(73 )
Decrease (increase) in other assets	(7 )	87	12
Increase (decrease) in accounts payable and other current liabilities	(874 )	(625 )	931
Decrease in other long-term liabilities	(72 )	(33 )	(63 )
Change in income taxes receivable / payable, net	(29 )	(151 )	(156 )
	<u>\$ (1,083 )</u>	<u>\$ (816 )</u>	<u>\$ 512</u>

Additional cash flow information was as follows (in millions):

	Years ended December 31,		
	2014	2013	2012
<b>Certain cash operating activities</b>			
Cash payments for interest	\$ 490	\$ 669	\$ 719
Cash payments for income taxes	329	457	347
<b>Non-cash investing and financing activities</b>			
Capital expenditures, accrued at end of period (a)	\$ 124	\$ 167	\$ 123
Issuance of shares in exchange for noncontrolling interest (b)	—	—	367
Non-cash proceeds received for the sale of assets (c)	—	—	194

- (a) These amounts represent additions to property and equipment for which we had accrued a corresponding liability in accounts payable.
- (b) On May 31, 2012, we issued 8.7 million shares to Quantum in a non-cash exchange for its interest in TPD. See Note 16—Noncontrolling Interest.
- (c) During the year ended December 31, 2012, we completed the sale of 38 drilling units to Shelf Drilling. In connection with the sale transactions, we received net cash proceeds of \$568 million and non-cash proceeds in the form of preference shares with an aggregate stated value of \$195 million. We recognized the preference shares at their estimated fair value measured at the time of the sale, in the aggregate amount of \$194 million, including the fair value associated with embedded derivatives. See Note 7—Discontinued Operations.

**TRANSOCEAN LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued**

**Note 21—Financial Instruments**

The carrying amounts and fair values of our financial instruments were as follows:

	December 31, 2014		December 31, 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	\$ 2,636	\$ 2,636	\$ 3,243	\$ 3,243
Notes and other loans receivable	15	15	101	101
Restricted cash investments	377	394	621	649
Long-term debt, including current maturities	10,092	9,778	10,702	11,784
Derivative instruments, assets	15	15	—	—

We estimated the fair value of each class of financial instruments, for which estimating fair value is practicable, by applying the following methods and assumptions:

**Cash and cash equivalents**—The carrying amount of cash and cash equivalents represents the historical cost, plus accrued interest, which approximates fair value because of the short maturities of those instruments. We measured the estimated fair value of our cash equivalents using significant other observable inputs, representative of a Level 2 fair value measurement, including the net asset values of the investments. At December 31, 2014 and 2013, the aggregate carrying amount of our cash equivalents was \$1.7 billion and \$2.3 billion, respectively.

**Notes and other loans receivable**—We hold certain notes and other loans receivable, which originated in connection with certain asset dispositions and supplier advances. The carrying amount represents the amortized cost of our investments. We measured the estimated fair value using significant unobservable inputs, representative of a Level 3 fair value measurement, including the credit ratings of the borrowers. At December 31, 2014, the aggregate carrying amount of our notes receivable and other loans receivable was \$15 million, recorded in other assets. At December 31, 2013, the aggregate carrying amount of our notes receivable and other loans receivable was \$101 million, including \$6 million and \$95 million recorded in other current assets and other assets, respectively.

**Restricted cash investments**—The carrying amount of the Eksportfinans Restricted Cash Investments represents the amortized cost of our investment. We measured the estimated fair value of the Eksportfinans Restricted Cash Investments using significant other observable inputs, representative of a Level 2 fair value measurement, including the terms and credit spreads of the instruments. At December 31, 2014 and 2013, the aggregate carrying amount of the Eksportfinans Restricted Cash Investments was \$369 million and \$591 million, respectively. At December 31, 2014 and 2013, the estimated fair value of the Eksportfinans Restricted Cash Investments was \$386 million and \$619 million, respectively.

The carrying amount of the restricted cash investments for certain contingent obligations approximates fair value due to the short term nature of the instruments in which the restricted cash investments are held. At December 31, 2014, the aggregate carrying amount of the restricted cash investments for certain contingent obligations was \$8 million. At December 31, 2013, the aggregate carrying amount of the restricted cash investments for the ADDCL Credit Facilities and certain contingent obligations was \$30 million.

**Debt**—We measured the estimated fair value of our fixed-rate debt using significant other observable inputs, representative of a Level 2 fair value measurement, including the terms and credit spreads for the instruments. At December 31, 2014 and 2013, the aggregate carrying amount of our fixed-rate debt was \$10.1 billion and \$10.5 billion, respectively. At December 31, 2014 and 2013, the aggregate estimated fair value of our fixed-rate debt was \$9.8 billion and \$11.6 billion, respectively.

**Debt of consolidated variable interest entities**—The carrying amount of the variable-rate debt of our consolidated variable interest entities approximates fair value because the terms of those debt instruments include short-term interest rates and exclude penalties for prepayments. We measured the estimated fair value of the debt of our consolidated variable interest entities using significant other observable inputs, representative of a Level 2 fair value measurement, including the terms and credit spreads of the instruments. At December 31, 2013, the aggregate carrying amount of the variable-rate debt of our consolidated variable interest entities was \$163 million. In February 2014, we repaid the variable-rate debt of our consolidated variable interest entities.

**Derivative instruments**—The carrying amount of our derivative instruments represents the estimated fair value. We measured the estimated fair value using significant other observable inputs, representative of a Level 2 fair value measurement, including the interest rates and terms of the instruments.

**Note 22—Risk Concentration**

**Interest rate risk**—Financial instruments that potentially subject us to concentrations of interest rate risk include our cash equivalents, short-term investments, restricted cash investments, debt and capital lease obligations. We are exposed to interest rate risk related to our cash equivalents and short-term investments, as the interest income earned on these investments changes with market interest rates. Floating rate debt, where the interest rate may be adjusted annually or more frequently over the life of the instrument, exposes us to short-term changes in market interest rates. Fixed rate debt, where the interest rate is fixed over the life of the instrument and the instrument's maturity is greater than one year, exposes us to changes in market interest rates when we refinance maturing debt

**TRANSOCEAN LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued**

with new debt. Our fixed-rate restricted cash investments associated with the Eksportfinans Loans and the respective debt instruments for which they are restricted, are subject to corresponding and opposing changes in the fair value relative to changes in market interest rates.

From time to time, we may use interest rate swap agreements to manage the effect of interest rate changes on future income. We do not generally enter into interest rate derivative transactions for speculative or trading purposes. Interest rate swaps are generally designated as hedges of underlying future interest payments. These agreements involve the exchange of amounts based on variable interest rates and amounts based on a fixed interest rate over the life of the agreement without an exchange of the notional amount upon which the payments are based. The interest rate differential to be received or paid on the swaps is recognized over the lives of the swaps as an adjustment to interest expense. Gains and losses on terminations of interest rate swap agreements are deferred and recognized as an adjustment to interest expense over the remaining life of the underlying debt. In the event of the early retirement of a designated debt obligation, any realized or unrealized gain or loss from the swap would be recognized in income.

**Currency exchange rate risk**—Our international operations expose us to currency exchange rate risk. This risk is primarily associated with compensation costs of our employees and purchasing costs from non-U.S. suppliers, which are denominated in currencies other than the U.S. dollar. We use a variety of techniques to minimize the exposure to currency exchange rate risk, including the structuring of customer contract payment terms and, from time to time, the use of currency exchange derivative instruments.

Our primary currency exchange rate risk management strategy involves structuring customer contracts to provide for payment in both U.S. dollars and local currency. The payment portion denominated in local currency is based on anticipated local currency requirements over the contract term. Due to various factors, including customer acceptance, local banking laws, other statutory requirements, local currency convertibility and the impact of inflation on local costs, actual local currency needs may vary from those anticipated in the customer contracts, resulting in partial exposure to currency exchange rate risk. The currency exchange effect resulting from our international operations generally has not had a material impact on our operating results. In situations where payments of local currency do not equal local currency requirements, we may use currency exchange derivative instruments, specifically forward exchange contracts, or spot purchases, to mitigate currency exchange rate risk. A forward exchange contract obligates us to exchange predetermined amounts of specified foreign currencies at specified currency exchange rates on specified dates or to make an equivalent U.S. dollar payment equal to the value of such exchange.

We do not enter into currency exchange derivative transactions for speculative purposes. We record designated currency exchange derivative instruments at fair value and defer gains and losses in other comprehensive income, recognizing the gains and losses when the underlying currency exchange exposure is realized. We record undesignated currency exchange derivative instruments at fair value and record changes to the fair value in current period earnings as an adjustment to currency exchange gains or losses. At December 31, 2012, we had cross-currency swaps that were designated as cash flow hedges of certain debt instruments denominated in Norwegian kroner. In March 2013, we terminated these cross-currency interest rate swaps and the underlying debt instruments. See Note 13—Derivatives and Hedging.

**Credit risk**—Financial instruments that potentially subject us to concentrations of credit risk are primarily cash and cash equivalents, short-term investments, trade receivables, notes and loans receivable and equity investment.

We generally maintain our cash and cash equivalents in time deposits at commercial banks with high credit ratings or mutual funds, which invest exclusively in high-quality money market instruments. We limit the amount of exposure to any one institution and do not believe we are exposed to any significant credit risk.

We derive the majority of our revenue from services to international oil companies, government-owned oil companies and government-controlled oil companies. Receivables are dispersed in various countries (see Note 23—Operating Segments, Geographic Analysis and Major Customers). We establish an allowance for doubtful accounts on a case-by-case basis, considering changes in the financial position of a customer, when we believe the required payment of specific amounts owed to us is unlikely to occur. Although we have encountered isolated credit concerns related to independent oil companies, we are not aware of any significant credit risks related to our customer base and do not generally require collateral or other security to support customer receivables.

We hold investments in debt and equity instruments of certain privately held companies as a result of certain dispositions of assets and equity interests or as a result of arrangements with certain suppliers. We monitor the financial condition of the investees on an ongoing basis to determine whether a valuation allowance is required.

**Labor agreements**—We require highly skilled personnel to operate our drilling units. We conduct extensive personnel recruiting, training and safety programs. At December 31, 2014, we had approximately 13,100 employees, including approximately 1,000 persons engaged through contract labor providers. Approximately 30 percent of our total workforce, working primarily in Angola, the U.K., Nigeria, Norway, Australia and Brazil are represented by, and some of our contracted labor work under, collective bargaining agreements, substantially all of which are subject to annual salary negotiation. These negotiations could result in higher personnel expenses, other increased costs or increased operational restrictions as the outcome of such negotiations apply to all offshore employees not just the union members.

**TRANSOCEAN LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued**

**Note 23—Operating Segments, Geographic Analysis and Major Customers**

**Operating segments**—We operate in a single, global market for the provision of contract drilling services to our customers. The location of our rigs and the allocation of our resources to build or upgrade rigs are determined by the activities and needs of our customers.

**Geographic analysis**—Operating revenues for our continuing operations by country were as follows (in millions):

	Years ended December 31,		
	2014	2013	2012
<b>Operating revenues</b>			
U.S.	\$ 2,289	\$ 2,382	\$ 2,472
U.K.	1,194	1,181	1,028
Norway	1,036	1,208	1,174
Brazil	651	855	1,114
Other countries (a)	4,004	3,623	3,157
Total operating revenues	<u>\$ 9,174</u>	<u>\$ 9,249</u>	<u>\$ 8,945</u>

(a) Other countries represents countries in which we operate that individually had operating revenues representing less than 10 percent of total operating revenues earned.

Long-lived assets of our continuing operations by country were as follows (in millions):

	December 31,	
	2014	2013
<b>Long-lived assets</b>		
U.S.	\$ 7,080	\$ 6,996
Norway	1,952	2,091
Other countries (a)	12,506	12,620
Total long-lived assets	<u>\$ 21,538</u>	<u>\$ 21,707</u>

(a) Other countries represents countries in which we operate that individually had long-lived assets representing less than 10 percent of total long-lived assets.

A substantial portion of our assets are mobile. Asset locations at the end of the period are not necessarily indicative of the geographic distribution of the revenues generated by such assets during the periods. Although we are organized under the laws of Switzerland, we do not conduct any operations and do not have operating revenues in Switzerland. At December 31, 2014 and 2013, the aggregate carrying amount of our long-lived assets located in Switzerland was \$3 million and \$6 million, respectively.

Our international operations are subject to certain political and other uncertainties, including risks of war and civil disturbances or other market disrupting events, expropriation of equipment, repatriation of income or capital, taxation policies, and the general hazards associated with certain areas in which we operate.

**Major customers**—For the year ended December 31, 2014, Chevron Corporation and BP accounted for approximately 11 percent and nine percent, respectively, of our consolidated operating revenues from continuing operations. For the year ended December 31, 2013, Chevron Corporation and BP accounted for approximately 12 percent and 10 percent, respectively, of our consolidated operating revenues from continuing operations. For the year ended December 31, 2012, Chevron Corporation, BP and Petrobras accounted for approximately 11 percent, 11 percent and 10 percent, respectively, of our consolidated operating revenues from continuing operations.



**TRANSOCEAN LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued**

**Note 24—Condensed Consolidating Financial Information**

Transocean Inc., a wholly owned subsidiary of Transocean Ltd., is the issuer of certain notes and debentures, which have been guaranteed by Transocean Ltd. Transocean Ltd.'s guarantee of debt securities of Transocean Inc. is full and unconditional. Transocean Ltd. is not subject to any significant restrictions on its ability to obtain funds by dividends, loans or return of capital distributions from its consolidated subsidiaries.

The following tables present condensed consolidating financial information for (a) Transocean Ltd. (the "Parent Guarantor"), (b) Transocean Inc. (the "Subsidiary Issuer"), and (c) the other direct and indirect wholly owned and partially owned subsidiaries of the Parent Guarantor, none of which guarantee any indebtedness of the Subsidiary Issuer (the "Other Subsidiaries"). The condensed consolidating financial information may not necessarily be indicative of the results of operations, financial position or cash flows had the subsidiaries operated as independent entities.

The following tables include the consolidating adjustments necessary to present the condensed financial statements on a consolidated basis (in millions):

	Year ended December 31, 2014				
	Parent Guarantor	Subsidiary Issuer	Other Subsidiaries	Consolidating adjustments	Consolidated
Operating revenues	\$ —	\$ —	\$ 9,181	\$ (7)	\$ 9,174
Cost and expenses	25	17	6,448	(7)	6,483
Loss on impairment	—	—	(4,043)	—	(4,043)
Loss on disposal of assets, net	—	—	(26)	—	(26)
<b>Operating loss</b>	<b>(25)</b>	<b>(17)</b>	<b>(1,336)</b>	<b>—</b>	<b>(1,378)</b>
<b>Other income (expense), net</b>					
Interest income (expense), net	(10)	(575)	141	—	(444)
Equity in earnings	(1,878)	(1,246)	—	3,124	—
Other, net	—	38	(16)	—	22
	(1,888)	(1,783)	125	3,124	(422)
Loss from continuing operations before income tax expense	(1,913)	(1,800)	(1,211)	3,124	(1,800)
Income tax expense	—	—	146	—	146
<b>Loss from continuing operations</b>	<b>(1,913)</b>	<b>(1,800)</b>	<b>(1,357)</b>	<b>3,124</b>	<b>(1,946)</b>
Loss from discontinued operations, net of tax	—	(13)	(7)	—	(20)
<b>Net loss</b>	<b>(1,913)</b>	<b>(1,813)</b>	<b>(1,364)</b>	<b>3,124</b>	<b>(1,966)</b>
Net loss attributable to noncontrolling interest	—	—	(53)	—	(53)
<b>Net loss attributable to controlling interest</b>	<b>(1,913)</b>	<b>(1,813)</b>	<b>(1,311)</b>	<b>3,124</b>	<b>(1,913)</b>
Other comprehensive income (loss) before income taxes	9	(76)	(88)	—	(155)
Income taxes related to other comprehensive loss	—	—	13	—	13
Other comprehensive income (loss), net of income taxes	9	(76)	(75)	—	(142)
<b>Total comprehensive loss</b>	<b>(1,904)</b>	<b>(1,889)</b>	<b>(1,439)</b>	<b>3,124</b>	<b>(2,108)</b>
Total comprehensive loss attributable to noncontrolling interest	—	—	(53)	—	(53)
<b>Total comprehensive loss attributable to controlling interest</b>	<b>\$ (1,904)</b>	<b>\$ (1,889)</b>	<b>\$ (1,386)</b>	<b>\$ 3,124</b>	<b>\$ (2,055)</b>

**TRANSOCEAN LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued**

	Year ended December 31, 2013				
	Parent Guarantor	Subsidiary Issuer	Other Subsidiaries	Consolidating adjustments	Consolidated
Operating revenues	\$ —	\$ —	\$ 9,233	\$ 16	\$ 9,249
Cost and expenses	29	9	6,904	16	6,958
Loss on impairment	—	—	(81)	—	(81)
Gain on disposal of assets, net	—	—	7	—	7
<b>Operating income (loss)</b>	(29)	(9)	2,255	—	2,217
<b>Other income (expense), net</b>					
Interest income (expense), net	(15)	(538)	21	—	(532)
Equity in earnings	1,450	2,112	—	(3,562)	—
Other, net	1	(15)	(15)	—	(29)
	1,436	1,559	6	(3,562)	(561)
Income from continuing operations before income tax expense	1,407	1,550	2,261	(3,562)	1,656
Income tax expense	—	—	258	—	258
<b>Income from continuing operations</b>	1,407	1,550	2,003	(3,562)	1,398
Gain (loss) from discontinued operations, net of tax	—	(97)	106	—	9
<b>Net income</b>	1,407	1,453	2,109	(3,562)	1,407
Net income attributable to noncontrolling interest	—	—	—	—	—
<b>Net income attributable to controlling interest</b>	1,407	1,453	2,109	(3,562)	1,407
Other comprehensive income before income taxes	3	238	19	—	260
Income taxes related to other comprehensive loss	—	—	2	—	2
Other comprehensive income, net of income taxes	3	238	21	—	262
<b>Total comprehensive income</b>	1,410	1,691	2,130	(3,562)	1,669
Total comprehensive income attributable to noncontrolling interest	—	—	3	—	3
<b>Total comprehensive income attributable to controlling interest</b>	\$ 1,410	\$ 1,691	\$ 2,127	\$ (3,562)	\$ 1,666

	Year ended December 31, 2012				
	Parent Guarantor	Subsidiary Issuer	Other Subsidiaries	Consolidating adjustments	Consolidated
Operating revenues	\$ —	\$ 5	\$ 8,962	\$ (22)	\$ 8,945
Cost and expenses	54	16	7,215	(22)	7,263
Loss on impairment	—	—	(118)	—	(118)
Gain on disposal of assets, net	—	—	36	—	36
<b>Operating income (loss)</b>	(54)	(11)	1,665	—	1,600
<b>Other income (expense), net</b>					
Interest expense, net	(12)	(576)	(79)	—	(667)
Equity in earnings	(153)	402	—	(249)	—
Other, net	—	(4)	(45)	—	(49)
	(165)	(178)	(124)	(249)	(716)
Income (loss) from continuing operations before income tax expense	(219)	(189)	1,541	(249)	884
Income tax expense	—	—	52	—	52
<b>Income (loss) from continuing operations</b>	(219)	(189)	1,489	(249)	832
Loss from discontinued operations, net of tax	—	—	(1,043)	—	(1,043)
<b>Net income (loss)</b>	(219)	(189)	446	(249)	(211)
Net income attributable to noncontrolling interest	—	—	8	—	8
<b>Net income (loss) attributable to controlling interest</b>	(219)	(189)	438	(249)	(219)
Other comprehensive income (loss) before income taxes	(5)	(31)	35	—	(1)
Income taxes related to other comprehensive loss	—	—	(7)	—	(7)
Other comprehensive income (loss), net of income taxes	(5)	(31)	28	—	(8)
<b>Total comprehensive income (loss)</b>	(224)	(220)	474	(249)	(219)
Total comprehensive income attributable to noncontrolling interest	—	—	8	—	8
<b>Total comprehensive income (loss) attributable to controlling interest</b>	\$ (224)	\$ (220)	\$ 466	\$ (249)	\$ (227)

**TRANSOCEAN LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued**

<b>December 31, 2014</b>					
	Parent Guarantor	Subsidiary Issuer	Other Subsidiaries	Consolidating adjustments	Consolidated
<b>Assets</b>					
Cash and cash equivalents	\$ 16	\$ 842	\$ 1,777	\$ —	\$ 2,635
Other current assets	12	757	5,228	(2,631)	3,366
Total current assets	28	1,599	7,005	(2,631)	6,001
Property and equipment, net	—	—	21,538	—	21,538
Goodwill	—	—	—	—	—
Investment in affiliates	13,952	30,639	—	(44,591)	—
Other assets	—	3,899	25,883	(28,908)	874
Total assets	13,980	36,137	54,426	(76,130)	28,413
<b>Liabilities and equity</b>					
Debt due within one year	—	898	135	—	1,033
Other current liabilities	287	473	4,608	(2,631)	2,737
Total current liabilities	287	1,371	4,743	(2,631)	3,770
Long-term debt	—	21,486	16,481	(28,908)	9,059
Other long-term liabilities	22	280	1,289	—	1,591
Total long-term liabilities	22	21,766	17,770	(28,908)	10,650
Commitments and contingencies					
Redeemable noncontrolling interest	—	—	11	—	11
Total equity	13,671	13,000	31,902	(44,591)	13,982
Total liabilities and equity	\$ 13,980	\$ 36,137	\$ 54,426	\$ (76,130)	\$ 28,413

<b>December 31, 2013</b>					
	Parent Guarantor	Subsidiary Issuer	Other Subsidiaries	Consolidating adjustments	Consolidated
<b>Assets</b>					
Cash and cash equivalents	\$ 4	\$ 1,617	\$ 1,622	\$ —	\$ 3,243
Other current assets	22	1,302	4,607	(2,402)	3,529
Total current assets	26	2,919	6,229	(2,402)	6,772
Property and equipment, net	—	—	21,707	—	21,707
Goodwill	—	—	2,987	—	2,987
Investment in affiliates	16,914	31,308	—	(48,222)	—
Other assets	—	1,190	19,954	(20,064)	1,080
Total assets	16,940	35,417	50,877	(70,688)	32,546
<b>Liabilities and equity</b>					
Debt due within one year	—	—	323	—	323
Other current liabilities	214	526	4,893	(2,402)	3,231
Total current liabilities	214	526	5,216	(2,402)	3,554
Long-term debt	—	18,759	11,684	(20,064)	10,379
Other long-term liabilities	35	232	1,661	—	1,928
Total long-term liabilities	35	18,991	13,345	(20,064)	12,307
Commitments and contingencies					
Total equity	16,691	15,900	32,316	(48,222)	16,685
Total liabilities and equity	\$ 16,940	\$ 35,417	\$ 50,877	\$ (70,688)	\$ 32,546

**TRANSOCEAN LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued**

**Year ended December 31, 2014**

	Parent Guarantor	Subsidiary Issuer	Other Subsidiaries	Consolidating adjustments	Consolidated
<b>Cash flows from operating activities</b>	\$ 801	\$ 1,362	\$ 57	\$ —	\$ 2,220
<b>Cash flows from investing activities</b>					
Capital expenditures	—	—	(2,165)	—	(2,165)
Proceeds from disposal of assets, net	—	—	215	—	215
Proceeds from disposal of discontinued operations, net	—	—	35	—	35
Proceeds from repayment of notes receivable	—	—	101	—	101
Investing activities with affiliates, net	—	(2,520)	(379)	2,899	—
Other, net	—	—	(14)	—	(14)
Net cash used in investing activities	—	(2,520)	(2,207)	2,899	(1,828)
<b>Cash flows from financing activities</b>					
Repayments of debt	—	—	(539)	—	(539)
Proceeds from restricted cash investments	—	—	176	—	176
Deposits to restricted cash investments	—	—	(20)	—	(20)
Distribution of qualifying additional paid-in capital	(1,018)	—	—	—	(1,018)
Proceeds from sale of noncontrolling interest	—	—	443	—	443
Financing activities with affiliates, net	236	389	2,274	(2,899)	—
Other, net	(7)	(6)	(29)	—	(42)
Net cash provided by (used in) financing activities	(789)	383	2,305	(2,899)	(1,000)
Net increase (decrease) in cash and cash equivalents	12	(775)	155	—	(608)
Cash and cash equivalents at beginning of period	4	1,617	1,622	—	3,243
Cash and cash equivalents at end of period	\$ 16	\$ 842	\$ 1,777	\$ —	\$ 2,635

**Year ended December 31, 2013**

	Parent Guarantor	Subsidiary Issuer	Other Subsidiaries	Consolidating adjustments	Consolidated
<b>Cash flows from operating activities</b>	\$ (51)	\$ (661)	\$ 2,630	\$ —	\$ 1,918
<b>Cash flows from investing activities</b>					
Capital expenditures	—	—	(2,238)	—	(2,238)
Proceeds from disposal of assets, net	—	—	174	—	174
Proceeds from disposal of discontinued operations, net	—	—	204	—	204
Proceeds from sale of preference shares	—	185	—	—	185
Investing activities with affiliates, net	—	(1,461)	(1,100)	2,561	—
Other, net	—	—	17	—	17
Net cash used in investing activities	—	(1,276)	(2,943)	2,561	(1,658)
<b>Cash flows from financing activities</b>					
Repayments of debt	—	(562)	(1,130)	—	(1,692)
Proceeds from restricted cash investments	—	—	298	—	298
Deposits to restricted cash investments	—	—	(119)	—	(119)
Distribution of qualifying additional paid-in capital	(606)	—	—	—	(606)
Financing activities with affiliates, net	643	978	940	(2,561)	—
Other, net	(6)	(17)	(9)	—	(32)
Net cash provided by (used in) financing activities	31	399	(20)	(2,561)	(2,151)
Net decrease in cash and cash equivalents	(20)	(1,538)	(333)	—	(1,891)
Cash and cash equivalents at beginning of period	24	3,155	1,955	—	5,134
Cash and cash equivalents at end of period	\$ 4	\$ 1,617	\$ 1,622	\$ —	\$ 3,243

**TRANSOCEAN LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued**

	Year ended December 31, 2012				
	Parent Guarantor	Subsidiary Issuer	Other Subsidiaries	Consolidating adjustments	Consolidated
<b>Cash flows from operating activities</b>	\$ (86)	\$ (953)	\$ 3,747	\$ —	\$ 2,708
<b>Cash flows from investing activities</b>					
Capital expenditures	—	—	(1,303)	—	(1,303)
Capital expenditures for discontinued operations	—	—	(106)	—	(106)
Proceeds from disposal of assets, net	—	—	191	—	191
Proceeds from disposal of discontinued operations, net	—	568	221	—	789
Investing activities with affiliates, net	(165)	(2,344)	(3,726)	6,235	—
Other, net	—	29	11	—	40
Net cash provided by (used in) investing activities	(165)	(1,747)	(4,712)	6,235	(389)
<b>Cash flows from financing activities</b>					
Changes in short-term borrowings, net	—	—	(260)	—	(260)
Proceeds from debt	—	1,493	—	—	1,493
Repayments of debt	—	(1,689)	(593)	—	(2,282)
Proceeds from restricted cash investments	—	—	311	—	311
Deposits to restricted cash investments	—	—	(167)	—	(167)
Distribution of qualifying additional paid-in capital	(276)	—	—	—	(276)
Financing activities with affiliates, net	549	3,276	2,410	(6,235)	—
Other, net	(1)	(18)	(2)	—	(21)
Net cash provided by (used in) financing activities	272	3,062	1,699	(6,235)	(1,202)
Net increase (decrease) in cash and cash equivalents	21	362	734	—	1,117
Cash and cash equivalents at beginning of period	3	2,793	1,221	—	4,017
Cash and cash equivalents at end of period	\$ 24	\$ 3,155	\$ 1,955	\$ —	\$ 5,134

**Note 25—Related Party Transactions**

**Quantum Pacific Management Limited**—On October 18, 2007, one of our subsidiaries acquired a 50 percent interest in TPDI, an entity formed to operate two Ultra-Deepwater Floaters, *Dhirubhai Deepwater KG1* and *Dhirubhai Deepwater KG2*. Until May 31, 2012, Quantum held the remaining 50 percent interest in TPDI. Quantum had the unilateral right to exchange its interest in TPDI for our shares or cash, at its election, measured at an amount based on an appraisal of the fair value of the drillships that are owned by TPDI, subject to certain adjustments. During the year ended December 31, 2012, Quantum exercised its rights under the put option agreement electing to exchange its interest in TPDI for our shares. We issued 8.7 million shares to Quantum, and as a result, TPDI became our wholly-owned subsidiary. In the year ended December 31, 2012, under the terms of the put option agreement, we made a cash payment of \$72 million to Quantum to settle TPDI's working capital. See Note 16—Noncontrolling Interest.

**TRANSOCEAN LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued**

**Note 26—Quarterly Results (Unaudited)**

	Three months ended			
	March 31,	June 30,	September 30,	December 31,
(In millions, except per share data)				
<b>2014</b>				
Operating revenues	\$ 2,339	\$ 2,328	\$ 2,270	\$ 2,237
Operating income (loss) (a)	672	765	(2,168)	(647)
Income (loss) from continuing operations (a)	474	604	(2,262)	(762)
Net income (loss) (a) (b)	466	597	(2,263)	(766)
Net income (loss) attributable to controlling interest (a) (b)	456	587	(2,217)	(739)
Per share earnings (loss) from continuing operations				
Basic	\$ 1.27	\$ 1.63	\$ (6.12)	\$ (2.03)
Diluted	\$ 1.27	\$ 1.63	\$ (6.12)	\$ (2.03)
Weighted-average shares outstanding				
Basic	361	362	362	362
Diluted	361	362	362	362
<b>2013</b>				
Operating revenues	\$ 2,184	\$ 2,364	\$ 2,449	\$ 2,252
Operating income (c)	479	605	738	398
Income from continuing operations (c)	318	322	540	220
Net income (c) (d)	313	311	548	235
Net income attributable to controlling interest (c) (d)	321	307	546	233
Per share earnings from continuing operations				
Basic	\$ 0.89	\$ 0.87	\$ 1.48	\$ 0.60
Diluted	\$ 0.89	\$ 0.87	\$ 1.48	\$ 0.60
Weighted-average shares outstanding				
Basic	360	360	360	361
Diluted	360	360	361	361

- (a) First quarter and third quarter included a loss of \$3 million associated with loss contingencies and a gain of \$22 million associated with insurance recoveries, net, respectively, related to Macondo well incident. First, third and fourth quarters included an aggregate loss of \$268 million associated with the impairment of certain drilling units classified as assets held for sale. Third quarter included a loss of \$788 million associated with the impairment of the Deepwater Floater asset group. Third quarter and fourth quarter included an aggregate loss of \$3.0 billion associated with the impairment of the remaining balance of our goodwill. See Note 5—Impairments, Note 10—Drilling Fleet and Note 15—Commitments and Contingencies.
- (b) First quarter included a loss of \$10 million associated with the disposal of assets of our discontinued operations. See Note 7—Discontinued Operations.
- (c) First quarter and third quarter included losses of \$74 million and \$29 million, respectively, associated with loss contingencies related to Macondo well incident. Second quarter included an aggregate loss of \$37 million associated with the impairment of certain drilling units classified as assets held for sale. Third quarter included a gain of \$33 million associated with the sale of *Transocean Richardson*. See Note 5—Impairments, Note 10—Drilling Fleet and Note 15—Commitments and Contingencies.
- (d) First, second, third and fourth quarters included aggregate gains of \$15 million, \$3 million, \$31 million and \$5 million, respectively, associated with the disposal of assets of our discontinued operations. See Note 7—Discontinued Operations.

**Note 27—Subsequent Events**

**Distributions of qualifying additional paid-in capital**—On February 15, 2015, our board of directors announced its recommendation that our shareholders at the 2015 annual general meeting approve a distribution of qualifying additional paid-in capital in the form of a U.S. dollar denominated dividend of \$0.60 per outstanding share, payable in four quarterly installments of \$0.15 per outstanding share, subject to certain limitations. If approved, we expect that the dividend installments will be paid in June 2015, September 2015, December 2015 and March 2016.

**Macondo well incident insurance coverage**—On February 13, 2015, the Texas Supreme Court issued its answer to one of the Fifth Circuit's questions by determining that BP is not entitled to coverage under certain of our insurance policies for damages arising from subsurface pollution because BP assumed, and we did not assume, liability for such claims.



**TRANSOCEAN LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – continued**

**Note 28—Supplemental Disclosures Required by Swiss Law**

**Security ownership of board members and executive officers**—In the Transocean Ltd. statutory financial statements, we have presented the security ownership of members of our board of directors and members of our executive management team. See Transocean Ltd. Statutory Financial Statements—Notes to Statutory Financial Statements—Note 6—Share Ownership.

**Risk assessment**—In the Transocean Ltd. statutory financial statements, we have presented our risk assessment. See Transocean Ltd. Statutory Financial Statements—Notes to Statutory Financial Statements—Note 10—Risk Assessment.

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

We have not had a change in or disagreement with our accountants within 24 months prior to the date of our most recent financial statements or in any period subsequent to such date.

**Item 9A. Controls and Procedures**

**Disclosure controls and procedures**—We carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures, as defined in the Exchange Act, Rules 13a-15 and 15d-15, were effective as of December 31, 2014 to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act is (1) accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, to allow timely decisions regarding required disclosure and (2) recorded, processed, summarized and reported within the time periods specified in the U.S. Securities and Exchange Commission's rules and forms.

**Internal controls over financial reporting**—There were no changes to our internal controls during the quarter ended December 31, 2014 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

See "Management's Report on Internal Control Over Financial Reporting" and "Report of Independent Registered Public Accounting Firm" included in Item 8 of this Annual Report.

**Item 9B. Other Information**

None.

### **PART III**

**Item 10. Directors, Executive Officers and Corporate Governance**

**Item 11. Executive Compensation**

**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters**

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

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

The information required by Items 10, 11, 12, 13 and 14 is incorporated herein by reference to our definitive proxy statement for our 2014 annual general meeting of shareholders, which will be filed with the U.S. Securities and Exchange Commission pursuant to Regulation 14A under the Securities Exchange Act of 1934 within 120 days of December 31, 2014. Certain information with respect to our executive officers is set forth in Item 4 of this annual report under the caption "Executive Officers of the Registrant."

## PART IV

### Item 15. Exhibits and Financial Statement Schedules

#### (a) Index to Financial Statements, Financial Statement Schedules and Exhibits

##### (1) Index to Financial Statements

Included in Part II of this report:	Page
Management's Report on Internal Control Over Financial Reporting	AR-63
Reports of Independent Registered Public Accounting Firm	AR-64
Consolidated Statements of Operations	AR-67
Consolidated Statements of Comprehensive Income (Loss)	AR-68
Consolidated Balance Sheets	AR-69
Consolidated Statements of Equity	AR-70
Consolidated Statements of Cash Flows	AR-71
Notes to Consolidated Financial Statements	AR-72

Financial statements of unconsolidated subsidiaries are not presented herein because such subsidiaries do not meet the significance test.

##### (2) Financial Statement Schedules

#### Transocean Ltd. and Subsidiaries Schedule II - Valuation and Qualifying Accounts (In millions)

	Balance at beginning of period	Additions Charge to cost and expenses	Charge to other accounts -describe	Deductions -describe	Balance at end of period
<b>Year ended December 31, 2012</b>					
Reserves and allowances deducted from asset accounts:					
Allowance for doubtful accounts receivable	\$ 28	\$ —	\$ —	\$ 8 (a)	\$ 20
Allowance for obsolete materials and supplies	73	8	—	15 (b)	66
Valuation allowance on deferred tax assets	183	28	—	1 (c)	210
<b>Year ended December 31, 2013</b>					
Reserves and allowances deducted from asset accounts:					
Allowance for doubtful accounts receivable	\$ 20	\$ —	\$ —	\$ 6 (a)	\$ 14
Allowance for obsolete materials and supplies	66	17	—	3 (b)	80
Valuation allowance on deferred tax assets	210	37	—	—	247
<b>Year ended December 31, 2014</b>					
Reserves and allowances deducted from asset accounts:					
Allowance for doubtful accounts receivable	\$ 14	\$ —	\$ —	\$ —	\$ 14
Allowance for obsolete materials and supplies	80	29	—	—	109
Valuation allowance on deferred tax assets	247	93	—	—	340

- (a) Uncollectible accounts receivable written off, net of recoveries.  
(b) Amount related to sale of rigs and related equipment.  
(c) Primarily due to reassessments of valuation allowances against future operations.

Other schedules are omitted either because they are not required or are not applicable or because the required information is included in the financial statements or notes thereto.

### **(3) Exhibits**

The following exhibits are filed in connection with this Report:

<b>Number</b>	<b>Description</b>
3.1	Articles of Association of Transocean Ltd. (incorporated by reference to Exhibit 3.1 to Transocean Ltd.'s Quarterly Report on Form 10-Q (Commission File No. 000-53533) for the quarter ended September 30, 2014)
3.2	Organizational Regulations of Transocean Ltd. (incorporated by reference to Exhibit 3.2 to Transocean Ltd.'s Quarterly Report on Form 10-Q (Commission File No. 000-53533) for the quarter ended September 30, 2014)
4.1	Indenture dated as of April 15, 1997 between Transocean Offshore Inc. and Texas Commerce Bank National Association, as trustee (incorporated by reference to Exhibit 4.1 to Transocean Offshore Inc.'s Current Report on Form 8-K (Commission File No. 001-07746) filed on April 30, 1997)
4.2	First Supplemental Indenture dated as of April 15, 1997 between Transocean Offshore Inc. and Texas Commerce Bank National Association, as trustee, supplementing the Indenture dated as of April 15, 1997 (incorporated by reference to Exhibit 4.2 to Transocean Offshore Inc.'s Current Report on Form 8-K (Commission File No. 001-07746) filed on April 30, 1997)
4.3	Second Supplemental Indenture dated as of May 14, 1999 between Transocean Offshore (Texas) Inc., Transocean Offshore Inc. and Chase Bank of Texas, National Association, as trustee (incorporated by reference to Exhibit 4.5 to Transocean Offshore Inc.'s Post-Effective Amendment No. 1 to Registration Statement on Form S-3 (Registration No. 333-59001-99))
4.4	Third Supplemental Indenture dated as of May 24, 2000 between Transocean Sedco Forex Inc. and Chase Bank of Texas, National Association, as trustee (incorporated by reference to Exhibit 4.1 to Transocean Sedco Forex Inc.'s Current Report on Form 8-K (Commission File No. 333-75899) filed on May 24, 2000)
4.5	Fourth Supplemental Indenture dated as of May 11, 2001 between Transocean Sedco Forex Inc. and The Chase Manhattan Bank (incorporated by reference to Exhibit 4.3 to Transocean Sedco Forex Inc.'s Quarterly Report on Form 10-Q (Commission File No. 333-75899) for the quarter ended March 31, 2001)
4.6	Fifth Supplemental Indenture, dated as of December 18, 2008, among Transocean Ltd., Transocean Inc. and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to Exhibit 4.4 to Transocean Ltd.'s Current Report on Form 8-K filed on December 19, 2008)
4.7	Form of 7.45% Notes due April 15, 2027 (incorporated by reference to Exhibit 4.3 to Transocean Offshore Inc.'s Current Report on Form 8-K (Commission File No. 001-07746) filed on April 30, 1997)
4.8	Form of 8.00% Debentures due April 15, 2027 (incorporated by reference to Exhibit 4.4 to Transocean Offshore Inc.'s Current Report on Form 8-K (Commission File No. 001-07746) filed on April 30, 1997)
4.9	Officers' Certificate establishing the terms of the 7.50% Note due April 15, 2031 (incorporated by reference to Exhibit 4.3 to Transocean Sedco Forex Inc.'s Current Report on Form 8-K (Commission File No. 333-75899) filed on April 9, 2001)
4.11	Officers' Certificate establishing the terms of the 7.375% Notes due 2018 (incorporated by reference to Exhibit 4.14 to Transocean Sedco Forex Inc.'s Annual Report on Form 10-K (Commission File No. 333-75899) for the fiscal year ended December 31, 2001)
4.12	Indenture dated as of September 1, 1997, between Global Marine Inc. and Wilmington Trust Company, as Trustee, relating to Debt Securities of Global Marine Inc. (incorporated by reference to Exhibit 4.1 of Global Marine Inc.'s Registration Statement on Form S-4 (No. 333-39033) filed on October 30, 1997); First Supplemental Indenture dated as of June 23, 2000 (incorporated by reference to Exhibit 4.2 of Global Marine Inc.'s Quarterly Report on Form 10-Q (Commission File No. 1-5471) for the quarter ended June 30, 2000); Second Supplemental Indenture dated as of November 20, 2001 (incorporated by reference to Exhibit 4.2 to GlobalSantaFe Corporation's Annual Report on Form 10-K (Commission File No. 001-14634) for the year ended December 31, 2004)
4.13	Form of 7% Note Due 2028 (incorporated by reference to Exhibit 4.2 of Global Marine Inc.'s Current Report on Form 8-K (Commission File No. 1-5471) filed on May 22, 1998)
4.14	Terms of 7% Note Due 2028 (incorporated by reference to Exhibit 4.1 of Global Marine Inc.'s Current Report on Form 8-K (Commission File No. 1-5471) filed on May 22, 1998)
4.15	Senior Indenture, dated as of December 11, 2007, between Transocean Inc. and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.36 to Transocean Inc.'s Annual Report on Form 10-K (Commission File No. 333-75899) for the year ended December 31, 2007)
4.16	First Supplemental Indenture, dated as of December 11, 2007, between Transocean Inc. and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.37 to Transocean Inc.'s Annual Report on Form 10-K (Commission File No. 333-75899) for the year ended December 31, 2007)

- 4.17 Third Supplemental Indenture, dated as of December 18, 2008, among Transocean Ltd., Transocean Inc. and Wells Fargo Bank, National Association, as trustee (incorporated by reference to Exhibit 4.3 to Transocean Ltd.'s Current Report on Form 8-K (Commission File No. 333-75899) filed on December 19, 2008)
- 4.18 Fourth Supplemental Indenture, dated as of September 21, 2010, among Transocean Ltd., Transocean Inc. and Wells Fargo Bank, National Association, as trustee (incorporated by reference to Exhibit 4.1 to Transocean Ltd.'s Quarterly Report on Form 10-Q (Commission File No. 000-53533) for the quarter ended September 30, 2010)
- 4.19 Fifth Supplemental Indenture, dated as of December 5, 2011, among Transocean Ltd., Transocean Inc. and Wells Fargo Bank, National Association, as trustee (incorporated by reference to Exhibit 4.3 to Transocean Ltd.'s Current Report on Form 8-K (Commission File No. 000-53533) filed on December 5, 2011)
- 4.20 Sixth Supplemental Indenture, dated as of September 13, 2012, among Transocean Inc., Transocean Ltd. and Wells Fargo Bank, National Association, as trustee (incorporated by reference to Exhibit 4.3 to Transocean Ltd.'s Current Report on Form 8-K (Commission File No. 000-53533) filed on September 13, 2012)
- 4.21 Credit Agreement dated November 1, 2011 among Transocean Inc., the lenders parties thereto and JPMorgan Chase Bank, N.A., as administrative agent, Crédit Agricole Corporate and Investment Bank and Citibank, N.A., as co-syndication agents, and The Bank of Tokyo-Mitsubishi UFJ, Ltd. and Wells Fargo Bank, National Association, as co-documentation agents, and J.P. Morgan Securities LLC, Crédit Agricole Corporate and Investment Bank, The Bank of Tokyo-Mitsubishi UFJ, Ltd., Citigroup Global Markets Inc., and Wells Fargo Securities LLC, as joint lead arrangers and joint bookrunners (incorporated by reference to Exhibit 4.1 to Transocean Ltd.'s Quarterly Report on Form 10-Q (Commission File No. 000-53533) for the quarter ended September 30, 2011)
- 4.22 Guarantee Agreement dated November 1, 2011 among Transocean Ltd. and JPMorgan Chase Bank, N.A., as administrative agent under the Credit Agreement (incorporated by reference to Exhibit 4.2 to Transocean Ltd.'s Quarterly Report on Form 10-Q (Commission File No. 000-53533) for the quarter ended September 30, 2011)
- 4.23 First Amendment to Credit Agreement dated effective as of March 23, 2012 among Transocean Inc., the lenders parties thereto, JPMorgan Chase Bank, N.A., as administrative agent, Crédit Agricole Corporate and Investment Bank and Citibank, N.A., as co-syndication agents, and The Bank of Tokyo-Mitsubishi UFJ, Ltd. and Wells Fargo Bank, National Association, as co-documentation agents (incorporated by reference to Exhibit 10.1 to Transocean Ltd.'s Current Report on Form 8-K (Commission File No. 000-53533) filed on March 30, 2012)
- 4.24 Credit Agreement, dated October 25, 2012, among Triton Nautilus Asset Leasing GmbH, the lender parties thereto and DNB Bank, ASA, as administrative agent (incorporated by reference to Exhibit 10.1 to Transocean Ltd.'s Current Report on Form 8-K (Commission File No. 000-53533) filed on October 31, 2012)
- 4.25 First Amendment to Credit Agreement, dated December 16, 2013, among Trident Nautilus Asset Leasing GmbH, the lender parties thereto and DNB Bank, ASA, as administrative agent
- 4.26 Credit Agreement dated June 30, 2014 among Transocean Inc., the lenders parties thereto and JPMorgan Chase Bank, N.A., as administrative agent, Citibank, N.A. and DNB Bank, ASA, New York Branch, as co-syndication agents, and The Bank of Tokyo-Mitsubishi UFJ, Ltd., Crédit Agricole Corporate and Investment Bank and Wells Fargo Bank, National Association, as co-documentation agents (incorporated by reference to Exhibit 4.1 to Transocean Ltd.'s Current Report on Form 8-K (Commission File No. 000-53533) filed on July 2, 2014)
- 4.27 Guarantee Agreement dated June 30, 2014 among Transocean Ltd. and JPMorgan Chase Bank, N.A., as administrative agent under the Credit Agreement (incorporated by reference to Exhibit 4.2 to Transocean Ltd.'s Current Report on Form 8-K (Commission File No. 000-53533) filed on July 2, 2014)
- 10.1 Tax Sharing Agreement between Sonat Inc. and Sonat Offshore Drilling Inc. dated June 3, 1993 (incorporated by reference to Exhibit 10-(3) to Sonat Offshore Drilling Inc.'s Form 10-Q (Commission File No. 001-07746) for the quarter ended June 30, 1993)
- 10.2 Nomination and Standstill Agreement dated as of November 10, 2013 by and between Transocean Ltd., High River Limited Partnership, Hopper Investments LLC, Barberry Corp., Icahn Partners LP, Icahn Partners Master Fund LP, Icahn Partners Master Fund II LP, Icahn Partners Master Fund III LP, Icahn Enterprises G.P. Inc., Icahn Enterprises Holdings L.P., IPH GP LLC, Icahn Capital LP, Icahn Onshore LP, Icahn Offshore LP, Beckton Corp., Samuel Merksamer and Vincent Intrieri (incorporated by reference to Exhibit 10.1 to Transocean Ltd.'s Current Report on Form 8-K (Commission File No. 000-53533) filed on November 12, 2013)
- \* 10.3 Long-Term Incentive Plan of Transocean Ltd. (as amended and restated as of February 12, 2009) (incorporated by reference to Exhibit 10.5 to Transocean Ltd.'s Annual Report on Form 10-K (Commission File No. 000-53533) for the year ended December 31, 2008)
- \* 10.4 First Amendment to Long-Term Incentive Plan of Transocean Ltd. (as amended and restated as of February 12, 2009) (incorporated by reference to Exhibit 10.1 to Transocean Ltd.'s Current Report on Form 8-K (Commission File No. 000-53533) filed on May 22, 2013)



- \* 10.5 Deferred Compensation Plan of Transocean Offshore Inc., as amended and restated effective January 1, 2000 (incorporated by reference to Exhibit 10.10 to Transocean Sedco Forex Inc.'s Annual Report on Form 10-K (Commission File No. 333-75899) for the year ended December 31, 1999)
- \* 10.6 GlobalSantaFe Corporation Key Employee Deferred Compensation Plan effective January 1, 2001 and Amendment to GlobalSantaFe Corporation Key Employee Deferred Compensation Plan effective November 20, 2001 (incorporated by reference to Exhibit 10.33 to the GlobalSantaFe Corporation Annual Report on Form 10-K for the year ended December 31, 2004)
- \* 10.7 Amendment to Transocean Inc. Deferred Compensation Plan (incorporate by reference to Exhibit 10.1 to Transocean Inc.'s Current Report on Form 8-K (Commission File No. 333-75899) filed on December 29, 2005)
- \* 10.8 Sedco Forex Employees Option Plan of Transocean Sedco Forex Inc. effective December 31, 1999 (incorporated by reference to Exhibit 4.5 to Transocean Sedco Forex Inc.'s Registration Statement on Form S-8 (Registration No. 333-94569) filed on January 13, 2000)
- \* 10.9 1997 Long-Term Incentive Plan of Reading & Bates Corporation (incorporated by reference to Exhibit 99.A to Reading & Bates' Proxy Statement (Commission File No. 001-05587) dated March 28, 1997)
- \* 10.10 1998 Employee Long-Term Incentive Plan of R&B Falcon Corporation (incorporated by reference to Exhibit 99.A to R&B Falcon Corporation's Proxy Statement (Commission File No. 001-13729) dated April 23, 1998)
- \* 10.11 1998 Director Long-Term Incentive Plan of R&B Falcon Corporation (incorporated by reference to Exhibit 99.B to R&B Falcon Corporation's Proxy Statement (Commission File No. 001-13729) dated April 23, 1998)
- \* 10.12 1999 Employee Long-Term Incentive Plan of R&B Falcon Corporation (incorporated by reference to Exhibit 99.A to R&B Falcon Corporation's Proxy Statement (Commission File No. 001-13729) dated April 13, 1999)
- \* 10.13 1999 Director Long-Term Incentive Plan of R&B Falcon Corporation (incorporated by reference to Exhibit 99.B to R&B Falcon Corporation's Proxy Statement (Commission File No. 001-13729) dated April 13, 1999)
- 10.14 Master Separation Agreement dated February 4, 2004 by and among Transocean Inc., Transocean Holdings Inc. and TODCO (incorporated by reference to Exhibit 99.2 to Transocean Inc.'s Current Report on Form 8-K (Commission File No. 333-75899) filed on March 3, 2004)
- 10.15 Tax Sharing Agreement dated February 4, 2004 between Transocean Holdings Inc. and TODCO (incorporated by reference to Exhibit 99.3 to Transocean Inc.'s Current Report on Form 8-K (Commission File No. 333-75899) filed on March 3, 2004)
- 10.16 Amended and Restated Tax Sharing Agreement effective as of February 4, 2004 between Transocean Holdings Inc. and TODCO (incorporated by reference to Exhibit 10.1 to Transocean Inc.'s Current Report on Form 8-K (Commission File No. 333-75899) filed on November 30, 2006)
- \* 10.17 Form of 2004 Performance-Based Nonqualified Share Option Award Letter (incorporated by reference to Exhibit 10.2 to Transocean Inc.'s Current Report on Form 8-K (Commission File No. 333-75899) filed on February 15, 2005)
- \* 10.18 Form of 2004 Director Deferred Unit Award (incorporated by reference to Exhibit 10.4 to Transocean Inc.'s Current Report on Form 8-K (Commission File No. 333-75899) filed on February 15, 2005)
- \* 10.19 Form of 2008 Director Deferred Unit Award (incorporated by reference to Exhibit 10.20 to Transocean Ltd.'s Annual Report on Form 10-K (Commission File No. 000-53533) for the year ended December 31, 2008)
- \* 10.20 Form of 2009 Director Deferred Unit Award (incorporated by reference to Exhibit 10.19 to Transocean Ltd.'s Annual Report on Form 10-K (Commission File No. 000-53533) for the year ended December 31, 2009)
- \* 10.21 Performance Award and Cash Bonus Plan of Transocean Ltd. (incorporated by reference to Exhibit 10.21 to Transocean Ltd.'s Annual Report on Form 10-K (Commission File No. 000-53533) for the year ended December 31, 2008)
- \* 10.22 Amendment to Performance Award and Cash Bonus Plan of Transocean Ltd. (incorporated by reference to Exhibit 10.20 to Transocean Ltd.'s Annual Report on Form 10-K (Commission File No. 000-53533) for the year ended December 31, 2012)
- \* 10.23 Executive Change of Control Severance Benefit (incorporated by reference to Exhibit 10.1 to Transocean Inc.'s Current Report on Form 8-K (Commission File No. 333-75899) filed on July 19, 2005)
- \* 10.24 Terms of July 2007 Employee Restricted Stock Awards (incorporated by reference to Exhibit 10.2 to Transocean Inc.'s Form 10-Q (Commission File No. 333-75899) for the quarter ended June 30, 2007)
- \* 10.25 Terms of July 2007 Employee Deferred Unit Awards (incorporated by reference to Exhibit 10.3 to Transocean Inc.'s Form 10-Q (Commission File No. 333-75899) for the quarter ended June 30, 2007)
- \* 10.26 Terms and Conditions of the July 2008 Employee Contingent Deferred Unit Award (incorporated by reference to Exhibit 10.1 to Transocean Inc.'s Form 10-Q (Commission File No. 333-75899) for the quarter ended June 30, 2008)
- \* 10.27 Terms and Conditions of the July 2008 Nonqualified Share Option Award (incorporated by reference to Exhibit 10.2 to Transocean Inc.'s Form 10-Q (Commission File No. 333-75899) for the quarter ended June 30, 2008)
- \* 10.28 Terms and Conditions of the February 2009 Employee Deferred Unit Award (incorporated by reference to Exhibit 10.28 to Transocean Ltd.'s Annual Report on Form 10-K (Commission File No. 000-53533) for the year ended December 31, 2008)

- \* 10.29 Terms and Conditions of the February 2009 Employee Contingent Deferred Unit Award (incorporated by reference to Exhibit 10.29 to Transocean Ltd.'s Annual Report on Form 10-K (Commission File No. 000-53533) for the year ended December 31, 2008)
- \* 10.30 Terms and Conditions of the February 2009 Nonqualified Share Option Award (incorporated by reference to Exhibit 10.30 to Transocean Ltd.'s Annual Report on Form 10-K (Commission File No. 000-53533) for the year ended December 31, 2008)
- \* 10.31 Terms and Conditions of the February 2012 Long Term Incentive Plan Award (incorporated by reference to Exhibit 10.28 to Transocean Ltd.'s Annual Report on Form 10-K (Commission File No. 000-53533) for the year ended December 31, 2011)
- \* 10.32 Transocean Ltd. Incentive Recoupment Policy (incorporated by reference to Exhibit 10.30 to Transocean Ltd.'s Annual Report on Form 10-K (Commission File No. 000-53533) for the year ended December 31, 2012)
- 10.33 Form of Novation Agreement dated as of November 27, 2007 by and among GlobalSantaFe Corporation, Transocean Offshore Deepwater Drilling Inc. and certain executives (incorporated by reference to Exhibit 10.1 to Transocean Inc.'s Current Report on Form 8-K (Commission File No. 333-75899) filed on December 3, 2007)
- \* 10.34 Form of Severance Agreement with GlobalSantaFe Corporation Executive Officers (incorporated by reference to Exhibit 10.1 to GlobalSantaFe Corporation's Current Report on Form 8-K/A (Commission File No. 001-14634) filed on July 26, 2005)
- \* 10.35 Global Marine Inc. 1990 Non-Employee Director Stock Option Plan (incorporated by reference to Exhibit 10.18 of Global Marine Inc.'s Annual Report on Form 10-K (Commission File No. 1-5471) for the year ended December 31, 1991); First Amendment (incorporated by reference to Exhibit 10.1 of Global Marine Inc.'s Quarterly Report on Form 10-Q (Commission File No. 1-5471) for the quarter ended June 30, 1995); Second Amendment (incorporated by reference to Exhibit 10.37 of Global Marine Inc.'s Annual Report on Form 10-K (Commission File No. 1-5471) for the year ended December 31, 1996)
- \* 10.36 1997 Long-Term Incentive Plan (incorporated by reference to GlobalSantaFe Corporation's Registration Statement on Form S-8 (No. 333-7070) filed June 13, 1997); Amendment to 1997 Long Term Incentive Plan (incorporated by reference to GlobalSantaFe Corporation's Annual Report on Form 20-F (Commission File No. 001-14634) for the calendar year ended December 31, 1998); Amendment to 1997 Long Term Incentive Plan dated December 1, 1999 (incorporated by reference to GlobalSantaFe Corporation's Annual Report on Form 20-F (Commission File No. 001-14634) for the calendar year ended December 31, 1999)
- \* 10.37 GlobalSantaFe Corporation 1998 Stock Option and Incentive Plan (incorporated by reference to Exhibit 10.1 of Global Marine Inc.'s Quarterly Report on Form 10-Q (Commission File No. 1-5471) for the quarter ended March 31, 1998); First Amendment (incorporated by reference to Exhibit 10.2 of Global Marine Inc.'s Quarterly Report on Form 10-Q (Commission File No. 1-5471) for the quarter ended June 30, 2000)
- \* 10.38 GlobalSantaFe Corporation 2001 Non-Employee Director Stock Option and Incentive Plan (incorporated by reference to Exhibit 4.8 of GlobalSantaFe Corporation's Registration Statement on Form S-8 (No. 333-73878) filed November 21, 2001)
- \* 10.39 GlobalSantaFe Corporation 2001 Long-Term Incentive Plan (incorporated by reference to Exhibit A to GlobalSantaFe Corporation's Quarterly Report on Form 10-Q (Commission File No. 001-14634) for the quarter ended June 30, 2001)
- \* 10.40 GlobalSantaFe 2003 Long-Term Incentive Plan (as Amended and Restated Effective June 7, 2005) (incorporated by reference to Exhibit 10.4 to GlobalSantaFe Corporation's Quarterly Report on Form 10-Q (Commission File No. 001-14634) for the quarter ended June 30, 2005)
- \* 10.41 Transocean Ltd. Pension Equalization Plan, as amended and restated, effective January 1, 2009 (incorporated by reference to Exhibit 10.41 to Transocean Ltd.'s Annual Report on Form 10-K (Commission File No. 000-53533) for the year ended December 31, 2008)
- \* 10.42 Transocean U.S. Supplemental Retirement Benefit Plan, as amended and restated, effective as of November 27, 2007 (incorporated by reference to Exhibit 10.11 to Transocean Inc.'s Current Report on Form 8-K (Commission File No. 333-75899) filed on December 3, 2007)
- \* 10.43 GlobalSantaFe Corporation Supplemental Executive Retirement Plan (incorporated by reference to Exhibit 10.1 to the GlobalSantaFe Corporation Quarterly Report on Form 10-Q for the quarter ended September 30, 2002)
- \* 10.44 Transocean U.S. Supplemental Savings Plan (incorporated by reference to Exhibit 10.44 to Transocean Ltd.'s Annual Report on Form 10-K (Commission File No. 000-53533) for the year ended December 31, 2008)
- 10.45 Form of Indemnification Agreement entered into between Transocean Ltd. and each of its Directors and Executive Officers (incorporated by reference to Exhibit 10.1 to Transocean Inc.'s Current Report on Form 8-K (Commission File No. 333-75899) filed on October 10, 2008)
- \* 10.46 Form of Assignment Memorandum for Executive Officers (incorporated by reference to Exhibit 10.6 to Transocean Ltd.'s Current Report on Form 8-K filed on December 19, 2008)

10.47	Drilling Contract between Vastar Resources, Inc. and R&B Falcon Drilling Co. dated December 9, 1998 with respect to <i>Deepwater Horizon</i> , as amended (incorporated by reference to Exhibit 10.1 to Transocean Ltd.'s Quarterly Report on Form 10-Q (Commission File No. 000-53533) for the quarterly period ended June 30, 2010)
* 10.48	Executive Severance Benefit Policy (incorporated by reference to Exhibit 10.1 to Transocean Ltd.'s Current Report on Form 8-K (Commission File No. 000-53533) filed on February 23, 2012)
* 10.49	Agreement with Gregory L. Cauthen (incorporated by reference to Exhibit 10.1 to Transocean Ltd.'s Current Report on Form 8-K (Commission File No. 000-53533) filed on January 10, 2012)
* 10.50	First Amendment to Agreement with Gregory L. Cauthen (incorporated by reference to Exhibit 10.2 to Transocean Ltd.'s Current Report on Form 8-K (Commission File No. 000-53533) filed on July 2, 2012)
* 10.51	Agreement with Gregory L. Cauthen effective as of April 25, 2013 (incorporated by reference to Exhibit 10.1 to Transocean Ltd.'s Current Report on Form 8-K (Commission File No. 000-53533) filed on April 26, 2013)
* 10.52	Agreement with Allen M. Katz (incorporated by reference to Exhibit 10.55 to Transocean Ltd.'s Annual Report on Form 10-K (Commission File No. 000-53533) for the year ended December 31, 2012)
* 10.53	First Amendment to Employment Agreement with Allen M. Katz effective as of July 1, 2013 (incorporated by reference to Exhibit 10.3 to Transocean Ltd.'s Quarterly Report on Form 10-Q (Commission File No. 000-53533) for the quarterly period ended June 30, 2013)
* 10.54	Second Amendment to Employment Agreement with Allen M. Katz effective as of January 1, 2014 and incorporated herein by reference
* 10.55	Agreement with Steven L. Newman (incorporated by reference to Exhibit 10.1 to Transocean Ltd.'s Current Report on Form 8-K (Commission File No. 000-53533) filed on December 23, 2013)
* 10.56	Agreement with John Stobart (incorporated by reference to Exhibit 10.2 to Transocean Ltd.'s Current Report on Form 8-K (Commission File No. 000-53533) filed on December 23, 2013)
* 10.57	Agreement with Esa Ikkäheimonen (incorporated by reference to Exhibit 10.3 to Transocean Ltd.'s Current Report on Form 8-K (Commission File No. 000-53533) filed on December 23, 2013)
* 10.58	Agreement with Ihab M. Toma (incorporated by reference to Exhibit 10.1 to Transocean Ltd.'s Current Report on Form 8-K (Commission File No. 000-53533) filed on December 26, 2013)
10.59	Omnibus Agreement dated August 5, 2014 among Transocean Ltd., Transocean Inc., Transocean Partners Holdings Limited, Transocean Partners LLC, Triton RIGP DCL Holding Limited, Triton RIGP DIN Holding Limited, Triton RIGP DD3 Holding Limited, Triton RIGP DCL Holdco Limited, Triton RIGP DIN Holdco Limited, Triton RIGP DD3 Holdco Limited, Transocean RIGP DCL Opco Limited, Transocean RIGP DIN Opco Limited, Transocean RIGP DD3 Opco Limited, Transocean RIGP DCL LLC, Transocean RIGP DIN LLC and Transocean RIGP DD3 LLC (incorporated by reference to Exhibit 10.1 to Transocean Partners LLC's Current Report on Form 8-K (Commission File No. 001-36584) filed on August 5, 2014)
† 21	Subsidiaries of Transocean Ltd.
† 23.1	Consent of Ernst & Young LLP
† 24	Powers of Attorney
† 31.1	CEO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
† 31.2	CFO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
† 32.1	CEO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
† 32.2	CFO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.2	Cooperation Guilty Plea Agreement by and among Transocean Deepwater Inc., Transocean Ltd. and the United States (incorporated by reference to Exhibit 99.2 to Transocean Ltd.'s Current Report on Form 8-K (Commission File No. 000-53533) filed on January 3, 2013)
99.3	Consent Decree by and among Triton Asset Leasing GmbH, Transocean Holdings LLC, Transocean Offshore Deepwater Drilling Inc., Transocean Deepwater Inc. and the United States (incorporated by reference to Exhibit 99.3 to Transocean Ltd.'s Current Report on Form 8-K (Commission File No. 000-53533) filed on January 3, 2013)
99.4	Administrative Agreement by and among Transocean Deepwater Inc., Transocean Offshore Deepwater Drilling Inc., Triton Asset Leasing GmbH, Transocean Holdings, LLC and the United States Environmental Protection Agency dated effective as of February 25, 2013 and incorporated herein by reference
† 101.INS	XBRL Instance Document
† 101.SCH	XBRL Taxonomy Extension Schema
† 101.CAL	XBRL Taxonomy Extension Calculation Linkbase
† 101.DEF	XBRL Taxonomy Extension Definition Linkbase

† 101.LAB XBRL Taxonomy Extension Label Linkbase  
† 101.PRE XBRL Taxonomy Extension Presentation Linkbase

---

† Filed with our Annual Report on Form 10-K.  
\* Compensatory plan or arrangement.

Exhibits listed above as previously having been filed with the U.S. Securities and Exchange Commission ("SEC") are incorporated herein by reference pursuant to Rule 12b-32 under the Securities Exchange Act of 1934 and made a part hereof with the same effect as if filed with.

Certain instruments relating to our long-term debt and our subsidiaries have not been filed as exhibits since the total amount of securities authorized under any such instrument does not exceed 10 percent of our total assets and our subsidiaries on a consolidated basis. We agree to furnish a copy of each such instrument to the SEC upon request.

Certain agreements filed as exhibits to this Report may contain representations and warranties by the parties to such agreements. These representations and warranties have been made solely for the benefit of the parties to such agreements and (1) may be intended not as statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate, (2) may have been qualified by certain disclosures that were made to other parties in connection with the negotiation of such agreements, which disclosures are not reflected in such agreements, and (3) may apply standards of materiality in a way that is different from what may be viewed as material to investors.

## 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, on February 25, 2015.

TRANSOCEAN LTD.

By: /s/ Esa Ikäheimonen  
Esa Ikäheimonen  
Executive Vice President, Chief Financial Officer  
(Principal Financial Officer)

By: /s/ David Tonnel  
David Tonnel  
Senior Vice President, Finance and Controller  
(Principal 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 in the capacities indicated on February 25, 2015.

<u>Signature</u>	<u>Title</u>
_____ /s/ Ian C. Strachan <b>Ian C. Strachan</b>	Chairman of the Board of Directors and Chief Executive Officer (Principal Executive Officer)
_____ *	Vice Chairman of the Board of Directors
_____ <b>Merrill A. "Pete" Miller, Jr.</b>	
_____ /s/ Esa Ikäheimonen <b>Esa Ikäheimonen</b>	Executive Vice President, Chief Financial Officer (Principal Financial Officer)
_____ /s/ David Tonnel <b>David Tonnel</b>	Senior Vice President, Finance and Controller (Principal Accounting Officer)
_____ *	Director
_____ <b>Glyn Barker</b>	
_____ *	Director
_____ <b>Vanessa C.L. Chang</b>	
_____ *	Director
_____ <b>Frederico F. Curado</b>	
_____ *	Director
_____ <b>Chad Deaton</b>	
_____ *	Director
_____ <b>Tan Ek Kia</b>	
_____ *	Director
_____ <b>Vincent J. Intrieri</b>	
_____ *	Director
_____ <b>Samuel Merksamer</b>	
_____ *	Director
_____ <b>Martin B. McNamara</b>	
_____ *	Director
_____ <b>Edward R. Muller</b>	
_____ By: /s/ David Tonnel <b>(Attorney-in-Fact)</b>	



**TRANSOCEAN LTD.**

**STATUTORY FINANCIAL STATEMENTS**

**For the years ended December 31, 2014 and 2013**

To the General Meeting of  
Transocean Ltd., Steinhausen

**Zurich, February 25, 2015**

### **Report of the statutory auditor on the financial statements**

As statutory auditor, we have audited the financial statements of Transocean Ltd., which comprise the statement of operations, balance sheet and notes (pages SR-2 to SR-11), for the year ended December 31, 2014.

### **Board of Directors' responsibility**

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

### **Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements for the year ended December 31, 2014 comply with Swiss law and the company's articles of incorporation.

### **Report on other legal requirements**

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings (pages SR-12 to SR-13) complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

/s/ Robin Errico  
Licensed audit expert  
(Auditor in charge)

/s/ Jolanda Dolente  
Licensed audit expert

**TRANSOCEAN LTD.**  
**STATEMENTS OF OPERATIONS**  
(In thousands)

	Years ended December 31,	
	2014	2013
<b>Income</b>		
Guarantee fee income	CHF 7,319	CHF 16,451
Dividend income	2,043,659	—
Interest income	25	14
Total income	2,051,003	16,465
<b>Costs and expenses</b>		
General and administrative	26,311	38,642
Depreciation expense	171	247
Interest expense	8,857	13,680
Total costs and expenses	35,339	52,569
Loss on impairment	(7,482,493)	—
Gain on currency exchange	44,643	6,429
<b>Net loss</b>	CHF (5,422,186 )	CHF (29,675)

See accompanying notes.

**TRANSOCEAN LTD.**  
**BALANCE SHEETS**  
(in thousands)

	December 31,			
		2014		2013
<b>Assets</b>				
Cash	CHF	15,412	CHF	3,950
Receivables from affiliates		9,284		17,138
Trade and other current assets		2,295		1,948
Total current assets		26,991		23,036
Property and equipment		1,324		1,191
Less accumulated depreciation		1,324		1,023
Property and equipment, net		—		168
Investment in affiliates		9,954,217		17,436,710
Own shares		256,949		256,949
Other non-current assets		78		77
Total assets	CHF	10,238,235	CHF	17,716,940
<b>Liabilities and shareholders' equity</b>				
Interest payable to affiliates	CHF	107	CHF	4,223
Distribution payable		263,818		180,737
Trade and other current liabilities		1,563		28,341
Total current liabilities		265,488		213,301
Long-term note payable to affiliates		18,810		1,100,930
Total non-current liabilities		18,810		1,100,930
Share capital		5,607,459		5,607,459
Legal reserves				
General legal reserves—reserve from capital contribution		8,363,622		9,552,457
Reserve for treasury shares—reserve from capital contribution		326,567		325,189
Free reserves				
Dividend reserve from capital contribution		1,017,866		856,995
Retained earnings (accumulated loss)				
Earnings brought forward from previous years		60,609		90,284
Net loss for the period		(5,422,186 )		(29,675 )
Total shareholders' equity		9,953,937		16,402,709
Total liabilities and shareholders' equity	CHF	10,238,235	CHF	17,716,940

See accompanying notes.

**TRANSOCEAN LTD.**  
**NOTES TO STATUTORY FINANCIAL STATEMENTS**

**Note 1—General**

Transocean Ltd. (the “Company”, the “Group”, “we”, “us”, or “our”) is the parent company of Transocean Inc., Transocean Management Ltd., and Transocean Services AS, our wholly-owned subsidiaries. Transocean Ltd. is registered with the commercial register in the canton of Zug, and its stock is listed on the New York Stock Exchange and on the SIX Swiss Exchange.

**Note 2—Significant Accounting Policies**

**Presentation**—We prepare our unconsolidated statutory financial statements in accordance with Swiss law by applying the requirements of the Swiss Code of Obligations. The statutory financial statements are of overriding importance for the purpose of the economic and financial assessment of the Company.

**Foreign currency**—We maintain our accounting records in United States (“U.S.”) dollars and translate them into Swiss francs for statutory reporting purposes. We translate into Swiss francs our assets and liabilities that are denominated in foreign currencies using the year-end currency exchange rates, except prior-year transactions for our investments in affiliates and our equity, which are translated at historical exchange rates. We translate into Swiss francs our income statement transactions that are denominated in foreign currencies using the average currency exchange rates for the year.

Our principal exchange rates were as follows:

	Average exchange rates for the years ended December 31,		Exchange rates at December 31,	
	2014	2013	2014	2013
CHF / USD	0.91	0.93	0.99	0.89
CHF / GBP	1.50	1.45	1.55	1.48
CHF / NOK	0.15	0.16	0.13	0.15

We recognize realized currency exchange gains and losses arising from business transactions and net unrealized currency exchange losses in current period earnings. We defer net unrealized currency exchange gains and record such deferred gains in other current liabilities.

**Cash**—We hold cash balances, denominated in Swiss francs and U.S. dollars, which include cash deposited in demand bank accounts, money market investment accounts and other liquid investments and interest earned on such cash balances.

**Current assets and liabilities**—We record current assets at historical cost less adjustments for impairment of value and current liabilities at historical cost.

**Property and equipment**—We record property and equipment at historical cost net of accumulated depreciation. We generally recognize depreciation expense using the straight-line method. Our property and equipment primarily consists of office equipment that has estimated original useful lives of four years.

**Investments in affiliates**—We record our investments in affiliates at acquisition cost less adjustments for impairment of value. We evaluate our investments in affiliates for impairment annually and record an impairment loss when the carrying amount of such assets exceeds the fair value. We estimate fair value of our investments using a variety of valuation methods, including the income and market approaches. Our estimates of fair value represent a price that would be received to sell the asset in an orderly transaction between market participants in the principal market for the asset.

**Note 3—Investment in Affiliates**

**Overview**—Our direct investments in affiliates were as follows (in thousands, except percentages and share capital):

Company name	Purpose	Domicile	Ownership interest	Share capital	Investment at December 31,	
					2014	2013
Transocean Inc.	Holding	Cayman Islands	100%	USD 0.01	CHF 9,185,861	CHF 16,476,108
Transocean Management Ltd.	Management and administration	Geneva, Switzerland	90%	CHF 100.00	CHF 90	CHF 90
Transocean Services AS	Holding	Norway	99%	NOK 100.00	CHF 768,266	CHF 960,512

**Impairment**—As a result of the annual impairment test we concluded that the carrying amount of the investments in Transocean Inc. and Transocean Services AS was impaired. Accordingly, we recognized an aggregate loss of CHF 7.5 billion associated with the impairments. See Note 11—Subsequent Events.

**TRANSOCEAN LTD.**  
**NOTES TO STATUTORY FINANCIAL STATEMENTS – continued**

At December 31, 2014 and 2013, our principal indirect investments in affiliates were as follows:

Company name	Purpose	Domicile	Ownership interest
Global Marine Inc.	Leasing / operating	United States	100%
GSF Leasing Services GmbH	Leasing	Zug, Switzerland	100%
Sedco Forex Holdings Limited	Leasing / operating	Cayman Islands	100%
Sedco Forex International Inc.	Leasing / operating	Panama	100%
Transocean Drilling Offshore S.a.r.l	Leasing / operating	Luxembourg	100%
Transocean Financing GmbH	Financing	Zug, Switzerland	100%
Transocean Hungary Holdings LLC	Leasing / operating	Hungary	100%
Transocean Norway Drilling AS	Holding	Norway	100%
Transocean Offshore Deepwater Drilling Inc.	Leasing / operating	United States	100%
Transocean Offshore Holdings Limited	Holding	Cayman Islands	100%
Transocean Offshore International Ventures Limited	Leasing / operating	Cayman Islands	100%
Transocean Partners Holdings Limited*	Holding	Cayman Islands	100%
Transocean Partners LLC*	Holding	Marshall Islands	71%
Transocean Entities Holdings GmbH	Holding	Zug, Switzerland	100%
Transocean Worldwide Inc.	Holding	Cayman Islands	100%
Triton Asset Leasing GmbH	Leasing	Zug, Switzerland	100%
Triton Hungary Investments 1 LLC	Holding	Hungary	100%
Triton Nautilus Asset Leasing GmbH	Leasing	Zug, Switzerland	100%

\*Transocean Partners Holdings Limited and Transocean Partners LLC were identified as significant indirect investments in the year ended December 31, 2014.

#### Note 4—Own Shares

**Overview**—The following is a summary of changes in the registered shares (i) that were repurchased under our share repurchase program for cancellation purposes and (ii) held by Transocean Inc., to satisfy obligations under our share-based compensation plans (in thousands, except percentages):

	Treasury shares	Total shares issued	Percentage of issued
Balance at December 31, 2012	14,315	373,831(a)	3.83%
Transfers under share-based compensation plans	(1,258)		
Balance at December 31, 2013	13,057	373,831	3.49%
Transfers under share-based compensation plans	(1,515)		
Balance at December 31, 2014	11,542	373,831	3.09%

(a) Total shares issued included the additional 8.7 million authorized share capital increased in May 2012.

**Share repurchase program**—In May 2009, at our annual general meeting, our shareholders approved and authorized our board of directors, at its discretion, to repurchase an amount of our shares for cancellation with an aggregate purchase price of up to CHF 3.5 billion, equivalent to approximately USD 3.5 billion using a currency exchange rate of USD 1.00 to CHF 0.99 as of the close of trading on December 31, 2014. In the years ended December 31, 2014 and 2013, we did not repurchase any shares under the share repurchase program. At December 31, 2014 and 2013, we held 2.9 million of our shares, repurchased under the share repurchase program, with an aggregate carrying amount of CHF 257 million. The carrying amount of these shares is recorded at historical cost because we have designated these shares to be cancelled.

**Shares held by subsidiary**—Transocean Inc. holds our shares to satisfy our obligations to deliver shares in connection with awards granted under our incentive plans or other rights to acquire our shares. We record transfers of such shares at historical cost. In the years ended December 31, 2014 and 2013, we transferred 1.5 million and 1.3 million shares, respectively, from the treasury shares held by Transocean Inc. to satisfy obligations under our share-based compensation plans. In the years ended December 31, 2014 and 2013, we received cash proceeds of CHF 1 million and CHF 4 million, respectively, in connection with treasury shares transferred in exchange for options exercised under our share-based compensation plans.



**TRANSOCEAN LTD.**  
**NOTES TO STATUTORY FINANCIAL STATEMENTS – continued**

**Note 5—Shareholders' Equity**

**Overview**—Changes in our shareholder's equity were as follows (in thousands):

	Share capital			Legal reserves		Free reserves				
	Shares	Amount		General legal reserves – reserve from capital contribution	Reserve for treasury shares – reserve from capital contribution (a)		Dividend reserve from capital contribution	Retained earnings (accumulated loss)		Total shareholders' equity
Balance at December 31, 2012	373,831	CHF 5,607,459		CHF 11,165,400	CHF 307,300		CHF —	CHF 90,284		CHF 17,170,443
Treasury share transactions	—	—		(17,889)	17,889		—	—		—
Transfer to free reserve – dividend reserve from capital contribution	—	—		(1,595,054)	—		1,595,054	—		—
Distribution payable	—	—		—	—		(738,059)	—		(738,059)
Net loss	—	—		—	—		—	(29,675)		(29,675)
Balance at December 31, 2013	373,831	5,607,459		9,552,457	325,189		856,995	60,609		16,402,709
Treasury share transactions	—	—		(1,378)	1,378		—	—		—
Transfer to free reserve – dividend reserve from distribution payable	—	—		—	—		2,468	—		2,468
Transfer to general legal reserves - reserve from capital contribution	—	—		859,463	—		(859,463)	—		—
Transfer to free reserve – dividend reserve from capital contribution	—	—		(2,046,920)	—		2,046,920	—		—
Distribution payable	—	—		—	—		(1,029,054)	—		(1,029,054)
Net loss	—	—		—	—		—	(5,422,186)		(5,422,186)
Balance at December 31, 2014	373,831	CHF 5,607,459		CHF 8,363,622	CHF 326,567		CHF 1,017,866	CHF (5,361,577)		CHF 9,953,937

(a) The reserve for treasury shares represents the aggregate cost of treasury shares held directly by Transocean Ltd. and indirectly by Transocean Ltd. through Transocean Inc. During the years ended December 31, 2014 and 2013, Transocean Inc. withheld 34,492 and 384,758 treasury shares, respectively, through a broker arrangement and limited to statutory tax in satisfaction of withholding taxes due by our employees upon the vesting of restricted shares granted under our Long-Term Incentive Plan. For the years ended December 31, 2014 and 2013, the aggregate value of treasury share transactions was CHF 1.4 million and CHF 17.9 million, respectively. See Note 4—Own Shares.

**Authorized share capital**—In May 2014, at the annual general meeting, our shareholders approved an authorized share capital in the amount of CHF 336.5 million, authorizing the issuance of a maximum of 22.5 million fully paid-in shares with a par value of CHF 15 per share. As of December 31, 2014 the entire amount of authorized share capital is available for issuance.

**Conditional share capital**—Our articles of association provide for conditional share capital that permits us to issue up to 167.6 million additional registered shares without obtaining additional shareholder approval. The conditional shares may be issued under the following circumstances:

- (1) through the exercise of conversion, exchange, option, warrant or similar rights for the subscription of shares granted in connection with bonds, options, warrants or other securities newly or already issued in national or international capital markets or new or already existing contractual obligations convertible into or exercisable or exchangeable for our registered shares or the shares of one of our group companies or any of their respective predecessors; or
- (2) in connection with the issuance of registered shares, options or other share-based awards to directors, employees, contractors, consultants or other persons providing services to us.

In connection with the issuance of bonds, notes, warrants or other financial instruments or contractual obligations that are convertible into, exercisable for or exchangeable for our registered shares, our board of directors is authorized to withdraw or limit the advance subscription rights of shareholders under certain circumstances.

**Distributions to shareholders**—In May 2014, at our annual general meeting, our shareholders approved a distribution of qualifying general legal reserves in the form of a U.S. dollar denominated dividend of USD 3.00 per outstanding share, payable in four installments of USD 0.75 per outstanding share, subject to certain limitations. In May 2014, we transferred CHF 2.0 billion from general legal reserves—reserve from capital contribution to free reserves—dividend reserve from capital contribution, and we recognized a distribution payable of CHF 1.0 billion, with the corresponding entry to free reserves—dividend reserve from capital contribution. On June 18, 2014, September 17, 2014 and December 17, 2014, we paid the first three installments, in the aggregate amount of CHF 765 million, to shareholders of record as of May 30, 2014, August 22, 2014 and November 12, 2014, respectively. At December 31, 2014, the carrying amount of the unpaid distribution payable was CHF 264 million.

In May 2013, at our annual general meeting, our shareholders approved a distribution of qualifying general legal reserves in the form of a U.S. dollar denominated dividend of USD 2.24 per outstanding share, payable in four installments of USD 0.56 per outstanding share, subject to certain limitations. In May 2013, we transferred CHF 1.6 billion from general legal reserves—reserve from capital contribution to free reserves—dividend reserve from capital contribution, and we recognized a distribution payable of CHF 738 million, with the corresponding entry to free reserves—dividend reserve from capital contribution. On June 19, 2013, September 18, 2013 and

**TRANSOCEAN LTD.**  
**NOTES TO STATUTORY FINANCIAL STATEMENTS – continued**

December 18, 2013, we paid the first three installments, in the aggregate amount of CHF 557 million, to shareholders of record as of May 31, 2013, August 23, 2013 and November 15, 2013, respectively. At December 31, 2013, the carrying amount of the unpaid distribution payable was CHF 181 million. On March 19, 2014, we paid the final installment, in the aggregate amount of CHF 178 million, to shareholders of record as of February 21, 2014. The remaining CHF 3 million was transferred back to the dividend reserve at that date. We also transferred CHF 859 million from free reserves—dividend reserve from capital contribution to general legal reserves—reserve from capital contribution as per the tax ruling dated April 2, 2013.

See Note 11—Subsequent Events.

**Note 6—Share Ownership**

**Significant shareholders**—Certain significant shareholders have reported to us that they held, directly or through their affiliates, the following beneficial interests in excess of 5 percent of our issued share capital (in thousands, except percentages):

Name	December 31, 2014	
	Number of shares	Percentage of issued share capital
BlackRock, Inc.	24,090	6.44%
Icahn Group	21,483	5.75%
Credit Suisse Group AG	19,847	5.31%

Name	December 31, 2013	
	Number of shares	Percentage of issued share capital
BlackRock, Inc.	22,602	6.05%
Franklin Resources, Inc.	22,163	5.93%
Icahn Group	21,483	5.75%

**Own Shares**—At December 31, 2014 and 2013, we held, directly and indirectly through Transocean Inc., 11.5 million registered shares and 13.1 million registered shares respectively, representing 3.09 percent and 3.49 percent of the issued share capital, respectively. See Note 4—Own Shares.

Further, we agreed with Carl Icahn and certain investment funds managed by Mr. Icahn (collectively, the “Icahn Group”) to make certain proposals for approval by the shareholders at the 2014 annual general meeting. These proposals related to the 2014 dividend distribution, Icahn Group designated board nominees, and an amendment to our articles of association regarding the maximum size of our board of directors. The Icahn Group committed to certain standstill restrictions and to vote in favor of our slate of director nominees and certain other proposals our Board of Directors recommended at the 2014 annual general meeting. At December 31, 2014 and December 31, 2013, the Company and the Icahn Group, together, held 33.0 million registered shares and 34.6 million registered shares, representing 8.83 percent and 9.26 percent, respectively, of the issued share capital. Note that the most recent information on the individual beneficial shareholding of Icahn Group dated as of November 10, 2013, corresponding to approximately 21,483,000 registered shares. The decrease in the reported number of registered shares held by us and the Icahn Group together is attributable to the decrease in own shares held by us as at December 31, 2014 compared to the own shares held by us as at December 31, 2013.

**TRANSOCEAN LTD.**  
**NOTES TO STATUTORY FINANCIAL STATEMENTS – continued**

**Shares held by board members**—The members of our board of directors held our shares as follows:

Name	December 31, 2014		December 31, 2013	
	Vested and unvested deferred units and restricted shares (a)	Stock options and stock appreciation rights	Vested and unvested deferred units and restricted shares (a)	Stock options and stock appreciation rights
Ian C. Strachan	43,871	—	37,751	—
Glyn A. Barker	14,601	—	10,502	—
Jagjeet Bindra (b)	—	—	14,270	—
Thomas W. Cason (b)	—	—	33,278	15,280
Vanessa C.L. Chang	15,645	—	10,702	—
Frederico F. Curado	9,703	—	4,760	—
Chad Deaton	16,445	—	11,502	—
Tan Ek Kia	19,213	—	14,270	—
Vincent J. Intrieri (c)	4,943	—	—	—
Steve Lucas (b)	—	—	14,270	—
Martin B. McNamara	57,966	—	53,023	—
Samuel Merksamer	9,703	—	4,760	—
Merrill A. "Pete" Miller, Jr. (d)	4,892	—	—	—
Edward R. Muller	34,829	11,460	29,792	13,370
Steven L. Newman	384,555	495,276	249,358	495,276
Robert M. Sprague (b)	—	—	29,421	—
<b>Total</b>	<b>616,366</b>	<b>506,736</b>	<b>517,659</b>	<b>523,926</b>

- (a) Includes shares held privately, shares held in the U.S. retirement savings plan, and shares subject to deferred compensation.
- (b) Messrs. Bindra, Cason, Lucas, and Sprague did not stand for reelection at the 2014 annual general meeting held on May 16, 2014 and were not required to report beneficial ownership at December 31, 2014.
- (c) Mr. Intrieri was for the first time elected to the board of directors at the 2014 annual general meeting held on May 16, 2014.
- (d) Mr. Miller was for the first time elected to the board of directors at an extraordinary general meeting held on September 22, 2014.

**Shares held by the executive management team**—Our executive management team consists of the President and Chief Executive Officer, the Executive Vice President and Chief Financial Officer, and the Executive Vice President and Chief Operating Officer.

The members of our executive management team held our shares and the conditional rights to receive shares under our share-based compensation plans as follows:

Name	December 31, 2014				
	Number of shares held (a)	Number of granted shares vesting in 2015 (b)	Number of granted shares vesting in 2016 (b)	Number of granted shares vesting in 2017 (b)	Total shares
Steven L. Newman	109,027	109,579	135,827	30,122	384,555
Esa Ikäheimonen	9,800	37,081	46,879	10,389	104,149
John Stobart	12,953	35,774	43,024	9,559	101,310
<b>Total</b>	<b>131,780</b>	<b>182,434</b>	<b>225,730</b>	<b>50,070</b>	<b>590,014</b>

- (a) The number of shares held includes privately held shares, U.S. retirement savings plan shares and employee stock purchase plan shares.
- (b) The number of granted shares vesting in the years ending December 31, 2015, 2016 and 2017 represents the vesting of previously granted time-based deferred units and performance-based contingent deferred units.

Name	December 31, 2013				
	Number of shares held (a)	Number of granted shares vesting in 2014 (b)	Number of granted shares vesting in 2015 (b)	Number of granted shares vesting in 2016 (b)	Total shares
Steven L. Newman	57,066	97,494	79,458	15,340	249,358
Esa Ikäheimonen	14,089	10,715	26,694	5,327	56,825
John Stobart	5,412	11,834	26,217	4,794	48,257
<b>Total</b>	<b>76,567</b>	<b>120,043</b>	<b>132,369</b>	<b>25,461</b>	<b>354,440</b>

- (a) The number of shares held includes privately held shares, U.S. retirement savings plan shares and employee stock purchase plan shares.
- (b) The number of granted shares vesting in the years ending December 31, 2014, 2015 and 2016 represents the vesting of previously granted time-based deferred units and market-based contingent deferred units.

**TRANSOCEAN LTD.**  
**NOTES TO STATUTORY FINANCIAL STATEMENTS – continued**

**Stock options held by members of the executive management team**—The members of our executive management team held vested and unvested stock options as follows:

Name	December 31, 2014				Total vested and unvested stock options
	Number of granted stock options vested and outstanding	Number of granted stock options vesting in 2015	Number of granted stock options vesting in 2016	Number of granted stock options vesting in 2017	
Steven L. Newman	368,852	85,253	41,171	—	495,276
Esa Ikäheimonen	14,295	14,295	14,296	—	42,886
John Stobart	12,865	12,866	12,866	—	38,597
<b>Total</b>	<b>396,012</b>	<b>112,414</b>	<b>68,333</b>	<b>—</b>	<b>576,759</b>

Name	December 31, 2013				Total vested and unvested stock options
	Number of granted stock options vested and outstanding	Number of granted stock options vesting in 2014	Number of granted stock options vesting in 2015	Number of granted stock options vesting in 2016	
Steven L. Newman	264,394	104,458	85,253	41,171	495,276
Esa Ikäheimonen	—	14,295	14,295	14,296	42,886
John Stobart	—	12,865	12,866	12,866	38,597
<b>Total</b>	<b>264,394</b>	<b>131,618</b>	<b>112,414</b>	<b>68,333</b>	<b>576,759</b>

**Note 7—Guarantees and Commitments**

**Transocean Inc. debt obligations**—Transocean Inc. has issued certain debt securities or entered into other debt instruments, including notes, revolving credit facilities, debentures, surety bonds, letters of credit, and convertible note obligations. We have guaranteed certain of these debt securities or other debt instruments. We are not subject to any significant restrictions on their ability to obtain funds from their consolidated subsidiaries by dividends, loans or return of capital distributions. At December 31, 2014 and 2013, the aggregate carrying amount of debt that we have guaranteed was USD 9.0 billion, equivalent to approximately CHF 9.0 billion and CHF 8.0 billion, respectively.

**Macondo well litigation settlement obligations**—On January 3, 2013, certain of our wholly-owned subsidiaries reached agreements with the U.S. Department of Justice (“DOJ”) to resolve certain matters arising from the Macondo well incident. The agreements included a criminal plea (the “Plea Agreement”), pursuant to which one of our subsidiaries pled guilty to one misdemeanor count of negligently discharging oil in the U.S. Gulf of Mexico, in violation of the U.S. Clean Water Act, and a civil consent decree (the “Consent Decree”), which resolved certain claims by the DOJ, the U.S. Environmental Protection Agency (the “EPA”) and the U.S. Coast Guard against certain of our subsidiaries (the “Transocean Defendants”) and certain incidents of noncompliance that were alleged by the U.S. Bureau of Safety and Environmental Agency.

As part of this resolution, under the terms of the Plea Agreement and the Consent Decree, certain of our subsidiaries agreed to pay USD 1.4 billion, equivalent to approximately CHF 1.3 billion, in fines, recoveries and civil penalties, excluding interest, in scheduled payments over a five-year period through 2017. We have guaranteed the scheduled payments and other obligations required of the Transocean Defendants under the Plea Agreement and the Consent Decree. In connection with our guarantee, the Transocean Defendants pay to us a guarantee fee. The guarantee fee is paid annually, beginning on January 1, 2014 through 2018, and is equivalent to 1.76 percent of the weighted average daily outstanding balance due by the Transocean Defendants over the prior year. In the years ended December 31, 2014 and 2013, we recognized guarantee fee income of CHF 7 million and CHF 16 million, respectively.

On February 25, 2013, certain of our subsidiaries (the “Respondents”) and the EPA entered into an administrative agreement (the “EPA Agreement”). The EPA Agreement resolves all matters relating to suspension, debarment and statutory disqualification arising from the matters contemplated by the Plea Agreement. Subject to compliance with the terms of the EPA Agreement, the EPA agreed that it will not suspend, debar or statutorily disqualify the Respondents and will lift any existing suspension, debarment or statutory disqualification. We have guaranteed the obligations required of the Respondents under the EPA Agreement.

**Norway tax investigations and trial contingent obligations**—Certain of our wholly-owned subsidiaries are involved in ongoing investigations by Norwegian civil tax and criminal authorities relating to various transactions undertaken in 2001 and 2002 as well as the actions of certain employees of our former external tax advisors on these transactions. The authorities issued tax assessments related to certain restructuring transactions, migration of a subsidiary that was previously subject to tax in Norway, a 2001 dividend payment, certain currency exchange deductions and dividend withholding tax. We have guaranteed these tax assessments and related contingent obligations. At December 31, 2013, the aggregate amount of our guarantee with respect to these tax disputes was NOK 699 million, equivalent to approximately CHF 102 million. In September 2014, the Norwegian tax authorities formally abandoned part of the claim by issuing a revised writ, and we reduced our guarantee to NOK 35 million, equivalent to approximately CHF 5 million. In October 2014, the

**TRANSOCEAN LTD.**  
**NOTES TO STATUTORY FINANCIAL STATEMENTS – continued**

Norwegian tax authorities formally dismissed all remaining claims related to the migration of our subsidiary that was previously subject to tax in Norway. As a result, we terminated the guarantee of NOK 35 million, equivalent to approximately CHF 5 million.

**Transocean Management Ltd. office lease obligation**—Transocean Management Ltd., has entered into a lease obligation for its principal offices in Vernier, Switzerland. Under an uncommitted line of credit, Transocean Ltd. has issued a surety bond in the full amount of this lease obligation. At December 31, 2014 and 2013, our guarantee for the Transocean Management Ltd. office lease obligation was CHF 460,000.

### **Note 8—Contingencies**

**U.S. Gulf of Mexico Macondo well incident**—On April 22, 2010, the Ultra-Deepwater Floater *Deepwater Horizon*, a rig owned and operated by certain of Transocean Ltd.'s wholly-owned subsidiaries (the "Macondo Subsidiaries"), sank after a blowout of the U.S. Gulf of Mexico Macondo well caused a fire and explosion on the rig. The Macondo Subsidiaries have been named in lawsuits related to the Macondo well incident. Although the potential impact is uncertain, Transocean Ltd. and the Macondo Subsidiaries have excess liability insurance coverage as well as contractual indemnities from the operator of the well. See Note 11—Subsequent Events.

**Federal securities claims**—A federal securities class action was filed in the U.S. District Court for the Southern District of New York, naming the Company and certain officers and directors as defendants. This action, captioned *DeKalb County Pension Fund v. Transocean Ltd., et al.*, alleges that the proxy statement related to the shareholder meeting in connection with the merger with GlobalSantaFe Corporation ("GlobalSantaFe") violated Section 14(a) of the Exchange Act (the "DeKalb Section 14 case"), Rule 14a-9 promulgated thereunder and Section 20(a) of the Exchange Act. The plaintiff claims that GlobalSantaFe shareholders received inadequate consideration for their shares as a result of the alleged violations and seeks recessionary and compensatory damages, including damages based on the decline in the stock price after the Macondo well incident.

On March 11, 2014, the Court dismissed the claims in the DeKalb Section 14 case as time-barred, finding that American Pipe tolling is not applicable to the statute of repose governing claims under Section 14(a) of the Exchange Act. Judgment was entered, and Plaintiffs appealed to the U.S. Court of Appeals for the Second Circuit (the "Second Circuit"). Briefing in the Second Circuit was temporarily stayed due to the U.S. Supreme Court's grant of certiorari in another case, *Public Employees' Retirement System of Mississippi v. IndyMac MBS, Inc., et al.* (the "IndyMac matter"), which addressed the issue on which the motion to dismiss in the DeKalb matter was decided with regard to the applicability of American Pipe tolling to the statute of repose governing claims under the Exchange Act. However, the U.S. Supreme Court dismissed the writ of certiorari in the IndyMac matter as improvidently granted on September 29, 2014 and issued judgment on October 31, 2014. The Second Circuit briefing schedule in the DeKalb matter was subsequently unstayed, and plaintiffs filed their opening brief on December 19, 2014.

**Shareholder derivative claims**—In June 2010, two shareholder derivative suits were filed in the state district court in Texas by our shareholders naming the Company as a nominal defendant and certain of its current and former officers and directors as defendants. These cases alleged breach of fiduciary duty, unjust enrichment, abuse of control, gross mismanagement and waste of corporate assets in connection with the Macondo well incident. One of these cases was voluntarily dismissed by the plaintiff in December 2012, and the other was fully and finally dismissed by the state district court in August 2013 on the ground that the action must be maintained in the courts of Switzerland. The First Court of Appeals in Texas affirmed the dismissal in July 2014. No further review was sought, and the case is now closed.

**Wrongful death and personal injury claims**—As of December 31, 2014, we and the Macondo Subsidiaries continue to be named, along with other unaffiliated defendants, in nine complaints that were pending in state and federal courts in Louisiana and Texas involving multiple plaintiffs that allege wrongful death and other personal injuries arising out of the Macondo well incident. Per the order of the Multi-District Litigation Panel, all claims but one have been centralized for discovery purposes in the U.S. District Court, Eastern District of Louisiana. The complaints generally allege negligence and seek awards of unspecified economic damages and punitive damages. BP, MI-SWACO, Weatherford Ltd. and Cameron and certain of their affiliates, have, based on contractual arrangements, also made indemnity demands upon us with respect to personal injury and wrongful death claims asserted by our employees or representatives of our employees against these entities.

**Swiss value added tax**—We are one of a group of Swiss entities, which are jointly and severally liable for the whole Swiss value added tax amount due to the Swiss tax authorities by this group.

### **Note 9—Related Party Transactions**

**Transocean Inc.**—Transocean Inc. holds our shares to satisfy, on our behalf, our obligation to deliver shares in connection with awards granted under our incentive plans, warrants or other right to acquire our shares. At December 31, 2014 and 2013, Transocean Inc. held 8.7 million and 10.2 million, respectively, of our shares for this purpose.

We and Transocean Inc., as the borrower and lender, respectively, entered into a credit agreement dated June 1, 2011, establishing a USD 2.0 billion revolving credit facility. In the year ended December 31, 2014, Transocean Inc. declared a dividend for USD 1.5 billion, equivalent to approximately CHF 1.4 billion, in satisfaction of amounts due under the revolving credit facility. At December 31, 2014 and 2013, we had borrowings of USD 19 million and USD 1.2 billion, respectively, equivalent to approximately

**TRANSOCEAN LTD.**  
**NOTES TO STATUTORY FINANCIAL STATEMENTS – continued**

CHF 19 million and CHF 1.1 billion, respectively, outstanding under the revolving credit facility. At December 31, 2014, the variable interest rate on the outstanding borrowings was 2.25 percent.

In the year ended December 31, 2014, Transocean Inc. also declared and paid to us an aggregate cash dividend of USD 825 million, equivalent to approximately CHF 817 million.

**Other subsidiaries**—Our subsidiaries perform on our behalf certain general and administrative services, including executive administration, procurement and payables, treasury and cash management, personnel and payroll, accounting and other administrative functions. In the years ended December 31, 2014 and 2013, we recognized such costs of CHF 13 million and CHF 18 million, respectively, recorded in general and administrative costs and expenses, including personnel costs of CHF 8 million in both years.

**Note 10—Risk Assessment**

Transocean Ltd., as the ultimate parent company of Transocean Inc., Transocean Management Ltd., and Transocean Services AS, is fully integrated into the Group-wide internal risk assessment process. In connection with its Group-wide internal risk assessment process, management regularly reports identified risks and reactions to such risks in its report to the board of directors of Transocean Ltd. The operating divisions of the Group and by specific corporate functions, including treasury, legal, internal audit, engineering and operations perform the procedures and actions necessary to identify risks and, where appropriate, mitigate such risks. Each operating division and corporate function is responsible for supporting and monitoring the Group-wide processes and procedures to ensure their effective execution.

**Note 11—Subsequent Event**

**Distributions of qualifying additional paid-in capital**—On February 15, 2015, our board of directors announced its recommendation that our shareholders at the 2015 annual general meeting approve a distribution of qualifying additional paid-in capital in the form of a U.S. dollar denominated dividend of \$0.60 per outstanding share, payable in four quarterly installments of \$0.15 per outstanding share, subject to certain limitations. If approved, we expect that the dividend installments will be paid in June 2015, September 2015, December 2015 and March 2016.

**Macondo well incident insurance coverage**—On February 13, 2015, the Texas Supreme Court issued its answer to one of the Fifth Circuit's questions by determining that BP is not entitled to coverage under certain of our insurance policies for damages arising from subsurface pollution because BP assumed, and we did not assume, liability for such claims.

**Impairment**—We estimate the fair value of our investments using a variety of valuation methods, including the income and market approaches, translated at the applicable currency exchange rate at December 31, 2014. Subsequent to December 31, 2014, the currency exchange rate between the Swiss franc and the US dollar has continued to fluctuate. At February 17, 2015, the exchange rate was CHF 0.93 to USD 1.00. As an assessment of the sensitivity of the fair value, if the February 17, 2015 exchange rate were to prevail on December 31, 2015, we would be required to recognize an incremental impairment loss of CHF 640 million compared to the December 31, 2014 exchange rate. Economic factors and conditions often affect multiple assumptions simultaneously and the effects of changes in key assumptions are not necessarily linear.

**Chief Executive Officer**—Effective February 15, 2015, Steven L. Newman and our board of directors mutually agreed that he would step down as Chief Executive Officer. Effective February 16, 2015, Ian C. Strachan, the chairman of our board of directors, assumed the role on an interim basis.



**TRANSOCEAN LTD.**  
**PROPOSED APPROPRIATION OF AVAILABLE EARNINGS**

**Proposed Appropriation of Available Retained Earnings (Accumulated Loss)**

The board of directors proposes that shareholders at the annual general meeting in 2015 approve the following appropriation (in thousands):

	December 31,	
	2014	2013
Balance brought forward from previous years	CHF 60,609	CHF 90,284
Net loss of the year	(5,422,186)	(29,675)
Total retained earnings (accumulated loss)	(5,361,577)	60,609
Balance to be carried forward on this account	CHF (5,361,577)	CHF 60,609

**Proposed Distribution of a Dividend out of General Legal Reserves from Capital Contribution**

The Board of Directors recommends to, and proposes for approval by, the shareholders that CHF 422,084,000 of general legal reserves from capital contribution be released and allocated to "dividend reserve from capital contribution" (the "Dividend Reserve").

**Proposed Release of General Legal Reserves from Capital Contribution to Dividend Reserve (in thousands)**

General legal reserves from capital contribution, as of December 31, 2014	CHF 8,363,622
Less release to dividend reserve from capital contribution	422,084
Remaining general legal reserves from capital contribution	CHF 7,941,538

The Board of Directors submits and recommends for approval the shareholder resolution set forth below for approval by the Company's shareholders.

**Shareholder Resolution**

It is hereby resolved as follows:

(1) A dividend in the amount of USD 0.60 per share of the Company (the "Per Share USD Dividend Amount," and the aggregate Per Share USD Dividend Amount, calculated on the basis of the total number of shares outstanding as of the 2015 Annual General Meeting, excluding any shares held by the Company or any of its direct or indirect subsidiaries, the "Aggregate USD Dividend Amount") shall be distributed out of the dividend reserve from capital contribution (expressed in CHF and amounting to CHF 422,084,000) pursuant to the proposal of the Board of Directors (the "Dividend Reserve"); the dividend shall be payable in four equal installments of USD 0.15 per share of the Company outstanding (excluding any shares held by the Company or any of its direct or indirect subsidiaries) on the record date for the applicable installment (each such installment hereinafter a "Per Share Quarterly USD Dividend Amount;" each date on which a Per Share Quarterly USD Dividend Amount is paid hereinafter an "Installment Date;" and the aggregate Per Share Quarterly USD Dividend Amount payable on an Installment Date, calculated on the basis of the total number of shares outstanding as of the record date for the relevant Per Share Quarterly USD Dividend Amount, the "Aggregate Quarterly USD Dividend Amount");

provided, however, that:

(a) if, on the date of the 2015 Annual General Meeting, the Aggregate USD Dividend Amount exceeds, when converted into CHF at a USD/CHF exchange rate prevailing on or about the date of the 2015 Annual General Meeting as determined by the Board of Directors or, upon due authorization by the Board of Directors, the Company's Executive Management Team, in its reasonable discretion, the Dividend Reserve (expressed in CHF), the proposed Per Share USD Dividend Amount shall be reduced such that the Aggregate USD Dividend Amount, converted into CHF at a USD/CHF exchange rate prevailing on or about the date of the 2015 Annual General Meeting as determined by the Board of Directors or, upon due authorization by the Board of Directors, the Company's Executive Management Team, in its reasonable discretion, is at a maximum equal to the Dividend Reserve (expressed in CHF); and

provided, further, that:

(b) if any Aggregate Quarterly USD Dividend Amount, when converted into CHF at a USD/CHF exchange rate prevailing on or about the record date for that Aggregate Quarterly USD Dividend Amount as determined by the Board of Directors or, upon due authorization by the Board of Directors, the Company's Executive Management Team, in its reasonable discretion, exceeds the Dividend Reserve amount (expressed in CHF) as of the record date for that Aggregate Quarterly USD Dividend Amount, taking into account the payment of any preceding Aggregate Quarterly USD Dividend Amount (if any) (the Dividend Reserve so calculated hereinafter the "Remaining Dividend Reserve"), the Per Share Quarterly USD Dividend Amount shall be reduced such that the Aggregate Quarterly USD Dividend Amount, converted into CHF at a USD/CHF exchange rate prevailing on or about the record date for such Aggregate Quarterly USD Dividend Amount as determined by the Board of Directors or, upon due authorization by the Board of Directors, Executive Management Team in its reasonable discretion, is at a maximum equal to the Remaining Dividend Reserve; and

provided, further, that:

(c) the Board of Directors or, upon due authorization by the Board of Directors, the Company's Executive Management Team, in its reasonable discretion, shall at any time have the authority to, in its discretion, accelerate or otherwise change the timing of the payment of the Per Share Quarterly USD Dividend Amount or to pay on an Installment Date more than one Per Share Quarterly USD Dividend Amount.

(2) Shareholders may, upon the terms and conditions provided by the Board of Directors in its reasonable discretion, elect, during the election period as determined by the Board of Directors or, upon due authorization by the Board of Directors, the Company's Executive Management Team, to receive any Per Share Quarterly USD Dividend Amount in CHF (subject to the downward adjustments in accordance with the principles set forth above under (1)), at the USD/CHF exchange rate as determined by the Board of Directors or, upon due authorization by the Board of Directors, the Company's Executive Management Team, in its discretion.

(3) It shall be the task of the Board of Directors or, upon due authorization by the Board of Directors, the Company's Executive Management Team to execute this resolution of the 2015 Annual General Meeting, including, but not limited to, reducing as appropriate the Per Share USD Dividend Amount and/or the Per Share Quarterly USD Dividend Amount, setting the record dates, the ex-dividend dates, the Installment Dates, and determining the duration of the election period to request payment of the Per Share Quarterly USD Dividend Amount in CHF and, for purposes of such election, the applicable USD/CHF exchange rate. As specified in the Articles of Association, the Board of Directors will determine the date from which shares newly issued out of the authorized share capital of the Company are entitled to dividend payments. Shares newly issued out of the conditional share capital are entitled to dividend payments if such shares are issued and outstanding on or before the record date for the relevant Per Share Quarterly USD Dividend Amount. For the avoidance of doubt, shareholders who sell their shares prior to the relevant record date lose their dividend entitlement and transfer such entitlement to the purchaser(s) of their shares.

(4) Any Dividend Reserve amount remaining after the payment of the final Aggregate Quarterly USD Dividend Amount shall, by operation of this shareholder resolution, be immediately reallocated to the account "General legal reserves - Reserve from capital contribution," included in the Company's statutory standalone balance sheet, without any requirement that such reallocation be approved by the Board of Directors or the general meeting of shareholders.

**TRANSOCEAN LTD.**

**CORPORATE GOVERNANCE REPORT**  
**For the years ended December 31, 2014 and 2013**

## Corporate Governance Report

Transocean Ltd. (together with its subsidiaries and predecessors, unless the context requires otherwise, “Transocean”, the “Company”, “we”, “us” or “our”) is committed to adhering to best practices and standards of corporate governance. This long-standing commitment is supported, in part, by our Corporate Governance Guidelines, the Charters of the committees (the “Committees”) of our board of directors (the “Board”) and our Code of Integrity.

As a company whose shares are listed on both the New York Stock Exchange (“NYSE”) and SIX Swiss Exchange (“SIX”), we are bound by the legal and regulatory requirements of both the United States of America and Switzerland. This Corporate Governance Report (the “Report”) reflects the requirements of the SIX Directive on Information Relating to Corporate Governance of September 1, 2014.

This Report refers at various places to information contained in other parts of the document “Transocean Proxy Statement and 2014 Annual Report,” of which this Report forms a part and to which we collectively refer in this Report as the “Annual Report.” In addition to this Report, the Annual Report consists of the following parts:

- i. Letter to the Shareholders;
- ii. Invitation to and Proxy Statement for the Annual General Meeting of Transocean Ltd. of May 15, 2015;
- iii. 2014 Annual Report to Shareholders (including the Consolidated Financial Statements of Transocean Ltd. and its subsidiaries for fiscal year 2014, the notes thereto, and the audit reports thereon);
- iv. Standalone Statutory Financial Statements of Transocean Ltd. for the year ended December 31, 2014 and the audit report thereon; and
- v. Swiss Compensation Report.

### **1. Group Structure and Shareholders**

#### *1.1 Group Structure*

Transocean is comprised of Transocean Ltd., a company incorporated under the laws of Switzerland and the ultimate parent of the group, and the subsidiaries presented in Annex 1 to this Report, all of which are unlisted, except for Transocean Partners LLC (“Transocean Partners”), a consolidated Marshall Islands limited liability company with registered office in Majuro, Marshall Islands, whose common units are listed on the NYSE (security number 24771435; ISIN Code MHY8977Y1005). Transocean Partners has issued a total of 68,965,517 units, consisting of 41,379,310 common units and 27,586,207 subordinated units. Following an initial public offering to sell a non-controlling interest in Transocean Partners, we hold 21.3 million common units and 27.6 million subordinated units of Transocean Partners, representing a 70.8% limited liability company interest, and all of Transocean Partners’ incentive distribution rights. The remaining 20.1 million common units of Transocean Partners, representing a 29.2% limited liability company interest, trade on the NYSE under the ticker symbol “RIGP.” As of December 31, 2014, Transocean Partners had a market capitalization of approximately USD 1.0 billion.

Transocean Ltd.'s registered office is at Steinhausen, Turmstrasse 30, CH-6300 Zug, Switzerland.

### Stock Exchange Listings<sup>(1)</sup>

Stock Exchange	Security	Ticker Symbol	Security No.	ISIN Code
NYSE	Transocean Ltd., Steinhausen, registered shares	RIG	H8817H100	CH 004 826551 3
SIX	Transocean Ltd., Steinhausen, registered shares	RIGN RIGNE (second trading line)	4 826 551 1 111 719 0 (second trading line)	CH 004 8265513 CH 011 117190 3 (second trading line)

<sup>(1)</sup> All data as of December 31, 2014.

As of December 31, 2014, Transocean Ltd. had a market capitalization of approximately CHF 6.65 billion (based on 362,279,530 outstanding shares of Transocean Ltd. as of December 30, 2014 and a share price as of close of trading on SIX on December 30, 2014 of CHF 18.36).

The Transocean operational group structure is described in “Part II. Item 8. Financial Statements and Supplementary Data” on page AR-63 of this Annual Report, which also contains disclosures regarding the segments in which we operate pursuant to generally accepted accounting principles in the United States.

Transocean is a leading international provider of offshore contract drilling services for oil and gas wells. As of December 31, 2014, we owned or had partial ownership interests in and operated 72 mobile offshore drilling units. As of this date, our fleet consisted of 45 High-Specification Floaters (Ultra-Deepwater, Deepwater and Harsh Environment semisubmersibles and drillships), 17 Midwater Floaters and 10 High-Specification Jackups. At December 31, 2014, we also had seven Ultra-Deepwater drillships and five High-Specification Jackups under construction or under contract to be constructed.

Our primary business is to contract our drilling rigs, related equipment and work crews predominantly on a dayrate basis to drill oil and gas wells. We specialize in technically demanding regions of the global offshore drilling business with a particular focus on deepwater and harsh environment drilling services. We believe our mobile offshore drilling fleet is one of the most versatile fleets in the world, consisting of floaters and high-specification jackups used in support of offshore drilling activities and offshore support services on a worldwide basis.

### 1.2 Significant Shareholders

The table below sets forth the persons or entities known to the Company as of December 31, 2014 (i) to be holding beneficially 3% or more of the Company's share capital registered in the commercial register of the Canton of Zug (the “Commercial Register”) or (ii) from whom the Company has received a notice pursuant to the Swiss Federal Act on Stock Exchanges and Securities Trading (the “SESTA”) that since its last notice to the Company it reduced its beneficial holding of the Company's share capital below 3% of the Company's share capital registered in the Commercial Register. Each share carries one vote at a general meeting of shareholders of the Company and, as such, the number of shares held by each person or entity set forth below is equal to the number of voting rights held by such person or entity. The SESTA and the rules and regulations promulgated thereunder, to which the Company and beneficial owners of its shares are subject, requires persons who directly, indirectly or in concert with other parties

acquire or dispose of Transocean shares or purchase or sale rights or obligations relating to Transocean shares, and, thereby, directly, indirectly or in concert with other parties reach, exceed or fall below a threshold of 3%, 5%, 10%, 15%, 20%, 25%, 33⅓%, 50% or 66⅔% of the Company's voting rights (whether exercisable or not) to notify the Company and the SIX Disclosure Office of such acquisition or disposal in writing.

Shareholder	Shares Held	% of Shares Registered <sup>(1)</sup>
Group consisting of Carl C. Icahn, c/o Icahn Associates Corp., New York (USA) ("Icahn Group") and Transocean Ltd., Steinhausen (CH) <sup>(2)</sup>	33,034,019	8.83%
Credit Suisse Group AG, Zurich (CH) ("Credit Suisse")	19,847,367	5.31%
BlackRock Inc., New York (USA) ("BlackRock")	24,089,538	6.44%
Franklin Resources, Inc., San Mateo (USA) ("Franklin")	15,055,715	4.03%
Vanguard PRIMECAP Fund, Wayne (USA) ("Vanguard")	11,546,685	3.09%

<sup>(1)</sup> The percentages indicated are based on the 373,830,649 shares issued and registered in the Commercial Register as of December 31, 2014.

<sup>(2)</sup> On November 10, 2013, the Company and certain funds controlled by Mr. Carl Icahn (the "Icahn Group") entered into a Standstill and Nomination Agreement. Pursuant to the terms of the Standstill and Nomination Agreement, the Company was required to make certain proposals for approval by the shareholders at the 2014 annual general meeting. These proposals related to the dividend distribution, the Board nominees, and amendments to the articles of association regarding the maximum size of the Board; conversely, the Icahn Group is subject to certain standstill restrictions and was required to vote in favor of the Company's slate of Board nominees and certain other proposals the Board recommended at the 2014 annual general meeting. By virtue of the Standstill and Nomination Agreement, the Icahn Group and the Company are deemed to act in concert and form a group under the Sesta. As a result, neither the Company nor the Icahn Group is any longer required to make a disclosure of its shareholdings separate from that of the aforementioned group. As per the separate disclosures of the Icahn Group and the Company made on the SIX electronic disclosure platform on November 16, 2013, the Icahn Group (including the shares held by Mr. Icahn's spouse Gail Golden) held, as per November 10, 2013, 21,482,900 shares, or 5.75% of the Company's voting rights, and the Company held (directly and indirectly) 13,223,308 own shares.

For a full review of the disclosure reports that were made to the Company and the SIX Disclosure Office during fiscal year 2014, and then published on the SIX electronic publication platform in accordance with Article 20 Sesta, please refer to the search facility of the SIX Disclosure Office at: [http://www.six-swiss-exchange.com/shares/companies/major\\_shareholders\\_en.html](http://www.six-swiss-exchange.com/shares/companies/major_shareholders_en.html).

Information on the share ownership by Board members (also referred to as "directors") and executive officers, and greater than 5% shareholders as of December 31, 2014, based on the number of



the Company's shares outstanding (which is equal to the shares issued less the shares held in the Company's treasury), is included on page P-51 of this Annual Report under the heading "Security Ownership of Certain Beneficial Owners" and on page P-53 of this Annual Report under the heading "Security Ownership of Directors and Executive Officers."

### *1.3 Cross-Shareholdings*

Transocean does not have any shareholdings in companies outside the group that to its knowledge have shareholdings in Transocean.

## **2. Capital Structure**

### *2.1 Share Capital*

As of December 31, 2014, the Company's share capital amounted to CHF 5,607,459,735 and was divided into 373,830,649 shares. The shares are registered shares (*Namenaktien*) with a par value of CHF 15 each. The shares are fully paid, non-assessable and rank *pari passu* with each other and all other shares.

### *2.2 Authorized and Conditional Share Capital*

#### *2.2.1 Authorized Share Capital*

As of December 31, 2014, our Articles of Association provided for an authorized share capital that authorizes our Board to increase the share capital, at any time until May 16, 2016, by a maximum amount of CHF 336,447,570 by issuing a maximum of 22,429,838 fully paid up shares with a par value of CHF 15 each.

The Board is entitled to determine the time of the issuance, the issue price, the manner in which the new shares have to be paid up, the date from which the shares carry the right to dividends, the conditions for the exercise and the allotment of preemptive rights that have not been exercised.

The Board is authorized to withdraw or limit the preemptive rights of the shareholders and to allot them to individual shareholders or third parties: (a) if the issue price of the new shares is determined by reference to the market price; (b) for the acquisition of an enterprise, part(s) of an enterprise or participations, or for the financing or refinancing of any of such transaction, or for the financing of new investment plans of the Company; (c) for purposes of broadening the shareholder constituency of the Company in certain financial or investor markets, for purposes of the participation of strategic partners, or in connection with the listing of new shares on domestic or foreign stock exchanges; (d) for purposes of granting an over-allotment option (*Greenshoe*) of up to 20% of the total number of shares in a placement or sale of shares to the respective initial purchaser(s) or underwriter(s); or (e) for the participation of members of the Board, members of the executive management, employees, contractors, consultants or other persons performing services for the benefit of the Company or any of its subsidiaries.

#### *2.2.2 Conditional Share Capital*

As of December 31, 2014, our Articles of Association provided for a conditional share capital that authorizes the issuance of new shares up to a maximum amount of CHF 2,514,264,735 by issuing a

maximum of 167,617,649 fully paid up shares with a par value of CHF 15 each. Any such shares may be issued through:

- the exercise of conversion, exchange, option, warrant or similar rights for the subscription of shares granted in connection with bonds, options, warrants or other securities newly or already issued in national or international capital markets or new or already existing contractual obligations by or of the Company, one of its group companies, or any of their respective predecessors (hereinafter collectively, the “Rights-Bearing Obligations”); or
- in connection with the issuance of shares or Rights-Bearing Obligations to members of the Board, members of the executive management, employees, contractors, consultants or other persons providing services to Transocean or its subsidiaries.

The conditional share capital does not have an expiration date. Shareholders do not have preemptive rights to subscribe to the newly issued shares issued out of the conditional share capital.

However, in connection with the issuance by the Company or one of its group companies of Rights-Bearing Obligations, shareholders generally have advance subscription rights. The Board may withdraw or limit the advance subscription rights of the shareholders if (1) the issuance is for purposes of financing or refinancing the acquisition of an enterprise, parts of an enterprise, participations or investments or (2) the issuance occurs in national or international capital markets or through a private placement.

If the advance subscription rights are neither granted directly nor indirectly by the Board, the following applies: (i) the Rights-Bearing Obligations shall be issued or entered into at market conditions; (ii) the conversion, exchange or exercise price of the Rights-Bearing Obligations shall be set with reference to the market conditions prevailing at the date on which the Rights-Bearing Obligations are issued; and (iii) the Rights-Bearing Obligations may be converted, exchanged or exercised during a maximum period of 30 years from the date of the relevant issuance or entry.

In connection with the issuance of any shares or Rights-Bearing Obligations pursuant to the second prong of the conditional share capital described above (*i.e.*, the conditional share capital to satisfy our obligations under the share-based compensation plans), the preemptive rights and advance subscription rights of the shareholders are generally excluded. The respective shares or Rights-Bearing Obligations are to be issued in accordance with the share-based compensation plans of the Company or its subsidiaries.

## 2.3 Changes in Capital

### Overview

As of December 31, 2014, December 31, 2013, and December 31, 2012, balances in shareholders' equity of Transocean Ltd., based on its Swiss standalone statutory financial statements, were as follows (all amounts are in CHF):

	Share capital		Legal reserves			Free reserves			Total shareholders' equity
	Shares	Amount	General legal reserves—reserve from capital contribution	Reserve for treasury shares—reserve from capital contribution (a)	Dividend reserve from capital contribution	Retained earnings			
Balance at December 31, 2012	373,831	CHF 5,607,459	CHF 11,165,400	CHF 307,300	CHF —	CHF 90,284	CHF		17,170,443
Treasury share transactions	—	—	(17,889)	17,889	—	—			—
Transfer to free reserve—dividend reserve from capital contribution	—	—	(1,595,054)	—	1,595,054	—			—
Distribution payable	—	—	—	—	(738,059)	—			(738,059)
Net loss	—	—	—	—	—	(29,675)			(29,675)
Balance at December 31, 2013	373,831	5,607,459	9,552,457	325,189	856,995	60,609			16,402,709
Treasury share transactions	—	—	(1,378)	1,378	—	—			—
Transfer to free reserve—dividend reserve from distribution payable	—	—	—	—	2,468	—			2,468
Transfer to general legal reserves—reserve from capital contribution	—	—	859,463	—	(859,463)	—			—
Transfer to free reserve—dividend reserve from capital contribution	—	—	(2,046,920)	—	2,046,920	—			—
Distribution payable	—	—	—	—	(1,029,054)	—			(1,029,054)
Net loss	—	—	—	—	—	(5,422,186)			(5,422,186)
Balance at December 31, 2014	373,831	CHF 5,607,459	CHF 8,363,622	CHF 326,567	CHF 1,017,866	CHF (5,361,577)	CHF		9,953,937

- (a) The reserve for treasury shares represents the aggregate cost of treasury shares held by Transocean Ltd. directly and indirectly through Transocean Inc. During the years ended December 31, 2014 and 2013, Transocean Inc. withheld 34,492 and 384,758 treasury shares, respectively, through a broker arrangement and limited to statutory tax in satisfaction of withholding taxes due by our employees upon the vesting of restricted shares granted under our Long-Term Incentive Plan. For the years ended December 31, 2014 and 2013, aggregate values of the treasury share transactions were CHF 1.4 million and CHF 17.9 million, respectively.

### 2009 Share Repurchase Program (approved at the 2009 AGM; continuing)

At the 2009 annual general meeting, our shareholders approved and authorized our Board, at its discretion, to repurchase an amount of our shares for cancellation with an aggregate purchase price of up to CHF 3.5 billion, equivalent to approximately USD 3.5 billion using an exchange rate of USD 1.00 to CHF 0.99 as of the close of trading on December 31, 2014. On February 12, 2010, our Board authorized our management to implement the share repurchase program.

As of December 31, 2014, we had repurchased 2,863,267 of our shares under our share repurchase program for an aggregate purchase price of USD 240 million. During financial year 2014, there were no repurchases under our share repurchase program. At December 31, 2014, we held

2,863,267 own shares purchased under our share repurchase program, recorded at an aggregate carrying amount of CHF 257 million.

For further information on the Company's share repurchase program, see "Part. II. Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Sources and Uses of Liquidity—Share repurchase program" on page AR-51 *et seq.* of this Annual Report.

**Release and Allocation of General Legal Reserves from Capital Contribution to Dividend Reserve from Capital Contribution (approved at the 2013 annual general meeting); Reduction of Dividend Reserve from Capital Contribution; Reallocation of Remaining Dividend Reserve from Capital Contribution to General Legal Reserves from Capital Contribution**

At the 2013 annual general meeting, our shareholders approved a proposal by the Board that CHF 1,595,054,382 be released and allocated from general legal reserves from capital contribution to dividend reserve from capital contribution (the "Dividend Reserve"), a dividend in the amount of USD 2.24 per outstanding share of the Company be distributed out of, and limited at a maximum to the amount of, such Dividend Reserve and paid in installments at such times and at such record dates as shall be determined by the Board in its discretion, and any amount of the Dividend Reserve remaining after payment of the final installment be automatically reallocated to general legal reserves from capital contribution. On the basis of the dividend resolution passed at the 2013 annual general meeting, we paid on June 19, 2013, September 18, 2013, December 18, 2013 and March 19, 2014, four installments in the aggregate amount of USD 808 million to shareholders of record as of May 31, 2013, August 23, 2013, November 15, 2013 and February 21, 2014, respectively. As a result of the payment of four installments of the 2013 dividend, the Dividend Reserve was reduced from CHF 1,595,054,382 to CHF 856,995,474. The Dividend Reserve amount remaining after the payment of the final installment was reallocated to the account "general legal reserve, reserve from capital contribution," included in the Company's statutory standalone balance sheet.

**Release and Allocation of General Legal Reserves from Capital Contribution to Dividend Reserve from Capital Contribution (approved at the 2014 annual general meeting); Reduction of Dividend Reserve from Capital Contribution; Reallocation of Remaining Dividend Reserve from Capital Contribution to General Legal Reserves from Capital Contribution**

At the 2014 annual general meeting, our shareholders approved a proposal by the Board that CHF 2,046,920,128 be released and allocated from general legal reserves from capital contribution to dividend reserve from capital contribution (the "Dividend Reserve"), a dividend in the amount of USD 3 per outstanding share of the Company be distributed out of, and limited at a maximum to the amount of, such Dividend Reserve and paid in installments at such times and at such record dates as shall be determined by the Board in its discretion, and any amount of the Dividend Reserve remaining after payment of the final installment be automatically reallocated to general legal reserves from capital contribution. On the basis of the dividend resolution passed at the 2014 annual general meeting, we paid on June 18, 2014, September 17, 2014, December 17, 2014 and March 18, 2015, four installments in the aggregate amount of approximately USD 1.1 billion to shareholders of record as of May 30, 2014, August 22, 2014, November 14, 2014 and February 20, 2015, respectively. As a result of the payment of four installments of the 2014 dividend, the Dividend Reserve was reduced from CHF 2,046,920,000 to CHF 1,017,866,000. The Dividend Reserve amount remaining after the payment of the final installment was reallocated to the account "general legal reserve, reserve from capital contribution," included in the Company's statutory standalone balance sheet.

## **Utilization of the Authorized Share Capital (Fiscal Year 2012)**

At the 2011 annual general meeting, our shareholders approved a proposal by the Board to create an authorized share capital, authorizing the increase of our share capital by a maximum amount of CHF 1,005,705,855 by issuing a maximum of 67,047,057 new fully paid-up shares with a par value of CHF 15 each.

The Company issued 8,695,351 new shares out of its authorized share capital upon registration of such new shares in the commercial register on May 31, 2012. Preemptive rights of shareholders were excluded. The new shares were subscribed for in cash by Transocean Pacific Drilling Holdings Limited ("TPDHL") and were delivered to Quantum Pacific Management Limited ("Quantum Pacific") against acquisition by TPDHL of Quantum Pacific's 50%-interest in Transocean Pacific Drilling Inc. ("TPDI"). As a result, our share capital was increased in the aggregate from CHF 5,477,029,470, divided into 365,135,298 registered shares with a par value of CHF 15 each, to CHF 5,607,459,735, divided into 373,830,649 registered shares with a par value of CHF 15 each.

TPDI was formed as a joint venture (the "Joint Venture") to operate two ultra-deepwater drillships, the *Dhirubhai Deepwater KG 1* and the *Dhirubhai Deepwater KG 2*. Pursuant to a put option and registration rights agreement among Transocean affiliates, Quantum Pacific and TPDI entered into in connection with the formation of the Joint Venture (the "Put Option Agreement"), Quantum Pacific had the right to exchange its interest in the Joint Venture for an amount (the "Consideration") to be paid in either Transocean shares or cash, at Quantum Pacific's election (the "Put Option"). On February 29, 2012, Quantum Pacific exercised the Put Option, and on May 6, 2012, Quantum Pacific's election to receive the Consideration in shares, net of Quantum's share of Joint Venture indebtedness (as defined in the Put Option Agreement), became irrevocable.

On May 13, 2013, the Company's remaining authorized share capital in the amount of CHF 426,775,590, authorizing the issuance of a maximum of 28,451,706 fully paid-up shares with a par value of CHF 15 each, expired.

## **Authorized Share Capital (approved at the 2014 annual general meeting)**

At the 2014 annual general meeting, our shareholders approved a proposal by the Board to create an authorized share capital, authorizing the increase of our share capital by a maximum amount of CHF 336,447,570 by issuing a maximum of 22,429,838 new fully paid-up shares with a par value of CHF 15 each (see item 2.2.1 of this Report). No new shares have been issued out of the authorized share capital approved at the 2014 annual general meeting.

## **Conditional Share Capital**

Although the Company has been authorized by its shareholders to use conditional share capital to satisfy its obligations under its share-based compensation plans, the Company has not issued any shares out of its conditional share capital and instead only used shares held in treasury.

## **2.4 Shares and Other Equity Securities**

Each share of the Company carries one vote at a general meeting of shareholders. Voting rights may be exercised by shareholders (including nominees) registered in the Company's share register, by the independent proxy elected at a general meeting for a term of office extending until completion of the next annual general meeting or by a duly appointed proxy of a registered shareholder or nominee, which proxy need not be a shareholder of the Company. Pursuant to our Articles of Association, proxy may be

granted, and instructions may be given, to the independent proxy by electronic means. Shareholders holding their shares through a bank, broker or other nominee who wish to exercise their voting rights must follow the instructions provided by such bank, broker or other nominee or, absent instructions, contact such bank, broker or other nominee for instructions. Shareholders holding their shares through a bank, broker or other nominee will not automatically be registered in the Company's share register. If any such shareholder wishes to be registered in the Company's share register, such shareholder must contact the bank, broker or other nominee through which it holds its shares.

Our Articles of Association do not limit the number of shares that may be voted by a single shareholder. Holders of treasury shares, whether the holder is the Company or one of its majority-owned subsidiaries, will not be entitled to vote at general meetings of shareholders.

Our shares are registered shares with a par value of CHF 15 each. The shares are fully paid-up. The shares have been issued in uncertificated form in accordance with Article 973c of the Swiss Code of Obligations ("CO") as uncertificated securities (*Wertrechte*). In accordance with Article 973c CO, the Company maintains a register of uncertificated securities (*Wertrechtbuch*).

The Company has not issued any preferred shares or any non-voting equity security, such as participation certificates (*Partizipationsscheine*) or profit sharing certificates (*Genussscheine*).

Each holder of a share is entitled to receive a dividend if and when declared and in the amount approved by shareholders at a general meeting of shareholders.

#### *2.5 Dividend-Right Certificates*

The Company has not issued any dividend-right certificates.

#### *2.6 Limitations on the Transferability of Shares and Nominee Registrations*

The Company has not imposed any restrictions regarding the transfer of shares.

The Company's share register is maintained by Computershare, which acts as transfer agent and registrar. The share register lists the names of the registered record owners of the Company's shares. Beneficial owners of shares who hold shares through a bank, broker or other nominee exercise the shareholders' rights through the intermediation of such nominee. Nominee companies can be entered into the share register with voting rights. The Company does not limit or restrict nominee registrations.

Only holders of shares (including nominees) that are recorded in the share register as shareholders with voting rights as of the record date (see item 6.5 of this Report) are entitled to vote at a general meeting of shareholders.

#### *2.7 Convertible Bonds and Options*

Neither the Company nor any of its affiliates has currently any bonds or similar instruments outstanding that are convertible into Company shares. For information on the 1.50% Series C Convertible Senior Notes, the remaining part of which was redeemed in February 2013, please refer to "Part II. Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Sources and Uses of Liquidity—Debt Redemptions" on page AR-50 of this Annual Report and the "Notes to the Consolidated Financial Statements—Note 12—Debt—1.50% Series C Convertible Senior Notes" on page AR-92 of this Annual Report.



We have (i) a long-term incentive plan (the “Long-Term Incentive Plan”) for executives, key employees and outside directors under which awards can be granted in the form of stock options, restricted shares, deferred units, SARs and cash performance awards and (ii) other incentive plans under which awards are currently outstanding. Awards that may be granted under the Long-Term Incentive Plan include traditional time-vesting awards (“time-based awards”) and awards that are earned based on the achievement of certain performance criteria (“performance-based awards”) or market factors (“market-based awards”). For information on our share-based compensation plans, please refer to the “Notes to the Consolidated Financial Statements—Note 18—Share Based Compensation Plans” on page AR-111 *et seq.* of this Annual Report and Transocean’s Compensation Discussion and Analysis on page P-54 *et seq.* of this Annual Report under the caption “Compensation Discussion and Analysis.”

### 3. Board of Directors

3.1/3.2 The members of the Board as of December 31, 2014 are set forth in the table below. The table also indicates each director’s position at the Board and his or her committee membership. For biographical information of the directors who are proposed for reelection at the 2015 annual general meeting, please refer to page P-11 *et seq.* of this Annual Report under the heading “Agenda Item 5—Nominees for Director”. Steven L. Newman resigned from the Board as of February 16, 2015. Ian C. Strachan, our current Chairman, will reach 72 years of age prior to the 2015 annual general meeting and will therefore, in accordance with the Company’s Corporate Governance Guidelines, retire from the Board at the end of his term at the Company’s 2015 annual general meeting. Biographical information regarding Steven L. Newman and Ian C. Strachan are included after the tabular overview below.

No. <sup>(1)</sup>	Name	Age <sup>(2)</sup>	Position <sup>(3)</sup>	Committee Membership <sup>(4)</sup>	First Election	Next Term
1	Ian C. Strachan	71	Independent outside director <sup>(5)</sup> , Chairman of the Board	—	1999	Retiring at the end of 2015 AGM
2	Merrill A. “Pete” Miller, Jr.	64	Independent outside director, Vice Chairman of the Board	—	2014	Proposed for election as chairman of the Board at 2015 AGM
3	Glyn A. Barker	61	Independent outside director	AC (C), FC	2012	Proposed for re-election as director at 2015 AGM
4	Vincent J. Interini	58	Independent outside director	CC, CG	2014	Proposed for re-election as director and CC member at 2015 AGM

No. <sup>(1)</sup>	Name	Age <sup>(2)</sup>	Position <sup>(3)</sup>	Committee Membership <sup>(4)</sup>	First Election	Next Term
5	<b>Vanessa C.L. Chang</b>	62	Independent outside director	AC, FC	2012	Proposed for re-election at 2015 AGM
6	<b>Frederico F. Curado</b>	53	Independent outside director	AC, CC	2013	Proposed for re-election as director and CC member at 2015 AGM
7	<b>Chadwick C. Deaton</b>	62	Independent outside director	HSE (C), CG	2012	Proposed for re-election at 2015 AGM
8	<b>Martin B. McNamara</b>	67	Independent outside director	CG (C), CC	1994	Proposed for re-election as director and CC member at 2015 AGM
9	<b>Samuel Merksamer</b>	34	Independent outside director	FC, HSE	2013	Proposed for re-election at 2015 AGM
10	<b>Edward R. Muller</b>	63	Independent outside director	FC (C), HSE	2007	Proposed for re-election at 2015 AGM
11	<b>Steven L. Newman</b>	50	Executive director	—	2010	Resigned as of February 16, 2015
12	<b>Tan Ek Kia</b>	66	Independent outside director	CC (C), HSE	2011	Proposed for re-election as director and CC member at 2015 AGM

<sup>(1)</sup> At the extraordinary general meeting of the Company held on September 22, 2014, the shareholders approved the Board's proposal to reduce the maximum number of directors from 14 to 11. As a temporary exception, a maximum number of 12 members is permitted to allow the existing directors to serve until the end of the Company's 2015 annual general meeting, when their current term of office expires.

<sup>(2)</sup> None of the independent outside directors was a member of the management of the Company or any of its subsidiaries in the three preceding fiscal years or had a significant business connection with the Company or any of its subsidiaries. As regards material business relationships of independent outside directors and the Board of Directors' independence determination, please refer to the "Corporate Governance" section on page P-37 *et seq.* of this Annual Report under the caption "Independence of Board Members."

<sup>(3)</sup> Age as of March 23, 2015.

- (4) AC: Audit Committee  
CC: Compensation Committee  
HSE: Health, Safety and Environment Committee
- CG: Corporate Governance Committee  
FC: Finance Committee  
(C): Committee Chairman
- (5) Effective February 16, 2015, further to Steven L. Newman stepping down as the Company's President and Chief Executive Officer, Ian C. Strachan also serves as the Company's interim Chief Executive Officer.

### **Steven L. Newman | Biographical Information**

Steven L. Newman, age 50, U.S. citizen, was the Company's President and Chief Executive Officer, and a member of the Board from 2010 until February 15, 2015. Before being named as Chief Executive Officer in 2010, Mr. Newman served as President and Chief Operating Officer from 2008 to 2009 and subsequently as President. Mr. Newman's prior senior management roles included Executive Vice President, Performance (2007 to 2008), Executive Vice President and Chief Operating Officer (2006 to 2007), Senior Vice President of Human Resources and Information Process Solutions (2006 to 2006), Senior Vice President of Human Resources, Information Process Solutions and Treasury (2005 to 2006), and Vice President of Performance and Technology (2003 to 2005). He also has served as Regional Manager for the Asia and Australia Region and in international field and operations management positions, including Project Engineer, Rig Manager, Division Manager, Region Marketing Manager and Region Operations Manager. Mr. Newman joined the Company in 1994 in the Corporate Planning Department. Mr. Newman received his Bachelor of Science degree in Petroleum Engineering in 1989 from the Colorado School of Mines and his MBA in 1992 from the Harvard University Graduate School of Business. Mr. Newman is also a member of the Society of Petroleum Engineers and the National Association of Corporate Directors.

### **Ian C. Strachan | Biographical Information**

Ian C. Strachan, age 71, U.K. and U.S. citizen, has served as a member of the Board since 1999 and as Chairman of the Board since 2013. He also serves as the Company's interim Chief Executive Officer since February 16, 2015. Mr. Strachan served as a director of Caithness Petroleum Ltd. from 2008 to 2013, Xstrata plc from 2003 to 2013, Rolls Royce Group plc from 2003 to 2013, Johnson Matthey plc from 2002 to 2009, Thomson Reuters plc from 2000 to 2008 and as Chairman of the Board of Instinet Group Incorporated from 2003 to 2005. Mr. Strachan served as Chief Executive Officer of BTR plc from 1996 until 1999. From 1987 to 1995, Mr. Strachan was with Rio Tinto plc, serving as Chief Financial Officer from 1987 to 1991 and as Deputy Chief Executive Officer from 1991 to 1995. He was employed by Exxon Corporation from 1970 to 1986. Mr. Strachan received his Bachelor of Arts in History in 1965 from Christ's College, Cambridge University, and his Master of Public Affairs in 1967 from the Woodrow Wilson School, Princeton University and was a teaching fellow at Harvard University from 1969 to 1970.

### **3.3 Permitted Activities**

Our Articles of Association provide in Article 29e that members of the Board may not hold more than ten positions in the supreme body of other corporations, partnerships or other entities outside of Transocean, of which not more than four may be in entities whose shares are listed on a stock exchange. This limitation does not apply to mandates in an entity which controls, is controlled by or is under common control with the Company. Further, the limitation does not apply to mandates held at the instruction of the Company or mandates in associations, charitable organizations, non-for-profit organizations, foundations, trusts and similar entities, provided, however, that in both these cases, members of the Board shall not hold more than ten such mandates. For further details, please refer to our Articles of Association, which are available on our website at: <http://www.deepwater.com/investor-relations/governance>.

### *3.4 Election and Term of Office*

#### *3.4.1 Election Procedure and Term Limits*

Our Articles of Association provide that members of the Board may be elected at a general meeting of shareholders by a plurality of the votes cast by the shareholders present in person or by proxy at the meeting. Pursuant to the Company's Corporate Governance Guidelines, the Company adheres to a majority vote policy that provides that the Board may nominate only those candidates for membership who have submitted an irrevocable letter of resignation that would be effective upon and only in the event that (1) such nominee fails to receive a sufficient number of votes from shareholders in an uncontested election and (2) the Board accepts the resignation. If a nominee who has submitted such a letter of resignation does not receive more votes cast "for" than "against" the nominee's election, the Corporate Governance Committee of the Board must promptly review the letter of resignation and recommend to the Board whether to accept the tendered resignation or reject it. The Board must then act on the Corporate Governance Committee's recommendation within 90 days following the certification of the shareholder vote. The Board must promptly disclose its decision regarding whether or not to accept the nominee's resignation letter.

Pursuant to the Ordinance Against Excessive Compensation at Public Companies (the "Ordinance"), all directors must be elected for a one-year term. Under our Corporate Governance Guidelines, directors must retire at the annual general meeting following their 72nd birthday. Other than that we do not have any term limits.

#### *3.4.2 Election of the Chairman of the Board, Members of the Compensation Committee and the Independent Proxy*

Pursuant to the Ordinance, the general meeting must annually elect the chairman of the Board, the members of the Compensation Committee and the independent proxy. Each member of the Compensation Committee must be elected individually. Our Articles of Associations comply with these provisions of the Ordinance.

#### *3.4.3 Time of First Election*

For information regarding the time of first election for each director, please refer to the table in item 3.1/3.2 of this Report. For information regarding the retirement age and term limitations, please see item 3.4.1. For information regarding the proposed re-election of existing directors, the proposed election of Merrill A. "Pete" Miller, Jr. as chairman of the Board and the proposed re-election of the members of the Board's Compensation Committee at the Company's 2015 annual general meeting, please refer to page P-11 *et seq.* of this Annual Report under the heading "Agenda Item 5". As regards information on the independence of directors, please refer to page P-39 *et seq.* of this Annual Report under the heading "Independence of Board Members."

### *3.5 Internal Organizational Structure*

The Board meets once every quarter for its regular quarterly meetings. These quarterly meetings are supplemented by additional meetings as necessary. In 2014, the Board met seven times. The quarterly meetings of the Board and its Committees generally occurred over a period of two to three days.

From among its members, the Board has appointed the following standing Committees: Compensation Committee, Finance Committee, Corporate Governance Committee, Audit Committee, and Health Safety and Environment Committee. For the composition of the standing Committees as of

December 31, 2014, please refer to item 3.4.3 of this Report. In 2014, the Compensation Committee met five times, the Finance Committee four times, the Corporate Governance Committee six times, the Audit Committee eight times and the Health Safety and Environment Committee four times.

In addition, the Board may from time to time form special committees to consider particular matters that arise. In 2014, the Board formed special committees in connection with (i) the initial public offering to sell a non-controlling interest in Transocean Partners (see Item 1.1 for further information regarding Transocean Partners) and (ii) the possible offering of a minority interest in Caledonia Offshore Drilling Company, a wholly owned subsidiary of the Company, to eligible investors in Norway and institutional investors internationally (which was not further pursued in fiscal year 2014). In 2014, the two special committees met four times and three times, respectively.

For further information on the composition and allocation of responsibilities with the Board, the composition and responsibilities of the Committees, and the work methods of the Board and its Committees, please refer to (i) page P-37 *et seq.* of this Annual Report under the caption “Corporate Governance” and (ii) the Organizational Regulations of the Company available at: <http://www.deepwater.com/investor-relations/governance>.

### *3.6 Definition of Areas of Responsibility*

The Board is ultimately responsible for the general policies and management of the Company. The Board establishes the strategic, organizational, accounting and financing policies to be followed by the Company and the other group companies. The Board has delegated the conduct of the day-to-day business operations to the Executive Management Team, which is led by the Chief Executive Officer.

For further information regarding the general principles regarding the areas of responsibility between the Board and the Executive Management Team, please refer to (i) page P-37 *et seq.* of this Annual Report under the caption “Corporate Governance,” and (ii) the Organizational Regulations of the Company at: <http://www.deepwater.com/investor-relations/governance>.

### *3.7 Information and Control Instruments vis-à-vis the Executive Management Team*

The Board uses several tools to be kept informed about group operations and exercise control over the Executive Management Team:

- The Board receives a quarterly performance and financial report from the Executive Management Team. The report is comprised of consolidated financial information and includes: (i) an income statement, balance sheet, and cash flow statement, including a comparison of each to budgeted and prior year figures; (ii) management performance comments; and (iii) communication of key issues.
- Members of the Executive Management Team generally attend the quarterly meetings of the Board.
- Between each quarterly meeting of the Board, the Chief Executive Officer distributes a report detailing the Company’s performance in the areas of safety, marketing, and financial results. Additionally, the Chief Executive Officer keeps the Board informed of ad-hoc issues that affect the Company’s performance.
- The internal audit function reports directly to the Audit Committee and only administratively to the Chief Executive Officer.

- Transocean has a risk management process, whereby key risks are identified and communicated to the Executive Management Team and the Board. As to risk management, please also refer to page P-38 of this Annual Report under the caption “Corporate Governance—Risk Management —Compensation and Risk.”

#### **4. Executive Management Team**

4.1/4.2 The members of the Executive Management Team as of December 31, 2014 are set forth in the table below. For biographical information of the members of the Executive Management Team, please refer to page AR-28 *et seq.* of this Annual Report under the heading “Executive Officers of the Registrant.” Effective February 16, 2015, Steven L. Newman stepped down as President and Chief Executive Officer and the Board appointed Ian C. Strachan as interim Chief Executive Officer until a permanent replacement is appointed.

<b>Name</b>	<b>Age<sup>(1)</sup></b>	<b>Citizenship</b>	<b>Position</b>
Steven L. Newman	50	U.S. citizen	President and Chief Executive Officer, Executive Director
Esa T. Ikkäheimonen	51	Finnish citizen	Executive Vice President, Chief Financial Officer
John B. Stobart	61	U.S. and Australian citizen	Executive Vice President, Chief Operating Officer

<sup>(1)</sup> Age as of March 23, 2015.

#### **4.3 Permitted Activities**

Our Articles of Association provide that members of the Executive Management Team may not hold more than four positions in the supreme body of other corporations, partnerships or other entities outside of Transocean, of which not more than one may be in an entity whose shares are listed on a stock exchange. This limitation does not apply to mandates in any entity which controls, is controlled by or is under common control with the Company. Further, the limitation does not apply to mandates held at the instruction of the Company or mandates in associations, charitable organizations, non-for-profit organizations, foundations, trusts and similar entities, provided, however, that in both these cases, members of the Executive Management Team shall not hold more than ten such mandates. For further details, please refer to our Articles of Association, which are available on our website at: <http://www.deepwater.com/investor-relations/governance>.

#### **4.4 Management Contracts**

Transocean has not entered into any contractual relationships with third parties regarding the management of the Company or its subsidiaries.

#### **5. Compensation, Shareholdings and Loans of Members of the Board of Directors and the Executive Management Team**

For information regarding Transocean's compensation of directors, please refer to Transocean's Compensation Report on page CR-3 of this Annual Report and on page P-47 of this Annual Report under the caption “Board of Directors' Compensation.” For information regarding Transocean's compensation of the members of the Executive Management Team, please refer to Transocean's Compensation Report



on page CR-5 of this Annual Report and Transocean's Compensation Discussion and Analysis on page P-54 *et seq.* of this Annual Report under the caption "Compensation Discussion and Analysis."

Art. 29b of our Articles of Association contains, in implementation of the Ordinance, the principles of compensation applicable to the members of the Board and the Executive Management Team, including the principles applicable to performance-related pay and to the allocation of equity and other securities. In Art. 29c of our Articles of Association, the Company has adopted, in accordance with the Ordinance, the principles that are applicable if the compensation of the Executive Management Team ratified by shareholders at a general meeting of shareholders is not sufficient to also cover the compensation of a person who newly assumes an Executive Management Team function during a compensation period for which shareholder ratification has already been granted ("*supplementary amount*").

The principles required by the Ordinance regarding loans and post-retirement benefits beyond occupational pensions that may be granted to members of the Board and the Executive Management Team are contained in Art. 29f of our Articles of Association.

Art. 29a of our Articles of Association includes the rules required by the Ordinance regarding the shareholder ratification of the compensation of the members of the Board and the Executive Management Team. These rules specify, among other things, the applicable period to which the shareholder ratification relates.

Under Section 14A of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), we are required to provide shareholders the opportunity to vote on an advisory basis to approve the compensation of the Company's Named Executive Officers. Named Executive Officers pursuant to U.S. securities laws as of the year ending December 31, 2014 include (1) our President and Chief Executive Officer ("CEO"), Steven L. Newman, and our Executive Vice President and Chief Financial Officer ("CFO"), Esa Ikäheimonen; (2) the three highest paid executive officers, other than the CEO and the CFO, who were serving as executive officers of the Company at the end of fiscal year 2014; these executive officers were: John B. Stobart, our Executive Vice President and Chief Operating Officer, Lars A. Sjöbring, Senior Vice President and General Counsel, and David Tonnel, Senior Vice President, Finance and Controller; and (3) up to two additional executive officers who would have met the requirements in (2), but for the fact that the individual was not serving as an executive officer of the Company at the end of fiscal year 2014. In fiscal year 2014, there were no executive officers that would qualify as Named Executive Officers under the requirements in (3). Accordingly, all our Executive Management Team members are part of the group of executive officers who, pursuant to U.S. securities laws, are considered Named Executive Officers. Given that shareholders are given the opportunity to vote on an advisory basis on executive compensation pursuant to applicable U.S. securities laws, there is no separate advisory vote on the Swiss Compensation Report.

A copy of the Articles of Association is available on our website at: <http://www.deepwater.com/investor-relations/governance>.

## **6. Shareholders' Participation Rights**

### **6.1 Voting Rights and Limitations to Shareholders' Voting Rights**

Each share carries one vote at a general meeting of shareholders. Voting rights may be exercised by shareholders (including nominees) registered in the Company's share register, by the independent proxy elected at a general meeting for a term of office extending until completion of the next annual general meeting or by a duly appointed proxy of a registered shareholder or nominee, which proxy need not be a shareholder of the Company. Pursuant to our Articles of Association, proxy may be granted, and

instructions may be given, to the independent proxy by electronic means. Shareholders holding their shares through a bank, broker or other nominee who wish to exercise their voting rights must follow the instructions provided by such bank, broker or other nominee or, absent instructions, contact such bank, broker or other nominee for instructions. Shareholders holding their shares through a bank, broker or other nominee will not automatically be registered in the Company's share register. If any such shareholder wishes to be registered in the Company's share register, such shareholder must contact the bank, broker or other nominee through which it holds its shares. There are currently no limitations under our Articles of Association restricting the rights of shareholders to hold or vote Transocean shares.

## *6.2 Supermajority Requirements / Quorums*

### **Supermajority Requirements**

Pursuant to our Articles of Association, the shareholders generally pass resolutions by the affirmative vote of a majority of the votes cast at the general meeting of shareholders (not counting broker non-votes, abstentions and blank or invalid ballots), unless otherwise provided by law (including stock exchange regulations) or our Articles of Association.

Regarding election of directors by a plurality of the votes cast and Transocean's majority vote policy, please refer to item 3.4.1 of this Report.

The Swiss Code of Obligations and our Articles of Association require the affirmative vote of at least two-thirds of the voting rights and an absolute majority of the par value of the shares, each as represented (in person or by proxy) at a general meeting of shareholders to approve the following matters:

- the amendment to or the modification of the purpose of the Company;
- the creation or cancellation of shares with privileged voting rights;
- the restriction on the transferability of shares or cancellation thereof;
- the restriction on the exercise of the right to vote or the cancellation thereof;
- an authorized or conditional increase in the share capital;
- an increase in the share capital (1) through the conversion of capital surplus, (2) through a contribution in kind, or for purposes of an acquisition of assets, or (3) a grant of special privileges;
- the limitation on or withdrawal of preemptive rights;
- a change in the registered office of the Company;
- the conversion of registered shares into bearer shares and vice versa; and
- the dissolution of the Company.

Our Articles of Association further require the affirmative vote of at least two-thirds of the shares entitled to vote at a general meeting of shareholders to approve the following matters:

- the removal of a member of the Board;
- any changes to Article 14 Para. 1 of our Articles of Association, which requires advance notice of proposal requirements;
- any change to Article 18 of our Articles of Association, which sets forth the proceedings and procedures at general meetings of shareholders;
- any changes to Article 20 Para. 2 of our Articles of Association, which sets forth specific supermajority vote requirements at a general meeting;
- any changes to Article 21 of our Articles of Association, which sets forth the quorum requirements at a general meeting;
- any changes to Article 22 of our Articles of Association, which specifies the number of members of the Board; and

- any changes to Article 24 of our Articles of Association, which sets forth the indemnification provisions for members of the Board and officers.

Our Articles of Association require the affirmative vote of holders of the number of shares equal to the sum of (x) two-thirds of the number of all shares entitled to vote at a general meeting of shareholders, plus (y) a number of shares entitled to vote at the general meeting of shareholders that is equal to one-third of the number of shares held by interested shareholders, for the Company to (subject to certain exceptions) engage in any business combination with an interested shareholder and for the amendment of the provisions in the Articles of Association relating to this shareholder approval requirement. An “interested shareholder” is generally defined as a shareholder that, together with its affiliates and associates, beneficially, directly or indirectly, owns 15% or more of the shares entitled to vote at a general meeting of the shareholders of the Company.

Irrespective of Swiss law and our Articles of Association, the NYSE requires a shareholder vote for certain matters such as:

- the approval of equity compensation plans (or certain amendments to such plans);
- the issuance of shares equal to or in excess of 20% of the voting power of the shares outstanding before the issuance of such shares (subject to certain exceptions, such as public offerings for cash and certain bona fide private placements);
- certain issuances of shares to related parties; and
- issuances of shares that would result in a change of control.

For these types of matters, the minimum vote which will constitute shareholder approval for NYSE listing purposes is the approval by a majority of votes cast, provided that the total vote cast on the proposal represents over 50% in interest of all securities entitled to vote on the proposal.

## **Quorums**

The presence of shareholders, in person or by proxy, holding at least a majority of the shares entitled to vote at a meeting, is a quorum for the transaction of most business at the general meeting of shareholders.

Shareholders present, in person or by proxy, holding at least two-thirds of the share capital recorded in the Commercial Register constitute the required quorum at a general meeting to consider or adopt a resolution to amend, vary, suspend the operation of or cause any of the following provisions of our Articles of Association to cease to apply:

- Article 18, which relates to proceedings and procedures at general meetings of shareholders;
- Article 19(f), which relates to business combinations with interested shareholders;
- Article 20, which sets forth the level of shareholder approval required for certain matters;
- Article 21, which sets forth the quorum at a general meeting required for certain matters, including the removal of a member of the Board; and
- Articles 22, 23 and 24, which relate to the indemnification of the members of the Board and the size of the Board.

### *6.3 Convocation of the General Meeting of Shareholders*

#### **Notice and Proxy Statements**

The Board generally convenes a general meeting of shareholders. Under Swiss law, the convocation notice is published in the Swiss Official Gazette of Commerce and must be sent to each registered shareholder at the address recorded in the share register at least 20 days prior to the meeting.

In addition to being required to comply with the notice provisions under the Swiss Code of Obligations, the Company is subject to the rules of the U.S. Securities and Exchange Commission (the “SEC”) that regulate the solicitation of proxies (the “Proxy Rules”). The Company is required to file with the SEC its proxy statement related to a general meeting of the Company’s shareholders, together with a form of proxy card used by the Company and certain other soliciting material furnished to the Company’s shareholders in connection with such meeting. The disclosure the Company is required to include in its proxy statement generally includes certain information with respect to the matters that are known by the Company to be presented for a vote at the meeting. With respect to a proxy statement for an annual general meeting, the disclosure in the proxy statement would generally include, among other things, certain information about directors, executive officers and corporate governance, executive compensation, security ownership of certain beneficial owners and management and related shareholder matters, certain relationships and related party transactions and director independence. In addition, the proxy statement will be made available to each shareholder registered in the Company’s share register as of the relevant record date.

#### **Extraordinary General Meetings of Shareholders**

An extraordinary general meeting of shareholders may be called upon the resolution of the Board or, under certain circumstances, by the auditor. In addition, the Board is required to convene an extraordinary general meeting of shareholders if so resolved by the general meeting of shareholders, or if so requested by shareholders holding an aggregate of at least 10% of the shares, specifying the items for the agenda and their proposals and including evidence of the required shareholdings recorded in the share register as well as any other information as would be required to be included in a proxy statement pursuant to the Proxy Rules, or if it appears from the annual standalone statutory balance sheet that half of the Company’s share capital and legal reserves are not covered by the Company’s assets. In the latter case, the Board must immediately convene an extraordinary general meeting of shareholders and propose financial restructuring measures.

### *6.4 Agenda Requests*

Under our Articles of Association, any shareholder registered in the Company’s share register may request that an item be included on the agenda of a general meeting of shareholders. Such shareholder may also nominate one or more members of the Board for election. A request for inclusion of an item on the agenda or a nominee must be in writing and received by the Company at least 30 calendar days prior to the anniversary date of the proxy statement filed with the SEC in connection with the Company’s last general meeting of shareholders; provided, however, that if the date of the general meeting of shareholders is more than 30 days before or after the anniversary date of the last annual general meeting of shareholders, such request must instead be made by the tenth day following the date on which the Company has made public disclosure of the date of the general meeting of shareholders. The request must specify the relevant agenda items and motions, together with evidence of the required shares recorded in the share register, as well as any other information as would be required to be included in a proxy statement pursuant to the Proxy Rules.

## *6.5 Registration in the Company's Share Register / Record Date*

Registration in the Company's share register maintained by the Company's U.S. transfer agent and registrar, Computershare, is not subject to any condition. However, only those shareholders (including nominees) who are registered in the share register as shareholders with voting rights on the record date have the right to vote at the meeting. The registration occurs upon request and is subject to the shareholder expressly declaring to have acquired the shares in its own name and for its own account (save that the Board may record nominees who hold shares in their own name, but for the account of third parties as shareholders with voting rights). The Company generally expects to set the record date for each annual general meeting of shareholders to be a date not more than 20 calendar days prior to the date of the relevant annual general meeting and announce the date of the annual general meeting of shareholders prior to the record date.

## **7. Mandatory Offer Requirement / Change of Control**

### *7.1 Duty to make a public takeover offer*

Pursuant to the applicable provisions of the SESTA, any person that acquires shares of a company listed on a Swiss stock exchange, whether directly or indirectly or acting in concert with third parties, which shares, when taken together with any other shares of such company held by such person (or such third parties), exceed the threshold of 33⅓% of the voting rights (whether exercisable or not) of such company, must make a takeover bid to acquire all the other listed shares of such company. A company's articles of association may either eliminate this provision of the SESTA or may raise the relevant threshold to 49% ("opting-out" or "opting-up", respectively).

Our Articles of Association do not contain an opting-out or opting-up provision pursuant to Article 22 Para. 2 SESTA or Article 32 Para. 1 SESTA, respectively.

### *7.2 Change of Control Clauses*

Please refer to Transocean's Compensation Discussion and Analysis on page P-70 of this Annual Report under the caption "Post-Employment Compensation" for information on the severance and change of control agreements in place with the members of our Executive Management Team. Regarding the potential payments in the event of termination of service of a member of our Executive Management Team or a change in control of Transocean, please refer to "Executive Compensation—Potential Payments Upon Termination or Change in Control" on page P-83 *et seq.* Upon entry into effect of the Ordinance on January 1, 2014 and the expiry of the grandfathering provisions pursuant to the Ordinance's transitional provisions, as applicable, the severance and change-of-control arrangements are subject to the limitations imposed by the Ordinance.

## **8. Auditor**

### *8.1 Duration of the mandate and term of office of the lead auditors*

Under the Company's Articles of Association, the shareholders elect the Company's independent statutory auditor each year at the annual general meeting. Reelection is permitted. The Company's independent Swiss auditor is Ernst & Young Ltd, Zurich, Maagplatz 1, CH-8010 Zurich. Ernst & Young Ltd assumed its first audit mandate for Transocean in 2008. Ernst & Young Ltd was last reelected as the Company's auditor at the annual general meeting in May 2014.

The responsible lead audit partner at Ernst & Young Ltd as of December 31, 2014 is Robin Errico. Robin Errico has been the responsible lead audit partner at Ernst & Young Ltd since 2008. In accordance with Article 730a Para. 2 CO, the rotation frequency of the responsible lead audit partner is seven years.

For purposes of U.S. securities law reporting, Ernst & Young LLP, Houston, Texas, serves as the Company's independent registered public accounting firm. The Company's independent registered public accounting firm is appointed annually by the Audit Committee of the Board, subject to ratification by the annual general meeting.

#### *8.2/8.3 Auditing Fees / Additional Fees*

Please refer to page P-20 of this Annual Report under the caption "Fees Paid to Ernst & Young."

#### *8.4 Informational Instruments Pertaining to the External Audit*

Please refer to page P-49 of this Annual Report under the caption "Audit Committee Report" and to page P-20 of this Annual Report under the caption "Audit Committee Pre-Approval of Audit and Non-Audit Services."

### **9. Information Policy**

The Company reports its financial results quarterly with an earnings press release.

The Company's 2015 annual general meeting is to be held on May 15, 2015 at the Lorzensaal Cham, Dorfplatz 3, CH-6330 Cham, Switzerland.

All registered shareholders and all shareholders in the United States that hold their shares through a U.S. bank or brokerage or other nominee receive a copy of the Transocean Annual Report and Invitation and Proxy Statement, or a notice that such documents are available. The Annual Report contains an overview of Transocean's business in the fiscal year, audited financial statements for the group and the Company, the Corporate Governance Report and other key financial and business information. The Invitation and Proxy Statement includes a description of the matters to be acted upon at the annual general meeting of shareholders, a compensation report on executive officers and directors' compensation, and other disclosures required under applicable Swiss and U.S. laws.

Transocean holds public conference calls after its quarterly earnings releases to discuss the results and present an opportunity for institutional analysts to ask questions of the Chief Executive Officer, Chief Financial Officer and other members of management.

These events are webcast and remain available on Transocean's Investor Relations website for a period of time after the events. Transocean's management also regularly participates in institutional investor seminars and road shows, many of which are also webcast.

Our Investor Relations website is located at <http://www.deepwater.com/investor-relations>. We post and maintain an archive of our earnings and other press releases, current reports, annual and quarterly reports, earnings release schedule, information regarding annual general meetings, further information on corporate governance, and other information regarding the Company on the Investor Relations website. The information we post includes, and in the future will include, filings we make with the SEC, including reports on Forms 8-K, 10-K, 10-Q, and our proxy statement related to our annual general meeting, including our compensation report on executive officers and directors' compensation, and any amendments to those reports or statements filed or furnished pursuant to U.S. securities laws. All such



filings and information are available free of charge on our website, and we make them available on the website as soon as reasonably possible after we file or furnish them with the SEC. The contents of these websites are not intended to be incorporated by reference into this Report or in any other report or document we file and our references to these websites are intended to be inactive textual references only.

In addition, Transocean publishes press releases upon the occurrence of significant events within Transocean.

Shareholders and members of the public may elect to receive e-mails when Transocean issues press releases upon the occurrence of significant events within Transocean or other press releases by subscribing through <http://www.deepwater.com/email-alerts>. As a company subject to the provisions of Section 16 of the Exchange Act, we file reports on transactions in Transocean securities by directors and executive officers. The reports that we file with the SEC on Forms 3, 4 and 5 may be accessed on our website or on the SEC's website at <http://www.sec.gov>. In addition, as a Swiss company whose shares are listed and traded on the SIX, we report transactions in Transocean securities by directors and members of our Executive Management Team. The reports that we file with the SIX are published by the SIX and may be accessed at: [http://www.six-exchange-regulation.com/obligations/management\\_transactions\\_en.html](http://www.six-exchange-regulation.com/obligations/management_transactions_en.html)

**Annex 1**  
**Subsidiaries of Transocean Ltd.**  
as of December 31, 2014

Entities as of December 31, 2014	Jurisdiction	Registered City	Value Issued	Currency	Interest
15375 Memorial Corporation	Delaware	Dover	1,000.00	(United States) Dollar	100.00
Adriatic 8 Limited	Cayman Islands	Grand Cayman	1.00	(United States) Dollar	100.00
Aguas Profundas, Limitada	Angola	Luanda	14,195,000.00	(Angolan) Kwanza	60.00
Angola Deepwater Drilling Company (Offshore Services) Ltd	Cayman Islands	Grand Cayman	0.01	(United States) Dollar	100.00
Angola Deepwater Drilling Company (Operations) Ltd	Cayman Islands	Grand Cayman	0.01	(United States) Dollar	100.00
Angola Deepwater Drilling Company Ltd	Cayman Islands	Grand Cayman	1.00	(United States) Dollar	65.00
AngoSantaFe - Prestacao de Servicos Petroliferos, Limitada	Angola	Luanda	17,220,000.00	(Angolan) Kwanza	49.00
Applied Drilling Technology Inc.	Texas	Austin	1,000.00	(United States) Dollar	100.00
Arcade Drilling AS	Norway		216,065,250.00	(Norway) Krone	100.00
Ashgrove Carriers Ltd.	Liberia	Monrovia	100.00	(United States) Dollar	100.00
Asie Sonat Offshore Sdn. Bhd.	Malaysia	Kuala Lumpur	49,002.00	(Malaysia) Ringgit	100.00
Blegra Asset Management Limited	Cyprus	Limassol	1,710.00	(European Union) Euro	100.00
Blegra Financing Limited	Cyprus	Limassol	1,710.00	(European Union) Euro	100.00
Caledonia Offshore Drilling 704 Limited	Cayman Islands	Grand Cayman	40,000.00	(United States) Dollar	100.00
Caledonia Offshore Drilling 711 Limited	Cayman Islands	Grand Cayman	1.00	(United States) Dollar	100.00
Caledonia Offshore Drilling 712 Limited	Cayman Islands	Grand Cayman	40,000.00	(United States) Dollar	100.00
Caledonia Offshore Drilling 714 Limited	Cayman Islands	Grand Cayman	40,000.00	(United States) Dollar	100.00
Caledonia Offshore Drilling Company	Marshall Islands	Majuro	0.00	(United States) Dollar	100.00
Caledonia Offshore Drilling McLean Limited	Cayman Islands	Grand Cayman	40,000.00	(United States) Dollar	100.00
Caledonia Offshore Drilling Prospect Limited	Cayman Islands	Grand Cayman	40,000.00	(United States) Dollar	100.00
Caledonia Offshore Drilling Services Limited	England & Wales	London	1.00	(Great Britain) Pound	100.00
Caledonia Offshore Drilling Shaw Limited	Cayman Islands	Grand Cayman	40,000.00	(United States) Dollar	100.00
Caledonia Support Services Limited	England & Wales	London	1.00	(Great Britain) Pound	100.00

Entities as of December 31, 2014	Jurisdiction	Registered City	Value Issued	Currency	Interest
Campeche Drilling Services Inc.	Delaware	Dover	1,000.00	(United States) Dollar	100.00
Challenger Minerals (Accra) Inc.	Cayman Islands	Grand Cayman	1,000.00	(United States) Dollar	100.00
Challenger Minerals (Celtic Sea) Limited	British Virgin Islands	Tortola	0.00	(United States) Dollar	100.00
Challenger Minerals (Ghana) Limited	Ghana	Accra	57,500.00	(Ghanaian) Cedi	100.00
Challenger Minerals Inc.	California	Sacramento	0.00	(United States) Dollar	100.00
Cliffs Drilling do Brasil Servicos de Petroleo Ltda.	Brazil	Macaé	208,669.00	(Brazil) Real	100.00
Constellation II Limited	Cayman Islands	Grand Cayman	1.00	(United States) Dollar	100.00
Covent Garden—Servicos e Marketing, Sociedade Unipessoal Lda	Portugal	Madeira	208,524,320.20	(European Union) Euro	100.00
Deepwater Drilling II L.L.C.	Delaware	Dover			100.00
Deepwater Drilling L.L.C.	Delaware	Dover			100.00
Deepwater Drilling North Africa LLC—Free Zone	Egypt	Cairo	250,000.00	(United States) Dollar	100.00
Deepwater Pacific 1 Inc.	British Virgin Islands	Tortola	1,000.00	(United States) Dollar	100.00
Deepwater Pacific 2 Inc.	British Virgin Islands	Tortola	500.00	(United States) Dollar	100.00
DR Stewart Limited	Cayman Islands	Grand Cayman	1.00	(United States) Dollar	100.00
Eaton Industries of Houston, Inc.	Texas	Austin	419.00	(United States) Dollar	100.00
Elder Trading Co.	Liberia	Monrovia	100.00	(United States) Dollar	100.00
Entities Holdings, Inc.	Delaware	Dover	10,000.00	(United States) Dollar	100.00
Falcon Atlantic Ltd.	Cayman Islands	Grand Cayman	1,100.00	(United States) Dollar	100.00
Fortress Energy Services LLC	Oman	Muttrah	250,000.00	(Oman) Rial	49.00
Global Dolphin Drilling Company Limited	India	Mumbai	500,000.00	(India) Rupee	40.00
Global Marine Inc.	Delaware	Dover	10.00	(United States) Dollar	100.00
Global Mining Resources, Inc.	Philippines	Makati	50,012.00	(Philippines) Peso	40.00
Global Offshore Drilling Limited	Nigeria	Lagos	500,000.00	(Nigeria) Naira	100.00
GlobalSantaFe (Labuan) Inc.	Malaysia		1.00	(United States) Dollar	100.00
GlobalSantaFe (Norge) AS	Norway	Sandnes	100,000.00	(Norway) Krone	100.00
GlobalSantaFe Arctic Ltd.	Nova Scotia	Halifax			100.00
GlobalSantaFe B.V.	Netherlands	Rotterdam	18,200.00	(European Union) Euro	100.00

Entities as of December 31, 2014	Jurisdiction	Registered City	Value Issued	Currency	Interest
GlobalSantaFe Beaufort Sea Inc.	Delaware	Dover	1,000.00	(United States) Dollar	100.00
GlobalSantaFe C.R. Luigs Limited	England & Wales	London	1,000.00	(Great Britain) Pound	100.00
GlobalSantaFe Campeche Holdings LLC	Delaware	Dover	1,000.00	(United States) Dollar	100.00
GlobalSantaFe Communications, Inc.	Delaware	Dover	1,000.00	(United States) Dollar	100.00
GlobalSantaFe Corporate Services Inc.	Delaware	Dover	1,000.00	(United States) Dollar	100.00
GlobalSantaFe de Venezuela Inc.	Delaware	Dover	10,000.00	(United States) Dollar	100.00
GlobalSantaFe Deepwater Drilling LLC	Delaware	Dover	1,000.00	(United States) Dollar	100.00
GlobalSantaFe Denmark Holdings ApS	Denmark	Copenhagen	125,000.00	(Denmark) Krone	100.00
GlobalSantaFe Development Inc.	California	Sacramento	1,000.00	(United States) Dollar	100.00
GlobalSantaFe do Brasil Ltda.	Brazil	Rio de Janeiro	6,356,380.00	(Brazil) Real	100.00
GlobalSantaFe Drilling (N.A.) N.V.	Netherlands Antilles	Willemstad	6,452.00	(United States) Dollar	100.00
GlobalSantaFe Drilling (South Atlantic) Inc.	Cayman Islands	Grand Cayman	25,001.00	(United States) Dollar	100.00
GlobalSantaFe Drilling Company	Delaware	Dover	100.00	(United States) Dollar	100.00
GlobalSantaFe Drilling Company (Canada) Limited	Nova Scotia	Halifax			100.00
GlobalSantaFe Drilling Company (North Sea) Limited	England & Wales	London	200.00	(Great Britain) Pound	100.00
GlobalSantaFe Drilling Company (Overseas) Limited	England & Wales	London	100.00	(Great Britain) Pound	100.00
GlobalSantaFe Drilling Mexico, S. de R.L. de C.V.	Mexico	Mexico City	3,000.00	(Mexico) Peso	100.00
GlobalSantaFe Drilling Operations Inc.	Cayman Islands	Grand Cayman	1,006.00	(United States) Dollar	100.00
GlobalSantaFe Drilling Services (North Sea) Limited	England & Wales	London	100.00	(Great Britain) Pound	100.00
GlobalSantaFe Drilling Trinidad LLC	Delaware	Dover	1,000.00	(United States) Dollar	100.00
GlobalSantaFe Drilling Venezuela, C.A.	Venezuela	Caracas	12,230,000,000.00	(Venezuela) Bolivar	100.00
GlobalSantaFe Financial Services (Luxembourg) S.a.r.l.	Luxembourg	Munsbach	17,962,000.00	(United States) Dollar	100.00
GlobalSantaFe GOM Services Inc.	British Virgin Islands	Tortola	1,000.00	(United States) Dollar	100.00
GlobalSantaFe Group Financing Limited Liability Company	Hungary	Budapest	15,000.00	(United States) Dollar	100.00
GlobalSantaFe Holding Company (North Sea) Limited	England & Wales	London	891.00	(Great Britain) Pound	100.00

Entities as of December 31, 2014	Jurisdiction	Registered City	Value Issued	Currency	Interest
GlobalSantaFe Hungary Services Limited Liability Company	Hungary	Budapest	96,000.00	(United States) Dollar	100.00
GlobalSantaFe International Drilling Corporation	Bahamas	Nassau	154.00	(United States) Dollar	100.00
GlobalSantaFe International Drilling Inc.	British Virgin Islands	Tortola	11.00	(United States) Dollar	100.00
GlobalSantaFe International Services Inc.	Panama	Costa del Este	439,200.00	(United States) Dollar	100.00
GlobalSantaFe Leasing Corporation	Bahamas	Nassau	10.00	(United States) Dollar	100.00
GlobalSantaFe Leasing Limited	Cayman Islands	Grand Cayman	1.00	(United States) Dollar	100.00
GlobalSantaFe Mexico Holdings LLC	Delaware	Dover	1,000.00	(United States) Dollar	100.00
GlobalSantaFe Nederland B.V.	Netherlands	Rotterdam	19,000.00	(European Union) Euro	100.00
GlobalSantaFe Offshore Services Inc.	Cayman Islands	Grand Cayman	1,000.00	(United States) Dollar	100.00
GlobalSantaFe Operations (Australia) Pty Ltd	Western Australia	Lane Cove	1.00	(Australia) Dollar	100.00
GlobalSantaFe Operations (BVI) Inc.	Cayman Islands	Grand Cayman	31.00	(United States) Dollar	100.00
GlobalSantaFe Operations (Mexico) LLC	Delaware	Dover	1,000.00	(United States) Dollar	100.00
GlobalSantaFe Operations Inc.	Cayman Islands	Grand Cayman	16.53	(United States) Dollar	100.00
GlobalSantaFe Overseas Limited	Bahamas	Nassau	10.00	(United States) Dollar	100.00
GlobalSantaFe Saudi Arabia Ltd.	British Virgin Islands	Tortola	1.00	(United States) Dollar	100.00
GlobalSantaFe Services (BVI) Inc.	Cayman Islands	Grand Cayman	477.00	(United States) Dollar	100.00
GlobalSantaFe Services Netherlands B.V.	Netherlands	Rotterdam	30,800.00	(European Union) Euro	100.00
GlobalSantaFe Servicios de Venezuela, C.A.	Venezuela	Caracas	95,759,000.00	(Venezuela) Bolivar	100.00
GlobalSantaFe South America LLC	Delaware	Dover	1,000.00	(United States) Dollar	100.00
GlobalSantaFe Southeast Asia Drilling Pte. Ltd.	Singapore	Singapore	1.00	(United States) Dollar	100.00
GlobalSantaFe Tampico, S. de R.L. de C.V.	Mexico	Mexico City	3,000.00	(Mexico) Peso	100.00
GlobalSantaFe Techserv (North Sea) Limited	England & Wales	London	100.00	(Great Britain) Pound	100.00
GlobalSantaFe U.S. Drilling Inc.	Delaware	Dover	1,000.00	(United States) Dollar	100.00
GlobalSantaFe U.S. Holdings Inc.	Delaware	Dover	1.00	(United States) Dollar	100.00
GlobalSantaFe West Africa Drilling Limited	Bahamas	Nassau	333,500,010.00	(United States) Dollar	100.00

Entities as of December 31, 2014	Jurisdiction	Registered City	Value Issued	Currency	Interest
GSF Caymans Holdings Inc.	Cayman Islands	Grand Cayman	10.00	(United States) Dollar	100.00
GSF Leasing Services GmbH	Switzerland	Steinhausen	962,670,000.00	(Switzerland) Franc	100.00
Hellerup Finance International	Ireland	Dublin	1,000,000.00	(United States) Dollar	100.00
Indigo Drilling Limited	Nigeria	Lagos	10,000,000.00	(Nigeria) Naira	87.50
Intermarine Services (International) Limited	Bahamas	Nassau	10.00	(United States) Dollar	100.00
Intermarine Services Inc.	Texas	Austin	1,000.00	(United States) Dollar	100.00
International Chandlers, Inc.	Texas	Austin	1,000.00	(United States) Dollar	100.00
Key Perfuracoes Maritimas Limitada	Brazil	Rio de Janeiro	754,000.00	(United States) Dollar	100.00
Minerales Submarinos Mexicanos S.A.	Mexico	Mexico City			19.50
Nickel Development Inc.	Philippines	Makati	100,000.00	(Philippines) Peso	40.00
NRB Drilling Services Limited	Nigeria	Lagos	100,000.00	(Nigeria) Naira	60.00
Oilfield Services, Inc.	Cayman Islands	Grand Cayman	2.00	(United States) Dollar	100.00
P.T. Santa Fe Supraco Indonesia	Indonesia	Jakarta Selatan	8,300,000.00	(United States) Dollar	95.00
Platform Capital N.V.	Netherlands Antilles	Willemstad	249,600,734.00	(United States) Dollar	100.00
Platform Financial N.V.	Netherlands Antilles	Willemstad	6,215.00	(United States) Dollar	100.00
PT. Transocean Indonesia	Indonesia	Jakarta Selatan	331,000.00	(United States) Dollar	100.00
R&B Falcon (A) Pty Ltd	Western Australia	Perth	2.00	(United States) Dollar	100.00
R&B Falcon (Caledonia) Limited	England & Wales	London	98.00	(Great Britain) Pound	100.00
R&B Falcon (Ireland) Limited	Ireland	Dublin	2.54	(European Union) Euro	100.00
R&B Falcon (M) Sdn. Bhd.	Malaysia	Kuala Lumpur	220,000.00	(Malaysia) Ringgit	49.00
R&B Falcon (U.K.) Limited	England & Wales	London	100.00	(Great Britain) Pound	100.00
R&B Falcon B.V.	Netherlands	Rotterdam	18,000.00	(European Union) Euro	100.00
R&B Falcon Deepwater (UK) Limited	England & Wales	London	1.00	(Great Britain) Pound	100.00
R&B Falcon Drilling (International & Deepwater) Inc. LLC	Delaware	Dover	1,000.00	(United States) Dollar	100.00
R&B Falcon Drilling Co. LLC	Oklahoma	Oklahoma City	1,000.00	(United States) Dollar	100.00
R&B Falcon Drilling Limited LLC	Oklahoma	Oklahoma City	1,000.00	(United States) Dollar	100.00



Entities as of December 31, 2014	Jurisdiction	Registered City	Value Issued	Currency	Interest
R&B Falcon Exploration Co., LLC	Oklahoma	Oklahoma City	1,000.00	(United States) Dollar	100.00
R&B Falcon International Energy Services B.V.	Netherlands	Rotterdam	135,000.00	(European Union) Euro	100.00
R&B Falcon Offshore Limited, LLC	Oklahoma	Oklahoma City	1,000.00	(United States) Dollar	100.00
R&B Falcon, Inc. LLC	Oklahoma	Oklahoma City	1,000.00	(United States) Dollar	100.00
Ranger Insurance Limited	Cayman Islands	Grand Cayman	1.00	(United States) Dollar	100.00
RB Mediterranean Ltd.	Cayman Islands	Grand Cayman	1,000.00	(United States) Dollar	100.00
RBF Drilling Co. LLC	Oklahoma	Oklahoma City	1,000.00	(United States) Dollar	100.00
RBF Drilling Services, Inc. LLC	Oklahoma	Oklahoma City	1,000.00	(United States) Dollar	100.00
RBF Exploration LLC	Delaware	Dover	1,000.00	(United States) Dollar	100.00
RBF Finance Co.	Delaware	Dover	2.50	(United States) Dollar	100.00
RBF Rig Corporation, LLC	Oklahoma	Oklahoma City	100,000.00	(United States) Dollar	100.00
Reading & Bates Coal Co., LLC	Nevada	Carson City	1,000.00	(United States) Dollar	100.00
Reading & Bates Demaga Perfurações Ltda.	Brazil	Rio de Janeiro	22,000.00	(Brazil) Real	100.00
Resource Rig Supply Inc.	Delaware	Dover	5,000.00	(United States) Dollar	100.00
Rig 127 Limited	Cayman Islands	Grand Cayman	1.00	(United States) Dollar	100.00
Rig 134 Limited	Cayman Islands	Grand Cayman	1.00	(United States) Dollar	100.00
Safemal Drilling Sdn. Bhd.	Malaysia	Miri Sarawak	750,000.00	(Malaysia) Ringgit	100.00
Santa Fe Braun Inc.	Delaware	Dover	500,000.00	(United States) Dollar	100.00
Santa Fe Construction Company	Delaware	Dover	5,000.00	(United States) Dollar	100.00
Santa Fe Drilling Company (U.K.) Limited	England & Wales	London	10,000.00	(Great Britain) Pound	100.00
Santa Fe Drilling Company of Venezuela, C.A.	California	Sacramento	100,000.00	(United States) Dollar	100.00
Santa Fe Servicos de Perfuracao Limitada	Brazil	Macaé	500.00	(Brazil) Real	100.00
Saudi Drilling Company Limited	Saudi Arabia	Dhahran	1,500,000.00	(Saudi Arabia) Riyal	100.00
SDS Offshore Limited	England & Wales	London	1,000.00	(Great Britain) Pound	100.00
Sedco Forex Holdings Limited	Cayman Islands	Grand Cayman	1,000.00	(United States) Dollar	100.00

Entities as of December 31, 2014	Jurisdiction	Registered City	Value Issued	Currency	Interest
Sedco Forex International Services, S.A.	Panama	Costa del Este	500.00	(United States) Dollar	100.00
Sedco Forex International, Inc.	Panama	Costa del Este	1,000.00	(United States) Dollar	100.00
Sedco Forex of Nigeria Limited	Nigeria	Lagos	10,000,000.00	(Nigeria) Naira	92.40
Sedco Forex Technology, Inc.	Panama	Costa del Este	10,000.00	(United States) Dollar	100.00
Sedneth Panama, S.A.	Panama	Costa del Este	80,000.00	(United States) Dollar	100.00
Sefora Maritime Limited	Cayman Islands	Grand Cayman	3,500,000.00	(United States) Dollar	100.00
Services Petroliers Transocean	France	Courbevoie	300,000.00	(European Union) Euro	100.00
Servicios Petroleros Santa Fe, S.A.	Venezuela	Caracas	5,000,000.00	(Venezuela) Bolivar	49.00
Shore Services, LLC	Texas	Austin	100,000.00	(United States) Dollar	100.00
Sonat Offshore do Brasil Perfuracoes Maritimas Ltda.	Brazil	Rio de Janeiro	225,348.98	(Brazil) Real	100.00
Sonat Offshore S.A.	Panama	Costa del Este	1,000.00	(United States) Dollar	100.00
T. I. International Mexico S. de R.L. de C.V.	Mexico	Colonia Juarez	0.00	(Mexico) Peso	100.00
TODDI Holdings LLC	Delaware	Dover	1,000.00	(United States) Dollar	100.00
Transocean Africa Drilling Limited	Cayman Islands	Grand Cayman	0.01	(United States) Dollar	100.00
Transocean Alaskan Ventures Inc.	Delaware	Dover	10.00	(United States) Dollar	100.00
Transocean Amirante Limited	Cayman Islands	Grand Cayman	1.00	(United States) Dollar	100.00
Transocean Andaman Limited	Cayman Islands	Grand Cayman	1.00	(United States) Dollar	100.00
Transocean Ao Thai Limited	Cayman Islands	Grand Cayman	1.00	(United States) Dollar	100.00
Transocean Arctic Limited	Cayman Islands	Grand Cayman	0.01	(United States) Dollar	100.00
Transocean Asia Services Sdn Bhd	Malaysia	Kuala Lumpur	500,000.00	(Malaysia) Ringgit	100.00
Transocean Barents ASA	Norway		1,100,000.00	(Norway) Krone	100.00
Transocean Benefit Services Srl	Barbados	St Michael	1,000.00	(United States) Dollar	100.00
Transocean Brasil Ltda.	Brazil	Macaé	407,653,729.00	(Brazil) Real	100.00
Transocean Britannia Limited	Cayman Islands	Grand Cayman	1.00	(United States) Dollar	100.00
Transocean Canada Co.	Nova Scotia	Halifax	1,000.00	(United States) Dollar	100.00
Transocean Canada Drilling Services Ltd.	Nova Scotia	Halifax	10.00	(United States) Dollar	100.00

Entities as of December 31, 2014	Jurisdiction	Registered City	Value Issued	Currency	Interest
Transocean Construction Management Ltd.	Cayman Islands	Grand Cayman	0.01	(United States) Dollar	100.00
Transocean Corporate Services Limited	Cayman Islands	Grand Cayman	1.00	(United States) Dollar	100.00
Transocean Cunningham LLC	Delaware	Dover	1,000.00	(United States) Dollar	100.00
Transocean Cyprus Capital Management Public Limited	Cyprus	Nicosia	160,000.00	(European Union) Euro	100.00
Transocean Cyprus Drilling Operations Public Limited	Cyprus	Nicosia	30,000.00	(European Union) Euro	99.98
Transocean Deepwater Drilling Services Limited	Cayman Islands	Grand Cayman	1.00	(United States) Dollar	100.00
Transocean Deepwater Frontier Limited	Cayman Islands	Grand Cayman	1,000.00	(United States) Dollar	100.00
Transocean Deepwater Holdings Limited	Cayman Islands	Grand Cayman	1,000.00	(United States) Dollar	100.00
Transocean Deepwater Inc.	Delaware	Dover	10.00	(United States) Dollar	100.00
Transocean Deepwater Mauritius	Mauritius	Ebene	1.00	(United States) Dollar	100.00
Transocean Deepwater Nautilus Limited	Cayman Islands	Grand Cayman	1,000.00	(United States) Dollar	100.00
Transocean Deepwater Pathfinder Limited	Cayman Islands	Grand Cayman	1,000.00	(United States) Dollar	100.00
Transocean Deepwater Seafarer Services Limited	Cayman Islands	Grand Cayman	1.00	(United States) Dollar	100.00
Transocean Discoverer 534 LLC	Delaware	Dover	1,000.00	(United States) Dollar	100.00
Transocean Drilling (Nigeria) Ltd.	Nigeria	Lagos	2,500,000.00	(Nigeria) Naira	100.00
Transocean Drilling (U.S.A.) Inc.	Texas	Austin	10,000.00	(United States) Dollar	100.00
Transocean Drilling Company S.a.r.l.	Luxembourg	Luxembourg	20,000.00	(United States) Dollar	100.00
Transocean Drilling Enterprises S.a.r.l.	Luxembourg	Luxembourg	20,000.00	(United States) Dollar	100.00
Transocean Drilling International S.a.r.l.	Luxembourg	Luxembourg	20,000.00	(United States) Dollar	100.00
Transocean Drilling Israel Ltd.	Cayman Islands	Grand Cayman	1.00	(United States) Dollar	100.00
Transocean Drilling Limited	Scotland	Aberdeen	100,000.00	(Great Britain) Pound	100.00
Transocean Drilling Namibia Inc.	Cayman Islands	Grand Cayman	1.00	(United States) Dollar	100.00
Transocean Drilling Offshore International Limited	Cayman Islands	Grand Cayman	0.01	(United States) Dollar	100.00
Transocean Drilling Offshore S.a.r.l.	Luxembourg	Luxembourg	20,000.00	(United States) Dollar	100.00
Transocean Drilling Offshore Ventures Limited	Cayman Islands	Grand Cayman	1,000.00	(United States) Dollar	100.00

Entities as of December 31, 2014	Jurisdiction	Registered City	Value Issued	Currency	Interest
Transocean Drilling Resources Limited	Cayman Islands	Grand Cayman	1.00	(United States) Dollar	100.00
Transocean Drilling Sdn. Bhd.	Malaysia	Kuala Lumpur	350,000.00	(Malaysia) Ringgit	40.00
Transocean Drilling Services (India) Private Limited	India	Mumbai	40,000,000.00	(India) Rupee	100.00
Transocean Drilling Services Inc.	Delaware	Dover	1,000.00	(United States) Dollar	100.00
Transocean Drilling Services Offshore Inc.	British Virgin Islands	Tortola	100.00	(United States) Dollar	70.00
Transocean Drilling Turkey Limited	Cayman Islands	Grand Cayman	1.00	(United States) Dollar	100.00
Transocean Drilling U.K. Limited	Scotland	Aberdeen	1,220.00	(Great Britain) Pound	100.00
Transocean Eastern Pte. Ltd.	Singapore	Singapore	500,000.00	(Singapore) Dollar	100.00
Transocean Enterprise Inc.	Delaware	Dover	1,000.00	(United States) Dollar	100.00
Transocean Entities Holdings GmbH	Switzerland	Zug	100,000.00	(Switzerland) Franc	100.00
Transocean Finance Limited	Cayman Islands	Grand Cayman	1,000.00	(United States) Dollar	100.00
Transocean Financing GmbH	Switzerland	Zug	495,869,700.00	(Switzerland) Franc	100.00
Transocean GSF Monitor Limited	Cayman Islands	Grand Cayman	1.00	(United States) Dollar	100.00
Transocean Holdings LLC	Delaware	Dover	10,000.00	(United States) Dollar	100.00
Transocean Hungary Holdings LLC	Hungary	Budapest	3,000.00	(United States) Dollar	100.00
Transocean Hungary Investments LLC	Hungary	Budapest	14,000.00	(United States) Dollar	100.00
Transocean Hungary Ventures LLC	Hungary	Budapest	14,000.00	(United States) Dollar	100.00
Transocean Inc.	Cayman Islands	Grand Cayman	3,192,886.32	(United States) Dollar	100.00
Transocean Inc. Luxembourg Asset Management S.C.S.	Luxembourg	Luxembourg	1,000.00	(United States) Dollar	100.00
Transocean India Limited	Cayman Islands	Grand Cayman	0.01	(United States) Dollar	100.00
Transocean Innovation Labs Ltd.	Cayman Islands	Grand Cayman	1.00	(United States) Dollar	100.00
Transocean International Drilling Limited	Cayman Islands	Grand Cayman	1,192.00	(United States) Dollar	100.00
Transocean International Holdings Limited	Cayman Islands	Grand Cayman	0.01	(United States) Dollar	100.00
Transocean International Resources, Limited	British Virgin Islands	Tortola	10,000.00	(United States) Dollar	100.00
Transocean Investimentos Ltda.	Brazil	Macaé	4,000,000.00	(Brazil) Real	100.00
Transocean Investments S.a.r.l.	Luxembourg	Luxembourg	12,500.00	(European Union) Euro	100.00
Transocean Labrador Limited	Cayman Islands	Grand Cayman	1.00	(United States) Dollar	100.00

Entities as of December 31, 2014	Jurisdiction	Registered City	Value Issued	Currency	Interest
Transocean Luxembourg Holdings S.C.S.	Luxembourg	Luxembourg	1,000.00	(United States) Dollar	100.00
Transocean Magellan Limited	Cayman Islands	Grand Cayman	1.00	(United States) Dollar	100.00
Transocean Management Inc.	Delaware	Dover	10.00	(United States) Dollar	100.00
Transocean Management Ltd.	Switzerland	Vernier	100,000.00	(Switzerland) Franc	100.00
Transocean Marine Limited	Cayman Islands	Grand Cayman	0.01	(United States) Dollar	100.00
Transocean Mediterranean LLC	Delaware	Dover	1,000.00	(United States) Dollar	100.00
Transocean Mediterranean Offshore Drilling Limited	Cayman Islands	Grand Cayman	1.00	(United States) Dollar	100.00
Transocean Nautilus Limited	Cayman Islands	Grand Cayman	1,000.00	(United States) Dollar	100.00
Transocean North Africa Inc.	Cayman Islands	Grand Cayman	1.00	(United States) Dollar	100.00
Transocean North Sea Limited	Bahamas	Nassau	10.00	(United States) Dollar	100.00
Transocean Norway Drilling AS	Norway		299,194,832.00	(Norway) Krone	100.00
Transocean Norway Operations AS	Norway		1,000,000.00	(Norway) Krone	100.00
Transocean Offshore (Cayman) Inc.	Cayman Islands	Grand Cayman	1,000.00	(United States) Dollar	100.00
Transocean Offshore (North Sea) Ltd.	Cayman Islands	Grand Cayman	100.00	(United States) Dollar	100.00
Transocean Offshore (U.K.) Inc.	Delaware	Dover	1,000.00	(United States) Dollar	100.00
Transocean Offshore Canada Services Ltd.	Nova Scotia	Halifax	0.00	(United States) Dollar	100.00
Transocean Offshore Caribbean Sea, L.L.C.	Delaware	Dover	1,000.00	(United States) Dollar	100.00
Transocean Offshore Deepwater Drilling Inc.	Delaware	Dover	0.00	(United States) Dollar	100.00
Transocean Offshore Deepwater Holdings Limited	Cayman Islands	Grand Cayman	1,000.00	(United States) Dollar	100.00
Transocean Offshore Drilling Limited	England & Wales	London	2,000,002.00	(Great Britain) Pound	100.00
Transocean Offshore Drilling Services LLC	Delaware	Dover	1,000.00	(United States) Dollar	100.00
Transocean Offshore Europe Limited	Cayman Islands	Grand Cayman	4,384.30	(United States) Dollar	100.00
Transocean Offshore Gulf of Guinea Limited	British Virgin Islands	Tortola	10.00	(United States) Dollar	100.00
Transocean Offshore Gulf of Guinea II Limited	British Virgin Islands	Tortola	10.00	(United States) Dollar	100.00
Transocean Offshore Gulf of Guinea III Limited	British Virgin Islands	Tortola	10.00	(United States) Dollar	100.00
Transocean Offshore Gulf of Guinea IV Limited	British Virgin Islands	Tortola	10.00	(United States) Dollar	100.00

Entities as of December 31, 2014	Jurisdiction	Registered City	Value Issued	Currency	Interest
Transocean Offshore Gulf of Guinea V Limited	British Virgin Islands	Tortola	10.00	(United States) Dollar	100.00
Transocean Offshore Gulf of Guinea VI Limited	British Virgin Islands	Tortola	10.00	(United States) Dollar	100.00
Transocean Offshore Gulf of Guinea VII Limited	British Virgin Islands	Tortola	10.00	(United States) Dollar	100.00
Transocean Offshore Gulf of Guinea VIII Limited	British Virgin Islands	Tortola	10.00	(United States) Dollar	100.00
Transocean Offshore Gulf of Guinea IX Limited	British Virgin Islands	Tortola	10.00	(United States) Dollar	100.00
Transocean Offshore Gulf of Guinea X Limited	British Virgin Islands	Tortola	10.00	(United States) Dollar	100.00
Transocean Offshore Gulf of Guinea XI Limited	British Virgin Islands	Tortola	10.00	(United States) Dollar	100.00
Transocean Offshore Gulf of Guinea XII Limited	British Virgin Islands	Tortola	10.00	(United States) Dollar	100.00
Transocean Offshore Gulf of Guinea XIII Limited	British Virgin Islands	Tortola	10.00	(United States) Dollar	100.00
Transocean Offshore Gulf of Guinea XIV Limited	British Virgin Islands	Tortola	10.00	(United States) Dollar	100.00
Transocean Offshore Gulf of Guinea XV Limited	British Virgin Islands	Tortola	10.00	(United States) Dollar	100.00
Transocean Offshore Gulf of Guinea XVI Limited	British Virgin Islands	Tortola	10.00	(United States) Dollar	100.00
Transocean Offshore Gulf of Guinea XVII Limited	British Virgin Islands	Tortola	10.00	(United States) Dollar	100.00
Transocean Offshore Holdings Limited	Cayman Islands	Grand Cayman	1,000.00	(United States) Dollar	100.00
Transocean Offshore International Limited	Cayman Islands	Grand Cayman	2,500.00	(United States) Dollar	100.00
Transocean Offshore International Ventures Limited	Cayman Islands	Grand Cayman	591,504,000.00	(United States) Dollar	100.00
Transocean Offshore Limited	Cayman Islands	Grand Cayman	3.36	(United States) Dollar	100.00
Transocean Offshore Management Services Limited	Cayman Islands	Grand Cayman	1.00	(United States) Dollar	100.00
Transocean Offshore Management Services S.C.S.	Luxembourg	Luxembourg	1,000.00	(United States) Dollar	100.00
Transocean Offshore Nigeria Limited	Nigeria	Lagos	1,250,000.00	(Nigeria) Naira	100.00
Transocean Offshore Norway Inc.	Delaware	Dover	10,000.00	(United States) Dollar	100.00
Transocean Offshore Norway Services AS	Norway	Stavanger	1,000,000.00	(Norway) Krone	100.00
Transocean Offshore PR Limited	Cayman Islands	Grand Cayman	1.00	(United States) Dollar	100.00
Transocean Offshore Services Ltd.	Cayman Islands	Grand Cayman	1.00	(United States) Dollar	100.00
Transocean Offshore USA Inc.	Delaware	Dover	10,000.00	(United States) Dollar	100.00



Entities as of December 31, 2014	Jurisdiction	Registered City	Value Issued	Currency	Interest
Transocean Offshore Ventures Inc.	Delaware	Dover	10,000.00	(United States) Dollar	100.00
Transocean Onshore Support Services Limited	Scotland	Aberdeen	1.00	(Great Britain) Pound	100.00
Transocean Pacific Drilling Holdings Limited	Cayman Islands	Grand Cayman	10.00	(United States) Dollar	100.00
Transocean Pacific Drilling Inc.	British Virgin Islands	Tortola	500.00	(United States) Dollar	100.00
Transocean Partners Holdings Limited	Cayman Islands	Grand Cayman	1.00	(United States) Dollar	100.00
Transocean Partners LLC	Marshall Islands	Majuro	68,965,517.00	(United States) Dollar	70.82
Transocean Payroll Services SRL	Barbados	St Michael	0.00	(United States) Dollar	100.00
Transocean Perfuracoes Ltda.	Brazil	Macaé	1,000.00	(Brazil) Real	100.00
Transocean Rig 140 Limited	Cayman Islands	Grand Cayman	1.00	(United States) Dollar	100.00
Transocean Rig Management Limited	Cayman Islands	Grand Cayman	1.00	(United States) Dollar	100.00
Transocean Rig Management S.C.S.	Luxembourg	Luxembourg	1,000.00	(United States) Dollar	100.00
Transocean Rig Services Offshore LLC	Delaware	Dover	1,000.00	(United States) Dollar	100.00
Transocean RIGP DCL LLC	Delaware	Dover	40,000.00	(United States) Dollar	85.11
Transocean RIGP DCL Opco Limited	Cayman Islands	Grand Cayman	40,000.00	(United States) Dollar	85.11
Transocean RIGP DD3 LLC	Delaware	Dover	40,000.00	(United States) Dollar	85.11
Transocean RIGP DD3 Opco Limited	Cayman Islands	Grand Cayman	40,000.00	(United States) Dollar	85.11
Transocean RIGP DIN LLC	Delaware	Dover	40,000.00	(United States) Dollar	85.11
Transocean RIGP DIN Opco Limited	Cayman Islands	Grand Cayman	40,000.00	(United States) Dollar	85.11
Transocean Sedco Forex Ventures Limited	Cayman Islands	Grand Cayman	1,000.00	(United States) Dollar	100.00
Transocean Services (India) Private Limited	India	Mumbai	40,000,000.00	(India) Rupee	100.00
Transocean Services AMA JLT	Dubai Multi Commodities Centre	Dubai	100,000.00	(United Arab Emirates) Dirham	100.00
Transocean Services AS	Norway		13,000,000.00	(Norway) Krone	100.00
Transocean Services Offshore LLC	Delaware	Dover	1,000.00	(United States) Dollar	100.00
Transocean Services UK Limited	England & Wales	London	6,700,000.00	(Great Britain) Pound	100.00
Transocean Servicios Petroliferos Ltda.	Brazil	Rio de Janeiro	22,438,500.00	(Brazil) Real	100.00

Entities as of December 31, 2014	Jurisdiction	Registered City	Value Issued	Currency	Interest
Transocean Seven Seas LLC	Delaware	Dover	1,000.00	(United States) Dollar	100.00
Transocean Siam Driller Limited	Cayman Islands	Grand Cayman	1.00	(United States) Dollar	100.00
Transocean Spitsbergen ASA	Norway		1,000,000.00	(Norway) Krone	100.00
Transocean Support Services Limited	Cayman Islands	Grand Cayman	1,000.00	(United States) Dollar	100.00
Transocean Support Services Nigeria Limited	Nigeria	Lagos	10,000,000.00	(Nigeria) Naira	70.00
Transocean Support Services Private Limited	India	Mumbai	100,000.00	(India) Rupee	100.00
Transocean Technical Services Egypt LLC	Egypt	Cairo	50,000.00	(Egypt) Pound	100.00
Transocean Technical Services Inc.	Panama	Costa del Este	10,000.00	(United States) Dollar	100.00
Transocean Technology Innovations LLC	Delaware	Dover	1,000.00	(United States) Dollar	100.00
Transocean Treasury Services SRL	Barbados	St Michael	1,000.00	(United States) Dollar	100.00
Transocean Trident VI Limited	Cayman Islands	Grand Cayman	1.00	(United States) Dollar	100.00
Transocean Trident XVII Limited	Cayman Islands	Grand Cayman	1.00	(United States) Dollar	100.00
Transocean UK Limited	England & Wales	London	1.00	(Great Britain) Pound	100.00
Transocean West Africa Holdings Limited	Cayman Islands	Grand Cayman	1.00	(United States) Dollar	100.00
Transocean West Africa South Limited	Cayman Islands	Grand Cayman	1.00	(United States) Dollar	100.00
Transocean Worldwide Inc.	Cayman Islands	Grand Cayman	0.01	(United States) Dollar	100.00
Trident 4 Limited	Cayman Islands	Grand Cayman	1.00	(United States) Dollar	100.00
Triton Asset Leasing GmbH	Switzerland	Zug	1,164,300,000.00	(Switzerland) Franc	100.00
Triton Drilling Limited	Cayman Islands	Grand Cayman	40,000.00	(United States) Dollar	100.00
Triton Drilling Mexico LLC	Delaware	Dover	1,000.00	(United States) Dollar	100.00
Triton Financing LLC	Hungary	Budapest	593,268,018.92	(United States) Dollar	100.00
Triton Holdings Limited	British Virgin Islands	Tortola	10,000.00	(United States) Dollar	100.00
Triton Hungary Asset Management LLC	Hungary	Budapest	1,750,015,000.00	(United States) Dollar	100.00
Triton Hungary Investments 1 Limited Liability Company	Hungary	Budapest	81,692.00	(United States) Dollar	100.00
Triton Industries, Inc.	Panama	Costa del Este	1,000.00	(United States) Dollar	100.00
Triton Management Services LLC	Hungary	Budapest	3,000,000.00	(Hungary) Forint	100.00

Entities as of December 31, 2014	Jurisdiction	Registered City	Value Issued	Currency	Interest
Triton Nautilus Asset Leasing GmbH	Switzerland	Zug	358,590,000.00	(Switzerland) Franc	100.00
Triton Nautilus Asset Management LLC	Hungary	Budapest	520,020,447.00	(United States) Dollar	100.00
Triton Offshore Leasing Services Limited	Malaysia	Jalan Kemajuan	10,000.00	(United States) Dollar	100.00
Triton Pacific Limited	England & Wales	London	1.00	(Great Britain) Pound	100.00
Triton RIGP DCL Holdco Limited	England & Wales	London	40,000.00	(Great Britain) Pound	85.11
Triton RIGP DCL Holding Limited	Cayman Islands	Grand Cayman	40,000.00	(United States) Dollar	85.11
Triton RIGP DD3 Holdco Limited	England & Wales	London	40,000.00	(Great Britain) Pound	85.11
Triton RIGP DD3 Holding Limited	Cayman Islands	Grand Cayman	40,000.00	(United States) Dollar	85.11
Triton RIGP DIN Holdco Limited	England & Wales	London	40,000.00	(Great Britain) Pound	85.11
Triton RIGP DIN Holding Limited	Cayman Islands	Grand Cayman	40,000.00	(United States) Dollar	85.11
TSSA—Servicos de Apoio, Lda.	Angola	Luanda	95,000.00	(Angolan) Kwanza	65.00
Turnkey Ventures de Mexico Inc.	Delaware	Dover	1,000.00	(United States) Dollar	100.00
Wilrig Offshore (UK) Limited	England & Wales	London	50,000.00	(Great Britain) Pound	100.00

## BOARD OF DIRECTORS

**IAN C. STRACHAN**  
Chairman and  
Interim Chief Executive Officer  
Transocean Ltd.

**MERRILL A. “PETE”  
MILLER, JR.**  
Vice Chairman  
Transocean Ltd.

**GLYN A. BARKER**  
Former Vice Chairman – U.K.  
PricewaterhouseCoopers LLP

**VANESSA C.L. CHANG**  
Director and shareholder of EL & EL  
Investments, a privately held real estate  
investment business

**FREDERICO F. CURADO**  
President and Chief Executive Officer  
Embraer S.A.

**CHAD DEATON**  
Former Chairman and  
Chief Executive Officer  
Baker Hughes Incorporated

**VINCENT J. INTRIERI**  
Senior Managing Director  
Icahn Capital LP

**MARTIN B. McNAMARA**  
Retired Partner  
Gibson, Dunn & Crutcher, LLP

**SAMUEL MERKSAMER**  
Managing Director  
Icahn Capital LP

**EDWARD R. MULLER**  
Former Chairman, Chief Executive  
Officer and President  
GenOn Energy Inc.

**TAN EK KIA**  
Former Chairman  
Shell Northeast Asia

## EXECUTIVE MANAGEMENT

**IAN C. STRACHAN**  
Chairman and  
Interim Chief Executive Officer

**ESA IKAHEIMONEN**  
Executive Vice President and  
Chief Financial Officer

**JOHN B. STOBART**  
Executive Vice President and  
Chief Operating Officer

## CORPORATE INFORMATION

### Registered Address

Transocean Ltd.  
Turnstrasse 30  
CH-6300  
Zug, Switzerland  
Phone: +41 (41) 749 0500

### Transfer Agent and Registrar

Computershare  
www.computershare.com  
Online inquiries: www-us.computershare.com/investor/contact

Shareholder inquiries:  
Computershare  
P.O. Box 30170  
College Station, TX 77842-3170  
1 877 397 7229  
1 201 680 6570 (for callers outside the United States)

Overnight correspondence:  
Computershare  
211 Quality Circle, Suite 210  
College Station, TX 77845

### Financial Information

Financial analysts and shareholders desiring information about  
Transocean Ltd. should visit the company's website at  
www.deepwater.com, or call Investor Relations at + 1 713 232 7500.

### Proxy solicitor

Innisfree M&A Incorporated  
501 Madison Avenue  
20th Floor  
New York, NY 10022

### Independent Registered Public Accounting Firm

Ernst & Young LLP  
Houston, Texas  
Swiss Auditor  
Ernst & Young Ltd  
Zurich, Switzerland

## NYSE Annual CEO Certification and Sarbanes-Oxley Section 302 Certifications

We submitted the annual chief executive officer certification to the NYSE as required under the corporate governance rules. We also filed the chief executive officer certifications required under section 302 of the Sarbanes-Oxley Act of 2002 as an exhibit to our 2014 Annual Report on Form 10-K.

### Stock Exchange Listing

Transocean Ltd. shares are listed on the New York Stock Exchange (NYSE) under the symbol RIG and on the SIX Swiss Exchange under the symbol RIGN.

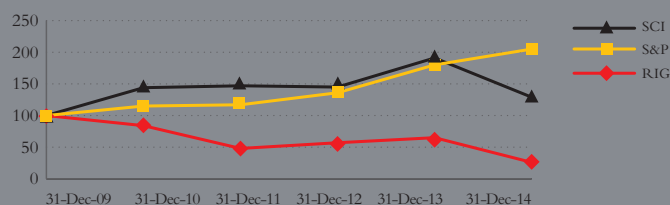
	NYSE (USD)		SIX (CHF)	
	HIGH	LOW	HIGH	LOW
2014				
First Quarter	49.58	38.47	44.72	33.30
Second Quarter	46.12	39.41	41.31	34.62
Third Quarter	45.21	31.76	40.18	30.47
Fourth Quarter	32.41	15.97	31.04	15.32
2013				
First Quarter	59.50	45.23	54.70	42.12
Second Quarter	55.79	46.02	54.25	43.09
Third Quarter	50.45	44.32	48.00	40.09
Fourth Quarter	55.74	44.19	51.25	40.12

### Performance Graph<sup>1</sup>

The graph below compares the cumulative total shareholder return of our shares, the Standard & Poor's 500 Stock Index ("S&P"), and the Simmons & Company International Upstream Index ("SCI") over our last five fiscal years. The graph assumes that \$100 was invested in our shares and the S&P on December 31, 2009, and that all dividends were reinvested on the date of payment. The SCI represents the price movement of the index.

### Indexed Cumulative Total Shareholder Return

DECEMBER 31, 2009 – DECEMBER 31, 2014



DATE	DEC-09	DEC-10	DEC-11	DEC-12	DEC-13	DEC-14
RIG	\$100.00	\$84.00	\$48.00	\$57.00	\$65.00	\$26.00
SCI	\$100.00	\$144.00	\$147.00	\$145.00	\$191.00	\$129.00
S&P	\$100.00	\$115.00	\$117.00	\$136.00	\$180.00	\$205.00

<sup>1</sup> The above Performance 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 Securities Exchange Act of 1934, each as amended, except to the extent that we specifically incorporate it by reference into such filing.



