BOUNDLESS

Transocean

2017 Annual General Meeting
and Proxy Statement

2016 Annual Report

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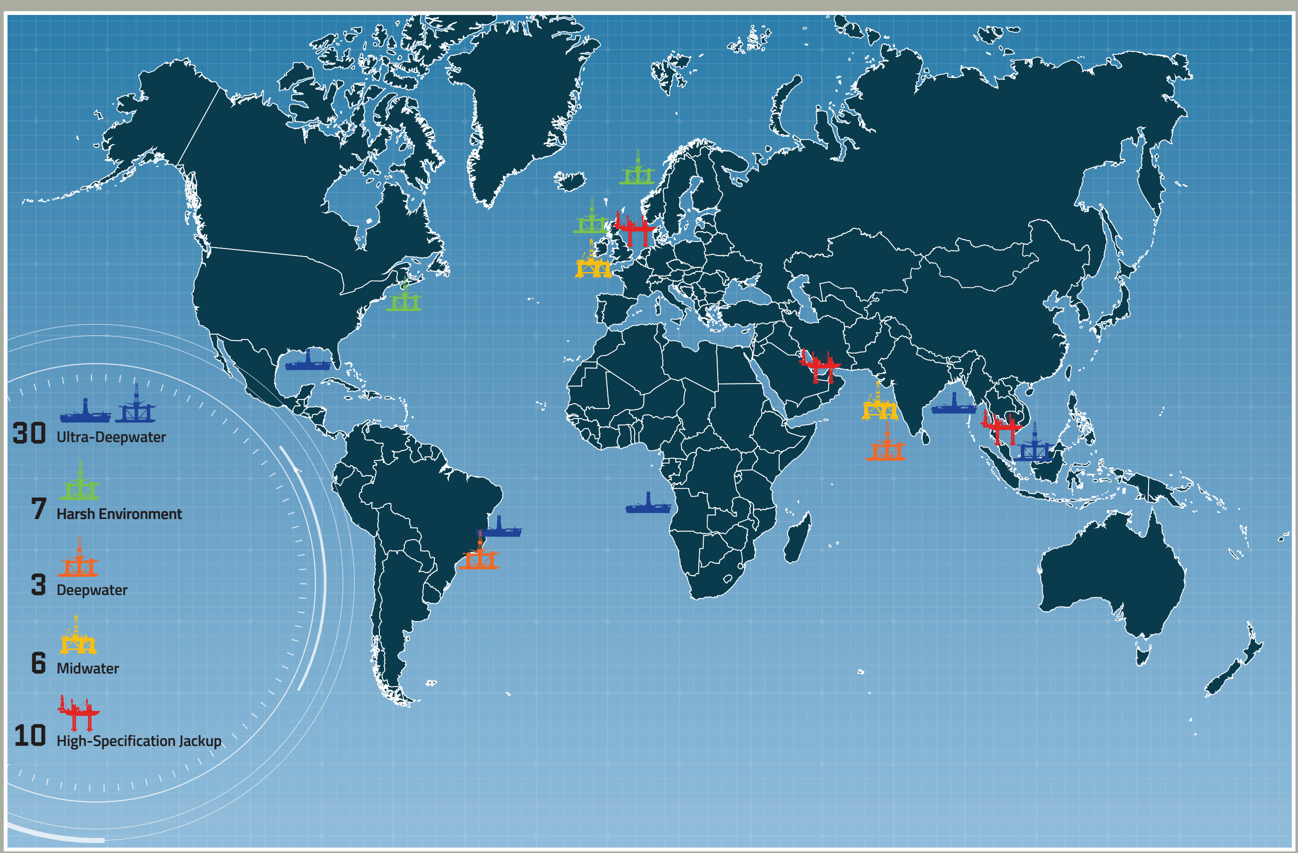
ABOUT TRANSOCEAN LTD.

We are a leading international provider of offshore contract drilling services for oil and gas wells. As of February 9, 2017, we owned or had partial ownership interests in and operated a fleet of 56 mobile offshore drilling units. In addition, we have four newbuild ultra-deepwater drillships and five high-specification jackups under construction or under contract to be constructed. 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.

Our shares are traded on the New York Stock Exchange under the symbol RIG.



The rig symbols in the map above represent the company's global market presence as of the February 9, 2017 Fleet Status Report.

ABOUT THE COVER

We will help our customers go beyond boundaries, in fields, anywhere in the world. We will take on challenges. We will achieve what is great. We will be *Boundless*.

The cover features one of our recent fleet additions, and most capable rigs in the world, the ultra-deepwater drillship *Deepwater Proteus*, currently operating in the U.S. Gulf of Mexico on a 10-year contract with Shell. The drillship was awarded Shell's 2016 Global Floating Rig of the Year – an honor based on the rig's HSE, crew and operational performance.

FORWARD-LOOKING STATEMENTS

Any statements included in this Proxy Statement and 2016 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.

March 16, 2017

Transocean

Letter to Shareholders

Despite oil prices plummeting below U.S. $30/bbl during the first quarter of 2016, resulting in the further curtailing of customer spending and the early termination of a number of drilling contracts, our full year financial results once again exceeded expectations. We are pleased that our continued commitment to operational excellence, and our intense focus on organizational and operational efficiency, resulted in another strong year for Transocean.

As we enter 2017, we are encouraged by the year-over-year improvement in both oil prices and sentiment; however, we fully anticipate that the offshore drilling market will continue to prove challenging, as the combination of contract roll-overs and limited visibility to new demand will hinder, in the near-term, the meaningful advancement of both utilization and dayrates. In response, we continue to take the necessary actions to maintain our market leadership position as well as strategically position the company to emerge from the downturn leaner and stronger.

We continue to strengthen our financial position. We successfully executed multiple financing transactions during the year that strengthened our liquidity and balance sheet. These actions provide both protection against the possibility of a protracted downturn, and strategic optionality, while preserving shareholder value. In 2016, we issued approximately U.S. $2.5 billion of debt maturing in 2023 and 2024, while retiring U.S. $2.3 billion of debt with maturities between 2016 and 2022. We further deferred the delivery of seven newbuild assets into 2020, which delayed approximately U.S. $2 billion of shipyard payments. And lastly, we acquired the outstanding interest in Transocean Partners LLC, eliminating administrative costs and a significant quarterly cash distribution. As a result of these transactions, and our outstanding operational performance, along with U.S. $3.1 billion of cash and a U.S. $3 billion undrawn unsecured revolving credit facility, we exited 2016 with substantial liquidity to both operate through the downturn and pursue value-enhancing opportunities.

We continue to execute our commercial strategy. Even in the face of this difficult market, we successfully executed multiple new contracts in 2016. Over the course of the year, Transocean won approximately a third of the global floater contracts awarded. This was due in part to our willingness to consider flexible contracting arrangements, including performance-driven models. Of note, we secured during the recent downturn our second contract for a previously cold-stacked floater when our competitors' hot rigs were ready and available. We view this as a testament to our customer relationships, our operating performance, and the trust that our customers have in our ability to reactivate rigs and crews. As of February 9, 2017, our backlog totaled U.S. $11.3 billion comprised of industry leading contracts with primarily investment grade customers.

We remain committed to operational excellence and organizational and operational efficiency. In 2016, we continued to systematically drive improvements in safety, delivering the lowest annual Total Recordable Incident Rate in the company's history. For the year, we also delivered Transocean's highest annual average uptime and revenue efficiency performance, further demonstrating the direct correlation between safety, efficiency and shareholder value. And, we achieved these milestones while simultaneously simplifying and streamlining our organization and our processes, resulting in year-over-year margin enhancement despite a sharp decline in revenue.

We continue to high-grade our fleet. In 2016, we added three newbuild ultra-deepwater drillships, which are among the most technically capable rigs in the world. The first two, the *Deepwater Thalassa* and the *Deepwater Proteus*, commenced ten-year contracts with Shell in the U.S. Gulf of Mexico. To date, both assets have performed exceptionally well, with the *Deepwater Proteus* being awarded Shell's 2016 Global Floating Rig of the Year. We take great pride in this distinction, especially since this is the ship's first year of operation. The third newbuild ultra-deepwater drillship, the *Deepwater Conqueror*, joined the fleet at the end of 2016, and is now on contract with Chevron for five years in the U.S. Gulf of Mexico. We look forward to the delivery of two additional ultra-deepwater drillships, which both have ten-year contracts with Shell. The *Deepwater Pontus* is scheduled for delivery later in 2017, and the *Deepwater Poseidon* is expected to join the fleet early in 2018.

While certainly not as exciting as welcoming state-of-the-art new rigs into our fleet, part of our high-grading process includes the continued recycling of older, less-capable and less-marketable assets. In 2016, we retired another seven assets, bringing our total floater retirements over the past three years to 31.

We continue to identify and realize opportunities to further differentiate ourselves. While the capability of our assets and the overall composition of our fleet are both critically important, we recognize that our greatest competitive advantages are our people and our processes and the way that we operate the company's assets. Using our vast library of historical drilling data, we are identifying best practices to maximize efficiencies across crews and rigs to minimize the time spent drilling each well. Additionally, we have worked both independently and with suppliers to reengineer practices that reduce costs, downtime and shipyard stays. This includes condition, versus calendar-based, maintenance activities that reduce operating costs, and increase uptime, including lengthening the time between costly special periodic surveys. As we move through 2017, we will continue to build upon the foundation laid last year, leveraging data and technology to drive performance improvement across the enterprise.

While we expect 2017 to be challenging, we believe that it should mark the trough in contracting activity. Global energy demand remains strong. As inevitable supply declines occur, and related energy prices improve, the market will require incremental production from the world's deepwater oil and gas fields. Furthermore, the integrated oil companies, who have the greatest exposure to the offshore market, and specifically in deepwater, recognize that their future production is dependent upon developing their offshore fields. They also recognize that 2017 will mark the third consecutive year of under-investment in the vast majority of their offshore programs. Additionally, by 2018, offshore industry participants will have invested another 12 months into identifying and realizing additional efficiencies that should improve performance and the overall economics of offshore exploration and development. Therefore, we remain confident that there will ultimately be a recovery that will result in incremental demand for our industry-leading assets and services. Until that time, we will continue to take the necessary steps to enhance our industry-leading position.

Again, we want to thank you, our shareholders, on behalf of the entire team at Transocean. Your trust in our ability to run this great company is appreciated and never taken for granted.

Sincerely,

Merrill A. "Pete" Miller, Jr.
Chairman of the Board of Directors

Jeremy D. Thigpen
President and Chief Executive Officer

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NOTICE TO SHAREHOLDERS

March 16, 2017

Dear Shareholder:

The 2017 annual general meeting of the shareholders (the “2017 Annual General Meeting”) of Transocean Ltd. (the “Company”) will be held on Thursday, May 11, 2017, at 7:30 p.m., Swiss time, at the Parkhotel Zug, Industriestrasse 14, CH-6304 Zug, Switzerland. Information regarding the matters to be acted upon at the meeting is set forth in the attached invitation to the 2017 Annual General Meeting and the proxy statement, which is available at: *www.deepwater.com* by selecting Financial Reports/Annual and Quarterly Reports in the dropdown of the Investors’ section.

At the 2017 Annual General Meeting, we will ask you to vote on the following items:

Agenda Item	Description	Board of Directors Recommendation
1	Approval of the 2016 Annual Report, Including the Audited Consolidated Financial Statements of Transocean Ltd. for Fiscal Year 2016 and the Audited Statutory Financial Statements of Transocean Ltd. for Fiscal Year 2016	FOR
2	Discharge of the Members of the Board of Directors and Executive Management Team from Liability for Activities During Fiscal Year 2016	FOR
3	Appropriation of the Accumulated Loss for Fiscal Year 2016	FOR
4	Reelection of 11 Directors, Each for a Term Extending Until Completion of the Next Annual General Meeting	FOR
5	Election of the Chairman of the Board of Directors for a Term Extending Until Completion of the Next Annual General Meeting	FOR
6	Election of the Members of the Compensation Committee, Each for a Term Extending Until Completion of the Next Annual General Meeting	FOR
7	Reelection of the Independent Proxy for a Term Extending Until Completion of the Next Annual General Meeting	FOR
8	Appointment of Ernst & Young LLP as the Company’s Independent Registered Public Accounting Firm for Fiscal Year 2017 and Reelection of Ernst & Young Ltd, Zurich, as the Company’s Auditor for a Further One-Year Term	FOR
9	Advisory Vote to Approve Named Executive Officer Compensation	FOR
10	Prospective Votes on the Maximum Compensation of the Board of Directors and the Executive Management Team	FOR
11	Advisory Vote on Frequency of Executive Compensation Vote	EVERY YEAR

It is important that your shares be represented and voted at the meeting, whether you plan to attend or not. If you are a shareholder registered in our share register, you may submit voting instructions 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. If you hold your shares in the name of a bank, broker or other nominee, please follow the instructions provided by your bank, broker or nominee for submitting voting instructions, including whether you may submit voting instructions by mail, telephone or over the internet.

Under rules of the U.S. 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 as of the close of business on March 16, 2017. 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 or via mail. If you receive the Notice, 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 or voting instruction form, will also 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 24, 2017, and who were not registered as of March 16, 2017. The proxy statement is first being mailed to shareholders on or about March 24, 2017.

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

Thank you in advance for your vote.

Sincerely,

Merrill A. "Pete" Miller, Jr.
Chairman of the Board of Directors

Jeremy D. Thigpen
President and Chief Executive Officer

Proxy Statement Summary

2017 Annual General Meeting Details

Date:	**Thursday, May 11, 2017**
Time:	7:30 p.m., Swiss time
Place:	Parkhotel Zug, Industriestrasse 14, CH-6304 Zug, Switzerland
Record Date:	April 24, 2017
Voting:	Shareholders registered in our share register on the record date have the right to attend the 2017 Annual General Meeting and vote their shares. Such shareholders may designate proxies to vote their shares by submitting their proxy electronically over the internet, or, if they request that the proxy materials be mailed to them, 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 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 for voting their shares, including whether they may submit voting instructions by mail, telephone or over the internet. Shareholders who wish to attend and vote at the meeting in person are required to present either the Notice of Internet Availability of Proxy Materials, or any proxy card that is sent to them, or, if they hold their shares in the name of a bank, broker or other nominee, a legal proxy issued by their bank, broker or other nominee in their name, each with proof of identification.
Materials:	Our proxy statement and 2016 Annual Report are available at: *www.deepwater.com* by selecting Financial Reports/Annual and Quarterly Reports in the dropdown of the Investors' section.

Nominees to the Board of Directors

We are asking you to vote **FOR** all of the director nominees listed below. During 2016, each of the current directors attended at least 80% of the Board of Directors' meetings and committee meetings held by committees on which he or she served during his or her elected term. Detailed information regarding these individuals is provided under Agenda Item 4:

	Independent*
Directors for Reelection	
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	√
Jeremy D. Thigpen	

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

Swiss Minder Ordinance

Under the Swiss 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 5) and Frederico F. Curado, Vincent J. Intrieri, Martin B. McNamara and Tan Ek Kia as members of the Compensation Committee (Agenda Item 6) to serve until completion of the 2018 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 not permitted to appoint a corporate representative to act as the proxy for purposes of voting at the 2017 Annual General Meeting. Swiss companies may only appoint an independent proxy for these purposes. At the 2016 Annual General Meeting, shareholders elected Schweiger Advokatur / Notariat to serve as our independent proxy for the 2017 Annual General Meeting. Agenda Item 7 asks that you again elect this firm to act as the independent proxy for the 2018 Annual General Meeting and any extraordinary general meeting of shareholders of the Company that may be held prior to the 2018 Annual General Meeting.

The Minder Ordinance and our Articles of Association also require that shareholders ratify the maximum aggregate amount of compensation of the Board of Directors for the period between the 2017 Annual General Meeting and the 2018 Annual General Meeting (Agenda Item 10A) and the maximum aggregate amount of compensation of the Executive Management Team for fiscal year 2018 (Agenda Item 10B). The shareholder vote is binding.

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 is 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	☒ Allow our executives to hedge, sell short or hold derivative instruments tied to our shares (other than options issued by us)
☑ Mandate meaningful share ownership requirements for our executives	☒ Allow our executives or directors to pledge Company shares
☑ 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 annual and long-term incentive payments on quantitative metrics	☒ Have pre-arranged individual severance agreements or special change-in-control compensation agreements with any Executive Officers; however, subject to the limitations 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 policies
☑ Maintain compensation plans designed to align our executive compensation program with long-term shareholder interests	☒ Provide gross-ups for severance payments
☑ Link long-term incentive compensation to relative performance metrics	☒ Guarantee salary increases, non-performance based bonuses or unrestricted equity compensation
☑ Deliver at least 50% of long-term incentives in performance-based equity awards	☒ Provide any payments or reimbursements for tax equalization
☑ Retain an independent consultant that does not perform any services for management (*i.e.*, retained by and reports to our Compensation Committee)	☒ Pay dividend equivalents on performance units that have not been earned
☑ Maintain double trigger change-in-control provisions	☒ Offer executive perquisites, effective January 1, 2017

INVITATION TO 2017 ANNUAL GENERAL MEETING OF TRANSOCEAN LTD.

Thursday, May 11, 2017
7:30 p.m., Swiss time,
at the Parkhotel Zug, Industriestrasse 14,
CH-6304 Zug, Switzerland

Agenda Items

(1) Approval of the 2016 Annual Report, Including the Audited Consolidated Financial Statements of Transocean Ltd. for Fiscal Year 2016 and the Audited Statutory Financial Statements of Transocean Ltd. for Fiscal Year 2016.

Proposal of the Board of Directors

The Board of Directors proposes that the 2016 Annual Report, including the audited consolidated financial statements for the year ending December 31 ("fiscal year") 2016, and the audited statutory financial statements for fiscal year 2016, 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 2016.

Proposal of the Board of Directors

The Board of Directors proposes that the members of the Board of Directors and Messrs. Jeremy D. Thigpen, Mark Mey and John B. Stobart, who served as members of our Executive Management Team in 2016, be discharged from liability for activities during fiscal year 2016.

Recommendation

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

(3) Appropriation of Accumulated Loss for Fiscal Year 2016.

Proposal of the Board of Directors

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

	in CHF thousands
Balance brought forward from previous years	(8,682,993)
Reduction of par value	3,750,000
Net loss of the year	(64,039)
Total accumulated loss	(4,997,032)
Appropriation of accumulated loss	
Balance to be carried forward on this account	(4,997,032)

Recommendation

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

(4) Reelection of 11 Directors, 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 11 candidates be reelected to the Board of Directors, each for a term extending until completion of the next Annual General Meeting.

4A	**Reelection of Glyn A. Barker as a director.**
4B	**Reelection of Vanessa C.L. Chang as a director.**
4C	**Reelection of Frederico F. Curado as a director.**
4D	**Reelection of Chadwick C. Deaton as a director.**
4E	**Reelection of Vincent J. Intrieri as a director.**
4F	**Reelection of Martin B. McNamara as a director.**
4G	**Reelection of Samuel J. Merksamer as a director.**
4H	**Reelection of Merrill A. "Pete" Miller, Jr. as a director.**
4I	**Reelection of Edward R. Muller as a director.**
4J	**Reelection of Tan Ek Kia as a director.**
4K	**Reelection of Jeremy D. Thigpen as a director.**

Recommendation

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

(5) 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 5.

(6) 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:

6A	**Election of Frederico F. Curado as a member of the Compensation Committee.**
6B	**Election of Vincent J. Intrieri as a member of the Compensation Committee.**
6C	**Election of Martin B. McNamara as a member of the Compensation Committee.**
6D	**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.

(7) 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 2018 Annual General Meeting and at any extraordinary general meeting of shareholders of the Company that may be held prior to the 2018 Annual General Meeting.

Recommendation

The Board of Directors recommends you vote "**FOR**" this proposal number 7.

(8) Appointment of Ernst & Young LLP as the Company's Independent Registered Public Accounting Firm for Fiscal Year 2017 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 2017 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 2017 Annual General Meeting and terminating on the date of the 2018 Annual General Meeting.

Recommendation

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

(9) Advisory Vote to Approve Named Executive Officer Compensation for Fiscal Year 2017.

Proposal of the Board of Directors

Pursuant to Section 14A of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), 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 2017 Annual General Meeting is hereby APPROVED.

Recommendation

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

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

10A Ratification of the Maximum Aggregate Amount of Compensation of the Board of Directors for the Period Between the 2017 Annual General Meeting and the 2018 Annual General Meeting.

Proposal of the Board of Directors

The Board of Directors proposes that the shareholders ratify an amount of U.S. $4,121,000 as the maximum aggregate amount of compensation of the Board of Directors for the period between the 2017 Annual General Meeting and the 2018 Annual General Meeting.

Recommendation

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

10B Ratification of the Maximum Aggregate Amount of Compensation of the Executive Management Team for Fiscal Year 2018.

Proposal of the Board of Directors

The Board of Directors proposes that the shareholders ratify an amount of U.S. $24,000,000 as the maximum aggregate amount of compensation of the Executive Management Team for fiscal year 2018.

Recommendation

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

(11) Advisory Vote on Frequency of Executive Compensation Vote.

Proposal of the Board of Directors

The Board of Directors proposes that shareholders be provided with an advisory vote on whether the advisory vote on the compensation of the Company's Named Executive Officers should occur every one, two or three years.

Recommendation

The Board of Directors recommends you vote to hold an advisory vote on executive compensation "**EVERY YEAR**".

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 16, 2017. Any additional shareholders who are registered in Transocean Ltd.'s share register as of the close of business on April 24, 2017, will receive after that date a copy of the proxy materials, including a proxy card. Shareholders not registered in Transocean Ltd.'s share register as of April 24, 2017, will not be entitled to attend, vote or grant proxies to vote at the 2017 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 24, 2017, and the opening of business on the day following the 2017 Annual General Meeting, ***share blocking and re-registration are not requirements for any shares of Transocean Ltd. 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 24, 2017, have the right to attend the 2017 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 2017 Annual General Meeting for consideration. Such shareholders may designate proxies to vote their shares electronically over the internet or, if they request that the proxy materials be mailed to them, by completing, signing and returning the proxy card enclosed with those materials at the 2017 Annual General Meeting. Even if you plan to attend the 2017 Annual General Meeting, we encourage you to submit your voting instructions prior to the meeting.

We urge you to submit your voting instructions electronically over the internet or return the proxy card as soon as possible. All electronic voting instructions or proxy cards must be received no later than 8:00 a.m. Eastern Daylight Time (2:00 p.m. Swiss time), on Thursday, May 11, 2017.

If you have timely submitted electronic voting instructions or a properly executed proxy card, your shares will be voted by the independent proxy in accordance with your instructions**. 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 2017 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 proposed to come before the 2017 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 for voting their shares, including whether they may submit voting instructions by mail, telephone or over the internet.

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

Directions to the 2017 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, Texas 77046, USA, telephone number +1 (713) 232-7500. If you plan to attend and vote at the 2017 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 the name of a bank, broker or other nominee, 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 2017 Annual General Meeting in person, we urge you to arrive at the meeting location no later than 6:30 p.m., Swiss time on Thursday, May 11, 2017. In order to determine attendance correctly, any shareholder leaving the 2017 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 2016 Annual Report (including the consolidated financial statements for fiscal year 2016, the statutory financial statements of Transocean Ltd. for fiscal year 2016 and the audit reports on such consolidated and statutory financial statements) and the 2016 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, Texas 77046, USA, telephone number +1 (713) 232-7500.

On behalf of the Board of Directors,

Merrill A. "Pete" Miller, Jr.
Chairman of the Board of Directors

Steinhausen, Switzerland
March 16, 2017

YOUR VOTE IS IMPORTANT

You may designate a proxy to vote your shares by submitting your voting instructions electronically over the internet or, if you requested a printed copy of the proxy materials, by completing, signing and returning 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.

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 for voting their shares, including whether they may submit voting instructions by mail, telephone or over the internet.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE 2017 ANNUAL GENERAL MEETING TO BE HELD ON MAY 11, 2017.

Our proxy statement and 2016 Annual Report are available at:
www.proxyvote.com

PROXY STATEMENT
FOR 2017 ANNUAL GENERAL MEETING OF SHAREHOLDERS OF TRANSOCEAN LTD.
MAY 11, 2017

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 2017 Annual General Meeting to be held on May 11, 2017 at 7:30 p.m., Swiss time, at the Parkhotel Zug, Industriestrasse 14, CH-6304 Zug, Switzerland.

Record Date

Only shareholders of record on April 24, 2017, are entitled to notice of, to attend, and to vote or to grant proxies to vote at, the 2017 Annual General Meeting. No shareholder will be entered in Transocean Ltd.'s share register with voting rights between the close of business on April 24, 2017, and the opening of business on the day following the 2017 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 24, 2017, and the opening of business on the day following the 2017 Annual General Meeting, ***share blocking and re-registration are not requirements for any shares of Transocean Ltd. 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.

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 the 2017 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 2017 Annual General Meeting.

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 2016 Annual Report, Including the Audited Consolidated Financial Statements and Audited Statutory Financial Statements for Fiscal Year 2016 of Transocean Ltd.	√	
2	Discharge of the Members of the Board of Directors and Executive Management Team from Liability for Activities During Fiscal Year 2016	√	
3	Appropriation of the Accumulated Loss	√	
4	Reelection of 11 Directors		√ (2)
5	Election of Chairman of the Board of Directors		√ (2)
6	Election of Members of the Compensation Committee		√ (2)
7	Reelection of Independent Proxy	√	
8	Appointment of Ernst & Young as Independent Auditor	√	
9	Advisory Vote to Approve Named Executive Officer Compensation	√ (3)	
10	Prospective Votes on the Maximum Compensation of the Board of Directors and the Executive Management Team	√	
11	Advisory Vote on Frequency of Executive Compensation Vote	√ (4)	

(1) Affirmative vote of a relative majority of the votes cast in person or by proxy at the 2017 Annual General Meeting. Abstentions, broker non-votes (if any) or blank or invalid ballots are not counted for such purposes and shall have no impact on the approval of such agenda item.

(2) Affirmative vote of a plurality of the votes cast in person or by proxy at the 2017 Annual General Meeting. The plurality requirement means that the nominee who receives the largest number of votes for a board position, or 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, 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.

(4) The proposal is an advisory vote; as such, the vote is not binding on the Company. For the purposes of the proposal included in Agenda Item 11, which provides for an advisory vote on whether the advisory vote on the compensation of our Named Executive Officers should occur every one, two, or three years, the approval of an alternative requires the affirmative vote of a majority of the votes cast in person or by proxy at the 2017 Annual General Meeting, not counting abstentions, broker non-votes or blank or invalid ballots. If none of the alternatives (one year, two years or three years) receive a majority vote, we will consider the alternative with the highest number of votes cast by shareholders to be the alternative that has been selected by shareholders.

Outstanding Shares

As of March 1, 2017, there were 390,921,062 Transocean Ltd. shares outstanding, which exclude 3,880,928 issued shares that are held by our subsidiaries. Only registered holders of our shares on April 24, 2017, the record date established for the 2017 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, 2017. Any additional shareholders who are registered in Transocean Ltd.'s share register as of the close of business on April 24, 2017, but who were not registered in the share register as of March 16, 2017, will receive a copy of the proxy materials, including a proxy card, after April 24, 2017. Shareholders not registered in Transocean Ltd.'s share register as of April 24, 2017, will not be entitled to attend, vote or grant proxies to vote at, the 2017 Annual General Meeting.

If you are registered as a shareholder in Transocean Ltd.'s share register as of April 24, 2017, or if you hold shares of Transocean Ltd. in "street name" as of such date, 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 in one of the following ways:

By Internet: Go to 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, 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 (2:00 p.m. Swiss time), on Thursday, May 11, 2017.

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 (2:00 p.m. Swiss time), on Thursday, May 11, 2017. If you are a holder of record, you cannot vote by telephone.

By Mail: Mark, date and sign your proxy card exactly as your name appears on the card and return it by mail to:

Transocean 2017 AGM Vote Processing c/o Broadridge 51 Mercedes Way Edgewood, NY 11717 USA	Or	Transocean 2017 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 (2:00 p.m. Swiss time), on Thursday, May 11, 2017. Do not mail the proxy card or voting instruction form if you are submitting voting instructions over the internet or (if you are a beneficial owner of our shares) by telephone.

Even if you plan to attend the 2017 Annual General Meeting, we encourage you to submit your voting instructions over the internet or by mail prior to the meeting.

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 for voting your shares, including whether you may submit voting instructions by mail, telephone or over the internet.

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 2017 Annual General Meeting, please submit your voting instructions for each account.

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." The following matters are non-routine matters under NYSE Rules:

- Agenda Item No. 2—Discharge of the Members of the Board of Directors and the Executive Management Team from Liability for Activities During Fiscal Year 2016
- Agenda Item No. 4—Reelection of 11 Directors
- Agenda Item No. 5—Election of the Chairman of the Board of Directors
- Agenda Item No. 6—Election of the Members of the Compensation Committee
- Agenda Item No. 9—Advisory Vote to Approve Named Executive Officer Compensation

- Agenda Item No. 10A—Ratification of the Maximum Aggregate Compensation of the Board of Directors for the Period Between the 2017 Annual General Meeting and the 2018 Annual General Meeting

- Agenda Item No. 10B—Ratification of the Maximum Aggregate Compensation of the Executive Management Team for Fiscal Year 2018

- Agenda Item No. 11—Advisory Vote on Frequency of Executive Compensation Vote

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 2017 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 timely submitted electronic or telephonic voting instructions or a properly executed proxy card, your shares will be voted by the independent proxy according to your instructions. 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 2017 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 2017 Annual General Meeting.

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

- submitting a properly completed and executed proxy card 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 2017 AGM Vote Processing c/o Broadridge 51 Mercedes Way Edgewood, NY 11717 USA	Or	Transocean 2017 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 proxy, 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. Such third party need not be a shareholder.

If you wish to attend and vote at the 2017 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 the name of a bank, broker or other nominee, 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 2017 Annual General Meeting in person, we urge you to arrive at the meeting location no later than 6:30 p.m. Swiss time on Thursday, May 11, 2017. In order to determine attendance correctly, any shareholder leaving the 2017 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 2016 Annual Report, Including the Audited Consolidated Financial Statements of Transocean Ltd. for Fiscal Year 2016 and the Audited Statutory Financial Statements of Transocean Ltd. for Fiscal Year 2016.

Proposal of the Board of Directors

The Board of Directors proposes that the 2016 Annual Report, including the audited consolidated financial statements of Transocean Ltd. for fiscal year 2016 and the audited statutory financial statements of Transocean Ltd. for fiscal year 2016, be approved.

Explanation

The audited consolidated financial statements of Transocean Ltd. for fiscal year 2016 and the audited Swiss statutory financial statements of Transocean Ltd. for fiscal year 2016 are contained in the 2016 Annual Report, which, along with this proxy statement, is available at: *www.deepwater.com* by selecting Financial Reports, Annual and Quarterly Reports in the Investors' section dropdown. In addition, these materials will be available for physical inspection at the Company's registered office, Turmstrasse 30, CH-6300 Zug, Switzerland. The 2016 Annual Report also contains information on the Company's business activities and the Company's business and financial situation, 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 2016 and statutory financial statements for fiscal year 2016. In its reports, Ernst & Young Ltd recommended without qualification that the Company's consolidated financial statements and statutory financial statements for the year ended December 31, 2016, be approved. Ernst & Young Ltd expresses its opinion that the "consolidated financial statements for the years ended December 31, 2016 and 2015 present fairly in all material respects the consolidated financial position of Transocean Ltd. and subsidiaries at December 31, 2016 and 2015, and the consolidated results of operations and cash flows for each of the three years in the period ended December 31, 2016, 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 fiscal year 2016 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 2016.

Proposal of the Board of Directors

The Board of Directors proposes that the members of the Board of Directors and Messrs. Jeremy D. Thigpen, Mark Mey and John B. Stobart, who served as members of our Executive Management Team in 2016, be discharged from liability for activities during fiscal year 2016.

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 our Executive Management Team 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 members of the Board of Directors or Executive Management Team with respect to activities during fiscal year 2016.

Recommendation

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

AGENDA ITEM 3

Appropriation of the Accumulated Loss for Fiscal Year 2016.

Proposal of the Board of Directors

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

	in CHF thousands
Appropriation of Accumulated Loss	
Balance brought forward from previous years	(8,682,993)
Reduction of par value	3,750,000
Net loss of the year	(64,039)
Total accumulated loss	(4,997,032)
Appropriation of Accumulated Loss	
Balance to be carried forward on this account	(4,997,032)

Explanation

Under Swiss law, the appropriation of available earnings or accumulated loss, as the case may be, as set forth in the Swiss statutory financial statements must be submitted to shareholders for approval at each annual general meeting. The accumulated loss subject to the vote of the Company's shareholders at the 2017 Annual General Meeting is the accumulated loss of Transocean Ltd., on a standalone basis.

At our Extraordinary General Meeting held on October 29, 2015, shareholders approved the following: (a) a reduction of the par value of each share of the Company from CHF 15 to CHF 0.10, (b) the use of CHF 3.75 billion of the aggregate par value reduction amount to reduce the Company's total accumulated loss as recorded on its Swiss statutory balance sheet, and (c) the allocation of CHF 1,820,076,670.10 of the aggregate par value reduction amount to the Company's statutory capital reserves from capital contribution. The par value reduction became effective on January 7, 2016. Accordingly, the CHF 3.75 billion reduction of our accumulated loss was not reflected in the accumulated loss as of December 31, 2015. The total accumulated loss as of December 31, 2016, reflects the loss that was carried forward from previous years, the reduction of par value and the net loss for the year ended December 31, 2016.

The Board of Directors proposes that the entire accumulated loss of CHF 4,997,032,000 be carried forward.

Recommendation

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

AGENDA ITEM 4

Reelection of 11 Directors, Each 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, Tan Ek Kia and Jeremy D. Thigpen 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 its members with the goal of having directors who eventually reflect the global diversity of our workforce, our customers and the cultures in which we operate, as well as who have diverse expertise in environmental, health, safety, industry, market and financial matters. We are a multinational company with six different nationalities represented in our director and executive officer group and over 60 in our global workforce. We have a presence in over 25 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 2017 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* by selecting the Governance page in the Investors' section dropdown.

The Board of Directors has received from each nominee for election at the 2017 Annual General Meeting listed below, an executed irrevocable letter of resignation consistent with these guidelines described above. Each 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 16, 2017.

Nominees for Director

MERRILL A. "PETE" MILLER, JR., age 66, U.S. citizen, has served as a director of the Company since 2014, as Vice Chairman (from 2014 to 2015) and as Chairman of the Board of Directors since 2015. 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 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 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 is also a director of Borets International Limited (since 2016) and serves on the Board of Directors for the Offshore Energy Center, Petroleum Equipment Suppliers Association and Spindletop International. He is a member of the National Petroleum Council. Mr. Miller graduated from the United States Military Academy, West Point, New York in 1972 and, upon graduation, served five years in the United States Army. Mr. Miller received his Masters in Business Administration from Harvard Business School in 1980.

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 provides both customer and supplier perspectives to matters directly relevant to the Company. Mr. Miller served as a chief executive officer and thus adds helpful executive perspective to the Board of Directors' deliberations in advising the Company's Chief Executive Officer. The Board of Directors believes that these qualities, as well as his demonstrated leadership on boards and in executive roles, will enhance the Board's effectiveness and performance.

GLYN A. BARKER, age 63, 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. Mr. Barker 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 director of Berkeley Group Holdings plc (LON: BKG) (since 2012), Aviva plc (LON: AV) (since 2012) and Interserve plc (LON: IRV) (since 2016), and the Chairman of Irwin Mitchell Holdings Ltd (since 2012). Mr. Barker served as a director (from 2014 to 2016) and the Chairman (from 2015 to 2016) of Transocean Partners LLC. Mr. Barker was Deputy Chairman of the English National Opera Company from 2009 to 2016. He received his Bachelor of Science degree in Economics & Accounting from the University of Bristol in 1975 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 64, Canadian and U.S. citizen, has served as a director of the Company since 2012. Ms. Chang has been a director and shareholder of EL & EL Investments, a privately held real estate investment business, since 1998. She previously served as the President and Chief Executive Officer of Resolveitnow.com from 2000 to 2002 and was the Senior Vice President of Secured Capital Corp. in 1998. From 1986 to 1997, Ms. Chang was the West Coast partner in charge of Corporate Finance for KPMG Peat Marwick LLP. She is a director or trustee of 16 funds advised by the Capital Group and its subsidiaries, seven of which are members of the American Funds family and nine of which are members of Capital Group's Private Client Services (since 2000). Ms. Chang is also a director of Edison International (NYSE: EIX) and its wholly owned subsidiary, Southern California Edison Company (since 2007), and of Sykes Enterprises, Incorporated (NASDAQ: SYKES) (since 2016). She is also a director of Forest Lawn Memorial Parks Association, a non-profit organization (since 2005), and the Scottish Chamber Orchestra, Americas, Inc., a non-profit organization (since 2013). Ms. Chang previously served as a director of Blue Shield of California from 2005 to 2013 and Inveresk Research Group Inc. from 2002 to 2004. She 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. Ms. Chang received her Bachelor of Arts degree from the University of British Columbia in 1973 and is an inactive Certified Public Accountant.

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 55, Brazilian citizen, has served as a director of the Company since 2013. Mr. Curado served as President and Chief Executive Officer of Embraer S.A. (NYSE: ERJ) from 2007 to 2016. He 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 a director of Iochpe-Maxion (BM&F Bovespa: MYPK3) (since 2015) and ABB Ltd (since 2016). 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 previously served as the President of the Brazilian Chapter of the Brazil-United States Business Council (from 2011 to 2016) and was a member of Brazil's National Council for Industrial Development (from 2011 to 2016). He received his Bachelor of

Science degree in Mechanical-Aeronautical Engineering from the Instituto Tecnológico de Aeronáutica in Brazil in 1983 and an executive Masters in Business Administration from the University of São Paulo, Brazil in 1997.

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 64, 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. He 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 to 2001. From 2002 to 2004, Mr. Deaton was the President, Chief Executive Officer and Director of Hanover Compressor Company. He 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 previously from 2004 to 2009), and Marathon Oil Corporation (NYSE: MRO) (since 2014). Mr. Deaton is a member of the Society of Petroleum Engineers (since 1980) and has served on its Industrial Advisory Council. He is also a director of the University of Wyoming Foundation and of the Houston Achievement Place. Mr. Deaton 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 from the University of Wyoming in 1976.

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 60, U.S. citizen, has served as a director of the Company since 2014. Mr. Intrieri was employed by Carl C. Icahn-related entities in various investment-related capacities from 1998 to 2016. From 2008 to 2016, Mr. Intrieri served as Senior Managing Director of Icahn Capital LP, the entity through which Carl C. Icahn manages private investment funds. In addition, from 2004 to 2016, Mr. Intrieri was 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, entities through which Mr. Icahn invests in securities. Mr. Intrieri is a director of Navistar International Corporation (NYSE: NAV) (since 2012), Hertz Global Holdings, Inc. (NYSE: HTZ) (since 2014) and Ferrous Resources Limited (since 2015). Mr. Intrieri previously served as a director of Chesapeake Energy Corporation from 2012 to 2016, 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 Holdings Corporation from 2007 to 2013, 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 was also a director of Dynegy Inc. from 2011 to 2012, Chairman and a director of PSC Metals Inc. from 2007 to 2012. He served as a 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, WestPoint Home LLC from 2005 to 2011 and as Chairman and a director of Viskase Companies, Inc. from 2003 to 2011. Ferrous Resources Limited, CVR Refining, CVR Energy, American Railcar Industries, Federal-Mogul, Icahn Enterprises, XO Holdings, National Energy Group, WestPoint Home, Viskase Companies and PSC Metals each are 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 Transocean Ltd. through the ownership of securities. Mr. Intrieri graduated, with Distinction, from The Pennsylvania State University (Erie Campus) with a B.S. in Accounting in 1984. 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, corporate transactions, executive management and board of directors' experience will benefit the Board of Directors' decision-making process.

MARTIN B. MCNAMARA, age 69, 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, where he 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. He 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 also 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. He received his Bachelor of Arts degree from Providence College in 1969 and his law degree from Yale Law School in 1972.

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. 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 36, U.S. citizen, has served as a director of the Company since 2013. Mr. Merksamer was a Managing Director of Icahn Capital LP, a subsidiary of Icahn Enterprises L.P., from 2008 to 2016. From 2003 to 2008, Mr. Merksamer was an analyst at Airlie Opportunity Capital Management. He is a director of Navistar International Corp (NYSE: NAV) (since 2012), Ferrous Resources Limited (since 2012), Hertz Global Holdings, Inc. (NYSE: HTZ) (since 2014), Cheniere Energy, Inc. (NYSE: LNG) (since 2015) and American International Group, Inc. (NYSE: AIG) (since 2016). Mr. Merksamer previously served as a director of Transocean Partners LLC from 2014 to 2016, Hologic Inc. from 2013 to 2016, Talisman Energy Inc. from 2013 to 2015, 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 Holdings Corporation from 2010 to 2014, and PSC Metals Inc. from 2009 to 2012. Ferrous Resources Limited, 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 or previously had a non-controlling interest in Dynegy, Hologic, Talisman Energy, Navistar, Hertz Global Holdings, Cheniere Energy, Transocean Ltd., Transocean Partners LLC and American International Group, Inc. 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 aids the Board of Directors in reviewing financial strategies for the Company.

EDWARD R. MULLER, age 64, 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 served as Vice Chairman of NRG Energy, Inc. (NYSE: NRG) after the merger of NRG Energy, Inc. with GenOn Energy, Inc. from 2012 until 2017. Prior to the merger, he served as GenOn Energy, Inc.'s Chairman and Chief Executive Officer (since 2010) and President (since 2011). Mr. Muller 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). He 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 to 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. Since 2004, Mr. Muller has been a trustee of the Riverview School and is currently its chairman, a position he also held from 2008 to 2012. Mr. Muller received his Bachelor of Arts degree from Dartmouth College in 1973 and his law degree from Yale Law School in 1976.

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. His previous experience as a chief executive officer adds helpful executive perspective in advising Company management. Mr. Muller's background and education assist the Board of Directors in assessing key strategies for the Company.

TAN EK KIA, age 68, 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 also served as the Interim Chief Executive Officer of SMRT Corporation Ltd from January to October 2012. Mr. Tan is a director of Dialog Systems Asia Pte Ltd (since 2008), Keppel Offshore & Marine Ltd (since 2009), SMRT Corporation Ltd (since 2009), Keppel Corporation Ltd (SGX: KPELY) (since 2010), PT Chandra Asri Petrochemical Tbk (IDX: TPIA) (since 2011) and Singapore LNG Corporation Pte Ltd (since 2013). He is also a director (since 2013) and the Chairman of KrisEnergy Ltd. (SGX: SK3) (since 2017), the Chairman of Star Energy Group Holdings Pte Ltd (since 2012) and a director of two of Star Energy Group Holdings' subsidiaries, Star Energy Oil and Gas Pte Ltd and Star Energy Geothermal Pte Ltd. Mr. Tan served as Chairman of City Gas Pte Ltd from 2009 to 2015 and as a director of City Spring Infrastructure Trust Pte Ltd from 2010 to 2014, InterGlobal Offshore Pte Ltd from 2007 to 2012 and PowerSeraya Ltd and Orchard Energy Ptd Ltd from 2007 to 2009. Mr. Tan received his Bachelor of Science degree in Mechanical Engineering from the University of Nottingham in 1973. He 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.

JEREMY D. THIGPEN, age 42, U.S. citizen, is President and Chief Executive Officer and a director of the Company since 2015. From 2012 to 2015, he served as Senior Vice President and Chief Financial Officer at National Oilwell Varco (NYSE: NOV), where he spent 18 years. During his tenure at National Oilwell Varco, Mr. Thigpen spent five years as the company's President of Downhole and Pumping Solutions business and four years as President of its Downhole Tools group. He also served in various management and business development capacities, including director of Business Development and Special Assistant to the Chairman. Mr. Thigpen earned his Bachelor of Arts in Economics and Managerial Studies from Rice University and completed the Program for Management Development at Harvard Business School.

The Board of Directors has concluded that Mr. Thigpen should remain on the Board of Directors and has recommended that he serve an additional term. The Board of Directors believes that it is important for the Chief Executive Officer of the Company to serve on the Board of Directors, as it ensures an efficient flow of information between the Board of Directors and executive management. In addition, Mr. Thigpen has substantial industry experience and a competitive perspective, which assists the Board of Directors in considering strategic decisions for the Company.

Nomination and Standstill Agreement

Messrs. Intrieri and Merksamer were initially nominated to the Board of Directors pursuant to a Nomination and Standstill Agreement among 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, Vincent J. Intrieri and the Company. The Nomination and Standstill Agreement expired according to its terms. However, the Board of Directors has concluded that each of Messrs. Intrieri and Merksamer should remain on the Board of Directors and serve an additional term for the reasons described above.

Recommendation

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

AGENDA ITEM 5

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 and our Articles of Association, 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' terms and extends until completion of the next Annual General Meeting. The Chairman elected at the 2017 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, as Vice-Chairman of the Board of Directors from November 2014 to May 2015, and as Chairman of the Board since May 2015. Biographical information regarding Mr. Miller may be found above under "Agenda Item 4—Reelection of 11 Directors, Each 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 6

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 and our Articles of Association, 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 the same as 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 2017 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 4.

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 7

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

Pursuant to the Minder Ordinance and our Articles of Association, the authority to elect the independent proxy is vested with the general meeting of shareholders. The independent proxy elected at the 2017 Annual General Meeting will serve as independent proxy at the 2018 Annual General Meeting and at any extraordinary general meeting of shareholders of the Company that may be held prior to the 2018 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 2016 Annual General Meeting to serve as independent proxy at the 2017 Annual General Meeting and any extraordinary general meeting of shareholders of the Company held prior to the 2017 Annual General Meeting.

Recommendation

The Board of Directors recommends a vote "**FOR**" this Agenda Item 7.

AGENDA ITEM 8

Appointment of Ernst & Young LLP as the Company's Independent Registered Public Accounting Firm for Fiscal Year 2017 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 2017 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 2017 Annual General Meeting and terminating on the day of the 2018 Annual General Meeting.

Representatives of Ernst & Young Ltd will be present at the 2017 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 8.

FEES PAID TO ERNST & YOUNG

Audit fees for Ernst & Young LLP and its affiliates for each of the fiscal years 2016 and 2015 and audit-related fees, tax fees and total of all other fees for services rendered in 2016 and 2015 are as follows:

	Audit Fees(1	Audit-Related Fees(2)	Tax Fees(3)	Total of All Other Fees(4)
	U.S. $	U.S. $	U.S. $	U.S. $
Fiscal year 2016 (5)	6,039,210	443,482	—	2,057
Fiscal year 2015 (5)	6,475,211	337,485	—	2,160

(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, 2016 and 2015.

(4) All other fees were for other publications and subscription services.

(5) Excludes U.S. $273,100 and U.S. $982,766 of fees incurred and paid by Transocean Partners LLC ("Transocean Partners"), a consolidated subsidiary and formerly a separate SEC registrant, in the years ended December 31, 2016 and 2015, respectively. On December 9, 2016, Transocean Partners completed a merger with one of our subsidiaries and became our wholly-owned indirect subsidiary.

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 2016 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 2017. 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 9

Advisory Vote to Approve Named Executive Officer Compensation.

Proposal of the Board of Directors

As required by Section 14A of the 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 2017 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 performance share units that vest based upon the Company's return on capital employed and upon 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 share 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
- the Incentive Compensation Recoupment Policy, a clawback 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 results 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 2017 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 pursuant to the compensation disclosure rules of the SEC, including the Compensation Discussion and Analysis, the compensation tables, and the narrative disclosure in this proxy statement.

AGENDA ITEM 10

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

10A Ratification of the Maximum Aggregate Amount of Compensation of the Board of Directors for the Period Between the 2017 Annual General Meeting and the 2018 Annual General Meeting.

Proposal of the Board of Directors

The Board of Directors proposes that the shareholders ratify an amount of U.S. $4,121,000 as the maximum aggregate amount of compensation of the Board of Directors for the period between the 2017 Annual General Meeting and the 2018 Annual General Meeting.

Explanation

As required by our Articles of Association and the Minder 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 2017 Annual General Meeting and the 2018 Annual General Meeting (the "2017/2018 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 (1) cash retainers, (2) grants of restricted share units and (3) dividend equivalents on vested and unvested restricted share units.

Set forth below is an overview of the non-employee director compensation elements for the term of office between the 2015 Annual General Meeting and the 2016 Annual General Meeting (the "2015/2016 Term"), and the term of office between the 2016 Annual General Meeting and the 2017 Annual General Meeting (the "2016/2017 Term"). Additionally, the compensation elements currently contemplated for the 2017/2018 Term are also provided:

	Term of Office 2015 AGM – 2016 AGM	Term of Office 2016 AGM – 2017 AGM	Term of Office 2017 AGM – 2018 AGM
	U.S.$	U.S.$	U.S.$
Cash Retainers			
Retainer for non-executive chairman	325,000	325,000	325,000
Retainer for non-executive vice-chairman	250,000	250,000	250,000
Retainer for non-employee directors (other than the chairman and the vice-chairman)	100,000	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
Grant of Restricted Share Units			
Grant of restricted share units to non-executive chairman	325,000	325,000	325,000
Grant of restricted share units to non-executive vice-chairman	210,000	210,000	210,000
Grant of restricted share units to non-employee directors (other than the chairman and the vice-chairman)	210,000	210,000	210,000
Dividend equivalents on vested restricted share units	Amount depending on (1) dividend paid and (2) number of restricted share 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 2016 are disclosed under "2016 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 U.S. $4,121,000 as the maximum aggregate amount of compensation of the Board of Directors for the 2017/2018 Term. This amount is the maximum amount that the Company can pay or grant to the members of the Board of Directors for the 2017/2018 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 2015/2016 Term, and the shareholder-approved, maximum aggregate compensation payable to our Board of Directors for the 2016/2017 Term. The 2015/2016 Term and the 2016/2017 Term includes 10 non-employee directors, one of whom was Chairman of the Board of Directors. Further, the table explains our proposal for the maximum aggregate amount of compensation for our Board of Directors for the 2017/2018 Term. This proposal is unchanged from the maximum aggregate compensation proposed for the 2015/2016 Term and 2016/2017 Term, which were previously approved by our shareholders, and includes consideration for 10 non-employee directors, one of whom will be Chairman and one of whom may be Vice-Chairman.

	Term of Office 2015 AGM-2016 AGM (based on 10 non-employee directors and the assumptions described above) (1)	Term of Office 2016 AGM-2017 AGM (based on 10 non-employee directors and the assumptions described above)(1)	Term of Office 2017 AGM-2018 AGM Proposed Maximum Aggregate Amount
	U.S.$	U.S.$	U.S.$
Cash Retainers	1,510,000	1,510,000	1,510,000
Grant of Restricted Share Units(2)	2,575,000(3)(4)	2,575,000(3)(4)	2,575,000(3)(4)
Dividend Equivalents(5)	300,000	300,000	300,000
Total(6)	4,121,000	4,121,000	4,121,000

(1) The cash retainer and the restricted share units include the compensation paid by Transocean Partners LLC ("Transocean Partners") to two of our directors for their role as directors of Transocean Partners LLC; each received a cash retainer and a grant of restricted share units of Transocean Partners.

(2) Restricted share units are granted to each non-employee director annually immediately following the Board of Directors meeting held in connection with our Annual General Meeting. On the date of grant, the restricted share units have an aggregate value equal to the U.S. dollar figure indicated in "2016 Director Compensation" table, and the restricted share 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 restricted share 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 restricted share units granted to our non-employee 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 restricted share units. For an overview of our directors' vested and unvested restricted share units, please see Note 6—Share Ownership in the Company's statutory financial statements for fiscal year 2016).

(6) Mandatory employer-paid social taxes pursuant to applicable law are not included in the total amount. In 2016, employer-paid social taxes totaled U.S. $88,474.

The aggregate compensation paid to date and expected to be paid to the members of the Board of Directors during the 2016/2017 Term is within the maximum aggregate amount approved by shareholders at the 2016 Annual General Meeting. The actual payout and grants will be disclosed in the 2018 and 2019 Proxy Statements, respectively, and the Swiss Compensation Report for fiscal years 2017 and 2018, respectively.

Recommendation

The Board of Directors recommends that you vote "**FOR**" this Agenda Item 10A.

10B Ratification of the Maximum Aggregate Amount of Compensation of the Executive Management Team for Fiscal Year 2018.

Proposal of the Board of Directors

The Board of Directors proposes that the shareholders ratify an amount of U.S. $24,000,000 as the maximum aggregate amount of compensation of the Executive Management Team for fiscal year 2018.

Explanation

As required by our Articles of Association and the Minder Ordinance, our 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 2018. 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 and performance alignment by delivering the vast majority of our Executive Management Team's compensation opportunity as performance-based, 'at-risk' compensation. Our Executive Management Team's compensation consists of (1) base salary, (2) annual performance bonus, (3) long-term incentives, which may comprise grants of restricted share units, performance share units and stock options and (4) other compensation, including Company contributions to savings and pension plans, life insurance premiums, dividend equivalents on vested and unvested restricted share units, 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.

For a detailed description of our compensation principles currently in effect for the Executive Management Team (and our other Named Executive Officers who are not members of the Executive Management Team), please refer to the section of this proxy statement under the caption "Compensation Discussion and Analysis." We recommend that our shareholders read our 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 2014-2016 are disclosed in this proxy statement under the caption "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 maximum Executive Management Team compensation, shareholders have had the opportunity since 2011 under U.S. law to cast a 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, 2013, 2014 and 2015, the shareholder approval levels have been 86%, 81%, 92%, 80% and 87%, respectively. Our shareholders are again provided the opportunity to cast a retrospective advisory vote to approve the compensation paid to our Named Executive Officers (including our Executive Management Team members) for fiscal year 2016, as is explained in detail in Agenda Item No. 9.

The proposed maximum aggregate amount of compensation for the Executive Management Team for fiscal year 2018 is derived substantially from the Company's executive compensation principles receiving strong historical shareholder support as noted above. Consistent with the Company's historical practice in setting executive compensation, as reflected in the Compensation Discussion and Analysis, we do not anticipate that the aggregate amount actually paid to our Executive Management Team members for fiscal year 2018 will be at the proposed maximum aggregate amount.

Proposal for Ratification of Maximum Aggregate Amount

The Board of Directors proposes that the shareholders ratify an amount of U.S. $24,000,000, excluding employer-paid social taxes, as the maximum aggregate amount of compensation of the Executive Management Team for fiscal year 2018. This amount represents a reduction in the approved maximum aggregate amount of compensation of approximately 20% over fiscal years 2016 and 2017, and is the maximum amount that the Company can pay or grant to its members of the Executive Management Team for fiscal year 2018, 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 without additional shareholder ratification to persons who newly assume an Executive Management Team function after the prospective vote at the 2017 Annual General Meeting. This reduction is due, in part, to the amount of base salary and the incentive compensation opportunities of our Executive Management Team incumbents and the expectation that, effective in fiscal year 2018, none of the Executive Management Team will receive expatriate-related compensation.

The table below shows the maximum aggregate amount of compensation that could have been paid or granted in the fiscal year 2016 under our compensation principles and plans, the maximum aggregate amount of compensation available to be paid or granted for fiscal year 2017 under our compensation principles and plans currently in effect, and our proposed maximum aggregate amount of compensation for fiscal year 2018.

The proposed maximum aggregate amount of compensation for fiscal year 2018 is based on our estimated compensation levels and represents a U.S. $5,600,000 reduction from the maximum aggregate amount of compensation for fiscal year 2017, which was approved by shareholders at last year's annual general meeting.

	Fiscal Year 2016 Maximum Payable[(1)]	Fiscal Year 2017 Maximum Payable[(1)]	Fiscal Year 2018 Proposed Maximum Amount[(2)]
	U.S.$	U.S.$	U.S.$
Base Salary	2,430,000[(3)]	3,024,000[(4)]	2,750,000
Annual Performance Bonus[(5)]	6,570,000	6,570,000	6,250,000
Long-Term Incentives[(6)]	16,483,000	16,483,000	12,500,000
All Other Compensation[(7)]	3,540,000	3,540,000	2,500,000
Total	29,023,000	29,617,000	24,000,000

(1) Assuming that the base salary, the annual performance bonus and the 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 plans, 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 2016.

(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 120% 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 performance share 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 plans will be determined in 2021 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. Mandatory employer-paid social taxes pursuant to applicable law are excluded from the proposed maximum amount. In 2016, employer-paid social taxes totaled U.S. $160,962.

Shareholder approval is based on the maximum aggregate amounts that could be payable in accordance with our compensation principles as set out in the 2017 Proxy Statement's "Compensation Discussion and Analysis." Therefore, actual aggregate amounts paid to our Executive Management Team members for fiscal year 2018 will fall within the range that may be payable. And although historical compensation paid to our Executive Management Team, as disclosed in the Compensation Report, has been substantially less (2016: U.S. $18,328,330) than the maximum amount payable (2016: U.S. $29,023,000) we request our shareholders approve the proposed maximum aggregate amount in order 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 proxy statement for our 2018 annual general meeting and the Swiss Compensation Report for fiscal year 2017.

Recommendation

The Board of Directors recommends that you vote "**FOR**" this Agenda Item 10B.

AGENDA ITEM 11.

Advisory Vote on the Frequency of Executive Compensation Vote

Proposal of the Board of Directors

As required by Section 14A of the Securities Exchange Act, the Board of Directors proposes that shareholders be provided with an advisory vote on whether the advisory vote on the compensation of the Company's Named Executive Officers should occur every one, two or three years.

Explanation

The Company is presenting this proposal to give you, as a shareholder, the opportunity to inform the Company as to how often you wish the Company to hold an advisory vote on executive compensation. While our Board of Directors intends to carefully consider the shareholder vote resulting from the proposal, the final vote will not be binding on us and is advisory in nature.

We recommend that a non-binding advisory vote on the compensation of our Named Executive Officers as disclosed in our proxy statement for our annual general meeting be held every year. We believe holding that vote every year provides the most effective timeframe because it will provide our shareholders a consistent and clear communication channel for shareholder concerns about our executive pay programs. In the future, we may determine that a less frequent advisory vote is appropriate, either in response to the vote of our shareholders on this Agenda Item 11 or for other reasons.

Voting Requirement to Approve Advisory Proposal

Shareholders are being asked to provide an advisory vote on whether the non-binding advisory vote on the approval of the compensation of the Named Executive Officers should be held every one, two or three years. The approval of an alternative requires the affirmative vote of a majority of the votes cast in person or by proxy at the 2017 Annual General Meeting. If none of the alternatives (one year, two years or three years) receive a majority vote, we will consider the alternative with the highest number of votes cast by shareholders to be the alternative that has been selected by shareholders.

Recommendation

The Board of Directors recommends that you vote to hold an advisory vote on executive compensation EVERY YEAR.

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 November 2016, the Board of Directors adopted a Code of Integrity that updated and replaced our previous Code of Integrity. We regularly review and, as necessary, update our Code of Integrity. We conduct online mandatory training for our employees and officers on our Code of Integrity and other relevant compliance topics. We also require all our officers and managerial and supervisory employees to certify compliance with our Code of Integrity each year and to proactively report any non-compliance they may discover.

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 Share Holding Requirement. We have equity ownership guidelines for directors that require each current non-management director to acquire and retain a number of our shares, restricted share units 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, restricted share units and/or deferred units over his or her initial five years as a director. Jeremy D. Thigpen, our President and Chief Executive Officer, is subject to separate officer share ownership guidelines providing for a more stringent requirement of six times his base pay. In connection with such ownership requirement, the Board of Directors currently grants restricted share units to each of our non-management directors. See "Compensation Discussion and Analysis" for more information about these guidelines.

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.

Our current governance documents may be found on our website at *www.deepwater.com* by selecting the Governance page in the Investors' section dropdown. 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 *Shared 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 and update policies and procedures, as appropriate, 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.

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 for the Company. Through the Board of Directors' oversight role and 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 executive risk management committee and/or members of management present a report on risk management activities to the 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 2016, 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, with the exception of Jeremy D. Thigpen (the Company's President and Chief Executive Officer), are independent and meet the applicable independence standards set by the NYSE, the SEC and our guidelines. Additionally, our Compensation, Audit and Corporate Governance Committees are composed solely of directors who meet the applicable 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, Glyn A. Barker, Chadwick C. Deaton, Vincent J. Intrieri, Samuel J. Merksamer, Merrill A. "Pete" Miller, Jr., and Tan Ek Kia are, or within the past three years have been, directors or officers of companies with which we conduct business in the ordinary course. In addition, Edward R. Muller's son has been working as an associate attorney at Munger, Tolles & Olson LLP, a law firm that provides legal services to the Company, and Mr. Barker's son has been working as an associate auditor at PwC UK, an assurance, advisory and tax services firm that provides services to the Company.

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 2012, Mr. Barker has served as a director and member of Aviva's audit committee, and from July 2015 until December 2016, as chairman of the board of directors of, Transocean Partners, formerly a publicly-held subsidiary of Transocean Ltd. to which we provided operating, support and administrative services, in addition to being the majority unitholder. Transocean Partners merged into a subsidiary of the Company in December 2016 and is now indirectly wholly-owned by the Company.

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 Mr. Merksamer's prior affiliation with Carl Icahn and certain investment funds managed by Mr. Icahn that formerly owned approximately 6% of the Company's shares, from 2013 to 2015, Mr. Merksamer served as a non-executive director of Talisman Energy, from which we received revenues for performing services, and, since 2014, Mr. Merksamer has served as a director of Hertz Global Holdings, Inc., from subsidiaries of which the Company procures car rental services. Since May 2016, Mr. Merksamer has served as non-executive director of American International Group, Inc., a company that provides insurance-related services to the Company. Mr. Merksamer was a member of the board of directors of Transocean Partners from 2014 until 2016.

In addition to Mr. Intrieri's prior affiliation with Carl Icahn and certain investment funds managed by Mr. Icahn, since 2014, Mr. Intrieri has served as a director of Hertz Global Holdings, Inc.

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 regularly purchases drilling equipment and services. Mr. Miller currently serves as the executive chairman of NOW Inc. from which the Company regularly purchases drilling equipment and services.

The Board of Directors believes that all of these transactions 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 2016. During 2017, the independent directors 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.

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 *Shared 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.

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. For purposes of our Corporate Governance Guidelines, an uncontested election occurs in an election of directors that does not constitute a contested election, and a contested election 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 who are 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 that, 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."

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 LLC, 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. Since 2015, director compensation is also subject to shareholder approval at the Company's annual general meetings. 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 its 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. If serving as director on the Board of Directors, our Chief Executive Officer receives no additional compensation for such service.

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, and may request it 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 U.S. $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. Quarterly, our directors and officers must re-affirm in writing that the information previously provided in their questionnaires remains accurate and complete, and provide updates regarding any related person relationships that may have arisen. Our Code of Integrity further requires that an executive officer 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 must immediately inform the Board of Directors or the Chairman of the Board of Directors in the event that a director believes he or she 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. Since the beginning of 2016, there were no related person transactions where such policies and procedures were not followed.

Certain Relationships and Related Party Transactions. From 2001 to 2014, Mr. Miller served as President & Chief Executive Officer of National Oilwell Varco, Inc. (NYSE: NOV). Mr. Miller currently serves as the Executive Chairman of NOW Inc. (NYSE: DNOW). Prior to joining the Company in 2015, Mr. Thigpen served as Senior Vice President and Chief Financial Officer of National Oilwell Varco, Inc. (NYSE: NOV) from December 2012 to April 2015. We regularly procure equipment and services from National Oilwell Varco, Inc. and its affiliates (together "NOV") and NOW Inc., each at arm's length terms and within the ordinary course of business. In 2016, our purchasing activity with NOV and NOW Inc. represented less than 2% of each company's reported gross revenues for such periods.

Director Attendance at Annual General Meeting. We expect all of our directors to attend the 2017 Annual General Meeting. At the 2016 Annual General Meeting, all directors then serving on the Board of Directors were in attendance.

Board Meetings and Committees

During 2016, the Board of Directors of Transocean Ltd. held four 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 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 Audit, Compensation, Finance, Corporate Governance, and Health Safety and Environment Committees. As noted above, the charters for these committees may be found on our website at *www.deepwater.com* by selecting the Governance page in the Investors' section dropdown. 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 and benefit package for (a) members of the Executive Management Team (as defined below), (b) persons defined as "officers" pursuant to section 16(a) of the Exchange Act, and (c) any other person whose compensation is required to be disclosed by applicable securities laws and regulations (collectively, the "Specified Executives") and members of the Board of Directors; and (2) complying with the Board of Directors' legal and regulatory requirements as to Board member and Specified Executive 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 review and recommend to the Board of Directors for submission to and ratification by the shareholders pursuant to Swiss law and our Articles of Association 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 and Specified Executives;

- select appropriate peer groups and market reference points against which the Company's Board of Directors and executive compensation is compared;

- annually recommend focus areas for our Chief Executive Officer for approval by members of our Board of Directors who meet our independence and experience requirements;

- annually review, with participation of our full Board of Directors, our Chief Executive Officer's performance in light of our established focus areas;

- annually set our Chief Executive Officer's compensation based, as appropriate, upon his performance evaluation together with competitive data and subject to shareholder ratification requirements pursuant to our Articles of Association and applicable law;

- administer our long-term incentives plans, 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 material terms of any employment, severance, termination or other similar arrangements (to the extent permitted by applicable law and our Articles of Association) that may be entered into with members of the Board of Directors and Specified Executives; 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 Specified Executives; 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 grant equity awards under the Company's long-term incentives plans to new and existing employees of the Company, excluding executive officers and other officers above the Vice President level, provided that such awards shall not exceed U.S. $5,000,000 in grant value per calendar year in aggregate and no such individual award shall exceed U.S. $350,000 in grant value.

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, upon termination of service of an employee of the Company (excluding executive officers and other officers at or above the Senior Vice President level), accelerate vesting of awards granted under the Company's long-term incentives plans and to extend exercisability of options for a period of up to one year, but not beyond the original exercise period. The Compensation Committee has further delegated authority to the Chief Executive Officer to determine whether an individual is disabled and/or to set applicable criteria for making such determination for purposes of the Company's long-term incentives plans. 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. The Compensation Committee met four times during 2016.

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, Intrieri and Merksamer. The Finance Committee met four times during 2016.

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 of Directors' 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. The Corporate Governance Committee met four times during 2016.

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. The Health Safety and Environment Committee met four times during 2016.

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. The Audit Committee met eight times during 2016.

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 qualifies as an "audit committee financial expert." In addition, the Board of Directors has determined that each of the current members of the Audit Committee 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. Ms. Chang was previously partner in charge of Corporate Finance for KPMG Peat Marwick LLP. Mr. Curado served as President and Chief Executive Officer of Embraer S.A. from 2007 to 2016 and has significant risk management and compliance experience.

In addition to Ms. Chang's membership on the Audit Committee, she also serves on the audit committees of Sykes Enterprises, Incorporated, Edison International and certain funds advised by the Capital Group of Companies, Inc. and its subsidiaries. Pursuant to NYSE rules, the Board of Directors has determined that Ms. Chang's service on the audit committees of such companies would not impair her ability to effectively serve on the Company's Audit Committee.

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. Thigpen, our President and Chief Executive Officer, are non-employees and receive compensation for their service on the Board of Directors.

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 2016, non-employee director compensation in U.S. dollars included the following fixed components:

Annual Retainer—non-employee Director	100,000
Annual Retainer—non-employee Vice Chairman[1]	250,000
Annual Retainer—non-employee Chairman	325,000
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
Grant of Restricted Share Units—non-employee Directors and Vice Chairman[2]	210,000
Grant of Restricted Share Units—non-employee Chairman[2]	325,000

(1) Currently, the Company does not have any director serving in a Vice Chairman role.

(2) Restricted share units are granted to each non-employee director and chairman annually and have an aggregate value equal to U.S. $210,000 and U.S. $325,000 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 restricted share units vest on the date first to occur of (1) the first anniversary of the date of grant or (2) the Annual General Meeting next following the date of grant, subject to continued service through the vesting date. Vesting of the restricted share 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.

2016 Director Compensation

In 2016, each non-employee member of the Board of Directors received the compensation described above.

At the Board of Directors meeting held immediately after the 2016 Annual General Meeting of our shareholders, the Board of Directors granted 20,173 restricted share units to each non-employee director (other than the Chairman) and 31,220 restricted share units to the non-employee Chairman in aggregate value equal to U.S. $210,000 and U.S. $325,000, 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 U.S. $10.41 per share). Each non-employee director is required to acquire and retain a number of our shares and/or restricted share units at least equal in value to an amount five times the annual director retainer. Each non-employee director's vested restricted share units generally are not settled until the non-employee director's service with the Company ends.

The following summarizes the compensation of our non-employee directors for 2016.

Name	Fees Earned or Paid in Cash (U.S.$)	Stock Awards[1] (U.S.$)	All Other Compensation	Total (U.S.$)
Glyn A. Barker	135,000	186,600	—	321,600
Vanessa C. L. Chang	100,000	186,600	—	286,600
Frederico F. Curado	100,000	186,600	—	286,600
Chadwick C. Deaton	110,000	186,600	—	296,600
Vincent J. Intrieri	100,000	186,600	—	286,600
Martin B. McNamara	110,000	186,600	—	296,600
Samuel J. Merksamer	100,000	186,600	—	286,600
Merrill A. "Pete" Miller, Jr.	325,000	288,785	—	613,785
Edward R. Muller	110,000	186,600	—	296,600
Tan Ek Kia	120,000	186,600	—	306,600

(1) This represents the aggregate grant-date fair value under accounting standards for recognition of share-based compensation expense for restricted share units granted to our directors in 2016, computed in accordance with FASB ASC topic 718. For a discussion of the valuation assumptions with respect to these awards, please see Note 16 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2016.

AUDIT COMMITTEE REPORT

Two primary roles of the Audit Committee are to (1) assist the Board of Directors in overseeing the key financial and compliance related matters and (2) 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 Public Company Accounting Oversight Board. The Audit Committee considers the effectiveness of these processes and the independence of Ernst & Young LLP on an ongoing 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* by selecting the Governance page in the Investors' section dropdown.

As part of its oversight function for the year ended December 31, 2016, 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 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; 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, 2016, 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 1, 2017, of more than 5% of the Company's shares.

Name and Address of Beneficial Owner	Shares Beneficially Owned	Percent of Class(1)
The Vanguard Group 100 Vanguard Blvd. Malvern, PA 19355	39,971,930 (2)	10.18%
BlackRock, Inc. 55 East 52nd Street New York, NY 10055	22,962,443 (3)	5.85%
State Street Corporation State Street Financial Center One Lincoln Street Boston, MA 02111	19,714,580 (4)	5.02%

(1) The percentage indicated is based on 392,610,159 Company shares deemed to be outstanding as of March 1, 2017.

(2) The number of shares is based on the Schedule 13G/A filed with the SEC on February 10, 2017, by The Vanguard Group. According to the filing, The Vanguard Group has sole voting power with regard to 512,455 shares, shared voting power with regard to 41,138 shares, sole dispositive power with regard to 39,438,988 shares and shared dispositive power with regard to 532,942 shares.

(3) The number of shares is based on the Schedule 13G filed with the SEC on January 30, 2017, by BlackRock, Inc. According to the filing, BlackRock Inc. has sole voting power with regard to 20,335,270 shares, shared voting power with regard to 6,700 shares, sole dispositive power with regard to 22,955,743 shares and shared dispositive power with regard to 6,700 shares.

(4) The number of shares is based on the Schedule 13G filed with the SEC on February 10, 2017, by State Street Corporation. According to the filing, State Street Corporation has shared voting power and shared dispositive power with regard to 19,714,580 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 1, 2017.

Name	Shares Owned(1)	Shares Subject to Right to Acquire Beneficial Ownership(2)	Total Shares Beneficially Owned(3)	Percent of Class(3)
Jeremy D. Thigpen	65,197	237,483	302,680	*
Mark Mey	41,856	51,836	93,692	*
John B. Stobart	58,175	118,580	176,755	*
Howard E. Davis	4,828	38,876	43,704	*
Brady K. Long	12,887	30,925	43,812	*
Glyn A. Barker	11,748	20,539	32,287	*
Vanessa C.L. Chang	1,700	26,281	27,981	*
Frederico F. Curado	—	20,539	20,539	*
Chadwick C. Deaton	1,000	26,281	27,281	*
Vincent J. Intrieri	—	15,779	15,779	*
Martin B. McNamara	24,651	55,949	80,600	*
Samuel J. Merksamer	—	26,515	26,515	*
Merrill A. “Pete” Miller, Jr.	—	21,662	21,662	*
Edward R. Muller	6,647	39,018	45,665	*
Tan Ek Kia	—	30,049	30,049	*
All of directors and executive officers as a group (17 persons)	305,058	967,768	1,272,826	*

* 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 that may be acquired within 60 days from March 1, 2017, through the exercise of options held by Messrs. Thigpen (77,984), Mey (32,679), Stobart (71,425), Davis (24,509), Long (19,496), and all directors and executive officers as a group (559,919). 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 restricted share units held by Messrs. Thigpen (159,499), Mey (19,157), Stobart (47,155), Davis (14,367), Long (11,429); Messrs. Barker (20,539), Curado (20,539), Deaton (26,281), Intrieri (15,779), McNamara (44,151), Merksamer (26,515), Miller (21,662), Muller (39,018) and Tan (30,049), and Ms. Chang (26,281) and all directors and executive officers as a group (603,507).

(3) As of March 1, 2017, each listed individual and our directors and executive officers as a group beneficially owned less than 1% of the Company’s outstanding shares.

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 comprise our Named Executive Officers for 2016:

- Jeremy D. Thigpen, President and Chief Executive Officer
- Mark L. Mey, Executive Vice President and Chief Financial Officer
- John B. Stobart, Executive Vice President and Chief Operating Officer
- Howard E. Davis, Executive Vice President and Chief Administrative and Information Officer
- Brady K. Long, Senior Vice President and General Counsel

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

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.

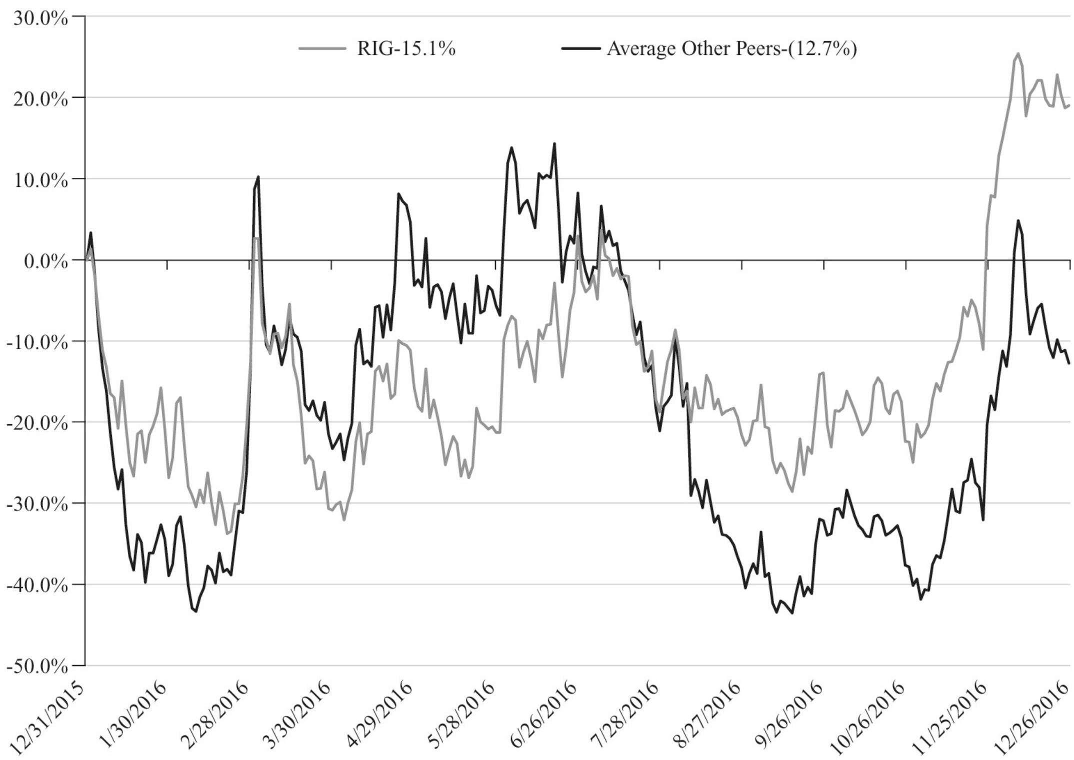
We believe our executive compensation program includes features that effectively align the interests of our senior management with those of our shareholders and excludes features that may result in misalignment. Important features of our executive compensation programs and practices are provided in the following table:

What We Do	What We Don't Do
☑ Conduct an annual review of our compensation strategy, including a review of our compensation-related risk profile	☒ Allow our executives to hedge, sell short or hold derivative instruments tied to our shares (other than options issued by us)
☑ Mandate meaningful share ownership requirements for our executives	☒ Allow our executives or directors to pledge Company shares
☑ 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 annual and long-term incentive payments on quantitative metrics	☒ Have pre-arranged individual severance agreements or special change-in-control compensation agreements with any Executive Officers; however, subject to the limitations 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 policies
☑ Maintain compensation plans designed to align our executive compensation program with long-term shareholder interests	☒ Provide gross-ups for severance payments
☑ Link long-term incentive compensation to relative performance metrics	☒ Guarantee salary increases, non-performance based bonuses or unrestricted equity compensation
☑ Deliver at least 50% of long-term incentives in performance-based equity awards	☒ Provide any payments or reimbursements for tax equalization
☑ Retain an independent consultant that does not perform any services for management (*i.e.*, retained by and reports to our Compensation Committee)	☒ Pay dividend equivalents on performance units that have not been earned
☑ Maintain double trigger change-in-control provisions	☒ Offer executive perquisites, effective January 1, 2017

2016 Business Overview

As a result of our strong revenue efficiency performance, continued progress on margin improvement initiatives, as well as our liquidity accomplishments, Transocean outperformed the peer group in 2016. These actions demonstrate the direct correlation between operational performance and shareholder value.

2016 Relative Stock Performance



Peers include: ATW, DO, ESV, NE, ORIG, PACD, RDC, SDRL

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, Transocean operates one of the most versatile offshore drilling fleets in the world.

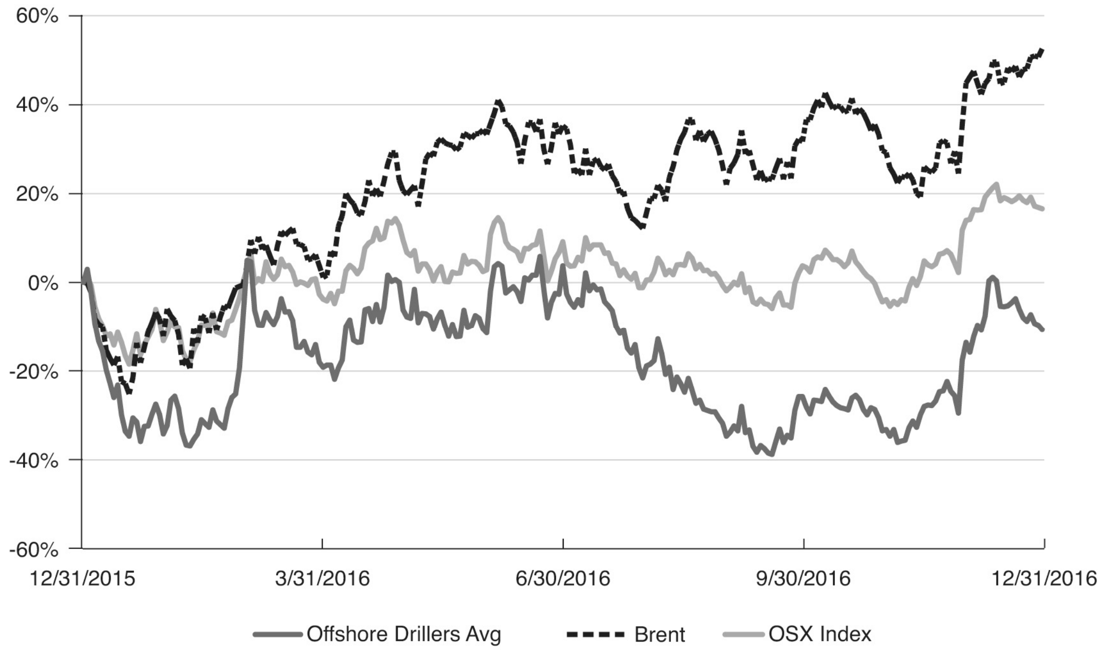
As of February 9, 2017, Transocean owns, or has partial ownership interests in, and operates a fleet of 56 mobile offshore drilling units consisting of 30 ultra-deepwater floaters, seven harsh-environment semisubmersibles, three deepwater semisubmersibles, six midwater semisubmersibles, and 10 high-specification jackups. In addition, the Company has four ultra-deepwater drillships and five high-specification jackups under construction or under contract to be constructed.

Despite oil prices falling to below U.S. $30/bbl during the first quarter of 2016, resulting in the further curtailing of customer spending, and the early termination of a number of drilling contracts, our 2016 financial results again exceeded expectations. We are pleased that our continued commitment to operational excellence, and our intense focus on organizational and operational efficiency, resulted in another strong year for Transocean.

Recently, we have been encouraged by the improvement in both oil prices and sentiment; however, we fully anticipate that the offshore drilling market will continue to prove challenging in 2017. The combination of fewer contract roll-overs and limited visibility for new demand, will hinder, in the near-term, the meaningful advancement of both utilization and dayrates. In response, the Company continues to take the necessary actions to maintain our market leadership position, as well as to strategically position the Company to emerge from the downturn stronger.

As illustrated in the chart below, the equity market valuations of offshore drillers reflect these adverse market conditions.

Relative Performance of Crude Oil; Offshore Drillers; OSX Index



Offshore drillers include: RIG, ATW, DO, ESV, NE, ORIG PACD, RDC, SDRL

In 2016, we continued to strengthen our liquidity and balance sheet, executing multiple financing transactions. In 2016, we issued approximately U.S. $2.5 billion of debt maturing in 2023 and 2024, while retiring U.S. $2.3 billion of debt with maturities between 2016 and 2022. The Company further deferred the delivery of two ultra-deepwater drillships and five high-specification jackups into 2020, which delayed approximately U.S. $2 billion of shipyard payments. We also acquired the outstanding interest in Transocean Partners, eliminating administrative costs and a significant quarterly cash distribution. These actions, along with U.S. $3.1 billion of cash as of December 31, 2016, and a U.S. $3 billion undrawn, unsecured revolving credit facility, provide protection in the event of a protracted downturn, and preserve strategic optionality and shareholder value.

We executed several new contracts during 2016, adding approximately U.S. $520 million in contract backlog. Transocean’s willingness to consider a performance driven model, and other flexible contract arrangements, assisted in the Company being awarded approximately one third of the annual contracted global floater fixtures. As of February 9, 2017, our backlog totaled U.S. $11.3 billion.

We delivered another year of strong operating results in 2016 guided by our continued commitment to streamlining and optimizing every aspect of our business. Our operating strategy led to strong revenue efficiency results for 2016 of 97.8%, up from 96.0% in 2015.

During 2016, we added three new contract-backed, ultra-deepwater drillships to our fleet: *Deepwater Thalassa*, *Deepwater Proteus*, and *Deepwater Conqueror*. Both the *Deepwater Thalassa* and *Deepwater Proteus* have 10 year contracts with Shell in the U.S. Gulf of Mexico, and the *Deepwater Conqueror* has a five year contract with Chevron, also in the U.S. Gulf of Mexico.

We continued to drive year-over-year improvements in our safety performance in 2016 delivering a Total Recordable Incident Rate of 0.34, the best in the Company’s history.

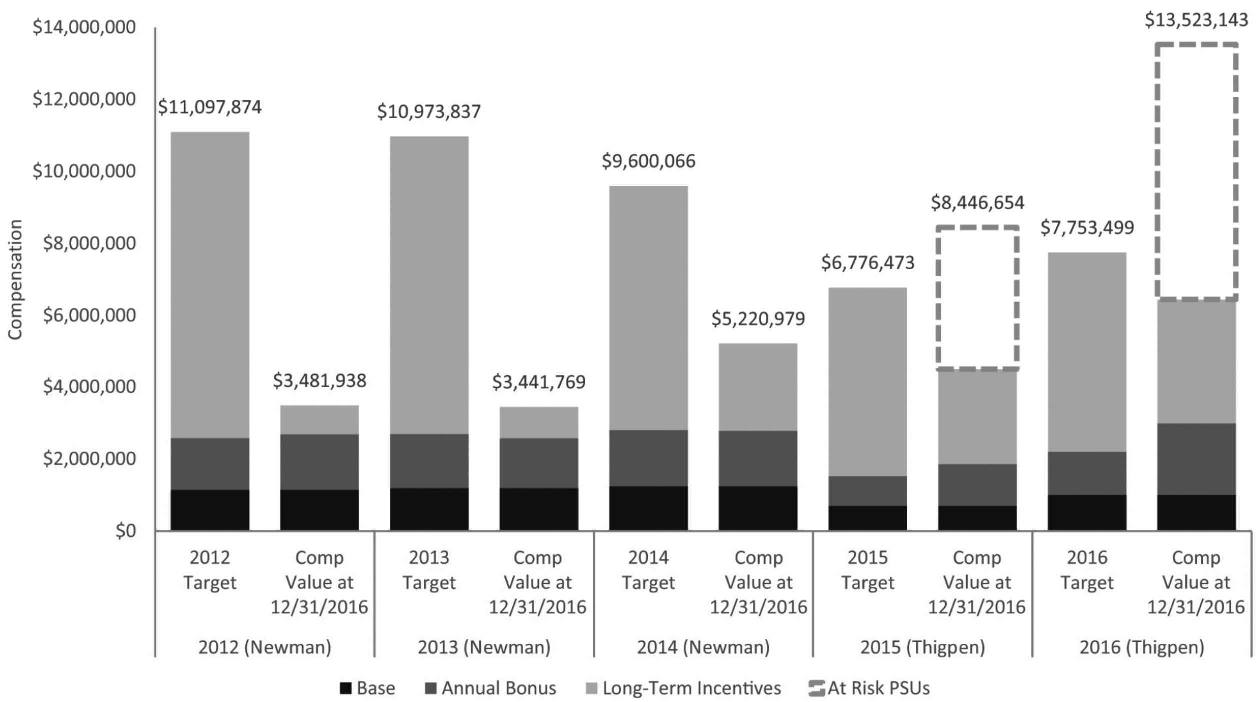
Given our long history as an industry-leading provider of offshore drilling services, we believe that we have the experience and financial discipline necessary to effectively manage our business throughout the cycles and deliver long-term value to our shareholders.

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 ranged from below to above targeted and competitive market levels. Below-target results have been driven by the lack of appreciation in the Company's share price and below-target total shareholder return relative to our peers, whereas more recent above-target results reflect our disciplined approach to the market downturn and our recent outperformance of competitors in the offshore drilling sector.

The Summary Compensation Table reflects the grant-date fair value for share awards. However, we believe that realizable pay provides a better picture of the amounts actually earned. In particular, we note that there have been no payouts under our performance-based unit program over the last six performance cycles, and all outstanding stock options are currently underwater. The more recent, in-process long-term performance cycles, however, reflect our superior performance relative to offshore drilling peers, although these performance cycles remain at risk until their conclusion.

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



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(1) Realized/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 performance unit plan (PSU) or, for performance periods still in progress, amounts that would be receivable if the PSU performance period ended 12/31/2016, the intrinsic ("in-the-money") value of the stock options granted in the applicable year, and the value of time-based restricted share units ("RSUs").

(2) For Steven Newman, our former Chief Executive Officer, the value of 2013 and 2014 RSUs were calculated as of 5/31/2015, the date of his separation from Transocean. For Mr. Thigpen, the value of RSUs was calculated as of 12/30/2016.

(3) Mr. Newman received a pro-rata portion of PSUs (pro-rated based on his separation date).

(4) Figures for Mr. Thigpen for 2015 (hired in April, 2015) represent partial year base pay and annual bonus target and exclude cash sign-on award and replacement RSU award in consideration of forfeited equity awards from his previous employer.

2016 Compensation Program Overview

The Company continued to reinforce the alignment between pay and performance with our executive compensation programs and compensation award levels for 2016.

In recognition of the continuing global industry downturn, the Compensation Committee gave prudent consideration in developing target 2016 compensation opportunities for our Named Executive Officers. Working closely with our independent compensation consultant, the following executive compensation actions were implemented for our Named Executive Officers:

- Freeze on base salaries for all executives for 2016 (as was the case in 2015). Further, base salaries have been again frozen for 2017;

- Freeze on target annual incentive opportunities for all of our Executive Officers for 2016 (as was the case in 2015). Further, targets have been again frozen for 2017;

- Implemented cap on 2016-2018 performance award upside payout tied to declining absolute total shareholder return ("TSR") performance; and

- Abolished all executive perquisites, including financial planning, annual physicals and club memberships, effective January 1, 2017.

These compensation actions reflect the continued downturn in the current market, while maintaining prudently designed, 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.

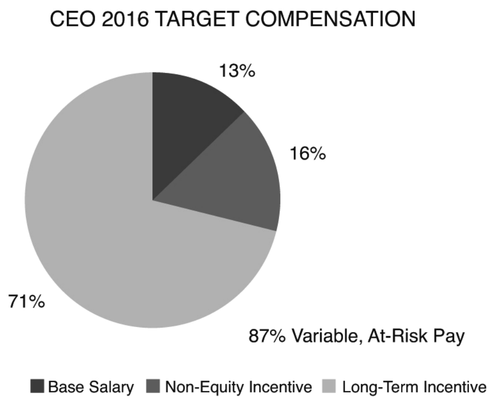
In designing our executive compensation program, we are guided by the following principal objectives:

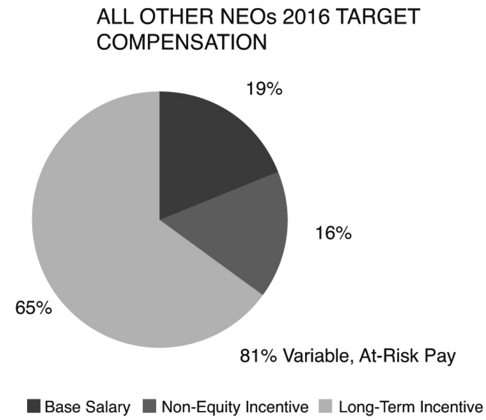
- positioning elements of total direct compensation, in the aggregate for our executive team, at approximately the median of our peer companies;

- aligning annual incentive compensation with financial and strategic objectives; and

- rewarding absolute share price appreciation and relative performance in TSR through long-term equity incentive awards.

We deliver the vast majority of executive pay as performance-based, "at-risk" incentive compensation, which is designed to balance short-term periodic results and long-term multi-year success of the Company and to build long-term shareholder value without excessive risk-taking. We believe the approach achieves our objective of aligning pay and performance.





Executive Compensation Setting

We believe that our executive compensation program must be regularly reviewed 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 assess our compensation programs to ensure they are appropriately aligned with our industry sector and among companies in other industries of comparable size, international scope and organizational complexity. We also seek to provide a direct link between pay and 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 total shareholder return performance of the Company.

Compensation Peer Group

We compete for executive talent across many different sectors around the world. However, 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 their total direct compensation is compared against published and publicly available compensation data.

The Compensation Peer Group for 2016 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.	

During 2016, three companies (BG Group plc, Cameron International Corporation and Talisman Energy Inc.) fell out of this Compensation Peer Group due to corporate acquisitions.

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 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.

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, whereas general industry data are weighted more heavily for executives overseeing corporate 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.

Performance Peer Group

The Compensation Committee establishes 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. Beginning in 2016, the Compensation Committee refined the Performance Peer Group to focus on drillers to better align with our strategic business objectives. While the competition for executive talent spans a broader market as defined above in the section addressing the Compensation Peer Group, our Performance Peer Group is specific to those companies with expertise in technically demanding offshore drilling operations. The Performance Peer Group consists of:

• Atwood Oceanics, Inc.	• Pacific Drilling S.A.
• Diamond Offshore Drilling, Inc.	• Rowan Companies Inc.
• Ensco plc	• Seadrill Limited
• Noble Corporation plc	• Subsea 7 SA
• Ocean Rig UDW Inc.	

Executive Compensation Components

Our executive compensation program is designed to meet the objectives of our "pay for performance" 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 Cash 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 performance goals. Award potential ranges from 0% to 200% of target.
Long-Term Incentive - Performance 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 long term.	Variable compensation. The number of earned units is based on total shareholder return relative to performance of drilling industry peers during three-year performance periods. Earned units can range from 0% to 200% of target.
Long-Term Incentive - Restricted Share Units	Motivate executives to contribute to long-term increases in shareholder value, build executive ownership and 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.
Long-Term Incentive - Non-Qualified Stock Options	Motivate executives to contribute to long-term increases in shareholder value, build executive ownership and retain executives through multi-year vesting.	Variable compensation. Long-term award with ratable vesting over three years that provides a direct link to stock price appreciation.
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	Retain executives by providing 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 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 change 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.

As part of its base salary review, the Compensation Committee considers input from our Chief Executive Officer (except with respect to his own compensation), competitive compensation from our Peer Group and other survey data, job responsibilities, individual performance, and expected future contributions of each Named Executive Officer. The Compensation Committee also considers input from its compensation consultant as well as the Company's compensation philosophy and objectives.

In February 2016, the Compensation Committee, in consideration of the current market downturn, and with consultation from its external compensation consultant, elected to freeze base salaries for Named Executive Officers, resulting in no 2016 increases over the 2015 base salaries.

Further, in February 2017, the Compensation Committee again elected to freeze base salaries in consideration of the continuing market downturn, resulting in no increases over the 2016 base salaries noted below.

The following base salaries in U.S. dollars were approved by the Committee for the individuals listed below.

Executive	2016 Base Salary	Increase over 2015
Mr. Thigpen	1,000,000	0%
Mr. Mey	760,000	0%
Mr. Stobart	670,000	0%
Mr. Davis	550,000	0%
Mr. Long	525,000	0%

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 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 2016, each Named Executive Officer had a potential payout range of 0% to 200% of his individual target award opportunity. The Compensation Committee established a 2016 target bonus opportunity for each of the following Named Executive Officers at the same target opportunity as established for 2015, and have further maintained the same target bonus opportunities again in 2017. The 2016 target bonus opportunity for each Named Executive Officer, expressed as a percentage of base salary, is as follows:

Executive	Bonus Target
Mr. Thigpen	120%
Mr. Mey	85%
Mr. Stobart	100%
Mr. Davis	75%
Mr. Long	70%

2016 Bonus Structure

The annual cash bonus structure is designed with a focus on financial, operational and safety performance. These three focus areas have a direct line of sight to annual company operational and financial results while maintaining a strong focus on personnel, industrial and environmental safety. During the current drilling sector down cycle, driven largely by commodity pricing beyond the Company's control, this annual bonus structure is designed to focus on those areas where the Company can differentiate itself from our competitors and be well-positioned for the market recovery.

The design of each measure, relative weighting, and construction of our threshold-target-maximum payout range, were derived from the Company's 2016 business plan with a focus on continuous improvement.

The Compensation Committee considered the results of key performance areas, specified at the beginning of 2016, when determining the outcomes of the variable, performance-based compensation under the Performance Award and Cash Bonus Plan for our Named Executive Officers for 2016.

Each of the following performance areas is measured with a potential payout ranging from 0% to 200% achievement and is discussed in greater detail below.

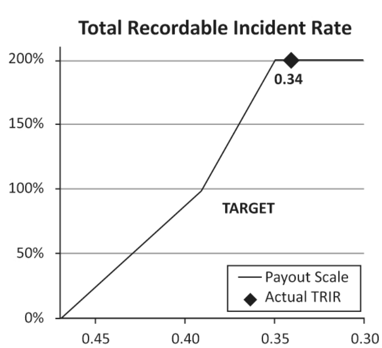
Performance Measures		Weighting
SAFETY		**25%**
Total Recordable Incident Rate	(10%)	
Operational Integrity / Process Safety	(10%)	
Dropped Object Potential Severity	(5%)	
UPTIME		**25%**
EBITDA		**50%**

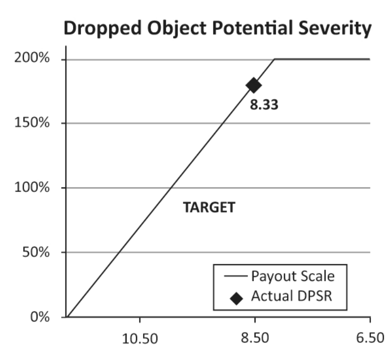
Safety Performance

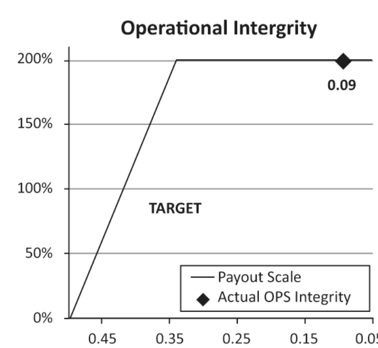
Our business involves numerous operating hazards, and we are strongly committed to protecting our employees, our property and the environment. Our ultimate goal is expressed in our safety vision of "an incident-free workplace all the time, everywhere." The safety performance targets for 2016 were approved 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.

For 2016, the Compensation Committee measured our safety performance through a combination of components: Total Recordable Incident Rate (TRIR), Dropped Object Potential Severity (DPSR) and Operational Integrity (also referred to as "Process Safety"). TRIR and Process Safety were each weighted at 10%, with DPSR weighted at 5%.

The following charts show our actual performance related to the formulaic payout amounts for TRIR, DPSR and Operational Integrity.







During 2016, performance results across all three safety measures established new company records. These results reflect an outstanding commitment to safety from our workforce and a relentless focus on continuous improvement toward an incident-free workplace. Together, the safety metric outcomes resulted in a formulaic payout percentage for Safety of 42% of the total target bonus opportunity for each of the Named Executive Officers in 2016.

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 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: death; 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 2016 of 0.39, representing further progress toward our zero accident safety vision. This target represented an improvement of 8% over the 2015 actual performance which represented the best TRIR outcome to that point in the Company's history. Values above and below this target were calculated in accordance with the chart below, with outcomes falling between the two boundaries interpolated on a straight-line basis:

TRIR Outcome to Target	Bonus Payout
Maximum = 0.35	200%
Target = 0.39	100%
Minimum = 0.47	0%

Any TRIR outcome representing a result of 0.47 or greater would result in a 0% bonus payout for the TRIR metric, representing a 20% negative variance from target; however, if 2016 results did not outperform 2015 actual performance, a 10% reduction would be applied to the formulaic payout for the TRIR component. TRIR results of 0.35, reflecting top quartile IADC performance, would result in a payout of 200% for the TRIR metric.

Our TRIR outcome for 2016 was 0.34, exceeding maximum performance as compared to target and represents the best TRIR result in the Company's history. This resulted in a formulaic result of 200% of target for the TRIR metric and a formulaic result for this measure of 20% of the total target bonus opportunity for each of the Named Executive Officers.

Dropped Object Potential Severity (DPSR)

DPSR is an internally developed safety measure that we utilize to capture the potential severity of incidents over a period of time. This 2016 safety measure represents a focus on continuous improvement. In 2015, the Company measured Total Potential Severity Rate, of which DPSR represented a significant component. Dropped objects from elevated heights, including tools, parts and equipment, have the potential to cause severe personnel injury and significant structural damage to the rig. Analysis indicated dropped object incidents typically have the highest potential severity to harm people working onboard our rigs. As such, we extracted this metric from TPSR in order to bring a more acute focus to dropped object prevention. Accordingly, the bonus measure reflects our focus on accident avoidance.

The formulaic measure of DPSR evaluates the severity of all dropped objects and applies a score to each incident based on severity. This severity assessment follows prescribed guidelines defined in the Company's Health and Safety Policies and Requirements. The sum of dropped object events is then measured against the total number of working hours, to determine the quantity and severity of events as a factor of total hours worked. This measurement technique, using total hours worked, is consistent with the methodology employed by OSHA and IADC in measuring work-related injuries.

The Compensation Committee approved a DPSR target for 2016 of 9.93, reflecting a 9% improvement over our 2015 target and represents further progress toward our safety vision. Values above and below this target were calculated in accordance with the chart below, with outcomes falling between two boundaries interpolated on a straight-line basis:

DPSR Outcome to Target	Bonus Payout
20% Improvement Exceeding Target	200%
10% Improvement Exceeding Target	150%
Target	100%
10% Shortfall	50%
20% Shortfall	0%

Any DPSR outcome representing a shortfall of more than 20% as compared to the target would result in a 0% bonus payout for the DPSR 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 DPSR metric.

Our DPSR outcome for 2016 of 8.33 represents the best performance in the Company's history and a significant improvement as compared to the target. This improvement resulted in a formulaic result of 180.4% of target for the DPSR metric, and a formulaic result for this measure of 9% of the total target bonus opportunity for each of the Named Executive Officers.

Operational Integrity (Process Safety)

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

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

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

To implement this Operational Integrity metric, we measure the number of process safety events that are likely predictors or leading indicators of a potentially significant major accident hazard event. The 2016 target for process safety events was established to represent an improvement over the baseline of events that occurred on our installations in 2015.

The Compensation Committee approved an Operational Integrity target for 2016 of 0.42, reflecting improvement over 2015 actual results of 0.44 and representing further progress toward our safety vision. Values above and below this target were calculated in accordance with the chart below, with outcomes falling between two boundaries interpolated on a straight-line basis:

Operational Integrity Outcome to Target	Bonus Payout
20% Improvement Exceeding Target	200%
10% Improvement Exceeding Target	150%
Target	100%
10% Shortfall	50%
20% Shortfall	0%

In 2016, the Operational Integrity measure realized an actual result of 0.09, resulting in 200% achievement of this metric and a formulaic result for this measure of 20%; however, the Operational Integrity measure calls for a one-third reduction in the formulaic payout result in the event of any Tier1 Operational Integrity event, as defined in the Company's Health and Safety Policies and Requirements. A Tier1 event is the most serious Operational Integrity event, requiring immediate and potentially significant company time and resources to rectify.

In August 2016, Transocean experienced a Tier1 Operational Integrity event† that resulted in a reduction of the formulaic result for the Operational Integrity measure from 20% to 13.33% of the total bonus opportunity for each of the Named Executive Officers.

† During severe weather on August 8, 2016, the tow to the *Transocean Winner* was lost and the rig subsequently grounded off the Western Isles of Scotland. Transocean personnel were immediately mobilized to recover the rig and mitigate impact.

Financial Performance

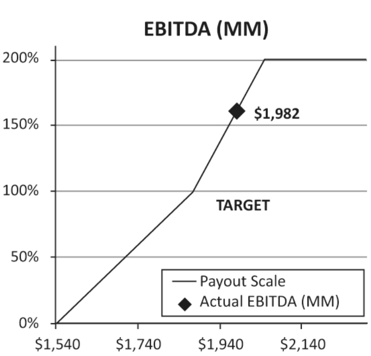
EBITDA

For the 2016 bonus plan, the Compensation Committee determined Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA"), a commonly accepted measure of financial performance, as the most appropriate measure to align with the Company's financial objectives. Weighted at 50% of the total 2016 annual bonus plan opportunity, EBITDA replaces the prior 2015 bonus plan focus on Cash Flow Value Added and Operating Costs. Attached as Appendix A to this proxy statement is a reconciliation of EBITDA, a non-GAAP financial measure, to net income, the most directly comparable GAAP financial measure.

We believe this move to EBITDA is a more holistic view of the Company's financial performance in current market conditions. The measure reflects the complete revenue and cost cycle in our business. EBITDA is an objective performance measure commonly used among our drilling company peers and is a financial indicator transparent and familiar to our shareholders.

In establishing the EBITDA target, the Compensation Committee considered the Company's 2016 financial plan. Threshold and maximum performance outcomes were then set based on the potential for decreases or increases to financial outcomes tied to dynamic market conditions.

EBITDA Target	Achievement (MM-$)
Threshold	1,540
Target	1,876
Maximum	2,049



2016 EBITDA results were challenged by declining demand for rigs combined with depressed dayrates for contracts. However, a strong focus on cost management combined with outstanding efficiency for deployed rigs, resulted in actual EBITDA results exceeding the target for this measure. EBITDA results achieved 161.3% of target, and a formulaic result for this measure of 80.64% of the total target bonus opportunity for each of the Named Executive Officers.

The EBITDA achievement that was applied to the annual bonus plan performance achievement was adjusted downward to remove certain revenue associated with early contract terminations and other unanticipated events during the performance cycle; thus, EBITDA results applied to the annual bonus plan are lower than the financial results recorded in the Company's financial statements. Without such downward adjustments to the bonus plan EBITDA results, actual bonus results would have been higher, potentially leading to the unintended consequence of higher incentive awards due to lower rig activity.

Uptime

Uptime was identified as the operational performance measure that would best align with our customers' interests during 2016. This measure represented 25% of the total target annual bonus opportunity to reinforce the importance of maintaining excellence in rig operations. While similar to Revenue Efficiency, a drilling rig's measure of contract revenues used in the Company's 2015 annual bonus plan, Uptime has a more direct focus on operational efficiency.

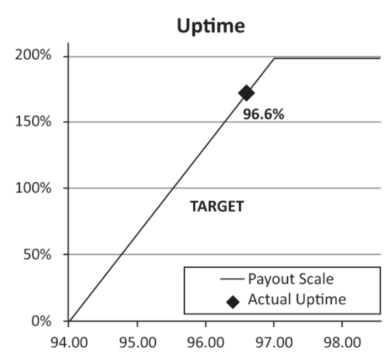
Uptime is a common operational metric used in the drilling industry; however, there is no standard industry definition and reporting structure for this metric. Our Company's definition recognizes both equipment failures and human performance errors in calculating a rig's performance.

Uptime is measured as operating hours, minus downtime, expressed as a percentage. Operating hours are defined as the number of hours a rig is engaged in a contract. Downtime is defined as the number of hours the rig is not engaged in drilling activities, resulting from mechanical failure or human performance error. Using this formula, zero mechanical failures and human performance errors would result in the rig operating at 100% Uptime. Downtime events detract from optimal performance and have a direct negative impact on the customer's operational plan.

In setting the threshold-target-maximum range for this measure, the mathematical differential across the range may appear small (*e.g.*, a 1.5% spread from target to maximum performance); however, this differential is significant considering the total number of operating hours during a calendar year.

The Committee approved the following Uptime target for 2016:

Uptime Target	Achievement
Threshold	94.0%
Target	95.5%
Maximum	97.0%



In setting the 2016 performance range, management considered past performance and set stretch targets to focus on continuous improvement. While the Company strives for improvement year over year, consideration must be given to the Company's fleet composition and business cycle in setting this target. Reduced fleet size, shorter contract durations, change of location mobilizations and the challenge of bringing new rigs on line will all potentially apply downward pressure on a fleet's Uptime performance. We experienced all of these challenges in 2016 and still delivered outstanding Uptime performance for our customers.

Based on this high level of operational efficiency, the actual Uptime measure achieved 96.6%. This incremental 1.1% above target performance, equates to approximately 3,300 hours, or 137.5 days, of additional operational productivity across the fleet. This achievement result represents 173.3% of target, and a formulaic result for this measure of 43.33% of the total target bonus opportunity for each of the Named Executive Officers.

Actual Bonus Plan Compensation for 2016

Based on the performance measures described above and using the pre-determined weightings assigned to each measure by the Compensation Committee, the formulaic bonus outcome for each of our Named Executive Officers was

166% of the targeted bonus opportunity under the Performance Award and Cash Bonus Plan for 2016. The components of this total bonus payout under the Performance Award and Cash Bonus Plan for 2016 are as follows:

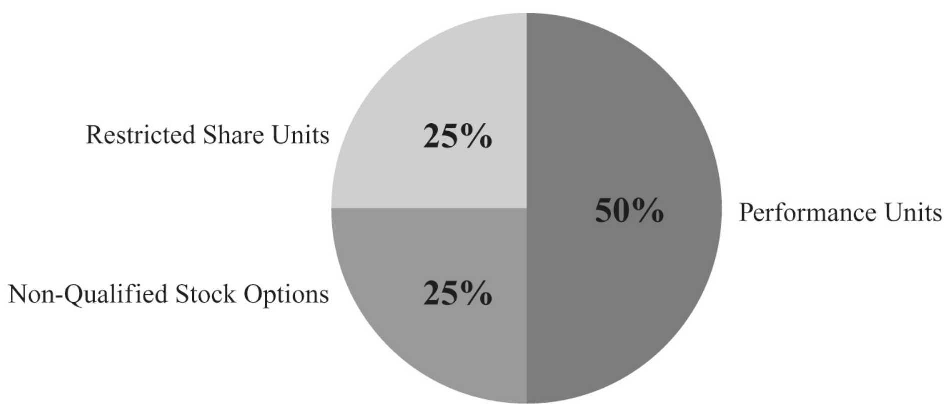
Performance Measure	Threshold Payout	Target Payout	Maximum Payout	Actual Payout
Safety	0%	25%	50%	42%
EBITDA	0%	50%	100%	43%
Uptime	0%	25%	50%	81%
Total				**166%**

These outstanding annual bonus results reflect the Company's commitment to outstanding rig operations and sharp focus on financial results, while maintaining the highest standards for safety. For specific award amounts, see "Executive Compensation—Summary Compensation Table" below.

Long-Term Incentives

We establish competitive long-term incentive ("LTI") 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 share price performance.

To provide an appropriate balance of incentives tied to performance, three types of long-term equity instruments were used in 2016, including Performance Units, Restricted Share Units and Non-Qualified Stock Options. The weighting of each instrument in our long-term incentive program was as follows:



This long-term incentive mix is designed to ensure a minimum of 50% of the total weighting is applied to the Performance Units. Stock Options are included in the incentive mix to reinforce a direct relationship to the shareholder experience. Stock Options only deliver value to the executive when the Company's share price exceeds the strike price on the option. All three equity instruments are also designed to be retentive in nature through multi-year performance periods and vesting periods.

The forms of equity awards made to our Named Executive Officers are discussed in greater detail below.

	2016 LTI Grant Value – U.S.$	2015 LTI Grant Value U.S.$
Mr. Thigpen	5,250,000	5,500,000
Mr. Mey	2,200,000	2,200,000
Mr. Stobart	2,210,000	1,880,000
Mr. Davis†	1,650,000	—
Mr. Long†	1,312,500	—

(†) Messrs. Davis and Long were hired in 2015 and did not receive a target annual equity award.

Performance Units (PSU)

Each PSU represents one share and is earned based on performance over a three-year performance cycle from January 1, 2016 through December 31, 2018. Performance is determined by comparing the Company's TSR performance relative to the Company's Performance Peer Group over the three-year performance cycle.

In constructing this performance equity plan, the Compensation Committee considered the value of including an absolute financial measure, similar to the structure of the Company's 2015 – 2018 performance plan which included Return on Capital Employed ("ROCE") as a financial measure. After a thorough review of current market conditions and the substantial challenges in setting ROCE long-term incentive goals in an extremely volatile environment, the Committee concluded that a single measure of relative TSR using the Performance Peer Group of nine offshore drillers offered the best shareholder alignment and better supported the Company's strategic objective of becoming the undisputed leader in offshore drilling.

In further recognition of the importance of shareholder alignment, the Compensation Committee capped the earning of Performance Units at target if the Company's absolute TSR during a performance period is less than -15%. We set the cap at a level of -15% to ensure that management does not benefit disproportionately from shareholder returns that are more than marginally negative.

Actual results at the completion of the three-year performance cycle will be determined by the following ordinal ranking of TSR performance:

Company Ranking	% of Target Performance Units
1	200%
2	175%
3	150%
4	125%
5	100%
6	83%
7	67%
8	50%
9	0%
10	0%

Upon completion of the 2016 - 2018 PSU performance cycle, the Compensation Committee will determine final payout levels, and PSUs will be distributed to the Named Executive Officer, along with a cash payment equal to any dividends or equivalents accrued during the performance cycle for earned and vested shares.

Restricted Share Units

The target value of the 2016 RSU grants to each of the Named Executive Officers was approximately one-quarter (25%) of each officer's total 2016 long-term incentive award target value.

Time-vested RSUs were granted to all Named Executive Officers as part of the 2016 annual long-term incentive grants. Each RSU represents one share and vests over a three-year schedule (ratably one-third each year), contingent on continued service.

Non-Qualified Stock Options

The target value of the 2016 Non-Qualified Stock Options ("NQSO") grants to each of the Named Executive Officers was approximately one-quarter (25%) of each officer's total 2016 long-term incentive award target value.

Time-vested NQSOs were granted to all Named Executive Officers as part of the 2016 annual long-term incentive grants. Each NQSO represents one share and vests over a three-year schedule (ratably one-third each year), contingent on continued service.

Realized Long-Term Incentive Compensation for 2016

In 2017, the Compensation Committee evaluated the Company's performance for the three-year performance period from January 1, 2014 through December 31, 2016, and determined the Company's performance to be 123.3% of target. This result represents the first payout in seven performance cycles for the Company.

This performance plan consisted of two measures, equally weighted at 50% of the total award opportunity. The two measures included relative TSR as measured against a performance peer group, and ROCE during the first year of the three year performance cycle. Final measurement for this performance cycle included ROCE results slightly below maximum performance. Actual ROCE financial results are not disclosed due to the proprietary nature of this information in establishing the Company's competitive position in the market. With respect to relative TSR, the Company ranked 8 of 12 against performance peer companies, resulting in performance below target for this measure. The two measures combined resulted in the 123.3% of target performance outcome.

Mr. Stobart is the only Named Executive Officer eligible for this 2014 – 2016 performance plan payout. When considering the Company's share price decline during this three year period, however, the 123.3% achievement level translates to approximately 39% of target in realizable value compared to the expected target value at grant.

Employment Agreements with Named Executive Officers

Employment agreements with our Executive Management Team comply with the Minder Ordinance, which prohibits the payment of severance benefits to members of the Executive Management Team. Other than the individual compensation terms applicable for each executive, the same basic form of employment agreement was used for Named Executive Officers with employment agreements.

Expatriate Benefits

For our Named Executive Officers who accept an international assignment, we also provide certain expatriate benefits, including housing, car, cost of living allowances and educational expenses for dependent children. These benefits are designed to help defray the significant expense associated with expatriation. Beginning in 2014 the Named Executive Officers ceased to be eligible for tax protection or tax equalization on these expatriate benefits. Effective September 1, 2016, Mr. Stobart was the only Named Executive Officer receiving the above-mentioned expatriate benefits.

The types and values of these 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.

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. For Named Executive Officers on the U.S. payroll, this benefit is capped at a maximum of U.S. $1 million. 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 U.S. Internal Revenue Service limits on qualified plans.

Perquisites

In 2016, the Compensation Committee elected to eliminate all executive perquisites for our Named Executive Officers, effective January 1, 2017.

Prior to elimination, the Company offered limited perquisites as a recruiting and retention tool. Each of our Named Executive Officers could receive reimbursement of up to U.S. $5,000 in financial planning consulting. Our Named Executive Officers were 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 2016.

Post-Employment Compensation

We believe that the competitive marketplace for executive talent and our desire to retain our Executive Officers require us, subject to compliance with applicable law, to provide our Executive Officers with a severance package. Each of our Executive Officers who are not members of our Executive Management Team is eligible to receive severance benefits in the event we choose to terminate the Executive Officer at our convenience. Currently, all Named Executive Officers who are not members of our Executive Management Team are covered under our executive severance benefit policy, which provides for specified payments and benefits in the event of a termination 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 award under the Bonus Plan for such executive, 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 executive.

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, 2016, 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 non-competition and confidentiality agreement covering our trade secrets and proprietary information.

The Minder Ordinance prohibits certain types of compensation payments to members of the Executive Management Team, including severance payments in any form. Therefore, members of the Executive Management Team are not eligible to participate in the executive severance benefits policy. Pursuant to their employment agreements, members of the Executive Management Team must receive at least twelve months' notice prior to a termination of employment without cause.

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 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 members of the Board of Directors who (i) are not employees of the Company, (ii) meet the independence requirements of the NYSE, and (iii) 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;
- annually recommending focus areas for our Chief Executive Officer for approval by the members of our Board of Directors who meet the independence and experience requirements set forth in the Compensation Committee charter, 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 in accordance with the goals and objectives of the Company, as established by the Board of Directors;
- administering the Company's long-term incentive plans, 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, the Company's Swiss statutory compensation report and maximum aggregate compensation limits for the Board of Directors and members of the Executive Management Team 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 or our annual report, as applicable; and
- assessing the risks associated with the Company's compensation arrangements.

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 engaged an independent executive compensation consulting firm, Pay Governance LLC, which advised the Compensation Committee on executive compensation matters for 2016.

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 U.S. $100,000. Neither Pay Governance nor any of its affiliates provided the Company with any other services in 2016. In May 2016, the Compensation Committee assessed whether the work of Pay Governance for the Compensation Committee during 2016 raised any conflict of interest by conducting a review of a number of independence factors, which included the factors set forth under Rule 10C-1 of the Exchange Act. The Compensation Committee concluded that no conflict of interest was raised that would prevent Pay Governance from independently representing 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 group;
- 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 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. Our Chief Executive Officer's conclusions and recommendations, including 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 (other than for himself), 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 Executive Officers. 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 recommendations and develop and present other recommendations regarding compensation to the Compensation Committee as needed. 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 obligations, as well as additional analyses with respect to hypothetical terminations to consider the Company's obligations 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 Company's obligations under the various programs.

Share 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 share 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 shares that vest (net of taxes due) until the ownership guidelines are met. Each of our Named Executive Officers must own an amount of shares equivalent to the following:

CEO	6x base pay
Executive Vice President	3x base pay
Senior Vice President	2x base pay
Vice President	1x base pay

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

No Hedging of Company Shares

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 granted by us (*e.g.*, stock options). Our Executive Officers and directors are prohibited from hedging, engaging in short sales and holding our shares in margin accounts.

No Pledging of Company Shares

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 financial results 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.

The Compensation Committee expects to update this policy if and when the SEC issues final rules on the recoupment of executive compensation.

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 long-term incentive plan, the Compensation Committee has the discretion to award performance-based cash compensation that qualifies 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 shows the compensation paid by the Company for the fiscal year ended December 31, 2016 to each of our Chief Executive Officer, Chief Financial Officer and the next three most highly compensated Executive Officers as of December 31, 2016, who are collectively referred to herein as our Named Executive Officers.

Name and Principal Position	Year	Salary U.S.$	Bonus U.S.$	Stock Awards[1] U.S.$	Option Awards[1] U.S.$	Non-Equity Incentive Plan Compensation[2] U.S.$	Change in Pension Value and NonQualified Deferred Compensation Earnings[3] U.S.$	All Other Compensation[4] U.S.$	Total U.S.$
Jeremy D. Thigpen	2016	1,000,000	—	4,362,658	1,190,841	1,992,000	—	557,568	9,103,067
President and Chief Executive Officer	2015	693,182	500,000	7,990,424	—	1,164,545	—	548,422	10,896,573
Mark Mey	2016	760,000	—	1,828,164	499,019	1,072,360	—	508,751	4,668,294
Executive Vice President and Chief Financial Officer	2015	449,667	500,000	5,199,332	—	540,162	—	418,116	7,107,276
John B. Stobart	2016	670,000	—	1,836,467	501,289	1,112,200	369	513,909	4,634,234
Executive Vice President and	2015	670,000	—	1,854,320	—	938,000	7,499	666,406	4,136,225
Chief Operating Officer	2014	664,167	—	2,156,353	—	658,636	202,852	687,852	4,369,860
Howard Davis *Executive Vice President and Chief Administrative and Information Officer*	2016	550,000	—	1,371,118	374,263	684,750	—	96,981	3,077,112
Brady Long *Senior Vice President and General Counsel*	2016	525,000	—	1,090,669	297,709	610,050	—	70,624	2,594,052

(1) Represents the aggregate grant-date fair value 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 16 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2016.

(2) 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 2016, is described under "Compensation Discussion and Analysis—2016 Bonus Structure."

(3) There are no nonqualified deferred compensation earnings included in this column because no Named Executive Officers received above-market or preferential earnings on such compensation during 2016, 2015 or 2014.

(4) All other compensation for 2016 consists of the following:

Name	Company Contributions to Savings Plans[1] U.S.$	Life, Health and Welfare Insurance Premiums U.S.$	Dividend Equivalents on time-based Restricted Share Unit (RSU) U.S.$	Executive Expatriate Allowances and Perquisites[2] U.S.$	Expatriate Relocation U.S.$
Jeremy D. Thigpen	216,455	15,600	34,135	187,359	104,019
Mark Mey	130,016	16,493	22,086	196,837	143,319
John B. Stobart	160,800	20,387	19,270	300,080	13,372
Howard Davis	76,676	19,305	1,000	—	—
Brady Long	52,500	18,124	—	—	—

(1) Messrs. Thigpen, Mey, Stobart, Davis and Long participate in the U.S. 401(k) Savings Plan and Savings Restoration Plan.

(2) Amounts include automobile and housing allowance for Mr. Thigpen (U.S. $122,041), Mr. Mey (U.S. $122,041) and Mr. Stobart (U.S. $183,125); home country leave allowances for Messrs. Thigpen, Mey and Stobart; cost of living allowance for Mr. Thigpen (U.S. $61,508), Mr. Mey (U.S. $61,508) and Mr. Stobart (U.S. $92,295); financial planning benefits for Mr. Stobart; and club membership dues and executive physicals for Messrs. Mey and Stobart.

Grants of Plan-Based Awards for 2016

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, 2016.

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1)			Estimated Future Payouts Under Equity Incentive Plan Awards (2)					
Name	Grant Date	Threshold (U.S.$)	Target (U.S.$)	Maximum (U.S.$)	Threshold (#)	Target (#)	Maximum (#)	Number of Shares of Stock or Units(3)	Exercise Price of Option Award(4) (U.S.$)	Grant Date Fair Value of Stock and Option Awards (5) (U.S.$)
Jeremy Thigpen	—	—	1,200,000	2,400,000						
	2/11/2016				—	274,295	548,590			3,181,822
	2/11/2016							137,147	—	1,180,836
	2/11/2016							233,957	8.61	1,190,841
Mark Mey	—	—	646,000	1,292,000						
	2/11/2016				—	114,943	229,886			1,333,339
	2/11/2016							57,471	—	494,825
	2/11/2016							98,039	8.61	499,019
John Stobart	—	—	670,000	1,340,000						
	2/11/2016				—	115,465	230,930			1,339,394
	2/11/2016							57,732	—	497,073
	2/11/2016							98,485	8.61	501,289
Howard Davis	—	—	412,500	825,000						
	2/11/2016				—	86,207	172,414			1,000,001
	2/11/2016							43,103	—	371,117
	2/11/2016							73,529	8.61	374,263
Brady Long	—	—	367,500	735,000						
	2/11/2016				—	68,574	137,148			795,458
	2/11/2016							34,287	—	295,211
	2/11/2016							58,489	8.61	297,709

(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 2016, see "Compensation Discussion Analysis—2016 Bonus Structure."

(2) The February 11, 2016, performance share unit award is subject to a three-year performance period ending December 31, 2018. The actual number of performance units received will be determined in the first 60 days of 2019 and is contingent on our performance in total shareholder return relative to the Performance Peer Group. Any earned shares will vest on December 31, 2018. For more information regarding long-term incentives plans, including the performance targets used for 2016 and the contingent nature of the long-term incentives granted, please see "Compensation Discussion and Analysis—Long-Term Incentives."

(3) This column shows the number of time-vested restricted share units and non-qualified stock options granted to the Named Executive Officers under the long-term incentives plans. The units and options vest in one-third increments over a three-year period commencing on March 1, 2018, and the anniversary of the date of grant, respectively.

(4) This column shows the exercise or base price of option awards granted to the Named Executive Officers as long-term incentives.

(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. The 2016 performance share unit fair value is calculated using the Monte Carlo simulation to value total shareholder return at the share price on the grant date.

Outstanding Equity Awards at Year-End 2016

The following table sets forth certain information with respect to outstanding equity awards at December 31, 2016, for the Named Executive Officers.

Name	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options Not Exercisable	Option Exercise Price (U.S. $/Share)	Grant/ Award Date	Option Expiration Date	Number of Shares or Units of Stock that have not Vested[(1)] (#)	Market Value of Shares or Units of Stock That Have Not Vested[(2)] (U.S.$)	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)] (U.S.$)
Jeremy Thigpen		233,957	8.61	2/11/2016	2/10/2026				
				4/22/2015		227,569	3,354,367		
				2/11/2016		137,147	2,021,547		
				4/22/2015				178,804(3)	2,635,571
				2/11/2016				274,295(4)	4,043,108
Mark Mey		98,039	8.61	2/11/2016	2/10/2026				
				5/28/2015		147,240	2,170,318		
				2/11/2016		57,471	847,123		
				5/28/2015				67,485(3)	994,729
				2/11/2016				114,943(4)	1,694,260
John Stobart	38,597		59.30	2/14/2013	2/13/2023				
		98,485	8.61	2/11/2016	2/10/2026				
				2/13/2014		9,559	140,900		
				2/13/2015		36,705	541,032		
				2/11/2016		57,732	850,970		
				2/13/2015				55,057(3)	811,540
				2/11/2016				115,465(4)	1,701,954
Howard Davis		73,529	8.61	2/11/2016	2/10/2026				
				8/17/2015		13,334	196,543		
				2/11/2016		43,103	635,338		
				2/11/2016				86,207(4)	1,270,691
Brady Long		58,489	8.61	2/11/2016	2/10/2026				
				11/10/2015		35,667	525,732		
				2/11/2016		34,287	505,390		
				2/11/2016				68,574(4)	1,010,781

(1) Represents time-vested restricted share units. Restricted share units vest in one-third increments over a three-year period.

(2) For purposes of calculating the amounts in these columns, the closing price of our shares on the NYSE on December 31, 2016, of U.S. $14.74 was used.

(3) Represents performance share units, which are subject to a three-year performance period ending on December 31, 2017. The actual number of performance shares units received will be determined in the first 60 days of 2018 and is contingent on our performance in the total shareholder return relative to the Performance Peer Group. Any shares earned will vest on December 31, 2017. For more information regarding long-term incentives plans, please see "Compensation Discussion and Analysis—Long-Term Incentives."

(4) Represents performance share units, which are subject to a three-year performance period ending on December 31, 2018. The actual number of performance shares units received will be determined in the first 60 days of 2019 and is contingent on our total shareholder return relative to the Performance Peer Group. Any shares earned will vest on December 31, 2018. For more information regarding long-term incentives plans, please see "Compensation Discussion and Analysis—Long-Term Incentives."

Option Exercises and Shares Vested for 2016

The following table sets forth certain information with respect to the exercise of options and the vesting of restricted share units, as applicable, during 2016 for the Named Executive Officers.

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise(#)	Value Realized on Exercise (U.S.$)	Number of Shares Acquired On Vesting (#)	Value Realized on Vesting[(1)] (U.S.$)
Jeremy Thigpen	—	—	65,197	703,476
Mark Mey	—	—	41,856	412,282
John Stobart	—	—	19,068	172,947
Howard Davis	—	—	4,828	48,811
Brady Long	—	—	12,887	135,314

(1) Value realized on vesting is 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 2016

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 Savings Restoration Plan
- Transocean U.S. Retirement Plan
- Transocean Pension Equalization 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 (U.S.$)	Payments During 2016 (U.S.$)
Jeremy D. Thigpen	Transocean Savings Restoration Plan	2	234,590	—
Mark Mey	Transocean Savings Restoration Plan	2	122,757	—
John B. Stobart	Transocean Pension Equalization Plan	2	232,003	—
	Transocean Savings Restoration Plan	2	245,178	—
	Transocean U.S. Retirement Plan	2	94,417	—
Howard Davis	Transocean Savings Restoration Plan	1	50,176	—
Brady Long	Transocean Savings Restoration Plan	1	26,000	—

Transocean Savings Restoration Plan

The Company maintains the Transocean Savings Restoration Plan, a nonqualified, unfunded, defined contribution plan for key management employees who earn compensation in excess of certain limits in the Internal Revenue Code. All Named Executive Officers participate in this plan. Effective January 1, 2017, all participants in this plan are fully vested. The plan provides that eligible participants receive an annual contribution equal to 10% (or such other percentage as determined by the administrative committee) of the compensation earned in a particular calendar year that is in excess of the Internal Revenue Code limits. Compensation considered under this plan includes basic salary and annual performance bonus. A participant must be employed on the last day of the calendar year in order to receive a contribution for a particular year.

Transocean U.S. Retirement Plan

The Transocean U.S. Retirement Plan is a tax-qualified pension plan. Benefit accruals under this plan were frozen effective as of December 31, 2014. Mr. Stobart is the only the Named Executive Officer who participates 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. Benefits available to executives are no greater than those offered to non-executive participants. The plan is funded through cash contributions made by the Company based on actuarial valuations and regulatory requirements. Employees working for the Company in the U.S. are fully vested after completing five years of eligible employment. 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 with five years of service).

The elements of compensation included in computing the retirement benefit are basic salary and annual performance bonuses earned prior to January 1, 2015. Retirement benefits are calculated as (i) the sum of 1% of the employee's compensation for each calendar year (or partial year) of employment, divided by (ii) twelve.

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, 2016. The present value of these benefits was calculated based on assumptions used in the Company's financial statements for 2016.

Transocean Pension Equalization Plan

The Pension Equalization Plan ("PEP") is a nonqualified, unfunded, noncontributory pension plan that was frozen effective December 31, 2014. Mr. Stobart is the only Named Executive Officer with a frozen benefit in the PEP.

Certain employees are eligible to receive a benefit under the PEP if the level of their compensation prior to January 1, 2015, would otherwise cause them to exceed the Internal Revenue Code compensation limitations imposed on the Transocean U.S. Retirement Plan. The purpose of the PEP is to provide supplemental post-retirement income in recognition of service to the Company. 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 and the same formula used to calculate the plan benefit as the Transocean U.S. Retirement Plan however, earnings are not limited to the pay cap under the Internal Revenue Code Section 401(a)(17) (U.S. $260,000 in 2014 when the PEP was frozen). Benefits are not earned until the individual has five years of credited service with the Company.

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, 2016. The present value of these benefits was calculated based on assumptions used in the Company's financial statements for 2016.

Potential Payments Upon Termination or Change of Control

The following tables and narrative disclosure set forth certain information with respect to compensation that would be payable to the Named Executive Officers, as of December 31, 2016, upon a variety of termination or change of control scenarios.

As of December 31, 2016, the Named Executive Officers of the Company were eligible for the executive severance benefit policy. However, members of the Executive Management Team are further subject to the full limitations of the Minder Ordinance regarding severance.

Voluntary Not-for-Cause Termination

	Mr. Thigpen U.S.$	Mr. Mey U.S.$	Mr. Stobart(1) U.S.$	Mr. Davis U.S.$	Mr. Long U.S.$
Compensation Element					
Pension Equalization Plan	—	—	232,003	—	—
Savings Restoration Plan	—	—	245,178	—	—
Total Potential Payments	**—**	**—**	**477,181**	**—**	**—**

(1) The amount of PEP and Savings Restoration Plan benefits included in the table represents the present value of those benefits which would have been payable as of December 31, 2016.

Involuntary Not-for-Cause Termination

Compensation Element	Mr. Thigpen U.S.$	Mr. Mey U.S.$	Mr. Stobart U.S.$	Mr. Davis(1) U.S.$	Mr. Long(1) U.S.$
Cash Severance Payment	—	—	—	550,000	525,000
Non-Equity Incentive Compensation	1,992,000	1,072,360	1,112,200	684,750	610,050
Equity Incentive Compensation					
Vested Stock Options	—	—	—	—	—
Unvested Stock Options(2)	—	—	—	—	—
Time-based Restricted Share Units(3)	3,942,321	2,416,698	929,431	381,327	672,721
Performance-based Units(4)	4,661,911	1,829,034	1,710,522	683,569	543,750
Pension Equalization Plan(5)	—	—	232,003	—	—
Outplacement Services	—	—	—	27,500	26,250
Savings Restoration Plan(5)	—	—	245,178	—	—
Total Potential Payments	**10,596,232**	**5,318,092**	**4,229,334**	**2,327,146**	**2,377,771**

(1) Any involuntary not-for-cause termination as of December 31, 2016, 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) Upon an involuntary, not-for-cause termination, all unvested, time-based restricted shares granted prior to 2016 and a pro-rata portion granted in 2016 would vest.

(4) Performance-based Units (PSUs) are based upon the achievement of a performance standard over a three-year period. Upon an involuntary, not-for-cause termination, the Named Executive Officers would receive a pro-rata portion of the earned PSUs. The performance achievement of the PSUs will be determined within 60 days of the end of each three-year performance period and the pro-rata portion of the earned PSUs is determined based on the period of time the Named Executive Officer was employed during the performance period.

(5) The amount of PEP and Savings Restoration Plan benefits included in the table represents the present value of those benefits which would have been payable as of December 31, 2016.

Death

Compensation Element	Mr. Thigpen U.S.$	Mr. Mey U.S.$	Mr. Stobart U.S.$	Mr. Davis U.S.$	Mr. Long U.S.$
Non-Equity Incentive Compensation(1)	1,992,000	1,072,360	1,112,200	684,750	610,050
Equity Incentive Compensation					
Vested Stock Options	—	—	—	—	—
Unvested Stock Options(2)	1,434,156	600,979	603,713	450,733	358,538
Time-based Restricted Share Units(2)	5,375,914	3,017,440	1,532,901	831,881	1,031,122
Performance-based Units(3)	4,661,911	1,829,034	1,710,522	683,569	543,750
Pension Equalization Plan(4)	—	—	168,446	—	—
Life Insurance Benefit	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Savings Restoration Plan(4)	—	—	245,178	—	—
Total Potential Payments	**14,463,981**	**7,519,813**	**6,372,960**	**3,650,933**	**3,543,460**

(1) Each Named Executive Officer's beneficiary would receive the pro-rata non-equity incentive plan earned compensation for 2016. If the Named Executive Officer died on December 31, 2016, then this pro-rata share would be equal to 100% of such Named Executive Officer's targeted non-equity incentive compensation for 2016.

(2) Unvested stock options and RSUs vest immediately upon death.

(3) The beneficiary of each Named Executive Officer is entitled to a pro-rata portion of PSUs upon such Named Executive Officer's death.

(4) The amount of PEP and Savings Restoration Plan benefits included in the table represents the present value of those benefits which would have been payable upon death.

Disability

Compensation Element	Mr. Thigpen U.S.$	Mr. Mey U.S.$	Mr. Stobart U.S.$	Mr. Davis U.S.$	Mr. Long U.S.$
Non-Equity Incentive Compensation [1]	1,992,000	1,072,360	1,112,200	684,750	610,050
Equity Incentive Compensation					
Vested Stock Options	—	—	—	—	—
Unvested Stock Options[2]	1,434,156	600,979	603,713	450,733	358,538
Time-based Restricted Share Units[2]	5,375,914	3,017,440	1,532,901	831,881	1,031,122
Performance-based Units[3]	4,661,911	1,829,034	1,710,522	683,569	543,750
Pension Equalization Plan[4]	—	—	232,003	—	—
Disability Benefit[5]	—	—	—	—	—
Savings Restoration Plan	—	—	—	—	—
Total Potential Payments	**13,463,981**	**6,519,813**	**5,191,339**	**2,650,933**	**2,543,460**

(1) The potential non-equity incentive plan compensation payments under this “Disability” scenario would be the same as contemplated under the “Death” scenario described above.

(2) Unvested stock options and RSUs vest immediately upon disability.

(3) Each Named Executive Officer is entitled to a pro-rata portion of the PSUs upon disability.

(4) The amount of PEP benefits included in the table represents the present value of those benefits which would have been payable upon disability.

(5) None of our Named Executive Officers are eligible for any disability benefits beyond those benefits that are available generally to all of our salaried employees.

Retirement

Compensation Element	Mr. Thigpen U.S.$	Mr. Mey U.S.$	Mr. Stobart U.S.$	Mr. Davis U.S.$	Mr. Long U.S.$
Non-Equity Incentive Compensation	1,992,000	1,072,360	1,112,200	684,750	610,050
Equity Incentive Compensation					
Vested Stock Options	—	—	—	—	—
Unvested Stock Options	—	—	—	—	—
Time-based Restricted Share Units	3,942,321	2,416,698	929,431	381,327	672,721
Performance-based Units[1]	4,661,911	1,829,034	1,710,522	683,569	543,750
Pension Equalization Plan[2]	—	—	232,003	—	—
Savings Restoration Plan[2]	—	—	245,178	—	—
Total Potential Payments	**10,596,232**	**5,318,092**	**4,229,334**	**1,749,646**	**1,826,521**

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

(2) The amount of PEP and Savings Restoration Plan benefits included in the table represents the present value of those benefits, which would have been payable upon retirement.

Change of Control

Compensation Element	Mr. Thigpen U.S.$	Mr.Mey U.S.$	Mr.Stobart U.S.$	Mr. Davis(1) U.S.$	Mr. Long(1) U.S.$
Cash Severance Payment	—	—	—	550,000	525,000
Non-Equity Incentive Compensation	1,992,000	1,072,360	1,112,200	684,750	610,050
Equity Incentive Compensation					
Vested Stock Options	—	—	—	—	—
Unvested Stock Options (2)	1,434,156	600,979	603,713	450,733	358,538
Time-based Restricted Share Units (2)	5,375,914	3,017,440	1,532,901	831,881	1,031,122
Performance-based Units (3)	6,678,679	2,688,989	2,513,494	1,270,691	1,010,781
Pension Equalization Plan(4)	—	—	232,003	—	—
Outplacement Services	—	—	—	27,500	26,250
Savings Restoration Plan(4)	—	—	245,178	—	—
Total Potential Payments	**15,480,749**	**7,379,768**	**6,239,489**	**3,815,555**	**3,288,741**

(1) Any termination in connection with a change of control as of December 31, 2016, would have been calculated under the executive severance benefit policy and the Performance Award and Cash Bonus Plan.

(2) Unvested stock options and RSUs vest immediately upon a change of control termination.

(3) Each Named Executive Officer is entitled to the number of PSUs equal to the target award upon a change of control termination.

(4) The amount of PEP and Savings Restoration Plan benefits included in the table represents the present value of those benefits which would have been payable upon Change of Control termination.

EQUITY COMPENSATION PLAN INFORMATION

The following table provides information concerning securities authorized for issuance under our equity compensation plans as of December 31, 2016.

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) (U.S.$)	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]	1,722,677	74.41	21,244,829
Equity compensation plans not approved by security holders[2]			
Total	1,722,677	74.41	21,244,829

(1) Restricted shares and deferred units are included in the awards we may grant as under the long-term incentive plans, and 3,732,575 shares are available for future issuance pursuant to grants of restricted shares and deferred units.

(2) 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 Corporation in 2007, 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 U.S. $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, 2015 and December 31, 2014, our directors held 18,156 and 20,275 share equivalents under the plan, respectively.

OTHER MATTERS

Compensation Committee Interlocks and Insider Participation

The members of the Compensation Committee of the Board of Directors during 2016 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 2016, 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 2016 other than a Form 4 that was filed on behalf of Mr. Howard E. Davis, the Company's Executive Vice President, Chief Administrative Officer and Chief Information Officer, on November 16, 2016, with respect to the vesting of certain restricted units on August 17, 2016.

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 +1 (713) 232-7500. 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 Exchange Act 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 2018 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 5:00 p.m. Swiss time on November 17, 2017. However, if the date of the 2018 Annual General Meeting changes by more than 30 days from the anniversary of the 2017 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 5:00 p.m. Swiss time on February 15, 2018, for the 2018 annual meeting unless it is more than 30 calendar days before or after May 11, 2017.

In order for the notice to be considered timely under Rule 14a-4(c) of the Exchange Act, proposals must be received no later than 5:00 p.m. Swiss time on February 15, 2018. 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 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 D.F. King & Co., Inc. (New York) for a fee of U.S. $15,000, 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 letter to shareholders and in the section entitled "Compensation Discussion and Analysis—Executive Summary—2016 Business Overview," regarding future financial performance, results of operations, liquidity, stacking of assets and the market 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 Exchange Act. Forward-looking statements are subject to numerous risks, uncertainties and assumptions, including, but not limited to, the future prices of oil and gas, operating hazards and delays, actions by customers and other third parties, conditions in the drilling industry and in the capital markets and those described under "Item 1A. Risk Factors" in the 2016 Annual Report and in our other 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.

APPENDIX A

Transocean Ltd. and subsidiaries
Non-GAAP Financial Measures and Reconciliations
Earnings Before Interest, Taxes and Depreciation and Related Margins

	YTD 12/31/16	QTD 12/31/16	YTD 09/30/16	QTD 09/30/16	YTD 06/30/16	QTD 06/30/16	QTD 03/31/16
Operating revenues	4,161	974	3,187	906	2,281	940	1,341
Drilling contract termination fees	(396)	(169)	(227)	(9)	(218)	(9)	(209)
Adjusted Normalized Revenues	3,765	805	2,960	897	2,063	931	1,132
Net income	827	257	570	236	334	93	241
Income tax expense (benefit)	107	(15)	122	6	116	18	98
Interest expense, net of interest income	389	108	281	104	177	94	83
Depreciation expense	893	226	667	225	442	225	217
EBITDA	2,216	576	1,640	571	1,069	430	639
Restructuring charges	28	11	17	4	13	8	5
Litigation matters	(30)	(30)	—	—	—	—	—
Loss on impairment of assets	93	67	26	11	15	12	3
Gain on disposal of assets, net	(13)	(5)	(8)	(3)	(5)	(4)	(1)
Gain on retirement of debt	(148)	—	(148)	(110)	(38)	(38)	—
(Income) loss from discontinued operations, net of tax	—	—	—	—	—	(1)	1
Adjusted EBITDA	2,146	619	1,527	473	1,054	407	647
Drilling contract termination fees	(396)	(169)	(227)	(9)	(218)	(9)	(209)
Adjusted Normalized EBITDA	1,750	450	1,300	464	836	398	438
EBITDA margin	53%	59%	51%	63%	47%	46%	48%
Adjusted EBITDA margin	52%	64%	48%	52%	46%	43%	48%
Adjusted Normalized EBITDA margin	46%	56%	44%	52%	41%	43%	39%

In December 2016, we identified errors in our previously reported consolidated financial statements related to the measurement of deferred taxes. As a result, we have revised our previously reported amounts presented above. Please see our annual report on Form 10-K for the year ended December 31, 2016.

Transocean Ltd. and subsidiaries
Non-GAAP Financial Measures and Reconciliations
Earnings Before Interest, Taxes and Depreciation and Related Margins

	YTD 12/31/15	QTD 12/31/15	YTD 09/30/15	QTD 09/30/15	YTD 06/30/15	QTD 06/30/15	QTD 03/31/15
Operating revenues	7,386	1,851	5,535	1,608	3,927	1,884	2,043
Drilling contract termination fees	(433)	(367)	(66)	—	(66)	(66)	—
Adjusted Normalized Revenues	6,953	1,484	5,469	1,608	3,861	1,818	2,043
Net income (loss)	897	622	275	395	(120)	341	(461)
Income tax expense (benefit)	120	53	67	(36)	103	34	69
Interest expense, net of interest income	410	82	328	104	224	114	110
Depreciation expense	963	213	750	210	540	249	291
EBITDA	2,390	970	1,420	673	747	738	9
Restructuring charges	47	27	20	3	17	12	5
Litigation matters	(788)	—	(788)	—	(788)	(788)	—
Loss on impairment of assets	1,875	31	1,844	13	1,831	895	936
Gain on disposal of assets, net	(14)	(7)	(7)	(1)	(6)	(4)	(2)
Gain on retirement of debt	(23)	(16)	(7)	(7)	—	—	—
(Income) loss from discontinued operations, net of tax	(3)	—	(3)	(3)	—	(1)	1
Adjusted EBITDA	3,484	1,005	2,479	678	1,801	852	949
Drilling contract termination fees	(433)	(367)	(66)	—	(66)	(66)	—
Adjusted Normalized EBITDA	3,051	638	2,413	678	1,735	786	949
EBITDA margin	32%	52%	26%	42%	19%	39%	—
Adjusted EBITDA margin	47%	54%	45%	42%	46%	45%	46%
Adjusted Normalized EBITDA margin	44%	43%	44%	42%	45%	43%	46%

In December 2016, we identified errors in our previously reported consolidated financial statements related to the measurement of deferred taxes. As a result, we have revised our previously reported amounts presented above. Please see our annual report on Form 10-K for the year ended December 31, 2016.

TRANSOCEAN LTD.

COMPENSATION REPORT
For the years ended December 31, 2016 and 2015

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

To the General Meeting of

Transocean Ltd., Steinhausen

Zurich, March 13, 2017

Report of the statutory auditor on the compensation report

We have audited the compensation report (pages CR-2 to CR-6) of Transocean Ltd. for the year ended December 31, 2016.

Responsibility of the Board of Directors

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, 2016 of Transocean Ltd. complies with Swiss law and articles 14—16 of the Ordinance.

Ernst & Young Ltd

/s/ Jolanda Dolente	/s/ Jennifer Mathias
Licensed audit expert	Certified public accountant
(Auditor in charge)	

General

Transocean Ltd. ("Transocean", "we", "us", or "our") is the parent company of Transocean Inc., Transocean Management Ltd., and Transocean Management Services GmbH., our direct wholly-owned subsidiaries. Transocean is registered with the commercial register in the canton of Zug, and its shares are listed on the New York Stock Exchange ("NYSE"). We are thus bound by the legal and regulatory requirements of both the United States of America ("U.S.") and Switzerland. Our shares were previously listed on the SIX Swiss Exchange ("SIX"). Effective on March 31, 2016, at our request, our shares were delisted from the SIX.

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 years ended December 31, 2016 and 2015. For a description of our governance framework relating to executive and director compensation, please refer to page P-30 et seq. of our 2017 Proxy Statement under the caption "Executive and Director Compensation Process." For a description of our directors' compensation principles, please refer to page P-34 et seq. of our 2017 Proxy Statement under the captions "Director Compensation Strategy" and "2016 Director Compensation." For a description of our Executive Management Team compensation principles, please refer to page P-40 et seq. of our 2017 Proxy Statement under the caption "Compensation Discussion and Analysis."

For the years ended December 31, 2016 and 2015, we have presented all compensation amounts in U.S. dollars and Swiss francs using the average annual currency exchange rate of USD 1.00 to CHF 0.98 and CHF 0.96, respectively.

Board of Directors' Compensation

Our Board of Directors is paid in U.S. dollars and our non-employee directors were eligible to receive compensation as follows:

	Year ended December 31, 2016		Year ended December 31, 2015	
	Payment currency	Swiss franc equivalent	Payment currency	Swiss franc equivalent
Annual retainer for non-executive chairman	USD 325,000	CHF 318,500	USD 325,000	CHF 312,000
Annual retainer for non-executive vice-chairman	—	—	—	—
Annual retainer for non-employee directors	100,000	98,000	100,000	96,000
Annual award of restricted share units for non-executive chairman	325,000	318,500	325,000	312,000
Annual award of restricted share units for non-executive vice-chairman	—	—	—	—
Annual award of restricted share units for non-employee directors	210,000	205,800	210,000	201,600
Additional annual retainer for committee chairmen:				
Audit committee	35,000	34,300	35,000	33,600
Compensation committee	20,000	19,600	20,000	19,200
Corporate governance committee, finance committee, and health, safety and environment committee	10,000	9,800	10,000	9,600

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. Our directors who are our employees do not receive compensation for board service. With the exception of Jeremy D. Thigpen, all of the directors on our Board of Directors receive compensation as non-employees. Ian Strachan served both as a member of the Executive Management Team from February 16, 2015 to April 22, 2015 and as a member of our Board of Directors until May 15, 2015. No director served in the position of non-executive vice chairman for the years ended December 31, 2015 and December 31, 2016.

We grant restricted share units to the non-executive chairman and each non-employee director annually with an aggregate value of USD 325,000 and USD 210,000, respectively, based upon the average of the high and low market prices of our shares for each of the 10 trading days preceding the date of grant. The restricted share 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 restricted share 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 us hold such vested units, or shares attributable to such vested units, until the director no longer serves on the board.

Certain members of our Board of Directors received compensation for service on the Board of Directors of Transocean Partners LLC ("Transocean Partners"), our consolidated subsidiary. On December 9, 2016, Transocean Partners completed a merger with one of our subsidiaries as contemplated under the Agreement and Plan of Merger, dated July 31, 2016, and as amended on November 21, 2016. Following the completion of the merger, Transocean Partners continued as the surviving company and is a wholly owned indirect subsidiary of Transocean Ltd.

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

	Year ended December 31, 2016				Year ended December 31, 2015			
Name and function	**Total compensation for board membership**	**Fees earned (a)**	**Restricted share units (value) (b)**	**Restricted share units (quantity)**	**Total compensation for board membership**	**Fees earned (a)**	**Restricted share units (value) (b)**	**Restricted share units (quantity)**
Merrill A. "Pete" Miller, Jr (c) Chairman of the board since May 15, 2015; vice chairman of the board from November 14, 2014 until May 15, 2015; member of the board since September 22, 2014	CHF 601,509 USD 613,785	CHF 318,500 USD 325,000	CHF 283,009 USD 288,785	31,220	CHF 633,282 USD 659,669	CHF 298,580 USD 311,021	CHF 334,702 USD 348,648	16,770
Glyn Barker (d) 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	315,168 321,600	132,300 135,000	182,868 186,600	20,173	360,149 375,155	143,880 149,875	216,269 225,280	10,836
Vanessa C.L. Chang (c) Member of the board; member of the audit and finance committees	280,868 286,600	98,000 100,000	182,868 186,600	20,173	330,958 344,748	114,689 119,468	216,269 225,280	10,836
Frederico F. Curado (e) Member of the board; member of the compensation committee; member of the audit committee since May 16, 2014; member of the health, safety and environment committee until May 16, 2014	280,868 286,600	98,000 100,000	182,868 186,600	20,173	325,170 338,719	108,901 113,439	216,269 225,280	10,836
Chad Deaton (c) Member of the board; chairman of the health, safety and environment committee since May 16, 2014 and a prior member of such committee ; member of the corporate governance committee; member of the audit committees until May 16, 2014	290,668 296,600	107,800 110,000	182,868 186,600	20,173	340,558 354,748	124,289 129,468	216,269 225,280	10,836
Tan Ek Kia (f) Member of the board; chairman of the compensation committee ; member of the health, safety and environment committee	300,468 306,600	117,600 120,000	182,868 186,600	20,173	353,956 368,704	137,687 143,424	216,269 225,280	10,836
Vincent J. Intrieri (c) Member of the board, member of the corporate governance and compensation committees since May 16, 2014; member of finance committee since May 12, 2016	280,868 286,600	98,000 100,000	182,868 186,600	20,173	320,372 333,721	104,103 108,441	216,269 225,280	10,836
Martin B. McNamara (c) Member of the board; chairman of the corporate governance committee and member of the compensation committee	290,668 296,600	107,800 110,000	182,868 186,600	20,173	358,571 373,512	142,302 148,232	216,269 225,280	10,836
Samuel Merksamer (c)(g) Member of the board; member of the finance and health, safety and environment committees	280,868 286,600	98,000 100,000	182,868 186,600	20,173	325,170 338,719	108,901 113,439	216,269 225,280	10,836
Edward R. Muller (c) Member of the board; chairman of the finance committee; member of the health, safety and environment committee since May 16, 2014; member of the corporate governance committee until May 16, 2014	290,668 296,600	107,800 110,000	182,868 186,600	20,173	353,397 368,122	137,128 142,842	216,269 225,280	10,836
Ian C. Strachan (h) Chairman of the board until May 15, 2015	— —	— —	— —	—	157,001 163,543	157,001 163,543	— —	—
Total (CHF) Total (USD)	CHF 3,212,621 USD 3,278,185	CHF 1,283,800 USD 1,310,000	CHF 1,928,821 USD 1,968,185	212,777	CHF 3,858,584 USD 4,019,360	CHF 1,577,461 USD 1,643,192	CHF 2,281,123 USD 2,376,168	114,294

(a) Fees earned include retainer fees, dividend equivalents paid on vested or accrued on unvested restricted share units. In the year ended December 31, 2016, no dividend equivalents were earned. In the year ended December 31, 2015, dividend equivalents of USD 218,568, equivalent to CHF 214,197 were paid or accrued.

(b) For the years ended December 31, 2016 and 2015, we estimated the fair value of restricted share units to be USD 9.25 and USD 20.79, respectively, equivalent to CHF 9.07 and CHF 19.96, respectively, based on the market price of our shares as reported on the NYSE on the grant date.

(c) Total compensation is not subject to employer-paid social taxes.

(d) In addition to the total compensation presented above, Mr. Barker received compensation as follows: (i) employer-paid U.K. social tax contributions on Transocean compensation, (ii) fees for service on the Board of Directors of Transocean Partners, (iii) equity-based compensation for service on the Board of Directors of Transocean Partners, and (iv) employer-paid U.K. social taxes on Transocean Partners compensation. In the years ended December 31, 2016 and 2015, such employer-paid social taxes on Transocean compensation were USD 19,079 and USD 20,234, respectively, equivalent to CHF 18,697 and CHF 19,425, respectively. In the years ended December 31, 2016 and 2015, such fees for service on the Board of Directors of Transocean Partners were USD 69,164 and USD 125,001, respectively, equivalent to CHF 67,781 and CHF 120,001, respectively. In the years ended December 31, 2016 and 2015, such equity-based compensation for service on the Board of Directors of Transocean Partners was USD 77,589 and USD 75,148, respectively, equivalent to CHF 76,037 and CHF 72,142, respectively. In the years ended December 31, 2016 and 2015, such employer-paid social taxes on Transocean Partners compensation were USD 32,667 and USD 15,200, respectively, equivalent to CHF 32,014 and CHF 14,592, respectively.

(e) In addition to the total compensation presented above, Mr. Curado received compensation representing employer-paid Swiss social taxes In the years ended December 31, 2016 and 2015, such employer-paid social taxes were USD 8,265 and USD 8,870, respectively, equivalent to CHF 8,100 and CHF 8,515, respectively.

(f) In addition to the total compensation presented above, Mr. Tan received compensation representing employer-paid Swiss social taxes. In the years ended December 31, 2016 and 2015, such employer-paid social taxes were USD 9,866 and USD 11,284, respectively, equivalent to CHF 9,669 and CHF 10,833, respectively.

(g) In addition to the total compensation presented above, Mr. Merksamer received fees for service on the Board of Directors of Transocean Partners. In the years ended December 31, 2016 and 2015, such fees were USD 24,935 and USD 120,549, respectively, equivalent to CHF 24,436 and CHF 115,727, respectively. In the year ended December 31, 2015, Mr. Merksamer also received equity-based compensation for service on the Board of Directors of Transocean Partners, and such equity-based compensation was USD 75,148, equivalent to CHF 72,142.

(h) In addition to the total compensation presented above for the year ended December 31, 2015, Mr. Strachan received compensation representing employer-paid U.K. social tax contributions of USD 121,527, equivalent to CHF 116,666. No compensation was paid to Mr. Strachan in the year ended December 31, 2016.

Executive Management Team Compensation

Overview

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

Name and function	Year ended December 31, 2016: Total salary and other non share-based compensation	Year ended December 31, 2016: Total share-based compensation	Year ended December 31, 2016: Total compensation	Year ended December 31, 2015: Total salary and other non share-based compensation	Year ended December 31, 2015: Total share-based compensation	Year ended December 31, 2015: Total compensation
Jeremy D. Thigpen	CHF 3,545,811	CHF 5,442,429	CHF 8,988,240	CHF 2,727,847	CHF 7,670,807	CHF 10,398,654
Chief Executive Officer since April 22, 2015	USD 3,618,174	USD 5,553,499	USD 9,171,673	USD 2,841,581	USD 7,990,424	USD 10,832,005
Mark-Anthony Lovell Mey	2,333,812	2,280,639	4,614,451	1,832,538	4,991,359	6,823,897
Executive Vice President and Chief Financial Officer since May 28, 2015	2,381,441	2,327,183	4,708,624	1,908,617	5,199,332	7,107,949
John B. Stobart	2,282,141	2,291,000	4,573,141	2,173,143	1,780,147	3,953,290
Executive Vice President and Chief Operating Officer	2,328,715	2,337,756	4,666,471	2,263,691	1,854,320	4,118,011
Ian C. Strachan Interim Chief Executive Officer from February 16, 2015 to April 22, 2015 and	—	—	—	770,913	—	770,913
member of the Board of Directors until May 15, 2015	—	—	—	803,034	—	803,034
Steven L. Newman President and Chief Executive Officer until February 16, 2015; and member of the	—	—	—	10,406,199	—	10,406,199
board until February 16, 2015	—	—	—	10,839,790	—	10,839,790
Esa Ikäheimonen	—	—	—	2,235,520	1,948,504	4,184,024
Executive Vice President and Chief Financial Officer until May 27, 2015	—	—	—	2,328,667	2,029,692	4,358,359
Total (CHF)	CHF 8,161,764	CHF 10,014,068	CHF 18,715,832	CHF 20,146,160	CHF 16,390,817	CHF 36,536,977
Total (USD)	USD 8,328,330	USD 10,218,438	USD 18,546,768	USD 20,985,380	USD 17,073,768	USD 38,059,148

Salary and other non-share-based compensation

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, 2016: Base salary	Bonus (a)	Additional compensation (b)	Employer's pension contributions	Retirement and social security benefits (c)	Total salary and other non share-based compensation
Jeremy D. Thigpen	CHF 980,000	CHF 1,952,160	CHF 319,004	CHF 212,125	CHF 82,522	CHF 3,545,811
	USD 1,000,000	USD 1,992,000	USD 325,514	USD 216,455	USD 84,205	USD 3,618,174
Mark-Anthony Lovell Mey	744,800	1,050,913	346,304	127,416	64,379	2,333,812
	760,000	1,072,360	353,372	130,016	65,693	2,381,441
John B. Stobart	656,600	1,089,956	317,144	157,584	60,857	2,282,141
	670,000	1,112,200	323,616	160,800	62,099	2,328,715
Total (CHF)	CHF 2,381,400	CHF 4,093,029	CHF 982,452	CHF 497,125	CHF 207,758	CHF 8,161,764
Total (USD)	USD 2,430,000	USD 4,176,560	USD 1,002,502	USD 507,271	USD 211,997	USD 8,328,330

(a) Bonus represents the amount earned in the year ended December 31, 2016, but not paid as of December 31, 2016.

(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) Includes employer-paid social taxes and costs of health benefits, such as medical and dental insurance. Through December 31, 2016, Mr. Stobart has accrued benefits of USD 232,003, equivalent to CHF 227,363, under the Transocean Ltd. Pension Equalization Plan and USD 94,417, equivalent to CHF 92,529, under the Transocean U.S. Retirement Plan.

Name		Year ended December 31, 2015					
		Base salary	Bonus (a)	Additional compensation (b)	Employer's pension contributions	Retirement and social security benefits (c)	Total salary and other non share-based compensation
Jeremy D. Thigpen	CHF	665,455	1,117,963	831,775	66,545	46,109	2,727,847
	USD	693,182	1,164,545	866,432	69,318	48,104	2,841,581
Mark-Anthony Lovell Mey		431,680	518,556	797,141	43,168	41,993	1,832,538
		449,667	540,162	830,355	44,967	43,466	1,908,617
John B. Stobart		643,200	900,480	437,886	127,549	64,028	2,173,143
		670,000	938,000	456,131	132,864	66,696	2,263,691
Ian C. Strachan		677,428	—	—	—	93,485	770,913
		705,654	—	—	—	97,380	803,034
Steven L. Newman (d)		500,000	—	9,675,537	14,560	216,102	10,406,199
		520,833	—	10,078,684	15,167	225,106	10,839,790
Esa Ikäheimonen (d)		469,680	—	1,347,683	82,034	336,123	2,235,520
		489,250	—	1,403,836	85,452	350,129	2,328,667
Total (CHF)	CHF	3,387,443	2,536,999	13,090,022	333,856	797,840	20,146,160
Total (USD)	USD	3,528,586	2,642,707	13,635,438	347,768	830,881	20,985,380

(a) Bonus represents the amount earned in the year ended December 31, 2015, but not paid as of December 31, 2015.

(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) Includes employer-paid social taxes and costs of health benefits, such as medical and dental insurance. Additionally, beginning in 2015, amounts include service costs under retirement plans accumulated in 2015. Through the end of fiscal year 2015, Mr. Stobart has accrued benefits of USD 233,079, equivalent to CHF 223,756, under the Transocean Ltd. Pension Equalization Plan and USD 92,972, equivalent to CHF 89,253, under the Transocean U.S. Retirement Plan.

(d) Additional compensation for Mr. Newman and Mr. Ikäheimonen includes payments for which they were eligible pursuant to their respective employment agreements of December 13, 2013 upon termination of their employment relationship.

Share-based compensation

We granted to the members of our Executive Management Team share-based compensation awards under our long-term incentive plans. As presented below, 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 taxes at the statutory rate prevailing at the time income is earned.

To measure the fair values of stock options 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. To measure the fair values of granted or modified service-based restricted share units, we use the market price of our shares on the grant date or modification date. To measure the fair values of granted or modified performance share units that are subject to market factors, such as total shareholder return, we use a Monte Carlo simulation model and, in addition to the assumptions applied for the Black-Scholes-Merton option-pricing model, we apply assumptions using a risk neutral approach and the average price at the performance start date.

In the years ended December 31, 2016 and 2015, we granted performance share units to members of our Executive Management Team. Such performance share units are subject to a three-year performance period during which the actual number of units remain uncertain. The number of performance share units presented below represents the targeted number of shares awarded. The actual number of share units earned will be determined in the first 60 days following the performance period based on performance thresholds and may range between zero and two shares per performance share unit.

Share-based compensation awards were granted as follows:

Name	Year ended December 31, 2016							
	Stock options		Restricted share units		Performance share units			Total share-based compensation
	Options (a)	Fair value	Units (a)	Fair value	Units (a)(b)	Fair value		
Jeremy D. Thigpen	233,957	CHF 1,167,024	137,147	CHF 1,157,219	274,295	CHF 3,118,186	CHF	5,442,429
		USD 1,190,841		USD 1,180,836		USD 3,181,822	USD	5,553,499
Mark-Anthony Lovell Mey	98,039	489,038	57,471	484,929	114,943	1,306,672		2,280,639
		499,019		494,825		1,333,339		2,327,183
John B. Stobart	98,485	491,263	57,732	487,131	115,465	1,312,606		2,291,000
		501,289		497,073		1,339,394		2,337,756
Total (CHF)		CHF 2,147,325		CHF 2,129,279		CHF 5,737,464	CHF	10,014,068
Total (USD)	430,481	USD 2,191,149	252,350	USD 2,172,734	504,703	USD 5,854,555	USD	10,218,438

(a) We granted stock options, restricted share units and performance share units to the members of our Executive Management Team on February 11, 2016.

(b) The three-year performance period is January 1, 2016 to December 31, 2018 and is based on our total shareholder return relative to our performance peer group.

	Year ended December 31, 2015				
	Restricted share units		Performance share units		Total share-based compensation
Name	Units (a)	Fair value	Units (b)	Fair value	
Jeremy D. Thigpen	341,353	CHF 5,521,726	178,804	CHF 2,149,081	CHF 7,670,807
		USD 5,751,798		USD 2,238,626	USD 7,990,424
Mark-Anthony Lovell Mey	220,859	4,030,588	67,485	960,770	4,991,358
		4,198,530		1,000,803	5,199,333
John B. Stobart	55,057	1,006,882	55,057	773,265	1,780,147
		1,048,836		805,484	1,854,320
Esa Ikäheimonen	60,264	1,102,108	60,264	846,396	1,948,504
		1,148,029		881,662	2,029,691
Total (CHF)	677,533	CHF 11,661,305	361,610	CHF 4,729,512	CHF 16,390,816
Total (USD)		USD 12,147,193		USD 4,926,575	USD 17,073,768

(a) We granted restricted share units to the members of our Executive Management Team as follows: Messrs. Ikäheimonen and Stobart on February 13, 2015; Mr. Thigpen on April 22, 2015; and Mr. Mey on May 28, 2015.

(b) The three-year performance period is January 1, 2015 to December 31, 2017 and is based on our total shareholder return relative to our performance peer group and our performance against established targets for return on capital employed.

Messrs. Newman and Strachan did not receive share-based compensation in 2015.

Credits and Loans Granted to Governing Bodies

In compliance with Article 29f paragraph 1 of our Articles of Association, which our shareholders 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 two-year period ended December 31, 2016. At December 31, 2016 and 2015, 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, 2016 and 2015, 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.

TRANSOCEAN LTD.

CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2016, 2015 and 2014

TRANSOCEAN LTD. AND SUBSIDIARIES
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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 and Section 21E of the U.S. Securities Exchange Act of 1934. 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 effects of declines in commodity prices, supply and demand, utilization rates, dayrates, customer drilling programs, stacking of rigs, reactivation of rigs, effects of new rigs on the market, the impact of enhanced regulations in the jurisdictions in which we operate and changes 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, early termination payments, 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, and interest rates;
- 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;
- effects of remediation efforts to address the material weakness discussed in "Part II. Item 9A. Controls and Procedures";
- the cost and timing of acquisitions and the proceeds and timing of dispositions;
- the optimization of rig-based spending;
- 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, Nigeria, 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"
- "believes"
- "budgets"
- "could"
- "estimates"
- "expects"
- "forecasts"
- "intends"
- "may"
- "might"
- "plans"
- "predicts"
- "projects"
- "scheduled"
- "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 cancellation of drilling contracts currently included in our reported contract backlog;
- the effectiveness of our remediation efforts with respect to the material weakness discussed in "Part II. Item 9A. Controls and Procedures";
- losses on impairment of long-lived assets;
- 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*.

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, except as required by law.

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 9, 2017, we owned or had partial ownership interests in and operated 56 mobile offshore drilling units. As of February 9, 2017, our fleet consisted of 30 ultra-deepwater floaters, seven harsh environment floaters, three deepwater floaters, six midwater floaters and 10 high-specification jackups. At February 9, 2017, we also had four 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 under the symbol "RIG" (see "—Recent Developments"). 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 21—Operating Segments, Geographic Analysis and Major Customers."

Recent Developments

Transocean Partners—On December 9, 2016, Transocean Partners LLC ("Transocean Partners") completed a merger with one of our subsidiaries as contemplated under the Agreement and Plan of Merger (the "Merger Agreement"), dated July 31, 2016, and as amended on November 21, 2016. Following the completion of the merger, Transocean Partners became a wholly owned indirect subsidiary of Transocean Ltd. Each Transocean Partners common unit that was issued and outstanding immediately prior to the closing, other than the units held by Transocean and its subsidiaries, was converted into the right to receive 1.20 of our shares. To complete the merger, we issued 23.8 million shares from conditional capital.

Markets for our shares—Our shares were previously listed on the SIX Swiss Exchange ("SIX") under the symbol "RIGN". Effective March 31, 2016, at our request, our shares were delisted from the SIX.

Drilling Fleet

Fleet overview—Our drilling fleet can be generally characterized as follows: (1) floaters, including drillships and semisubmersibles, and (2) jackups. Most of our drilling equipment is suitable for both exploration and development, and we normally engage in both types of drilling activity. 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 drill pipe, riser and drilling supplies.

Drillships are generally self-propelled vessels, shaped like conventional ships, and are the most mobile of the major rig types. All of our drillships are ultra-deepwater capable and 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. These rigs typically have greater deck load and storage capacity than early generation semisubmersible rigs, which provides logistical and resupply efficiency benefits for customers. Drillships are generally better suited to operations in calmer sea conditions and typically do not operate in areas considered to be harsh environments. We have 15 ultra-deepwater drillships that are, and four 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 dual derrick to allow these drillships to perform simultaneous drilling tasks in a parallel, rather than a 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, our four 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 partially submerged by means of a water ballast system such that the lower column sections and pontoons 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 capable of operating in rougher sea conditions than drillships. 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 that are designed for mild environments and are equipped with the tri-act derrick. The tri-act derrick, which was designed to reduce overall well construction costs since 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. Five of our 23 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) "ultra-deepwater floaters," (2) "harsh environment floaters," (3) "deepwater floaters," (4) "midwater floaters" and (5) "high-specification jackups."

Ultra-deepwater floaters are equipped with high-pressure mud pumps and are capable of drilling in water depths of 7,500 feet or greater. 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. Deepwater floaters are generally those other semisubmersible rigs and drillships capable of drilling in water depths between 4,500 and 7,500 feet. 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 9, 2017, we owned and operated a fleet of 56 rigs, excluding rigs under construction, as follows:

- 30 ultra-deepwater floaters;
- Seven harsh environment floaters;
- Three deepwater floaters;
- Six 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 approximately 30 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.

Drilling units—The following tables, presented as of February 9, 2017, 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 9, 2017, 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 (9)

Name	Type	Expected completion	Water depth capacity (in feet)	Drilling depth capacity (in feet)	Contracted location or contracted status
Ultra-deepwater floaters					
Deepwater Pontus (a) (b) (c) (d) (e)	HSD	4Q 2017	12,000	40,000	To be determined
Deepwater Poseidon (a) (b) (c) (d) (e)	HSD	1Q 2018	12,000	40,000	To be determined
Ultra-deepwater drillship TBN1 (a) (b) (d) (e)	HSD	1Q 2020	12,000	40,000	Uncontracted
Ultra-deepwater drillship TBN2 (a) (b) (d) (e)	HSD	3Q 2020	12,000	40,000	Uncontracted
High-specification jackups					
Transocean Cassiopeia	Jackup	1Q 2020	400	35,000	Uncontracted
Transocean Centaurus	Jackup	2Q 2020	400	35,000	Uncontracted
Transocean Cepheus	Jackup	3Q 2020	400	35,000	Uncontracted
Transocean Cetus	Jackup	4Q 2020	400	35,000	Uncontracted
Transocean Circinus	Jackup	4Q 2020	400	35,000	Uncontracted

"HSD" means high-specification drillship.
(a) To be dynamically positioned.
(b) To be equipped with dual-activity.
(c) To be an Enterprise-class or Enhanced Enterprise-class rig.
(d) Designed to accommodate a future upgrade to a 20,000 pounds psi blowout preventer.
(e) To be equipped with two blowout preventers.

Ultra-deepwater floaters (30)

Name	Type	Year entered service/ upgraded (a)	Water depth capacity (in feet)	Drilling depth capacity (in feet)	Contracted location or standby status
Deepwater Conqueror (b) (c) (d) (e) (f)	HSD	2016	12,000	40,000	U.S. Gulf
Deepwater Proteus (b) (c) (d) (e) (f)	HSD	2016	12,000	40,000	U.S. Gulf
Deepwater Thalassa (b) (c) (d) (e) (f)	HSD	2016	12,000	40,000	U.S. Gulf
Deepwater Asgard (b) (c) (d) (f)	HSD	2014	12,000	40,000	Idle
Deepwater Invictus (b) (c) (d) (f)	HSD	2014	12,000	40,000	U.S. Gulf
Deepwater Champion (b) (c)	HSD	2011	12,000	40,000	Stacked
Discoverer Inspiration (b) (c) (d) (f)	HSD	2010	12,000	40,000	U.S. Gulf
Discoverer India (b) (c) (d)	HSD	2010	12,000	40,000	Idle
Discoverer Americas (b) (c) (d)	HSD	2009	12,000	40,000	Stacked
Discoverer Clear Leader (b) (c) (d) (f)	HSD	2009	12,000	40,000	U.S. Gulf
Petrobras 10000 (b) (c)	HSD	2009	12,000	37,500	Brazil
Dhirubhai Deepwater KG2 (b)	HSD	2010	12,000	35,000	Mayanmar
Dhirubhai Deepwater KG1 (b)	HSD	2009	12,000	35,000	Brazil
Discoverer Deep Seas (b) (c) (d)	HSD	2001	10,000	35,000	Stacked
Discoverer Spirit (b) (c) (d)	HSD	2000	10,000	35,000	Stacked
GSF C.R. Luigs (b)	HSD	2000	10,000	35,000	Stacked
GSF Jack Ryan (b)	HSD	2000	10,000	35,000	Stacked
Discoverer Enterprise (b) (c) (d)	HSD	1999	10,000	35,000	Stacked
Deepwater Discovery (b)	HSD	2000	10,000	30,000	Stacked
Deepwater Frontier (b)	HSD	1999	10,000	30,000	Stacked
Deepwater Millennium (b)	HSD	1999	10,000	30,000	Stacked
Deepwater Pathfinder (b)	HSD	1998	10,000	30,000	Stacked
Cajun Express (b) (g)	HSS	2001	8,500	35,000	Stacked
Deepwater Nautilus (h)	HSS	2000	8,000	30,000	Malaysia
Discoverer Luanda (b) (c) (d) (h)	HSD	2010	7,500	40,000	Angola
Development Driller III (b) (c)	HSS	2009	7,500	37,500	Idle
GSF Development Driller II (b) (c)	HSS	2005	7,500	37,500	Stacked
GSF Development Driller I (b) (c)	HSS	2005	7,500	37,500	Stacked
Sedco Energy (b) (g)	HSS	2001	7,500	35,000	Stacked
Sedco Express (b) (g)	HSS	2001	7,500	35,000	Stacked

"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) Designed to accommodate a future upgrade to a 20,000 pounds psi blowout preventer.
(f) Two blowout preventers.
(g) Tri-act derrick.
(h) Owned through our 65 percent interest in Angola Deepwater Drilling Company Limited ("ADDCL").

Harsh environment floaters (7)

Name	Type	Year entered service/ upgraded (a)	Water depth capacity (in feet)	Drilling depth capacity (in feet)	Contracted location or standby status
Transocean Spitsbergen (b) (c)	HSS	2010	10,000	30,000	U.K. N. Sea
Transocean Barents (b) (c)	HSS	2009	10,000	30,000	Canada
Henry Goodrich (d)	HSS	1985/2007	5,000	30,000	Canada
Transocean Leader (d)	HSS	1987/1997	4,500	25,000	U.K. N. Sea
Paul B, Loyd, Jr.(d)	HSS	1990	2,000	25,000	U.K. N. Sea
Transocean Arctic (d)	HSS	1986	1,650	25,000	Norwegian N. Sea
Polar Pioneer (d)	HSS	1985	1,500	25,000	Stacked

"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) Moored floater.

Deepwater floaters (3)

Name	Type	Year entered service/ upgraded (a)	Water depth capacity (in feet)	Drilling depth capacity (in feet)	Contracted location or standby status
Transocean Marianas (b)	HSS	1979/1998	7,000	30,000	Stacked
Transocean 706 (c)	HSS	1976/2008	6,500	25,000	Brazil
Jack Bates (b)	HSS	1986/1997	5,400	30,000	India

"HSS" means high-specification semisubmersible.
(a) Dates shown are the original service date and the date of the most recent upgrade, if any.
(b) Moored floater.
(c) Dynamically positioned.

Midwater floaters (6)

Name	Type	Year entered service/ upgraded (a)	Water depth capacity (in feet)	Drilling depth capacity (in feet)	Contracted location or standby status
Sedco 711	OS	1982	1,800	25,000	Stacked
Sedco 714	OS	1983/1997	1,600	25,000	Stacked
Sedco 712	OS	1983	1,600	25,000	U.K. N. Sea
Actinia	OS	1982	1,500	25,000	India
Transocean Prospect	OS	1983/1992	1,500	25,000	Stacked
Transocean Searcher	OS	1983/1988	1,500	25,000	Stacked

"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)	Contracted location or standby status
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	2012	400	30,000	Stacked
GSF Constellation II	2004	400	30,000	Stacked
GSF Constellation I	2003	400	30,000	U.A.E.
GSF Galaxy I	1991/2001	400	30,000	U.K. N. Sea
GSF Galaxy III	1999	400	30,000	Stacked
GSF Galaxy II	1998	400	30,000	Stacked
GSF Monarch	1986	350	30,000	Stacked

(a) Dates shown are the original service date and the date of the most recent upgrades, if any.

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, as our drilling rigs are mobile assets and are able to be moved according to prevailing market conditions. We may mobilize our drilling rigs between regions for a variety of reasons, including to respond to customer contracting requirements or capture demand in another locale. 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 9, 2017, our drilling fleet was located in the U.K. North Sea (11 units), U.S. Gulf of Mexico (nine units), Trinidad (nine units), Spain (four units), Brazil (three units), Malaysia (three units), Norway (three units). Thailand (three units), Canada (two units), Congo (two units), India (two units), Angola (one unit), Myanmar (one unit), Romania (one unit), South Africa (one unit) and United Arab Emirates (one unit).

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, seven of which are suited to work in harsh environments. 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.

The market for offshore drilling rigs and related 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 ("E&P") companies and their associated capital expenditures are largely driven by the worldwide demand for energy, including crude oil and natural gas. Worldwide energy supply and demand drives oil and natural gas prices, which, in turn, impact E&P companies' ability to fund investments in exploration, development and production activities.

The industry is presently experiencing a cyclical downturn. Sustained weak commodity pricing has resulted in our customers delaying investment decisions and postponing exploration and production programs. Although oil and natural gas prices have improved recently, such prices do not currently support sustained demand for drilling rigs across all asset classes and regions. As a result of this reduced demand, we have observed a sharp decline in the execution of drilling contracts for the global offshore drilling fleet and an unprecedented level of drilling contract early terminations and cancellations. We currently expect few drilling contracts to be awarded in 2017, exacerbating the excess rig capacity and resulting in continued downward pressure on dayrates. In this environment, older and less capable assets are more likely to be permanently retired, ultimately reducing the available supply of drilling rigs. During the years ended December 31, 2016, 2015 and 2014, we sold for scrap value 11, 17 and two drilling units, respectively, and at December 31, 2016, we had one additional rig classified as held for sale for scrap value.

Despite current market conditions, our long-term outlook for the offshore drilling sector remains positive, particularly for high-specification assets. Prior to the downturn, Brazil, the U.S. Gulf of Mexico, and West Africa emerged as key ultra-deepwater market sectors, and licensing activity demonstrated an increased interest in deepwater fields as E&P companies looked to explore new prospects. We expect deepwater oil and gas production will continue to be a part of the long-term strategy for E&P companies as they strive to replace reserves to meet global demand for hydrocarbons. A number of new deepwater and ultra-deepwater development opportunities have been identified globally. If commodity prices stabilize and rebound to sustainable levels, we anticipate that many of the projects will receive approval to move forward. Typically, these projects are technically demanding due to factors such as water depth, complex well designs, deeper drilling depth, high pressure and temperature, sub-salt, harsh environments, and heightened regulatory standards; therefore, they require sophisticated drilling units. Generally, ultra-deepwater rigs are the most modern, technologically advanced class of the offshore fleet and have capabilities that are attractive to E&P companies operating in deeper water depths, other challenging environments or with complex well designs.

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,		
	2016	2015	2014
Operating revenues			
U.S.	$ 1,977	$ 2,416	$ 2,410
U.K.	551	1,139	1,194
Brazil	453	673	651
Norway	214	650	1,036
Other countries (a)	966	2,508	3,894
Total operating revenues	$ 4,161	$ 7,386	$ 9,185

(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,	
	2016	2015
Long-lived assets		
U.S.	$ 6,181	$ 7,451
Trinidad	3,977	1,766
Korea	1,459	2,048
Other countries (a)	9,476	9,544
Total long-lived assets	$ 21,093	$ 20,809

(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, 2016, the contract backlog was approximately $11.7 billion, representing a decrease of 27 percent and 48 percent, respectively, compared to the contract backlog at December 31, 2015 and 2014, which was $16.0 billion and $22.5 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—Outlook—Performance and Other Key Indicators.”

Certain of our drilling contracts may be cancelable for the convenience 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 the term of their obligations or the average dayrate through term extensions, 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, and, during depressed market conditions, our customers may seek to repudiate or renegotiate their contracts.”

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, our customers, as the operators, indemnify 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. The law generally considers contractual indemnity for criminal fines and penalties to be against public policy. Courts also restrict indemnification for criminal fines and penalties. The inability or other failure of our customers to fulfill their indemnification obligations, or unenforceability of our contractual protections could have a material adverse effect on our consolidated statement of financial position, results of operations or cash flows. See "Part II. Item 8. Financial Statements and Supplementary Data—Notes to Consolidated Financial Statements—Note 13—Commitments and Contingencies."

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, 2016, our most significant customers were Chevron Corporation (together with its affiliates, "Chevron"), BP plc. (together with its affiliates, "BP"), Royal Dutch Shell plc (together with its affiliates, "Shell") and Petróleo Brasileiro S.A. ("Petrobras"), representing approximately 24 percent, 12 percent, 12 percent and 11 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, 2016. Additionally, as of February 9, 2017, the customers with the most significant aggregate amount of contract backlog associated with our drilling contracts were Shell and Chevron, representing approximately 63 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 consolidated statement of financial position, results of operations or cash flows."

Employees

We require highly skilled personnel to operate our drilling units. Consequently, we conduct extensive personnel recruiting, training and safety programs. At December 31, 2016, we had approximately 5,400 employees, including approximately 400 persons engaged through contract labor providers. Approximately 28 percent of our total workforce, working primarily in Angola, Brazil, Norway and the U.K. 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.

Joint Venture, Agency and Sponsorship Relationships and Other Investments

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. At December 31, 2016, joint ventures in which we participate were 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. Angco Cayman Limited has 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 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 hold a 12.5 percent direct interest, and our other partners, 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, Nigeria and other countries that have been formed to perform certain management services and other onshore support services for our operations.

Technological Innovation

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. We have repeatedly achieved water depth world records in the past. Twenty drillships and semisubmersibles in our existing fleet are, and our four drillships that are 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 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 include industry-leading hookload capability, compensated cranes for performing subsea installations, hybrid power systems and reduced emissions and advanced generator protection. Seven drillships in our existing fleet are, and our four drillships that are under construction will be, outfitted with two blowout preventers and triple liquid mud systems. Three drillships in our existing fleet are, and our four drillships that are under construction will be, 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 continue to develop technology internally, such as the digital transformation program focused on utilizing analytics and data science to continuously improve operational integrity and efficiency while optimizing cost. In addition, we are focused on a breakthrough drilling innovation program that includes a fault-resistant and fault-tolerant blowout preventer control system.

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. 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.* 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 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*, 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 page on our website at *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;
- international sanctions on oil-producing countries, or the lifting of such sanctions;
- advances in exploration, development and production technology;
- the further development of shale technology to exploit oil and gas reserves;
- 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;
- accidents, adverse weather conditions, natural disasters and other similar incidents relating to the oil and gas industry; and
- the worldwide security 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, increases in near-term commodity prices do not necessarily translate into increased offshore drilling activity since customers' expectations of longer-term future commodity prices typically drive demand for our rigs. The current commodity pricing environment has had a negative impact on demand for our services, and it could continue. The price of crude oil as reported on the New York Mercantile Exchange has weakened significantly and, despite recent price improvements, has not returned to the higher levels experienced prior to December 31, 2014. Consequently, customers have delayed or cancelled many exploration and development programs, resulting in reduced demand for our services. Also, increased competition for customers' drilling budgets could come from, among other areas, land-based energy markets worldwide. 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. Although rig availability, service quality and technical capability are drivers of customer contract awards, bid pricing and intense price competition are often key determinants for which a qualified contractor is awarded a job.

The offshore drilling industry has historically been cyclical and is impacted by oil and natural gas price levels and volatility. There have been periods of high customer demand, limited rig supply and high dayrates, followed by periods of low customer 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 responded to increased customer demand by increasing the supply of rigs through ordering the construction of new units. In periods of low oil and natural gas price levels, growth in new construction 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 capable of competing with our rigs that have entered the global market, and there are more that are under construction. The entry into service of these new units has increased and will continue to increase supply. The increased supply has contributed to and may continue to contribute to a reduction in dayrates as rigs are absorbed into the active fleet and has led to accelerated stacking of the existing fleet.

Two of our four ultra-deepwater drillships and our five high-specification jackups currently under construction have not been contracted for work. Combined with the rapid increase in the number of rigs in the global market completing contracts and becoming idle, the number of new units expected to be delivered without contracts has intensified and may further intensify price competition. Any further increase in construction of new units would likely exacerbate the negative impact of increased supply on dayrates and utilization rates. Additionally, lower market dayrates and intense price competition may drive customers to demand renegotiation of existing contracts to lower dayrates in exchange for longer contract terms. In an oversupplied market, we may have limited bargaining power to negotiate on more favorable terms. Lower dayrates and rig utilization rates could adversely affect our revenues and profitability.

- ***Our drilling contracts may be terminated due to a number of events, and, during depressed market conditions, our customers may seek to repudiate or renegotiate their contracts.***

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. We are at continued risk of experiencing early contract terminations in the current weak commodity price environment as operators look to reduce their capital expenditures. During the years ended December 31, 2016 and 2015, our customers early terminated or cancelled contracts for eight and five of our rigs, respectively, and these rigs currently remain idle. 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. See "Item 1. Business—Contract Drilling Services."

- ***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 9, 2017, our contract backlog was approximately $11.3 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, and, during depressed market conditions, our customers may seek to repudiate or renegotiate their contracts.") 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.

- ***We may not be able to renew or obtain new 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 before December 31, 2017. Seven 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 the current contracts and subsequent contracts. In particular, if oil and natural gas prices remain low, as is currently the case, 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, 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 consolidated statements of financial condition, results of operations and cash flows.

- ***The recent downgrades in our credit ratings by various credit rating agencies could impact our access to capital and materially adversely affect our business and financial condition.***

During the year ended December 31, 2015, three credit rating agencies downgraded their credit ratings of our non-credit enhanced senior unsecured long-term debt ("Debt Rating") to Debt Ratings that are below investment grade. During the year ended December 31, 2016 and in January 2017, the same three credit rating agencies further downgraded our Debt Rating. Our Debt Rating levels could have material adverse consequences on our business and future prospects and could:

- 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 indentures 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.

The downgrades have caused some of the effects listed above, and any further downgrades may cause or exacerbate, any of the effects listed above.

- ***We have a substantial amount of debt, including secured debt, and we may lose the ability to obtain future financing and suffer competitive disadvantages.***

At December 31, 2016 and 2015, our total consolidated debt was $8.5 billion. This substantial level of debt and other obligations could have significant adverse consequences on our business and future prospects, including the following:

- we may be unable to obtain financing in the future for working capital, capital expenditures, acquisitions, debt service requirements, distributions, share repurchases, or other purposes;
- we may be unable 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 be unable to meet financial ratios in the indentures governing certain of our debt or in our bank credit agreements or satisfy certain other conditions included in our bank credit agreements, which could result in our inability to meet requirements for borrowings under our credit agreements or a default under these indentures or agreements, impose restrictions with respect to our access to certain of our capital, and trigger cross default provisions in our other debt instruments;
- if we default under the terms of our secured financing arrangements, the secured debtholders may, among other things, foreclose on the collateral securing the debt, including the applicable drilling units; 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.

See "Item 7. Management's Discussion and Analysis of Financial Conditions and Results of Operations—Liquidity and Captial Resources—Sources and Uses of Liquidity—Debt Issuances."

- ***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 consolidated statement of financial position, results of operations or cash flows.***

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, 2016, our most significant customers were Chevron, BP, Shell and Petrobras, accounting for approximately 24 percent, 12 percent, 12 percent and 11 percent, respectively, of our consolidated operating revenues. As of February 9, 2017, the customers with the most significant aggregate amount of contract backlog were Shell and Chevron, representing approximately 63 percent and 20 percent, respectively, of our total contract backlog. 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, such as we are currently experiencing, 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 and on our consolidated statement of financial condition results of operations or cash flows.

- ***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 restrict our ability to access the capital markets 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. If economic conditions preclude or limit financing from banking institutions participating in our credit facilities, we may not be able to obtain similar financing from other institutions. A slowdown in economic activity could further reduce worldwide demand for energy and extend or worsen the current period of low oil and natural gas prices. A further decline in oil and natural gas prices or an extension of the current low 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 is currently facing a number of challenges. An extended period of negative outlook for the world economy 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 negative outlook for the world economy could further reduce the overall demand for oil and natural gas and for our services. Such changes could adversely affect our business and our consolidated statement of financial position, results of operations or cash flows.

- ***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 will not always reduce the staff on those rigs because we could use the crew to prepare the rig for its next contract. During times of reduced activity, reductions in costs may not be immediate because portions of the crew may be required to prepare rigs for stacking, after which time the crew members may be assigned to active rigs or released. 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 costs fluctuate depending upon the type of activity the unit is performing and the age and condition of the equipment, and these costs could increase for short or extended periods as a result of regulatory or customer requirements that raise maintenance standards above historical levels. Contract preparation costs 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 9, 2017, we had four ultra-deepwater floater and five high-specification jackup newbuild rigs under construction. 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 impact 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.

- ***We could experience a material adverse effect on our consolidated statement of financial position, results of operations or cash flows to the extent the Macondo well's operator fails to indemnify us or is otherwise unable to indemnify us for compensatory damages related to the Macondo well incident as required under the terms of our settlement agreement.***

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. Under the *Deepwater Horizon* drilling contract and in accordance with our settlement agreement with the operator, BP agreed to indemnify us with respect to certain matters, and we agreed to indemnify BP with respect to certain matters (see "Part II. Item 8. Financial Statements and Supplementary Data—Notes to Consolidated Financial Statements—Note 13—Commitments and Contingencies—Macondo well incident commitments and contingencies—BP Settlement Agreement"). 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 fails to fully satisfy its indemnification obligations, including by reason of financial or legal restrictions, or our insurance policies do not fully cover these amounts. In addition, in connection with our settlement with the Department of Justice (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.

- ***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.

- ***The continuing effects of the enhanced regulations enacted following the Macondo well incident and of agreements applicable to us could materially and adversely affect our worldwide operations.***

Following the Macondo well incident, enhanced governmental safety and environmental requirements applicable to both deepwater and shallow water operations were adopted for drilling in the U.S. Gulf of Mexico. 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 related 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 the U.S. and non-U.S. offshore areas.

Other governments could take similar actions related 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 other industry participants and may require additional agreements and corporate compliance resources that, together with our cooperation guilty plea agreement by and among the DOJ and certain of our affiliates (the "Plea Agreement"), could cause us to incur 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 revenues and profitability.

- ***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, 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.

- ***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 and currency exchange restrictions, including exchange or similar controls that may limit our ability to convert local currency into U.S. dollars and transfer funds out of a local jurisdiction.

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 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 nonlocal 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 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 impact 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 associated with the loss of control of a well, such as blowout, cratering, the cost to regain control of or redrill 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, the 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, 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, and at each of our 2015 and 2016 annual general meetings our shareholders approved in a binding "say on pay" vote the compensation of members of our executive management and board of directors. At the 2017 annual general meeting, our shareholders will be required to approve the maximum aggregate compensation of (1) our board of directors for the period between the 2017 annual general meeting and the 2018 annual general meeting and (2) our executive management team for the year ending December 31, 2018. Our shareholders will be asked to approve such matters for successive one-year periods at subsequent annual general meetings. 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 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, replacing 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.

- ***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 and ongoing staff reduction initiatives, 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.

- ***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 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 28 percent of our total workforce, working primarily in Angola, Brazil, Norway and the U.K. 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.

- ***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, the Bribery Act or other similar laws, 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 negatively view potential violations, inquiries or allegations of misconduct under the FCPA, the Bribery Act or similar laws, 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 jurisdictions, including prohibition of our participating in or curtailment of business operations in those jurisdictions and the seizure of rigs or other assets. Additionally, we could also face other third-party claims by agents, shareholders, debt holders, or other interest holders or constituents of our company. Further, disclosure of the subject matter of any investigation could adversely affect our reputation and our ability to obtain new business from potential customers or retain existing business from our current customers, to attract and retain employees and to access the capital markets. Our customers in relevant jurisdictions could seek to impose penalties or take other actions adverse to our interests, and we may be required to dedicate significant time and resources to investigate and resolve allegations of misconduct, regardless of the merit of such allegations.

- ***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, including greenhouse gases, 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 greenhouse gas emissions, in particular emissions from fossil fuels, is attracting increasing attention worldwide.

In the U.S., the EPA has begun adopting and implementing a comprehensive suite of regulations to restrict emissions of greenhouse gases under existing provisions of the Clean Air Act. In addition, a number of other federal, state and regional efforts have focused on tracking or reducing greenhouse gas emissions. Efforts have also 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 December 2015, the U.S. joined the international community at the 21st Conference of the Parties of the United Nations Framework Convention on Climate Change in Paris, France. The resulting Paris Agreement calls for the parties to undertake "ambitious efforts" to limit the average global temperature and to conserve and enhance sinks and reservoirs of greenhouse gases. The Paris Agreement, if ratified, establishes a framework for the parties to cooperate and report actions to reduce greenhouse gas emissions.

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 greenhouse gases 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.***

We are subject to a variety of disputes, investigations and 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, 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 subject to litigation with certain of our customers. We are also subject to a number of significant tax disputes. 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.

- ***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 political 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. Government regulations may effectively preclude us from 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. Our drilling contracts do not generally provide indemnification against loss of capital assets or loss of revenues resulting from acts of terrorism, piracy or political 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.

- ***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. 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.

Other risks

- ***We recently identified a material weakness in our internal control over financial reporting, and our business and stock price may be adversely affected if our internal control over financial reporting is not effective.***

Under Section 404 of the Sarbanes-Oxley Act of 2002 and rules promulgated by the SEC, we are required to conduct a comprehensive evaluation of our internal control over financial reporting. To complete this evaluation, we are required to document and test our internal control over financial reporting; management is required to assess and issue a report concerning our internal control over financial reporting; and our independent registered public accounting firm is required to attest to the effectiveness of our internal control over financial reporting. Our internal control over financial reporting may not prevent or detect misstatements because of its inherent limitations, including the possibility of human error, the circumvention or overriding of controls, or fraud. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and may not be prevented or detected timely. Even effective internal control over financial reporting can provide only reasonable assurance with respect to the preparation and fair presentation of financial statements.

In the course of the external audit of the consolidated financial statements for the year ended December 31, 2016 we identified a material weakness in our controls over income tax accounting. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. A more complete description of the recently identified errors and the resulting material weakness is included in “Part II. Item 8. Financial Statements and Supplementary Data—Notes to Consolidated Financial Statements—Note 4—Correction of Errors in previously Reported Consolidated Financial Statements” and “Part II. Item 9A. Controls and Procedures” in this annual report. Although we are evaluating certain measures in order to remediate this material weakness, we can provide no assurance that our remediation efforts will be effective or that additional material weaknesses in our internal control over financial reporting will not be identified in the future.

The existence of a material weakness could result in errors in our financial statements that could result in a restatement of financial statements, which could cause us to fail to meet our reporting obligations, lead to a loss of investor confidence and have a negative impact on the trading price of our common stock.

- ***We have significant carrying amounts of long-lived assets that are subject to impairment testing.***

At December 31, 2016, the carrying amount of our property and equipment was $21.1 billion, representing 78 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, 2016, we recognized an aggregate loss of $52 million associated with the impairment of our deepwater floater asset group. In the year ended December 31, 2015, we recognized an aggregate loss of $1.2 billion associated with the impairment of our deepwater floater and midwater floater asset groups. 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 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.

- ***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, treaties or regulations, or their interpretation or application, 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., major tax reform is under consideration. One proposal by the U.S. House of Representatives would impose a border adjustment on goods and services imported into the U.S. Although no bill or statutory language has to date been introduced, it is expected that such border adjustment would have the direct or indirect effect of taxing goods and services sourced from outside the U.S. Such a border adjustment, if implemented, could result in a higher effective tax rate on our worldwide earnings and have a material adverse effect on our consolidated statements of financial position, results of operations or cash flows. Further, 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. 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 a referendum held on February 12, 2017, Swiss voters rejected a corporate tax legislative proposal that would have abolished certain cantonal tax privileges as well as implement other significant changes to existing tax laws and practices starting in 2019. These legislative proposals were in response to certain guidance from and demands by the European Union and the Organization for Economic Co-operation and Development (the "OECD"). Switzerland must now give consideration to a revised corporate tax reform proposal. 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.

Similarly, in October 2015, the OECD issued its action plan of tax reform measures that called for member states to take action to prevent "base erosion and profit shifting". Some of these measures impact transfer pricing, requirements to qualify for tax treaty benefits, and the definition of permanent establishments depending on each jurisdiction's adoption and interpretation of such proposals. The European Union issued its Anti-Tax Avoidance Directive in 2016 that required its member states to adopt specific tax reform measures by 2019. 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 the adoption of new interpretations of existing tax laws and rulings could result in a higher effective tax rate on our worldwide earnings and any 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, India 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 would 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 prior case and an IRS pronouncement which relies on the 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 generally 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 tax rate on “qualified dividend income,” which applies to dividends paid to non-corporate shareholders 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 may be limited in our use of net operating losses and tax credits.***

Our ability to benefit from our deferred tax assets depends on us having sufficient future earnings to utilize our net operating loss and tax credit carryforwards before they expire. We have established a valuation allowance against the future tax benefit for a number of our U.S. and non U.S. net operating losses and tax credit carryforwards, and we could be required to record an additional valuation allowance against other U.S. or non-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 and tax credit carryforwards are subject to review and potential disallowance upon audit by the tax authorities of the jurisdictions where these tax attributes 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 2016 annual general meeting, our shareholders approved an authorized share capital, which will expire on May 12, 2018. Our current authorized share capital is limited to approximately six percent of our registered share 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. We may repurchase shares under the share repurchase program using a 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. 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 authorities. We may not be able to repurchase as many shares as we would like to repurchase for purposes of capital reduction on the "virtual second trading line" without subjecting the selling shareholders to Swiss withholding taxes.

- ***As a Swiss corporation, we are subject to Swiss legal provisions that may limit our flexibility to swiftly implement certain initiatives or strategies.***

We are required, from time to time, to evaluate the carrying amount of our investments in affiliates, as presented on our Swiss standalone balance sheet. If we determine that the carrying amount of any such investment exceeds its fair value, we may conclude that such investment is impaired. The recognized loss associated with such a non-cash impairment could result in our net assets no longer covering our statutory share capital and statutory capital reserves. Under Swiss law, if our net assets cover less than 50 percent of our statutory share capital and statutory capital reserves, the board of directors must in these circumstances convene a general meeting of shareholders and propose measures to remedy such a capital loss. The appropriate measures depend on the relevant circumstances and the magnitude of the recognized loss and may include seeking shareholder approval for offsetting the aggregate loss, or a portion thereof, with our statutory capital reserves including qualifying additional paid-in capital otherwise available for distributions to shareholders or raising new equity. Depending on the circumstances, we may also need to use qualifying additional paid-in capital available for distributions in order to reduce our accumulated net loss and such use might reduce our ability to make distributions without subjecting our shareholders to Swiss withholding tax. These Swiss law requirements could limit our flexibility to swiftly implement certain initiatives or strategies.

- ***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 12, 2018, 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 approximately 36 percent of the share capital currently 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.

- ***The results of the U.K.'s referendum on withdrawal from the European Union may have a negative effect on global economic conditions, financial markets and our business.***

In June 2016, a majority of voters in the U.K. elected to withdraw from the European Union in a national referendum. The referendum was advisory, and the terms of any withdrawal are subject to a negotiation period that could last at least two years after the government of the U.K. formally initiates a withdrawal process. Nevertheless, the referendum has created significant uncertainty about the future relationship between the U.K. and the European Union, including with respect to the laws and regulations that will apply as the U.K. determines which European Union-derived laws to replace or replicate in the event of a withdrawal. The referendum has also given rise to calls for the governments of other European Union member states to consider withdrawal. These developments, or the perception that any of them could occur, have had and may continue to have a material adverse effect on global economic conditions and the stability of global financial markets, and may significantly reduce global market liquidity and restrict the ability of key market participants to operate in certain financial markets. Any of these factors could depress economic activity and restrict our access to capital, which could have a material adverse effect on our business and on our consolidated statement of financial position, results of operations or cash flows.

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; and Cayman Islands.

Our remaining offices and bases are located in various countries in North America, South America, Europe, Africa, India and the Far East. 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 13—Commitments and Contingencies" and "Part II. Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Contingencies and Uncertainties—" in this annual report for the year ended December 31, 2016. We are also involved in various tax matters as described in "Part II. Item 8. Financial Statements and Supplementary Data—Notes to Consolidated Financial Statements—Note 7—Income Taxes" and in "Part II. Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Contingencies and Uncertainties—Tax matters" in this annual report for the year ended December 31, 2016. All such actions, claims, tax and other matters are incorporated herein by reference.

As of December 31, 2016, we were also involved in a number of other lawsuits, claims and disputes, which have arisen in the ordinary course of our business and for which we do not expect the liability, if any, 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 claim or dispute will prove correct and the eventual outcome of these matters could materially differ from management's current estimates.

In addition to the legal proceedings described above, we may from time to time identify other matters that we monitor through our compliance program and in response to events arising generally within our industry and in the markets where we do business. For example, in the year ended December 31, 2015, we began investigating statements made by a former employee of Petróleo Brasileiro S.A. ("Petrobras") related to the award to us of a drilling services contract in Brazil. These statements were made in connection with an ongoing criminal investigation by the Brazilian authorities into Petrobras and certain other companies and individuals. We have completed our internal investigation, and we have not identified any wrongdoing by any of our employees or agents in connection with our business. We have voluntarily met with governmental authorities in the U.S. to discuss the statements made by the former Petrobras employee and our internal investigation as well as our findings. We will continue to investigate these types of allegations and cooperate with governmental authorities. Through the process of monitoring and proactive investigation, we strive to ensure no violation of our policies, Code of Integrity or law has, or will, occur; however, there can be no assurance as to the outcome of these matters.

Item 4. Mine Safety Disclosures

Not applicable.

Executive Officers of the Registrant

We have included the following information, presented as of February 16, 2017, 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 16, 2017
Jeremy D. Thigpen (a)	President and Chief Executive Officer	42
Terry B. Bonno	Senior Vice President, Industry and Community Relations	59
Howard E. Davis	Executive Vice President, Chief Administrative Officer and Chief Information Officer	58
Brady K. Long	Senior Vice President and General Counsel	44
Mark L. Mey (a)	Executive Vice President, Chief Financial Officer	53
John B. Stobart (a)	Executive Vice President, Chief Operating Officer	62
David Tonnel	Senior Vice President, Supply Chain and Corporate Controller	47

(a) Member of our executive management team for purposes of Swiss law.

Jeremy D. Thigpen is President and Chief Executive Officer and a member of the Company's board of directors. Before joining the Company in April 2015, Mr. Thigpen served as Senior Vice President and Chief Financial Officer at National Oilwell Varco, Inc. from December 2012 to April 2015. At National Oilwell Varco, Inc., Mr. Thigpen also served as President, Downhole and Pumping Solutions from August 2007 to December 2012, as President of the Downhole Tools Group from May 2003 to August 2007 and as manager of the Downhole Tools Group from April 2002 to May 2003. From 2000 to 2002, Mr. Thigpen served as the Director of Business Development and Special Assistant to the Chairman for National Oilwell Varco, Inc. Mr. Thigpen earned a Bachelor of Arts degree in Economics and Managerial Studies from Rice University in 1997, and he completed the Program for Management Development at Harvard Business School in 2001.

Terry B. Bonno is Senior Vice President, Industry and Community Relations, of the Company. Before being named to her current position in February 2017, Ms. Bonno served as Senior Vice President, Marketing from August 2011 to February 2017 and Vice President, Marketing from April 2008 to August 2011, and as Director, Marketing North and South America Unit, responsible for the U.S. Gulf of Mexico, Canada, Trinidad and Brazil, from March 2005 to April 2008. Ms. Bonno has served as a non-executive director of NOW Inc. since May 2014. Ms. Bonno started with the Company in 2001 and has held various management positions in marketing, accounting and corporate planning. Ms. Bonno earned a Bachelor's degree in Business Administration - Accounting from Stephen F. Austin State University in 1980, and she is a certified public accountant.

Howard E. Davis is Executive Vice President, Chief Administrative Officer and Chief Information Officer of the Company. Before joining the Company in August 2015, Mr. Davis served as Senior Vice President, Chief Administrative Officer and Chief Information Officer of National Oilwell Varco, Inc. from March 2005 to April 2015 and as Vice President, Chief Administrative Officer and Chief Information Officer from August 2002 to March 2005. Mr. Davis earned a Bachelor's degree from University of Kentucky in 1980, and he completed the Advanced Management Program at Harvard Business School in 2005.

Brady K. Long is Senior Vice President and General Counsel of the Company. Before joining the Company in November 2015, Mr. Long served since 2011 as Vice President - General Counsel and Secretary of Ensco plc, which acquired Pride International, Inc. where he had served as Vice President, General Counsel and Secretary since August 2009. Mr. Long joined Pride International, Inc. in June 2005 as Assistant General Counsel and served as Chief Compliance Officer from June 2006 to February 2009. He was director of Transocean Partners LLC from May 2016 until December 2016. Mr. Long previously practiced corporate and securities law with the law firm of Bracewell LLP. He earned a Bachelor of Arts degree from Brigham Young University in 1996 and a Juris Doctorate degree from the University of Texas School of Law in 1999.

Mark L. Mey is Executive Vice President, Chief Financial Officer of the Company. Before joining the Company in May 2015, Mr. Mey served as Executive Vice President of Atwood Oceanics, Inc. from January 2015 to May 2015, prior to which he served as Senior Vice President and Chief Financial Officer from August 2010. Mr. Mey was director of Transocean Partners LLC from June 2015 until December 2016. He served as Director, Senior Vice President and Chief Financial Officer of Scorpion Offshore Ltd. from August 2005 to July 2010. Prior to 2005, Mr. Mey held various senior financial and other roles in the drilling and financial services industries, including 12 years with Noble Corporation. He earned an Advanced Diploma in Accounting and a Bachelor of Commerce degree from the University of Port Elizabeth in South Africa in 1985, and he is a chartered accountant. Additionally, Mr. Mey completed the Harvard Business School Executive Advanced Management Program in 1998.

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 earned a Bachelor of Science degree in Mechanical Engineering from the University of Calgary in 1980, and he completed the London Business School Accelerated Development Program in 2000.

David Tonnel is Senior Vice President, Supply Chain and Corporate Controller of the Company. Before being named to his current position in October 2015, he served as Senior Vice President, Finance and Controller from March 2012 to October 2015 and 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 earned a Master of Science degree 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

Market for Shares of Our Common Equity

Our shares are listed on the New York Stock Exchange ("NYSE") under the ticker symbol "RIG". The following table presents the intraday high and low per share sales prices as reported on the NYSE for the periods indicated.

	NYSE Stock Price			
	2016		2015	
	High	Low	High	Low
First quarter	$ 13.48	$ 7.67	$ 20.65	$ 13.28
Second quarter	12.05	8.34	21.90	14.44
Third quarter	13.03	8.68	16.20	11.26
Fourth quarter	16.66	9.10	17.19	11.95

Our shares were previously listed on the SIX Swiss Exchange ("SIX") under the symbol "RIGN". Effective March 31, 2016, at our request, our shares were delisted from the SIX.

On February 28, 2017, the last reported sales price of our shares on the NYSE was $13.82 per share. On February 28, 2017, there were 6,278 holders of record of our shares and 389,597,755 shares outstanding.

Shareholder Matters

Shareholder distributions

In May 2015, at our annual general meeting, our shareholders approved the distribution of qualifying additional paid-in capital in the form of a United States ("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. On June 17 and September 23, 2015, we paid the first two installments in the aggregate amount of $109 million to shareholders of record as of May 29 and August 25, 2015. On October 29, 2015, at our extraordinary general meeting, shareholders approved the cancellation of the third and fourth installments of the distribution.

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 paid the final installment in the aggregate amount of $272 million to shareholders of record as of February 20, 2015.

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. 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 the form of a par value reduction or out of qualifying additional paid-in capital for Swiss statutory purposes are exempt from Swiss withholding tax. On December 31, 2016, the aggregate amount of par value of our outstanding shares was CHF 39 million, equivalent to approximately $39 million, and the aggregate amount of qualifying additional paid-in capital of our outstanding shares was CHF 11.4 billion, equivalent to approximately $11.2 billion. 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. 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. The procedures for claiming treaty refunds, and the time frame required for obtaining a refund, may differ from country to country.

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 the following: (a) beneficial ownership, (b) U.S. residency and (c) 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 must be completed 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.

Share repurchases

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.

If we repurchase shares, we expect to use 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 the "virtual 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.

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 28, 2017, Transocean Inc., our wholly owned subsidiary, held as treasury shares approximately one percent of our issued shares. 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 nine 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.

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased (a)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (b)	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs (in millions) (b)
October 2016	9,917	$ 9	—	$ 3.180
November 2016	—	—	—	3.180
December 2016	—	—	—	3.180
Total	9,917	$ 9	—	$ 3.180

(a) Total number of shares purchased in the fourth quarter of 2016 consists of 9,917 shares withheld by us through a broker arrangement and limited to statutory tax in satisfaction of withholding taxes due upon the vesting of restricted share units granted to our employees under our long-term incentive plan.

(b) 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 $3.4 billion. On February 12, 2010, our board of directors authorized our management to implement the share repurchase program. Through December 31, 2016, we repurchased a total of 2,863,267 of our shares under our share repurchase program at a total cost of $240 million, equivalent to an average cost of $83.74 per share. On October 29, 2015, at our extraordinary general meeting, shareholders approved the cancellation of all shares that were repurchased to date under our share repurchase program. The cancellation of our shares held in treasury became effective as of January 7, 2016 upon registration of the cancellation in the commercial register. We may decide, based upon our ongoing capital requirements, our program of distributions to our shareholders, the price of our shares, 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. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Sources and uses of liquidity."

Item 6. Selected Financial Data

The selected financial data as of December 31, 2016 and 2015 and for each of the three years in the period ended December 31, 2016 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, 2014, 2013 and 2012, and for each of the two years in the period ended December 31, 2013 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."

The following data contain certain corrections of errors identified in previously reported amounts. For the years ended December 31, 2015, 2014 and 2013, the effect of the corrections on net income was a net favorable adjustment of $71 million, $66 million and $30 million, respectively. For the year ended December 31, 2012, the effect of the corrections was a net unfavorable adjustment of $67 million to net income and a net favorable adjustment of $35 million to beginning retained earnings. See "Item 8. Financial Statements and Supplementary Data—Notes to Consolidated Financial Statements—Note 4—Correction of Errors in Previously Reported Consolidated Financial Statements."

	Years ended December 31,				
	2016 (a)	2015	2014 (b)	2013	2012
	(In millions, except per share data)				
Statement of operations data					
Operating revenues	$ 4,161	$ 7,386	$ 9,185	$ 9,246	$ 8,942
Operating income (loss)	1,132	1,365	(1,347)	2,203	1,588
Income (loss) from continuing operations	827	895	(1,880)	1,428	765
Net income (loss)	827	897	(1,900)	1,437	(278)
Net income (loss) attributable to controlling interest	778	865	(1,839)	1,434	(291)
Per share earnings (loss) from continuing operations					
Basic	$ 2.08	$ 2.36	$ (5.02)	$ 3.92	$ 2.11
Diluted	$ 2.08	$ 2.36	$ (5.02)	$ 3.92	$ 2.11
Balance sheet data (at end of period)					
Total assets	$ 26,889	$ 26,431	$ 28,676	$ 32,759	$ 34,534
Debt due within one year	724	1,093	1,032	323	1,365
Long-term debt	7,740	7,397	9,019	10,329	11,035
Total equity	15,805	15,000	14,104	16,719	15,803
Other financial data					
Cash provided by operating activities	$ 1,911	$ 3,445	$ 2,220	$ 1,918	$ 2,708
Cash used in investing activities	(1,313)	(1,932)	(1,828)	(1,658)	(389)
Cash provided by (used in) financing activities	115	(1,809)	(1,000)	(2,151)	(1,202)
Capital expenditures	1,344	2,001	2,165	2,238	1,303
Distributions of qualifying additional paid-in capital	—	381	1,018	606	276
Per share distributions of qualifying additional paid-in capital	$ —	$ 1.05	$ 2.81	$ 1.68	$ 0.79

(a) In December 2016, as contemplated by the Agreement and Plan of Merger (the "Merger Agreement"), Transocean Partners LLC ("Transocean Partners") and one of our subsidiaries completed the merger, with Transocean Partners became a wholly owned indirect subsidiary of Transocean Ltd. Each Transocean Partners common unit that was issued and outstanding immediately prior to the closing, other than units held by Transocean and its subsidiaries, was converted into the right to receive 1.20 of our shares. To complete the merger, we issued 23.8 million shares from conditional capital.

(b) 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.

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 28, 2017, we owned or had partial ownership interests in and operated 56 mobile offshore drilling units, including 30 ultra-deepwater floaters, seven harsh environment floaters, three deepwater floaters, six midwater floaters, and 10 high-specification jackups. At February 16, 2017, we also had four 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.

Significant Events

Transocean Partners—On December 9, 2016, Transocean Partners completed a merger with one of our subsidiaries as contemplated under the Agreement and Plan of Merger (the "Merger Agreement"), dated July 31, 2016 and as amended on November 21, 2016. Following the completion of the merger, Transocean Partners became a wholly owned indirect subsidiary of Transocean Ltd. Each Transocean Partners common unit that was issued and outstanding immediately prior to the closing, other than the units held by Transocean and its subsidiaries, was converted into the right to receive 1.20 of our shares. To complete the merger, we issued 23.8 million shares from conditional capital.

Debt issuances—On July 21, 2016, we completed an offering of an aggregate principal amount of $1.25 billion of 9.00% senior unsecured notes due July 15, 2023 (the "9.00% Senior Notes"), and we received aggregate cash proceeds of $1.21 billion, net of initial discount and costs payable by us. On October 19, 2016, we completed an offering of an aggregate principal amount of $600 million of 7.75% senior secured notes due October 15, 2024 (the "7.75% Senior Secured Notes"), and we received aggregate cash proceeds of $583 million, net of initial discount and costs payable by us. On December 8, 2016, we completed an offering of an aggregate principal amount of $625 million of 6.25% senior secured notes due December 1, 2024 (the "6.25% Senior Secured Notes"), and we received aggregate cash proceeds of $609 million, net of initial discount and costs payable by us. See "—Liquidity and Capital Resources—Sources and uses of liquidity."

Debt tender offer—On August 1, 2016, we completed a tender offer (the "Tender Offer") to purchase for cash up to $1.0 billion aggregate principal amount of certain of our outstanding senior notes (collectively, the "Tendered Notes"). In connection with the Tender Offer, we received valid tenders from holders of an aggregate principal amount of $981 million of the Tendered Notes, and we made an aggregate cash payment of $876 million to settle the Tendered Notes. In the year ended December 31, 2016, as a result of the retirement of the Tendered Notes, we recognized an aggregate gain of $104 million associated with the retirement of debt. See "—Liquidity and Capital Resources—Sources and uses of liquidity."

Debt repurchases—During the year ended December 31, 2016, we completed transactions to repurchase in the open market an aggregate principal amount of $399 million of our debt securities for an aggregate cash payment of $354 million. As a result, we recognized an aggregate gain of $44 million associated with the retirement of debt. See "—Liquidity and Capital Resources—Sources and uses of liquidity".

Fleet expansion—During the year ended December 31, 2016, we completed construction of and placed into service the ultra-deepwater floaters *Deepwater Thalassa*, *Deepwater Proteus* and *Deepwater Conqueror*. See "—Operating Results" and "—Liquidity and Capital Resources—Drilling fleet."

Drilling contract terminations—As a result of recent market conditions, we have observed an unprecedented level of early drilling contract terminations in the contract drilling industry. In the year ended December 31, 2016, we recognized revenues of

$471 million and received aggregate cash proceeds of $453 million associated with early terminated or cancelled drilling contracts. See "—Outlook," "—Operating Results" and "—Liquidity and Capital Resources—Sources and uses of cash."

Dispositions—During the year ended December 31, 2016, we completed the sale for scrap value of three deepwater floaters and eight midwater floaters, along with related equipment, for which we received net cash proceeds of $22 million, and recognized an aggregate net gain of $13 million. See "—Liquidity and Capital Resources—Drilling fleet."

Impairments of long lived assets—In the year ended December 31, 2016, as a result of impairment testing, we determined that our deepwater asset group was impaired, and we recognized a loss of $52 million, which had no tax effect, associated with the impairment of these held and used assets. In the year ended December 31, 2016, we committed to a plan to sell for scrap value three deepwater floaters and eight midwater floaters, along with related equipment. As a result, we recognized an aggregate loss of $41 million ($39 million, net of tax), associated with the impairment of these held for sale assets. See "—Operating Results", "—Liquidity and Capital Resources—Drilling fleet" and Notes to Consolidated Financial Statements—Note 6—Impairments.

Markets for our shares—Our shares are listed on the New York Stock Exchange under the ticker symbol "RIG" and were previously listed on the SIX Swiss Exchange ("SIX") under the symbol "RIGN". Effective March 31, 2016, at our request, our shares were delisted from the SIX.

Par value reduction—On October 29, 2015, at our extraordinary general meeting, our shareholders approved the reduction of the par value of each of our shares to CHF 0.10 from the original par value of CHF 15.00. The reduction of the par value became effective as of January 7, 2016 upon registration in the commercial register.

Outlook

Drilling market—Our long term view of the offshore drilling market remains positive, particularly for high-specification assets. However, although commodity pricing has improved over the past few months, our customers continue to focus on cost reduction, debt reduction and maintaining their current level of dividend payments. As such, we expect them to continue to limit spending on offshore exploration and development opportunities in 2017. The risks of drilling project delays, contract renegotiations and contract terminations remain in the near term. Additionally, as a result of current market conditions, we have observed an increased number of requests for nonstandard contractual terms, including extended payment terms. During the year ended December 31, 2016, our customers early terminated or cancelled drilling contracts for *Deepwater Asgard, Deepwater Champion*, *Deepwater Millennium*, *Discoverer Deep Seas*, *Discoverer India*, *GSF Constellation II*, *GSF Development Driller I* and *Transocean John Shaw*. During the year ended December 31, 2015, our customers early terminated or cancelled contracts for *Discoverer Americas*, *Polar Pioneer*, *Sedco 714*, *Sedco Energy* and *Transocean Spitsbergen*.

As expected, few new contracts were awarded during the year ended December 31, 2016, resulting in falling rig utilization rates negatively impacting dayrates. Over time, we believe the current oil supply and demand imbalance will narrow. As spare oil capacity diminishes, we expect upward pressure on commodity pricing with subsequent increased demand for drilling rigs.

Fleet status—We refer to the availability of our rigs in terms of the uncommitted fleet rate. 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. The uncommitted fleet rates exclude the effect of priced options.

As of February 9, 2017, uncommitted fleet rates for each of the five years in the period ending December 31, 2021 were as follows:

	2017	2018	2019	2020	2021
Uncommitted fleet rate					
Ultra-deepwater floaters	64 %	75 %	80 %	85 %	85 %
Harsh environment floaters	71 %	86 %	93 %	100 %	100 %
Deepwater floaters	33 %	44 %	100 %	100 %	100 %
Midwater floaters	86 %	92 %	100 %	100 %	100 %
High-specification jackups	79 %	93 %	100 %	100 %	100 %

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, other incentive provisions or cost escalation provisions which are excluded from the amounts presented for contract backlog. The contract backlog for our fleet was as follows:

	February 9, 2017	October 24, 2016	February 11, 2016
Contract backlog		(In millions)	
Ultra-deepwater floaters	$ 10,070	$ 10,740	$ 13,539
Harsh environment floaters	623	746	920
Deepwater floaters	259	299	320
Midwater floaters	127	150	261
High-specification jackups	172	246	467
Total contract backlog	$ 11,251	$ 12,181	$ 15,507

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.

In December 2016, a subsidiary of Chevron Corporation (together with its affiliates, "Chevron") issued a notice of early termination of the drilling contract for *Deepwater Asgard*, effective February 3, 2017. In January 2017, Chevron adjusted the termination date to be January 13, 2017. As a result of the termination, our contract backlog for ultra-deepwater floaters reflects a reduction of approximately $110 million to remove the backlog related to this contract.

At February 9, 2017, the contract backlog and average contractual dayrates for our fleet were as follows:

		For the years ending December 31,				
	Total	2017	2018	2019	2020	Thereafter
Contract backlog		(In millions, except average dayrates)				
Ultra-deepwater floaters	$ 10,070	$ 1,638	$ 1,478	$ 1,240	$ 993	$ 4,721
Harsh environment floaters	623	360	220	43	—	—
Deepwater floaters	259	134	125	—	—	—
Midwater floaters	127	58	54	15	—	—
High-specification jackups	172	124	48	—	—	—
Total contract backlog	$ 11,251	$ 2,314	$ 1,925	$ 1,298	$ 993	$ 4,721
Average-contractual dayrates						
Ultra-deepwater floaters	$ 513,000	$ 496,000	$ 522,000	$ 520,000	$ 523,000	$ 512,000
Harsh environment floaters	$ 288,000	$ 285,000	$ 289,000	$ 305,000	$ —	$ —
Deepwater floaters	$ 206,000	$ 206,000	$ 206,000	$ —	$ —	$ —
Midwater floaters	$ 99,000	$ 99,000	$ 99,000	$ 101,000	$ —	$ —
High-specification jackups	$ 143,000	$ 144,000	$ 140,000	$ —	$ —	$ —
Total fleet average	$ 440,000	$ 347,000	$ 379,000	$ 485,000	$ 523,000	$ 512,000

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 fleet was as follows:

	Years ended December 31,		
	2016	2015	2014
Average daily revenue			
Ultra-deepwater floaters	$ 492,100	$ 513,900	$ 538,400
Harsh environment floaters	$ 329,100	$ 542,600	$ 470,500
Deepwater floaters	$ 253,900	$ 354,400	$ 378,300
Midwater floaters	$ 274,100	$ 349,200	$ 347,200
High-specification jackups	$ 143,800	$ 172,900	$ 168,500
Total fleet average daily revenue	$ 353,500	$ 400,500	$ 408,200

Our average daily revenue fluctuates relative to market conditions and our revenue efficiency. The average daily revenue may also be affected by revenues for lump sum bonuses or demobilization fees received from our customers. Our total fleet average daily revenue is also affected by the mix of rig classes being operated, as deepwater floaters, midwater floaters and high-specification jackups are typically contracted at lower dayrates compared to ultra-deepwater floaters and harsh environment 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 fleet were as follows:

	Years ended December 31,		
	2016	2015	2014
Revenue efficiency			
Ultra-deepwater floaters	98 %	95 %	94 %
Harsh environment floaters	98 %	98 %	96 %
Deepwater floaters	96 %	97 %	96 %
Midwater floaters	99 %	95 %	93 %
High-specification jackups	98 %	99 %	97 %
Total fleet average revenue efficiency	98 %	96 %	95 %

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 fleet were as follows:

	Years ended December 31,		
	2016	2015	2014
Rig utilization			
Ultra-deepwater floaters	45 %	65 %	82 %
Harsh environment floaters	57 %	64 %	91 %
Deepwater floaters	54 %	73 %	62 %
Midwater floaters	42 %	77 %	64 %
High-specification jackups	55 %	83 %	93 %
Total fleet average rig utilization	48 %	71 %	76 %

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. Accordingly, our rig utilization can increase when idle or stacked units are removed from our drilling fleet.

Operating Results

Year ended December 31, 2016 compared to the year ended December 31, 2015

The following analysis of our operating results contains corrections of errors identified in previously reported amounts (see Notes to Consolidated Financial Statements—Note 4—Correction of Errors in Previously Reported Consolidated Financial Statements). See "—Performance and Other Key Indicators" for definitions of operating days, average daily revenue, revenue efficiency and rig utilization.

	Years ended December 31, 2016	Years ended December 31, 2015	Change	% Change
	(In millions, except day amounts and percentages)			
Operating days	10,443	16,948	(6,505)	(38)%
Average daily revenue	$ 353,500	$ 400,500	$ (47,000)	(12)%
Revenue efficiency	98 %	96 %		
Rig utilization	48 %	71 %		
Contract drilling revenues	$ 3,705	$ 6,802	$ (3,097)	(46)%
Other revenues	456	584	(128)	(22)%
	4,161	7,386	(3,225)	(44)%
Operating and maintenance expense	(1,875)	(2,955)	1,080	37 %
Depreciation expense	(893)	(963)	70	7 %
General and administrative expense	(172)	(192)	20	10 %
Loss on impairment	(93)	(1,875)	1,782	95 %
Gain (loss) on disposal of assets, net	4	(36)	40	nm
Operating income	1,132	1,365	(233)	(17)%
Other income (expense), net				
Interest income	20	22	(2)	(9)%
Interest expense, net of amounts capitalized	(409)	(432)	23	5 %
Gain on retirement of debt	148	23	125	nm
Other, net	43	37	6	16 %
Income from continuing operations before income tax expense	934	1,015	(81)	(8)%
Income tax expense	(107)	(120)	13	11 %
Income from continuing operations	$ 827	$ 895	$ (68)	(8)%

"nm" means not meaningful.

Operating revenues—Contract drilling revenues decreased for the year ended December 31, 2016 compared to the year ended December 31, 2015 primarily due to the following: (a) approximately $2.2 billion of decreased revenues resulting from a greater number of rigs idle or stacked, (b) approximately $860 million of decreased revenues resulting from rigs sold or classified as held for sale and (c) approximately $365 million of decreased revenues resulting from lower dayrates. These decreases were partially offset by (a) approximately $270 million of increased revenues associated with our newbuild ultra-deepwater drillships that commenced operations in the year ended December 31, 2016 and (b) approximately $70 million of increased revenues resulting from improved revenue efficiency.

Other revenues decreased for the year ended December 31, 2016 compared to the year ended December 31, 2015, primarily due to approximately $91 million of decreased revenues for reimbursable items and approximately $37 million of decreased revenues resulting from drilling contracts early terminated or cancelled by our customers.

Costs and expenses—Excluding the income effect of $30 million and $788 million of cost reimbursements from settlements, recoveries from insurance and net adjustments to contingent liabilities associated with the Macondo well incident in the years ended 2016 and 2015, respectively, operating and maintenance expense decreased for the year ended December 31, 2016 compared to the year ended December 31, 2015, by approximately $1.8 billion. This decrease was primarily due to the following: (a) approximately $1.04 billion of decreased costs and expenses resulting from a greater number of rigs idle or stacked, (b) approximately $355 million of decreased costs and expenses resulting from rigs sold or classified as held for sale, (c) approximately $315 million of decreased costs and expenses primarily related to optimized maintenance and shipyard expenses and reduced personnel costs associated with our active fleet and (d) approximately $195 million of decreased costs and expenses resulting from reduced onshore costs. These decreases were partially offset by approximately $75 million of increased costs and expenses associated with our newbuild ultra-deepwater drillships that commenced operations in the year ended December 31, 2016.

Depreciation expense decreased for the year ended December 31, 2016 compared to the year ended December 31, 2015 primarily due to the following: (a) approximately $87 million of decreased depreciation primarily resulting from the impairment of our deepwater floater and midwater floater asset groups in the prior year and (b) approximately $40 million of decreased depreciation resulting from rigs sold or classified as held for sale, partially offset by (c) approximately $66 million of increased depreciation associated with our newbuild ultra-deepwater drillships and other property and equipment placed into service in the year ended December 31, 2016.

General and administrative expense decreased for the year ended December 31, 2016 compared to the year ended December 31, 2015 primarily due to the following: (a) approximately $22 million of reduced personnel costs, (b) approximately $8 million of reduced rental expenses, partially offset by (c) approximately $9 million of increased professional fees.

Loss on impairment and disposals—In the year ended December 31, 2016, we recognized a loss on impairment related to the following: (a) a loss of $52 million associated with the impairment of our deepwater floater asset group and (b) a loss of $41 million associated with the impairment of certain assets classified as held for sale. In the year ended December 31, 2015, we recognized a loss on impairment related to the following: (a) an aggregate loss of $700 million associated with the impairment of certain assets classified as held for sale, (b) a loss of $668 million associated with the impairment of our midwater floater asset group and (c) a loss of $507 million associated with the impairment of our deepwater floater asset group.

In the year ended December 31, 2016, we recognized an aggregate net loss associated with the disposal of three deepwater floaters and eight midwater floaters, along with related equipment, and other assets. In the year ended December 31, 2015, we recognized an aggregate net loss associated with the disposal of two ultra-deepwater floaters, six deepwater floaters and nine midwater floaters, along with related equipment, and other assets.

Other income and expense—Interest expense, net of amounts capitalized, decreased in the year ended December 31, 2016 compared to the year ended December 31, 2015, primarily due to the following: (a) approximately $98 million of decreased interest expense resulting from our debt repurchases and redemptions and (b) approximately $36 million of increased interest capitalized resulting from our newbuild construction program, partially offset by (c) approximately $64 million of increased interest resulting from new debt issued in the year ended December 31, 2016 and (d) approximately $37 million of increased interest expense resulting from downgrades to the credit rating for our senior unsecured long-term debt.

In the year ended December 31, 2016, we recognized net gains due to the following: (a) an aggregate gain of $104 million resulting from the completion of our tender offer of certain of our debt securities and (b) an aggregate net gain of $44 million resulting from our repurchases of $399 million aggregate principal amount of our debt securities. In the year ended December 31, 2015, we recognized a net gain due to the following: (a) an aggregate net gain of $33 million resulting from our repurchases of $503 million aggregate principal amount of our debt securities partially offset by (b) an aggregate loss of $10 million resulting from the redemption of $893 million aggregate principal amount of the 4.95% senior notes due November 2015 (the “4.95% Senior Notes”).

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, 2016 and 2015, our effective tax rate, excluding discrete items, was 18.5 percent and 14.4 percent, respectively, based on income from continuing operations before income tax expense, after excluding certain items, such as losses on impairment, and gains and losses on certain asset disposals. Our effective tax rate increased in the year ended December 31, 2016 compared to the year ended December 31, 2015, primarily due to (a) changes in the relative blend of income from operations in certain jurisdictions and (b) valuation allowances on deferred tax assets for losses not expected to be realized. We consider the tax effect, if any, of the excluded items as well as settlements of prior-year tax estimates to be discrete period tax expenses or benefits. In the years ended December 31, 2016 and 2015, the effect of the various discrete period tax items was a net tax benefit of $50 million and $75 million, respectively. For the years ended December 31, 2016 and 2015, these discrete tax items, coupled with the excluded income and expense items noted above, resulted in an effective tax rate of 11.5 percent and 11.9 percent, respectively, based 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 marginal tax rate is lower than our 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. With respect to the effective tax rate calculation for the year ended December 31, 2016, 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. 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, Switzerland, the U.K. 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, 2015 compared to the year ended December 31, 2014

The following analysis of our operating results contains certain corrections of errors identified in previously reported amounts (see Notes to Consolidated Financial Statements—Note 4—Correction of Errors in Previously Reported Consolidated Financial Statements). See "—Performance and Other Key Indicators" for definitions of operating days, average daily revenue, revenue efficiency and rig utilization.

	Years ended December 31,			
	2015	2014	Change	% Change
	(In millions, except day amounts and percentages)			
Operating days	16,948	21,893	(4,945)	(23)%
Average daily revenue	$ 400,500	$ 408,200	$ (7,700)	(2)%
Revenue efficiency	96 %	95 %		
Rig utilization	71 %	76 %		
Contract drilling revenues	$ 6,802	$ 8,963	$ (2,161)	(24)%
Other revenues	584	222	362	nm
	7,386	9,185	(1,799)	(20)%
Operating and maintenance expense	(2,955)	(5,100)	2,145	42 %
Depreciation expense	(963)	(1,129)	166	15 %
General and administrative expense	(192)	(234)	42	18 %
Loss on impairment	(1,875)	(4,043)	2,168	54 %
Loss on disposal of assets, net	(36)	(26)	(10)	(38)%
Operating income (loss)	1,365	(1,347)	2,712	nm
Other income (expense), net				
Interest income	22	20	2	10 %
Interest expense, net of amounts capitalized	(432)	(483)	51	11 %
Gain (loss) on retirement of debt	23	(13)	36	nm
Other, net	37	35	2	6 %
Income (loss) from continuing operations before income tax expense	1,015	(1,788)	2,803	nm
Income tax expense	(120)	(92)	(28)	(30)%
Income (loss) from continuing operations	$ 895	$ (1,880)	$ 2,775	nm

"nm" means not meaningful.

Operating revenues—Contract drilling revenues decreased for the year ended December 31, 2015 compared to the year ended December 31, 2014 primarily due to the following: (a) approximately $1.7 billion of decreased revenues resulting from a greater number of rigs idle or stacked, (b) approximately $945 million of decreased revenues resulting from rigs sold or classified as held for sale and (c) approximately $120 million of decreased revenues resulting from lower dayrates. These decreases were partially offset by the following: (a) approximately $280 million of increased revenues associated with our two newbuild ultra-deepwater drillships that commenced operations in the year ended December 31, 2014, (b) approximately $240 million of increased revenues resulting from fewer shipyard and mobilization days for the active fleet, (c) approximately $105 million of increased revenues resulting from improved revenue efficiency and (d) approximately $90 million of increased revenues resulting from demobilization fees.

Other revenues increased for the year ended December 31, 2015 compared to the year ended December 31, 2014, primarily due to $433 million of revenues resulting from drilling contracts early terminated or cancelled by our customers.

Costs and expenses—Excluding the favorable effect of $788 million resulting from cost reimbursements from settlements, recoveries from insurance and net adjustments to contingent liabilities associated with the Macondo well incident in the year ended December 31, 2015, operating and maintenance expense decreased for the year ended December 31, 2015 compared to the year ended December 31, 2014 primarily due to the following: (a) approximately $545 million of decreased costs and expenses resulting from rigs sold or classified as held for sale, (b) approximately $395 million of decreased costs and expenses resulting from cost reductions for our idle or stacked rigs, (c) approximately $345 million of decreased costs and expenses resulting fewer shipyard and mobilization costs and reduced personnel expenses associated with our active fleet and (d) approximately $135 million of decreased costs and expenses resulting from reduced onshore costs. These decreases were partially offset by approximately $70 million of increased costs and expenses associated with our two newbuild ultra-deepwater drillships that commenced operations in the year ended December 31, 2014.

Depreciation expense decreased for the year ended December 31, 2015 compared to the year ended December 31, 2014 primarily due to the following: (a) approximately $198 million of decreased depreciation resulting from rigs sold or classified as held for sale and (b) approximately $94 million of decreased depreciation resulting from the impairment of our deepwater floater and midwater floater asset groups. These decreases were partially offset by the following: (a) approximately $51 million of increased depreciation resulting from the reduction of the salvage values for certain drilling units and (b) approximately $30 million of increased depreciation resulting from our two newbuild ultra-deepwater drillships that commenced operations in the year ended December 31, 2014 and (c) approximately $45 million of increased depreciation resulting from our completion of other construction projects.

Loss on impairment—In the year ended December 31, 2015, we recognized a loss on impairment related to the following: (a) an aggregate loss of $700 million associated with the impairment of certain assets classified as held for sale, (b) a loss of $668 million associated with the impairment of our midwater floater asset group and (c) a loss of $507 million associated with the impairment of our deepwater floater asset group. In the year ended December 31, 2014, we recognized a loss on impairment related to the following: (a) a loss of $3.0 billion associated with the full impairment of the carrying amount of our goodwill, (b) a loss of $788 million associated with the impairment of our deepwater floater asset group and (c) an aggregate loss of $268 million associated with the impairment of certain assets classified as held for sale.

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, 2015 and 2014, our effective tax rate, excluding discrete items, was 14.4 percent and 16.4 percent, respectively, based on income from continuing operations before income tax expense, after excluding certain items, such as losses on impairment, and gains and losses on certain asset disposals. We consider 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 to be discrete period tax expenses or benefits. In the years ended December 31, 2015 and 2014, the effect of the various discrete period tax items was a net tax benefit of $75 million and $143 million, respectively. For the years ended December 31, 2015 and 2014, these discrete tax items, coupled with the excluded income and expense items noted above, resulted in an effective tax rate of 11.9 percent and (5.0) percent, respectively, based on income from continuing operations before income taxes.

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 marginal tax rate is lower than our 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. With respect to the effective tax rate calculation for the year ended December 31, 2015, 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, Brazil 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.

Liquidity and Capital Resources

Sources and uses of cash

At December 31, 2016, we had $3.1 billion in cash and cash equivalents. In the year ended December 31, 2016, our primary sources of cash were our cash flows from operating activities, including cash proceeds from customers that executed early terminations or cancellations of drilling contracts; net proceeds from the issuance of debt and net proceeds from restricted cash investments. Our primary uses of cash were capital expenditures, primarily associated with our newbuild construction projects, repayment of debt at scheduled maturities, settlement of the Tendered Notes, debt repurchased in the open market and payment of scheduled installments for our Macondo well incident settlement obligations.

	Years ended December 31, 2016	Years ended December 31, 2015	Change
		(In millions)	
Cash flows from operating activities			
Net income	$ 827	$ 897	$ (70)
Depreciation	893	963	(70)
Loss on impairment	93	1,875	(1,782)
Gain on retirement of debt	(148)	(23)	(125)
Deferred income tax expense (benefit)	68	(134)	202
Other non-cash items, net	52	173	(121)
Changes in deferred revenues and costs, net	291	89	202
Changes in other operating assets and liabilities, net	(165)	(395)	230
	$ 1,911	$ 3,445	$ (1,534)

Net cash provided by operating activities decreased primarily due to reduced operating activities and a decrease of $633 million associated with cash proceeds from insurance recoveries and cost reimbursements related to the Macondo well incident, partially offset by a decrease of $200 million of cash paid for scheduled installments under our Macondo well incident settlement obligations and increase of $53 million received from customers for early terminations or cancellations of drilling contracts.

	Years ended December 31, 2016	Years ended December 31, 2015	Change
		(In millions)	
Cash flows from investing activities			
Capital expenditures	$ (1,344)	$ (2,001)	$ 657
Proceeds from disposal of assets, net	30	54	(24)
Proceeds from repayment of notes receivable	—	15	(15)
Other, net	1	—	1
	$ (1,313)	$ (1,932)	$ 619

Net cash used in investing activities decreased primarily due to reduced capital expenditures, primarily associated with the timing of milestone payments for our major construction projects and other shipyard projects.

	Years ended December 31, 2016	Years ended December 31, 2015	Change
		(In millions)	
Cash flows from financing activities			
Proceeds from issuance of debt, net of discounts and costs	$ 2,401	$ —	$ 2,401
Repayments of debt	(2,295)	(1,506)	(789)
Proceeds from cash and investments restricted for financing activities, net of deposits	39	110	(71)
Distributions of qualifying additional paid-in capital	—	(381)	381
Other, net	(30)	(32)	2
	$ 115	$ (1,809)	$ 1,924

Net cash provided by financing activities increased primarily due to the following: (a) cash proceeds from the issuance of the 9.00% Senior Notes, the 7.75% Senior Secured Notes and the 6.25% Senior Secured Notes in the current year with no comparable activity in the prior year and (b) cash used to pay our shareholders installments of distributions of qualifying additional paid-in capital in the prior year with no comparable activity in the current year, partially offset by (c) increased cash used to repay debt in connection with scheduled maturities, our tender offer, open market repurchases and redemption and (d) cash deposited into cash accounts restricted for financing activities, primarily for the payment of principal amounts of our senior secured notes in the current year with no comparable activity in the prior year.

Sources and uses of liquidity

Overview—We expect to use existing cash balances, internally generated cash flows, borrowings under our existing bank credit agreement, proceeds from the disposal of assets or proceeds from the issuance of additional debt to fulfill anticipated obligations, which may include capital expenditures, working capital and other operational requirements, scheduled debt maturities or other payments. We may also consider establishing additional financing arrangements with banks or other capital providers. Subject to market conditions and other factors, we may also be required to provide collateral for future financing transactions. 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 to reduce debt prior to scheduled maturities through debt repurchases, either in the open market or in privately negotiated transactions, or through debt redemptions or tender offers.

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, industry conditions, general economic conditions, market conditions and market perceptions of us and our industry. During the year ended December 31, 2015, three credit rating agencies downgraded their credit ratings of our non-credit enhanced senior unsecured long-term debt ("Debt Rating") to Debt Ratings that are below investment grade. During the year ended December 31, 2016 and in January 2017, the same three credit rating agencies further downgraded our Debt Rating. Such downgrades have caused and the recent downgrades will cause us to experience increased fees under our credit facility and interest rates under agreements governing certain of our senior notes. Further downgrades may affect or limit our ability to access debt markets in the future. 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.

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.

Debt issuances—On July 21, 2016, we completed an offering of an aggregate principal amount of $1.25 billion of the 9.00% Senior Notes, and we received aggregate cash proceeds of $1.21 billion, net of initial discount and costs payable by us. We used the majority of the net proceeds from the debt offering to complete the Tender Offer (see "Debt tender offer"). We will pay interest on the 9.00% Senior Notes semiannually on January 15 and July 15 each year, beginning on January 15, 2017.

On October 19, 2016 and December 8, 2016, we completed an offering of an aggregate principal amount of $600 million of the 7.75% Senior Secured Notes and $625 million of the 6.25% Senior Secured Notes, respectively, and we received aggregate cash proceeds of $583 million and $609 million, respectively, net of initial discount and costs payable by us. We will pay interest on the 7.75% Senior Secured Notes semiannually on April 15 and October 15 of each year, beginning April 15, 2017. We will pay interest on the 6.25% Senior Secured Notes semiannualy on June 1 and December 1 of each year, beginning June 1, 2017. Additionally, on each interest payment date, we will be required to redeem, on a pro rata basis, an aggregate principal amount of $30 million and $31 million of the 7.75% Senior Secured Notes and the 6.25% Senior Secured Notes, respectively. Additionally, the indentures that govern the 7.75% Senior Secured Notes and the 6.25% Senior Secured Notes contain covenants that limit the ability of our subsidiaries that own or operate the *Deepwater Thalassa* and *Deepwater Proteus* to declare or pay dividends and impose a maximum collateral rig leverage ratio ("Maximum Collateral Ratio"), represented by each rig's earnings relative to the debt balance, that changes over the terms of the notes. At December 31, 2016, the Maximum Collateral Ratio under both indentures was 5.75:1.00, and the collateral leverage ratio of each subsidiary was less than 5.00:1.00.

Debt scheduled maturity—On the scheduled maturity date of December 15, 2016, we made a cash payment of $938 million to repay the outstanding 5.05% Senior Notes due December 2016, at a price equal to 100 percent of the aggregate principal amount.

Debt tender offer—On August 1, 2016, we completed the Tender Offer to purchase for cash up to $1.0 billion aggregate principal amount of the Tendered Notes. As a result of the Tender Offer, we received valid tenders from holders of an aggregate principal amount of $981 million of the Tendered Notes, and in the year ended December 31, 2016, we made an aggregate cash payment of $876 million to settle the Tendered Notes.

Debt repurchases and redemption—In the years ended December 31, 2016 and 2015, we repurchased in the open market an aggregate principal amount of $399 million and $503 million, respectively, of our debt securities for an aggregate cash payment of $354 million and $468 million, respectively. On July 30, 2015, we redeemed the remaining aggregate principal amount of $893 million of the 4.95% Senior Notes for an aggregate cash payment of $904 million. During the year ended December 31, 2014, we redeemed an aggregate principal amount of $207 million of the outstanding 4.95% Senior Notes for an aggregate payment of $216 million. We also repaid borrowings under a credit facility, established by one of our subsidiaries, and terminated this credit facility and an undrawn secured credit facility.

Distributions of qualifying additional paid-in capital—In May 2015, 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 $0.60 per outstanding share, payable in four quarterly installments of $0.15 per outstanding share, subject to certain limitations. In May 2015, we recognized a liability of $218 million for the distribution payable, recorded in other current liabilities, with a corresponding entry to additional paid-in capital. On June 17 and September 23, 2015, we paid the first two installments in the aggregate amount of $109 million to shareholders of record as of May 29, and August 25, 2015. On October 29, 2015, at our extraordinary general meeting, our shareholders approved the cancellation of the third and fourth installments of the distribution.

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. 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 paid 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 quarterly installments, subject to certain limitations. 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 did not pay the distribution of qualifying additional paid-in capital with respect to our shares held in treasury or held by our subsidiary.

Litigation settlements and insurance recoveries—On May 20, 2015, we entered into a confidential settlement agreement with BP plc. together with its affiliates ("BP") to settle various disputes remaining between the parties with respect to the Macondo well incident. Pursuant to the terms of the agreement, we received from BP a cash payment of $125 million in July 2015 to partially reimburse us for legal fees incurred by us. Additionally, in connection with the settlement, BP agreed to discontinue its attempts to recover as an additional insured under our liability insurance program. As a result, we submitted claims to our insurers and, in the year ended December 31, 2015, we received aggregate cash proceeds of $538 million from insurance for recovery of previously incurred losses.

On May 29, 2015, together with the Plaintiff Steering Committee (the "PSC"), we filed a settlement agreement (the "PSC Settlement Agreement") in which we agreed to pay a total of $212 million, plus up to $25 million for partial reimbursement of attorneys' fees, to resolve (1) punitive damages claims of private plaintiffs, businesses, and local governments and (2) certain claims that BP had made against us and had assigned to private plaintiffs who previously settled economic damages claims against BP. The PSC Settlement Agreement is subject to approval by the U.S. District Court for the Eastern District of Louisiana (the "MDL Court") and acceptance by a minimum number of plaintiffs. In June 2016 and August 2015, we made a cash deposit of $25 million and $212 million, respectively, into an escrow account pending approval of the settlement by the MDL Court. As of February 16, 2017, the aggregate cash balance of our escrow accounts was $237 million.

Effective October 13, 2015, we finalized a settlement agreement with the states of Alabama, Florida, Louisiana, Mississippi and Texas (collectively, the "States"), pursuant to which the States agreed to release all of their claims against us arising from the Macondo well incident. On October 22, 2015, we made an aggregate cash payment of $35 million to the States.

Pursuant to a cooperation guilty plea agreement by and among the U.S. Department of Justice ("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 $150 million to the National Fish & Wildlife Foundation and $150 million to the National Academy of Sciences in scheduled installments through February 2017. In each of the years ended December 31, 2016, 2015 and 2014, we made an aggregate cash payment of $60 million. On February 14, 2017, we made an aggregate cash payment of $60 million, representing the final installment due under the Plea Agreement.

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 fixed rate of 2.15 percent. In the years ended December 31, 2015 and 2014, we made an aggregate cash payment of $204 million and $412 million, respectively, including interest, representing the final installments due under the Consent Decree.

Noncontrolling interest—On August 5, 2014, we completed the initial public offering of 20.1 million common units representing limited liability company interests in Transocean Partners, which traded on the New York Stock Exchange under the ticker symbol "RIGP". Through Transocean Partners Holdings Limited, a Cayman Islands company and our wholly owned subsidiary, we held the remaining 21.3 million common units and 27.6 million subordinated units and all of the incentive distribution rights. 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.

In the year ended December 31, 2016, Transocean Partners declared and paid an aggregate distribution of $99 million, of which $28 million was paid to holders of noncontrolling interest. In the year ended December 31, 2015, Transocean Partners declared and paid an aggregate distribution of $100 million to its unitholders, of which $29 million was paid to the holders of noncontrolling interest. In the year ended December 31, 2014, Transocean Partners declared and paid an aggregate distribution of $15 million to its unitholders, of which $4 million was paid to the holders of noncontrolling interest.

On November 4, 2015, Transocean Partners announced that its board of directors approved a unit repurchase program, authorizing it to repurchase up to $40 million of its publicly held common units. Under the program, Transocean Partners repurchased 478,376 of its publicly held common units for an aggregate purchase price of $4 million.

On December 9, 2016, Transocean Partners completed a merger with one of our subsidiaries as contemplated under the Merger Agreement. Following the completion of the merger, Transocean Partners became a wholly owned indirect subsidiary of Transocean Ltd. Each Transocean Partners common unit that was issued and outstanding immediately prior to the closing, other than units held by Transocean and its subsidiaries, was converted into the right to receive 1.20 of our shares. To complete the merger, we issued 23.8 million shares from conditional capital.

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 "Five-Year Revolving Credit Facility"). Among other things, the 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 Five-Year Revolving Credit Facility also includes a covenant imposing a maximum debt to tangible capitalization ratio of 0.6 to 1.0. At December 31, 2016, 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 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 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 Five-Year Revolving Credit Facility and, if not waived by the lenders, could cause us to lose access to the Five-Year Revolving Credit Facility.

We may borrow under the Five-Year Revolving Credit Facility at either (1) the adjusted London Interbank Offered Rate ("LIBOR") plus a margin (the "Five-Year Revolving Credit Facility Margin"), which ranges from 1.125 percent to 2.0 percent based on the 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 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 based on our Debt Rating. At February 16, 2017, based on our Debt Rating on that date, the Five-Year Revolving Credit Facility Margin was 2.0 percent and the facility fee was 0.35 percent. At February 16, 2017, we had no borrowings outstanding, no letters of credit issued, and $3.0 billion of available borrowing capacity under the Five-Year Revolving Credit Facility.

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 $3.4 billion. On February 12, 2010, our board of directors authorized our management to implement the share repurchase program. At December 31, 2015, we held 2.9 million of our shares. On October 29, 2015, at our extraordinary general meeting, our shareholders approved the cancellation of all shares repurchased to date under our share repurchase program. In January 2016, upon registration of the cancellation in the commercial register, all repurchased shares were cancelled. In the three-year period ended December 31, 2016, we did not purchase shares under our share repurchase program.

We intend to fund any repurchases using available cash balances and cash from operating activities. Based upon our ongoing capital requirements, the price of our shares, regulatory and tax considerations, cash flow generation, the amount and duration of our contract backlog, general market conditions, debt ratings considerations and other factors, we may elect to retain cash, reduce debt, make capital investments or acquisitions or otherwise use cash for general corporate purposes, and consequently, we may elect not to repurchase any 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 repurchased shares under the share repurchase program would be held by us for cancellation by the shareholders at a future general meeting of shareholders. The share repurchase program could be suspended or discontinued by our board of directors or company management, as applicable, at any time. At February 16, 2017, the authorization remaining under the share repurchase program was for the repurchase of up to CHF 3.2 billion, equivalent to approximately $3.2 million of our outstanding shares. See "Item 5. Market for Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities—Shareholder Matters."

Contractual obligations—At December 31, 2016, our contractual obligations stated at face value, were as follows:

	Total	For the years ending December 31, 2017	2018 - 2019	2020 - 2021	Thereafter
			(in millions)		
Contractual obligations					
Debt	$ 7,980	$ 706	$ 1,235	$ 1,305	$ 4,734
Interest on debt	4,915	563	943	857	2,552
Capital lease obligation (a)	903	66	144	143	550
Plea Agreement obligations	60	60	—	—	—
Operating lease obligations	91	10	21	18	42
Purchase obligations	2,004	229	9	1,766	—
Service agreement obligations (b)	542	27	97	106	312
Total (c)	$ 16,495	$ 1,661	$ 2,449	$ 4,195	$ 8,190

(a) Includes scheduled installments of principal and imputed interest on our capital lease obligation.

(b) In the year ended December 31, 2016, we entered into long-term service agreements with certain original equipment manufacturers to provide services and parts related to our pressure control systems. The future payments required under our service agreements were estimated based on our projected operating activity and may vary based on actual operating activity.

(c) As of December 31, 2016, our defined benefit pension and other postretirement plans represented an aggregate liability of $375 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 12—Postemployment Benefit Plans.

As of December 31, 2016, our unrecognized tax benefits related to uncertain tax positions, net of prepayments, represented a liability of $370 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 7—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 various uncommitted credit lines, some of which require cash collateral. At December 31, 2016, the aggregate cash collateral held by banks for letters of credit was $5 million. The obligations that are the subject of these standby letters of credit and surety bonds are primarily geographically concentrated in India. 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, 2016, these obligations stated in U.S. dollar equivalents and their time to expiration were as follows:

	Total	For the years ended December 31, 2017	2018 - 2019	2020 - 2021	Thereafter
			(in millions)		
Other commercial commitments					
Standby letters of credit	$ 50	$ 45	$ 5	$ —	$ —
Surety bonds	33	31	2	—	—
Total	$ 83	$ 76	$ 7	$ —	$ —

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, 2016, the cash investments held by the captive insurance company totaled $209 million, and the amount of such cash investments is expected to range from $75 million to $215 million by December 31, 2017. 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.

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, new rig construction, or the acquisition of a rig under construction. We may commit to such investment without first obtaining customer contracts. Any 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.

In the years ended December 31, 2016 and 2015, we made capital expenditures of $1.3 billion and $2.0 billion, respectively, including $1.2 billion and $1.6 billion, respectively, for our major construction projects. For the year ending December 31, 2017, we expect total capital expenditures and other capital additions to be approximately $500 million, including $431 million for our major construction projects.

As of December 31, 2016, the historical and projected capital expenditures and other capital additions, including capitalized interest, for our ongoing major construction projects were as follows:

	Total costs through December 31, 2016	For the years ending December 31, 2017	2018	2019	2020	Total
			(In millions)			
Deepwater Pontus (a)	$ 745	$ 155	$ —	$ —	$ —	$ 900
Deepwater Poseidon (a)	707	174	29	—	—	910
Transocean Cassiopeia (b)	59	6	3	12	195	275
Ultra-Deepwater drillship TBN1 (c)	221	50	27	62	465	825
Transocean Centaurus (b)	57	6	8	12	207	290
Transocean Cepheus (b)	57	6	8	12	207	290
Ultra-Deepwater drillship TBN2 (c)	166	34	14	36	495	745
Transocean Cetus (b)	54	—	7	10	209	280
Transocean Circinus (b)	53	—	4	10	213	280
Total	$ 2,119	$ 431	$ 100	$ 154	$ 1,991	$ 4,795

(a) *Deepwater Pontus* and *Deepwater Poseidon*, two newbuild ultra-deepwater drillships under construction at the Daewoo Shipbuilding & Marine Engineering Co. Ltd. shipyard in Korea, are expected to commence operations in the fourth quarter of 2017 and the first quarter of 2018, respectively.

(b) *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 first quarter of 2020, the second quarter of 2020, the third quarter of 2020, the fourth quarter of 2020 and the fourth quarter of 2020, respectively. The delivery expectations and the cost projections presented above reflect the terms of our construction agreements, as amended to delay delivery in consideration of current market conditions.

(c) 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 first quarter of 2020 and the third quarter of 2020, respectively. The delivery expectations and the cost projections presented above reflect the terms of our construction agreements, as amended to delay delivery in consideration of current market conditions.

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 current regulatory environment and customer requested capital improvements and equipment for which the customer agrees to reimburse us. 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 Five-Year Revolving Credit Facility 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 value. During the years ended December 31, 2016, 2015 and 2014, we identified seven, 22 and two such drilling units, respectively, that we have sold or intend to sell for scrap value. We continue to evaluate the drilling units in our fleet and may identify additional lower-specification drilling units to be sold for scrap value.

During the year ended December 31, 2016, we completed the sale of three deepwater floaters and eight midwater floaters, along with related equipment, and we received aggregate net cash proceeds of $22 million. During the year ended December 31, 2015, we completed the sale of two ultra-deepwater floaters, six deepwater floaters and nine midwater floaters, along with related equipment, and we received aggregate net cash proceeds of $35 million. During the year ended December 31, 2014, we completed the sale of one deepwater floater, one midwater floater and two high-specification jackups, along with related equipment, and we received aggregate net cash proceeds of $185 million.

Pension Plans and Other Postretirement Benefit Plans

Overview—Benefits under all of our U.S. defined benefit pension plans have ceased accruing. We maintain the respective pension obligations under such plans until they have been fully satisfied. As of December 31, 2016, we maintained three funded and three unfunded defined benefit plans in the U.S. (the "U.S. Plans"). During the year ended December 31, 2016, we permitted certain participants of one of our funded U.S. Plans to make a one-time election to receive a payment of retirement benefits in the form of either (a) a lump sum distribution or (b) an annuity starting October 1, 2016.

As of December 31, 2016, we maintained one defined benefit plan in the U.K. (the "U.K. Plan"), under which we and the plan trustees mutually agreed to cease accruing benefits effective March 31, 2016. As of December 31, 2016, we also maintained two funded and two unfunded defined benefit plans, primarily group pension schemes with life insurance companies, which cover certain eligible Norway employees and former employees (the "Norway Plans"). During the year ended December 31, 2016, we satisfied our obligations under four funded defined benefit plans in Norway and the unfunded defined benefit plans in Nigeria. During the year ended December 31, 2015, we satisfied our obligations under the unfunded defined benefit plans in Egypt and Indonesia. We refer to the U.K. Plan, the Norway Plans and the plans in Nigeria, Egypt and Indonesia, 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 maintain certain unfunded other postretirement employee benefit plans (collectively, the "OPEB Plans"), under which benefits to eligible participants diminish during a phase-out period ending December 31, 2025.

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, 2016				Year ended December 31, 2015			
	U.S. Plans	Non-U.S. Plans	OPEB Plans	Total	U.S. Plans	Non-U.S. Plans	OPEB Plans	Total
Net periodic benefit costs	$ (3)	$ (4)	$ (4)	$ (11)	$ (3)	$ 30	$ (1)	$ 26
Other comprehensive income (loss) (a)	(35)	25	(2)	(12)	(20)	80	29	89
Employer contributions	3	43	3	49	13	21	5	39
At end of period:								
Accumulated benefit obligation	$ 1,557	$ 396	$ 19	$ 1,972	$ 1,523	$ 458	$ 24	$ 2,005
Projected benefit obligation	1,557	398	19	1,974	1,523	502	24	2,049
Fair value of plan assets	1,204	400	—	1,604	1,198	439	—	1,637
Funded status	(353)	2	(19)	(370)	(325)	(63)	(24)	(412)
Accumulated comprehensive income (loss) (a)	(316)	(94)	23	(387)	(281)	(119)	25	(375)
Weighted-Average Assumptions								
-Net periodic benefit costs								
Discount rate (b)	4.56 %	3.69 %	3.13 %	4.37 %	4.16 %	3.26 %	3.86 %	3.95 %
Long-term rate of return (c)	6.82 %	5.85 %	na	6.57 %	7.79 %	5.93 %	na	7.33 %
Compensation trend rate (b)	0.22 %	4.01 %	na	0.98 %	0.21 %	3.83 %	na	1.04 %
Health care cost trend rate-initial	na	na	na	na	na	na	7.81 %	7.81 %
Health care cost trend rate-ultimate	na	na	na	na	na	na	5.00 %	5.00 %
-Benefit obligations								
Discount rate (b)	4.26 %	2.69 %	3.08 %	3.94 %	4.55 %	3.59 %	3.13 %	4.30 %
Compensation trend rate (b)	na	2.25 %	na	2.25 %	3.82 %	3.77 %	na	3.79 %

"na" means not applicable.

(a) Amounts presented before tax.

(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.

Net periodic benefit cost—In the years ended December 31, 2016 and 2015, net periodic benefit costs were reduced by $105 million and $115 million, respectively, for expected returns from plan assets. In the year ended December 31, 2016, net periodic benefit costs decreased $37 million. In the year ending December 31, 2017, we expect our net periodic benefit costs to be approximately the same as the costs recognized in the year ended December 31, 2016.

Plan assets—In the year ended December 31, 2016, plan assets of the funded Transocean Plans were favorably impacted by improvements in world equity markets, given the allocation of approximately 50 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, 2016, the fair value of the investments in the funded Transocean Plans decreased by $33 million, or two percent, primarily due to the following: $130 million resulting from benefits and settlements paid from plan assets, net of contributions, and $80 million resulting from net losses on currency exchange rate changes for our non-U.S. Plans, partially offset by $177 million resulting from investment returns.

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 qualified U.S. Plan, 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, 2016, we contributed $49 million and participants contributed $1 million to the Transocean Plans and the OPEB Plans. In the year ended December 31, 2015, we contributed $39 million and participants contributed $4 million to the Transocean Plans and the OPEB Plans. For the year ending December 31, 2017, we expect to contribute $11 million to the Transocean Plans and $3 million to the OPEB Plans.

See Notes to Consolidated Financial Statements—Note 12—Postemployment Benefit Plans.

Contingencies and Uncertainties

Macondo well incident

A significant portion of the contingencies arising from the Macondo well incident has now been resolved as a result of settlements with the DOJ, BP and the States. Additionally, we entered into the PSC Settlement Agreement, which remains subject to approval by the MDL Court. We believe the remaining most notable claims against us arising from the Macondo well incident are the 30 settlement class opt outs from the PSC Settlement Agreement. We can provide no assurance as to the outcome of the remaining claims arising from the Macondo well incident, the timing of any upcoming appeal or further rulings, or that we will not enter into additional settlements as to some or all of the remaining matters related to the Macondo well incident. See Notes to Consolidated Financial Statements—Note 13—Commitments and Contingencies and Note 23—Subsequent Events.

Regulatory matters

On February 25, 2013, we and the U.S. Environmental Protection Agency (the "EPA") entered into an agreement (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 comply with our obligations under the Plea Agreement and the Consent Decree and continue the implementation of certain programs and systems designed to enhance our environmental management systems and improve our environmental performance. We also agreed to other specified actions, including the (i) scheduled revision of our environmental management system and maintenance of certain compliance and ethics programs; (ii) compliance with certain employment and contracting procedures, (iii) engagement of 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 (iv) provision of reports and notices with respect to various matters, including those related to compliance, misconduct, legal proceedings, audit reports, the EPA Agreement, the Consent Decree and the Plea Agreement. 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. For a description of regulatory and environmental matters relating to the Macondo well incident, please see "—Macondo well incident." See also Notes to Consolidated Financial Statements—Note 13—Commitments and Contingencies.

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 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 civil trial in Norway. In January 2016, the Norwegian authorities formally and unconditionally dropped all criminal charges against our subsidiaries and the two employees of our former external advisors and our former external Norwegian attorney. As a result, no criminal charges remain outstanding for any of the previously reported Norway tax investigations or trials and all our subsidiaries and external advisors have been fully acquitted of all criminal charges. On January 9, 2017, the Norwegian appeal court in Oslo ruled entirely in favor of the Transocean subsidiaries and overturned the district court with respect to the remaining question of principal tax obligations. On February 10, 2017, the tax authorities filed an appeal with the Norwegian Supreme Court. 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 7—Income Taxes and Note 23—Subsequent Events.

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, 2016.

Related Party Transactions

As of December 31, 2016, we did not have any material related party transactions that were not in the ordinary course of business.

Critical Accounting Policies and Estimates

Overview—We consider the following to be our critical accounting policies and estimates since they are very important to the portrayal of our financial condition and results and require our most subjective and complex judgments. 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.

We prepare 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. 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.

Income taxes—We are a Swiss corporation, operating through our various subsidiaries in a number of countries throughout the world. We provide 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 tax liabilities in the various jurisdictions are ultimately 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, 2016, the liability for estimated tax exposures in our jurisdictions of operation was approximately $370 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 do not provide for taxes on unremitted earnings of subsidiaries when we consider such earnings to be indefinitely reinvested. We recognize deferred taxes related to the earnings of certain subsidiaries that we do not consider to be indefinitely 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. At December 31, 2016, the amount of indefinitely reinvested earnings was approximately $2.5 billion. Should we make a distribution from the unremitted earnings of these subsidiaries, we could 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, 2016.

Estimates, judgments and assumptions are required in determining whether deferred tax assets will be fully or partially realized. In evaluating our ability to realize deferred tax assets, we consider all available positive and negative evidence, including projected future taxable income and the existence of cumulative losses in recent years. 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. During the year ended December 31, 2016, in evaluating our projected realizability of deferred tax assets, we took into account plans to combine certain subsidiaries. During the year ended December 31, 2015, in evaluating our future realization of deferred tax assets we took into account plans to centralize ownership of certain rigs among our subsidiaries, which resulted in utilization of additional deferred tax assets against income from operations. During the year ended December 31, 2014, we did not make any significant changes to our valuation allowance against deferred tax assets.

See Notes to Consolidated Financial Statements—Note 7—Income Taxes.

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, 2016 and 2015, the carrying amount of our property and equipment was $21.1 billion and $20.8 billion, representing 78 percent and 79 percent, respectively, of our total assets.

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, 2016, 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 $49 million and a hypothetical one-year decrease would cause an increase in our annual depreciation expense of approximately $53 million.

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, harsh environment floaters, deepwater 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. 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 to estimate fair value and significant unanticipated changes to the 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.

In the year ended December 31, 2016, we recognized a loss of $52 million, which had no tax effect, associated with the impairment of the deepwater floater asset group. In the year ended December 31, 2015, we recognized losses of $507 million ($481 million, net of tax) and $668 million ($654 million, net of tax) associated with the impairment of the deepwater floater asset group and the midwater floater asset group, respectively. In the year ended December 31, 2014, we recognized a loss of $788 million ($693 million, net of tax) associated with the impairment of the deepwater floater asset group.

See Notes to Consolidated Financial Statements—Note 6 Impairments.

Revenue recognition—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. 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. For contractual daily rate contracts, we recognize the losses for loss contracts as such losses are incurred.

Certain of our drilling contracts may be cancelable for the convenience of the customer upon payment of an early termination payment. We recognize revenues, presented in other revenues, associated with cancellations or early terminations over the period in which we satisfy our performance obligations based on the negotiated or contractual terms, which are typically specific to the contractual arrangement. In the years ended December 31, 2016 and 2015, we recognized revenues of $471 million and $505 million, respectively, associated with cancellations and early terminations.

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. Our estimates involve a significant amount of judgement. Actual results may differ from our estimates.

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 reasonably possible. Although we have not recognized a liability for such loss contingencies, these contingencies could increase the liabilities we ultimately recognize. As of December 31, 2016 and 2015, the liability for estimated loss contingencies that we believe are probable and for which a reasonable estimate can be made was $250 million, recorded in other current liabilities.

See Notes to Consolidated Financial Statements—Note 13—Commitments and Contingencies.

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 are actuarially determined and are affected by assumptions, including long-term rate of return, discount rates, mortality rates and employee turnover rates. Because our defined benefit plans have ceased accruing benefits, certain assumptions, including compensation increases and health care cost trend rates no longer apply. The two most critical assumptions are the long-term rate of return and the discount rate. For the long-term rate of return of plan assets, we develop our assumptions based on historical experience and projected returns for the investments considering each plan's target asset allocation and long-term asset class expected returns. For the discount rate, we develop our assumptions utilizing a yield curve approach based on Aa-rated corporate bonds and the expected timing of future benefit payments. 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" and Notes to Consolidated Financial Statements—Note 12—Postemployment Benefit Plans.

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 and our long-term and short-term debt. 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. 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)							
	2017	2018	2019	2020	2021	Thereafter	Total	Fair Value
Restricted cash investments								
Fixed rate (NOK)	$ 98	$ 25	$ —	$ —	$ —	$ —	$ 123	$ 125
Average interest rate	4.15 %	4.15 %	— %	— %	— %	— %		
Debt								
Fixed rate (USD)	$ 633	$ 1,117	$ 155	$ 665	$ 712	$ 5,141	$ 8,423	$ 8,093
Average interest rate	5.11 %	6.41 %	7.14 %	6.66 %	8.10 %	7.59 %		
Fixed rate (NOK)	$ 98	$ 25	$ —	$ —	$ —	$ —	$ 123	$ 125
Average interest rate	4.15 %	4.15 %	— %	— %	— %	— %		

(a) Expected maturity amounts are based on the face value of debt.

Interest rate risk—At December 31, 2016 and 2015, the fair value of our debt was $8.2 billion and $6.3 billion, respectively. During the year ended December 31, 2016, the fair value of our debt increased by $1.9 billion due to the following: (a) an increase of approximately $2.6 billion resulting from the issuance of $2.5 billion aggregate principal amount of new debt during 2016, (b) a decrease of approximately $1.9 billion resulting from the repurchase or redemption of $2.3 billion aggregate principal amount of debt and (c) an increase of approximately $1.2 billion resulting from the increased fair value 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, 2016 and 2015, a hypothetical one percentage point change in interest rates would result in a corresponding change in annual interest income of approximately $31 million and $23 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.

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 contract terms, local banking laws, other statutory requirements, local currency convertibility and the impact of inflation on local costs, actual local currency needs may vary, resulting in 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.

At December 31, 2016, we had NOK 1.1 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 a system of 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, 2016. 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, 2016, the Company's internal control over financial reporting was not effective. Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2016, our internal control over financial reporting was not effective due to a material weakness in our controls over income tax accounting. Specifically, the execution of the controls over the application of the accounting literature to the measurement of deferred taxes did not operate effectively in relation to: (1) the remeasurement of certain nonmonetary assets in Norway, (2) the analysis of our U.S. defined benefit pension plans liability and associated other comprehensive income and (3) the realizability of our deferred tax assets and the need for a valuation allowance. As a result of the significance of the accounting errors resulting from the deficient controls, the accompanying financial statements for 2015 and 2014 have been revised notwithstanding that management does not believe that such errors were material for these years. The matter was discovered during the course of the 2016 external audit of the accounts and related controls.

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

The Board of Directors and Shareholders of Transocean Ltd.

We have audited Transocean Ltd. and subsidiaries' internal control over financial reporting as of December 31, 2016, 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.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weakness has been identified and included in management's assessment. Management has identified a material weakness in controls related to the Company's income tax process. 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, 2016 and 2015, 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, 2016. This material weakness was considered in determining the nature, timing and extent of audit tests applied in our audit of the 2016 financial statements, and this report does not affect our report dated March 6, 2017 which expressed an unqualified opinion on those financial statements.

In our opinion, because of the effect of the material weakness described above on the achievement of the objectives of the control criteria, Transocean Ltd. and subsidiaries has not maintained effective internal control over financial reporting as of December 31, 2016, based on the COSO criteria.

/s/ Ernst & Young LLP

Houston, Texas
March 6, 2017

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, 2016 and 2015, 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, 2016. 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, 2016 and 2015, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2016, 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, 2016, 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 March 6, 2017 expressed an adverse opinion thereon.

/s/ Ernst & Young LLP

Houston, Texas
March 6, 2017

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

To the General Meeting of

Transocean Ltd., Steinhausen

Zurich, March 6, 2017

Report on the Audit of 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, 2016 and 2015, and the related consolidated statements of operations, comprehensive income (loss), equity, cash flows, and notes thereto (pages AR-59 to AR-98), for each of the three years in the period ended December 31, 2016.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles 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 audits. We conducted our audits in accordance with Swiss law, Swiss Auditing Standards and 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 whether the consolidated financial statements are free of 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 of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. 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. as of December 31, 2016 and 2015, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2016, in accordance with U.S generally accepted accounting principles and comply with Swiss law.

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibility* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Revenue recognition, including contract modification	
Area of emphasis	Transocean Ltd. recognizes contract drilling revenue as realized and earned that can be reasonably measured, based on contractual daily rates and when collectability is reasonably assured. Revenues for contract preparation, mobilization and capital improvements to the rig are deferred and recognized over the primary contract term. There is a risk of improper revenue recognition related to the accounting for terms and conditions of the contractual arrangement due to error or intent. The risk may apply to new contracts as well as amendments or terminations resulting from demands, pressures, or disputes from customers. The principal consideration for our determination that revenue recognition, including contract modification is a key audit matter is the subjective judgment involved in the interpretation of contractual terms that may be required in determining that all criteria have been met to recognize revenue. *See note 2 to these consolidated financial statements for Transocean Ltd.'s description of the accounting policy for revenue recognition.*
Our audit response	Our audit procedures related to the key audit matter of revenue recognition, including contract modification included the following procedures: We tested the effectiveness of controls over Transocean Ltd.'s review of new and amended contracts including the assessment of the accounting for the arrangement. We also performed audit procedures on a sample of new or amended drilling contracts to assess the accounting treatment by evaluating Ltd.'s interpretation of contract terms. We tested the accounting treatment for a sample of revenue transactions recorded as a result of a new, amended or terminated contract during the current fiscal year including validation that the revenue recognition criteria had been met and Transocean Ltd.'s performance obligations had been satisfied. We used analytical procedures to identify transactions with attributes suggesting changes of terms and conditions of the underlying arrangement not identified through our other procedures. We performed inquiries with members of the operations management team, including the marketing department, to corroborate the contract documentation obtained.
Long-lived assets impairment	
Area of emphasis	Transocean Ltd. reviews 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, recoverability is determined by evaluating the estimated undiscounted future net cash flows based on projected dayrates and utilization of the asset group under review. Transocean Ltd. considers asset groups to be ultra deepwater floaters, harsh environment floaters, deepwater floaters, midwater floaters and high specification jackups. When an impairment of one or more asset groups is indicated, the impairment is calculated as the amount by which the asset group's carrying amount exceeds its estimated fair value. Transocean Ltd. measures the fair values of its 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. The primary risks are incorrect determination of asset classes and subsequent calculation of recoverability, inaccurate models being used for the impairment assessments, and that the assumptions to support the value of asset classes are inappropriate. The principal consideration for our determination that impairment of long-lived asset is a key audit matter is the subjectivity in the assessment of the recoverable amounts, which requires estimation and the use of subjective assumptions. *See note 6 to these consolidated financial statements for Transocean Ltd.'s related to long-lived assets impairments.*
Our audit response	Our audit procedures related to the key audit matter of long-lived assets impairment included the following procedures: We tested the effectiveness of controls over Transocean Ltd.'s long-lived assets impairment. We performed inquiries of management about the current market conditions supporting the evaluation of potential impairment indicators, assessed Transocean Ltd.'s determination of asset groups, we tested the key assumptions used,

	and performed procedures on Transocean Ltd.'s prospective financial information. We involved valuation specialists to assist in the evaluation of the impairment analyses, specifically in testing key assumptions and prospective financial information. We also evaluated management's annual reassessment of the remaining useful lives and salvage values of its long-lived assets given the current market condition. We performed procedures to assess the valuation models for evidence of management bias considering contrary evidence from third party analyst reports, press releases and fleet status reports published by Transocean Ltd.'s competitors.
Uncertain tax positions	
Area of emphasis	Transocean Ltd. evaluates its income tax positions to determine whether they meet the more-likely-than-not threshold to be recognized in the financial statements and measures a recognized tax position at the largest amount of benefit that is more likely than not of being realized upon ultimate settlement with the taxing authority. There is subjectivity in determining the proper amount of liabilities for tax contingencies and assessing the impact of complex tax structures involves management judgment. Management continually monitors the evolving tax regulations in order to assess any new legislation and quantify the impact and changes to the overall company structure. There is a risk of improper recognition of uncertain tax positions due to the complex structure of Transocean Ltd. The principal considerations for our determination that tax contingencies is a key audit matter include the difficulty in identifying all matters to be considered and the subjectivity related to the inputs utilized in the measurement of its exposures. *See note 7 to these consolidated financial statements for Transocean Ltd.'s disclosures related to income taxes.*
Our audit response	Our audit procedures related to the key audit matter of uncertain tax positions included the following procedures: We tested the effectiveness of controls over Transocean Ltd.'s identification and measurement of uncertain tax positions. We also tested significant uncertain tax positions by evaluating the inputs and recalculating the reserve recorded by Transocean Ltd. We tested the completeness of Transocean Ltd.'s uncertain tax positions by evaluating transactions entered into by Transocean Ltd. during the current year, inspecting analyses comparing the tax return to the tax accrual and performing inquiries with management. We also monitored tax regulations throughout the year and evaluated management's assessments of any new legislation. We involved specialists to assist in gaining an understanding of Transocean Ltd.'s uncertain tax positions, including the evaluation of external tax opinions and assessing the inputs utilized in calculating uncertain tax positions, including transfer pricing risks.
Income taxes and correction of prior period financial statements	
Area of emphasis	Transocean Ltd. operates worldwide through various subsidiaries. Due to the complex organizational structure of the entity and the cross-border nature of its operations, the annual tax provision is complex and based on expected taxable income, statutory rates and tax planning opportunities available in the various jurisdictions in which it operates. The rig operating structure further complicates the tax calculations, especially in instances where there is more than one operating structure for a particular tax jurisdiction and thus, more than one method of calculating taxes. Estimates, judgments and assumptions are also required in the evaluation of income taxes, specifically in the determination of whether deferred tax assets will be fully or partially realized. During the audit of the consolidated financial statements for the year ended December 31, 2016, three prior period errors were identified related to the accounting for deferred taxes, including the assessment of the need for a valuation allowance. These errors are material to the 2016 consolidated financial statements, but are not material to any of the previously issued consolidated financial statements. The first error pertained to the accounting for the foreign currency remeasurement on deferred taxes of non-monetary temporary differences in Norway. The second error pertained to the accounting for deferred taxes related to Transocean Ltd.'s defined benefit pension plan in the United States. The third error pertained to a valuation allowance on deferred tax assets recorded in the United Kingdom. Related to the errors identified, Transocean Ltd. determined the deficiencies in internal control represented a material weakness in the controls over income tax accounting as

	of December 31, 2016. *See note 7 to these consolidated financial statements for Transocean Ltd.'s disclosures related to income taxes. See note 4 to these consolidated financial statements for Transocean Ltd.'s disclosures related to the correction of prior period errors. See Management's Report on Internal Control Over Financial Reporting for details on the material weakness identified.*
Our audit response	Our audit procedures related to the key audit matter of income taxes and correction of prior period financial statements included the following procedures: We tested the effectiveness of controls over Transocean Ltd.'s preparation of its annual tax provision. We tested the tax basis balance sheets and assessed the identification and accounting for differences between the tax basis and the book value. We performed procedures to assess the valuation allowances recorded against deferred tax assets in various jurisdictions that are more likely than not to be utilized and tested Transocean Ltd.'s assessment of sources of future taxable income. We involved EY tax professionals to assist in evaluating the income tax calculations and analyses required by ASC 740, Income Taxes. We performed procedures to evaluate the amounts and disclosures within the financial statements related to income taxes. We performed procedures to evaluate management's assessment of the prior period errors identified. We evaluated the impact the adjustments could have on reported line items, subtotals, totals and disclosures in the context of the prior period financial statements as a whole. We considered the potential for undetected misstatements and performed procedures to evaluate the qualitative considerations considered by management when determining materiality to the prior year financial statements. In response to the material weakness, we modified our risk assessment on the valuation assertion for deferred taxes and reduced our testing thresholds for audit procedures related to deferred tax assets and liabilities, including related valuation allowances. In addition, we performed incremental audit procedures to test any temporary differences arising from the tax basis balance sheets of certain jurisdictions considered as the high tax jurisdictions of Transocean Ltd. We performed procedures to test the completeness of deferred tax assets and liabilities and evaluated if there were any other high tax rate jurisdictions that included significant non-monetary assets.

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 the course of our audit performed in accordance with article 728a para. 1 item 3 CO and Swiss Auditing Standard 890, we noted that an internal control system for the preparation of the consolidated financial statements designed according to the instructions of the Board of Directors was adequately documented. However, the procedures and controls over the income tax process, a significant process for the entity, were not implemented in all material respects.

In our opinion, except for the matter described in the preceding paragraph, an internal control system for the preparation of consolidated financial statements, designed in accordance with the instructions of the Board of Directors, exists.

We recommend that the consolidated financial statements submitted to you be approved.

Ernst & Young Ltd

/s/ Jolanda Dolente	/s/ Jennifer Mathias
Licensed audit expert (Auditor in charge)	Certified public accountant

TRANSOCEAN LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions, except per share data)

	Years ended December 31, 2016	2015	2014
Operating revenues			
Contract drilling revenues	$ 3,705	$ 6,802	$ 8,963
Other revenues	456	584	222
	4,161	7,386	9,185
Costs and expenses			
Operating and maintenance	1,875	2,955	5,100
Depreciation	893	963	1,129
General and administrative	172	192	234
	2,940	4,110	6,463
Loss on impairment	(93)	(1,875)	(4,043)
Gain (loss) on disposal of assets, net	4	(36)	(26)
Operating income (loss)	1,132	1,365	(1,347)
Other income (expense), net			
Interest income	20	22	20
Interest expense, net of amounts capitalized	(409)	(432)	(483)
Gain (loss) on retirement of debt	148	23	(13)
Other, net	43	37	35
	(198)	(350)	(441)
Income (loss) from continuing operations before income tax expense	934	1,015	(1,788)
Income tax expense	107	120	92
Income (loss) from continuing operations	827	895	(1,880)
Income (loss) from discontinued operations, net of tax	—	2	(20)
Net income (loss)	827	897	(1,900)
Net income (loss) attributable to noncontrolling interest	49	32	(61)
Net income (loss) attributable to controlling interest	$ 778	$ 865	$ (1,839)
Earnings (loss) per share-basic			
Earnings (loss) from continuing operations	$ 2.08	$ 2.36	$ (5.02)
Earnings (loss) from discontinued operations	—	—	(0.06)
Earnings (loss) per share	$ 2.08	$ 2.36	$ (5.08)
Earnings (loss) per share-diluted			
Earnings (loss) from continuing operations	$ 2.08	$ 2.36	$ (5.02)
Earnings (loss) from discontinued operations	—	—	(0.06)
Earnings (loss) per share	$ 2.08	$ 2.36	$ (5.08)
Weighted-average shares outstanding			
Basic	367	363	362
Diluted	367	363	362

See accompanying notes.

TRANSOCEAN LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In millions)

	Years ended December 31,		
	2016	2015	2014
Net income (loss)	$ 827	$ 897	$ (1,900)
Net income (loss) attributable to noncontrolling interest	49	32	(61)
Net income (loss) attributable to controlling interest	778	865	(1,839)
Components of net periodic benefit costs before reclassifications	(20)	63	(170)
Components of net periodic benefit costs reclassified to net income	8	23	17
Gain on derivative instruments reclassified to net income	—	—	(2)
Other comprehensive income (loss) before income taxes	(12)	86	(155)
Income taxes related to other comprehensive income	6	(17)	35
Other comprehensive income (loss)	(6)	69	(120)
Other comprehensive income (loss) attributable to noncontrolling interest	—	—	—
Other comprehensive income (loss) attributable to controlling interest	(6)	69	(120)
Total comprehensive income (loss)	821	966	(2,020)
Total comprehensive income (loss) attributable to noncontrolling interest	49	32	(61)
Total comprehensive income (loss) attributable to controlling interest	$ 772	$ 934	$ (1,959)

See accompanying notes.

TRANSOCEAN LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In millions, except share data)

	December 31, 2016	December 31, 2015
Assets		
Cash and cash equivalents	$ 3,052	$ 2,339
Accounts receivable, net		
Trade	833	1,343
Other	65	57
Materials and supplies, net	561	627
Restricted cash	466	340
Other current assets	121	92
Total current assets	5,098	4,798
Property and equipment	27,372	26,265
Less accumulated depreciation	(6,279)	(5,456)
Property and equipment, net	21,093	20,809
Deferred income taxes, net	298	411
Other assets	400	413
Total assets	$ 26,889	$ 26,431
Liabilities and equity		
Accounts payable	$ 206	$ 455
Accrued income taxes	95	55
Debt due within one year	724	1,093
Other current liabilities	960	1,062
Total current liabilities	1,985	2,665
Long-term debt	7,740	7,397
Deferred income taxes, net	178	229
Other long-term liabilities	1,153	1,135
Total long-term liabilities	9,071	8,761
Commitments and contingencies		
Redeemable noncontrolling interest	28	5
Shares, CHF 0.10 par value, 417,060,033 authorized, 143,783,041 conditionally authorized, 394,801,990 issued and 389,366,241 outstanding at December 31, 2016 and CHF 15.00 par value, 396,260,487 authorized, 167,617,649 conditionally authorized, 373,830,649 issued and 364,035,397 outstanding at December 31, 2015	36	5,193
Additional paid-in capital	10,993	5,736
Treasury shares, at cost, 2,863,267 held at December 31, 2015	—	(240)
Retained earnings	5,056	4,278
Accumulated other comprehensive loss	(283)	(277)
Total controlling interest shareholders’ equity	15,802	14,690
Noncontrolling interest	3	310
Total equity	15,805	15,000
Total liabilities and equity	$ 26,889	$ 26,431

See accompanying notes.

TRANSOCEAN LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY
(In millions)

	Years ended December 31,			Years ended December 31,		
	2016	2015	2014	2016	2015	2014
		Quantity			Amount	
Shares						
Balance, beginning of period	364	362	361	$ 5,193	$ 5,169	$ 5,147
Reduction of par value	—	—	—	(5,159)	—	—
Issuance of shares for acquisition of noncontrolling interest	24	—	—	2	—	—
Issuance of shares under share-based compensation plans	1	2	1	—	24	22
Balance, end of period	389	364	362	$ 36	$ 5,193	$ 5,169
Additional paid-in capital						
Balance, beginning of period				$ 5,736	$ 5,797	$ 6,784
Share-based compensation				42	64	98
Reduction of par value				5,159	—	—
Cancellation of shares held in treasury				(240)	—	—
Issuance of shares for acquisition of noncontrolling interest, net of issue costs				313	—	—
Issuance of shares under share-based compensation plans				—	(24)	(21)
Reclassification of obligation for distribution of qualifying additional paid-in capital				—	(109)	(1,088)
Allocated capital for transactions with holders of noncontrolling interest				(18)	9	33
Other, net				1	(1)	(9)
Balance, end of period				$ 10,993	$ 5,736	$ 5,797
Treasury shares, at cost						
Balance, beginning of period				$ (240)	$ (240)	$ (240)
Cancellation of shares held in treasury				240	—	—
Balance, end of period				$ —	$ (240)	$ (240)
Retained earnings						
Balance, beginning of period				$ 4,278	$ 3,413	$ 5,252
Net income (loss) attributable to controlling interest				778	865	(1,839)
Balance, end of period				$ 5,056	$ 4,278	$ 3,413
Accumulated other comprehensive loss						
Balance, beginning of period				$ (277)	$ (346)	$ (226)
Other comprehensive income (loss) attributable to controlling interest				(6)	69	(120)
Balance, end of period				$ (283)	$ (277)	$ (346)
Total controlling interest shareholders' equity						
Balance, beginning of period				$ 14,690	$ 13,793	$ 16,717
Total comprehensive income (loss) attributable to controlling interest				772	934	(1,959)
Share-based compensation				42	64	98
Issuance of shares for acquisition of noncontrolling interest, net of issue costs				315	—	—
Reclassification of obligation for distribution of qualifying additional paid-in capital				—	(109)	(1,088)
Allocated capital for transactions with holders of noncontrolling interest				(18)	9	33
Other, net				1	(1)	(8)
Balance, end of period				$ 15,802	$ 14,690	$ 13,793
Noncontrolling interest						
Balance, beginning of period				$ 310	$ 311	$ 2
Total comprehensive income (loss) attributable to noncontrolling interest				26	38	(70)
Acquisition of noncontrolling interest				(321)	(1)	—
Sale of noncontrolling interest, net of issue costs				—	—	417
Distributions to holders of noncontrolling interest				(30)	(29)	(5)
Allocated capital for transactions with holders of noncontrolling interest				18	(9)	(33)
Balance, end of period				$ 3	$ 310	$ 311
Total equity						
Balance, beginning of period				$ 15,000	$ 14,104	$ 16,719
Total comprehensive income (loss)				798	972	(2,029)
Share-based compensation				42	64	98
Issuance of shares for acquistition of noncontrolling interest, net of issue costs				315	—	—
Acquisition of noncontrolling interest				(321)	(1)	—
Sale of noncontrolling interest, net of issue costs				—	—	417
Reclassification of obligation for distribution of qualifying additional paid-in capital				—	(109)	(1,088)
Distributions to holders of noncontrolling interest				(30)	(29)	(5)
Other, net				1	(1)	(8)
Balance, end of period				$ 15,805	$ 15,000	$ 14,104

See accompanying notes.

TRANSOCEAN LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)

	Years ended December 31,		
	2016	2015	2014
Cash flows from operating activities			
Net income (loss)	$ 827	$ 897	$ (1,900)
Adjustments to reconcile to net cash provided by operating activities:			
Depreciation	893	963	1,129
Share-based compensation expense	42	64	98
Loss on impairment	93	1,875	4,043
(Gain) loss on disposal of assets, net	(4)	35	36
(Gain) loss on retirement of debt	(148)	(23)	13
Deferred income tax expense (benefit)	68	(134)	(194)
Other, net	14	74	24
Changes in deferred revenues, net	219	(90)	95
Changes in deferred costs, net	72	179	(49)
Changes in operating assets and liabilities	(165)	(395)	(1,075)
Net cash provided by operating activities	1,911	3,445	2,220
Cash flows from investing activities			
Capital expenditures	(1,344)	(2,001)	(2,165)
Proceeds from disposal of assets, net	30	54	250
Proceeds from repayment of loans receivable	—	15	101
Investment in loans receivable	—	—	(15)
Other, net	1	—	1
Net cash used in investing activities	(1,313)	(1,932)	(1,828)
Cash flows from financing activities			
Proceeds from issuance of debt, net of discounts and issue costs	2,401	—	—
Repayments of debt	(2,295)	(1,506)	(539)
Deposits to cash accounts restricted for financing activities	(85)	—	(20)
Proceeds from cash accounts and investments restricted for financing activities	124	110	176
Proceeds from sale of noncontrolling interest, net of issue costs	—	—	417
Distributions of qualifying additional paid-in capital	—	(381)	(1,018)
Distributions to holders of noncontrolling interest	(30)	(29)	(5)
Other, net	—	(3)	(11)
Net cash provided by (used in) financing activities	115	(1,809)	(1,000)
Net increase (decrease) in cash and cash equivalents	713	(296)	(608)
Cash and cash equivalents at beginning of period	2,339	2,635	3,243
Cash and cash equivalents at end of period	$ 3,052	$ 2,339	$ 2,635

See accompanying notes.

Note 1—Business

Overview—Transocean Ltd. (together with its subsidiaries and predecessors, unless the context requires otherwise, "Transocean," "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, 2016, we owned or had partial ownership interests in and operated 56 mobile offshore drilling units, including 30 ultra-deepwater floaters, seven harsh environment floaters, three deepwater floaters, six midwater floaters and 10 high-specification jackups. At December 31, 2016, we also had four ultra-deepwater drillships and five high-specification jackups under construction or under contract to be constructed. See Note 10—Drilling Fleet.

Transocean Partners—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. On December 9, 2016, Transocean Partners completed a merger with one of our subsidiaries as contemplated under the Agreement and Plan of Merger (the "Merger Agreement"), dated July 31, 2016, and as amended on November 21, 2016. Following the completion of the merger, Transocean Partners became a wholly owned indirect subsidiary of Transocean Ltd. Each Transocean Partners common unit that was issued and outstanding immediately prior to the closing, other than the units held by Transocean and its subsidiaries, was converted into the right to receive 1.20 of our shares. To complete the merger, we issued 23.8 million shares from conditional capital. See Note 14—Noncontrolling Interest.

Par value reduction—On October 29, 2015, at our extraordinary general meeting, our shareholders approved the reduction of the par value of each of our shares to CHF 0.10 from the original par value of CHF 15.00. The reduction of par value became effective as of January 7, 2016, upon registration in the commercial register. See Note 15—Shareholders' Equity.

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 allowance for doubtful accounts, materials and supplies obsolescence, property and equipment, assets held for sale, 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, and we separately present net income attributable to such parties on our consolidated statements of operations. See Note 5—Variable Interest Entities and Note 14—Noncontrolling Interest.

Discontinued operations—Under accounting standards previously in effect, we presented as discontinued operations the operating results of components of our business that either had been disposed of or were classified as held for sale when both of the following conditions were met: (a) the operations and cash flows of the component had been or would be eliminated from our ongoing operations as a result of the disposal transaction and (b) we would not have any significant continuing involvement in the operations of the disposed component. Under the former accounting standards, we considered a component of our business to be one that comprises operations and cash flows that could be clearly distinguished, operationally and for financial reporting purposes, from the rest of our business. See Note 3—New Accounting Pronouncements and Note 8—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 certain instances, when we determine that collection is not reasonably assured, we recognize revenues associated with the contract when all revenue recognition criteria have been met. 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 recognize, 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.

Our other revenues represent those derived from customer contract terminations and customer reimbursable items. We recognize revenues from contract terminations as we fulfill our obligations for such terminations and when all contingencies have expired. 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 service awards, we recognize compensation expense on a straight-line basis over the service period through the date the employee or non-employee director is no longer required to provide service to earn the award. For performance 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 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. To measure the fair values of granted or modified service-based restricted share units, we use the market price of our shares on the grant date or modification date. To measure the fair values of restricted share units that are subject to performance targets, we use the market price of our shares on the measurement date for the projected number of shares expected to be earned at the end of the performance period. To measure the fair values of granted or modified restricted share units that are subject to market factors, we use a Monte Carlo simulation model and, in addition to the 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.

We recognize share-based compensation expense in the same financial statement line item as cash compensation paid to the respective employees or non-employee directors. 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, 2016, 2015 and 2014, share-based compensation expense was $42 million, $64 million and $98 million, respectively. In the years ended December 31, 2016, 2015 and 2014, income tax benefit on share-based compensation expense was $7 million, $11 million and $15 million, respectively. See Note 16—Share Based Compensation Plans.

Capitalized interest—We capitalize interest costs for qualifying construction and upgrade projects and only capitalize interest during periods in which progress for the construction projects continues to be underway. In the years ended December 31, 2016, 2015 and 2014, we capitalized interest costs of $176 million, $140 million and $133 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 currency exchange rate gains and losses in other, net. In the years ended December 31, 2016, 2015 and 2014, we recognized a net loss of $2 million, a net gain of less than $1 million and a net gain of $18 million, respectively, related to currency exchange rates.

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. In evaluating our ability to realize deferred tax assets, we consider all available positive and negative evidence, including projected future taxable income and the existence of cumulative losses in recent years. 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 7—Income Taxes.

Cash and cash equivalents—We consider cash equivalents to include highly liquid debt instruments with original maturities of three months or less such as 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-ended, management investment trusts. Such management trusts invest exclusively in high-quality money market instruments.

We maintain restricted cash balances and investments that are either pledged for debt service under certain bond indentures, as required under certain bank credit arrangements, or held in accounts that are subject to restrictions due to legislation, regulation or court order. We classify such restricted cash investment balances in other current assets if the restriction is expected to expire or otherwise be resolved within one year and in other assets if the restriction is expected to expire or otherwise be resolved in greater than one year. At December 31, 2016, the aggregate carrying amount of our restricted cash investments was $510 million, of which $466 million and $44 million was classified in other current assets and other assets, respectively. At December 31, 2015, the aggregate carrying amount of our restricted cash investments was $467 million, of which $340 million and $127 million was classified in other current assets and other assets, respectively. See Note 11—Debt and Note 13—Commitments and Contingencies.

Accounts receivable—We earn our revenues by providing our drilling 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 may occasionally 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, 2016 and 2015, the allowance for doubtful accounts was less than $1 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, 2016 and 2015, the allowance for obsolescence was $153 million and $148 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 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, 2016 and 2015, the aggregate carrying amount of our assets held for sale, recorded in other current assets, was $6 million and $8 million, respectively. See 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, 2016, the aggregate carrying amount of our property and equipment represented approximately 78 percent of our total assets.

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. We compute depreciation using the straight-line method after allowing for salvage values.

The estimated original useful lives of our drilling units range from 20 to 35 years, our buildings and improvements range from two 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.

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, harsh environment floaters, deepwater 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 year ended December 31, 2016, we determined that the carrying amount of the deepwater floater asset group exceeded its fair value, and we recognized a loss of $52 million ($0.14 per diluted share) associated with the impairment of these long-lived assets. In the year ended December 31, 2015, we determined that the carrying amount of the deepwater floater asset group and the midwater floater asset group each exceeded its fair value, and we recognized a loss of $507 million ($481 million, or $1.31 per diluted share, net of tax) and $668 million ($654 million, or $1.78 per diluted share, net of tax) associated with the impairment of the deepwater floater asset group and the midwater floater asset group, respectively, including a loss of $52 million associated with construction in progress related to the asset groups. In the year ended December 31, 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. See Note 6—Impairments.

Goodwill impairment—Prior to the full impairment of our goodwill, we conducted impairment testing annually as of October 1 and more frequently, on an interim basis, when an event occured or circumstances changed that indicated that the fair value of our reporting unit may have declined below its carrying value. We tested 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 had a single reporting unit for this purpose.

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 full impairment of the carrying amount of our goodwill, of which $2.9 billion ($8.02 per diluted share) was attributable to controlling interest and $74 million was attributable to noncontrolling interest. See Note 6—Impairments.

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 and employee turnover rates. Since our defined benefit plans have ceased accruing benefits, certain assumptions, including compensation increases and health care cost trend rates no longer apply. 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.

At December 31, 2016 and 2015, our pension and other postretirement benefit plan obligations represented an aggregate liability of $375 million and $414 million, respectively, and an aggregate asset of $5 million and $2 million, respectively, representing the funded status of the plans. In the years ended December 31, 2016, 2015 and 2014, net periodic benefit costs were income of $11 million, costs of $26 million and costs of $75 million, respectively. See Note 12—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 such legal costs only if we expect such legal costs to be recovered through insurance.

Reclassifications—We have made certain reclassifications 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.

Note 3—New Accounting Pronouncements

Recently adopted accounting standards

Presentation of financial statements—Effective with our annual report for the year ended December 31, 2016, we adopted 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 interim and annual periods thereafter. Our adoption did not have an effect on the disclosures contained in our notes to consolidated financial statements.

Recently issued accounting standards

Stock compensation—Effective January 1, 2017, we will adopt the accounting standards update that allows for simplification of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities and classification on the statement of cash flows. The update, which permits early adoption, is effective for annual periods beginning after December 15, 2016 and interim periods within those annual periods. Our adoption is not expected to have a material effect on our consolidated statements of financial position, operations or cash flows or on the disclosures contained in our notes to consolidated financial statements.

Revenue from contracts with customers—Effective January 1, 2018, 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, which permits early adoption, is effective for annual reporting periods beginning after December 15, 2017, including interim periods within that reporting period. Given the interaction with the accounting standards update related to leases, we expect to adopt the updates concurrently, effective January 1, 2018, and we expect to apply the full retrospective approach to our adoption. Our adoption, and the ultimate effect on our consolidated financial statements, will be based on an evaluation of the contract-specific facts and circumstances, and such effect could introduce variability to the timing of our revenue recognition relative to current accounting standards We are evaluating the requirements to determine the effect such requirements may have on our consolidated statements of financial position, operations and cash flows and on the disclosures contained in our notes to consolidated financial statements.

Leases—Effective no later than January 1, 2019, we will adopt the accounting standards update that (a) requires lessees to recognize a right to use asset and a lease liability for virtually all leases, and (b) updates previous accounting standards for lessors to align certain requirements with the updates to lessee accounting standards and the revenue recognition accounting standards. The update, which permits early adoption, is effective for interim and annual periods beginning after December 15, 2018, including interim periods within those annual periods. Under the updated accounting standards, we have determined that our drilling contracts contain a lease component, and our adoption, therefore, will require that we separately recognize revenues associated with the lease and services components. Given the interaction with the accounting standards update related to revenue from contracts with customers, we expect to adopt the updates concurrently, effective January 1, 2018, and we expect to apply the modified retrospective approach to our adoption. Our adoption, and the ultimate effect on our consolidated financial statements, will be based on an evaluation of the contract-specific facts and circumstances, and such effect could introduce variability to the timing of our revenue recognition relative to current accounting standards. We are evaluating the requirements to determine the effect such requirements may have on our consolidated statements of financial position, operations and cash flows and on the disclosures contained in our notes to consolidated financial statements.

Income taxes—Effective no later than January 1, 2018, we will adopt the accounting standards update that requires an entity to recognize the income tax consequences of an intra entity transfer of an asset other than inventory when the transaction occurs as opposed to deferring such recognition into future periods. The update, which permits early adoption, is effective for annual reporting periods beginning after December 15, 2017, including interim periods within those annual periods. We do not expect that our adoption will have a material effect on our consolidated statements of financial position, operations or cash flows or on the disclosures contained in our notes to consolidated financial statements.

Statement of cash flows—Effective no later than January 1, 2018, we will adopt the accounting standards update that requires that amounts generally described as restricted cash or restricted cash equivalents be included with cash and cash equivalents when reconciling the beginning and end of period total amounts presented on the statement of cash flows. The update, which permits early adoption, is effective for annual periods beginning after December 15, 2017 and interim periods within those annual periods. We do not expect that our adoption will have a material effect on our consolidated statements of cash flows or on the disclosures contained in our notes to consolidated financial statements.

Note 4—Correction of Errors in Previously Reported Consolidated Financial Statements

In calculating our income taxes for the year ended December 31, 2016, we identified errors in our previously issued financial statements for the interim and annual periods prior to December 31, 2016 related to the measurement of deferred taxes in relation to: (a) the remeasurement of certain nonmonetary assets in Norway, (b) the analysis of our U.S. defined benefit pension plans and effect on other comprehensive income and (c) the assessment of realizability of our deferred tax assets and the need for valuation allowances. We assessed the materiality of these errors in accordance with the U.S. Securities and Exchange Commission ("SEC") Staff Accounting Bulletin ("SAB") No. 99, *Materiality* and SAB No. 108, *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements* ("SAB 108"), using both the rollover method and the iron curtain method, as defined in SAB 108, and concluded the errors, including other adjustments discussed below, were immaterial to prior years but, if corrected in the current year, would have been material to the current year. Under SAB 108, such prior-year misstatements which, if corrected in the current year would be material to the current year, must be corrected by adjusting the prior-year financial statements. Correcting prior-year financial statements for such immaterial misstatements does not require previously filed reports to be amended.

In addition to the adjustments related to the deferred taxes as noted above, we recorded other adjustments related to the years ended December 31, 2015 and 2014 and the quarterly periods in the nine months ended September 30, 2016 to correct for immaterial errors related to revenues, operating and maintenance costs, depreciation expense, losses on impairment and disposal of assets, interest income and income taxes. These other adjustments were not previously recorded in the appropriate periods, as we concluded that they were immaterial to our previously issued consolidated financial statements.

For the year ended December 31, 2015, correction of these errors increased our income from continuing operations by $71 million and net income attributable to controlling interest by $74 million. For the year ended December 31, 2014, correction of these errors decreased our loss from continuing operations by $66 million and net loss attributable to controlling interest by $74 million. The cumulative effect of those adjustments reduced previously reported retained earnings by $11 million. We also corrected our financial statements for each of the interim periods in the years ended December 31, 2016 and 2015 (see Note 22—Quarterly Results).

The effects of the corrections of the errors on our consolidated statements of operations, comprehensive income (loss) and balance sheets are presented in the tables below. The corrections of the errors had no effect on the previously reported amounts of operating, investing, and financing cash flows on our consolidated statements of cash flows.

	Years ended December 31, 2015			Years ended December 31, 2014		
	Previously reported	Adjustments	As adjusted	Previously reported	Adjustments	As adjusted
Operating revenues						
Contract drilling revenues	$ 6,802	$ —	$ 6,802	$ 8,952	$ 11	$ 8,963
Other revenues	584	—	584	222	—	222
	7,386	—	7,386	9,174	11	9,185
Costs and expenses						
Operating and maintenance	2,955	—	2,955	5,110	(10)	5,100
Depreciation	963	—	963	1,139	(10)	1,129
General and administrative	193	(1)	192	234	—	234
	4,111	(1)	4,110	6,483	(20)	6,463
Loss on impairment	(1,867)	(8)	(1,875)	(4,043)	—	(4,043)
Loss on disposal of assets, net	(28)	(8)	(36)	(26)	—	(26)
Operating income (loss)	1,380	(15)	1,365	(1,378)	31	(1,347)
Other income (expense), net						
Interest income	22	—	22	39	(19)	20
Interest expense, net of amounts capitalized	(432)	—	(432)	(483)	—	(483)
Gain (loss) on retirement of debt	23	—	23	(13)	—	(13)
Other, net	37	—	37	35	—	35
	(350)	—	(350)	(422)	(19)	(441)
Income (loss) from continuing operations before income tax expense	1,030	(15)	1,015	(1,800)	12	(1,788)
Income tax expense (benefit)	206	(86)	120	146	(54)	92
Income (loss) from continuing operations	824	71	895	(1,946)	66	(1,880)
Income (loss) from discontinued operations, net of tax	2	—	2	(20)	—	(20)
Net income (loss)	826	71	897	(1,966)	66	(1,900)
Net income (loss) attributable to noncontrolling interest	35	(3)	32	(53)	(8)	(61)
Net income (loss) attributable to controlling interest	$ 791	$ 74	$ 865	$ (1,913)	$ 74	$ (1,839)
Earnings (loss) per share-basic						
Earnings (loss) from continuing operations	$ 2.16	$ 0.20	$ 2.36	$ (5.23)	$ 0.21	$ (5.02)
Earnings (loss) from discontinued operations	—	—	—	(0.06)	—	(0.06)
Earnings (loss) per share	$ 2.16	$ 0.20	$ 2.36	$ (5.29)	$ 0.21	$ (5.08)
Earnings (loss) per share-diluted						
Earnings (loss) from continuing operations	$ 2.16	$ 0.20	$ 2.36	$ (5.23)	$ 0.21	$ (5.02)
Earnings (loss) from discontinued operations	—	—	—	(0.06)	—	(0.06)
Earnings (loss) per share	$ 2.16	$ 0.20	$ 2.36	$ (5.29)	$ 0.21	$ (5.08)

	Year ended December 31, 2015			Year ended December 31, 2014		
	Previously reported	Adjustments	As adjusted	Previously reported	Adjustments	As adjusted
Net income (loss)	$ 826	$ 71	$ 897	$ (1,966)	$ 66	$ (1,900)
Net income (loss) attributable to noncontrolling interest	35	(3)	32	(53)	(8)	(61)
Net income (loss) attributable to controlling interest	791	74	865	(1,913)	74	(1,839)
Components of net periodic benefit costs before reclassifications	63	—	63	(170)	—	(170)
Components of net periodic benefit costs reclassified to net income	23	—	23	17	—	17
Gain on derivative instruments reclassified to net income	—	—	—	(2)	—	(2)
Other comprehensive income (loss) before income taxes	86	—	86	(155)	—	(155)
Income taxes related to other comprehensive income	(16)	(1)	(17)	13	22	35
Other comprehensive income (loss)	70	(1)	69	(142)	22	(120)
Other comprehensive income (loss) attributable to noncontrolling interest	—	—	—	—	—	—
Other comprehensive income (loss) attributable to controlling interest	70	(1)	69	(142)	22	(120)
Total comprehensive income (loss)	896	70	966	(2,108)	88	(2,020)
Total comprehensive income (loss) attributable to noncontrolling interest	35	(3)	32	(53)	(8)	(61)
Total comprehensive income (loss) attributable to controlling interest	$ 861	$ 73	$ 934	$ (2,055)	$ 96	$ (1,959)

	December 31, 2015		
	Previously reported	Adjustments	As adjusted
Assets			
Cash and cash equivalents	$ 2,339	$ —	$ 2,339
Accounts receivable, net		—	
Trade	1,343	—	1,343
Other	36	21	57
Materials and supplies, net	635	(8)	627
Restricted cash	340	—	340
Other current assets	92	—	92
Total current assets	4,785	13	4,798
Property and equipment	26,274	(9)	26,265
Less accumulated depreciation	(5,456)	—	(5,456)
Property and equipment, net	20,818	(9)	20,809
Deferred income taxes, net	316	95	411
Other assets	410	3	413
Total assets	$ 26,329	$ 102	$ 26,431
Liabilities and equity			
Accounts payable	$ 448	$ 7	$ 455
Accrued income taxes	82	(27)	55
Debt due within one year	1,093	—	1,093
Other current liabilities	1,046	16	1,062
Total current liabilities	2,669	(4)	2,665
Long-term debt	7,397	—	7,397
Deferred income taxes, net	339	(110)	229
Other long-term liabilities	1,108	27	1,135
Total long-term liabilities	8,844	(83)	8,761
Commitments and contingencies			
Redeemable noncontrolling interest	8	(3)	5
Shares	5,193	—	5,193
Additional paid-in capital	5,739	(3)	5,736
Treasury shares, at cost	(240)	—	(240)
Retained earnings	4,140	138	4,278
Accumulated other comprehensive loss	(334)	57	(277)
Total controlling interest shareholders' equity	14,498	192	14,690
Noncontrolling interest	310	—	310
Total equity	14,808	192	15,000
Total liabilities and equity	$ 26,329	$ 102	$ 26,431

Note 5—Variable Interest Entities

Consolidated variable interest entities—Angola Deepwater Drilling Company Limited ("ADDCL"), a consolidated Cayman Islands company, is a joint venture company formed to own and operate certain drilling units. We determined that ADDCL 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 consolidate ADDCL in our consolidated financial statements, we eliminate intercompany transactions, and we present the interests that are not owned by us as noncontrolling interest on our consolidated balance sheets. The carrying amounts associated with ADDCL, after eliminating the effect of intercompany transactions, were as follows (in millions):

	Years ended December 31,	
	2016	2015
Assets	$ 787	$ 849
Liabilities	25	46
Net carrying amount	$ 762	$ 803

Transocean Drilling Services Offshore Inc. ("TDSOI"), a consolidated British Virgin Islands company, was also a variable interest entity for which we were the primary beneficiary. In July 2016, we completed the repurchase of the noncontrolling interest in TDSOI, and as a result, TDSOI became our wholly owned subsidiary and has been excluded from the above carrying amounts. At December 31, 2015, the net carrying amount of TDSOI, after eliminating the effect of intercompany transactions, was $295 million, including assets of $298 million and liabilities of $3 million. See Note 14—Noncontrolling Interest.

Unconsolidated variable interest entities—We previously held notes receivable, originally issued to us in connection with the sale of two drilling units, which represented a variable interest in the issuer. In the year ended December 31, 2014, we received aggregate cash proceeds of $98 million from the issuer and recognized a gain of $7 million, recorded in other income, associated with the prepayment of the notes and liquidation of our variable interest.

Note 6—Impairments

Assets held for sale—In the year ended December 31, 2016, we recognized an aggregate loss of $41 million ($39 million, or $0.10 per diluted share, net of tax), associated with the impairment of the deepwater floaters *M.G. Hulme, Jr.* and *Sedco 702* and the midwater floaters *GSF Rig 140*, *Sedco 704*, *Transocean Driller, Transocean John Shaw* and *Transocean Winner*, along with related and other equipment, which were classified as assets held for sale at the time of impairment.

In the year ended December 31, 2015, we recognized an aggregate loss of $700 million ($585 million, or $1.60 per diluted share, net of tax) associated with the impairment of the ultra-deepwater floaters *Deepwater Expedition* and *GSF Explorer,* the deepwater floaters *Deepwater Navigator, Discoverer Seven Seas, GSF Celtic Sea, Sedco 707* and *Transocean Rather* and the midwater floaters *GSF Aleutian Key*, *GSF Arctic III, GSF Grand Banks, GSF Rig 135, Transocean Amirante* and *Transocean Legend*, along with related and other equipment, which were classified as assets held for sale at the time of impairment.

In the year ended December 31, 2014, we recognized an aggregate loss of $268 million ($221 million, or $0.60 per diluted share, 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 impairment 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 indicative market values for the drilling units and related equipment to be sold for scrap value or, in the case of *GSF Magellan* and *GSF Monitor*, binding sale and purchase agreements for the drilling units and related equipment. If we commit to plans to sell additional rigs for values below the respective carrying amounts, we may be required to recognize additional losses in future periods associated with the impairment of such assets.

Assets held and used—During the year ended December 31, 2016, we identified indicators that the asset groups in our contract drilling services reporting unit may not be recoverable. Such indicators included a reduction of projected dayrates and an extension to the currently low utilization rates. As a result of our testing, we determined that the carrying amount of our deepwater floater asset group was impaired. In the year ended December 31, 2016, we recognized a loss of $52 million ($0.14 per diluted share) which had no tax effect, associated with the impairment of the deepwater floater asset group.

During the year ended December 31, 2015, we identified indicators that the asset groups in our contract drilling services reporting unit may not be recoverable. Such indicators included a reduction in the number of new contract opportunities, customer suspensions of drilling programs, early contract terminations and cancellations and low dayrate fixtures. Our deepwater floater and midwater floater asset groups, in particular, experienced significant declines in projected dayrates and utilization caused by increased competition and marginalization of some of the less capable drilling units. As a result of our testing, we determined that the carrying amounts of the deepwater floater and the midwater floater asset groups were impaired. In the year ended December 31, 2015, we recognized losses of $507 million ($481 million, or $1.31 per diluted share, net of tax) and $668 million ($654 million, or $1.78 per diluted share, net of tax) associated with the impairment of the deepwater floater asset group and the midwater floater asset group, respectively, including losses of $41 million and $11 million, respectively, associated with construction in progress for each asset group.

During the year ended December 31, 2014, we identified indicators that the asset groups in our contract drilling services reporting unit may not be recoverable. Such indicators included 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. As a result of our testing, we determined that the carrying amount of the deepwater floater asset group was impaired. In the year ended December 31, 2014, we recognized a loss of $788 million ($693 million, or $1.91 per diluted share, net of tax) associated with the impairment of the deepwater floater asset group.

We estimated the fair value of the asset groups 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 estimates 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 availability and dayrates. 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—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 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 interim goodwill impairment tests and determined that the goodwill associated with our contract drilling services reporting unit was fully impaired. In the year ended December 31, 2014, we recognized an aggregate loss of $3.0 billion associated with the full impairment of the carrying amount of our goodwill, which had no tax effect. We determined that, of the $3.0 billion aggregate loss, $2.9 billion ($8.02 per diluted share) was attributable to controlling interest and $74 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.

Note 7—Income Taxes

Tax provision and 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. For Swiss federal income taxes, qualifying net dividend income and net capital gains on the sale of qualifying investments in subsidiaries are exempt. Consequently, there is not a direct relationship between our Swiss earnings before income taxes and our Swiss income tax expense.

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.

The components of our provision (benefit) for income taxes were as follows (in millions):

	Years ended December 31,		
	2016	2015	2014
Current tax expense	$ 39	$ 254	$ 286
Deferred tax expense (benefit)	68	(134)	(194)
Income tax expense	$ 107	$ 120	$ 92

In the years ended December 31, 2016, 2015 and 2014, our effective tax rate was 11.5 percent, 11.9 percent and (5.0) percent, respectively, based on income from continuing operations before income tax expense.

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 and our reported provision for income taxes (in millions, except statutory tax rate):

	Years ended December 31,		
	2016	2015	2014
Income tax expense, calculated at the Swiss federal statutory rate of 7.83 percent	$ 72	$ 80	$ (141)
Taxes on earnings subject to rates different than the Swiss federal statutory rate	34	36	91
Taxes on impairment losses subject to rates different than the Swiss federal statutory rate	5	(8)	174
Taxes on revaluation of Norwegian assets	18	14	5
Taxes on litigation matters subject to rates different than the Swiss federal statutory rate	(1)	(9)	5
Changes in unrecognized tax benefits, net	(31)	12	(112)
Change in valuation allowance	32	10	93
Benefit from foreign tax credits	(16)	(10)	(23)
Other, net	(6)	(5)	—
Income tax expense	$ 107	$ 120	$ 92

Deferred taxes—The significant components of our deferred tax assets and liabilities were as follows (in millions):

	December 31,	
	2016	2015
Deferred tax assets		
Net operating loss carryforwards	$ 383	$ 365
Tax credit carryforwards	33	23
Accrued payroll expenses not currently deductible	110	128
Deferred income	122	138
Loss contingencies	68	72
Professional fees	3	2
United Kingdom charter limitation	33	69
Other	37	36
Valuation allowance	(412)	(380)
Total deferred tax assets	377	453
Deferred tax liabilities		
Depreciation and amortization	(239)	(251)
Other	(18)	(20)
Total deferred tax liabilities	(257)	(271)
Net deferred tax assets	$ 120	$ 182

At December 31, 2016 and 2015, our deferred tax assets included U.S. foreign tax credit carryforwards of $33 million and $23 million, respectively, which will expire between 2017 and 2026. The deferred tax assets related to our net operating losses were generated in various worldwide tax jurisdictions. At December 31, 2016, the net operating losses carryforwards, which were generated in various jurisdictions worldwide, included $200 million that do not expire and $183 million that will expire beginning 2018 and 2036. At December 31, 2015, the net operating losses carryforwards, which were generated in various jurisdictions worldwide, included $170 million that do not expire and $195 million that will expire beginning 2018 and 2035. At December 31, 2016 and 2015, due to uncertainty of realization, we have recorded a valuation allowance of $412 million and $380 million, respectively, on net operating losses and other deferred tax assets.

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. We consider the earnings of certain of our subsidiaries to be indefinitely reinvested, and accordingly, we have not provided for taxes on these unremitted earnings. If we were to make a distribution from the unremitted earnings of these subsidiaries, we would be subject to taxes payable to various jurisdictions. If our expectations were to 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. At December 31, 2016, the amount of indefinitely reinvested earnings was approximately $2.5 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,		
	2016	2015	2014
Balance, beginning of period	$ 287	$ 272	$ 331
Additions for current year tax positions	42	36	27
Additions for prior year tax positions	13	17	3
Reductions for prior year tax positions	(34)	(27)	(19)
Settlements	(19)	(5)	(47)
Reductions related to statute of limitation expirations	(15)	(6)	(23)
Balance, end of period	$ 274	$ 287	$ 272

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,	
	2016	2015
Unrecognized tax benefits, excluding interest and penalties	$ 274	$ 287
Interest and penalties	96	118
Unrecognized tax benefits, including interest and penalties	$ 370	$ 405

In the years ended December 31, 2016, 2015 and 2014, we recognized income of $23 million, $1 million and $57 million, respectively, recorded as a component of income tax expense, related to previously recognized interest and penalties associated with our unrecognized tax benefits. As of December 31, 2016, if recognized, $370 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, 2017, 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.

Norway tax investigations and trial—Norwegian civil tax authorities are challenging certain transactions undertaken by our subsidiaries in 1999, 2001 and 2002. At December 31, 2016, the remaining outstanding civil tax assessment was for NOK 412 million, equivalent to approximately $48 million, plus interest, related to a 2001 dividend payment. On June 26, 2014, the Norwegian district court in Oslo ruled that our subsidiary was liable for the civil tax assessment but waived all penalties and penalty interest. On September 12, 2014, we and the tax authorities each appealed the ruling. On June 27, 2016, the tax authorities withdrew their appeal of penalties and dropped all penalty claims. We intend to take all other appropriate action to continue to support our position that our Norwegian tax returns are materially correct as filed. Although we are unable to predict the outcome of this matter, we do not expect the effect, if any, to have a material adverse effect on our consolidated statement of financial position, results of operations or cash flows. See Note 23—Subsequent Events.

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 818 million, equivalent to approximately $251 million, including penalties 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 139 million, equivalent to approximately $43 million, including penalties 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.

Note 8—Discontinued Operations

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 discontinue operations associated with the standard jackup and swamp barge asset groups, components of our contract drilling services operating segment. In November 2012, we completed the sale of 38 drilling units, and we agreed to operate the standard jackups on behalf of the buyer for a period of time that extended to January 2015. In the year ended December 31, 2014, we recognized operating revenues of $166 million, operating costs and related losses of $160 million, resulting in a loss of $8 million ($0.02 per diluted share), net of tax expense of $14 million, associated with our discontinued drilling services operations.

Drilling management services—In February 2014, in connection with our efforts to discontinue non-strategic operations, we completed the sale of a subsidiary that performed drilling management services in the North Sea. 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 agreed to provide a $15 million working capital line of credit to the buyer through March 2016. In May 2015, the buyer made a cash payment of $15 million to repay the borrowings and terminated the line of credit.

Note 9—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,					
	2016		2015		2014	
	Basic	Diluted	Basic	Diluted	Basic	Diluted
Numerator for earnings (loss) per share						
Income (loss) from continuing operations attributable to controlling interest	$ 778	$ 778	$ 865	$ 865	$ (1,839)	$ (1,839)
Undistributed earnings allocable to participating securities	(14)	(14)	(8)	(8)	—	—
Income (loss) from continuing operations available to shareholders	$ 764	$ 764	$ 857	$ 857	$ (1,839)	$ (1,839)
Denominator for earnings (loss) per share						
Weighted-average shares outstanding	367	367	363	363	362	362
Effect of stock options and other share-based awards	—	—	—	—	—	—
Weighted-average shares for per share calculation	367	367	363	363	362	362
Per share earnings (loss) from continuing operations	$ 2.08	$ 2.08	$ 2.36	$ 2.36	$ (5.02)	$ (5.02)

In the years ended December 31, 2016, 2015 and 2014, we excluded from the calculation 2.5 million, 3.3 million and 2.5 million share-based awards, respectively, since the effect would have been anti-dilutive.

Note 10—Drilling Fleet

Construction work in progress—For each of the three years in the period ended December 31, 2016, the changes in our construction work in progress, including capital expenditures and other capital additions, were as follows (in millions):

	Years ended December 31, 2016	2015	2014
Construction work in progress, at beginning of period	$ 3,735	$ 2,447	$ 2,708
Capital expenditures			
Newbuild construction program	1,206	1,622	1,436
Other equipment and construction projects	138	379	729
Total capital expenditures	1,344	2,001	2,165
Changes in accrued capital additions	(86)	(11)	(45)
Impairment of construction work in progress	—	(52)	—
Property and equipment placed into service			
Newbuild construction program	(2,557)	—	(1,522)
Other property and equipment	(265)	(650)	(859)
Construction work in progress, at end of period	$ 2,171	$ 3,735	$ 2,447

Dispositions—During the year ended December 31, 2016, in connection with our efforts to dispose of non-strategic assets, we completed the sale of the deepwater floaters *Deepwater Navigator, M.G. Hulme, Jr.* and *Sedco 702* and the midwater floaters *Falcon 100, GSF Grand Banks, GSF Rig 135, Sedco 704, Sedneth 701*, *Transocean Driller*, *Transocean John Shaw* and *Transocean Winner*, along with related equipment. In the year ended December 31, 2016, we received aggregate net cash proceeds of $22 million and recognized an aggregate net gain of $13 million ($0.04 per diluted share, net of tax) associated with the disposal of these assets. In the year ended December 31, 2016, we received cash proceeds of $8 million and recognized an aggregate net loss of $9 million associated with the disposal of assets unrelated to rig sales.

During the year ended December 31, 2015, we completed the sale of the ultra-deepwater floaters *Deepwater Expedition* and *GSF Explorer*, the deepwater floaters *Discoverer Seven Seas*, *GSF Celtic Sea, Sedco 707*, *Sedco 710, Sovereign Explorer* and *Transocean Rather* and the midwater floaters *C. Kirk Rhein, Jr.*, *GSF Aleutian Key, GSF Arctic I*, *GSF Arctic III*, *J.W. McLean, Sedco 601*, *Sedco 700, Transocean Amirante* and *Transocean Legend,* along with related equipment. In the year ended December 31, 2015, we received aggregate net cash proceeds of $35 million and recognized an aggregate net gain of $14 million ($11 million or $0.02 per diluted share, net of tax) associated with the disposal of these assets. In the year ended December 31, 2015, we received cash proceeds of $16 million and recognized an aggregate net loss of $50 million associated with the disposal of assets unrelated to rig sales.

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, we received aggregate net cash proceeds of $185 million and recognized an aggregate net loss of $1 million associated with the disposal of these assets. In the year ended December 31, 2014, we received cash proceeds of $30 million and recognized an aggregate net loss of $25 million associated with the disposal of assets unrelated to rig sales.

At December 31, 2016, the aggregate carrying amount of our assets held for sale was $6 million, including the midwater floater *GSF Rig 140,* along with related equipment, and certain corporate assets. At December 31, 2015, the aggregate carrying amount of our assets held for sale was $8 million, including the deepwater floater *Deepwater Navigator* and the midwater floaters *Falcon 100, GSF Grand Banks, GSF Rig 135* and *Sedneth 701*, along with related equipment, and certain corporate assets.

See Note 6—Impairments.

Note 11—Debt

Overview

Outstanding debt—The aggregate principal amounts and aggregate carrying amounts, net of debt-related balances, including unamortized discounts, premiums, issue costs and fair value adjustments, of our debt were as follows (in millions):

	Principal amount		Carrying amount	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
5.05% Senior Notes due December 2016 (a)	$ —	$ 975	$ —	$ 973
2.50% Senior Notes due October 2017 (a)	485	570	484	568
Eksportfinans Loans due January 2018	123	217	123	216
6.00% Senior Notes due March 2018 (a)	754	789	757	789
7.375% Senior Notes due April 2018 (a)	211	237	211	236
6.50% Senior Notes due November 2020 (a)	508	900	513	911
6.375% Senior Notes due December 2021 (a)	552	1,150	549	1,143
3.80% Senior Notes due October 2022 (a)	539	734	534	726
9.00% Senior Notes due July 2023	1,250	—	1,211	—
7.75% Senior Secured Notes due October 2024	600	—	583	—
6.25% Senior Secured Notes due December 2024	625	—	609	—
7.45% Notes due April 2027 (a)	88	96	86	94
8.00% Debentures due April 2027 (a)	57	57	57	57
7.00% Notes due June 2028	300	300	308	309
Capital lease contract due August 2029	566	591	566	591
7.50% Notes due April 2031 (a)	588	593	585	589
6.80% Senior Notes due March 2038 (a)	1,000	1,000	991	991
7.35% Senior Notes due December 2041 (a)	300	300	297	297
Total debt	8,546	8,509	8,464	8,490
Less debt due within one year				
5.05% Senior Notes due December 2016 (a)	—	975	—	973
2.50% Senior Notes due October 2017 (a)	485	—	484	—
Eksportfinans Loans due January 2018	98	96	98	97
7.75% Senior Secured Notes due October 2024	60	—	57	—
6.25% Senior Secured Notes due December 2024	63	—	60	—
Capital lease contract due August 2029	25	23	25	23
Total debt due within one year	731	1,094	724	1,093
Total long-term debt	$ 7,815	$ 7,415	$ 7,740	$ 7,397

(a) Transocean Inc., a 100 percent owned subsidiary of Transocean Ltd., is the issuer of the notes and debentures. Transocean Ltd. has provided a full and unconditional guarantee of the notes and debentures and borrowings under an unsecured five-year revolving credit facility (see "Five-Year Revolving Credit Facility"). Transocean Ltd. has no independent assets or operations, and following the completion of certain restructuring transactions during the year ended December 31, 2016, its other subsidiaries not owned indirectly through Transocean Inc. were minor. Transocean Inc. has no independent assets and operations, other than those related to its investments in non-guarantor operating companies and balances primarily pertaining to its cash and cash equivalents and debt. Except as discussed under "Indentures" and "Debt issuances—7.75% Senior Secured Notes and 6.25% Senior Secured Notes," 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.

Scheduled maturities—At December 31, 2016, the scheduled maturities of our debt were as follows (in millions):

	Total
Years ending December 31,	
2017	$ 731
2018	1,142
2019	155
2020	665
2021	712
Thereafter	5,141
Total debt, excluding debt-related balances	8,546
Total debt-related balances, net	(82)
Total debt	$ 8,464

Indentures—The indentures that govern our debt contain covenants that, among other things, limit our ability to incur certain liens on our drilling units without equally and ratably securing the notes, to engage in certain sale and lease back transactions covering any of our drilling units, to allow our subsidiaries to incur certain additional debt, or to engage in certain merger, consolidation or reorganization transactions or to enter into a scheme of arrangement qualifying as an amalgamation. Additionally, the indentures that govern the 7.75% Senior Secured Notes due October 2024 (the "7.75% Senior Secured Notes") and the 6.25% Senior Secured Notes due December 2024 (the "6.25% Senior Secured Notes" and, together with the 7.75% Senior Secured Notes, the "Senior Secured Notes") contain covenants that limit the ability of our subsidiaries that own or operate the collateral rigs to declare or pay dividends and impose a maximum collateral rig leverage ratio ("Maximum Collateral Ratio"), represented by each rig's earnings relative to the debt balance, that changes over the terms of the notes. At December 31, 2016, the Maximum Collateral Ratio under both indentures was 5.75 to 1.00.

Interest rate adjustments—The interest rates for certain of our notes are subject to adjustment from time to time upon a change to our credit rating of our non-credit enhanced senior unsecured long-term debt ("Debt Rating"). Effective April 15, 2016, as a result of a reduction of our Debt Rating, the interest rates on the 2.50% Senior Notes due October 2017 (the "2.50% Senior Notes") and the 3.80% Senior Notes due October 2022 (the "3.80% Senior Notes") increased to 3.75 percent and 5.05 percent, respectively. Effective June 15, 2016, as a result of a further reduction of our Debt Rating, the interest rates on the 5.05% Senior Notes due December 2016 (the "5.05% Senior Notes"), the 6.375% Senior Notes due December 2021 (the "6.375% Senior Notes") and the 7.35% Senior Notes due December 2041 increased to 6.80 percent, 8.125 percent and 9.10 percent, respectively. Effective October 15, 2016, as a result of a further reduction of our Debt Rating, the interest rates on the 2.50% Senior Notes and the 3.80% Senior Notes increased to 4.25 percent and 5.55 percent, respectively.

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 "Five-Year Revolving Credit Facility"). Among other things, the 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 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 Five-Year Revolving Credit Facility at either (1) the adjusted London Interbank Offered Rate ("LIBOR") plus a margin (the "Five-Year Revolving Credit Facility Margin"), which ranges from 1.125 percent to 2.0 percent based on the 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 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 based on our Debt Rating. Effective May 17, 2016, as a result of a reduction of our Debt Rating, the Five-Year Revolving Credit Facility Margin increased to 2.0 percent from 1.75 percent and the facility fee increased to 0.35 percent from 0.275 percent. At December 31, 2016, based on our Debt Rating on that date, the Five-Year Revolving Credit Facility Margin was 2.0 percent and the facility fee was 0.35 percent. At December 31, 2016, we had no borrowings outstanding or letters of credit issued, and we had $3.0 billion of available borrowing capacity under the Five-Year Revolving Credit Facility.

Debt issuances

9.00% Senior Notes—On July 21, 2016, we completed an offering of an aggregate principal amount of $1.25 billion of 9.00% senior unsecured notes due July 15, 2023 (the "9.00% Senior Notes"), and we received aggregate cash proceeds of $1.21 billion, net of initial discount and costs payable by us. We used the majority of the net proceeds from the debt offering to complete a tender offer (see "Tender offer"). The 9.00% Senior Notes are fully and unconditionally guaranteed by Transocean Ltd. and certain wholly owned subsidiaries of Transocean Inc. Such notes rank equal in right of payment to all of our existing and future unsecured unsubordinated obligations and rank structurally senior to the extent of the value of the assets of the subsidiaries guaranteeing the notes. We will pay interest on the 9.00% Senior Notes semiannually on January 15 and July 15 of each year, beginning on January 15, 2017. We may redeem all or a portion of the 9.00% Senior Notes at any time prior to July 15, 2020 at a price equal to 100 percent of the aggregate principal amount plus a make-whole provision, and on or after July 15, 2020, at specified redemption prices. The indenture that governs the 9.00% Senior Notes contains covenants that, among other things, limit our ability to incur certain liens on our drilling units without equally and ratably securing the notes, engage in certain sale and lease-back transactions covering any of our drilling units, allow our subsidiaries to incur certain additional debt, and consolidate, merge or enter into a scheme of arrangement qualifying as an amalgamation.

7.75% Senior Secured Notes and 6.25% Senior Secured Notes—On October 19, 2016, we completed an offering of an aggregate principal amount of $600 million of 7.75% Senior Secured Notes, and we received aggregate cash proceeds of $583 million, net of initial discount and costs payable by us. On December 8, 2016, we completed an offering of an aggregate principal amount of $625 million of 6.25% Senior Secured Notes, and we received aggregate cash proceeds of $609 million, net of initial discount and costs payable by us. Additionally, we were required to make total cash deposits of approximately $103 million into restricted cash accounts, including $61 million for principal and $42 million for interest, held by the trustee for the Senior Secured Notes and recorded in current assets. We will pay interest on the 7.75% Senior Secured Notes semiannually on April 15 and October 15 of each year, beginning April 15, 2017, and we will pay interest on the 6.25% Senior Secured Notes semiannually on June 1 and December 1 of each year beginning on June 1, 2017. Additionally, on each interest payment date, we will be required to redeem, on a pro rata basis, an aggregate principal amount of $30 million and $31 million of the 7.75% Senior Secured Notes and the 6.25% Senior Secured Notes, respectively, at a price equal to 100 percent of the principal amount. We may redeem all or a portion of the 7.75% Senior Secured Notes and the 6.25% Senior Secured Notes at any time on or prior to October 15, 2020 and December 1, 2020, respectively, at a price equal to 100 percent of the aggregate principal amount plus a make-whole provision. We will be required to redeem the notes at a price equal to 100 percent of the aggregate principal amount, without a make-whole provision, upon the occurrence of certain events related to the collateral rig and the related drilling contract.

The 7.75% Senior Secured Notes are secured by the assets and earnings associated with the ultra-deepwater floater *Deepwater Thalassa* and the equity of the wholly owned subsidiary that owns the collateral rig. The 6.25% Senior Secured Notes are secured by the assets and earnings associated with the ultra-deepwater floater *Deepwater Proteus* and the equity of the subsidiary that owns the collateral rig. The 7.75% Senior Secured Notes and the 6.25% Senior Secured Notes are also fully and unconditionally guaranteed by Transocean Ltd., Transocean Inc. and, in each case, the wholly owned subsidiary that owns the collateral rig. At December 31, 2016, the aggregate carrying amount of *Deepwater Thalassa* and *Deepwater Proteus* was $1.7 billion.

Debt retirement

Scheduled maturity—On the scheduled maturity date of December 15, 2016, we made a cash payment of $938 million to repay the outstanding 5.05% Senior Notes, at a price equal to 100 percent of the aggregate principal amount.

Tender offer—On August 1, 2016, we completed a tender offer (the “Tender Offer”) to purchase for cash up to $1.0 billion aggregate principal amount of our 6.50% Senior Notes due November 2020, 6.375% Senior Notes and 3.80% Senior Notes (collectively, the “Tendered Notes”), subject to the terms and conditions specified in the related offer to purchase. In connection with the Tender Offer, we received valid tenders from holders of an aggregate principal amount of the Tendered Notes as follows (in millions):

	Year ended December 31, 2016
6.50% Senior Notes due November 2020	$ 348
6.375% Senior Notes due December 2021	476
3.80% Senior Notes due October 2022	157
Aggregate principal amount retired	$ 981
Aggregate cash payment	$ 876
Aggregate net gain	104

Repurchases and redemptions—During the years ended December 31, 2016, 2015 and 2014, we repurchased in the open market or redeemed debt securities with aggregate principal amounts as follows (in millions):

	Years ended December 31,		
	2016	2015	2014
4.95% Senior Notes due November 2015	$ —	$ 893	$ 207
5.05% Senior Notes due December 2016	36	25	—
2.50% Senior Notes due October 2017	85	180	—
6.00% Senior Notes due March 2018	35	211	—
7.375% Senior Notes due April 2018	26	10	—
6.50% Senior Notes due November 2020	44	—	—
6.375% Senior Notes due December 2021	122	50	—
3.80% Senior Notes due October 2022	38	16	—
7.45% Notes due April 2027	8	4	—
7.50% Notes due April 2031	5	7	—
Aggregate principal amount retired	$ 399	$ 1,396	$ 207
Aggregate cash payment	$ 354	$ 1,372	$ 216
Aggregate net gain (loss)	44	23	(9)

Other repayments—During the year ended December 31, 2014, we also made a cash payment of $163 million to repay borrowings outstanding under a credit facility, established by one of our subsidiaries, and we terminated this credit facility and an undrawn secured credit facility. In the year ended December 31, 2014, we recognized an aggregate net loss of $4 million associated with the termination of the credit facilities.

Note 12—Postemployment Benefit Plans

Defined benefit pension plans and other postretirement employee benefit plans

Overview—Benefits under all of our U.S. defined benefit pension plans have ceased accruing. We maintain the respective pension obligations under such plans until they have been fully satisfied. As of December 31, 2016, we maintained three funded and three unfunded defined benefit plans in the U.S. (the "U.S. Plans"). During the year ended December 31, 2016, we permitted certain participants of one of our funded U.S. Plans to make a one-time election to receive a payment of retirement benefits in the form of either (a) a lump sum distribution or (b) an annuity starting October 1, 2016.

As of December 31, 2016, we maintained one defined benefit plan in the U.K. (the "U.K. Plan"), under which we and the plan trustees mutually agreed to cease accruing benefits, effective March 31, 2016. As of December 31, 2016, we also maintained two funded and two unfunded defined benefit plans, primarily group pension schemes with life insurance companies, which cover certain eligible Norway employees and former employees (the "Norway Plans"). During the year ended December 31, 2016, we satisfied our obligations under four funded defined benefit plans in Norway and the unfunded defined benefit plans in Nigeria. During the year ended December 31, 2015, we satisfied our obligations under the unfunded defined benefit plans in Egypt and Indonesia. We refer to the U.K. Plan, the Norway Plans and the plans in Nigeria, Egypt and Indonesia, 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 maintain certain unfunded other postretirement employee benefit plans (collectively, the "OPEB Plans"), under which benefits to eligible participants diminish during a phase-out period ending December 31, 2025.

Assumptions—We estimated our benefit obligations using the following weighted-average assumptions:

	December 31, 2016			December 31, 2015		
	U.S. Plans	Non-U.S. Plans	OPEB Plans	U.S. Plans	Non-U.S. Plans	OPEB Plans
Discount rate	4.26 %	2.69 %	3.08 %	4.55 %	3.59 %	3.13 %
Compensation trend rate	na	2.25 %	na	3.82 %	3.77 %	na

We estimated our net periodic benefit costs using the following weighted-average assumptions:

	Year ended December 31, 2016			Year ended December 31, 2015			Year ended December 31, 2014		
	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	4.56 %	3.69 %	3.13 %	4.16 %	3.26 %	3.86 %	5.04 %	4.41 %	4.54 %
Expected rate of return	6.82 %	5.85 %	na	7.79 %	5.93 %	na	7.18 %	6.07 %	na
Compensation trend rate	0.22 %	4.01 %	na	0.21 %	3.83 %	na	4.13 %	4.25 %	na
Health care cost trend rate									
-initial	na	na	na	na	na	7.81 %	na	na	7.81 %
-ultimate	na	na	na	na	na	5.00 %	na	na	5.00 %
-ultimate year	na	na	na	na	na	2023	na	na	2020

"na" means not applicable.

Net periodic benefit costs—Net periodic benefit costs, before tax, included the following components (in millions):

	Year ended December 31, 2016			Year ended December 31, 2015			Year ended December 31, 2014		
	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
Net periodic benefit costs									
Service cost	$ 3	$ 10	$ 13	$ 5	$ 26	$ 31	$ 39	$ 29	$ 68
Interest cost	69	17	86	65	19	84	64	27	91
Expected return on plan assets	(80)	(25)	(105)	(87)	(28)	(115)	(75)	(28)	(103)
Settlements and curtailments	—	(5)	(5)	3	2	5	(7)	3	(4)
Actuarial (gain) loss, net	5	(1)	4	11	11	22	17	5	22
Prior service cost, net	—	—	—	—	—	—	(1)	—	(1)
Net periodic benefit costs	$ (3)	$ (4)	$ (7)	$ (3)	$ 30	$ 27	$ 37	$ 36	$ 73

In September and December 2014, we recognized settlement and curtailment charges for two of our unfunded Non-U.S. Plans in Nigeria and Egypt associated with certain employee terminations.

In the years ended December 31, 2016, 2015 and 2014, 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, curtailments and special termination benefits, were income of $4 million, income of $1 million and costs of $2 million, respectively.

The following table presents the amounts in accumulated other comprehensive income (loss), before tax, that have not been recognized as components of net periodic benefit costs (in millions):

	December 31, 2016				December 31, 2015			
	U.S. Plans	Non-U.S. Plans	OPEB Plans	Total	U.S. Plans	Non-U.S. Plans	OPEB Plans	Total
Actuarial gain (loss), net	$ (316)	$ (94)	$ (3)	$ (413)	$ (281)	$ (119)	$ (6)	$ (406)
Prior service cost, net	—	—	26	26	—	—	31	31
Total	$ (316)	$ (94)	$ 23	$ (387)	$ (281)	$ (119)	$ 25	$ (375)

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, 2017 (in millions):

	Year ending December 31, 2017			
	U.S. Plans	Non-U.S. Plans	OPEB Plans	Total
Actuarial loss, net	$ 5	$ 1	$ —	$ 6
Prior service cost, net	—	—	(3)	(3)
Total amount expected to be recognized	$ 5	$ 1	$ (3)	$ 3

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, 2016				Year ended December 31, 2015			
	U.S. Plans	Non-U.S. Plans	OPEB Plans	Total	U.S. Plans	Non-U.S. Plans	OPEB Plans	Total
Change in projected benefit obligation								
Projected benefit obligation, beginning of period	$ 1,523	$ 502	$ 24	$ 2,049	$ 1,592	$ 629	$ 59	$ 2,280
Actuarial (gains) losses, net	52	36	(3)	85	(71)	(83)	—	(154)
Service cost	3	10	—	13	5	26	1	32
Interest cost	69	17	1	87	65	19	2	86
Plan amendments	—	—	—	—	—	—	(33)	(33)
Currency exchange rate changes	—	(77)	—	(77)	—	(48)	—	(48)
Participant contributions	—	—	1	1	—	1	3	4
Benefits paid	(90)	(46)	(4)	(140)	(65)	(44)	(8)	(117)
Settlements and curtailments	—	(44)	—	(44)	(3)	2	—	(1)
Projected benefit obligation, end of period	1,557	398	19	1,974	1,523	502	24	2,049
Change in plan assets								
Fair value of plan assets, beginning of period	1,198	439	—	1,637	1,271	488	—	1,759
Actual return on plan assets	93	84	—	177	(21)	12	—	(9)
Currency exchange rate changes	—	(80)	—	(80)	—	(39)	—	(39)
Employer contributions	3	43	3	49	13	21	5	39
Participant contributions	—	—	1	1	—	1	3	4
Benefits paid	(90)	(46)	(4)	(140)	(65)	(44)	(8)	(117)
Settlements	—	(40)	—	(40)	—	—	—	—
Fair value of plan assets, end of period	1,204	400	—	1,604	1,198	439	—	1,637
Funded status, end of period	$ (353)	$ 2	$ (19)	$ (370)	$ (325)	$ (63)	$ (24)	$ (412)
Balance sheet classification, end of period:								
Pension asset, non-current	$ —	$ 5	$ —	$ 5	$ —	$ 2	$ —	$ 2
Pension liability, current	(2)	—	(3)	(5)	(3)	(3)	(3)	(9)
Pension liability, non-current	(351)	(3)	(16)	(370)	(322)	(62)	(21)	(405)
Accumulated other comprehensive income (loss) (a)	(316)	(94)	23	(387)	(281)	(119)	25	(375)

(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, 2016				December 31, 2015			
	U.S. Plans	Non-U.S. Plans	OPEB Plans	Total	U.S. Plans	Non-U.S. Plans	OPEB Plans	Total
Projected benefit obligation	$ 1,557	$ 5	$ 19	$ 1,581	$ 1,523	$ 502	$ 24	$ 2,049
Fair value of plan assets	1,204	2	—	1,206	1,198	439	—	1,637

At December 31, 2016 and 2015, the accumulated benefit obligation for all defined benefit pension plans was $2.0 billion. 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, 2016				December 31, 2015			
	U.S. Plans	Non-U.S. Plans	OPEB Plans	Total	U.S. Plans	Non-U.S. Plans	OPEB Plans	Total
Accumulated benefit obligation	$ 1,557	$ 4	$ 19	$ 1,580	$ 1,523	$ 374	$ 24	$ 1,921
Fair value of plan assets	1,204	—	—	1,204	1,198	352	—	1,550

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. 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 rates of return under the terms of investment contracts with insurance companies.

As of December 31, 2016 and 2015, the weighted-average target and actual allocations of the investments for our funded Transocean Plans were as follows:

	December 31, 2016				December 31, 2015			
	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 %	45 %	53 %	45 %	50 %	56 %	47 %	49 %
Fixed income securities	50 %	45 %	47 %	44 %	50 %	16 %	52 %	26 %
Other investments	—	10 %	—	11 %	—	28 %	1 %	25 %
Total	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %

As of December 31, 2016, the investments for our funded Transocean Plans were categorized as follows (in millions):

	December 31, 2016								
	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
Mutual funds									
U.S. equity funds	$ 516	$ —	$ 516	$ 2	$ —	$ 2	$ 518	$ —	$ 518
Non-U.S. equity funds	113	—	113	4	181	185	117	181	298
Bond funds	567	—	567	—	178	178	567	178	745
Total mutual funds	1,196	—	1,196	6	359	365	1,202	359	1,561
Other investments									
Cash and money market funds	2	2	4	—	—	—	2	2	4
Property collective trusts	—	—	—	—	17	17	—	17	17
Investment contracts	—	—	—	—	22	22	—	22	22
Total other investments	2	2	4	—	39	39	2	41	43
Total investments	$ 1,198	$ 2	$ 1,200	$ 6	$ 398	$ 404	$ 1,204	$ 400	$ 1,604

As of December 31, 2015, the investments for our funded Transocean Plans were categorized as follows (in millions):

	December 31, 2015								
	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
Mutual funds									
U.S. equity funds	$ 459	$ —	$ 459	$ —	$ 36	$ 36	$ 459	$ 36	$ 495
Non-U.S. equity funds	104	2	106	3	179	182	107	181	288
Bond funds	626	—	626	—	115	115	626	115	741
Total mutual funds	1,189	2	1,191	3	330	333	1,192	332	1,524
Other investments									
Cash and money market funds	6	—	6	—	—	—	6	—	6
Property collective trusts	—	—	—	—	20	20	—	20	20
Investment contracts	—	—	—	—	87	87	—	87	87
Total other investments	6	—	6	—	107	107	6	107	113
Total investments	$ 1,195	$ 2	$ 1,197	$ 3	$ 437	$ 440	$ 1,198	$ 439	$ 1,637

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 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.

Funding contributions—In the years ended December 31, 2016, 2015 and 2014, we made an aggregate contribution of $49 million, $39 million and $101 million, respectively, to the Transocean Plans and the OPEB Plans using our cash flows from operations. In the year ending December 31, 2017, we expect to contribute $11 million to the Transocean Plans, and we expect to fund benefit payments of approximately $3 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
Years ending December 31,				
2017	$ 64	$ 7	$ 3	$ 74
2018	68	6	3	77
2019	71	8	3	82
2020	74	8	2	84
2021	78	9	2	89
2022 - 2026	417	59	7	483

Defined contribution plans

At December 31, 2016, we sponsored four defined contribution plans, including (1) a qualified savings plan covering certain employees working in the U.S. (the "U.S. Savings Plan"), (2) a non-qualified supplemental plan covering certain eligible employees working in the U.S. (the "U.S. Savings Restoration Plan"), (3) a qualified savings plan covering certain eligible U.K. employees (the "U.K. Savings Plan") and (4) a non-qualified savings plan covering certain employees working outside the U.S. and U.K. (the "Non-U.S. Savings Plan"). In the years ended December 31, 2016, 2015 and 2014, we recognized expense of $51 million, $89 million and $84 million, respectively, related to our defined contribution plans.

The U.S. Savings Plan, effective January 1, 2015, provides eligible employees with matching contributions up to 10.0 percent of each participant's base salary and annual bonus based on the participant's contribution to the plan. In the year ended December 31, 2014, the U.S. Savings Plan provided eligible employees with matching contributions up to 6.0 percent of each participant's base salary based on the participant's contribution to the plan. The U.S. Savings Restoration Plan, effective January 1, 2015, provides eligible employees with benefits in excess of those allowed under the U.S. Savings Plan.

The U.K. Savings Plan provides eligible employees with matching contributions between 4.5 percent and 9.5 percent based on the participant's contribution to the plan. The Non-U.S. Savings Plan, provides eligible employees with (a) matching contributions up to 6.0 percent of each participant's base salary based on the participant's contribution to the plan and (b) contributions between 4.5 percent and 6.5 percent of each participant's base salary and annual bonus based on the participant's years of eligible service. In the year ended December 31, 2016, we amended the Non-U.S. Savings Plan, effective January 1, 2017, to provide eligible employees with matching contributions up to 12 percent of each participant's base salary and annual bonus based on the participant's contribution and eliminate the portion of the contribution that was based on years of service.

Note 13—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, 2016, 2015 and 2014, our rental expense for all operating leases, including operating leases with terms of less than one year, was approximately $45 million, $72 million and $95 million, respectively.

We also have a capital lease obligation, which is due to expire in August 2029. 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. In the years ended December 31, 2016, 2015 and 2014, depreciation expense associated with *Petrobras 10000*, the asset held under capital lease, was $23 million, $23 million and $21 million, respectively. At December 31, 2016 and 2015, the aggregate carrying amount of this asset held under capital lease was as follows (in millions):

	December 31, 2016	December 31, 2015
Property and equipment, cost	$ 776	$ 774
Accumulated depreciation	(149)	(125)
Property and equipment, net	$ 627	$ 649

At December 31, 2016, 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
Years ending December 31,		
2017	$ 66	$ 10
2018	72	11
2019	72	10
2020	72	9
2021	71	9
Thereafter	550	42
Total future minimum rental payment	903	$ 91
Less amount representing imputed interest	(337)	
Present value of future minimum rental payments under capital leases	566	
Less current portion included in debt due within one year	(25)	
Long-term capital lease obligation	$ 541	

Purchase and service agreement obligations

We have entered into purchase obligations with shipyards and other contractors related to our newbuild construction programs. We have also entered into long-term service agreements with original equipment manufacturers to provide services and parts related to our pressure control systems. The future payments required under our service agreements were estimated based on our projected operating activity and may vary based on actual operating activity. At December 31, 2016, the aggregate future payments required under our purchase obligations and our service agreement obligations were as follows (in millions):

	Purchase obligations	Service agreement obligations
Years ending December 31,		
2017	$ 229	$ 27
2018	9	47
2019	—	50
2020	1,766	52
Thereafter	—	366
Total	$ 2,004	$ 542

Letters of credit and surety bonds

At December 31, 2016 and 2015, we had outstanding letters of credit totaling $50 million and $153 million, respectively, issued under various uncommitted credit lines, some of which require cash collateral, provided by several banks to guarantee various contract bidding, performance activities and customs obligations. At December 31, 2016, the aggregate cash collateral held by banks for letters of credit was $5 million. As is customary in the contract drilling business, we also have various surety bonds in place that secure customs obligations related to the importation of our rigs and certain performance and other obligations. At December 31, 2016 and 2015, we had outstanding surety bonds totaling $33 million and $30 million, respectively.

Macondo well incident commitments and contingencies

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 off the coast of Louisiana. At the time of the explosion, *Deepwater Horizon* was contracted to an affiliate of BP plc. (together with its affiliates, "BP"). Following the incident, we have been subject to civil and criminal claims, as well as causes of action, fines and penalties by local, state and federal governments. Litigation commenced shortly after the incident, and most claims against us were 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"). A significant portion of the contingencies arising from the Macondo well incident has now been resolved as a result of settlements with the U.S. Department of Justice (the "DOJ"), BP and the states of Alabama, Florida, Louisiana, Mississippi, and Texas (collectively, the "States"). Additionally, we entered into the PSC Settlement Agreement, which remains subject to approval by the MDL Court.

In the year ended December 31, 2015, in connection with the settlements, as further described below, we recognized income of $788 million ($735 million, or $2.02 per diluted share, net of tax) recorded as a net reduction to operating and maintenance costs and expenses, including $538 million associated with recoveries from insurance for our previously incurred losses, $125 million associated with partial reimbursement from BP for our previously incurred legal costs, and $125 million associated with a net reduction to certain related contingent liabilities, primarily associated with contingencies that have either been settled or otherwise resolved as a result of settlements with BP and the PSC.

We have recognized a liability for the remaining estimated loss contingencies associated with litigation resulting from the Macondo well incident that we believe are probable and for which a reasonable estimate can be made. At December 31, 2016 and 2015, the liability for estimated loss contingencies that we believe are probable and for which a reasonable estimate can be made was $250 million, recorded in other current liabilities. The remaining litigation could result in certain loss contingencies that we believe are reasonably possible. Although we have not recognized a liability for such loss contingencies, these contingencies could result in liabilities that we ultimately recognize.

We recognize an asset associated with the portion of our estimated losses that we believe is probable of recovery from insurance and for which we had received from underwriters' confirmation of expected payment. 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.

Plea Agreement—Pursuant to the plea agreement (the "Plea Agreement"), 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. The DOJ agreed, subject to the provisions of the Plea Agreement, not to further prosecute us for certain matters arising from the Macondo well incident. We also agreed to make an aggregate cash payment of $400 million, including a criminal fine of $100 million and cash contributions of $150 million to the National Fish & Wildlife Foundation and $150 million to the National Academy of Sciences, payable in scheduled installments. In each of the years ended December 31, 2016, 2015 and 2014, we made an aggregate cash payment of $60 million in satisfaction of amounts due under the Plea Agreement. At December 31, 2016 and 2015, the carrying amount of our liability for settlement obligations under the Plea Agreement was $60 million and $120 million, respectively. The final installment of $60 million is due on February 14, 2017.

Consent Decree—Under the civil consent decree (the "Consent Decree"), we agreed to undertake certain actions, including enhanced safety and compliance actions when operating in U.S. waters. The Consent Decree also requires us to submit certain plans, reports and submissions and also requires us to make such submittals available publicly. One of the required plans is a performance plan approved on January 2, 2014, that contains, among other things, interim milestones for actions in specified areas and schedules for reports required under the Consent Decree. Additionally, in compliance with the requirements of the Consent Decree and upon approval by the DOJ, we retained an independent auditor to review and report to the DOJ our compliance with the Consent Decree and an independent process safety consultant to review report and assist with the process safety requirements of the Consent Decree. We may request termination of the Consent Decree after January 2, 2019, provided we meet certain conditions. The Consent Decree resolved the claim by the U.S. for civil penalties under the CWA. The Consent Decree did not resolve the U.S. claim under the Oil Pollution Act ("OPA") for natural resource damages ("NRD") or for removal costs. However, BP has agreed to indemnify us for NRD and most removal costs (see "—BP Settlement Agreement"). We also agreed to pay civil penalties of $1.0 billion plus interest. In the year ended December 31, 2015, we made a cash payment of $204 million, including interest, representing the final installment due under the Consent Decree.

BP Settlement Agreement—On May 20, 2015, we entered into a settlement agreement with BP (the "BP Settlement Agreement"). Under the BP Settlement Agreement, BP agreed to indemnify us for compensatory damages, including all NRD and all cleanup and removal costs for oil or pollutants originating from the Macondo well. BP also agreed to cease efforts to recover as an unlimited additional insured under our insurance policies and to be bound to the insurance reimbursement rulings related to the Macondo well incident. We agreed to indemnify BP for personal and bodily injury claims of our employees and for any future costs for the cleanup or removal of pollutants stored on the *Deepwater Horizon* vessel. Additionally, we mutually agreed to release and withdraw all claims we have against each other arising from the Macondo well litigation and to refrain from making statements regarding gross negligence in the Macondo well incident. In July 2015, pursuant to the BP Settlement Agreements, we received $125 million from BP as partial reimbursement of the legal costs we incurred in connection with the Macondo well incident. We believe the BP Settlement

Agreement resolved all Macondo well-related litigation between BP and us, and the indemnity BP committed to provide will generally address claims by third parties, including claims for economic and property damages, economic loss and NRD. However, the indemnity obligations do not extend to fines, penalties, or punitive damages.

PSC Settlement Agreement—On May 29, 2015, together with the PSC, we filed a settlement agreement (the "PSC Settlement Agreement") with the MDL Court for approval. Through the PSC Settlement Agreement, we agreed to pay a total of $212 million, plus up to $25 million for partial reimbursement of attorneys' fees, to be allocated between two classes of plaintiffs as follows: (1) private plaintiffs, businesses, and local governments who could have asserted punitive damages claims against us under general maritime law (the "Punitive Damages Class"); and (2) private plaintiffs who previously settled economic damages claims against BP and were assigned certain claims BP had made against us (the "Assigned Claims Class"). A court-appointed neutral representative established the allocation of the settlement payment to be 72.8 percent paid to the Punitive Damages Class and 27.2 percent paid to the Assigned Claims Class. In exchange for these payments, each of the classes agreed to release all respective claims it has against us. Members of the Punitive Damages Class were given the opportunity to opt out of the PSC Settlement Agreement before September 23, 2016, and 36 claimants timely opted out, to pursue punitive damages claims against us. Six of these 36 claimants later revoked their opt out requests. In June 2016 and August 2015, we made a cash deposit of $25 million and $212 million, respectively, into escrow accounts pending approval of the settlement by the MDL Court. At December 31, 2016 and 2015, the aggregate balance in escrow was $237 million and $212 million, respectively, recorded in other current assets.

Pending claims—As of December 31, 2016, numerous complaints remain pending against us, along with other unaffiliated defendants in the MDL Court. We believe our settlement with the PSC, if approved by the MDL Court, will resolve many of these pending actions. As for any actions not resolved by these settlements, including any claims by individuals who opted out of the PSC Settlement Agreement, claims by the Mexican government under OPA and maritime law and federal securities actions, we are vigorously defending those claims and pursuing any and all defenses available. See"—PSC Settlement Agreement" and "—Federal securities claims."

Federal securities claims—On September 30, 2010, a proposed federal securities class action was filed against us in the U.S. District Court for the Southern District of New York. In the action, a former shareholder of the acquired company alleged that the joint proxy statement related to our shareholder meeting in connection with the merger with the acquired company violated various securities laws and 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 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 (the "Second Circuit"), but on March 17, 2016, the Second Circuit affirmed the dismissal. Plaintiffs filed a petition for writ of certiorari with the U.S. Supreme Court on August 12, 2016. See Note 23—Subsequent Events.

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. We have recovered costs under the first four excess layers, the limits of which are now fully exhausted. We have submitted claims to the $250 million fifth layer, which is comprised of Bermuda market insurers (the "Bermuda Insurers"). The Bermuda Insurers have asserted various coverage defenses to our claims, and we have issued arbitration notices to the Bermuda Insurers. In the year ended December 31, 2016, we recognized income of $30 million, recorded as a reduction in operating and maintenance costs and expenses, associated with claims confirmed by certain underwriters, and we received cash proceeds of $20 million. We continue to pursue claims submitted to the Bermuda Insurers, but we cannot give any assurance that we will successfully recover additional proceeds under the available policy limits.

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 in 2014, a group of similar complaints were filed in Louisiana. The plaintiffs, former employees of some of the defendants, generally allege that the defendants used or manufactured asbestos containing drilling mud additives for use in connection with drilling operations, claiming negligence, products liability, strict liability and claims allowed under the Jones Act and general maritime law. 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. At December 31, 2016, 15 plaintiffs have claims pending in Mississippi and eight plaintiffs have claims pending in Louisiana in which we have or may have an interest. 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 has been named as a defendant, along with numerous other companies, in lawsuits arising out of the subsidiary's manufacture and sale of heat exchangers, and involvement in the construction and refurbishment of major industrial complexes alleging bodily injury or personal injury as a result of exposure to asbestos. As of December 31, 2016, the subsidiary was a defendant in approximately 305 lawsuits, some of which include multiple plaintiffs, and we estimate that there are approximately 329 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 operating assets of the subsidiary were sold and its operations were discontinued in 1989, and the subsidiary has no remaining assets other than insurance policies, rights and proceeds, including (i) certain policies subject to litigation and (ii) certain rights and proceeds held directly or indirectly through a qualified settlement fund. 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 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 expect the ultimate 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.

Rio de Janeiro tax assessment—In the year ended December 31, 2006, the state tax authorities of Rio de Janeiro in Brazil issued to one of our subsidiaries tax assessments on equipment imported into the state in connection with our operations, resulting from a preliminary finding by these authorities that our record keeping practices were deficient. At December 31, 2016, the aggregate tax assessment was for BRL 506 million, equivalent to approximately $155 million, including interest and penalties. In September 2006, we filed an initial response refuting these tax assessments, and, in September 2007, the state tax authorities confirmed that they believe the tax assessments are valid. On September 27, 2007, we filed an appeal with the state Taxpayer's Council contesting the assessments. While we cannot predict or provide assurance as the final outcome of these proceedings, we do not expect it to have a material adverse effect on our condensed 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 the proceedings 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. Such matters include a certain Brazilian import license assessment received in 2010 related to timely application for import licenses for certain equipment and for allegedly providing improper information on import license applications. 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 the Comprehensive Environment Response, Compensation and Liability Act ("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 Environmental Protection Agency (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 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, which is now a part of the San Gabriel Valley, Area 3, Superfund site. We were also advised that one or more of our subsidiaries that formerly owned and operated the site would likely be named by the EPA as PRPs. The current property owner, an unrelated party, performed the required testing and detected no contaminants. 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 (a) the actual responsibility attributed to us and the other PRPs at the site, (b) appropriate investigatory or remedial actions and (c) 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 (i) the volume and nature of material, if any, contributed to the site for which we are responsible, (ii) the number of other PRPs and their financial viability and (iii) the remediation methods and technology to be used.

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.

Note 14—Noncontrolling Interest

Redeemable noncontrolling interest

Angola Deepwater Drilling Company Limited—Changes in redeemable noncontrolling interest were as follows (in millions):

	Years ended December 31,		
	2016	2015	2014
Redeemable noncontrolling interest			
Balance, beginning of period	$ 5	$ 11	$ —
Net income (loss) attributable to noncontrolling interest	23	(6)	9
Reclassification from noncontrolling interest	—	—	2
Balance, end of period	$ 28	$ 5	$ 11

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 5—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.

Noncontrolling interest

Transocean Partners—On February 6, 2014, we formed Transocean Partners to own, operate and acquire modern, technologically advanced offshore drilling rigs. On August 5, 2014, we completed the initial public offering of 20.1 million common units of Transocean Partners. We retained the remaining 21.3 million common units, 27.6 million subordinated units, which collectively represented a 70.8 percent limited liability company interest, and all of the incentive distribution rights. In the year ended December 31, 2014, 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, and we recorded a capital allocation resulting in a decrease of $44 million to noncontrolling interest and a corresponding increase to additional paid-in capital.

In the years ended December 31, 2016, 2015 and 2014, Transocean Partners declared and paid an aggregate distribution of, $99 million, $100 million and $15 million, respectively, to its unitholders, of which $28 million, $29 million and $4 million, respectively, was paid to the holders of noncontrolling interest.

On November 4, 2015, Transocean Partners announced that its board of directors approved a unit repurchase program, authorizing it to repurchase up to $40 million of its publicly held common units. Under the unit repurchase program, Transocean Partners repurchased 478,376 of its publicly held common units for an aggregate purchase price of $4 million and such repurchased common units were cancelled.

On December 9, 2016, Transocean Partners completed a merger with one of our subsidiaries as contemplated under the Merger Agreement. Following the completion of the merger, Transocean Partners became a wholly owned indirect subsidiary of Transocean Ltd. Each Transocean Partners common unit that was issued and outstanding immediately prior to the closing, other than the units held by Transocean and its subsidiaries, was converted into the right to receive 1.20 of our shares. To complete the merger, we issued 23.8 million shares from conditional capital.

TDSOI—In June 2016, we served notice of our intent to exercise our option to call the 30 percent ownership interest in TDSOI held by our local partner. In July 2016, we completed the repurchase of the noncontrolling interest for a cash payment of $2 million, and as a result, TDSOI became our wholly owned subsidiary. In connection with the transaction, we recorded a capital allocation resulting in a $12 million increase to noncontrolling interest and a corresponding decrease to additional paid in capital.

Note 15—Shareholders' Equity

Par value reduction—On October 29, 2015, at our extraordinary general meeting, our shareholders approved the reduction of the par value of each of our shares to CHF 0.10 from the original par value of CHF 15.00. The reduction of par value became effective as of January 7, 2016 upon registration in the commercial register.

Distributions of qualifying additional paid-in capital—In May 2015, 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 $0.60 per outstanding share, payable in four quarterly installments of $0.15 per outstanding share, subject to certain limitations. In May 2015, we recognized a liability of $218 million for the distribution payable, recorded in other current liabilities, with a corresponding entry to additional paid-in capital. On June 17 and September 23, 2015, we paid the first two installments in the aggregate amount of $109 million to shareholders of record as of May 29 and August 25, 2015. On October 29, 2015, at our extraordinary general meeting, our shareholders approved the cancellation of the third and fourth installments of the distribution. As a result, we reduced our distribution payable, recorded in other current liabilities, by $109 million with corresponding increase to 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. On March 18, 2015, we paid 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 quarterly installments of $0.56 per outstanding share, subject to certain limitations. 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 did not pay the distribution of qualifying additional paid-in capital with respect to our shares held in treasury or held by our subsidiary.

Shares issued—To complete the merger with Transocean Partners, we issued 23.8 million shares from conditional capital. Each Transocean Partners common unit that was issued and outstanding immediately prior to the closing, other than the units held by Transocean and its subsidiaries, was converted into the right to receive 1.20 of our shares. See Note 1—Business, Note 14—Noncontrolling Interest and Note 18—Supplemental Cash Flow Information.

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, equivalent to approximately $3.4 billion. On February 12, 2010, our board of directors authorized our management to implement the share repurchase program. During the three-year period ended December 31, 2016, we did not purchase any shares under our share repurchase program. At December 31, 2015, we held 2.9 million shares in treasury, recorded at cost. On October 29, 2015, at our extraordinary general meeting, our shareholders approved the cancellation of all shares that had been repurchased to date under our share repurchase program. The cancellation of our shares held in treasury became effective as of January 7, 2016 upon registration in the commercial register.

Shares held by subsidiaries—Two of our subsidiaries hold 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, 2016 and 2015, our subsidiaries held 5.4 million shares and 6.9 million shares, respectively.

Accumulated other comprehensive loss—The changes in accumulated other comprehensive loss, presented net of tax, for our defined benefit pension plans were as follows (in millions):

	Years ended December 31, 2016	2015
Balance, beginning of period	$ (277)	$ (346)
Other comprehensive income (loss) before reclassifications	(15)	49
Reclassifications to net income	9	20
Other comprehensive income (loss), net	(6)	69
Balance, end of period	$ (283)	$ (277)

Note 16—Share-Based Compensation Plans

Overview

We have 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 restricted share units, restricted shares, stock options, stock appreciation rights and cash performance awards. Awards may be granted as service awards that are earned over a defined service period or as performance awards that are earned based on the achievement of certain market factors or performance targets or a combination of market factors and performance targets. Our 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, 2016, we had 55.4 million shares authorized and 14.7 million shares available to be granted under the Long-Term Incentive Plan. As of December 31, 2016, total unrecognized compensation costs related to all unvested share-based awards were $43 million, which are expected to be recognized over a weighted-average period of 1.4 years.

Service 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 awards typically are subject to a three-year measurement period during which the number of options, shares or restricted share units remains uncertain. At the end of the measurement period, the awarded number of options, shares or restricted share units is determined and, thereafter subject to a stated vesting period. The performance awards typically vest in one aggregate installment following the determination date. Stock options and stock appreciation rights are subject to a stated vesting period and, once vested, typically have a seven-year term during which they are exercisable.

Service awards

Restricted share units—A restricted share unit is a notional unit that is equal to one share but has no voting rights until the underlying share is issued. Our service-based restricted share 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 service-based units granted under our incentive plans during the year ended December 31, 2016:

	Number of units	Weighted-average grant-date fair value per unit
Unvested at January 1, 2016	3,030,444	$ 25.65
Granted	3,155,382	8.69
Vested	(1,725,734)	28.08
Forfeited	(454,010)	9.52
Unvested at December 31, 2016	4,006,082	$ 13.10

During the year ended December 31, 2016, the aggregate grant-date fair value of the service-based units that vested was $48 million.

During the years ended December 31, 2015 and 2014, we granted 2,848,521 and 1,208,790 service-based units, respectively, with a weighted-average grant-date fair value of $18.70 and $42.80 per unit, respectively. During the years ended December 31, 2015 and 2014, we had 1,817,758 and 1,520,023 service-based units, respectively, that vested with an aggregate grant-date fair value of $81 million and $87 million, respectively.

Stock options—The following table summarizes activity for vested and unvested service-based stock options outstanding under our incentive plans during the year ended December 31, 2016:

	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, 2016	1,622,317	$ 73.66	4.81	$ —
Granted	945,724	8.61		
Forfeited	(633,346)	64.44		
Outstanding at December 31, 2016	1,934,695	$ 44.88	6.12	$ 6
Vested and exercisable at December 31, 2016	1,022,393	$ 77.24	3.45	$ —

During the year ended December 31, 2016, we granted service-based stock options with a weighted-average grant date fair value of $8.61 per stock option. We estimated the fair value using the following weighted-average assumptions: (a) a dividend yield of zero percent, (b) an expected price volatility of 65 percent, (c) a risk-free interest rate of 1.26 percent and (d) an expected option life of 6.1 years. During the year ended December 31, 2016, the aggregate grant-date fair value of service-based stock options that vested was $3 million. During the year ended December 31, 2016, no service-based stock options were exercised. As of December 31, 2016, there were outstanding unvested service-based stock options to purchase 912,302 shares. At January 1, 2016, 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.

During the years ended December 31, 2015 and 2014, we did not grant service-based stock options. During the years ended December 31, 2015 and 2014, the total grant-date fair value of service-based stock options that vested was $9 million and $14 million, respectively. During the year ended December 31, 2015, no service-based stock options were exercised. During the year ended December 31, 2014, holders exercised service-based stock options to purchase 383,848 shares, and the total pre-tax intrinsic value of service-based stock options exercised was $2 million.

Stock appreciation rights—During the years ended December 31, 2016, 2015 and 2014, we did not grant stock appreciation rights and no stock appreciation rights were exercised. At January 1, 2016, there were 185,002 stock appreciation rights outstanding at a weighted-average exercise price of $93.49 per share and less than one year remaining contractual life. At January 1, 2016 and December 31, 2016, the aggregate intrinsic value of such stock appreciation rights was zero since the weighted-average exercise price per share exceeded the market price of our shares on that date. At December 31, 2016, 29,288 stock appreciation rights were vested and exercisable, at an exercise price of $107.63 per share with less than one year remaining contractual term.

Performance awards

Restricted share units—We grant performance awards in the form of restricted share units that can be earned depending on the achievement of (a) market factors or (b) both market factors and performance targets. Our performance awards are participating securities since they have the right to receive dividends and other cash distributions to shareholders. The number of restricted share units earned is quantified upon completion of the specified period at the determination date. The following table summarizes unvested activity for performance-based units under our incentive plans during the year ended December 31, 2016:

	Number of units	Weighted-average grant-date fair value per unit
Unvested at January 1, 2016	702,131	$ 18.81
Granted	997,362	11.60
Vested	(187,000)	32.05
Forfeited	(72,887)	17.12
Unvested at December 31, 2016	1,439,606	$ 14.40

During the year ended December 31, 2016, performance-based units vested with an aggregate grant-date fair value of $6 million, which is subject to compensation committee approval in February 2017.

During the years ended December 31, 2015 and 2014, there were 652,592 and 302,630 performance-based units granted, respectively, with a weighted-average grant-date fair value of $17.91 and $31.73 per unit, respectively. During the year ended December 31, 2015, no performance-based units vested since neither the market factors nor the performance targets were achieved. During the year ended December 31, 2014, the total grant-date fair value of the performance-based units that vested was $8 million.

Stock options—We previously granted performance awards in the form of stock options that could be earned depending on the achievement of certain performance targets. During the years ended December 31, 2016, 2015 and 2014, we did not grant performance-based stock options. At January 1, 2016, there were 150,360 performance-based stock options outstanding at a weighted-average exercise price of $82.50 per share and less than one year remaining contractual life. At January 1, 2016, the aggregate intrinsic value of such performance-based stock options was zero since the weighted-average exercise price per share exceeded the market price of our shares on those dates. During the years ended December 31, 2016 and 2015, no performance-based stock options were exercised. During the year ended December 31, 2014, holders exercised performance-based stock options to purchase 12,073 shares. During the year ended December 31, 2016, all remaining performance-based stock options expired.

Note 17—Supplemental Balance Sheet Information

Other current liabilities were comprised of the following (in millions):

	December 31, 2016	December 31, 2015
Other current liabilities		
Accrued payroll and employee benefits	$ 200	$ 356
Accrued interest	135	82
Accrued taxes, other than income	87	66
Macondo well incident settlement obligations	60	60
Deferred revenue	194	187
Deferred revenue of consolidated variable interest entities	15	15
Contingent liabilities	262	271
Other	7	25
Total other current liabilities	$ 960	$ 1,062

Other long-term liabilities were comprised of the following (in millions):

	December 31, 2016	December 31, 2015
Other long-term liabilities		
Postemployment benefit plan obligations	$ 370	$ 399
Income taxes payable	333	428
Macondo well incident settlement obligations	—	60
Deferred revenue	390	178
Other	60	70
Total other long-term liabilities	$ 1,153	$ 1,135

Note 18—Supplemental Cash Flow Information

Net cash provided by operating activities attributable to the net change in operating assets and liabilities was comprised of the following (in millions):

	Years ended December 31, 2016	2015	2014
Changes in operating assets and liabilities			
Decrease in accounts receivable	$ 350	$ 742	$ 63
Increase in other current assets	(29)	(177)	(164)
(Increase) decrease in other assets	(12)	5	12
Decrease in accounts payable and other current liabilities	(286)	(828)	(884)
Decrease in other long-term liabilities	(55)	(72)	(71)
Change in income taxes receivable / payable, net	(133)	(65)	(31)
	$ (165)	$ (395)	$ (1,075)

Additional cash flow information was as follows (in millions):

	Years ended December 31, 2016	2015	2014
Certain cash operating activities			
Cash payments for interest	$ 351	$ 439	$ 490
Cash payments for income taxes	172	314	329
Non-cash investing and financing activities			
Capital additions, accrued at end of period (a)	$ 42	$ 128	$ 139
Issuance of shares to acquire noncontrolling interest (b)	317	—	—

(a) These amounts represent additions to property and equipment for which we had accrued a corresponding liability in accounts payable at the end of the period. See Note 10—Drilling Fleet.

(b) On December 9, 2016, we issued 23.8 million shares in connection with our acquisition of the outstanding publicly held common units of Transocean Partners pursuant to its merger with one of our other subsidiaries. See Note 1—Business, Note 14—Noncontrolling Interest and Note 15—Shareholders' Equity.

Note 19—Financial Instruments

The carrying amounts and fair values of our financial instruments were as follows (in millions):

	December 31, 2016		December 31, 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	$ 3,052	$ 3,052	$ 2,339	$ 2,339
Restricted cash balances and investments	510	511	467	474
Long-term debt, including current maturities	8,464	8,218	8,490	6,291

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, 2016 and 2015, the aggregate carrying amount of our cash equivalents was $2.6 billion and $1.7 billion, respectively.

Restricted cash balances and investments—The carrying amount of the cash investments pledged for debt service of the Eksportfinans Loans represents the amortized cost of our investment. We measured the estimated fair value of such 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, 2016 and 2015, the aggregate carrying amount of the cash investments pledged for debt service of the Eksportfinans Loans was $123 million and $216 million, respectively. At December 31, 2016 and 2015, the estimated fair value of such restricted cash investments was $124 million and $223 million, respectively.

The carrying amount of the cash balances that are subject to restrictions due to collateral requirements, legislation, regulation or court order approximates fair value due to the short term nature of the instruments in which the restricted cash balances are held. At December 31, 2016, the aggregate carrying amount of such restricted cash balances was $387 million, including $352 million and $35 million recorded in current assets and other long-term assets, respectively. At December 31, 2015, the aggregate carrying amount of such restricted cash balances was $251 million, including $244 million and $7 million recorded in current assets and other current assets, respectively.

Debt—We measured the estimated fair value of our debt, all of which was 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.

Note 20—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. 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 with new debt or when we repurchase debt in open market repurchases. 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.

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.

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, national content requirements, 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.

Credit risk—Financial instruments that potentially subject us to concentrations of credit risk are primarily cash and cash equivalents, short-term investments and trade receivables, both current and long-term.

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 earn our revenues by providing our drilling services to international oil companies, government-owned oil companies and government-controlled oil companies. Receivables are dispersed in various countries (see Note 20—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 only isolated credit concerns related to independent oil companies, we occasionally require collateral or other security to support customer receivables. In certain instances, when we determine that collection is not reasonably assured, we may occasionally offer extended payment terms and recognize revenues associated with the contract on a cash basis.

Labor agreements—We require highly skilled personnel to operate our drilling units. We conduct extensive personnel recruiting, training and safety programs. At December 31, 2016, we had approximately 5,400 employees, including approximately 400 persons engaged through contract labor providers. Approximately 28 percent of our total workforce, working primarily in Angola, Brazil, Norway and the U.K. 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.

Note 21—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 by country were as follows (in millions):

	Years ended December 31,		
	2016	2015	2014
Operating revenues			
U.S.	$ 1,977	$ 2,416	$ 2,410
U.K.	551	1,139	1,194
Brazil	453	673	651
Norway	214	650	1,036
Other countries (a)	966	2,508	3,894
Total operating revenues	$ 4,161	$ 7,386	$ 9,185

(a) Other countries represent countries in which we operate that individually had operating revenues representing less than 10 percent of total operating revenues earned.

Long-lived assets by country were as follows (in millions):

	December 31,	
	2016	2015
Long-lived assets		
U.S.	$ 6,181	$ 7,451
Trinidad	3,977	1,766
Korea	1,459	2,048
Other countries (a)	9,476	9,544
Total long-lived assets	$ 21,093	$ 20,809

(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, 2016 and 2015, the aggregate carrying amount of our long-lived assets located in Switzerland was $2 million.

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, 2016, Chevron Corporation (together with its affiliates, “Chevron”), BP, Royal Dutch Shell plc (together with its affiliates, “Shell”) and Petróleo Brasileiro S.A. (“Petrobras”), accounted for approximately 24 percent, 12 percent, 12 percent and 11 percent, respectively, of our consolidated operating revenues. For the year ended December 31, 2015, Chevron and Shell accounted for approximately 14 percent and 10 percent, respectively, of our consolidated operating revenues from continuing operations. For the year ended December 31, 2014, Chevron and BP accounted for approximately 11 percent and nine percent, respectively, of our consolidated operating revenues.

Note 22—Quarterly Results (Unaudited)

The following data contain certain corrections of errors identified in previously reported amounts. See Note 4—Correction of Errors in Previously Reported Consolidated Financial Statements.

	Three months ended			
	March 31,	June 30,	September 30,	December 31,
	(In millions, except per share data)			
2016				
Operating revenues	$ 1,341	$ 940	$ 906	$ 974
Operating income (a)	424	163	229	316
Income from continuing operations (a)	242	92	236	257
Net income (a)	241	93	236	257
Net income attributable to controlling interest (a)	235	82	218	243
Per share earnings from continuing operations				
Basic	$ 0.64	$ 0.22	$ 0.59	$ 0.64
Diluted	$ 0.64	$ 0.22	$ 0.59	$ 0.64
Weighted-average shares outstanding				
Basic	364	365	365	371
Diluted	364	365	365	371
2015				
Operating revenues	$ 2,043	$ 1,884	$ 1,608	$ 1,851
Operating income (loss) (b)	(327)	493	457	742
Income (loss) from continuing operations (b)	(459)	340	392	622
Net income (loss) (b)	(461)	341	395	622
Net income (loss) attributable to controlling interest (b)	(472)	335	386	616
Per share earnings (loss) from continuing operations				
Basic	$ (1.30)	$ 0.91	$ 1.06	$ 1.68
Diluted	$ (1.30)	$ 0.91	$ 1.06	$ 1.68
Weighted-average shares outstanding				
Basic	363	363	364	364
Diluted	363	363	364	364

(a) First quarter, second quarter, third quarter and fourth quarter included an aggregate loss $41 million associated with the impairment of certain drilling units classified as assets held for sale. Fourth quarter included a loss of $52 million associated with the impairment of our deepwater asset group. Fourth quarter included income of $30 million associated with recoveries of previously incurred costs associated with the Macondo well incident. Second quarter and third quarter included a gain of $38 million and $110 million, respectively, associated with the retirement of debt. See Note 6—Impairments, Note 11—Debt and Note 13—Commitments and Contingencies.

(b) First quarter, second quarter, third quarter and fourth quarter included an aggregate loss of $700 million associated with the impairment of certain drilling units classified as assets held for sale. First quarter and second quarter included a loss of $507 million and $668 million, respectively, associated with the impairment of our deepwater asset group and midwater asset group, respectively. Second quarter included income of $788 million associated with recoveries of previously incurred costs associated with the Macondo well incident. Third quarter and fourth quarter included an aggregate net gain of $23 million associated with the retirement of debt. See Note 6—Impairments, Note 11—Debt and Note 13—Commitments and Contingencies.

The effects of the corrections of the errors on our quarterly results are presented in the tables below.

	Three months ended March 31, 2016			Three months ended March 31, 2015		
	Previously reported	Adjustments	As adjusted	Previously reported	Adjustments	As adjusted
Operating revenues	$ 1,341	$ —	$ 1,341	$ 2,043	$ —	$ 2,043
Operating income (loss)	414	10	424	(321)	(6)	(327)
Income (loss) from continuing operations	256	(14)	242	(467)	8	(459)
Net income (loss)	255	(14)	241	(469)	8	(461)
Net income (loss) attributable to controlling interest	249	(14)	235	(483)	11	(472)
Per share earnings (loss) from continuing operations						
Basic	$ 0.68	$ (0.04)	$ 0.64	$ (1.32)	$ 0.02	$ (1.30)
Diluted	$ 0.68	$ (0.04)	$ 0.64	$ (1.32)	$ 0.02	$ (1.30)

	Three months ended June 30, 2016			Three months ended June 30, 2015		
	Previously reported	Adjustments	As adjusted	Previously reported	Adjustments	As adjusted
Operating revenues	$ 943	$ (3)	$ 940	$ 1,884	$ —	$ 1,884
Operating income	154	9	163	506	(13)	493
Income from continuing operations	87	5	92	347	(7)	340
Net income	88	5	93	348	(7)	341
Net income attributable to controlling interest	77	5	82	342	(7)	335
Per share earnings from continuing operations						
Basic	$ 0.21	$ 0.01	$ 0.22	$ 0.93	$ (0.02)	$ 0.91
Diluted	$ 0.21	$ 0.01	$ 0.22	$ 0.93	$ (0.02)	$ 0.91

	Three months ended September 30, 2016			Three months ended September 30, 2015		
	Previously reported	Adjustments	As adjusted	Previously reported	Adjustments	As adjusted
Operating revenues	$ 903	$ 3	$ 906	$ 1,608	$ —	$ 1,608
Operating income	225	4	229	445	12	457
Income from continuing operations	244	(8)	236	327	65	392
Net income	244	(8)	236	330	65	395
Net income attributable to controlling interest	229	(11)	218	321	65	386
Per share earnings from continuing operations						
Basic	$ 0.62	$ (0.03)	$ 0.59	$ 0.87	$ 0.19	$ 1.06
Diluted	$ 0.62	$ (0.03)	$ 0.59	$ 0.87	$ 0.19	$ 1.06

	Three months ended December 31, 2015		
	Previously reported	Adjustments	As adjusted
Operating revenues	$ 1,851	$ —	$ 1,851
Operating income	750	(8)	742
Income from continuing operations	617	5	622
Net income	617	5	622
Net income attributable to controlling interest	611	5	616
Per share earnings from continuing operations			
Basic	$ 1.66	$ 0.02	$ 1.68
Diluted	$ 1.66	$ 0.02	$ 1.68

Note 23—Subsequent Events

Norway tax investigations and trial—On January 9, 2017, the Norwegian appeal court in Oslo ruled entirely in favor of the Transocean subsidiaries and overturned the district court with respect to the remaining question of principal tax obligations. On February 10, 2017, the tax authorities filed an appeal with the Norwegian Supreme Court.

Federal securities claims—On January 13, 2017, the U.S. Supreme Court granted certiorari in a separate case, not involving Transocean, which raised the same issues on which the Second Circuit dismissed the claim against Transocean. The U.S. Supreme Court's ultimate determination of this separate case may affect the time-barred dismissal of the case involving Transocean.

PSC Settlement Agreement—On February 15, 2017, the MDL Court entered a final order and judgment approving the PSC Settlement Agreement that we entered into with the PSC on May 29, 2015. The ruling is subject to appeal. Any notice of appeal must be filed by March 17, 2017.

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 defined in the Exchange Act, Rules 13a-15 and 15d-15, as of the end of the period covered by this report. Our disclosure controls and procedures are designed 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. Based on that evaluation and as a result of the material weakness in internal control over financial reporting as set forth below, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of December 31, 2016.

Internal control over financial reporting—In the course of the external audit of the consolidated financial statements for the year ended December 31, 2016 and of our related control over financial reporting, errors resulting from the deficient controls described below were identified for which correction of the cumulative error would have been material to the 2016 financial statements, but which was not material to any of our previously issued consolidated financial statements. The errors did not result in a material misstatement in our prior financial statements and therefore did not require our previously filed reports to be amended. However, as a result of the significance of the cumulative accounting errors resulting from the deficient controls, the financial statements for 2014 and 2015 and the interim financial statements in 2016 and 2015 have been revised. The corrections of prior year financial statements for 2014 and 2015 are included in the consolidated financial statements for December 31, 2016 that are included in this annual report.

In connection with the errors, we evaluated the deficiencies in our internal controls over financial reporting and determined our internal control over financial reporting as of December 31, 2016 was not effective due to a material weakness in our controls over income tax accounting. Specifically, the execution of the controls over the application of the accounting literature to the measurement of deferred taxes did not operate effectively in relation to: (1) the remeasurement of certain nonmonetary assets in Norway, (2) the analysis of our U.S. defined benefit pension plans and effect on other comprehensive income and (3) the assessment of the realizability of our deferred tax assets, and the need for valuation allowances. The matters were discovered during the course of the 2016 external audit of the accounts and related controls.

Notwithstanding the material weakness described above and after having performed additional procedures, management has concluded that the consolidated financial statements in this annual report fairly present, in all material respects, our financial position, results of operations and cash flows for all periods and dates presented.

Remediation efforts to address material weakness—Management is committed to the planning and implementation of remediation efforts to address this material weakness. These remediation efforts, summarized below, which are either implemented or in process, are intended to both address the identified material weakness and to enhance our overall financial control environment. In this regard, our initiatives include:

- Add additional personnel and resources with the appropriate level of tax accounting experience
- Invest in additional technical tax accounting training
- Enhance integration and documentation standards within and between tax and other key departments

We are in the process of remediating this material weakness by executing upon the above actions. Management believes the foregoing efforts will effectively remediate the material weakness. The actions that we are taking are subject to ongoing senior management review, as well as Audit Committee oversight. As we continue to monitor the effectiveness of our internal control over financial reporting in the area affected by the material weakness, we will perform additional procedures, including the use of manual mitigating control procedures where necessary, and will employ any additional resources deemed necessary to provide assurance that our financial statements continue to be fairly stated in all material respects. As we continue to evaluate and work to improve our internal control over financial reporting, management may execute additional measures to address potential control deficiencies or modify the remediation plan described above. Management will continue to review and make necessary changes to the overall design of our internal controls.

Changes in internal control over financial reporting—We have evaluated remediation steps to improve our internal controls associated with income tax accounting, as described above; however, there were no changes to our internal control over financial reporting during the year ended December 31, 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. See "Management's Report on Internal Control Over Financial Reporting", 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 2017 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, 2016. 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

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	Additions: Charge to other accounts -describe	Deductions -describe	Balance at end of period
Year ended December 31, 2014					
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	329	93	(13)(c)	—	409
Year ended December 31, 2015					
Reserves and allowances deducted from asset accounts:					
Allowance for doubtful accounts receivable	$ 14	$ —	$ —	$ 14 (a)	$ —
Allowance for obsolete materials and supplies	109	62	—	23 (b)	148
Valuation allowance on deferred tax assets	409	10	(39)(c)	—	380
Year ended December 31, 2016					
Reserves and allowances deducted from asset accounts:					
Allowance for doubtful accounts receivable	$ —	$ —	$ —	$ —	$ —
Allowance for obsolete materials and supplies	148	15	—	10 (b)	153
Valuation allowance on deferred tax assets	380	32	—	—	412

(a) Uncollectible accounts receivable written off, net of recoveries.

(b) Amount related to sale of rigs and related equipment.

(c) Amount related to deferred tax asset recorded for net operating losses with an offsetting valuation allowance.

Schedule II—Valuation and Qualifying Accounts contains corrections of errors in previously reported amounts for valuation allowances on deferred tax assets. See "Part II. Item 8. Financial Statements and Supplementary Data—Notes to Consolidated Financial Statements—Note 4—Correction of Errors in Previously Reported Consolidated Financial Statements."

(3) Exhibits

The following exhibits are filed in connection with this Report:

	Number	Description
†	3.1	Articles of Association of Transocean Ltd.
	3.2	Organizational Regulations of Transocean Ltd. (incorporated by reference to Exhibit 3.2 to Transocean Ltd.'s Current Report on Form 8-K (Commission File No. 000-53533) filed on November 23, 2016)
	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) filed on June 29, 1999)
	4.4	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)
	4.5	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)
	4.6	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)
	4.7	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)
	4.8	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)
	4.9	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)
	4.10	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)
	4.11	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)
	4.12	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)
	4.13	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)
	4.14	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)
	4.15	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)

	4.16	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)
	4.17	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)
	4.18	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)
	4.19	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)
	4.20	Indenture, dated as of July 21, 2016, by and among Transocean Inc., the Guarantors and Wells Fargo Bank, National Association (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 22, 2016)
	4.21	Indenture, dated as of October 19, 2016, by and among Transocean Phoenix 2 Limited, Transocean Ltd., Transocean Inc., Triton Capital II GmbH and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.1 to Transocean Ltd.'s Current Report on Form 8-K (C omission File No. 000-53533) filed on October 20, 2016)
	4.22	Indenture, dated December 8, 2016, by and among Transocean Proteus Limited, the Guarantors and Wells Fargo Bank, National Association (incorporated by reference to Exhibit 4.1 to Transocean Ltd.'s Current Report on Form 8-K (Commission File No. 000-53533) filed on December 8, 2016)
*	10.1	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)
*	10.2	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)
*	10.3	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)
*	10.4	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)
*	10.5	Amendment to Transocean Inc. Deferred Compensation Plan (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 29, 2005)
	10.6	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)
	10.7	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)
	10.8	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)
*	10.9	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)
*	10.10	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)
*	10.11	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)

*	10.12	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)
*	10.13	Terms and Conditions of 2013 Director Deferred Unit Award (incorporated by reference to Exhibit 10.14 to Transocean Ltd.'s Annual Report on Form 10-K (Commission File No. 000-53533) for the year ended December 31, 2015)
*	10.14	Terms and Conditions of 2014 Director Deferred Unit Award (incorporated by reference to Exhibit 10.15 to Transocean Ltd.'s Annual Report on Form 10-K (Commission File No. 000-53533) for the year ended December 31, 2015)
*	10.15	Terms and Conditions of 2015 Director Restricted Share Unit Award (incorporated by reference to Exhibit 10.16 to Transocean Ltd.'s Annual Report on Form 10-K (Commission File No. 000-53533) for the year ended December 31, 2015)
*	10.16	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)
*	10.17	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)
*	10.18	Terms and Conditions of 2014 Executive Equity 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, 2015)
*	10.19	Terms and Conditions of 2015 Executive Equity 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, 2015)
*	10.20	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)
*	10.21	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)
*	10.22	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)
*	10.23	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)
	10.24	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)
*	10.25	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)
*	10.26	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)
*	10.27	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)
*	10.28	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)

*	10.29	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)
*	10.30	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)
*	10.31	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)
*	10.32	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)
*	10.33	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)
*	10.34	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)
	10.35	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)
*	10.36	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)
	10.37	Drilling Contract between Vastar Resources, Inc. and R&B Falcon Drilling Co. dated December 9, 1998 with respect to *Deepwater Horizon*, 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)
*	10.38	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)
*	10.39	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)
*	10.40	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)
*	10.41	Agreement with Esa Ikäheimonen (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)
*	10.42	Transocean Ltd. 2015 Long-Term Incentive Plan (incorporated by reference to Annex B to Transocean Ltd.'s definitive proxy statement (Commission File No. 001-53533) filed on March 23, 2015)
*	10.43	Separation Agreement, dated March 31, 2015, among Transocean Ltd., Transocean Offshore Deepwater Drilling Inc. and Steven Newman (incorporated by reference to Exhibit 10.1 to Transocean Ltd.'s Current Report on Form 8-K (Commission File No. 001-53533) filed on April 1, 2015)
*	10.44	Employment Agreement between Transocean Ltd. and Ian C. Strachan dated April 15, 2015, (incorporated by reference to Exhibit 10.1 to Transocean Ltd.'s Current Report on Form 8-K (Commission File No. 001-53533) filed on April 16, 2015)
*	10.45	Employment Agreement among Transocean Ltd., Transocean Offshore Deepwater Drilling Inc. and Jeremy D. Thigpen dated April 21, 2015 (incorporated by reference to Exhibit 10.1 to Transocean Ltd.'s Current Report on Form 8-K (Commission File No. 001-53533) filed on April 22, 2015)
*	10.46	Employment Agreement among Transocean Ltd., Transocean Offshore Deepwater Drilling Inc. and Mark Mey dated May 27, 2015 (incorporated by reference to Exhibit 10.1 to Transocean Ltd.'s Current Report on Form 8-K (Commission File No. 001-53533) filed on May 27, 2015)
*	10.47	Letter Agreement by and among Transocean Ltd., Transocean Management Ltd. and Esa Ikäheimonen dated July 21, 2015 (incorporated by reference to Exhibit 10.1 to Transocean Ltd.'s Current Report on Form 8-K (Commission File No. 001-53533) filed on July 23, 2015)
	10.48	Term Sheet Agreement for a Transocean and PSC/DHEPDS Settlement, dated May 20, 2015, among Triton Asset Leasing GmbH, Transocean Deepwater Inc., Transocean Offshore Deepwater Drilling Inc., Transocean Holdings LLC, the Plaintiffs Steering Committee in MDL 2179, and the *Deepwater Horizon* Economic and Property Damages Settlement Class (incorporated by reference to Exhibit 10.3 to Transocean Ltd.'s Quarterly Report on Form 10-Q (Commission File No. 001-53533) for the quarter ended June 30, 2015)

	10.49	Confidential Settlement Agreement, Mutual Releases and Agreement to Indemnify, dated May 20, 2015, among Transocean Offshore Deepwater Drilling Inc., Transocean Deepwater Inc., Transocean Holdings LLC, Triton Asset Leasing GmbH, BP Exploration and Production Inc. and BP America Production Co. (incorporated by reference to Exhibit 10.6 to Transocean Ltd.'s Quarterly Report on Form 10-Q (Commission File No. 001-53533) for the quarter ended June 30, 2015)
	10.50	Transocean Punitive Damages and Assigned Claims Settlement Agreement, dated May 29, 2015, among Transocean Offshore Deepwater Drilling Inc., Transocean Deepwater Inc., Transocean Holdings LLC, Triton Asset Leasing GmbH, the Plaintiffs Steering Committee in MDL 2179, and the *Deepwater Horizon* Economic and Property Damages Settlement Class (incorporated by reference to Exhibit 10.7 to Transocean Ltd.'s Quarterly Report on Form 10-Q (Commission File No. 001-53533) for the quarter ended June 30, 2015)
*	10.51	Employment Agreement among Transocean Ltd., Transocean Offshore Deepwater Drilling Inc. and John Stobart dated December 1, 2015 (incorporated by reference to Exhibit 10.60 to Transocean Ltd.'s Annual Report on Form 10-K (Commission File No. 000-53533) for the year ended December 31, 2015)
*	10.52	Employment Agreement with Jeremy D. Thigpen effective September 1, 2016 (incorporated by reference to Exhibit 10.1 to Transocean Ltd.'s Quarterly Report on Form 10-Q (Commission File No. 001-53533) for the quarter ended September 30, 2016)
*	10.53	Employment Agreement with Mark L. Mey effective September 1, 2016 (incorporated by reference to Exhibit 10.2 to Transocean Ltd.'s Quarterly Report on Form 10-Q (Commission File No. 001-53533) for the quarter ended September 30, 2016)
†	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 (incorporated by reference to Exhibit 99.4 to Transocean Ltd.'s Annual Report on Form 10-K (Commission File No. 000-53533) for the year ended December 31, 2013)
†	101	Interactive data files

† 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 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 herewith.

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 March 6, 2017.

TRANSOCEAN LTD.

By: /s/ Mark L. Mey
Mark L. Mey
Executive Vice President, Chief Financial Officer
(Principal Financial Officer)

By: /s/ David Tonnel
David Tonnel
Senior Vice President, Supply Chain and Corporate 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 March 6, 2017.

Signature	Title
* **Merrill A. "Pete" Miller, Jr**	Chairman of the Board of Directors
/s/ Jeremy D. Thigpen **Jeremy D. Thigpen**	President and Chief Executive Officer (Principal Executive Officer)
/s/ Mark L. Mey **Mark L. Mey**	Executive Vice President, Chief Financial Officer (Principal Financial Officer)
/s/ David Tonnel **David Tonnel**	Senior Vice President, Supply Chain and Corporate Controller (Principal Accounting Officer)
* **Glyn A. Barker**	Director
* **Vanessa C.L. Chang**	Director
* **Frederico F. Curado**	Director
* **Chad C. Deaton**	Director
* **Tan Ek Kia**	Director
* **Vincent J. Intrieri**	Director
* **Samuel Merksamer**	Director
* **Martin B. McNamara**	Director
* **Edward R. Muller**	Director
By: /s/ David Tonnel **(Attorney-in-Fact)**	

TRANSOCEAN LTD.

STATUTORY FINANCIAL STATEMENTS
For the years ended December 31, 2016 and 2015

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

To the General Meeting of

Transocean Ltd., Steinhausen

Zurich, March 6, 2017

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-3 to SR-12), for the year ended December 31, 2016.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of these 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 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, 2016 comply with Swiss law and the company's articles of incorporation.

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities* section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying financial statements.

Impairment assessment of investments in subsidiaries	
Area of emphasis	Transocean Ltd. evaluates its investments in subsidiaries for impairment annually and records an impairment loss when the carrying amount of such assets exceeds the recoverable amount. The assessment of the existence of any indicators of impairment of the carrying amount of investments in subsidiaries is judgmental. In the event that indicators of impairment are identified, the assessment of the recoverable amounts is also judgmental and requires estimation and the use of subjective assumptions. Transocean Ltd. measures the recoverable amount of its investments in subsidiaries by applying a variety of valuation methods, incorporating a combination of income and market approaches and using projected discounted cash flows. The primary risks are identifying impairment indicators, inaccurate models being used for the impairment assessment, and that the assumptions to support the value of the investments are inappropriate. The principal consideration for our determination that the impairment assessment of investments in subsidiaries is a key audit matter is the subjectivity in the assessment of the recoverable amounts which requires estimation and the use of subjective assumptions. *See note 3 to these financial statements for Transocean Ltd.'s disclosures related to investment in subsidiaries.*
Our audit response	Our audit procedures related to the key audit matter of the impairment assessment of investments in subsidiaries included the following procedures: We performed inquiries of management about the current market conditions supporting the evaluation of potential impairment indicators, tested the key assumptions used, and performed procedures on Transocean Ltd.'s prospective financial information. We involved valuation specialists to assist in the evaluation of management's valuation models and impairment analyses, specifically in testing key assumptions and prospective financial information. We performed procedures to assess the valuation models for evidence of management bias considering contrary evidence from third party analyst reports, press releases and fleet status reports published by Transocean Ltd.'s competitors.

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 recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd.

/s/ Jolanda Dolente	/s/ Jennifer Mathias
Licensed audit expert	Certified public accountant
(Auditor in charge)	

TRANSOCEAN LTD.
STATEMENTS OF OPERATIONS
(In thousands)

	Years ended December 31, 2016	Years ended December 31, 2015
Income		
Guarantee fee income	CHF 1,495	CHF 2,601
Financial income	27	16
Total income	1,522	2,617
Costs and expenses		
General and administrative	47,979	33,301
Depreciation	24	—
Loss on currency exchange	8,149	3,895
Financial expense	8,167	6,268
Total costs and expenses	64,319	43,464
Loss on impairment	—	(3,280,474)
Loss on sale of subsidiary	(1,242)	—
Direct taxes	—	(95)
Net loss for the period	CHF (64,039)	CHF (3,321,416)

See accompanying notes.

TRANSOCEAN LTD.
BALANCE SHEETS
(in thousands)

	December 31, 2016	December 31, 2015
Assets		
Cash	CHF 16,793	CHF 1,158
Receivables from subsidiaries	8,576	8,891
Other current assets	881	1,452
Total current assets	26,250	11,501
Investment in subsidiaries	6,555,167	6,673,743
Property and equipment	1,446	1,399
Less accumulated depreciation	1,389	1,324
Property and equipment, net	57	75
Other non-current assets	100	79
Total non-current assets	6,555,324	6,673,897
Total assets	CHF 6,581,574	CHF 6,685,398
Liabilities and shareholders' equity		
Accounts payable to subsidiaries	CHF 32,104	CHF 16,504
Interest payable to subsidiaries	1,572	2,281
Other current liabilities	21,628	2,224
Total current liabilities	55,304	21,009
Long-term interest bearing note payable to subsidiary	7,344	402,138
Other non-current liabilities	997	1,654
Total non-current liabilities	8,341	403,792
Share capital	39,480	5,607,459
Statutory capital reserves from capital contribution	11,403,893	9,522,987
Statutory capital reserve from capital contribution for shares held by subsidiaries	71,588	70,093
Accumulated loss		
Accumulated loss brought forward from previous years	(4,932,993)	(5,361,577)
Net loss for the period	(64,039)	(3,321,416)
Own shares against capital reserve from capital contribution	—	(256,949)
Total shareholders' equity	6,517,929	6,260,597
Total liabilities and shareholders' equity	CHF 6,581,574	CHF 6,685,398

See accompanying notes.

Note 1—General

Transocean Ltd. (the “Company”, “we”, “us”, or “our”) is the parent company of Transocean Inc., Transocean Management Ltd., and Transocean Management Services GmbH., our wholly owned subsidiaries. Transocean Ltd. is registered with the commercial register in the canton of Zug, and its shares are listed on the New York Stock Exchange (“NYSE”). Our shares were previously listed on the SIX Swiss Exchange (“SIX”). Effective March 31, 2016, at our request, our shares were delisted from the SIX. At December 31, 2016 and 2015, we had six and seven full-time employees, respectively.

Note 2—Significant Accounting Policies

Presentation—We have prepared our unconsolidated statutory financial statements in accordance with the accounting principles as set out in Art. 957 to Art. 963b, of the Swiss Code of Obligations (the “CO”), which became effective January 1, 2013, and required implementation for the year ended December 31, 2015. Since we have prepared our consolidated financial statements in accordance with U.S. generally accepted accounting standards, a recognized accounting standard, we have, in accordance with the CO, elected to forego presenting the statement of cash flows, the additional disclosures and the management report otherwise required by the CO. Our financial statements may be influenced by the creation and release of excess reserves.

Foreign currency—We maintain our accounting records in 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 subsidiaries and our shareholders’ 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,	
	2016	2015	2016	2015
CHF / USD	0.98	0.96	1.02	0.99
CHF / GBP	1.35	1.47	1.26	1.46
CHF / NOK	0.12	0.12	0.12	0.11

We recognize realized currency exchange and translation gains and losses arising from business transactions and net unrealized currency exchange and translation losses in current period earnings. We defer net unrealized currency exchange and translation 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.

Investments in subsidiaries—We record our investments in subsidiaries at acquisition cost less adjustments for impairment of value. We evaluate our investments in subsidiaries 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.

Own shares—We recognize own shares at acquisition cost, which we present as a deduction from shareholders’ equity at the time of acquisition. For own shares held by subsidiaries, we build a reserve for shares in equity at the respective acquisition costs.

Related parties—In the meaning of the CO, we consider related parties to be only shareholders, direct and indirect subsidiaries, and the board of directors.

Note 3—Investment in Subsidiaries

Direct investments—Our direct investments in subsidiaries were as follows (in thousands, except percentages and share capital):

Company name	Purpose	Domicile	Ownership and voting interest	Share capital		December 31, 2016		December 31, 2015	
Transocean Inc.	Holding	Cayman Islands	100%	USD	0.01	CHF	6,555,059	CHF	6,555,059
Transocean Management Ltd.	Management and administration	Switzerland	90%	CHF	100.00	CHF	90	CHF	90
Transocean Services AS	Holding	Norway	99%	NOK	100.00	CHF	—	CHF	118,594
Transocean Management Services GmbH	Management and administration	Switzerland	90%	CHF	20.00	CHF	18	CHF	—

On May 30, 2016, we sold Transocean Services AS to one of our indirect subsidiaries and, accordingly, it is no longer our direct investment. On October 4, 2016, we contributed capital of CHF 18,000 for 90 percent quota to form Transocean Management Services GmbH to perform management and administration services.

Impairments—In the year ended December 31, 2016, as a result of our annual impairment test, we determined that the carrying amounts of our investments in subsidiaries were not impaired. In the year ended December 31, 2015, as a result of our interim impairment test as of July 2015 and our annual impairment test as of December 31, 2015, we determined that the carrying amounts of our investments in subsidiaries were impaired, and, as a result, we recognized an aggregate loss of CHF 3.3 billion associated with the impairment of our investments in Transocean Inc. and Transocean Services AS.

Principal indirect investments—Our principal indirect investments in subsidiaries were as follows:

December 31, 2016 Company name	Domicile	Ownership and voting interest	December 31, 2015 Company name	Domicile	Ownership and voting interest
Deepwater Pacific 1 Inc.	British Virgin Islands	100%	Deepwater Pacific 1 Inc.	British Virgin Islands	100%
Global Marine Inc.	United States	100%	Global Marine Inc.	United States	100%
GSF Leasing Services GmbH	Switzerland	100%	GSF Leasing Services GmbH	Switzerland	100%
Sedco Forex Holdings Limited	Cayman Islands	100%	Sedco Forex Holdings Limited	Cayman Islands	100%
Sedco Forex International Inc.	Cayman Islands	100%	Sedco Forex International Inc.	Cayman Islands	100%
Transocean Deepwater Drilling Services Limited	Cayman Islands	100%	Transocean Deepwater Drilling Services Limited	Cayman Islands	100%
Transocean Drilling Offshore S.a.r.l	Luxembourg	100%	Transocean Drilling Offshore S.a.r.l	Luxembourg	100%
Transocean Drilling U.K. Limited	Scotland	100%	Transocean Drilling U.K. Limited	Scotland	100%
Transocean Financing GmbH	Switzerland	100%	Transocean Financing GmbH	Switzerland	100%
Transocean Holdings 1 Limited	Cayman Islands	100%			
Transocean Holdings 2 Limited	Cayman Islands	100%			
Transocean Holdings 3 Limited	Cayman Islands	100%			
Transocean Hungary Holdings LLC	Hungary	100%	Transocean Hungary Holdings LLC	Hungary	100%
Transocean Norway Drilling AS	Norway	100%	Transocean Norway Drilling AS	Norway	100%
Transocean Offshore Deepwater Drilling Inc.	United States	100%	Transocean Offshore Deepwater Drilling Inc.	United States	100%
Transocean Offshore Deepwater Holdings Limited	Cayman Islands	100%	Transocean Offshore Deepwater Holdings Limited	Cayman Islands	100%
Transocean Offshore Holdings Limited	Cayman Islands	100%	Transocean Offshore Holdings Limited	Cayman Islands	100%
Transocean Offshore International Ventures Limited	Cayman Islands	100%	Transocean Offshore International Ventures Limited	Cayman Islands	100%
Transocean Partners Holdings Limited	Cayman Islands	100%	Transocean Partners Holdings Limited	Cayman Islands	100%
			Transocean Partners LLC	Marshall Islands	71%
Transocean Phoenix 2 Limited	Cayman Islands	100%			
Transocean Proteus Limited	Cayman Islands	100%			
Transocean Entities Holdings GmbH	Switzerland	100%	Transocean Entities Holdings GmbH	Switzerland	100%
Transocean Worldwide Inc.	Cayman Islands	100%	Transocean Worldwide Inc.	Cayman Islands	100%
Triton Asset Leasing GmbH	Switzerland	100%	Triton Asset Leasing GmbH	Switzerland	100%
Triton Hungary Investments 1 LLC	Hungary	100%	Triton Hungary Investments 1 LLC	Hungary	100%
Triton Nautilus Asset Leasing GmbH	Switzerland	100%	Triton Nautilus Asset Leasing GmbH	Switzerland	100%

In the year ended December 31, 2016, Transocean Partners Holdings Limited ("TPHL"), our wholly owned indirect subsidiary, reacquired the publicly held common units of Transocean Partners LLC ("TPLLC") which became our indirect, wholly owned subsidiary (see Note 4—Shareholders' Equity). Accordingly, we no longer consider it to be a principal investment.

In the year ended December 31, 2016, we formed Transocean Holdings 1 Limited, Transocean Holdings 2 Limited and Transocean Holdings 3 Limited. Together with Transocean Ltd., these wholly owned subsidiaries have fully and unconditionally guaranteed the 9.00% Senior Notes due 2023 issued by Transocean Inc. Additionally, we formed Transocean Phoenix 2 Limited and Transocean Proteus Limited in connection with the issuance of two series of senior secured notes.

Note 4—Shareholders' Equity

Overview—Changes in our shareholder's equity were as follows (in thousands):

	Share capital		Statutory capital reserves		Free reserves			
	Shares	Amount	from capital contribution	from capital contribution for shares held by subsidiaries (a)	Dividend reserve from capital contribution	Retained earnings (accumulated loss)	Own shares against capital reserve from capital contribution	Total shareholders' equity
Balance at December 31, 2014	373,831	CHF 5,607,459	CHF 8,620,571	CHF 69,618	CHF 1,017,866	CHF (5,361,577)	CHF (256,949)	CHF 9,696,988
Transfer to free reserve – dividend reserve from distribution payable	—	—	—	—	(11,045)	—	—	(11,045)
Transfer to statutory capital reserve from capital contribution	—	—	1,006,821	—	(1,006,821)	—	—	—
Transfer to free reserve – dividend reserve from capital contribution	—	—	(422,084)	—	422,084	—	—	—
Transfer to statutory capital reserve from capital contribution	—	—	318,154	—	(318,154)	—	—	—
Distribution payable to shareholders	—	—	—	—	(209,862)	—	—	(209,862)
Cancellation of dividends	—	—	—	—	105,932	—	—	105,932
Own share transactions	—	—	(475)	475	—	—	—	—
Net loss	—	—	—	—	—	(3,321,416)	—	(3,321,416)
Balance at December 31, 2015	373,831	5,607,459	9,522,987	70,093	—	(8,682,993)	(256,949)	6,260,597
Reduction of share capital	—	(5,313,414)	1,563,414	—	—	3,750,000	—	—
Cancellation of own shares	(2,863)	(256,949)	—	—	—	—	256,949	—
Issuance of shares to subsidiary	23,834	2,384	318,987	—	—	—	—	321,371
Excess shares held by subsidiary	—	—	(1,292)	1,292	—	—	—	—
Own share transactions	—	—	(203)	203	—	—	—	—
Net loss	—	—	—	—	—	(64,039)	—	(64,039)
Balance at December 31, 2016	394,802	CHF 39,480	CHF 11,403,893	CHF 71,588	CHF —	CHF (4,997,032)	CHF —	CHF 6,517,929

(a) The statutory capital reserve from capital contribution for shares held by subsidiaries represents the aggregate cost of own shares held indirectly by Transocean Ltd. through Transocean Inc. During the years ended December 31, 2016 and 2015, Transocean Inc. withheld 20,699 and 28,909 own shares, respectively, through a broker arrangement and limited to statutory tax in satisfaction of withholding taxes due by our employees upon the vesting of equity awards granted under our Long-Term Incentive Plan. For the years ended December 31, 2016 and 2015, the aggregate value of own share transactions was CHF 203 thousand and CHF 475 thousand, respectively. See Note 5—Own Shares.

Authorized share capital—In May 2014, at our annual general meeting, our shareholders approved an authorized share capital in the amount of CHF 337 million, authorizing the issuance of a maximum of 22.5 million fully paid-in shares with a par value of CHF 15 per share at any time until May 16, 2016. On October 29, 2015, at our extraordinary general meeting, our shareholders approved the reduction of the par value of each of our shares to CHF 0.10 from the original par value of CHF 15. Consequently, the previously approved authorized share capital in the amount of CHF 337 million has been reduced to CHF 2 million, authorizing the issuance of a maximum of 22.2 million fully paid-in shares with a par value of CHF 0.10 per share. In May 2016, at our annual general meeting, our shareholders approved an authorized share capital in the amount of CHF 2.2 million, authorizing the issuance of a maximum of 22.3 million fully paid-in shares with a par value of CHF 0.10 per share at any time until May 12, 2018.

Conditional share capital—Our articles of association provide for a conditional share capital that permits us to issue up to 167.6 million additional shares without obtaining additional shareholder approval. The 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 shares or the shares of one of our group companies or any of their respective predecessors; or

(2) in connection with the issuance of 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. In connection with the issuance of shares, options or other share-based awards to directors, employees, contractors, consultants or other persons providing services to us, the preemptive rights and the advance subscription rights of shareholders are excluded.

On July 31, 2016, we and TPHL entered into an option agreement, as amended on November 22, 2016, pursuant to which we granted TPHL the right to acquire from us a number of our shares in connection with its merger with TPLLC, pursuant to which, the publicly held common units of TPLLC not owned by TPHL were exchanged for the right to receive our shares.. On December 6, 2016, TPHL exercised its right to receive 23.8 million of our shares, which we issued from our conditional share capital, and paid to us $318 million, as required under the option agreement. Following the completion of the merger, TPHL held 95,830 of our shares.

Distributions to shareholders—In May 2015, at our annual general meeting, our shareholders approved a distribution of statutory capital reserves from capital contribution in the form of a U.S. dollar denominated dividend of USD 0.60 per outstanding share, payable in four installments of USD 0.15 per outstanding share, subject to certain limitations. In May 2015, we transferred CHF 422 million from statutory capital reserves—reserve from capital contribution to free reserves—dividend reserve from capital contribution, and we recognized a distribution payable of CHF 210 million, with the corresponding entry to free reserves—dividend reserve from capital contribution. On June 17, 2015 and September 23, 2015, we paid the first two installments, in the aggregate amount of CHF 104 million, to shareholders of record as of May 29, 2015 and August 25, 2015, respectively. On October 29, 2015, at our extraordinary general meeting, our shareholders approved the cancellation of the third and fourth installments of the distribution. Upon approval of the cancellation, we transferred the remaining CHF 318 million from free reserves—dividend reserve from capital contribution to statutory capital reserve from capital contribution, in accordance with the tax ruling dated April 2, 2013.

In May 2014, at our annual general meeting, our shareholders approved a distribution of statutory capital reserves from capital contribution 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. On March 18, 2015, we paid the final installment, in the aggregate amount of CHF 275 million, to shareholders of record as of February 20, 2015. Upon payment of the final installment, we transferred the remaining CHF 1.0 billion from free reserves—dividend reserve from capital contribution to statutory reserve from capital contribution, in accordance with the tax ruling dated April 2, 2013.

Qualified capital loss—As presented on our interim balance sheet, dated July 31, 2015, included in our proxy statement for our extraordinary general meeting on October 29, 2015, we determined that our net assets cover less than 50 percent of our statutory share capital and statutory capital reserves. Under Swiss law, the board of directors convened a general meeting of shareholders and proposed measures that remediate such capital loss. On October 29, 2015, at our extraordinary general meeting, our shareholders approved the reduction of the par value of each of our shares to CHF 0.10 from the original par value of CHF 15.00 and allocated CHF 3.75 billion of the aggregate par value reduction amount to reduce our accumulated net loss. Effective January 7, 2016, our qualified capital loss was effectively remediated upon establishment of a public deed of compliance for our par value reduction and registration in the commercial register.

Note 5—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. and TPHL, to satisfy obligations under our share-based compensation plans (in thousands, except percentages):

	Own shares	Total shares issued	Percentage of shares issued
Balance at December 31, 2014	11,542	373,831	3.09%
Transfers under share-based compensation plans	(1,756)		
Balance at December 31, 2015	9,786	373,831	2.62%
Transfers under share-based compensation plans	(1,589)		
Cancellation of treasury shares	(2,863)		
Issuance of shares under option agreement with subsidiary	96		
Balance at December 31, 2016	5,430	394,802	1.38%

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 3.4 billion. At December 31 2015, we held 2.9 million of our shares, repurchased under the share repurchase program, with an aggregate carrying amount of CHF 257 million. On October 29, 2015, at our extraordinary general meeting, our shareholders approved the cancellation of all shares that had been repurchased under the share repurchase program. Effective January 7, 2016, such shares were cancelled upon registration in the commercial register.

Shares held by subsidiaries—Transocean Inc. and TPHL hold 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. In the year ended December 31, 2016 and 2015, we transferred 1.6 million and 1.8 million shares, respectively, at historical cost, from the own shares held by Transocean Inc. to satisfy obligations under our share-based compensation plans. In the years ended December 31, 2016 and 2015, we received cash proceeds of less than CHF 1 million, in connection with own shares transferred in exchange for equity awards exercised or withheld for taxes under our share-based compensation plans.

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, 2016 Number of shares	December 31, 2016 Percentage of issued share capital
Vanguard	39,972	10.27%
BlackRock, Inc.	22,962	5.90%
State Street Corporation	19,715	5.06%

Name	December 31, 2015 Number of shares	December 31, 2015 Percentage of issued share capital
Credit Suisse Group AG	40,275	10.77%
BlackRock, Inc.	25,491	6.82%
Icahn Group	21,483	5.75%

Own shares—Effective January 7, 2016, upon registration in the commercial register, the own shares held by us were cancelled. At December 31, 2016, we held, indirectly through Transocean Inc. and TPHL, 5.4 million registered shares, representing 1.4 percent of our issued share capital. At December 31, 2015, we held, directly and indirectly through Transocean Inc., 9.8 million registered shares, respectively, representing 2.6 percent, of our issued share capital. See Note 4—Own Shares.

Shares held by board members—The members of our board of directors held our shares as follows:

Name	December 31, 2016		December 31, 2015	
	Vested shares and unvested share units (a)	Stock options and stock appreciation rights	Vested shares and unvested share units (a)	Stock options and stock appreciation rights
Merrill A. "Pete" Miller, Jr.	52,882	—	21,662	—
Glyn A. Barker	52,460	—	25,015	—
Vanessa C.L. Chang	48,154	—	27,981	—
Frederico F. Curado	40,712	—	20,539	—
Chad Deaton	47,454	—	27,281	—
Tan Ek Kia	50,222	—	30,049	—
Vincent J. Intrieri	35,952	—	15,779	—
Martin B. McNamara	88,975	—	68,802	—
Samuel Merksamer	46,688	—	20,539	—
Edward R. Muller	69,838	3,820	45,665	7,640
Jeremy D. Thigpen (b)	883,012	233,957	520,157	—
Total	1,416,349	237,777	823,469	7,640

a) The number of shares held includes privately held shares.

b) Mr. Thigpen was for the first time elected to the board of directors on October 29, 2015.

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, 2016				
	Number of shares held (a)	Number of granted share units vesting in 2017 (b)	Number of granted share units vesting in 2018 (b)	Number of granted share units vesting in 2019 (b)	Total shares and share units
Jeremy D. Thigpen	65,197	338,303	433,796	45,716	883,012
Mark L. Mey	41,856	160,262	207,720	19,157	428,995
John Stobart	37,266	102,212	153,062	19,244	311,784
Total	144,319	600,777	794,578	84,117	1,623,791

a) The number of shares held includes privately held shares.

b) The number of granted share units vesting in the years ending December 31, 2017, 2018 and 2019 represents the vesting of previously granted service awards and performance awards in the form of share units.

Name	December 31, 2015 Number of shares held (a)	Number of granted share units vesting in 2016 (b)	Number of granted share units vesting in 2017 (b)	Number of granted share units vesting in 2018 (b)	Total shares and share units
Jeremy D. Thigpen (c)	—	113,784	292,588	113,785	520,157
Mark L. Mey (d)	—	73,619	141,105	73,620	288,344
John Stobart (e)	18,198	61,376	82,968	18,353	180,895
Ian C. Strachan (f)	—	—	—	—	—
Steven L. Newman (g)	—	40,544	—	—	40,544
Esa Ikaheimonen (h)	—	16,708	11,400	—	28,108
Total	18,198	306,031	528,061	205,758	1,058,048

a) The number of shares held includes privately held shares.

b) The number of granted share units vesting in the years ending December 31, 2016, 2017 and 2018 represents the vesting of previously granted service awards and performance awards in the form of share units.

c) Mr. Thigpen joined Transocean as Chief Executive Officer on April 22, 2015.

d) Mr. Mey joined Transocean as Chief Financial Officer on May 28, 2015.

e) Mr. Stobart is the Chief Operating Officer for Transocean, effective October 1, 2012.

f) Mr. Strachan did not receive shares for his service as Interim Chief Executive Officer.

g) Mr. Newman was no longer designated as a member of the Executive Management Team, effective February 16, 2015.

h) Mr. Ikäheimonen was no longer designated as a member of the Executive Management Team, effective May 27, 2015.

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, 2016 Number of granted stock options vested and outstanding	Number of granted stock options vesting in 2017	Number of granted stock options vesting in 2018	Number of granted stock options vesting in 2019	Total vested and unvested stock options
Jeremy D. Thigpen	—	77,985	77,986	77,986	233,957
Mark L. Mey	—	32,679	32,680	32,680	98,039
John Stobart	38,597	32,828	32,828	32,829	137,082
Total	38,597	143,492	143,494	143,495	469,078

Name	December 31, 2015 Number of granted stock options vested and outstanding	Number of granted stock options vesting in 2016	Number of granted stock options vesting in 2017	Number of granted stock options vesting in 2018	Total vested and unvested stock options
Jeremy D. Thigpen	—	—	—	—	—
Mark L. Mey	—	—	—	—	—
John Stobart	25,731	12,866	—	—	38,597
Ian C. Strachan (a)	—	—	—	—	—
Steven L. Newman (b)	454,105	—	—	—	454,105
Esa Ikaheimonen (b)	28,590	—	—	—	28,590
Total	508,426	12,866	—	—	521,292

a) Mr. Strachan did not receive stock options for his service as Interim Chief Executive Officer.

b) As of December 31, 2015, Mr. Ikäheimonen and Mr. Newman were no longer our employees. Stock options held by Mr. Ikäheimonen and Mr. Newman remained exercisable for one year following separation and expired in the year ended December 31, 2016.

Shares granted—We granted the following service awards and performance awards to members of our board, members of our executive management team and employees:

Name	December 31, 2016 Number of share units granted	December 31, 2016 Value of share units	December 31, 2015 Number of share units granted	December 31, 2015 Value of share units
Board members	212,777	CHF 1,928,824	114,294	CHF 2,281,125
Executive management team	757,053	7,866,743	1,039,143	16,390,817
Employees	25,011	211,038	11,042	201,936
Total	994,841	CHF 10,006,605	1,164,479	CHF 18,873,878

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, 2016 and 2015, the aggregate carrying amount of debt that we have guaranteed was USD 7.5 billion and USD 7.4 billion, respectively, equivalent to approximately CHF 7.6 billion and CHF 7.3 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, payable in installments through February 2017. We have guaranteed the scheduled installments 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, 2016 and 2015, we recognized guarantee fee income of CHF 2 million and CHF 3 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 compliance obligations required of the Respondents under the EPA Agreement.

Norway tax investigations and trial contingent obligations—Norwegian civil tax authorities are challenging certain transactions undertaken by our subsidiaries in 1999, 2001 and 2002. In January 2016, the Norwegian authorities formally and unconditionally dropped their appeals against the Oslo district court acquittals with respect to all criminal charges against our subsidiaries and external advisors related to the previously reported Norway tax investigations and trials. All subsidiaries and external advisors have been fully and unconditionally acquitted on all criminal charges.

At December 31, 2016, the remaining outstanding civil tax assessment was for NOK 412 million, equivalent to approximately CHF49 million, plus interest, related to a 2001 dividend payment. On June 26, 2014, the Norwegian district court in Oslo ruled that our subsidiary was liable for the civil tax assessment but waived all penalties and interest. On September 12, 2014, we and the tax authorities each appealed the ruling. On June 27, 2016, the tax authorities withdrew their appeal of penalties and dropped all penalty claims. 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 prior years, we guaranteed these tax assessments and related contingent obligations. As of December 31, 2016, all guarantees have expired or have been cancelled. See Note 10—Subsequent Events.

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, 2016 and 2015, 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 our indirect 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 off the coast of Louisiana. The Macondo Subsidiaries have been named in lawsuits related to the Macondo well incident. Although we can provide no assurance as to the outcome of the remaining claims, we believe that a significant portion of the contingencies related to the Macondo well incident are now resolved.

Federal securities claims—On September 30, 2010, a proposed federal securities class action was filed against us in the U.S. District Court for the Southern District of New York. 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 various securities laws and that the acquired company's shareholders received inadequate consideration for their shares as a result of the alleged violations. 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 (the "Second Circuit"), but on March 17, 2016, the Second Circuit affirmed the dismissal. Plaintiffs filed a petition for writ of certiorari with the U.S. Supreme Court on August 12, 2016. See Note 10—Subsequent Events.

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. and Transocean Partners Holdings Limited—Transocean Inc. and TPHL hold 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, 2016 and 2015, Transocean Inc. and TPHL held 5.4 million and 6.9 million of our shares, respectively.

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. At December 31, 2016 and 2015, we had borrowings of USD 7.2 million and USD 406 million, respectively, equivalent to approximately CHF 7.3 million and CHF 402 million, respectively, outstanding under the revolving credit facility. At December 31, 2016 and 2015, the variable interest rate on the outstanding borrowings was 2.25 percent.

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, 2016 and 2015, we recognized such costs of CHF 15 million and CHF 19 million, respectively, recorded in general and administrative costs and expenses.

Note 10—Subsequent Events

Norway tax investigations and trial—On January 9, 2017, the Norwegian appeal court in Oslo ruled entirely in favor of the Transocean subsidiaries and overturned the district court with respect to the remaining question of principal tax obligations. On February 10, 2017, the tax authorities filed an appeal with the Norwegian Supreme Court.

Federal securities claims—On January 13, 2017, the U.S. Supreme Court granted certiorari in a separate case, not involving Transocean, which raised the same issues on which the Second Circuit dismissed the claim against Transocean. The U.S. Supreme Court's ultimate determination of this separate case may affect the time-barred dismissal of the case involving Transocean.

PSC Settlement Agreement—On February 15, 2017, the MDL Court entered a final order and judgment approving the PSC Settlement Agreement that we entered into with the PSC on May 29, 2015. The ruling is subject to appeal. Any notice of appeal must be filed by March 17, 2017.

TRANSOCEAN LTD.

PROPOSED APPROPRIATION OF THE ACCUMULATED LOSS

The board of directors proposes that shareholders at the annual general meeting in 2017 approve the following appropriation (in thousands):

	December 31, 2016	December 31, 2015
Balance brought forward from previous years	CHF (8,682,993)	CHF (5,361,577)
Reduction of par value	3,750,000	—
Net loss for the year	(64,039)	(3,321,416)
Total accumulated loss	(4,997,032)	(8,682,993)
Balance to be carried forward on this account	CHF (4,997,032)	CHF (8,682,993)

Under Swiss law, the appropriation of available earnings or accumulated loss, as the case may be, as set forth in the Swiss statutory financial statements must be submitted to shareholders for approval at each annual general meeting. The accumulated loss subject to the vote of the Company's shareholders at the 2017 Annual General Meeting is the accumulated loss of Transocean Ltd., on a standalone basis.

At our Extraordinary General Meeting held on October 29, 2015, shareholders approved the following: (a) a reduction of the par value of each share of the Company from CHF 15 to CHF 0.10, (b) the use of CHF 3.75 billion of the aggregate par value reduction amount to reduce the Company's total accumulated loss as recorded on its Swiss statutory balance sheet, and (c) the allocation of CHF 1,820,076,670.10 of the aggregate par value reduction amount to the Company's statutory capital reserves from capital contribution. The par value reduction became effective on January 7, 2016. Accordingly, the CHF 3.75 billion reduction of our accumulated loss was not reflected in the accumulated loss as of December 31, 2015. The total accumulated loss as of December 31, 2016, reflects the loss that was carried forward from previous years, the reduction of par value and the net loss for the year ended December 31, 2016.

The Board of Directors proposes that the entire accumulated loss of CHF 4,997,032 be carried forward.

BOARD OF DIRECTORS

Merrill A. "Pete" Miller, Jr.
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
Former President and
Chief Executive Officer
Embraer S.A.

Chadwick C. Deaton
Former Executive Chairman and
Chief Executive Officer
Baker Hughes Incorporated

Vincent J. Intrieri
Former Senior Managing Director
Icahn Capital LP

Martin B. McNamara
Retired Partner
Gibson, Dunn & Crutcher LLP

Samuel J. Merksamer
Former 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

Jeremy D. Thigpen
President and Chief Executive Officer
Transocean Ltd.

EXECUTIVE MANAGEMENT

Jeremy D. Thigpen
President and
Chief Executive Officer

Mark L. Mey
Executive Vice President and
Chief Financial Officer

John B. Stobart
Executive Vice President and
Chief Operating Officer

CORPORATE INFORMATION

Registered Address
Transocean Ltd.
Turmstrasse 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, Texas 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, Texas 77845

Proxy solicitor
D.F. King & Co., Inc.
48 Wall Street
New York, New York 10005

Independent Registered Public Accounting Firm
Ernst & Young LLP
Houston, Texas

Swiss Auditor
Ernst & Young Ltd
Zurich, Switzerland

Financial Information
Financial analysts and shareholders should visit the company's website at: www.deepwater.com, or call Investor Relations at +1 713 232 7500 for information about Transocean Ltd.

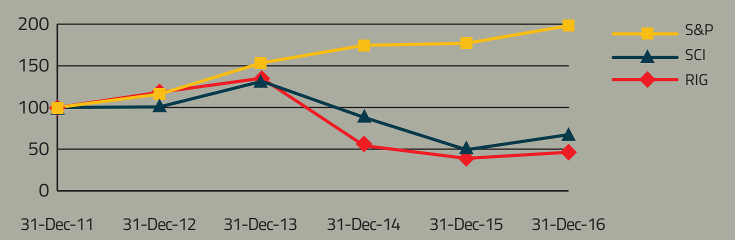
NYSE Annual CEO Certification and Sarbanes-Oxley Section 302 Certifications
We submitted the annual chief executive officer certification to the NYSE as required under the corporate governance rules. We also filed the chief executive officer certifications required under section 302 of the Sarbanes-Oxley Act of 2002 as an exhibit to our 2016 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.

NYSE (USD)	2016		2015	
	HIGH	LOW	HIGH	LOW
First Quarter	13.48	7.67	20.65	13.28
Second Quarter	12.05	8.34	21.90	14.44
Third Quarter	13.03	8.68	16.20	11.26
Fourth Quarter	16.66	9.10	17.19	11.95

Performance Graph[1]
The graph below compares the cumulative total shareholder return of our shares, the Standard & Poor's 500 Stock Index ("S&P"), and the Upstream Index prepared by Simmons & Company International, Energy Specialists of Piper Jaffray ("SCI") over our last five fiscal years. The graph assumes that $100 was invested in our shares and the S&P on December 31, 2011, 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, 2011 - December 31, 2016



DATE	DEC-11	DEC-12	DEC-13	DEC-14	DEC-15	DEC-16
S&P	$100	$116	$154	$175	$177	$198
SCI	$100	$101	$131	$88	$49	$67
RIG	$100	$118	$135	$54	$39	$46

[1] 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.


Transocean
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