Transocean

2018 Annual General Meeting and Proxy Statement

2017 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 19, 2018, we owned or had partial ownership interests in and operated a fleet of 47 mobile offshore drilling units. In addition, we have two newbuild ultra-deepwater drillships under construction or under contract to be constructed. The company also operates two high-specification jackups that were under drilling contracts when the rigs were sold, and the company continues to operate these jackups until completion or novation of the drilling contracts. We specialize in technically demanding sectors of the global offshore drilling business with a particular focus on ultra-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 symbols in the map above represent the company's global market presence as of the February 19, 2018 Fleet Status Report.

ABOUT THE COVER

The front cover features one of our high-specification, harsh environment semisubmersibles, the *Transocean Barents*, currently operating offshore Eastern Canada. The back cover features another one of our high-specification, harsh environment semisubmersibles, the *Transocean Spitsbergen*, currently operating in the Norwegian North Sea.

FORWARD-LOOKING STATEMENTS

Any statements included in this Proxy Statement and 2017 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 19, 2018

Letter to Shareholders

While commodity prices improved throughout 2017, customers continued to curtail spending on offshore exploration and development, further extending what has become one of the worst downturns in the offshore drilling market. Still, through our continued commitment to fleet quality, operational excellence and organizational and operating efficiency, Transocean delivered another strong year, producing financial results that once again exceeded expectations.

As we enter 2018, we are encouraged by improving macro conditions, with recent prices for both Brent and WTI surpassing $65 per barrel for the first time in over three years. This increase in oil prices, coupled with the efficiencies and resulting cost reductions that the offshore industry has realized over the past three years, has made a significant number of offshore projects around the world economically viable.

As a testament to this fact, the harsh environment markets of Northern Europe and Eastern Canada are now in recovery. Fixtures have increased over 70% from 2016, with utilization and dayrates for high-specification, harsh environment semisubmersibles increasing by approximately 20% and more than 50%, respectively. In fact, growing concern around asset availability in this market is driving customers to tender for multi-year programs.

While certainly not as promising as the harsh environment market, the world's ultra-deepwater markets are also demonstrating signs of improvement. For the first time in over two years, customers are trying to secure some of the more technically capable assets by entering into multi-year contracts. Unfortunately, utilization rates for ultra-deepwater assets remain low; therefore, leading-edge dayrates in these markets continue to remain challenged.

In short, we enter 2018 with more optimism than we had in any of the past three years; however, since the precise timing and trajectory of the eventual recovery continues to elude us, we will continue to be prudent as we take the necessary actions to maintain our industry-leading position and strategically position Transocean to benefit from the recovery ahead.

We have added contracted rigs to the industry's most competitive floating fleet, while removing our older, less competitive assets. Over the past six months, we welcomed to our fleet the fourth and fifth newbuild ultra-deepwater drillships, *Deepwater Pontus* and *Deepwater Poseidon*. All five of our newbuild assets added since 2016 are backed by long-term contracts, and represent some of the most technically capable rigs in the world. In January of 2018, we closed the acquisition of Songa Offshore, which added seven semisubmersibles, including four CAT-D high-specification, harsh environment floaters, the *Equinox*, *Endurance*, *Encourage* and *Enabler*. These four floaters were designed to the specification of our customer, Statoil, and the rigs are on long-term contracts extending out as far as 2024, with each asset including follow-on options for twelve additional years. We also opportunistically upgraded our drillship, the *Discoverer India*, which was recently awarded a new contract to work offshore Ivory Coast. The additions of our newbuild drillships and the harsh environment semisubmersibles, as well as the enhancement to the *Discoverer India*, have further strengthened our position as the industry's largest and most capable ultra-deepwater and harsh environment drilling contractor.

We continued our fleet high-grading process with the recycling of nine older, less-competitive assets. In total, we have retired 39 floaters during the past four years. Also, through the sale of our jackup fleet, we have focused our efforts exclusively on the floating rig market, where we believe that we clearly differentiate our service offering as we continue to maintain and grow our market-leading position.

We are adding new contracts to our backlog. In both the improving harsh environment markets and the more challenged deep and ultra-deepwater markets throughout the rest of the world, we successfully added fixtures in 2017. Over the course of the year, Transocean added almost $900 million of backlog from 25 awards, winning approximately 20% of the global floater contracts awarded. Our contracting success is directly attributable to our recognized performance in some of the most challenging harsh environment and ultra-deepwater basins around the world. In some situations, our success was due to our willingness to propose flexible contracting arrangements that include performance-driven models, tying our success to the success of our customers' drilling programs. Our customers' trust in our ability to execute enabled us to reactivate an additional four floaters during the year for new contracts. Going forward, these assets will be well-positioned for future opportunities. As of February 19, 2018, our backlog totaled $12.8 billion and includes the lion's share of the industry's above market, long-term contracts with the industry's strongest customers.

We are focused on efficient well delivery. In 2017, we commenced a strategic initiative related to our asset and inventory management system. This initiative will focus on the key areas of well efficiency: inventory optimization, reliability-centered maintenance, and equipment condition, as well as ensuring the timely availability and precise use of parts. Through the thorough collection, evaluation and use of data, we are positioning the company to operate our equipment in the most efficient manner possible while executing our customer's drilling plans better than previously possible. These actions support a robust condition-based monitoring program that pinpoints early detection of equipment issues to best enable us to address these in the most expedient manner, thus reducing downtime and improving our asset reliability. Our ability to identify root-causes improves our insight into maintenance planning and execution, as well as overall equipment health. This proactive management tool will enable Transocean to better demonstrate our value proposition to our customers.

We continue to identify and capitalize on opportunities to further differentiate Transocean. The downturn in the energy industry has driven change. It is imperative that we have the most capable assets and operate them in a manner that delivers more effectively and efficiently. Building on our prior success of supplier service arrangements related to the rigs' most critical equipment, in 2017, we executed several more agreements again focusing on uptime performance. These new agreements cover some of the most important equipment on the rig, including the blowout preventers, thrusters, risers, iron roughnecks, top drives, and the drill floor. These agreements rely significantly on condition-based monitoring and help keep our rigs drilling while reducing costly downtime and maintenance expenditures. With the involvement of the original equipment manufacturers, these arrangements also lengthen the time between our costly periodic surveys and allow for the scheduling of maintenance as needed, as opposed to on a calendar basis. We are excited as we enter 2018. The strategic and operational improvements we have implemented and expanded upon over the last two years should continue to enhance our operating performance.

Enhancing our liquidity runway. Following our financing successes in 2016, we again executed financing transactions during the year that further strengthened our liquidity and balance sheet. These actions provide an extended runway that enables us to successfully navigate the current industry downturn, while continuing to provide strategic optionality. In 2017, we issued approximately $1.2 billion of debt maturing in 2022 and 2026, while retiring $1.8 billion of debt with maturities primarily between 2017 and 2020. We additionally removed approximately $1 billion of shipyard obligations with the sale of our five uncontracted jackups that were under construction. These transactions, along with our outstanding operational performance, positioned us with $3.0 billion of cash and short-term investments entering 2018 and a $3 billion undrawn, unsecured revolving credit facility.

We expect 2018 to continue to be challenging as the market remains uncertain and many of our customers remain cautious. However, we enter the year with more positive data points than we have seen in three years.

- Oil supply and demand fundamentals are improving, as OPEC continues to comply with its committed production cuts, and the global economy continues to flourish.
- Oil prices have more than doubled from their lows in early 2016, and have demonstrated stability and upward price momentum since mid-2017.
- Global reserve replacement has plummeted to historic lows and the sanctioning of new offshore projects is expected to replace only one-third of current offshore production as global demand is anticipated to accelerate.
- Through eliminating, standardizing, streamlining, automating and/or integrating, the offshore industry has dramatically reduced the break-even costs for many of our customers' offshore projects. As (if not more) important, the offshore industry has shortened the time to deliver first-oil, which is vital in a market where our customers are focused on shorter time horizons for cash returns.

Needless to say, we believe that we could soon be approaching an inflection point in the offshore drilling industry. We appreciate your patience and trust as we have battled this downturn together. And, we look forward to ultimately emerging from this downturn as the undisputed leader in deepwater and harsh environment drilling.

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 19, 2018

Dear Shareholder:

The 2018 annual general meeting of the shareholders (the "2018 Annual General Meeting") of Transocean Ltd. (the "Company") will be held on Friday, May 18, 2018, at 6:30 p.m., Swiss time, at our offices at Turmstrasse 30, CH-6312, Steinhausen, Switzerland. Information regarding the matters to be acted upon at the meeting is set forth in the attached invitation to the 2018 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 2018 Annual General Meeting, we will ask you to vote on the following items:

Agenda Item	Description	Board of Directors Recommendation
1	Approval of the 2017 Annual Report, Including the Audited Consolidated Financial Statements of Transocean Ltd. for Fiscal Year 2017 and the Audited Statutory Financial Statements of Transocean Ltd. for Fiscal Year 2017	FOR
2	Discharge of the Members of the Board of Directors and Executive Management Team from Liability for Activities During Fiscal Year 2017	FOR
3	Appropriation of the Accumulated Loss for Fiscal Year 2017 and Release of CHF 1,500,000,000 of Statutory Capital Reserves from Capital Contribution and Allocation to Free Capital Reserves from Capital Contribution	FOR
4	Renewal of Authorized Share Capital	FOR
5	Reelection of 11 Directors, Each for a Term Extending Until Completion of the Next Annual General Meeting	FOR
6	Election of the Chairman of the Board of Directors for a Term Extending Until Completion of the Next Annual General Meeting	FOR
7	Election of the Members of the Compensation Committee, Each for a Term Extending Until Completion of the Next Annual General Meeting	FOR
8	Reelection of the Independent Proxy for a Term Extending Until Completion of the Next Annual General Meeting	FOR
9	Appointment of Ernst & Young LLP as the Company's Independent Registered Public Accounting Firm for Fiscal Year 2018 and Reelection of Ernst & Young Ltd, Zurich, as the Company's Auditor for a Further One-Year Term	FOR
10	Advisory Vote to Approve Named Executive Officer Compensation	FOR
11	Prospective Votes on the Maximum Compensation of the Board of Directors and the Executive Management Team	FOR
12	Approval of Amendment to Transocean Ltd. 2015 Long-Term Incentive Plan for Additional Reserves	FOR

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 12, 2018. 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 30, 2018, and who were not registered as of March 12, 2018. The proxy statement and form of proxy are first being mailed to shareholders on or about March 20, 2018.

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

2018 Annual General Meeting Details

Date:	**Friday, May 18, 2018**
Time:	6:30 p.m., Swiss time
Place:	Offices of Transocean Ltd. Turmstrasse 30 CH-6312 Steinhausen, Switzerland
Record Date:	April 30, 2018
Voting:	Shareholders registered in our share register on the record date have the right to attend the 2018 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, 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 2017 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 2017, 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, except for Mr. Frederik Mohn, who was elected to the Board of Directors effective as of January 30, 2018. Detailed information regarding these individuals is provided under Agenda Item 5:

	Independent*
Directors for Reelection	
Glyn A. Barker	√
Vanessa C.L. Chang	√
Frederico F. Curado	√
Chadwick C. Deaton	√
Vincent J. Intrieri	√
Samuel J. Merksamer	√
Merrill A. "Pete" Miller, Jr.	√
Frederik W. Mohn	√
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 6) and Frederico F. Curado, Vincent J. Intrieri and Tan Ek Kia as members of the Compensation Committee (Agenda Item 7) to serve until completion of the 2019 annual general meeting of the shareholders (the “2019 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 2018 Annual General Meeting. Swiss companies may only appoint an independent proxy for these purposes. At the 2017 annual general meeting of the shareholders (the “2017 Annual General Meeting”), shareholders elected Schweiger Advokatur / Notariat to serve as our independent proxy for the 2018 Annual General Meeting. Agenda Item 8 asks that you again elect this firm to act as the independent proxy for the 2019 Annual General Meeting and any extraordinary general meeting of shareholders of the Company that may be held prior to the 2019 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 2018 Annual General Meeting and the 2019 Annual General Meeting (Agenda Item 11A) and the maximum aggregate amount of compensation of the Executive Management Team for fiscal year 2019 (Agenda Item 11B). 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	☒ Have pre-arranged individual severance agreements or special change-in-control compensation agreements with any Executive Officers; however, to the extent permitted under Swiss law, our executives are eligible for severance and change-in-control provisions pursuant to our policies
☑ Base annual and long-term incentive payments on quantitative, formulaic metrics	☒ Provide gross-ups for severance payments
☑ Maintain compensation plans that are weighted significantly toward variable pay to align our executive compensation with long-term shareholder interests	☒ Guarantee salary increases, non-performance based bonuses or unrestricted equity compensation
☑ Link long-term incentive compensation to relative performance metrics to incent strong performance	☒ Provide any payments or reimbursements for tax equalization
☑ Deliver at least 50% of long-term incentives in performance-based equity awards	☒ Pay dividend equivalents on performance units that have not vested
☑ Retain an independent consultant who does not perform any services for management (*i.e.*, retained by and reports to our Compensation Committee)	☒ Offer executive perquisites
☑ Maintain double trigger change-in-control provisions	

INVITATION TO 2018 ANNUAL GENERAL MEETING OF TRANSOCEAN LTD.

Friday, May 18, 2018
6:30 p.m., Swiss time
at the Offices of Transocean Ltd.
Turmstrasse 30
CH-6312 Steinhausen, Switzerland

Agenda Items

(1) Approval of the 2017 Annual Report, Including the Audited Consolidated Financial Statements of Transocean Ltd. for Fiscal Year 2017 and the Audited Statutory Financial Statements of Transocean Ltd. for Fiscal Year 2017.

Proposal of the Board of Directors

The Board of Directors proposes that the 2017 Annual Report, including the audited consolidated financial statements for the year ended December 31 ("fiscal year") 2017, and the audited statutory financial statements for fiscal year 2017, 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 2017.

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 L. Mey and John B. Stobart, who served as members of our Executive Management Team in 2017, be discharged from liability for activities during fiscal year 2017.

Recommendation

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

(3) Appropriation of Accumulated Loss for Fiscal Year 2017 and Release of CHF 1,500,000,000 of Statutory Capital Reserves from Capital Contribution and Allocation to Free Capital Reserves from Capital Contribution.

Proposal of the Board of Directors

The Board of Directors proposes that (i) the accumulated loss of the Company be carried forward, and (ii) CHF 1,500,000,000 of statutory capital reserves from capital contribution be released and allocated to free capital reserves from capital contribution.

Appropriation of Accumulated Loss

	in CHF thousands
Balance brought forward from previous years	(4,997,032)
Net loss of the year	(468,002)
Total accumulated loss	(5,465,034)
Appropriation of accumulated loss	
Balance to be carried forward on this account	(5,465,034)

Proposed Release of Statutory Capital Reserves from Capital Contributions to Free Capital Reserves from Capital Contribution

	in CHF thousands
Statutory capital reserves from capital contribution	11,403,842
Release to free capital reserves from capital contribution	1,500,000
Remaining statutory capital reserves from capital contribution	9,903,842

Recommendation

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

(4) Renewal of Authorized Share Capital.

Proposal of the Board of Directors

The Board of Directors proposes that its authority to issue shares out of the Company's authorized share capital be renewed for a further two-year period, expiring on May 18, 2020. Pursuant to the proposal, the Board of Directors' authority to issue shares in one or several steps will be limited to a maximum of 27,703,889 shares, or approximately 6% of the Company's share capital currently recorded in the Commercial Register. The Board of Directors does not currently have plans to issue shares under this authorization. The Board of Directors believes, however, that providing the flexibility to issue additional shares out of the authorized share capital quickly is a strategic benefit for the Company. The proposed amendments to the Company's Articles of Association are included in Annex A.

Recommendation

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

(5) 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.

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

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

Proposal of the Board of Directors

The Board of Directors proposes that Merrill A. "Pete" Miller, Jr. be elected as the Chairman of the Board of Directors for a term extending until completion of the next Annual General Meeting, subject to his re-election as a member of the Board of Directors.

Recommendation

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

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

Proposal of the Board of Directors

The Board of Directors proposes that the following three candidates be reelected as members of the Compensation Committee, each for a term extending until completion of the next Annual General Meeting, subject in each case to such candidate's re-election as a member of the Board of Directors:

7A	**Election of Frederico F. Curado as a member of the Compensation Committee.**
7B	**Election of Vincent J. Intrieri as a member of the Compensation Committee.**
7C	**Election of Tan Ek Kia as a member of the Compensation Committee.**

Recommendation

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

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

Proposal of the Board of Directors

The Board of Directors proposes that Schweiger Advokatur / Notariat be reelected to serve as independent proxy at (and until completion of) the 2019 Annual General Meeting and at any extraordinary general meeting of shareholders of the Company that may be held prior to the 2019 Annual General Meeting.

Recommendation

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

(9) Appointment of Ernst & Young LLP as the Company's Independent Registered Public Accounting Firm for Fiscal Year 2018 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 2018 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 2018 Annual General Meeting and terminating on the date of the 2019 Annual General Meeting.

Recommendation

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

(10) Advisory Vote to Approve Named Executive Officer Compensation for Fiscal Year 2018.

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 accompanying compensation tables and the related narrative disclosure in the proxy statement for the Company's 2018 Annual General Meeting, is hereby APPROVED.

Recommendation

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

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

11A Ratification of the Maximum Aggregate Amount of Compensation of the Board of Directors for the Period Between the 2018 Annual General Meeting and the 2019 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 2018 Annual General Meeting and the 2019 Annual General Meeting.

Recommendation

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

11B Ratification of the Maximum Aggregate Amount of Compensation of the Executive Management Team for Fiscal Year 2019.

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 2019.

Recommendation

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

(12) Approval of Amendment to Transocean Ltd. 2015 Long-Term Incentive Plan for Additional Reserves

Proposal of the Board of Directors

The Board of Directors proposes that the shareholders approve an increase of 12,000,000 shares in the aggregate amount of shares available for issuance pursuant to the Transocean Ltd. 2015 Long-Term Incentive Plan.

Recommendation

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

Organizational Matters

A copy of the Notice has been sent to each shareholder registered in Transocean Ltd.'s share register as of the close of business on March 12, 2018. Any additional shareholders who are registered in Transocean Ltd.'s share register as of the close of business on April 30, 2018, 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 30, 2018, will not be entitled to attend, vote or grant proxies to vote at the 2018 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 30, 2018, and the opening of business on the day following the 2018 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 30, 2018, have the right to attend the 2018 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 2018 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 2018 Annual General Meeting. Even if you plan to attend the 2018 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 Friday, May 18, 2018 unless extended by the Company.

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, will be deemed to have instructed 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 2018 Annual General Meeting for consideration, you will be deemed to have instructed 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 2018 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 2018 Annual General Meeting can be obtained by contacting our Corporate Secretary at our registered office, Turmstrasse 30, CH-6312 Steinhausen, 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 2018 Annual General Meeting in person, you are required to present either the Notice 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 2018 Annual General Meeting in person, we urge you to arrive at the meeting location no later than 5:30 p.m., Swiss time on Friday, May 18, 2018. In order to determine attendance correctly, any shareholder leaving the 2018 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 2017 Annual Report (including the consolidated financial statements for fiscal year 2017, the statutory financial statements of Transocean Ltd. for fiscal year 2017 and the audit reports on such consolidated and statutory financial statements) and the 2017 Compensation Report is available for physical inspection at Transocean Ltd.'s registered office, Turmstrasse 30, CH-6312 Steinhausen, Switzerland. Copies of these materials may be obtained without charge by contacting our Corporate Secretary at our registered office, Turmstrasse 30, CH-6312 Steinhausen, 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 19, 2018

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 of Proxy Materials 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 2018 ANNUAL GENERAL MEETING TO BE HELD ON MAY 18, 2018.

Our proxy statement and 2017 Annual Report are available at:
www.proxyvote.com

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PROXY STATEMENT
FOR 2018 ANNUAL GENERAL MEETING OF SHAREHOLDERS OF TRANSOCEAN LTD.
MAY 18, 2018

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 2018 Annual General Meeting to be held on May 18, 2018 at 6:30 p.m., Swiss time, at our offices at Turmstrasse 30, CH-6312, Steinhausen, Switzerland. This proxy statement and form of proxy are first being mailed to shareholders on or about March 20, 2018.

Record Date

Only shareholders of record on April 30, 2018, are entitled to notice of, to attend, and to vote or to grant proxies to vote at, the 2018 Annual General Meeting. No shareholder will be entered in Transocean Ltd.'s share register with voting rights between the close of business on April 30, 2018, and the opening of business on the day following the 2018 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 30, 2018, and the opening of business on the day following the 2018 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 2018 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 2018 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]	Qualified Two-Thirds Majority	Plurality of Votes
1	Approval of the 2017 Annual Report, Including the Audited Consolidated Financial Statements and Audited Statutory Financial Statements for Fiscal Year 2017 of Transocean Ltd.	√		
2	Discharge of the Members of the Board of Directors and Executive Management Team from Liability for Activities During Fiscal Year 2017	√		
3	Appropriation of the Accumulated Loss and Release of CHF 1,500,000,000 of Statutory Capital Reserves from Capital Contribution and Allocation to Free Reserves from Capital Contribution	√		
4	Renewal of Authorized Share Capital		√ (4)	
5	Reelection of 11 Directors			√ (2)(5)
6	Election of Chairman of the Board of Directors			√ (2)
7	Election of Members of the Compensation Committee			√ (2)
8	Reelection of Independent Proxy	√		
9	Appointment of Ernst & Young as Independent Auditor	√		
10	Advisory Vote to Approve Named Executive Officer Compensation	√ (3)		
11	Prospective Votes on the Maximum Compensation of the Board of Directors and the Executive Management Team	√		
12	Approval of Amendment to Transocean Ltd. 2015 Long-Term Incentive Plan for Additional Reserves	√		

(1) Affirmative vote of a simple majority of the votes cast in person or by proxy at the 2018 Annual General Meeting on the applicable agenda item. 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 2018 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 affirmative vote of at least two-thirds of the votes and the absolute majority of the par value of shares, each as present or represented at the 2018 Annual General Meeting. An abstention, blank or invalid ballot will have the effect of a vote "AGAINST" this proposal. Broker non-votes are not counted for this agenda item and therefore will have no impact on the approval of this agenda item.

(5) Even if a nominee receives a plurality of votes that nominee may not ultimately serve as a director if the nominee does not receive more votes cast for than against the nominee's election, and the Company's Board of Directors accepts the resignation of the nominee pursuant to the Company's majority vote policy, as described later in this proxy statement.

Outstanding Shares

As of March 12, 2018, there were 460,506,997 Transocean Ltd. shares outstanding, which exclude 1,225,664 issued shares that are held by our subsidiaries. Only registered holders of our shares on April 30, 2018, the record date established for the 2018 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 12, 2018. Any additional shareholders who are registered in Transocean Ltd.'s share register as of the close of business on April 30, 2018, but who were not registered in the share register as of March 12, 2018, will receive a copy of the proxy materials, including a proxy card, after April 30, 2018. Shareholders not registered in Transocean Ltd.'s share register as of April 30, 2018, will not be entitled to attend, vote or grant proxies to vote at, the 2018 Annual General Meeting.

If you are registered as a shareholder in Transocean Ltd.'s share register as of April 30, 2018, 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, seven 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 Friday, May 18, 2018 unless extended by the Company.

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, seven 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. As with the internet system, you will be able to confirm that the telephonic 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 Friday, May 18, 2018 unless extended by the Company. 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 2018 AGM Vote Processing c/o Broadridge 51 Mercedes Way Edgewood, NY 11717 USA	Or	Transocean 2018 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 Friday, May 18, 2018 unless extended by the Company. 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 2018 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. To ensure that all of your shares are represented at the 2018 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 2017
- Agenda Item No. 5—Reelection of 11 Directors
- Agenda Item No. 6—Election of the Chairman of the Board of Directors
- Agenda Item No. 7—Election of the Members of the Compensation Committee
- Agenda Item No. 10—Advisory Vote to Approve Named Executive Officer Compensation
- Agenda Item No. 11A—Ratification of the Maximum Aggregate Compensation of the Board of Directors for the Period Between the 2018 Annual General Meeting and the 2019 Annual General Meeting
- Agenda Item No. 11B—Ratification of the Maximum Aggregate Compensation of the Executive Management Team for Fiscal Year 2019
- Agenda Item No. 12 – Approval of Amendment to Transocean Ltd. 2015 Long-Term Incentive Plan for Additional Reserves

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 2018 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 will be deemed to have instructed 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 2018 Annual General Meeting for consideration, you will be deemed to have instructed 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 2018 Annual General Meeting.

You may revoke your proxy card at any time prior to its exercise by taking one of the following actions:

- 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
- giving written notice of the revocation prior to the meeting to:

Transocean 2018 AGM Vote Processing c/o Broadridge 51 Mercedes Way Edgewood, NY 11717 USA	Or	Transocean 2018 AGM Vote Processing Schweiger Advokatur / Notariat Dammstrasse 19 CH-6300 Zug Switzerland

- 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 2018 Annual General Meeting in person, you are required to present either the Notice 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 2018 Annual General Meeting in person, we urge you to arrive at the meeting location no later than 5:30 p.m. Swiss time on Friday, May 18, 2018. In order to determine attendance correctly, any shareholder leaving the 2018 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 2017 Annual Report, Including the Audited Consolidated Financial Statements of Transocean Ltd. for Fiscal Year 2017 and the Audited Statutory Financial Statements of Transocean Ltd. for Fiscal Year 2017

Proposal of the Board of Directors

The Board of Directors proposes that the 2017 Annual Report, including the audited consolidated financial statements of Transocean Ltd. for fiscal year 2017 and the audited statutory financial statements of Transocean Ltd. for fiscal year 2017, be approved.

Explanation

The audited consolidated financial statements of Transocean Ltd. for fiscal year 2017 and the audited Swiss statutory financial statements of Transocean Ltd. for fiscal year 2017 are contained in the 2017 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-6312 Steinhausen, Switzerland. The 2017 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 2017 and statutory financial statements for fiscal year 2017. 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, 2017, be approved. Ernst & Young Ltd expresses its opinion that the "consolidated financial statements for the years ended December 31, 2017 and 2016 present fairly in all material respects the consolidated financial position of Transocean Ltd. and subsidiaries at December 31, 2017 and 2016, and the consolidated results of operations and cash flows for each of the three years in the period ended December 31, 2017, 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 2017 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 2017

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 L. Mey and John B. Stobart, who served as members of our Executive Management Team in 2017, be discharged from liability for activities during fiscal year 2017.

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 2017.

Recommendation

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

AGENDA ITEM 3

Appropriation of the Accumulated Loss for Fiscal Year 2017 and Release of CHF 1,500,000,000 of Statutory Capital Reserves from Capital Contribution and Allocation to Free Capital Reserves from Capital Contribution

Proposal of the Board of Directors

The Board of Directors proposes that (1) the accumulated loss of the Company be carried forward and (2) CHF 1,500,000,000 of statutory capital reserves from capital contribution be released and allocated to free capital reserves from capital contribution.

Appropriation of Accumulated Loss

	in CHF thousands
Balance brought forward from previous years	(4,997,032)
Net loss of the year	(468,002)
Total accumulated loss	(5,465,034)
Appropriation of accumulated loss	
Balance to be carried forward on this account	(5,465,034)

Proposed Release of Statutory Capital Reserves from Capital Contribution to Free Capital Reserves from Capital Contribution

	in CHF thousands
Statutory capital reserves from capital contribution	11,403,842
Release to free capital reserves from capital contribution	1,500,000
Remaining statutory capital reserves from capital contribution	9,903,842

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 2018 Annual General Meeting is the accumulated loss of Transocean Ltd., on a standalone basis.

The total accumulated loss as of December 31, 2017, has resulted in our net assets covering about 53% of our statutory share capital and statutory capital reserves. Under Swiss law, if assets cover less than 50% of our statutory share capital and statutory capital reserves, the Board of Directors must propose measures to address such a capital loss. In light of the continuing market uncertainty the Board of Directors believes it is advisable and in the best interest of the Company to ensure now that it maintains excess coverage. The Board of Directors proposes that CHF 1,500,000,000 of statutory capital reserves from capital contribution be released and allocated to free capital reserves from capital contribution, thereby reducing the statutory capital reserves from capital contribution which, unlike free capital reserves, are part of the equity capital against which excess coverage is measured. The Board of Directors believes such a release and reallocation is in the best interest of shareholders.

Recommendation

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

AGENDA ITEM 4

Renewal of Authorized Share Capital

Proposal of the Board of Directors

The Board of Directors proposes that its authority to issue shares out of the Company's authorized share capital be renewed for an additional two-year period, expiring on May 18, 2020. Pursuant to the proposal, the Board of Directors' authority to issue shares in one or several steps under this authorization will be limited to a maximum of 27,703,889 shares, or approximately 6% of the Company's share capital currently recorded in the Commercial Register. The Board of Directors does not currently have plans to issue shares under this authorization. The Board of Directors believes, however, that providing the flexibility to issue shares out of the authorized share capital quickly is a strategic benefit for the Company.

The proposed amendments to the Articles of Association are included in Annex A.

Explanation

Under the Swiss Code of Obligations, the authority of the Board of Directors to issue shares out of the Company's authorized share capital is limited to a maximum two-year period. The Company's Articles of Association currently include authorized share capital in Articles 5 and 5^{bis}.

The authorized share capital in Article 5 is limited to a maximum of 22,258,043 common shares, par value CHF 0.10, which will expire on May 12, 2018. At the time of shareholder approval in connection with the Company's 2016 annual general meeting of shareholders, the authorized share capital pursuant to the current Article 5 represented approximately 6% of the Company's share capital recorded in the Commercial Register. The proposal of the Board of Directors maintains the approximately 6% authorized share capital approved by the shareholders at the Company's 2016 annual general meeting of shareholders. Although the Board of Directors has not issued, and does not currently have plans to issue, shares from this portion of the authorized share capital, it believes the proposed renewal of authorized share capital will provide the Company with the flexibility to make acquisitions and access equity capital markets when opportunities arise, rather than being subject to the delays and cost associated with the need to call a shareholders' meeting and obtain further shareholder approval, except as may be required by applicable laws or regulations, including the rules of the NYSE. Without the Board of Directors' authority to issue shares, the Company would be required to first call a general meeting of the Company's shareholders and obtain the favorable vote of shareholders to increase the Company's share capital and amend our Articles of Association. Such a meeting would require us, among other things, to prepare and distribute a proxy statement in accordance with the rules of the SEC. This could result in a substantial delay in the ability of the Company to issue shares. The Board of Directors believes that providing the flexibility to issue shares out of the authorized share capital quickly is a strategic benefit for the Company.

The separate authorized share capital in Article 5^{bis} was approved at the Extraordinary General Meeting of Shareholders convened by the Company on January 16, 2018, related to the previously-disclosed acquisition of Songa Offshore SE that closed on January 30, 2018. Article 5^{bis} was approved by our shareholders solely for use in connection with the compulsory acquisition of or mandatory offer for the shares of Songa Offshore SE that were not acquired by the Company in the voluntary tender offer for all issued and outstanding shares of Songa Offshore SE. It is therefore unrelated to the proposed renewal of authorized share capital in Article 5.

If the proposed renewal of authorized share capital is approved, and the Board of Directors resolves to use the authorized share capital in one or several steps, the Board of Directors will determine the time of the issuance, the issuance price, the manner in which the shares have to be paid, the date from which the shares carry the right to dividends and, subject to the provisions of our Articles of Association, the conditions for the exercise of the preemptive rights with respect to the issuance and the allotment of preemptive rights that are not exercised. Further authorization for the issuance of the shares by a vote of our shareholders will not be solicited prior to such issuance.

To the extent that shares are issued out of the authorized share capital in the future, the issuance may decrease the existing shareholders' percentage of equity ownership and, depending on the price at which such shares are issued, could be dilutive to the existing shareholders up to the amount of the authorized capital proposed above.

The Board of Directors may allow preemptive rights that are not exercised to expire, or it may place such rights or shares, the preemptive rights of which have not been exercised, at market conditions or use them otherwise in the Company's interest. Further, under our Articles of Association, in connection with the issuance of shares from authorized capital, the Board of Directors is authorized to limit or withdraw the preemptive rights of the existing shareholders in various circumstances, including financing and acquisitions purposes.

Recommendation

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

AGENDA ITEM 5

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, Samuel J. Merksamer, Merrill A. "Pete" Miller, Jr., Frederik W. Mohn, 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 bring diverse expertise in environmental, health, safety, industry, market and financial matters and who reflect the global diversity of our workforce, our customers and the cultures in which we operate. We are a multinational company with six different nationalities represented in our director and executive officer group and over 55 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 2018 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 more votes cast "FOR" than "AGAINST" his or her election 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 2018 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 12, 2018.

Nominees for Director

MERRILL A. "PETE" MILLER, JR., age 67, 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 previously served as President and Chief Executive Officer of National Oilwell Varco, Inc. (NYSE: NOV), a supplier of oilfield services and equipment to the oil and gas industry from 2001 to 2014, and as Chairman of NOV's Board from 2002 to 2014. Mr. Miller also served as Executive Chairman of NOW Inc., a spinoff of the distribution business of National Oilwell Varco, Inc. from 2014 to 2017. Before joining NOV in 1996, Mr. Miller served as President of Anadarko Drilling Company from 1995 to 1996. Prior to that, he 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 currently is the chairman of the Board of Directors of Ranger Energy Services, Inc. (NYSE: RNGR) (since 2017), a provider of well service rigs and associated onshore services in the United States, and a director of Chesapeake Energy

Corporation (NYSE: CHK) (since 2007), one of the largest producers of natural gas, oil and natural gas liquids in the U.S., where he 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 Master's 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 64, United Kingdom citizen, has served as a director of the Company since 2012. Mr. Barker served as Vice Chairman-U.K. of PricewaterhouseCoopers LLP (PwC) from 2008 to 2011. He was also responsible for PwC's strategy and business development for the geographic areas of Europe, the Middle East, Africa and India. Mr. Barker joined PwC in 1975 and became an audit partner in 1987. He then established PwC's private equity-focused Transactions Services business and led it globally. He joined the Management Board of PwC in the United Kingdom 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). He served as a director (from 2014 to 2016) and the Chairman (from 2015 to 2016) of Transocean Partners LLC ("Transocean Partners"). Mr. Barker was Deputy Chairman of the English National Opera Company from 2009 to 2016. Mr. Barker 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 65, 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 until 2002 and was the Senior Vice President of Secured Capital Corp in 1998. From 1986 until 1997, Ms. Chang was the West Coast partner in charge of Corporate Finance for KPMG Peat Marwick LLP. Ms. Chang is a director or trustee of 17 funds advised by Capital Group and its subsidiaries, seven of which are members of the American Funds family and ten 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 (each 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 SCO America, Inc., a non-profit organization (since 2013). She is a member of the American Institute of Certified Public Accountants, the California State Board of Accountancy and 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 56, Brazilian citizen, has served as a director of the Company since 2013. Mr. Curado is the Chief Executive Officer of Ultrapar S.A. (NYSE: UGP) since 2017 and previously served as President and Chief Executive Officer of Embraer S.A. (NYSE: ERJ) from 2007 to 2016. He joined Embraer in 1984 and 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 has been a director of ABB Ltd (NYSE: ABB) since 2016 and a member of the Executive Board of the ICC - International Chamber of Commerce since 2013. Mr. Curado was a director of Iochpe-Maxion S.A. from 2015 to 2016, served as the President of the Brazilian Chapter of the Brazil-United States Business Council from 2011 to 2016 and was a director of the Smithsonian National Air and Space Museum from 2014 to 2017. Mr. Curado received his Bachelor of Science degree in Mechanical-Aeronautical Engineering from the Instituto Tecnológico de Aeronáutica in Brazil in 1983 and an Executive Master's 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 65, U.S. citizen, has served as a director of the Company since 2012. Mr. Deaton served as Executive Chairman of Baker Hughes Incorporated 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 until 2001. From 2002 until 2004, Mr. Deaton was the President, Chief Executive Officer and Director of Hanover Compressor Company. Mr. Deaton is a director of Ariel Corporation (since 2005), Air Products and Chemicals, Inc. (NYSE: APD) (since 2010), CARBO Ceramics Inc. (NYSE: CRR) (since 2013; and 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 61, U.S. citizen, has served as a director of the Company since 2014. Mr. Intrieri is the Founder and CEO of VDA Capital Management LLC, a private investment fund founded in January 2017. Mr. Intrieri was previously 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 Energen Corporation (NYSE: EGN) (since 2018), Conduent Incorporated (NYSE: CNDT) (since 2017), Hertz Global Holdings, Inc. (NYSE: HTZ) (since 2014) and Navistar International Corporation (NYSE: NAV) (since 2012). 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, Ferrous Resources Limited from 2015 to 2016, 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 L.P. from 2011 to 2012. Mr. Intrieri was also a director of Dynegy Inc. from 2011 to 2012, and 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 noncontrolling interest in Dynegy, Hertz, Forest Laboratories, Navistar, Chesapeake Energy, Motorola Solutions and Transocean 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.

SAMUEL J. MERKSAMER, age 37, 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 until 2008, Mr. Merksamer was an analyst at Airlie Opportunity Capital Management. Mr. Merksamer is a director of American International Group, Inc. (NYSE: AIG) (since 2016). Mr. Merksamer previously served as a director of Hertz Global Holdings, Inc. (NYSE: HTZ) from 2014 to 2017, Navistar International Corporation (NYSE: NAV) from 2012 to 2017, Cheniere Energy Inc. (NYSE: LNG) from 2015 to 2017, Transocean Partners from 2014 to 2016, Hologic Inc. from 2013 to 2016, Talisman Energy Inc. from 2013 to 2015, Ferrous Resources Limited from 2012 to 2016, 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 noncontrolling interest in Dynegy, Hologic, Talisman Energy, Navistar, Hertz, Cheniere Energy, Transocean, Transocean Partners 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.

FREDERIK W. MOHN, age 41, Norwegian citizen, has served as a director of the Company since January 30, 2018, when Transocean acquired Songa Offshore SE (OSE: SONG). Previously, Mr. Mohn served as a director of Songa Offshore SE from 2013 to 2014, and as Chairman of the Songa Board from 2014 to 2018. Mr. Mohn is the sole owner and managing director of Perestroika, a Norwegian investment company with investments in oil and gas, shipping, infrastructure, real estate development and financial services. From 2011 to 2013, Mr. Mohn served as managing director of the worldwide family business Frank Mohn AS, a supplier of pumping systems to the oil and gas industry. Mr. Mohn also currently serves on the board of directors of public companies Dof ASA (OSE: DOF), a Norwegian shipping company, and Fjord 1 (OSE: FJORD), a Norwegian transport company, and private companies Viken Crude AS, Gjettumgrenda AS, Fornebu Sentrum AS, Fornebu Sentrum Utvikling AS and Høvik Stasjonsby AS og KS. Mr. Mohn received his Bachelor of Science degree from Royal Holloway, University of London in 2001.

Mr. Mohn was proposed as a nominee to serve on the Board of Directors by Perestroika pursuant to the terms of the Transaction Agreement entered into between the Company and Songa Offshore SE on August 13, 2017, pursuant to which the Company also acquired Songa. The Board of Directors has concluded that Mr. Mohn should remain on the Board of Directors and has recommended that he serve an additional term. The Board of Directors believes that Mr. Mohn's knowledge of the oil and gas industry, his previous position as Chairman of the Board of Songa Offshore SE and his expertise in finance aids the Board of Directors in reviewing financial and other strategic decisions for the Company.

EDWARD R. MULLER, age 65, 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 until 2000. During his tenure, Edison Mission Energy was engaged in developing, owning and operating independent power production facilities worldwide. 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 69, 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 United States 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 Pte 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 43, U.S. citizen, is President and Chief Executive Officer and a director of the Company since 2015. Mr. Thigpen served as Senior Vice President and Chief Financial Officer at National Oilwell Varco, Inc. (NYSE: NOV) from 2012 to 2015. During his tenure at National Oilwell Varco, Mr. Thigpen spent five years from 2007 to 2012 as the company's President of Downhole and Pumping Solutions business, and four years from 2003 to 2007 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 for National Oilwell Varco. 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.

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.

Recommendation

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

AGENDA ITEM 6

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

Nomination of the Board of Directors

Pursuant to the Minder Ordinance 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 other directors' terms and extends until completion of the next Annual General Meeting. The Chairman elected at the 2018 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 5.

Recommendation

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

AGENDA ITEM 7

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

Nominations of the Board of Directors

Pursuant to the Minder Ordinance 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 other 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 2018 Annual General Meeting Frederico F. Curado, Vincent J. Intrieri and Tan Ek Kia as members of the Compensation Committee of the Board of Directors. Biographical information regarding the nominees may be found above under Agenda Item 5.

Recommendation

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

AGENDA ITEM 8

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

Pursuant to the Minder Ordinance 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 2018 Annual General Meeting will serve as independent proxy at the 2019 Annual General Meeting and at any extraordinary general meeting of shareholders of the Company that may be held prior to the 2019 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 2017 Annual General Meeting to serve as independent proxy at the 2018 Annual General Meeting and any extraordinary general meeting of shareholders of the Company held prior to the 2018 Annual General Meeting.

Recommendation

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

AGENDA ITEM 9

Appointment of Ernst & Young LLP as the Company's Independent Registered Public Accounting Firm for Fiscal Year 2018 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 2018 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 2018 Annual General Meeting and terminating on the day of the 2019 Annual General Meeting.

Representatives of Ernst & Young Ltd will be present at the 2018 Annual General Meeting, will have the opportunity to make a statement and will be available to respond to questions you may ask. Information regarding the fees paid by the Company to Ernst & Young appears below.

Recommendation

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

FEES PAID TO ERNST & YOUNG

Audit fees for Ernst & Young LLP and its affiliates for each of the fiscal years 2017 and 2016 and audit-related fees, tax fees and total of all other fees for services rendered in 2017 and 2016 are as follows:

	Audit Fees(1)	Audit-Related Fees(2)	Tax Fees	Total of All Other Fees(3)
	U.S. $	U.S. $	U.S. $	U.S. $
Fiscal year 2017	6,179,212	345,008	12,580	2,160
Fiscal year 2016(4)	6,039,210	443,482	—	2,057

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

(4) Excludes U.S. $273,100 of fees incurred and paid by Transocean Partners, a consolidated subsidiary and formerly a separate SEC registrant, in the year ended December 31, 2016. 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 2017 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 2018. Requests for services that have received this pre-approval are subject to specified fee or budget restrictions, as well as internal management controls.

AGENDA ITEM 10

Advisory Vote to Approve Named Executive Officer Compensation

Proposal of the Board of Directors

At the Company's 2017 Annual General Meeting, the Company's shareholders followed the Board of Directors' recommendation to hold an advisory vote on executive compensation every year for the Company's Named Executive Officers. In light of these results, the Board of Directors determined that the Company will hold an advisory vote on executive compensation once every year until the next required vote on the frequency of shareholder votes on compensation of Named Executive Officers of the Company, which in accordance with applicable law, will occur no later than the Company's annual general meeting of shareholders in 2023. Accordingly, and 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 2018 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 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 an appropriate equity stake in the Company to further 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 2018 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 11

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

11A Ratification of the Maximum Aggregate Amount of Compensation of the Board of Directors for the Period Between the 2018 Annual General Meeting and the 2019 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 2018 Annual General Meeting and the 2019 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 2018 Annual General Meeting and the 2019 Annual General Meeting (the "2018/2019 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 2016 Annual General Meeting and the 2017 Annual General Meeting (the "2016/2017 Term"), and the term of office between the 2017 Annual General Meeting and the 2018 Annual General Meeting (the "2017/2018 Term"). Additionally, the compensation elements currently contemplated for the 2018/2019 Term are also provided:

	Term of Office 2016 AGM – 2017 AGM	Term of Office 2017 AGM – 2018 AGM	Term of Office 2018 AGM – 2019 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(1)	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 depends on (1) dividends paid and (2) the number of restricted share units held by the respective director.		

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

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 2017 are disclosed under "2017 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 2018/2019 Term. This amount is the maximum amount that the Company can pay or grant to the members of the Board of Directors for the 2018/2019 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 2016/2017 Term, and the shareholder-approved, maximum aggregate compensation payable to our Board of Directors for the 2017/2018 Term. The 2016/2017 and 2017/2018 Terms include 10 non-employee directorships, 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 2018/2019 Term. This proposal is unchanged from the maximum aggregate compensation proposed for the 2016/2017 Term and the 2017/2018 Term, which were previously approved by our shareholders, and includes consideration in the 2018/2019 Term for 10 non-employee directors, one of whom will be Chairman and one of whom may be Vice-Chairman.

	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 (based on 10 non-employee directors and the assumptions described above)	Term of Office 2018 AGM-2019 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 to two of our directors for their role as directors of Transocean Partners; 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 “2017 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 2017.

(6) Mandatory employer-paid social taxes pursuant to applicable law are not included in the total amount. In 2017, employer-paid social taxes totaled U.S. $33,487.

The aggregate compensation paid to date and expected to be paid to the members of the Board of Directors during the 2017/2018 Term is within the maximum aggregate amount approved by shareholders at the 2017 Annual General Meeting. The actual payout and grants will be disclosed in the 2019 and 2020 Proxy Statements, respectively, and the Swiss Compensation Report for fiscal years 2018 and 2019, respectively.

Recommendation

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

11B Ratification of the Maximum Aggregate Amount of Compensation of the Executive Management Team for Fiscal Year 2019.

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 2019.

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 2019. 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 and Performance 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 2015-2017 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, subject to an advisory vote by shareholders and a determination by the board of directors as to the frequency of such opportunity, 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, 2015 and 2016, the shareholder approval levels have been 86%, 81%, 92%, 80%, 87%, and 96%, 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 2017, as is explained in detail in Agenda Item No. 10.

The proposed maximum aggregate amount of compensation for the Executive Management Team for fiscal year 2019 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 2019 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 2019. This amount is unchanged from the approved maximum aggregate amount of compensation for fiscal year 2018, and is the maximum amount that the Company can pay or grant to its members of the Executive Management Team for fiscal year 2019, 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 2018 Annual General Meeting.

The table below shows the maximum aggregate amount of compensation that could have been paid or granted in the fiscal year 2017 under our compensation principles and plans, the maximum aggregate amount of compensation available to be paid or granted for fiscal year 2018 under our compensation principles and plans currently in effect, and our proposed maximum aggregate amount of compensation for fiscal year 2019.

The proposed maximum aggregate amount of compensation for fiscal year 2019 is based on our estimated compensation levels and is unchanged from the maximum aggregate amount of compensation for fiscal year 2018, which was approved by shareholders at last year's annual general meeting.

	Fiscal Year 2017 Maximum Payable[(1)]	Fiscal Year 2018 Maximum Payable[(1)]	Fiscal Year 2019 Proposed Maximum Amount[(1)(2)]
	U.S.$	U.S.$	U.S.$
Base Salary	2,430,000[(3)]	2,750,000[(4)]	2,750,000
Annual Performance Bonus[(5)]	6,570,000	6,250,000	6,250,000
Long-Term Incentives[(6)]	16,483,000	12,500,000	12,500,000
All Other Compensation[(7)]	3,540,000	2,500,000	2,500,000
Total	29,023,000	24,000,000	24,000,000

(1) Assumes that the base salary, the annual performance bonus and all other compensation have been, or will be, paid or granted at the maximum level as provided under our compensation principles and plans (*e.g.*, in relation to the annual performance bonus, assuming a payout of annual incentive bonuses at the maximum payout level of 200%). In relation to the long-term incentive 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 2017.

(5) Based on individual target award opportunities and maximum payout at 200%. As further described under “Compensation Discussion and Analysis—Annual Performance Bonus,” the potential payout ranges from 0% to 200% of the individual target award opportunity. Maximum payout is only available upon achievement of superior performance. Individual target award opportunities ranged, and will range, between 85% and 125% of the base salary, depending on the level of responsibility.

(6) Based on target amounts and fair value calculations. With regard to performance-based long-term incentives such as performance share units, the fair value calculations are based on an assumed achievement of performance targets at 100%. For the 2019 grant cycle, the actual number of shares to be allocated under such long-term incentive plans will be determined in 2022 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 2017, employer-paid social taxes totaled U.S. $208,015.

Shareholder approval is based on the maximum aggregate amounts that could be payable in accordance with our compensation principles as set out in the 2018 Proxy Statement’s “Compensation Discussion and Analysis.” Therefore, actual aggregate amounts paid to our Executive Management Team members for fiscal year 2019 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 (2017: U.S. $18,130,016) than the maximum amount payable (2017: U.S. $29,023,000) we request our shareholders approve the proposed maximum aggregate amount in order to comply with our Articles of Association and 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 2019 Executive Management Team compensation will be disclosed in the proxy statement for our 2020 annual general meeting and the Swiss Compensation Report for fiscal year 2019.

Recommendation

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

AGENDA ITEM 12

Approval of Amendment to Transocean Ltd. 2015 Long-Term Incentive Plan for Additional Reserves

Proposal of the Board of Directors

The Board of Directors proposes that the shareholders approve an amendment to the Transocean Ltd. 2015 Long-Term Incentive Plan for additional reserves in the aggregate amount of 12,000,000 shares issuable pursuant to the Transocean Ltd. 2015 Long-Term Incentive Plan ("2015 LTIP"), which was originally approved by shareholders on May 15, 2015.

Background and Purpose of the Proposal

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

At the time of our shareholders' approval of the 2015 LTIP, we estimated based on granting practices and the trading price of the Company's shares that the 2015 LTIP would cover awards for at least three years. As of March 1, 2018, following the 2018 annual equity grant cycle, approximately 3.25 million shares remain available under the 2015 LTIP, from the 20,712,966 shares available for awards under the 2015 LTIP, which includes the 19,500,000 shares originally approved by shareholders on May 15, 2015, as well as unawarded shares under the Long-Term Incentive Plan of Transocean Ltd., as amended and restated as of February 12, 2009 (the "Prior LTIP"). Shareholder approval of an additional 12,000,000 shares will offer the Company the necessary flexibility to continue making share-based grants over the next three to four years in amounts determined appropriate by the Compensation Committee. This timeline is an estimate, as future circumstances may require a change to expected equity grant practices; including the future price of our common stock, award levels and our hiring activity.

As of December 31, 2017, we had the following with regard to all of our share-settled equity plans:

Total Stock Options Outstanding	2,753,463
Total Restricted Share Awards/Units Outstanding	6,421,219
Total Shares Outstanding	391,237,308
Weighted-Average Exercise Price of Stock Options Outstanding	$ 34.98
Weighted-Average Remaining Duration of Stock Options Outstanding	6.37
Total Shares Available for Grant Under the Prior LTIP	9,881,169

We believe we have demonstrated our commitment to sound equity compensation practices. Management and our Board are cognizant of the expense attributable to compensatory share awards, as well as dilution, and strive to maintain both at appropriate levels in order to realize the significant motivational and performance benefits that may be achieved from making such awards.

As of December 31, 2017, dilution attributed to the 2015 LTIP was approximately 4.4% and would increase by approximately 2.8% upon approval of 12,000,000 additional reserves. The three-year average annual percentage of the Company's outstanding shares issued under the Company's various equity incentive plans or the Company's "burn rate" was 1.25%, well below the Institutional Shareholder Services cap for our industry of 2.0%. We calculated our burn rate by (a) applying a factor of two and a half to restricted share and restricted share unit awards and a factor of one to stock option awards during the calendar year and (b) dividing the resulting number by the weighted average number of shares outstanding during such year.

The full text of the 2015 LTIP and the proposed amendment to the 2015 LTIP are attached to this proxy statement as Annex B. Highlights of the 2015 LTIP include:

- *Fungible share pool.* The 2015 LTIP uses a fungible share pool under which each share issued pursuant to a restricted share award or restricted share unit (including performance awards) will reduce the number of shares available under the 2015 LTIP by 1.68 shares, and each share issued pursuant to awards other than restricted share awards and restricted share units will reduce the number of shares available by 1.0 share.

- *No liberal share counting.* The 2015 LTIP prohibits the reuse of shares withheld or delivered to satisfy the exercise price of, or to satisfy tax withholding requirements for any awards under the 2015 LTIP. The 2015 LTIP also prohibits "net share counting" upon the exercise of options or stock appreciation rights (or SARs) and the use of shares reacquired in the open market or otherwise using cash proceeds from the exercise of stock options.

- *No repricing or reloading of stock options or SARs; no cash outs.* The 2015 LTIP prohibits the direct or indirect repricing of stock options or SARs without shareholder approval and also prohibits the repurchase by the Company of outstanding stock options or SARs with an exercise price higher than the current fair market value.

- *No discounted stock options or SARs.* All stock options and SARs must have an exercise price or base price equal to or greater than the fair market value of the underlying shares on the date of grant.

- *Definition of change of control.* The 2015 LTIP defines "change of control" in a manner such that a change of control would not be deemed to occur until the actual consummation of the event that results in the change of control.

- *No automatic vesting on a change of control.* The terms of the 2015 LTIP do not provide for automatic single-trigger vesting upon the occurrence of a change of control.

- *Minimum vesting.* Awards granted to employees under the 2015 LTIP may not vest earlier than the first anniversary of the grant date and awards granted to directors may not vest earlier than the first to occur of (i) the first anniversary of the grant date or (ii) the date of the annual general meeting of the Board next following the grant date.

- *No dividend equivalents on options, SARs or unvested awards.* The terms of the 2015 LTIP do not permit dividend equivalents to be made a part of an award of stock options or SARs and do not permit payment of dividend equivalents with respect to awards that are unvested.

- *Administered by an independent committee.* The Compensation Committee, which is made up entirely of independent directors, has ultimate administration authority for the 2015 LTIP.

Shares Available for Award and Share Counting

When originally adopted, the 2015 LTIP reserved a total of 20,712,966 shares for awards, which included shares from the Prior LTIP that had not been granted. Subject to shareholders' approval of the proposed amendment to the 2015 LTIP, an additional 12,000,000 shares will be reserved for awards under the 2015 LTIP. Awards under the 2015 LTIP will reduce the shares available for grant under the 2015 LTIP as follows: each share issued pursuant to a restricted share award or restricted share unit will reduce the number of shares available under the 2015 LTIP by 1.68 shares, and each share issued pursuant to awards other than restricted share awards and restricted share units will reduce the number of shares available by 1.0 share.

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

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

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

(i) shares tendered by the participant or withheld by us in payment of the purchase price of an option;

(ii) shares tendered by the participant or withheld by us to satisfy any tax withholding obligation with respect to an award;

(iii) shares that are not issued due to net settlement of an award; and

(iv) shares reacquired by the Company on the open market or otherwise using cash proceeds from the exercise of options.

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

Administration

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

Eligible Participants

As of January 31, 2018, the Company had approximately 5,360 employees (of which six employees were executive officers) and 10 non-employee directors who would be eligible to participate in the 2015 LTIP.

Types of Awards

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

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

- *Stock appreciation rights or SARs.* SARs may be granted to participants under the 2015 LTIP. The exercise price of a SAR may not be less than the fair market value of our shares on the date of grant and no SAR may be exercised after the expiration of ten years from the date of grant. The payment of the appreciation associated with the exercise of a SAR will be made by the Company in shares of our common stock or in cash as determined by the Compensation Committee. A SAR may be exercised only to the extent that the SAR is vested in accordance with a schedule determined by the Compensation Committee in its sole discretion.

- *Restricted share awards and restricted share units.* Restricted share awards and restricted share units, or RSUs, may be granted under the 2015 LTIP. Restricted share awards and RSUs granted under the 2015 LTIP will vest in accordance with a schedule or achievement of certain performance or other criteria as determined by the Compensation Committee. Upon termination of service or employment prior to vesting, the restricted shares or RSUs will be forfeited, unless otherwise determined by the Compensation Committee. The Compensation Committee has the discretion to grant a holder of restricted shares the right to vote such shares and to receive dividends. RSUs do not entitle a holder to any of the rights of a shareholder with respect to the shares; however, the Compensation Committee has the discretion to grant dividend equivalents with respect to the RSUs provided that no dividend equivalents may be paid with respect to an award that has not vested.

- *Performance awards.* Performance awards may be granted under the 2015 LTIP. Performance awards issued under the 2015 LTIP will become payable in accordance with the achievement of certain performance or other criteria as determined by the Compensation Committee, provided that a performance period may be no less than one year in duration. Performance measures may be based on the achievement of one or more of the following: (1) increased revenue; (2) net income measures (including but not limited to income after capital costs and income before or after taxes); (3) share price measures (including but not limited to growth measures and total shareholder return); price per share; market share; earnings per share (actual or targeted growth); (4) earnings before interest, taxes, depreciation, and amortization ("EBITDA"); (5) economic value added (or an equivalent metric); (6) market value added; (7) debt to equity ratio; (8) cash flow measures (including but not limited to cash flow return on capital, cash flow return on tangible capital, net cash flow and net cash flow before financing activities, cash flow value added, cash flow return on market capitalization); (9) return measures (including but not limited to return on equity, return on average assets, return on capital, risk-adjusted return on capital, return on investors' capital and return on average equity); (10) operating measures (including operating income, funds from operations, cash from operations, after-tax operating income; sales volumes, production volumes and production efficiency); (11) expense measures (including but not limited to overhead cost and general and administrative expense cost control and project management); (12) margins; (13) shareholder value; (14) total shareholder return; (15) proceeds from dispositions; and (16) total market value and corporate values measures (including ethics compliance, environmental, human resources development and safety).

- *Cash awards.* Cash awards may be granted under the 2015 LTIP and may be made subject to a vesting schedule or other performance measures as determined by Compensation Committee.

Non-Employee Director Awards

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

Minimum Vesting Requirements

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

Prohibitions Related to Stock Options and SARs

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

Treatment of Awards Upon Certain Events

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

Termination and Agreement

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

Transferability

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

U.S. Federal Income Tax Consequences

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

Absent the filing of a Section 83(b) election with the IRS, no income will be recognized by a participant for U.S. federal income tax purposes upon the grant of restricted shares, performance shares or other stock awards. Upon the vesting of an award for which no payment was made by the participant, the participant will recognize ordinary income in an amount equal to the fair market value of the shares on the vesting date. Income recognized upon vesting by a participant who is an employee will be considered compensation subject to withholding at the time the income is recognized and, therefore, the Company must make the necessary arrangements with the participant to ensure that the amount of tax required to be withheld is available for payment. Stock awards provide the Company with a deduction equal to the amount of income recognized by the participant, subject to certain deduction limitations. A participant's adjusted basis in the shares received through stock awards is equal to any ordinary income related to the award recognized by the participant. If a participant thereafter sells the shares, any amount realized over (under) the adjusted basis of the shares will constitute capital gain (loss) to the participant for U.S. federal income tax purposes. If a participant forfeits an award prior to its vesting, the participant will not recognize any ordinary income as a result of such forfeiture, and no deduction will be provided to the Company.

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

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

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

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

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

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

Section 162(m) limits the annual tax deduction to $1 million for compensation paid by a publicly held company to its chief executive officer and each of the company's three other most highly compensated named executive officers, unless certain performance-based requirements are met. Under the Tax Cuts and Jobs Act of 2017 (the “2017 Tax Act”), effective for our taxable year beginning January 1, 2018, the exception under Section 162(m) for performance-based compensation will no longer be available, subject to transition relief for certain grandfathered arrangements in effect as of November 2, 2017. In addition, the covered employees will be expanded to include our chief financial officer, and once one of our named executive officers is considered a covered employee, the named executive officer will remain a covered employee so long as he or she receives compensation from us. Given the lack of regulatory guidance to date, the Compensation Committee is not yet able to determine the full impact of the 2017 Tax Act changes to Section 162(m) on the Company and our compensation programs, including the 2015 LTIP.

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

Recommendation

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

Corporate Governance

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

We regularly review and, as necessary, update our Code of Integrity. Accordingly, in November 2016, the Board of Directors adopted a Code of Integrity that updated and replaced our previous 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 of 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;*
- Code of Integrity;
- Our Modern Slavery and Human Trafficking Statement; and
- Our Tax Principles Statement.

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 an Enterprise Risk Management process and 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 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 2017, 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 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 certain directors, as described below, are or within the past three years have been directors or officers of companies with which we conduct business in the ordinary course. After evaluating these relationships in light of applicable SEC and NYSE standards, the Board of Directors concluded that they have no effect on the independence of these directors.

The Board of Directors also considered the below transactions and believes they were on arm's-length terms that were reasonable and competitive. Accordingly, the Board of Directors concluded that the relationships described below 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.

- Since 2012, Mr. Barker has served as a non-executive director and as a member of the audit committee of Aviva plc, a company that provides insurance-related services to the Company. Additionally, from 2014 to 2016, Mr. Barker served as a director, 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.

- Mr. Barker's son is a Transaction Services strategy consultant at PwC UK, an assurance, advisory and tax services firm that provides services to the Company, but is not the Company's independent registered public accounting firm. Although Mr. Barker's son is employed by PwC, his son does not, directly or indirectly, provide any services to the Company or any of its affiliates, and his son works within a division of PwC that does not provide any services to the Company or any of its affiliates. Moreover, Mr. Barker's son is not a partner or principal of PwC, but is instead one of more than 200,000 persons employed by PwC worldwide. Further, the Company's relationship with PwC predates both the Company's relationship with Mr. Barker and PwC's relationship with Mr. Barker's son.

- Mr. Curado's son began working in GE's corporate audit department in 2017 and his son-in-law works as an engineer for Mitsubishi Industries, both of which provide services or products to the Company; and Mr. Muller's son worked through July 2017 as an associate at Munger, Tolles & Olson, a law firm that provided and may in the future provide legal services to the Company.

- 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.

- From 2013 to 2015, Mr. Merksamer served as a non-executive director of Talisman Energy, from which we received revenues for performing services, and, from 2014 to 2017, Mr. Merksamer served as a director of Hertz Global Holdings, Inc., the subsidiaries of which provide the Company with 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.

- Since 2014, Mr. Intrieri has served as a director of Hertz Global Holdings, Inc.

- 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, and from 2014 to 2017, Mr. Miller served as the executive chairman of NOW Inc., from which the Company regularly purchases drilling equipment and services.

- 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.

- Upon and following the closing of the Company's acquisition of Songa Offshore in January 2018, Mr. Mohn became the beneficial owner of approximately 67,740,289 Company shares, consisting of 31,120,553 Company shares issued in connection with the acquisition, an additional 2,000,000 shares purchased on the open market on or before March 12, 2018, and 34,619,736 Company shares that may be issued in the future upon exchange of the 0.5% Exchangeable Senior Bonds due 2023 issued in connection with the acquisition. As a result, assuming the conversion of the Exchangeable Bonds beneficially owned by Mr. Mohn, he will possess voting rights with respect to approximately 13.68% of the Company's outstanding shares as of March 12, 2018. The Board of Directors evaluated Mr. Mohn's overall beneficial ownership of Company shares and concluded that his ownership of Company shares is not a material relationship that would affect his independence or service as a director of the Company, and that he meets the standards for independence adopted by the SEC and the NYSE.

Executive Sessions. Our independent directors met in executive session without management at each of the regularly scheduled Board of Directors' meetings held in 2017. During 2018, 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 applicable NYSE independence requirements.

Our Corporate Governance Guidelines provide that the Corporate Governance Committee should periodically assess the needs of the 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, the candidate's contribution to Board's existing chemistry and collaborative culture, and whether or not the candidate can contribute positively to the Board's diverse expertise in environmental, health, safety, industry, market and financial matters. The Corporate Governance Committee also 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 the Company's 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-6312 Steinhausen, 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, Pay Governance LLC, 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-6312 Steinhausen, 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 matters that feature unresolved 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 2017, there were no related person transactions where such policies and procedures were not followed.

Certain Relationships and Related Party Transactions. From 2014 to 2017, Mr. Miller served as the Executive Chairman of NOW Inc. (NYSE: DNOW). We regularly procure equipment and services from NOW Inc., at arm's length terms and within the ordinary course of business. In 2017, our purchasing activity with NOW Inc. represented less than 2% of that company's reported gross revenue for such period.

In connection with our acquisition of Songa Offshore completed earlier this year, Mr. Mohn acquired beneficial ownership of $355,813,000 aggregate principal amount of Transocean Inc.'s 0.5% Exchangeable Senior Bonds due 2023, including exchangeable bonds acquired by Perestroika AS (an entity affiliated with Mr. Mohn) as part of our private exchange offers undertaken to refinance certain of Songa Offshore's previously outstanding indebtedness. These exchangeable bonds bear interest at an annual rate of 0.5%, payable semiannually, and are exchangeable into shares of

Transocean Ltd. at any time at the option of the holder. In connection with our acquisition of Songa Offshore, we also entered into a registration rights agreement with certain affiliates of Asia Research & Capital Management and Perestroika AS, each of whom is one of our significant stockholders. This registration rights agreement provides them with certain customary registration rights over the exchangeable bonds they received as part of our private exchange offers undertaken to refinance certain of Songa Offshore's previously outstanding indebtedness and, in the case of Perestroika AS, any shares and exchangeable bonds that Perestroika AS received in the acquisition as a former shareholder of Songa Offshore or that it may acquire in the future.

Director Attendance at Annual General Meeting. We expect all of our directors to attend the 2018 Annual General Meeting. At the 2017 Annual General Meeting, all directors then serving on the Board of Directors were in attendance.

Board Meetings and Committees

During 2017, 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 Executives 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 period between the Annual General Meeting at which ratification is sought and the next Annual General Meeting;

- annually review and recommend to the Board for submission to and ratification by the shareholders the maximum aggregate amount of compensation of the Specified Executives and each member of the Board for the fiscal year commencing after the Annual General Meeting at which ratification is sought;

- 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 and Intrieri. Martin B. McNamara was also a member of the Compensation Committee prior to his retirement from the Board of Directors on January 30, 2018. The Compensation Committee met four times during 2017.

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, and Messrs. Barker, Intrieri and Merksamer. Ms. Chang also served on the Finance Committee in 2017 and continued this service until February 8, 2018, when she accepted a new assignment on the Corporate Governance Committee. The Finance Committee met four times during 2017.

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 also develops and recommends to the Board a set of corporate governance principles applicable to the Company, coordinates the self-evaluation of the Board of Directors and its committees, and reviews the qualifications of 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. Intrieri, Chairman, Mr. Deaton and Ms. Chang, who became a member of the Committee on February 8, 2018. Mr. McNamara was also a member and the chair of the Corporate Governance Committee prior to his retirement from the Board of Directors on January 30, 2018. The Corporate Governance Committee met four times during 2017.

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. The Health, Safety and Environment Committee in 2013 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 reviews, 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. Mr. Mohn also joined the Health, Safety and Environment Committee on February 8, 2018. The Health, Safety and Environment Committee met four times during 2017.

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, Mr. Curado and Mr. Mohn, who joined the Audit Committee on February 8, 2018. The Audit Committee met eight times during 2017.

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 is the Chief Executive Officer of Ultrapar S.A. and he has significant risk management and compliance experience.

In addition to Mr. Barker's membership on the Audit Committee, he also serves on the audit committees of Berkley Group Holdings plc and Aviva plc. Pursuant to NYSE rules, the Board of Directors has determined that Mr. Barker's service on the audit committees of such companies would not impair his ability to effectively serve on the Company's Audit Committee.

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 who 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 2017, 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.

2017 Director Compensation

In 2017, each non-employee member of the Board of Directors received the compensation described above.

At the Board of Directors meeting held immediately after the 2017 Annual General Meeting of our shareholders, the Board of Directors granted 19,301 restricted share units to each non-employee director (other than the Chairman) and 29,871 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. $10.88 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 2017.

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	$204,977	—	$339,977
Vanessa C. L. Chang	100,000	$204,977	—	$304,977
Frederico F. Curado	100,000	$204,977	—	$304,977
Chadwick C. Deaton	110,000	$204,977	—	$314,977
Vincent J. Intrieri	100,000	$204,977	—	$304,977
Martin B. McNamara	110,000	$204,977	—	$314,977
Samuel J. Merksamer	100,000	$204,977	—	$304,977
Merrill A. “Pete” Miller, Jr.	325,000	$317,230	—	$642,230
Edward R. Muller	110,000	$204,977	—	$314,977
Tan Ek Kia	120,000	$204,977	—	$324,977

(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 2017, 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, 2017.

AUDIT COMMITTEE REPORT

The Audit Committee, consisting of four independent directors, operates under the Audit Committee Charter as adopted by the Board, in overseeing:

(i) the integrity of the financial reporting process resulting in the Company's financial statements;

(ii) compliance with legal and regulatory requirements;

(iii) the independence, qualifications and performance of the Company's independent registered accountants, Ernst & Young LLP ("EY"); and

(iv) the performance of the internal audit function.

The Committee complied in 2017 with all of the requirements described in its Charter, which is available on the Governance page of the Company's website: www.deepwater.com.

The Board has determined that all the members of the Committee are independent, in accordance with the SEC definition, are financially literate and qualify as Audit Committee Financial Experts, as defined by SEC rules.

Management is responsible for the Company's internal controls and the financial reporting process, including the integrity and objectivity of the financial statements. The Committee:

- Reviewed the Company's financial statements and financial reporting processes, including internal controls over financial reporting;
- Discussed with EY and management the Company's audited financial statements included in the Annual Report;
- Discussed various matters with EY, including matters required by the Public Company Accounting Oversight Board's ("PCAOB") "Communications with Audit Committees";
- Reviewed and discussed with EY its report on internal control over financial reporting;
- Oversaw the Company's internal audit function, including the performance of the Vice President, Internal Audit, internal audit plan, budget, resources and staffing;
- Oversaw the Company's Legal, Compliance and Ethics program, including helpline calls and investigations, and employee code of conduct; and
- Recommended to the Company's Board of Directors that the Company's audited financial statements for the year ended December 31, 2017, be included in the annual report on Form 10-K filing with the SEC.

The Committee is responsible for the appointment, compensation and oversight of the independent registered accountant in accordance with SEC, PCAOB and the Swiss Code of Obligations. The Committee considered several factors in determining whether to reappoint EY as the Company's independent registered accountant, such as:

- Qualifications including industry expertise, knowledge of the Company's processes, and experience of the audit team;
- Performance including quality of communication, professional skepticism;
- Independence;
- Length of service, which began in 1999;

- Results from PCAOB inspections; and
- EY's internal quality control and tone at the top.

The Committee approves annually the scope, plans and fees for the annual audit, taking into consideration several factors including a breakdown of the services to be provided, proposed staffing, changes in the Company and industry from the prior year. The fee approval process balances the audit scope and hours required for a high-quality audit and driving efficiencies from both the Company and EY while compensating EY fairly. The Audit Committee pre-approved all audit related and non-audit related services.

Agendas for Audit Committee meetings are developed with input from the Committee, management, the Vice President, Internal Audit and EY. The Committee met eight times in 2017 with regular executive sessions with EY and management, including the Vice President, Internal Audit and the Chief Compliance Officer.

Members of the Audit Committee:

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

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 12, 2018, of more than 5% of the Company's shares.

Name and Address of Beneficial Owner	Shares Beneficially Owned	Percent of Class(1)
Perestroika AS Statminister Michelsensvei 38 5320 Paradis, Norway Frederik W. Mohn Statminister Michelsensvei 38 5320 Paradis, Norway	67,740,289(2)	13.68%
Asia Research & Capital Management Ltd. 21/F, Shanghai Commercial Bank Tower 12 Queens Road Central Hong Kong	47,996,841(3)	9.76%
BlackRock, Inc. 55 East 52nd Street New York, NY 10055	35,420,304(4)	7.69%
The Vanguard Group 100 Vanguard Blvd. Malvern, PA 19355	33,344,970(5)	7.24%

(1) The percentage indicated is based on 460,506,997 Company shares deemed to be outstanding as of March 12, 2018.

(2) The number of shares is based on the Schedule 13D filed with the SEC on February 5, 2018, by Mr. Frederik W. Mohn and Perestroika AS and open market purchases known to the issuer on or before March 12, 2018. According to the filings, Mr. Mohn has sole voting power and sole dispositive power with regard to 43,856 shares (which consists of (a) 22,148 shares and 18,000 shares issuable upon the exchange of $185,000 aggregate principal amount of Exchangeable Bonds, in each case individually owned by Mr. Mohn, and (b) 2,054 shares and 1,654 shares issuable upon the exchange of $17,000 aggregate principal amount of Exchangeable Bonds, in each case individually owned by Mr. Mohn's spouse) and shared voting power and shared dispositive power with Perestroika with regard to 67,696,433 shares (which consists of 33,096,351 shares and 34,600,082 shares issuable upon the exchange of $355,611,000 aggregate principal amount of Exchangeable Bonds, in each case owned by Perestroika).

(3) The number of shares is based on the Schedule 13G filed with the SEC on February 8, 2018 by Asia Research & Capital Management Ltd. According to the filing, Asia Research & Capital Management has sole voting power and sole dispositive power with regard to 47,966,841 shares, which consists of 16,777,850 shares and 31,218,991 issuable upon exchange of $320,861,000 of Exchangeable Bonds.

(4) The number of shares is based on the Schedule 13G/A filed with the SEC on January 30, 2018, by BlackRock, Inc. According to the filing, BlackRock, Inc. has sole voting power with regard to 33,768,833 shares, and sole dispositive power with regard to 35,420,304 shares.

(5) The number of shares is based on the Schedule 13G/A filed with the SEC on February 8, 2018, by The Vanguard Group. According to the filing, The Vanguard Group has sole voting power with regard to 205,652 shares, shared voting power with regard to 45,538 shares, sole dispositive power with regard to 33,122,538 shares and shared dispositive power with regard to 222,432 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 12, 2018.

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	372,255	342,295	714,550	*
Mark L. Mey	178,666	96,696	275,362	*
John B. Stobart	167,825	135,706	303,531	*
Howard E. Davis	60,480	73,972	134,452	*
Brady K. Long	51,634	62,204	113,838	*
Glyn A. Barker	11,748	40,712	52,460	*
Vanessa C.L. Chang	3,700	46,454	50,154	*
Frederico F. Curado	0	40,712	40,712	*
Chadwick C. Deaton	1,000	46,454	47,454	*
Vincent J. Intrieri	0	35,952	35,952	*
Samuel J. Merksamer	0	46,688	6,688	*
Merrill A. “Pete” Miller, Jr.	0	52,882	52,882	*
Frederik W. Mohn(4)	33,120,553	34,619,736	67,740,289	13.68%
Edward R. Muller	6,647	59,191	65,838	*
Tan Ek Kia	0	50,222	50,222	*
All of directors and executive officers as a group (16 persons)	34,058,327	35,874,241	69,932,568	14.09%

* Less than 1%.

(1) The business address of each director and executive officer is c/o Transocean Management Ltd., Turmstrasse 30, CH-6312 Steinhausen, 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, 2018, through the exercise of options held by Messrs. Thigpen (228,510), Mey (96,696), Stobart (135,706), Davis (73,972), Long (62,204), and all directors and executive officers as a group (721,453). Also includes vested restricted share units held by Messrs. Thigpen (113,785), Barker (40,712), Curado (40,712), Deaton (46,454), Intrieri (35,952), Merksamer (46,688), Miller (52,882), Muller (59,191) and Tan (50,222), and Ms. Chang (46,454) and all directors and executive officers as a group (533,052).

(3) As of March 12, 2018, each listed individual (with the exception of Mr. Mohn) and our directors and executive officers as a group (excluding Mr. Mohn) beneficially owned less than 1% of the Company’s outstanding shares.

(4) Mr. Mohn has sole voting power and sole dispositive power with regard to 43,856 shares (which consists of (a) 22,148 shares and 18,000 shares issuable upon the exchange of $185,000 aggregate principal amount of Exchangeable Bonds, in each case individually owned by Mr. Mohn, and (b) 2,054 shares and 1,654 shares issuable upon the exchange of $17,000 aggregate principal amount of Exchangeable Bonds, in each case individually owned by Mr. Mohn’s spouse) and shared voting power and shared dispositive power with Perestroika with regard to 67,696,433 shares (which consists of 33,096,351 shares and 34,600,082 shares issuable upon the exchange of $355,611,000 aggregate principal amount of Exchangeable Bonds, in each case owned by Perestroika).

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 for 2017, 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 constitute our Named Executive Officers for 2017:

- 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 and Performance 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 feel strongly that 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	☒ Have pre-arranged individual severance agreements or special change-in-control compensation agreements with any Executive Officers; however, to the extent permitted under Swiss law, our executives are eligible for severance and change-in-control provisions pursuant to our policies
☑ Base annual and long-term incentive payments on quantitative, formulaic metrics	☒ Provide gross-ups for severance payments
☑ Maintain compensation plans that are weighted significantly toward variable pay to align our executive compensation with long-term shareholder interests	☒ Guarantee salary increases, non-performance based bonuses or unrestricted equity compensation
☑ Link long-term incentive compensation to relative performance metrics to incent strong performance	☒ Provide any payments or reimbursements for tax equalization
☑ Deliver at least 50% of long-term incentives in performance-based equity awards	☒ Pay dividend equivalents on performance units that have not vested
☑ Retain an independent consultant who does not perform any services for management (*i.e.*, retained by and reports to our Compensation Committee)	☒ Offer executive perquisites
☑ Maintain double trigger change-in-control provisions	

2017 Business Overview

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

Although we remain in a downturn for the drilling sector, we delivered strong business results in 2017, through financial discipline and efficient operations, while maintaining a constant focus on the safety of our workforce and our environment. The business highlights below demonstrate the Company's commitment to near-term performance, while preparing for the ultimate recovery in this market.

As of February 19, 2018, Transocean owns, or has partial ownership interests in, and operates a fleet of 47 mobile offshore drilling units consisting of 27 ultra-deepwater floaters, 12 harsh environment semisubmersibles, two deepwater semisubmersibles and six midwater semisubmersibles. In addition, the Company has two ultra-deepwater drillships under construction. The Company also operates two high-specification jackups that were under drilling contracts when the rigs were sold, and the Company will continue to operate these jackups until completion or novation of the drilling contracts.

Over the past six months, we added two new contract-backed, ultra-deepwater drillships to our fleet: the *Deepwater Pontus* and the *Deepwater Poseidon.* Both drillships have 10-year contracts with Shell in the U.S. Gulf of Mexico, and represent some of the most technically capable rigs in the world. Additionally, in 2017, we agreed with Jurong Shipyard to enhance our two remaining newbuild drillships that are under construction by increasing the hook load capacities to an industry-best three million pounds. We also opportunistically upgraded the ultra-deepwater drillship *Discoverer India* by adding a second annular to the BOP stack, converting the rig to DP-3 station-keeping from DP-2 and making the rig Managed Pressure Drilling capable.

In 2017, we announced an agreement to acquire Songa Offshore SE, adding seven semisubmersibles to our fleet including four high-specification, harsh environment CAT-D rigs – the *Equinox*, *Endurance*, *Encourage*, and *Enabler* – on long-term contracts with Statoil. This transaction closed on January 30, 2018.

Further, we reactivated four floaters, all associated with new contracts, from either a warm or cold-stacked condition. We also strengthened our fleet by announcing the retirement of nine older, less-competitive assets, including five ultra-deepwater rigs, which were unlikely to be marketable going forward.

Despite challenging market dynamics, we executed many new contracts in 2017, adding U.S. $873 million in contract backlog, an increase of approximately 70% from 2016. We converted a large percentage of our 2017 backlog to cash, with strong operational performance, as measured by our Uptime rate of 96.8%. As of February 19, 2018, our combined Company backlog, including Songa Offshore, totaled U.S. $12.8 billion, more than twice the nearest competitor.

In 2017, we continued to drive operational excellence through improvements in safety and drilling efficiency. We delivered the lowest Total Recordable Incident Rate in the Company's history, and achieved 11 consecutive months in 2017 without a Lost Time Incident. When added to 2016's performance, we achieved a Company record 20 consecutive months without a Lost Time Incident across our global fleet.

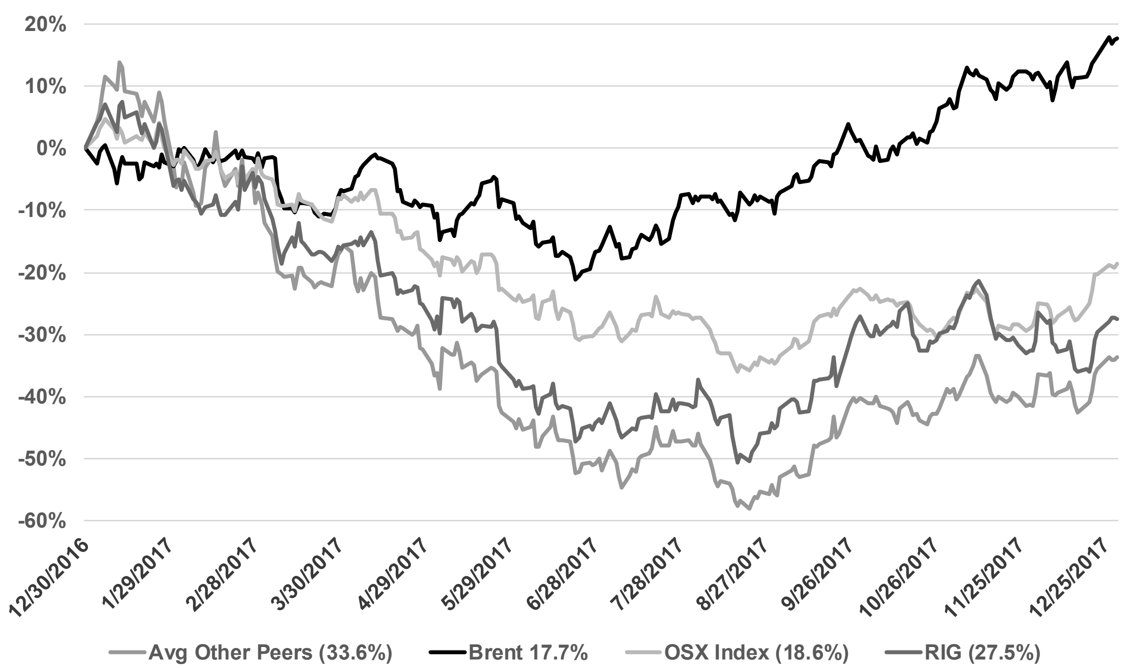
We executed additional supplier contracts with Original Equipment Manufacturers ("OEM"). These new OEM agreements cover some of the most critical equipment on our rigs and support our goals of reducing operating costs and, more importantly, continuing to improve equipment reliability.

We continued to strengthen our liquidity and financial position, executing multiple financing transactions. In 2017, we issued approximately U.S. $1.2 billion of debt maturing in 2022 and 2026, while retiring U.S. $1.8 billion of debt with maturities between 2017 and 2020. Additionally, we removed approximately $1 billion of shipyard obligations with the sale of our five uncontracted jackups under construction. These actions, along with our outstanding operational performance, positioned us with U.S. $3.0 billion of cash, cash equivalents and short-term investments as of December 31, 2017, and a U.S. $3 billion undrawn, unsecured revolving credit facility, providing significant liquidity during this industry downturn and preserving strategic optionality and shareholder value.

Given Transocean's 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. With better visibility of improving market fundamentals, we continue to take the necessary actions to maintain our position as well as strategically position Transocean to benefit from the recovery ahead.

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

Relative Performance of Crude Oil; Offshore Drillers; OSX Index



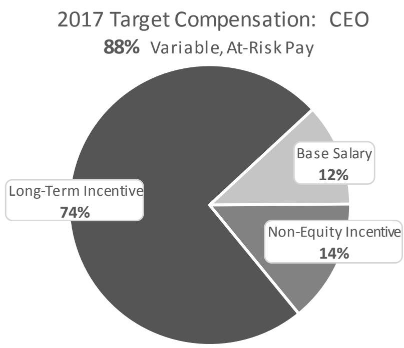
Executive Compensation Philosophy, Strategy and Design

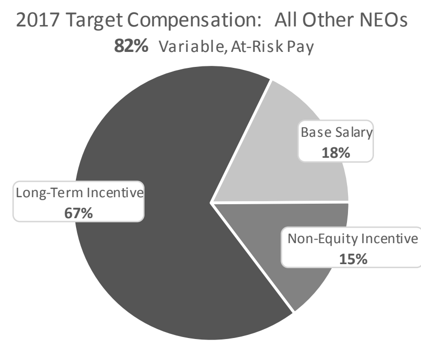
The primary goal of our compensation program is to align pay with performance. The program is also designed to attract, motivate and retain superior executive talent in the geographic locations necessary to support our global operations. We accomplish these goals by providing our executives with a competitive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

In administering 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.



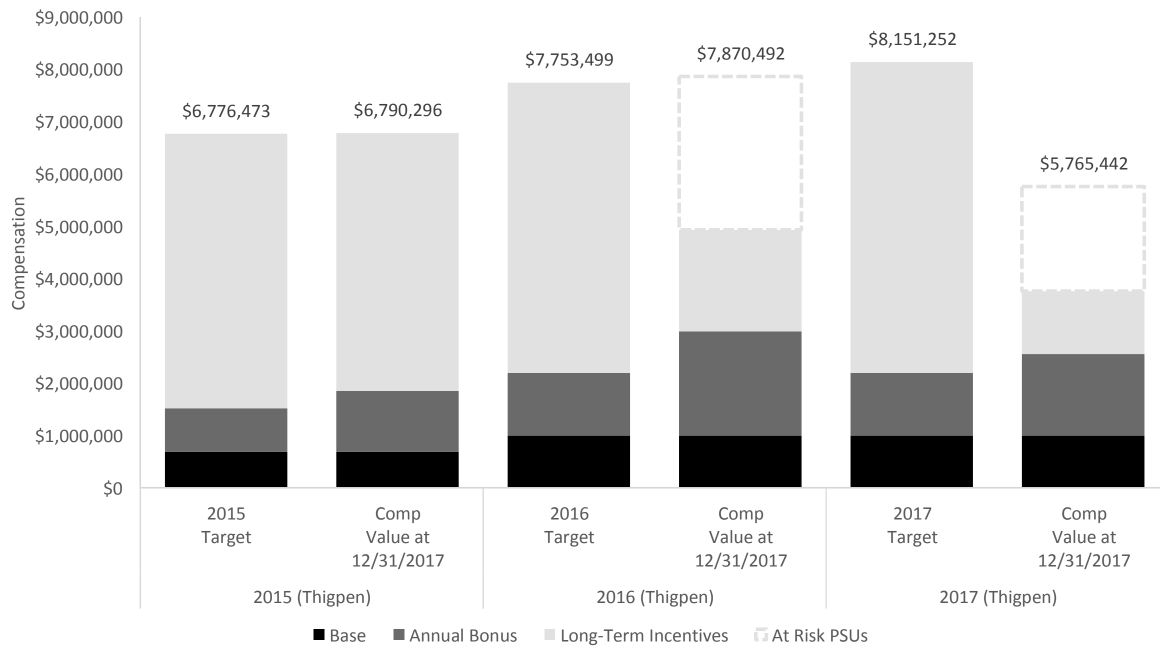


Relationship Between Target and Realizable Pay

Our compensation philosophy features the alignment of the interests of our Executive Officers with those of our shareholders by basing the majority of compensation on achieving desired performance outcomes. Accordingly, 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, as required. However, we believe that realizable pay provides a better picture of the amounts actually earned. In particular, we note there have been no payouts under our performance-based unit program over six of the last seven performance cycles, and the majority of outstanding stock options are currently underwater. The more recent, in-process long-term performance cycles, however, reflect our superior performance relative to our 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.



(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 12/31/2017, 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) The value of stock options, PSUs and RSUs was calculated as of 12/29/2017 (the last trading day of the year).

(3) 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.

2017 Compensation Program Overview

The Company continued to reinforce the alignment between pay and performance with our executive compensation programs and compensation award levels for 2017.

In recognition of the industry downturn, the Compensation Committee of the Board (the "Committee") carefully considered appropriate 2017 target compensation opportunities for our Named Executive Officers. Working closely with its independent compensation consultant, the following executive compensation actions were implemented for our Named Executive Officers:

- Freeze on base salaries for 2017, marking a three-year freeze on base salary;
- Freeze on target annual cash bonus opportunities for 2017, marking a three-year freeze on annual target bonus opportunities;
- Cap on performance share payouts, including the 2017 - 2019 performance period, in the event of negative absolute total shareholder return (TSR) performance;
- Abolished all executive perquisites, including financial planning, annual physicals and club memberships, effective January 1, 2017; and
- With the relocation of one of our Named Executive Officers to the United States, no expatriate benefits are being paid to our Named Executive Officers.

These compensation actions reflect the industry downturn and our focus on good governance, while maintaining prudently designed, competitive compensation packages for our Named Executive Officers.

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 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 as follows:

- externally against the opportunities and 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 the enhancement of shareholder value while achieving our vision and business strategy.

The 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 TSR 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 2017 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.
• Canadian Natural Resources Limited	• EOG Resources, Inc.	• Petrofac Limited
• Chesapeake Energy Corporation	• Halliburton Company	• Seadrill Limited
• Devon Energy Corporation	• Marathon Oil Corporation	• TechnipFMC plc
	• Nabors Industries Ltd.	• Weatherford International Ltd.

Considering the current industry downturn, and in consultation with the Committee's external compensation consultant, the 2018 compensation peer group has been modified. Our peer group review considered revenue size and market capitalization, both industry standard measures in developing compensation peer groups, to ensure continued alignment. Four larger revenue-sized companies including Baker Hughes, a GE company, Canadian Natural Resources, EOG Resources and Halliburton Company have been removed from the 2018 compensation peer group. Three companies more comparable to the Company in revenue size, including Hess Corporation, McDermott International and Murphy Oil Corporation, have been added to the compensation peer group. The net effect of these changes to the 2018 peer group composition reduces the average revenue size and market capitalization, thereby creating enhanced alignment with the Company's current scope.

In addition, we consider the compensation practices of general non-energy industry peers of comparable size and international scope in setting executive compensation levels and use general industry data as a secondary market reference to ensure that a comprehensive view of the market is considered. 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 most positions, whereas general industry data are also considered 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 Committee establishes the Performance Peer Group used 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 Committee refined the Performance Peer Group to focus on drillers to better align with our strategic business objectives, and we maintained this focus in 2017. While the competition for executive talent spans a broader market as defined above in the Compensation Peer Group section, our Performance Peer Group is specific to those companies with expertise in technically demanding offshore drilling operations. The Performance Peer Group for 2017 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.	

We will continue to assess the composition of the Performance Peer Group for 2018 and beyond with focus on the impact of the current industry downturn and resulting consolidation.

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 both 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. As of May 2017, none of our Named Executive Officers were on an expatriate assignment.	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 other broad-based employee benefit plans.
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 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 Committee upon each officer's initial hire and reviewed based on a promotion or other change in job responsibility. Each base salary is also reviewed by the 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 Committee considers input from our Chief Executive Officer (except with respect to his own compensation), competitive compensation from our Compensation Peer Group and other survey data, job responsibilities, individual performance, and expected future contributions of each Named Executive Officer. The Committee also considers input from its compensation consultant within the framework of the Company's compensation philosophy and objectives.

In February 2017, the Committee, in consideration of the industry downturn, and with consultation from its external compensation consultant, elected to freeze base salaries for Named Executive Officers, resulting in no 2017 increases over the 2016 base salaries. Further, salaries were also frozen in 2016 at the 2015 levels. As a result, there have been no increases to base salaries for our Named Executive Officers since 2015.

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

Executive	2017 Base Salary	Increase over 2016
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 formulaic, goal-driven plan that provides participants, including the Named Executive Officers, with 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 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 to earn total cash compensation approximating competitive market median levels. Individual awards correlate to company performance, so the executives achieve above-target awards only when the Company achieves above-target performance. Further, the bonus opportunity is capped at a maximum payout level as noted below.

Under the Bonus Plan for 2017, each Named Executive Officer had a potential payout range of 0% to 200% of his individual target award opportunity. The Committee established a 2017 target bonus opportunity for each of the following Named Executive Officers at the same target opportunity as established for 2016 and 2015. The 2017 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%

2017 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 industry downturn, driven largely by low commodity pricing beyond the Company's control, this annual bonus structure is designed to focus on those areas where we can differentiate ourselves from our competitors and be well-positioned to outperform the competition in the market recovery.

The design of each measure, relative weighting, and construction of our threshold-target-maximum payout range, incorporate the Company's 2017 business plan, our 2016 performance results and a focus on continuous improvement. The following chart compares the 2017 bonus structure measures and relative weightings compared to the 2016 bonus plan structure. This 2017 bonus structure further sharpens the focus on personnel safety as measured through Total Recordable Incident Rate and increases the relative weight applied to key financial results as measured through EBITDA. Each of the 2017 bonus plan measures is defined and discussed in more detail below.

Bonus Performance Measure	2016 Weighting	2017 Weighting
SAFETY (Total Recordable Incident Rate)	10%	20%
SAFETY (Operational Integrity/Process Safety)	10%	--
SAFETY (Dropped Object Potential Severity)	5%	--
UPTIME	25%	20%
EBITDA	50%	60%
Total Bonus Structure	**100%**	**100%**

Safety Performance

Our business involves numerous operating hazards, and we are strongly committed to protecting our personnel, our property and our environment. Our goal is expressed in our safety vision of "an incident-free workplace all the time, everywhere." Encouraged by the continuous improvement demonstrated in the Dropped Object Potential Severity rate and Operational Integrity performance during 2016, the safety component of the 2017 bonus structure has evolved from the three safety measures found in the 2016 bonus plan to a single measure focused on Total Recordable Incident Rate ("TRIR"). However, to maintain focus on Operational Integrity, the 2017 TRIR measure includes a formulaic calibration wherein the TRIR year-end result is reduced by 25% for any Tier 1 Operational Integrity event (see definition below).

Developing Our Total Recordable Incident Rate (TRIR) Target

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 industry's International Association of Drilling Contractors (the "IADC"). 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 an injury or illness; an employee not being able to perform all 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 Committee approved a TRIR target for 2017 of 0.39. In setting this target, the Committee received input from the Board's Health, Safety and Environment (HSE) Committee, comprised of fellow independent directors. 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 = 0.33	200%
Target = 0.39	100%
Minimum = 0.44	0%

Any TRIR outcome representing a result of 0.44 or greater would result in a 0% bonus payout for the TRIR measure. TRIR results of 0.33 or less would result in a payout of 200% for the TRIR measure. As noted above, the year-end TRIR payout would be reduced by 25% for any Tier 1 Operational Integrity event experienced during the year. Further, the Committee evaluates whether to use negative discretion in response to unforeseen, extraordinary circumstances in considering overall bonus results.

In setting the 2017 TRIR threshold-target-maximum values, the Committee considered the following:

1. Two successive years, 2015 and 2016, represented the best TRIR results in the Company's history (2015 TRIR was 0.42, followed by 0.34 in 2016).

2. As with any continuous improvement initiative, the law of diminishing marginal productivity increasingly challenges improvement in safety results as the Company aspires to be an incident-free workplace.

3. Consideration of anticipated increased rig activations in 2017, accompanied by increased hiring and the need to train these new hires in the Company's safety programs and processes. The Committee recognized this increased activity would challenge the Company's ability to maintain our record setting level of continuous safety performance improvement.

With consideration given to these factors, the Committee approved the 2017 TRIR target at 0.39, approximating the average of the Company's outstanding trailing two-year results noted above. The Committee considered this to be an aggressive target in light of the anticipated increase in rig activity, increased hiring and necessary safety training requirements.

In setting the threshold and maximum values, the Committee applied a 15% range above and below the target of 0.39. This range created a minimum, or entry point, of 0.44 demonstrating continuous improvement over the 2016 range minimum. This stretch resulted in a maximum value of 0.33 representing continuous improvement compared to the 2016 range maximum and an enhancement over the 2016 actual TRIR result of 0.34.

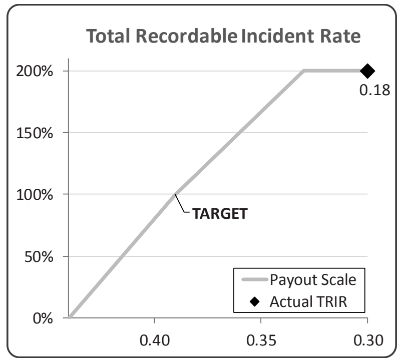
Further, the Committee recognized the impact of Operational Integrity on personnel safety. Operational Integrity is an internally developed safety measure designed to prevent, or mitigate the impact of, a significant event. We use industry standard definitions of significant events, which include:

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

Consistent with our 2016 bonus plan design, a Tier 1 event, as defined in the Company's Health and Safety Policies and Requirements, is the most serious Operational Integrity event, requiring immediate and potentially significant Company time and resources to rectify.

Measuring Total Recordable Incident Rate (TRIR) Results

Our TRIR outcome for 2017 was 0.18, exceeding maximum performance as compared to target and representing the best formulaic result in the Company's history. This result is outstanding, particularly considering the Company hired approximately 1,300 offshore personnel during 2017, which brought with it the challenge of training each new employee on the Company's safety culture.



This resulted in a formulaic result of 200% of target for the TRIR metric and a formulaic result for this measure of 40% of the total target bonus opportunity for each of the Named Executive Officers, which was reduced in the Committee's discretion as described below in the section titled Actual Bonus Plan Compensation for 2017.

Financial Performance

Developing Our EBITDA Target

For the 2017 bonus plan, the Committee determined the financial metric Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA"), a commonly accepted measure of financial performance, to be the most appropriate measure to align with the Company's financial objectives. EBITDA was weighted at 60% of the total 2017 annual bonus plan opportunity. The use of EBITDA is consistent with the 2016 bonus plan, but refined to reflect our increased weighting applied to financial performance and an updated range (i.e., Threshold – Target – Maximum) that was consistent with our 2017 business plan. 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.

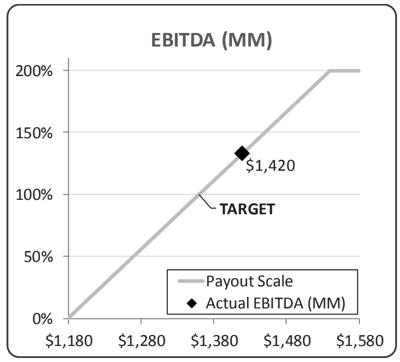
We believe EBITDA represents a holistic view of the Company's financial performance in current market conditions. The measure reflects the complete revenue and cost cycle in our business. EBITDA is an objective performance measure commonly used among our drilling company peers and is a financial indicator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

In establishing the 2017 bonus plan EBITDA target and range, the Committee considered the Company's 2017 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. While the 2017 EBITDA target was set below the 2016 actual financial result, the target reflected the reality of the continuing industry downturn and related financial challenges.

EBITDA Target	Achievement (MM-$)
Threshold	1,180
Target	1,360
Maximum	1,540

Measuring EBITDA Results

2017 EBITDA results were pressured given the challenging industry environment, driven mainly by continued weak demand for rigs and declining contract dayrates. However, a strong focus on cost management, including stacking costs, combined with outstanding revenue efficiency for deployed rigs and effective contract management, resulted in actual EBITDA results exceeding the target for this measure.



EBITDA results achieved 133% of target, and a formulaic result for this measure of 80% of the total target bonus opportunity for each of the Named Executive Officers.

Operational Performance

Developing Our UPTIME Target

In 2016, Uptime was identified as the operational performance measure that would best align with our customers' interests, and we elected to maintain this measure for 2017. This measure represented 20% of the 2017 total target annual bonus opportunity, reinforcing the importance of maintaining excellence in our rig operations. We believe that Uptime is the best measure of operational efficiency, which is imperative to our customers.

While Uptime is a common operational metric in our industry, there is no standard industry definition or reporting structure for it. As a result, the Company has developed its own definition, and that definition recognizes the key impediments to Uptime: equipment failures and human performance errors.

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 a 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 of 3% from threshold to maximum is significant considering the total number of operating hours during a calendar year (e.g., approximately 196,000 hours of operation in 2017).

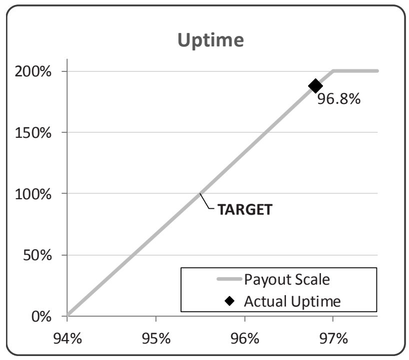
The Committee approved the following Uptime target for 2017:

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

In setting the 2017 Uptime target, the Committee considered the Company's outlook for 2017, which featured: (i) two newbuilds commencing operations; (ii) five idle rigs returning to activity; (iii) the need to hire new personnel to staff the newbuilds and reactivations; and (iv) shorter contract durations, resulting in more rig mobilizations. These factors led the Committee to conclude that the risk of equipment failure and human performance errors – i.e., the two determinants of downtime – were elevated for 2017, compared to 2016. Nonetheless, the Committee did not feel comfortable lowering the threshold-target-maximum range it established in 2016. Instead, it elected to maintain the 2016 range, recognizing that achieving the target would be difficult and, thus, would be consistent with its desire to require continuous improvement.

Measuring Uptime Results

Based on this high level of operational efficiency, we achieved 96.8% Uptime performance in 2017. This incremental 1.3% above target performance, equates to approximately 2,550 hours, or 106.3 days, of additional operational productivity across the fleet, resulting in greater customer satisfaction and higher earnings.



This achievement result represents 189% of target, and a weighted payout result of 38% of the total target bonus opportunity for each of the Named Executive Officers.

Actual Bonus Plan Compensation for 2017

Based on the performance measures described above and using the pre-determined weightings assigned to each measure by the Committee, the formulaic bonus outcome for each of our Named Executive Officers was 158% of the targeted bonus opportunity under the Performance Award and Cash Bonus Plan for 2017. The components of this total bonus payout under the Cash Bonus Plan for 2017 are as follows:

Performance Measure	Threshold Payout	Target Payout	Maximum Payout	Actual Achievement
Safety	0%	20%	40%	40%
EBITDA	0%	60%	120%	80%
Uptime	0%	20%	40%	38%
Total				**158%**

A strict application of the Cash Bonus Plan for 2017 would have resulted in a payout of 158% of the targeted bonus opportunity for each of our Named Executive Officers. However, the Committee remains mindful of its authority to exercise discretion to avoid outcomes that are inconsistent with the purposes of the Plan. These outcomes can be caused by unforeseen, extraordinary circumstances that arise during the year. One such circumstance arose in December 2017, when a personnel safety incident occurred on a rig operating in the U.S. Gulf of Mexico. While the incident is already included in the TRIR calculation for 2017, the Committee evaluated the incident qualitatively, with input from the Board's HSE Committee. This cross-functional engagement led the Committee to conclude that the incident justified a reduction in the final actual bonus outcome for each Named Executive Officer from 158% to 138%. This result reiterates our unwavering commitment to working toward a "zero incident" safety culture.

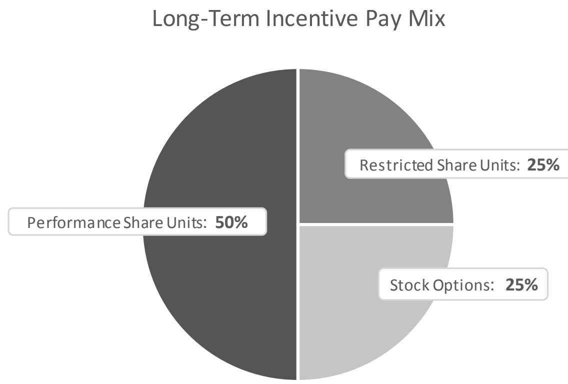
While the bonus result of 138% of target falls well below the 2016 bonus result of 166% of target, the annual results of the last two years demonstrate a strong commitment to operational, financial and safety performance during the prolonged and challenging industry downturn.

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 them to increase total shareholder return, align the interests of participants with those of shareholders, and vary in the actual value 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 2017: Performance Units, Restricted Share Units and Non-Qualified Stock Options. The weighting of each instrument in our LTI program was as follows:



This LTI mix is designed to ensure that a minimum of 50% of the total weighting is applied to the Performance Units. Restricted Share Units 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 and vesting periods.

The following LTI awards were delivered to our Named Executive Officers in 2017 and 2016.

Named Executive Officer	2016 LTI Fair Value U.S.$	2017 LTI Fair Value U.S.$
Mr. Thigpen	5,553,499	5,951,252
Mr. Mey	2,327,183	2,570,951
Mr. Stobart	2,337,755	2,580,454
Mr. Davis	1,745,381	2,047,241
Mr. Long	1,388,378	1,904,399

Increased 2017 equity grant values, relative to 2016 grant values, were based on the Committee’s review of relevant market data, the performance of each Executive Officer and the need for retention of key executive talent. The forms of equity awards made to our Named Executive Officers are discussed in greater detail below.

Performance Share Units (PSU)

The target value of the 2017 PSU grants to each of the Named Executive Officers was approximately 50% of each officer’s total 2017 LTI award target value.

Each PSU represents one share and is earned based on performance over a three-year cycle from January 1, 2017 through December 31, 2019. 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 Committee considered the value of including an absolute financial measure; however, after a thorough review of market conditions and the substantial challenges in setting absolute financial measures as long-term incentive goals, the Committee concluded that a single measure of relative TSR within the 2017 Performance Peer Group offered the best shareholder alignment and best supported the Company’s strategic objective of becoming the undisputed leader in offshore drilling.

In further recognition of the importance of shareholder alignment, the Committee capped the earning of PSUs at target if the Company's absolute TSR during the performance period is less than negative 15%. We set the cap at this level 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 2017 - 2019 PSU performance cycle, the 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 (RSU)

The target value of the 2017 RSU grants to each of the Named Executive Officers was approximately 25% of each officer's total 2017 LTI award target value.

Time-vested RSUs were granted to all Named Executive Officers as part of the 2017 annual long-term incentive grants. Each RSU represents one share and vests over a three-year schedule (ratably one-third each year), contingent upon continued service.

Non-Qualified Stock Options (NQSO)

The target value of the 2017 NQSO grants to each of the Named Executive Officers was approximately 25% of each officer's total 2017 LTI award target value.

Time-vested NQSOs were granted to each Named Executive Officers as part of the 2017 LTI grants. Each NQSO represents the option to purchase one share and vests over a three-year schedule (ratably one-third each year), contingent upon continued service.

Realized Long-Term Incentive Compensation for 2017

In 2018, the Committee evaluated the Company's performance for the three-year performance period from January 1, 2015 through December 31, 2017, and determined the Company's performance to be 158.3% of target. This result represents only the second payout in the last eight performance cycles for the Company, with the other payout achieved in 2017 for the 2014 – 2016 performance cycle.

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 Return on Capital Employed (ROCE) during the first year of the three-year performance cycle. Final measurement for this performance cycle included ROCE results at 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 5 of 12 against performance peer companies, resulting in performance slightly above target for this measure. The two measures combined resulted in the 158.3% of target performance outcome.

However, when considering the Company's share price decline during the 2015 - 2017 period, the 158.3% achievement level translates to approximately 98% of target in realizable value on the date the Committee approved the payouts compared to the expected target value at grant. Considering the value of RSUs and NQSOs are also directly related to share price, the realizable value delivered through the performance plan, combined with the other equity awards, reinforces the designed linkage between the executive's delivered compensation and changes in share value.

Beginning with the 2016 three-year performance plan, and replicated again in the 2017 three-year performance plan, the Company has removed ROCE from the plan design and created a single relative TSR measure for enhanced shareholder alignment.

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 have provided certain expatriate benefits, including housing, car, cost of living allowances and educational expenses for dependent children. These benefits were 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. At the beginning of 2017, Mr. Stobart was the only Named Executive Officer receiving the above-mentioned expatriate benefits. In May 2017, Mr. Stobart repatriated to the United States, at which time all expatriate benefits ceased. As a result, the company currently has no Named Executive Officers receiving the above-mentioned expatriate benefits.

The types and values of these expatriate benefits received in 2017 by Mr. Stobart 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, annual and long-term incentive compensation, we offer limited 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 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, frozen pension, medical and life insurance benefits. Our Named Executive Officers also receive a supplemental life insurance benefit equal to four times base salary capped at a maximum of U.S. $1 million. In addition, we make a supplemental non-qualified defined contribution restoration 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

The Committee elected to eliminate all executive perquisites for our Named Executive Officers, effective January 1, 2017.

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. Subject to Committee approval, 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; treatment of long-term incentive awards under certain termination provisions 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 because 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, 2017, are described under "Executive Compensation-Potential Payments Upon Termination or Change in Control."

The Committee periodically reviews severance packages offered to the Executive Officers to ensure the benefits are aligned with prevailing market practices. 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 Committee is responsible for the executive compensation program design and decision-making process. The Committee solicits input from the independent members of the Board of Directors, the Chief Executive Officer, 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 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 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 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 LTI 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 (that 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.

During 2017 the Compensation Committee consisted of four directors: Tan Ek Kia (Chairman), Frederico F. Curado, Vincent J. Intrieri and Martin B. McNamara. Mr. McNamara retired from the Board effective January 30, 2018.

Independent Compensation Consultant

To assist in discharging its responsibilities, the Committee engaged an independent executive compensation consulting firm, Pay Governance LLC, which advised the Committee on executive compensation matters for 2017.

In order not to impair the independence of the Committee's compensation consultant or create the appearance of such an impairment, the Committee adopted a policy that any compensation consultant to the 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 2017. In May 2017, the Committee assessed whether the work of Pay Governance for the Committee during 2017 raised any conflict of interest by conducting a review of several independence factors, which included the factors set forth under Rule 10C-1 of the Exchange Act. The Committee concluded that no conflict of interest was raised that would prevent Pay Governance from independently representing the Committee.

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

- expertise on compensation strategy and program design;

- information relating to the selection of the Company's peer groups;

- relevant market data and alternatives to consider when making compensation decisions;

- assistance in establishing and updating annual and long-term incentive guidelines;

- periodic reviews of the total executive compensation program; and

- support and advice as the Committee conducts its analysis of and makes its decisions regarding executive compensation.

The 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 Committee and meets privately with the Committee at the 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 Committee. 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 benefit programs. The 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 Committee. The Committee makes all compensation decisions and approves all share-based awards for the Named Executive Officers and other Executive Officers. The Committee may exercise its discretion in modifying any compensation element 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 Committee as needed. Our officers and other employees participate in Committee discussions in an informational and advisory capacity and have no authority in the Committee's decision-making process.

Additional Executive Compensation Information

Use of Tally Sheets

The 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 payments at hypothetical terminations to consider the Company's obligations under such circumstances. The 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 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 tax shares) 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 Committee, and executives must certify their compliance on an annual basis. The Committee may exercise its discretion in response to any non-compliance of this policy.

No Hedging of Company 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 Executive Officer or director 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, and all have done so.

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 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 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 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 2017 Tax Act, effective for our taxable year beginning January 1, 2018, the exception under Section 162(m) for performance-based compensation will no longer be available, subject to transition relief for certain grandfathered arrangements in effect as of November 2, 2017. Given the lack of regulatory guidance to date, the Compensation Committee is not yet able to determine the full impact of the 2017 Tax Act changes to Section 162(m) on the Company and our compensation programs.

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

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table shows the compensation paid by the Company for the fiscal year ended December 31, 2017 to each of our Chief Executive Officer, Chief Financial Officer and the next three most highly compensated Executive Officers as of December 31, 2017, who are collectively referred to herein as our Named Executive Officers.

Name and Principal Position	Year	Salary $	Bonus $	Stock Awards[1] $	Option Awards[1] $	Non-Equity Incentive Plan Compensation[2] $	Change in Pension Value and Nonqualified Deferred Compensation Earnings[3] $	All Other Compensation[4] $	Total $
Jeremy D. Thigpen *President and Chief Executive Officer*	2017	1,000,000	--	4,549,792	1,401,460	1,656,000	--	361,637	8,968,889
	2016	1,000,000	--	4,362,658	1,190,841	1,992,000	--	557,568	9,103,067
	2015	693,182	500,000	7,990,424	--	1,164,545	--	548,422	10,896,573
Mark Mey *Executive Vice President and Chief Financial Officer*	2017	760,000	--	1,965,520	605,432	891,480	--	324,235	4,546,667
	2016	760,000	--	1,828,164	499,019	1,072,360	--	508,751	4,668,294
	2015	449,667	500,000	5,199,332	--	540,162	--	418,116	7,107,276
John B. Stobart *Executive Vice President and Chief Operating and Performance Officer*	2017	670,000	--	1,972,782	607,672	924,600	11,931	512,220	4,699,205
	2016	670,000	--	1,836,467	501,289	1,112,200	369	513,909	4,634,234
	2015	670,000	--	1,854,320	--	938,000	7,499	666,406	4,136,225
Howard Davis *Executive Vice President and Chief Administrative and Information Officer*	2017	550,000	--	1,565,136	482,105	569,250	--	140,804	3,307,295
	2016	550,000	--	1,371,118	374,263	684,750	--	96,981	3,077,112
Brady Long *Senior Vice President and General Counsel*	2017	525,000	--	1,455,930	448,469	507,150	--	130,817	3,067,366
	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 13 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2017.

(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 2017, is described under "Compensation Discussion and Analysis—2017 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 2017, 2016 or 2015.

(4) All other compensation for 2017 consists of the following:

Name	Company Contributions to Savings Plans[1] $	Life, Health and Welfare Insurance Premiums $	Dividend Equivalents on Restricted Share Unit (RSU) $	Executive Expatriate Allowances and Perquisites[2] $	Expatriate Relocation $	All Other Compensation Total $
Jeremy D. Thigpen	299,200	20,936	34,135	--	7,366	361,637
Mark Mey	183,236	17,112	22,086	--	101,801	324,235
John B. Stobart	178,220	17,284	155,732	83,115	77,869	512,220
Howard Davis	123,475	16,329	1,000	--	--	140,804
Brady Long	113,505	17,312	--	--	--	130,817

(1) All Named Executive Officers participate in the U.S. 401(k) Savings Plan and Savings Restoration Plan.

(2) Amounts include automobile and housing allowance ($45,557); cost of living allowance ($30,001); home country leave allowances; and a 2016 financial planning benefit for Mr. Stobart.

Grants of Plan-Based Awards for 2017

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, 2017.

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1)			Estimated Future Payouts Under Equity Incentive Plan Awards (2)					
Name	Grant Date	Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)	Number of Shares of Stock or Units(3)	Exercise Price of Option Award(4) $	Grant Date Fair Value of Stock and Option Awards (5) ($)
Jeremy Thigpen	--	--	1,200,000	2,400,000						
	2/10/2017				--	187,238	374,476			2,499,627
	2/10/2017							112,897	--	1,507,175
	2/10/2017							217,618	13.35	1,400,677
Mark Mey	--	--	646,000	1,292,000						
	2/10/2017				--	80,887	161,774			1,079,841
	2/10/2017							48,772	--	651,106
	2/10/2017							94,001	13.35	605,092
John Stobart	--	--	670,000	1,340,000						
	2/10/2017				--	81,186	162,372			1,083,833
	2/10/2017							48,952	--	653,509
	2/10/2017							94,359	13.35	607,332
Howard Davis	--	--	412,500	825,000						
	2/10/2017				--	64,410	128,820			859,874
	2/10/2017							38,837	--	518,474
	2/10/2017							74,861	13.35	481,835
Brady Long	--	--	367,500	735,000						
	2/10/2017				--	59,916	119,832			799,879
	2/10/2017							36,127	--	482,295
	2/10/2017							69,638	13.35	448,218

(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 2017, see "Compensation Discussion Analysis—2017 Bonus Structure."

(2) The February 10, 2017, performance share unit award is subject to a three-year performance period ending December 31, 2019. The actual number of performance units received will be determined in the first 60 days of 2020 and is contingent on our performance in total shareholder return relative to the Performance Peer Group. Any earned shares will vest on December 31, 2019. For more information regarding long-term incentives plans, including the performance targets used for 2017 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 2017 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 2017

The following table sets forth certain information with respect to outstanding equity awards at December 31, 2017, for the Named Executive Officers.

Name	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options Not Exercisable	Option Exercise Price ($/Share)	Grant/ Award Date	Option Expiration Date	Number of Shares or Units of Stock that have not Vested [1] (#)	Market Value of Shares or Units of Stock That Have Not Vested [2] ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units, Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: market or Payout Value of Unearned Shares, Units, Other Rights That Have Not Vested [2] ($)
Jeremy Thigpen	77,985	155,972	8.61	2/11/2016	2/10/2026				
	-	217,618	13.35	2/10/2017	2/9/2027				
				4/22/2015		113,785	1,215,224		
				2/11/2016		91,432	976,494		
				2/10/2017		112,897	1,205,740		
				2/11/2016				274,295[3]	2,929,471
				2/10/2017				187,238[4]	1,999,702
Mark Mey	32,679	65,360	8.61	2/11/2016	2/10/2026				
	-	94,011	13.35	2/10/2017	2/9/2027				
				5/28/2015		73,620	786,262		
				2/11/2016		38,314	409,194		
				2/10/2017		48,772	520,885		
				2/11/2016				114,943[3]	1,227,591
				2/10/2017				80,887[4]	863,873
John Stobart	38,597		59.30	2/14/2013	2/13/2023				
	32,828	65,657	8.61	2/11/2016	2/10/2026				
	-	94,359	13.35	2/10/2017	2/9/2027				
				2/13/2015		18,353	196,010		
				2/11/2016		38,488	411,052		
				2/10/2017		48,952	522,807		
				2/11/2016				115,465[3]	1,233,166
				2/10/2017				81,186[4]	867,066
Howard Davis	24,509	49,020	8.61	2/11/2016	2/10/2026				
	-	74,861	13.35	2/10/2017	2/9/2027				
				8/17/2015		6,667	71,204		
				2/11/2016		28,736	306,900		
				2/10/2017		38,837	414,779		
				2/11/2016				86,207[3]	920,691
				2/10/2017				64,410[4]	687,899
Brady Long	19,496	38,993	8.61	2/11/2016	2/10/2026				
	-	69,638	$13.35	2/10/2017	2/9/2027				
				11/10/2015		17,834	190,467		
				2/11/2016		22,858	244,123		
				2/10/2017		36,127	385,836		
				2/11/2016				68,574[3]	732,370
				2/10/2017				59,916[4]	639,903

(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, 2017, of $10.68 was used.

(3) 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 performance in the 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."

(4) Represents performance share units, which are subject to a three-year performance period ending on December 31, 2019. The actual number of performance shares units received will be determined in the first 60 days of 2020 and is contingent on our total shareholder return relative to the Performance Peer Group. Any shares earned will vest on December 31, 2019. For more information regarding long-term incentives plans, please see "Compensation Discussion and Analysis—Long-Term Incentives."

Option Exercises and Shares Vested for 2017

The following table sets forth certain information with respect to the exercise of options and the vesting of restricted share units, as applicable, during 2017 for the Named Executive Officers.

Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting [(1)] ($)
Jeremy Thigpen	--	--	159,499	1,928,055
Mark Mey	--	--	92,777	972,963
John Stobart	--	--	82,508	1,128,834
Howard Davis	--	--	21,034	250,392
Brady Long	--	--	29,262	367,084

(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 2017

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 ($)	Payments During 2017 ($)
Jeremy D. Thigpen	Transocean Savings Restoration Plan	3	516,873	--
Mark Mey	Transocean Savings Restoration Plan	3	284,278	--
John B. Stobart	Transocean Pension Equalization Plan	3	240,381	--
	Transocean Savings Restoration Plan	3	406,958	--
	Transocean U.S. Retirement Plan	3	97,970	--
Howard Davis	Transocean Savings Restoration Plan	2	148,805	--
Brady Long	Transocean Savings Restoration Plan	2	133,621	--

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 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, 2017. The present value of these benefits was calculated based on assumptions used in the Company's financial statements for 2017.

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 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) ($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, 2017. The present value of these benefits was calculated based on assumptions used in the Company's financial statements for 2017.

CEO Pay Ratio

Pursuant to the Securities Exchange Act of 1934, as amended, the Company is required to disclose in this proxy statement the ratio of the total annual compensation of our CEO to the median of the total annual compensation of all employees of the Company other than the CEO.

Based on SEC rules for this disclosure and applying the methodology described below, the Company determined that our CEO's total compensation for 2017 was $8,968,889, and the median total 2017 compensation provided to all employees was $111,358. Accordingly, the Company estimates the ratio of our CEO's total compensation for 2017 to the median compensation of all employees to be 81 to 1.

In determining the applicable median salary, we first excluded 218 of our non-U.S. employees located in India, representing 4.9% of our workforce, a de minimis number of non-US employees as allowed under the SEC rules. Next, for all other non-U.S. employees paid in local non-U.S. currency, salaries were denominated in U.S. dollars by applying applicable currency exchange rates in place on December 31, 2017. This currency exchange was necessary for comparison to our CEO pay which is denominated in U.S. dollars. We then identified the median employee based on a tabulation of base annual salary for all included employees on December 31, 2017, the last day of our fiscal year.

Once the median employee was identified as described above, the total annual compensation for 2017 for that employee was determined using the same rules that apply to reporting NEO compensation in the "Total" column of the Summary Compensation Tables.

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, 2017, upon a variety of termination or change of control scenarios.

As of December 31, 2017, 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

Compensation Element	Mr. Thigpen $	Mr. Mey $	Mr. Stobart[(1)] $	Mr. Davis $	Mr. Long $
Pension Equalization Plan	--	--	240,381	--	--
Savings Restoration Plan	516,873	284,278	406,958	148,805	133,621
Total Potential Payments	**516,873**	**284,278**	**647,339**	**148,805**	**133,621**

(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, 2017.

Involuntary Not-for-Cause Termination

Compensation Element	Mr. Thigpen $	Mr. Mey $	Mr. Stobart $	Mr. Davis[(1)] $	Mr. Long[(1)] $
Cash Severance Payment	--	--	--	550,000	525,000
Non-Equity Incentive Compensation	1,656,000	891,480	924,600	569,250	507,150
Equity Incentive Compensation					
Vested Stock Options	161,429	67,646	67,954	50,734	40,357
Unvested Stock Options[(2)]	--	--	--	--	--
Time-based Restricted Share Units[(3)]	2,170,645	1,191,176	602,634	381,915	453,902
Performance-based Units[(4)]	2,205,799	941,269	945,066	732,095	642,954
Pension Equalization Plan[(5)]	--	--	240,381	--	--
Outplacement Services	--	--	--	27,500	26,250
Savings Restoration Plan[(5)]	516,873	284,278	406,958	148,805	133,621
Total Potential Payments	**6,710,746**	**3,375,849**	**3,187,593**	**2,460,299**	**2,329,234**

(1) Any involuntary not-for-cause termination as of December 31, 2017, 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 2017 and a pro-rata portion granted in 2017 would vest.

(5) 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.

(6) 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, 2017.

Death

Compensation Element	Mr. Thigpen $	Mr. Mey $	Mr. Stobart $	Mr. Davis $	Mr. Long $
Non-Equity Incentive Compensation(1)	1,656,000	891,480	924,600	569,250	507,150
Equity Incentive Compensation					
Vested Stock Options	161,429	67,646	67,954	50,734	40,357
Unvested Stock Options(2)	484,291	135,295	135,910	101,471	80,716
Time-based Restricted Share Units(2)	3,397,458	1,716,340	1,129,869	792,883	820,427
Performance-based Units(3)	4,929,172	2,091,464	2,100,233	1,608,590	1,372,273
Pension Equalization Plan(4)	--	--	173,637	--	--
Life Insurance Benefit	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Savings Restoration Plan(4)	516,873	284,278	406,958	148,805	133,621
Total Potential Payments	**12,145,223**	**6,186,503**	**5,939,161**	**4,271,733**	**3,954,543**

(1) Each Named Executive Officer’s beneficiary would receive the pro-rata non-equity incentive plan earned compensation for 2017. If the Named Executive Officer died on December 31, 2017, then this pro-rata share would be equal to 100% of such Named Executive Officer's targeted non-equity incentive compensation for 2017.

(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 $	Mr. Mey $	Mr. Stobart $	Mr. Davis $	Mr. Long $
Non-Equity Incentive Compensation (1)	1,656,000	891,480	924,600	569,250	507,150
Equity Incentive Compensation					
Vested Stock Options	161,429	67,646	67,954	50,734	40,357
Unvested Stock Options(2)	484,291	135,295	135,910	101,471	80,716
Time-based Restricted Share Units(2)	3,397,458	1,716,340	1,129,869	792,883	820,427
Performance-based Units(3)	4,929,172	2,091,464	2,100,233	1,608,590	1,372,273
Pension Equalization Plan(4)	--	--	240,381	--	--
Disability Benefit(5)	--	--	--	--	--
Savings Restoration Plan	516,873	284,278	406,958	148,805	133,621
Total Potential Payments	**11,145,223**	**5,186,503**	**5,005,905**	**3,271,733**	**2,954,543**

(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) Named Executive Officers are not eligible for any disability benefits beyond those benefits that are available generally to all salaried employees.

Retirement

Compensation Element	Mr. Thigpen $	Mr. Mey $	Mr. Stobart $	Mr. Davis $	Mr. Long $
Non-Equity Incentive Compensation	1,656,000	891,480	924,600	569,250	507,150
Equity Incentive Compensation					
Vested Stock Options	161,429	67,646	67,954	50,734	40,357
Unvested Stock Options	--	--	--	--	--
Time-based Restricted Share Units	2,170,645	1,191,176	602,634	381,915	453,902
Performance-based Units(1)	2,205,799	941,269	945,066	732,095	642,954
Pension Equalization Plan(2)	--	--	240,381	--	--
Savings Restoration Plan(2)	516,873	284,278	406,958	148,805	133,621
Total Potential Payments	**6,710,746**	**3,375,848**	**3,187,593**	**1,882,799**	**1,777,983**

(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 $	Mr. Mey $	Mr. Stobart $	Mr. Davis(1) $	Mr. Long(1) $
Cash Severance Payment	--	--	--	550,000	525,000
Non-Equity Incentive Compensation	1,656,000	891,480	924,600	569,250	507,150
Equity Incentive Compensation					
Vested Stock Options	161,429	67,646	67,954	50,734	40,357
Unvested Stock Options (2)	484,291	202,941	203,864	152,205	121,072
Time-based Restricted Share Units (2)	3,397,458	1,716,340	1,129,869	792,883	820,427
Performance-based Units (3)	4,929,172	2,091,464	2,100,233	1,608,590	1,372,273
Pension Equalization Plan(4)	--	--	240,381	--	--
Outplacement Services	--	--	--	27,500	26,250
Savings Restoration Plan(4)	516,873	284,278	406,958	148,805	133,621
Total Potential Payments	**11,145,223**	**5,254,149**	**5,073,859**	**3,899,966**	**3,546,150**

(1) Any termination in connection with a change of control as of December 31, 2017, 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, 2017.

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]	2,753,463	34.98	15,823,896
Equity compensation plans not approved by security holders	—	—	—
Total	2,753,463	34.98	15,823,896

[1] We may also grant restricted shares and restricted share units under our long-term incentive plans previously approved by our shareholders. At December 31, 2017, we had 5,942,727 shares available for future issuance pursuant to grants of restricted shares and restricted share units

OTHER MATTERS

Compensation Committee Interlocks and Insider Participation

The members of the Compensation Committee of the Board of Directors during 2017 were Tan Ek Kia, Chairman, Frederico F. Curado, Vincent J. Intrieri and Martin B. McNamara, who retired from the Board of Directors on January 30, 2018. 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 SEC. Based solely on a review of such reports furnished to the Company and written representations that no report on Form 5 was required for 2017, 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 2017.

Householding

The SEC permits us, under certain circumstances, to send a single set of the Notice, 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 copy of the Notice 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 one or more of 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 who 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 Notice, proxy materials or annual report, as applicable, 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 2019 Annual General Meeting, your proposals must be received at our principal executive offices c/o Transocean Management Ltd., Turmstrasse 30, CH-6312 Steinhausen, Switzerland by no later than 5:00 p.m. Swiss time on November 20, 2018. However, if the date of the 2019 Annual General Meeting changes by more than 30 days from the anniversary of the 2018 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 17, 2019, for the 2019 annual meeting unless it is more than 30 calendar days before or after May 18, 2019.

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 17, 2019. 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 you propose or to acknowledge your 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-6312 Steinhausen, 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) 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—2017 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 2017 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.

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ANNEX A – Renewal of Authorized Share Capital

Genehmigtes Aktienkapital

1 Der Verwaltungsrat ist ermächtigt, das Aktienkapital jederzeit bis zum 18. Mai 2020 im Maximalbetrag von CHF 2’770’388.90 durch Ausgabe von höchstens 27’703’889 vollständig zu liberierenden Aktien mit einem Nennwert von je CHF 0.10 zu erhöhen. Eine Erhöhung (i) auf dem Weg einer Festübernahme durch eine Bank, ein Bankenkonsortium oder Dritte und eines anschliessenden Angebots an die bisherigen Aktionäre sowie (ii) in Teilbeträgen ist zulässig.

2 Der Verwaltungsrat legt den Zeitpunkt der Ausgabe, den Ausgabebetrag, die Art, wie die neuen Aktien zu liberieren sind, den Beginn der Dividendenberechtigung, die Bedingungen für die Ausübung der Bezugsrechte sowie die Zuteilung der Bezugsrechte, welche nicht ausgeübt wurden, fest. Nicht-ausgeübte Bezugsrechte kann der Verwaltungsrat verfallen lassen, oder er kann diese bzw. Aktien, für welche Bezugsrechte eingeräumt, aber nicht ausgeübt werden, zu Marktkonditionen platzieren oder anderweitig im Interesse der Gesellschaft verwenden.

3 Der Verwaltungsrat ist ermächtigt, die Bezugsrechte der Aktionäre zu entziehen oder zu beschränken und einzelnen Aktionären oder Dritten zuzuweisen:

(a) wenn der Ausgabebetrag der neuen Aktien unter Berücksichtigung des Marktpreises festgesetzt wird; oder

(b) für die Übernahme von Unternehmen, Unternehmensteilen oder Beteiligungen oder für die Finanzierung oder Refinanzierung solcher Transaktionen oder die Finanzierung von neuen Investitionsvorhaben der Gesellschaft; oder

(c) zum Zwecke der Erweiterung des Aktionärskreises in bestimmten Finanz- oder Investoren-Märkten, zur Beteiligung von strategischen Partnern, oder im Zusammenhang mit der Kotierung von neuen Aktien an

Authorized Share Capital

1 The Board of Directors is authorized to increase the share capital, at any time until May 18, 2020, by a maximum amount of CHF 2,770,388.90 by issuing a maximum of 27,703,889 fully paid up Shares with a par value of CHF 0.10 each. An increase of the share capital (i) by means of an offering underwritten by a financial institution, a syndicate of financial institutions or another third party or third parties, followed by an offer to the then-existing shareholders of the Company, and (ii) in partial amounts shall be permissible.

2 The Board of Directors shall determine the time of the issuance, the issue price, the manner in which the new Shares have to be paid up, the date from which the Shares carry the right to dividends, the conditions for the exercise of the preemptive rights and the allotment of preemptive rights that have not been exercised. The Board of Directors may allow the preemptive rights that have not been exercised to expire, or it may place such rights or Shares, the preemptive rights of which have not been exercised, at market conditions or use them otherwise in the interest of the Company.

3 The Board of Directors is authorized to withdraw or limit the preemptive rights of the shareholders and to allot them to individual shareholders or third parties:

(a) if the issue price of the new Shares is determined by reference to the market price; or

(b) for the acquisition of an enterprise, part(s) of an enterprise or participations, or for the financing or refinancing of any of such transactions, or for the financing of new investment plans of the Company; or

(c) for purposes of broadening the shareholder constituency of the Company in certain financial or investor markets, for purposes of the participation of strategic partners, or in connection with the listing of new Shares on domestic or foreign stock exchanges; or inländischen oder ausländischen Börsen; oder

(d) für die Einräumung einer Mehrzuteilungsoption (Greenshoe) von bis zu 20% der zu platzierenden oder zu verkaufenden Aktien an die betreffenden Erstkäufer oder Festübernehmer im Rahmen einer Aktienplatzierung oder eines Aktienverkaufs; oder

(e) für die Beteiligung von Mitgliedern des Verwaltungsrates, Mitglieder der Geschäftsleitung, Mitarbeitern, Beauftragten, Beratern oder anderen Personen, die für die Gesellschaft oder eine ihrer Tochtergesellschaften Leistungen erbringen.

4 Die neuen Aktien unterliegen den Eintragungsbeschränkungen in das Aktienbuch von Artikel 7 und 9 dieser Statuten.

(d) for purposes of granting an over-allotment option (Greenshoe) of up to 20% of the total number of Shares in a placement or sale of Shares to the respective initial purchaser(s) or underwriter(s); or

(e) for the participation of members of the Board of Directors, members of the Executive Management Team, employees, contractors, consultants or other persons performing services for the benefit of the Company or any of its subsidiaries.

4 The new Shares shall be subject to the limitations for registration in the share register pursuant to Articles 7 and 9 of these Articles of Association.

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

1. ***Plan***. Transocean Ltd., a Swiss corporation (the "*Company*"), established this Transocean Ltd. 2015 Long-Term Incentive Plan (this "*Plan*"), effective as of May 15, 2015 (the "*Effective Date*").

2. ***Objectives***. This Plan is designed to attract and retain employees of the Company and its Subsidiaries, to attract and retain qualified non-employee directors of the Company, to encourage the sense of proprietorship of such employees and directors and to stimulate the active interest of such persons in the development and financial success of the Company and its Subsidiaries. These objectives are to be accomplished by making Awards under this Plan and thereby providing Participants with a proprietary interest in the growth and performance of the Company and its Subsidiaries.

3. **Definitions.** As used herein, the terms set forth below shall have the following respective meanings:

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

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

"*Board*" means the Board of Directors of the Company.

"*Cash Award*" means an Award denominated in cash.

"*Change of Control*" means:

(i) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) (a "*Person*") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 50% or more of either (x) the then outstanding shares of the Company (the "*Outstanding Company Shares*") or (y) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "*Outstanding Company Voting Securities*"); *provided, however*, that for purposes of this subsection (i), the following acquisitions shall not constitute a Change of Control: (1) any acquisition directly from the Company, (2) any acquisition by the Company, (3) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation or other entity controlled by the Company or (4) any acquisition by any corporation or other entity pursuant to a transaction which complies with clauses (x) and (y) of subsection (iii) of this definition; or

(ii) Individuals who, as of the Effective Date, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that for purposes of this definition any individual becoming a director subsequent to the Effective Date whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

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

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

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

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

"Company" means Transocean Ltd., a Swiss corporation, or any successor thereto.

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

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

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

"Employee" means an employee of the Company or any of its Subsidiaries.

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

"Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time.

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

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

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

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

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

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

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

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

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

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

"Performance Unit Award" means an Award in the form of Performance Units.

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

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

"Restricted Share Award" means an Award in the form of Restricted Shares.

"Restricted Shares" means a Share that is restricted or subject to forfeiture provisions.

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

"Restricted Share Unit Award" means an Award in the form of Restricted Share Units.

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

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

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

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

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

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

4. **Eligibility.** All Employees are eligible for Employee Awards under this Plan. All Directors are eligible for Director Awards under this Plan. The Committee (or the Board, in the case of Director Awards) shall determine the type or types of Awards to be made under this Plan and shall designate from time to time the Employees or Directors who are to be granted Awards under this Plan.

5. **Shares Available for Awards; Award Limitations.**

(a) *Shares Initially Available for Awards.* Subject to the provisions of Paragraph 15 hereof, there shall be available for Awards under this Plan granted wholly or partly in Shares (including rights or Options that may be exercised for or settled in Shares) an aggregate of 19,500,000 Shares plus the shares remaining available for awards under the Prior Plan as of the Effective Date, all of which shall be available for Incentive Stock Options. Each Share issued pursuant to an award of Restricted Shares or Restricted Share Units (including those designated as Performance Awards) granted on or after the Effective Date shall reduce the Available Shares by 1.68.

(b) *Shares Again Available for Awards.* If an Award expires or is terminated, cancelled or forfeited, the Shares associated with the expired, terminated, cancelled or forfeited Award shall again be available for Awards under this Plan. Notwithstanding the foregoing, the following Shares shall not become available for Awards under this Plan: (i) Shares tendered by an Participant or withheld by the Company for payment of an Exercise Price, (ii) Shares tendered by a Participant or withheld by the Company to satisfy the Company's tax withholding obligation in connection with an Award, (iii) Shares reacquired in the open market or otherwise using cash proceeds from the exercise of Options, and (iv) Shares that are not issued to a Participant due to a net settlement of an Award. For purposes of clarity, SARs and Options shall be counted in full against the Shares available for issuance under this Plan, regardless of the number of Shares issued upon settlement of the SARs and Options.

(c) *Prior Plan.* Shares represented by awards granted under the Prior Plan that are forfeited, expired or canceled without delivery of Shares shall again become available for Awards under this Plan, with each such Share that relates to (i) awards of Options or SARs granted at any time or awards of Restricted Shares, Restricted Share Units, or Performance Units granted prior to May 15, 2009, increasing the Shares available for Awards under this Plan by 1.00 Share and (ii) awards of Restricted Shares, Restricted Share Units, or Performance Units granted between May 15, 2009 and the Effective Date, increasing the Shares available for Awards under this Plan by 1.68 Shares.

(d) *Substitute Awards.* The foregoing notwithstanding, subject to applicable securities exchange listing requirements, the number Shares available for Awards shall not be reduced by (x) Shares issued under Awards granted in assumption, substitution or exchange for previously granted awards of a company acquired by the Company and (y) available shares under a shareholder approved plan of an acquired company (as appropriately adjusted to reflect the transaction) and such shares shall be available for Awards under this Plan.

(e) *Authority.* The Board and the appropriate officers of the Company shall from time to time take whatever actions are necessary to file any required documents with governmental authorities, stock exchanges and transaction reporting systems to ensure that Shares are available for issuance pursuant to Awards.

(f) *Award Limitations.* Notwithstanding anything to the contrary contained in this Plan, the following limitations shall apply to any Awards made hereunder:

i. No Employee may be granted during any calendar year Awards consisting of Options or SARs that are exercisable for more than 600,000 Shares;

ii. No Employee may be granted during any calendar year Awards that are Share-Based Awards covering or relating to more than 600,000 Shares (the limitation set forth in this clause (ii), together with the limitation set forth in clause (i) above, being hereinafter collectively referred to as the "Share-Based Award Limitations");

iii. No Employee may be granted during any calendar year Awards that may be settled solely in cash having a value determined on the Grant Date in excess of $5,000,000; and

iv. No Director may be granted during any calendar year Director Awards having a value determined on the Grant Date in excess of $1,000,000.

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

6. **Administration.**

(a) *Authority of the Committee*. Except as otherwise provided in this Plan with respect to actions or determinations by the Board, this Plan shall be administered by the Committee; provided, however, that (i) any and all members of the Committee shall satisfy any independence requirements prescribed by any stock exchange on which the Company lists its Shares; (ii) Awards may be granted to individuals who are subject to Section 16(b) of the Exchange Act only if the Committee is composed solely of two or more "Non-Employee Directors" as defined in Securities and Exchange Commission Rule 16b-3 (as amended from time to time, and any successor rule, regulation or statute fulfilling the same or similar function); and (iii) any Award intended to qualify for the "performance-based compensation" exception under Code Section 162(m) shall be granted only if the Committee is composed solely of two or more "outside directors" within the meaning of Code Section l62(m) and regulations pursuant thereto. Subject to the provisions hereof, the Committee shall have full and exclusive power and authority to administer this Plan and to take all actions that are specifically contemplated hereby or are necessary or appropriate in connection with the administration hereof. The Committee shall also have full and exclusive power to interpret this Plan and to adopt such rules, regulations and guidelines for carrying out this Plan as it may deem necessary or proper, all of which powers shall be exercised in the best interests of the Company and in keeping with the objectives of this Plan. Subject to Paragraph 6(c) hereof, the Committee may, in its discretion, (x) provide for the extension of the exercisability of an Award, or (y) in the event of death, disability, retirement, Change of Control or any other reason, accelerate the vesting or exercisability of an Award, eliminate or make less restrictive any restrictions contained in an Award, waive any restriction or other provision of this Plan or an Award or otherwise amend or modify an Award in any manner that is, in either case, (i) not materially adverse to the Participant to whom such Award was granted, (ii) consented to by such Participant or (iii) authorized by Paragraph 15(c) hereof; provided, however, that except as expressly provided in Paragraph 8(a)(i) or 8(a)(ii) hereof, no such action shall permit the term of any Option or SAR to be greater than 10 years from its Grant Date. The Committee may correct any defect or supply any omission or reconcile any inconsistency in this Plan or in any Award Agreement in the manner and to the extent the Committee deems necessary or desirable to further this Plan's purposes. Any decision of the Committee in the interpretation and administration of this Plan shall lie within its sole and absolute discretion and shall be final, conclusive and binding on all parties concerned. The Board shall have the same powers as the Committee with respect to Director Awards.

(b) *Indemnity.* No member of the Board or the Chief Executive Officer of the Company to whom the Committee has delegated authority in accordance with the provisions of Paragraph 7 of this Plan shall be liable for anything done or omitted to be done by such person, by any member of the Board or the Committee or by any officer of the Company in connection with the performance of any duties under this Plan, except for his own willful misconduct or as expressly provided by statute.

(c) *Prohibition on Repricing of Awards*. Except for adjustments made pursuant to Paragraph 15, in no event will the Committee, without first obtaining approval by the majority of the shareholders of the Company, (i) decrease the Exercise Price of an Option or SAR after the Grant Date; (ii) accept for surrender to the Company any outstanding Option or SAR granted under this Plan as consideration for the grant of a new Option or SAR with a lower Exercise Price or for the grant of any other Award; (iii) repurchase from Participants whether for cash or any other consideration any outstanding Options or SARs that have an Exercise Price per share higher than the then current Fair Market Value of a Share; or (iv) grant any Option or SAR that contains a so-called "reload" feature under which additional Options, SARs or other Awards are granted automatically to the Participant upon exercise of the original Option or SAR.

7. **Delegation of Authority.** The Committee may delegate any of its authority to grant Awards to Employees who are not subject to Section 16(b) of the Exchange Act subject to Paragraph 6(a) above, to the Board or the Chief Executive Officer of the Company, provided such delegation is made in writing and specifically sets forth such delegated authority. The Committee and the Board, as applicable, may engage or authorize the engagement of a third party administrator to carry out administrative functions under this Plan. Any such delegation hereunder shall only be made to the extent permitted by applicable law.

8. **Employee Awards.**

(a) Award Provisions. The Committee shall determine the type or types of Employee Awards to be made under this Plan and shall designate from time to time the Employees who are to be the recipients of such Awards. Each Employee Award shall be embodied in an Award Agreement, which shall contain such terms, conditions and limitations as shall be determined by the Committee, in its sole discretion, and, if required by the Committee, shall be signed by the Participant to whom the Award is granted and by the Company. Awards may consist of those listed in this Paragraph 8(a) and may be granted singly, in combination or in tandem. Awards may also be made in combination or in tandem with, in replacement of, or as alternatives to, grants or rights under this Plan or any other plan of the Company or any of its Subsidiaries, including the plan of any acquired entity. All or part of an Award may be subject to conditions established by the Committee. Upon the termination of employment by a Participant who is an Employee, any unexercised, unvested or unpaid Awards shall be treated as set forth in the applicable Award Agreement or in any other written agreement the Company has entered into with the Participant.

i. *Options.* An Employee Award may be in the form of an Option. An Option awarded pursuant to this Plan may consist of either an Incentive Stock Option or a Nonqualified Stock Option. The Exercise Price of an Option shall be not less than the Fair Market Value of the Shares on the Grant Date, subject to adjustment as provided in Paragraph 15 hereof. The term of an Option shall not exceed 10 years from the Grant Date. Subject to the foregoing provisions, the terms, conditions and limitations applicable to any Option, including, but not limited to, the term of any Option and the date or dates upon which the Option becomes vested and exercisable, shall be determined by the Committee.

ii. *Share Appreciation Rights.* An Employee Award may be in the form of an SAR. The Exercise Price for an SAR shall not be less than the Fair Market Value of the Shares on the Grant Date, subject to adjustment as provided in Paragraph 15 hereof. The holder of a tandem SAR may elect to exercise either the Option or the SAR, but not both. The exercise period for an SAR shall extend no more than 10 years after the Grant Date. Subject to the foregoing provisions, the terms, conditions, and limitations applicable to any SAR, including, but not limited to, the term of any SAR and the date or dates upon which the SAR becomes vested and exercisable, shall be determined by the Committee.

iii. *Restricted Share Awards.* An Employee Award may be in the form of a Restricted Share Award. The terms, conditions and limitations applicable to any Restricted Share Award, including, but not limited to, the Restriction Period, shall be determined by the Committee.

iv. *Restricted Share Unit Awards.* An Employee Award may be in the form of a Restricted Share Unit Award. The terms, conditions and limitations applicable to a Restricted Share Unit Award, including, but not limited to, the Restriction Period, shall be determined by the Committee. Subject to the terms of this Plan, the Committee, in its sole discretion, may settle Restricted Share Units in the form of cash or in Shares (or in a combination thereof) equal to the value of the vested Restricted Share Units.

v. *Performance Unit Awards.* An Employee Award may be in the form of a Performance Unit Award. Subject to the terms of this Plan, after the applicable performance period has ended, the Participant shall be entitled to receive settlement of the value and number of Performance Units earned by the Participant over the performance period, as determined based on the extent to which the corresponding performance objectives have been achieved. Settlement of earned Performance Units shall be as determined by the Committee and as evidenced in an Award Agreement. Subject to the terms of this Plan, the Committee, in its sole discretion, may settle earned Performance Units in the form of cash or in Shares (or in a combination thereof) equal to the value of the earned Performance Units as soon as practicable after the end of the performance period and following the Committee's determination of actual performance against the performance measures and related goals established by the Committee.

vi. *Cash Awards.* An Employee Award may be in the form of a Cash Award. The terms, conditions and limitations applicable to a Cash Award, including, but not limited to, vesting or other restrictions, shall be determined by the Committee.

vii. *Performance Awards.* Without limiting the type or number of Awards that may be made under the other provisions of this Plan, an Employee Award may be in the form of a Performance Award. The terms, conditions and limitations applicable to an Award that is a Performance Award shall be determined by the Committee. The Committee shall set Performance Objectives in its discretion which, depending on the extent to which they are met, will determine the value and/or amount of Performance Awards that will be paid out to the Participant and/or the portion of an Award that may be exercised.

(A) *Nonqualified Performance Awards.* Performance Awards granted to Employees that are not intended to qualify as qualified performance-based compensation under Code Section 162(m) shall be based on achievement of such Performance Objectives and be subject to such terms, conditions and restrictions as the Committee or its delegate shall determine.

(B) *Qualified Performance Awards.* Performance Awards granted to Employees under this Plan that are intended to qualify as qualified performance-based compensation under Code Section 162(m) ("Qualified Performance Awards") shall be paid, vested or otherwise deliverable solely on account of the attainment of one or more pre-established, objective Performance Objectives established by the Committee prior to the earlier to occur of (1) 90 days after the commencement of the period of service to which the Performance Objective relates and (2) the lapse of 25% of the period of service (as scheduled in good faith at the time the goal is established), and in any event while the outcome is substantially uncertain. A Performance Objective is objective if a third party having knowledge of the relevant facts could determine whether the goal is met. One or more of such goals may apply to the Employee, one or more business units, divisions or sectors of the Company, or the Company as a whole, and if so desired by the Committee, by comparison with a peer group of companies. A Performance Objective shall include one or more of the following: (1) increased revenue; (2) net income measures (including but not limited to income after capital costs and income before or after taxes); (3) Share price measures (including but not limited to growth measures and total shareholder return); price per Share; market share; earnings per Share (actual or targeted growth); (4) earnings before interest, taxes, depreciation, and amortization ("EBITDA"); (5) economic value added (or an equivalent metric); (6) market value added; (7) debt to equity ratio; (8) cash flow measures (including but not limited to cash flow return on capital, cash flow return on tangible capital, net cash flow and net cash flow before financing activities cash flow value added, cash flow return on market capitalization); (9) return measures (including but not limited to return on equity, return on average assets, return on capital, risk-adjusted return on capital, return on investors' capital and return on average equity); (10) operating measures (including operating income, funds from operations, cash from operations, after-tax operating income; sales volumes, production volumes and production efficiency); (11) expense measures (including but not limited to overhead cost and general and administrative expense cost control and project management); (12) margins; (13) shareholder value; (14) total shareholder return; (15) proceeds from dispositions; and (16) total market value and corporate values measures (including ethics compliance, environmental, human resources development and safety).

Unless otherwise stated, such a Performance Objective need not be based upon an increase or positive result under a particular business criterion and could include, for example, maintaining the status quo or limiting economic losses (measured, in each case, by reference to specific business criteria). In interpreting Plan provisions applicable to Qualified Performance Awards, it is the intent of this Plan to conform with the standards of Code Section 162(m) and Treasury Regulation § 1.162-27(e)(2)(i), as to grants to Employees, who are or may be "covered employees," as defined in Code Section 162(m), and the Committee in establishing such goals and interpreting this Plan shall be guided by such provisions. Prior to the payment of any compensation based on the achievement of Performance Objectives applicable to Qualified Performance Awards, the Committee must certify in writing that applicable Performance Objectives and any of the material terms thereof were, in fact, satisfied. For this purpose, approved minutes of the Committee meeting in which the certification is made shall be treated as such written certification. Subject to the foregoing provisions, the terms, conditions and limitations applicable to any Qualified Performance Awards made pursuant to this Plan shall be determined by the Committee.

(b) *Minimum Vesting.* Subject to Paragraph 6(a) hereof, all Employee Awards shall have a minimum vesting period or Restriction Period, as applicable, of one year from the Grant Date.

9. **Director Awards.** The Board has the sole authority to grant Director Awards from time to time in accordance with this Paragraph 9. Director Awards may consist of the forms of Award described in Paragraph 8, with the exception of Options, SARs, Performance Awards and Cash Awards, and shall be granted subject to such terms and conditions as specified in Paragraph 8. Each Director Award may, in the discretion of the Board, be embodied in an Award Agreement, which shall contain such terms, conditions, and limitations as shall be determined by the Board, in its sole discretion. Subject to Paragraph 6(a) hereof, all Director Awards shall vest at such time as the Board may designate in its sole discretion, but not earlier than the first to occur of (a) the first anniversary of the Grant Date of

such Director Award or (b) the date of the annual general meeting of the Board next following the Grant Date of such Director Award.

10. **Award Payment; Dividends and Dividend Equivalents.**

(a) *General*. Payment of Awards may be made in the form of cash or Shares, or a combination thereof, and may include such restrictions as the Committee (or the Board, in the case of Director Awards) shall determine, including, but not limited to, in the case of Shares, restrictions on transfer and forfeiture provisions. For a Restricted Share Award, the certificates evidencing the shares of such Restricted Shares (to the extent that such shares are so evidenced) shall contain appropriate legends and restrictions that describe the terms and conditions of the restrictions applicable thereto. For a Restricted Share Unit Award that may be settled in Shares, the Shares that may be issued at the end of the Restriction Period shall be evidenced by book entry registration or in such other manner as the Committee may determine.

(b) *Dividends and Dividend Equivalents.* Rights to (i) dividends will be extended to and made part of any Restricted Share Award and (ii) Dividend Equivalents may be extended to and made part of any Restricted Share Unit Award and Performance Unit Award, subject in each case to such terms, conditions and restrictions as the Committee may establish; provided, however, that no such Dividend Equivalents shall be paid with respect to unvested Restricted Share Unit Awards or Performance Unit Awards. Dividend Equivalents with respect to unvested Restricted Share Unit Awards or Performance Unit Awards may, in the discretion of the Committee, be accumulated and paid to the Participant at the time that such Restricted Share Unit Award or Performance Unit Award vests. Dividends and/or Dividend Equivalents shall not be made part of any Options or SARs.

11. **Option Exercise.** The Exercise Price shall be paid in full at the time of exercise in cash or, if permitted by the Committee and elected by the Participant, the Participant may purchase such shares by means of the Company withholding Shares otherwise deliverable on exercise of the Award or tendering Shares valued at Fair Market Value on the date of exercise, or any combination thereof. The Committee, in its sole discretion, shall determine acceptable methods for Participants to tender Shares or other Awards. The Committee may provide for procedures to permit the exercise or purchase of such Awards by use of the proceeds to be received from the sale of Shares issuable pursuant to an Award (including cashless exercise procedures approved by the Committee involving a broker or dealer approved by the Committee). The Committee may adopt additional rules and procedures regarding the exercise of Options from time to time, provided that such rules and procedures are not inconsistent with the provisions of this Paragraph 11.

12. **Taxes.** The Company shall have the right to deduct applicable taxes from any Award payment and withhold, at the time of delivery or vesting of cash or Shares under this Plan, an appropriate amount of cash or number of Shares or a combination thereof for payment of required withholding taxes or to take such other action as may be necessary in the opinion of the Company to satisfy all obligations for withholding of such taxes; provided, however, that the number of Shares withheld for payment of required withholding taxes must equal no more than the required minimum withholding taxes. The Committee may also permit withholding to be satisfied by the transfer to the Company of Shares theretofore owned by the holder of the Award with respect to which withholding is required. If Shares are used to satisfy tax withholding, such Shares shall be valued based on the Fair Market Value when the tax withholding is required to be made.

13. **Amendment, Modification, Suspension or Termination.** The Board may amend, modify, suspend or terminate this Plan (and the Committee may amend an Award Agreement) for the purpose of meeting or addressing any changes in legal requirements or for any other purpose permitted by law, except that (i) no amendment or alteration that would materially adversely affect the rights of any Participant under any Award previously granted to such Participant shall be made without the consent of such Participant and (ii) no amendment or alteration shall be effective prior to its approval by the shareholders of the Company to the extent shareholder approval is otherwise required by applicable legal requirements or the requirements of the securities exchange on which the Company’s shares are listed, including any amendment that expands the types of Awards available under this Plan, materially increases the number of Shares available for Awards under this Plan, materially expands the classes of persons eligible for Awards under this Plan, materially extends the term of this Plan, materially changes the method of determining the Exercise Price of Options, or deletes or limits any provisions of this Plan that prohibit the repricing of Options or SARs.

14. **Assignability.** Unless otherwise determined by the Committee (or the Board in the case of Director Awards) or expressly provided for in an Award Agreement, no Award or any other benefit under this Plan shall be assignable or otherwise transferable except (i) by will or the laws of descent and distribution or (ii) pursuant to a domestic relations order issued by a court of competent jurisdiction that is not contrary to the terms and conditions of this Plan or applicable Award and in a form acceptable to the Committee. The Committee may prescribe and include in applicable Award Agreements other restrictions on transfer. Any attempted assignment of an Award or any other benefit under this Plan in violation of this Paragraph 14 shall be null and void. Notwithstanding the foregoing, no Award may be transferred for value or consideration.

15. **Adjustments.**

(a) The existence of outstanding Awards shall not affect in any manner the right or power of the Company or its shareholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in the capital stock of the Company or its business or any merger or consolidation of the Company, or any issue of bonds, debentures, preferred or prior preference stock (whether or not such issue is prior to, on a parity with or junior to Shares) or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding of any kind, whether or not of a character similar to that of the acts or proceedings enumerated above.

(b) In the event of any subdivision or consolidation of outstanding Shares, declaration of a dividend payable in Shares, combination of shares, or other stock split, then (1) the number of Shares reserved under this Plan, (2) the number of Shares covered by outstanding Awards in the form of Shares or units denominated in Shares, (3) the Exercise Price or other price in respect of such Awards, (4) the Share-Based Award Limitations, and (5) the appropriate Fair Market Value and other price determinations for such Awards shall each be proportionately adjusted by the Committee as appropriate to reflect such transaction. In the event of any other recapitalization or capital reorganization of the Company, any consolidation or merger of the Company with another corporation or entity, the adoption by the Company of any plan of exchange affecting the Shares, rights offer, dissolution, demerger, conversion, spin-off, or any distribution to holders of Shares of securities or property (other than normal cash dividends or dividends payable in Shares), the Committee shall make appropriate adjustments to (i) the number of Shares reserved under this Plan, (ii) the number and kind of Shares covered by Awards in the form of Shares or units denominated in Shares, (iii) the Exercise Price or other price in respect of such Awards, (iv) the appropriate Fair Market Value and other price determinations for such Awards, and (v) the Share-Based Award Limitations to reflect such transaction; provided that such adjustments shall only be such as are necessary to maintain the proportionate interest of the holders of the Awards and preserve, without increasing, the value of such Awards.

(c) In the event of a corporate merger, consolidation, acquisition of property or stock, separation, reorganization or liquidation, the Committee may make such adjustments to Awards or other provisions for the disposition of Awards as it deems equitable, and shall be authorized, in its discretion, (i) to provide for the substitution of a new Award or other arrangement (which, if applicable, may be exercisable for such property or stock as the Committee determines) for an Award or the assumption of the Award, regardless of whether in a transaction to which Code Section 424(a) applies, (ii) to provide, prior to the transaction, for the acceleration of the vesting and exercisability of, or lapse of restrictions with respect to, the Award and, if the transaction is a cash merger, provide for the termination of any portion of the Award that remains unexercised at the time of such transaction, or (iii) to cancel any such Awards and to deliver to the Participants cash in an amount that the Committee shall determine in its sole discretion is equal to the Fair Market Value of such Awards on the date of such event, which in the case of Options or Share Appreciation Rights shall be the excess (if any) of the Fair Market Value of Shares on such date over the Exercise Price of such Award.

(d) No adjustment or substitution pursuant to this Paragraph 15 shall be made in a manner that results in noncompliance with the requirements of Code Section 409A, to the extent applicable.

16. **Restrictions.** No Shares or other form of payment shall be issued with respect to any Award unless the Company shall be satisfied based on the advice of its counsel that such issuance will be in compliance with applicable federal and state securities and other laws. Certificates evidencing Shares delivered under this Plan (to the extent that such Shares are so evidenced) may be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations and other requirements of the Securities and Exchange Commission, any

securities exchange or transaction reporting system upon which the Shares are then listed or to which it is admitted for quotation and any applicable federal or state securities or other laws. The Committee may cause a legend or legends to be placed upon such certificates (if any) to make appropriate reference to such restrictions.

17. **Unfunded Plan.** This Plan is unfunded. Although bookkeeping accounts may be established with respect to Participants who are entitled to cash, Shares or rights thereto under this Plan, any such accounts shall be used merely as a bookkeeping convenience. The Company shall not be required to segregate any assets that may at any time be represented by cash, Shares or rights thereto, nor shall this Plan be construed as providing for such segregation, nor shall the Company, the Board or the Committee be deemed to be a trustee of any cash, Shares or rights thereto to be granted under this Plan. Any liability or obligation of the Company to any Participant with respect to an Award of cash, Shares or rights thereto under this Plan shall be based solely upon any contractual obligations that may be created by this Plan and any Award Agreement, and no such liability or obligation of the Company shall be deemed to be secured by any pledge or other encumbrance on any property of the Company. None of the Company, the Board or the Committee shall be required to give any security or bond for the performance of any obligation that may be created by this Plan. With respect to this Plan and any Awards granted hereunder, Participants are general and unsecured creditors of the Company and have no rights or claims except as otherwise provided in this Plan or any applicable Award Agreement.

18. **Code Section 409A.**

    (a) Awards made under this Plan are intended to comply with or be exempt from Code Section 409A, and ambiguous provisions hereof, if any, shall be construed and interpreted in a manner consistent with such intent. No payment, benefit or consideration shall be substituted for an Award if such action would result in the imposition of taxes under Code Section 409A. Notwithstanding anything in this Plan to the contrary, if any Plan provision or Award under this Plan would result in the imposition of an additional tax under Code Section 409A, that Plan provision or Award shall be reformed, to the extent permissible under Code Section 409A, to avoid imposition of the additional tax, and no such action shall be deemed to adversely affect the Participant's rights to an Award.

    (b) Unless the Committee provides otherwise in an Award Agreement, each Restricted Share Unit Award, Performance Unit Award or Cash Award (or portion thereof if the Award is subject to a vesting schedule) shall be settled no later than the 15th day of the third month after the end of the first calendar year in which the Award (or such portion thereof) is no longer subject to a "substantial risk of forfeiture" within the meaning of Code Section 409A. If the Committee determines that a Restricted Share Unit Award, Performance Unit Award or Cash Award is intended to be subject to Code Section 409A, the applicable Award Agreement shall include terms that are designed to satisfy the requirements of Code Section 409A.

    (c) If the Participant is identified by the Company as a "specified employee" within the meaning of Code Section 409A(a)(2)(B)(i) on the date on which the Participant has a "separation from service" (other than due to death) within the meaning of Treasury Regulation § 1.409A-1(h), any Award payable or settled on account of a separation from service that is deferred compensation subject to Code Section 409A shall be paid or settled on the earliest of (i) the first business day following the expiration of six months from the Participant's separation from service, (ii) the date of the Participant's death, or (iii) such earlier date as complies with the requirements of Code Section 409A.

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

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

21. **Non-Uniform Determinations.** Determinations by the Committee or the Board under this Plan (including, without limitation, determinations of the persons to receive Awards under this Plan; the form, amount and timing of such Awards; the terms and provisions of such Award Agreements evidencing same; and provisions with respect to

termination of employment or service) need not be uniform and may be made by it selectively among persons who receive, or are eligible to receive, awards under this Plan, whether or not such persons are similarly situated.

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

23. **Usage.** Words used in this Plan in the singular shall include the plural and in the plural the singular, and the gender of words used shall be construed to include whichever may be appropriate under any particular circumstances of the masculine, feminine or neuter genders.

24. **Headings.** The headings in this Plan are inserted for convenience of reference only and shall not affect the meaning or interpretation of this Plan.

25. **Effectiveness.** This Plan shall be effective as of the Effective Date. This Plan shall continue until terminated by action of the Board. Notwithstanding the foregoing, the adoption of this Plan is expressly conditioned upon the approval by the holders of a majority of Shares present, or represented, and entitled to vote at the 2015 annual general meeting of the Company's shareholders. If the shareholders of the Company should fail to so approve this Plan at such meeting, (i) this Plan shall not be of any force or effect and (ii) any grants of Awards hereunder shall be null and void.

FIRST AMENDMENT TO TRANSOCEAN LTD. 2015 LONG-TERM INCENTIVE PLAN

WHEREAS, Transocean Ltd., a Swiss corporation (the "Company"), has established and maintains the Transocean Ltd. 2015 Long-Term Incentive Plan (the "Plan"); and

WHEREAS, pursuant to Section 13 of the Plan, the Company has the right to amend the Plan at any time by action of its Board of Directors, subject to prior approval by the Company's shareholders to the extent such approval is determined to be required by applicable legal and/or securities exchange requirements; and

WHEREAS, the Company desires to amend the Plan to increase the number of registered shares of the Company ("Shares") available for issuance under the Plan, subject to approval of the shareholders of the Company; and

WHEREAS, such increase in shares of Common Stock shall be submitted for shareholder approval at the Annual Meeting of Stockholders of the Company on May 18, 2018;

NOW, THEREFORE, in consideration of the foregoing, the aggregate number of Shares available for issuance under the Plan is hereby increased by 12,000,000 Shares and the first sentence of Section 5(a) of the Plan is hereby amended to read as follows, effective May 18, 2018, contingent on the approval of the shareholders of the Company:

> "Subject to the provisions of Paragraph 15 hereof, there shall be available for Awards under this Plan granted wholly or partly in Shares (including rights or Options that may be exercised for or settled in Shares) an aggregate of 31,500,000 Shares plus the 1,212,966 Shares remaining available for awards under the Prior Plan as of the Effective Date, all of which shall be available for Incentive Stock Options."

APPENDIX A

Transocean Ltd. and subsidiaries
Non-GAAP Financial Measures and Reconciliations
Earnings Before Interest, Taxes and Depreciation and Related Margins
(in millions, except percentages)

	YTD 12/31/17	
Operating revenues	$2,973	
Drilling contract termination fees	(201)	
Adjusted Normalized Revenues	$2,772	
Net income (loss)	$(3,097)	
Interest expense, net of interest income	448	
Income tax expense (benefit)	94	
Depreciation expense	832	
EBITDA	(1,723)	
Litigation matters	(8)	
Restructuring charges	3	
Acquisition costs	4	
Loss on impairment of assets	1,498	
(Gain) loss on disposal of assets, net	1,590	
Loss on retirement of debt	55	
Adjusted EBITDA	1,419	
Drilling contract termination fees	(201)	
Adjusted Normalized EBITDA	$1,218	
EBITDA margin	(58)	%
Adjusted EBITDA margin	48	%
Adjusted Normalized EBITDA margin	44	%

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TRANSOCEAN LTD.

COMPENSATION REPORT
For the years ended December 31, 2017 and 2016

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Building a better
working world

Ernst & Young Ltd
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www.ey.com/ch

To the General Meeting of

Transocean Ltd., Steinhausen

Zurich, March 9, 2018

Report of the statutory auditor on the compensation report

We have audited the compensation report (pages CR-2 to CR-5) of Transocean Ltd. for the year ended December 31, 2017.

Board of Directors' responsibility

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the compensation report for the year ended December 31, 2017 of Transocean Ltd. complies with Swiss law and articles 14 – 16 of the Ordinance.

Ernst & Young Ltd.

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

TRANSOCEAN LTD.
COMPENSATION REPORT

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, 2017 and 2016. For a description of our governance framework relating to executive and director compensation, please refer to page P-39 et seq. of our 2018 Proxy Statement under the caption "Executive and Director Compensation Process." For a description of our directors' compensation principles, please refer to page P-43 et seq. of our 2018 Proxy Statement under the captions "Director Compensation Strategy" and "2017 Director Compensation." For a description of our Executive Management Team compensation principles, please refer to page P-48 et seq. of our 2018 Proxy Statement under the caption "Compensation Discussion and Analysis."

For the years ended December 31, 2017 and 2016, 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 0.99 and CHF 0.98, 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, 2017		Year ended December 31, 2016	
	Payment currency	Swiss franc equivalent	Payment currency	Swiss franc equivalent
Annual retainer for non-executive chairman	USD 325,000	CHF 320,905	USD 325,000	CHF 318,500
Annual retainer for non-executive vice-chairman	—	—	—	—
Annual retainer for non-employee directors	100,000	98,740	100,000	98,000
Annual award of restricted share units for non-executive chairman	325,000	320,905	325,000	318,500
Annual award of restricted share units for non-executive vice-chairman	—	—	—	—
Annual award of restricted share units for non-employee directors	210,000	207,354	210,000	205,800
Additional annual retainer for committee chairmen:				
Audit committee	35,000	34,559	35,000	34,300
Compensation committee	20,000	19,748	20,000	19,600
Corporate governance committee, finance committee, and health, safety and environment committee	10,000	9,874	10,000	9,800

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. No director served in the position of non-executive vice chairman for the years ended December 31, 2017 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:

Name and function	Year ended December 31, 2017				Year ended December 31, 2016			
	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 634,138 USD 642,230	CHF 320,905 USD 325,000	CHF 313,233 USD 317,230	29,871	CHF 601,509 USD 613,785	CHF 318,500 USD 325,000	CHF 283,009 USD 288,785	31,220
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	335,693 339,977	133,299 135,000	202,394 204,977	19,301	315,168 321,600	132,300 135,000	182,868 186,600	20,173
Vanessa C.L. Chang (c) Member of the board; member of the audit and finance committees	301,134 304,977	98,740 100,000	202,394 204,977	19,301	280,868 286,600	98,000 100,000	182,868 186,600	20,173
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	301,134 304,977	98,740 100,000	202,394 204,977	19,301	280,868 286,600	98,000 100,000	182,868 186,600	20,173
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	311,008 314,977	108,614 110,000	202,394 204,977	19,301	290,668 296,600	107,800 110,000	182,868 186,600	20,173
Tan Ek Kia (f) Member of the board; chairman of the compensation committee; member of the health, safety and environment committee	320,882 324,977	118,488 120,000	202,394 204,977	19,301	300,468 306,600	117,600 120,000	182,868 186,600	20,173
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	301,134 304,977	98,740 100,000	202,394 204,977	19,301	280,868 286,600	98,000 100,000	182,868 186,600	20,173
Martin B. McNamara (c) Member of the board; chairman of the corporate governance committee and member of the compensation committee	311,008 314,977	108,614 110,000	202,394 204,977	19,301	290,668 296,600	107,800 110,000	182,868 186,600	20,173
Samuel Merksamer (c)(g) Member of the board; member of the finance and health, safety and environment committees	301,134 304,977	98,740 100,000	202,394 204,977	19,301	280,868 286,600	98,000 100,000	182,868 186,600	20,173
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	311,008 314,977	108,614 110,000	202,394 204,977	19,301	290,668 296,600	107,800 110,000	182,868 186,600	20,173
Total (CHF) Total (USD)	CHF 3,428,272 USD 3,472,020	1,293,494 1,310,000	2,134,778 2,162,020	203,580	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

(a) Fees earned include cash retainer fees.

(b) For the years ended December 31, 2017 and 2016, we estimated the fair value of restricted share units to be USD 10.62 and USD 9.25, respectively, equivalent to CHF 10.49 and CHF 9.07, 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. Effective January 31, 2018, Mr. McNamara retired from the Board of Directors.

(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, 2017 and 2016, such employer-paid social taxes on Transocean compensation were USD 18,395 and USD 19,079, respectively, equivalent to CHF 18,163 and CHF 18,697, respectively. In the year ended December 31, 2017 Mr. Barker received no compensation from Transocean Partners and in the year ending December 31, 2016, Mr. Barker received fees for service on the Board of Directors of Transocean Partners of USD 69,164, equivalent to CHF 67,781, equity-based compensation for service on the Board of Directors of Transocean Partners of USD 77,589, equivalent to CHF 76,037, employer-paid social taxes on Transocean Partners compensation of USD 32,667, equivalent to CHF 32,014.

(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, 2017 and 2016, such employer-paid social taxes were USD 7,845 and USD 8,265, respectively, equivalent to CHF 7,746 and CHF 8,100, 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, 2017 and 2016, such employer-paid social taxes were USD 7,247 and USD 9,866, respectively, equivalent to CHF 7,156 and CHF 9,669, 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 year ended December 31, 2017 Mr. Merksamer received no compensation from Transocean Partners and in the year ended December 31, 2016, such fees were USD 24,935, equivalent to CHF 24,436.

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, 2017			Year ended December 31, 2016		
	Total salary and other non share-based compensation	Total share-based compensation	Total compensation	Total salary and other non share-based compensation	Total share-based compensation	Total compensation
Jeremy D. Thigpen Chief Executive Officer since April 22, 2015	CHF 3,066,519 USD 3,105,650	CHF 5,876,266 USD 5,951,252	CHF 8,942,785 USD 9,056,902	CHF 3,545,811 USD 3,618,174	CHF 5,442,429 USD 5,553,499	CHF 8,988,240 USD 9,171,673
Mark-Anthony Lovell Mey Executive Vice President and Chief Financial Officer since May 28, 2015	1,931,853 1,956,505	2,538,557 2,570,951	4,470,410 4,527,456	2,333,812 2,381,441	2,280,639 2,327,183	4,614,451 4,708,624
John B. Stobart Executive Vice President and Chief Operating and Performance Officer	2,145,836 2,173,219	2,547,940 2,580,454	4,693,776 4,753,673	2,282,141 2,328,715	2,291,000 2,337,756	4,573,141 4,666,471
Total (CHF)	CHF 7,144,208	CHF 10,962,763	CHF 18,106,970	CHF 8,161,764	CHF 10,014,068	CHF 18,715,832
Total (USD)	USD 7,235,374	USD 11,102,657	USD 18,338,031	USD 8,328,330	USD 10,218,438	USD 18,546,768

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, 2017					
	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 987,400	CHF 1,635,134	CHF 40,978	CHF 295,430	CHF 107,576	CHF 3,066,519
	USD 1,000,000	USD 1,656,000	USD 41,501	USD 299,200	USD 108,949	USD 3,105,650
Mark-Anthony Lovell Mey	750,424	880,247	49,909	180,927	70,345	1,931,853
	760,000	891,480	50,546	183,236	71,243	1,956,505
John B. Stobart	661,558	912,950	308,294	180,927	82,107	2,145,836
	670,000	924,600	312,228	183,236	83,155	2,173,219
Total (CHF)	CHF 2,399,382	CHF 3,428,332	CHF 399,181	CHF 657,284	CHF 260,029	CHF 7,144,208
Total (USD)	USD 2,430,000	USD 3,472,080	USD 404,275	USD 665,672	USD 263,347	USD 7,235,374

(a) Bonus represents the amount earned in the year ended December 31, 2017, but not paid as of December 31, 2017.

(b) Additional compensation includes dividend equivalents, relocation pay and moving expenses; housing, automobile, home leave and cost of living allowances; 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, 2017, Mr. Stobart has accrued benefits of USD 240,381, equivalent to CHF 237,352 under the Transocean Ltd. Pension Equalization Plan and USD 97,970, equivalent to CHF 96,736 under the Transocean U.S. Retirement Plan.

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. Additionally, beginning in 2015, amounts include service costs under retirement plans accumulated in 2015. Through the end of fiscal year 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.

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, 2017 and 2016, 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:

	Year ended December 31, 2017						
	Stock options		Restricted share units		Performance share units		Total share-based compensation
Name	Options (a)	Fair value	Units (a)	Fair value	Units (a)(b)	Fair value	
Jeremy D. Thigpen	217,618	CHF 1,383,801	112,897	CHF 1,488,184	187,238	CHF 3,004,280	CHF 5,876,266
		USD 1,401,460		USD 1,507,175		USD 3,042,618	USD 5,951,252
Mark-Anthony Lovell Mey	94,011	597,803	48,772	642,902	80,887	1,297,852	2,538,557
		605,431		651,106		1,314,414	2,570,951
John B. Stobart	94,359	600,015	48,952	645,275	81,186	1,302,650	2,547,940
		607,672		653,509		1,319,273	2,580,454
Total (CHF)		CHF 2,581,619		CHF 2,776,362		CHF 5,604,782	CHF 10,962,763
Total (USD)	405,988	USD 2,614,563	210,621	USD 2,811,790	349,311	USD 5,676,304	USD 11,102,657

(a) We granted stock options, restricted share units and performance share units to the members of our Executive Management Team on February 10, 2017.

(b) The three-year performance period is January 1, 2017 to December 31, 2019 and is based on our total shareholder return relative to our performance peer group.

	Year ended December 31, 2016						
	Stock options		Restricted share units		Performance share units		Total share-based compensation
Name	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.

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, 2017. At December 31, 2017 and 2016, 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, 2017 and 2016, 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.

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TRANSOCEAN LTD.

CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2017, 2016 and 2015

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TRANSOCEAN LTD. AND SUBSIDIARIES
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FOR THE YEAR ENDED DECEMBER 31, 2017

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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, our revenue efficiency and other performance indicators and our cash flow from operations;
- the offshore drilling market, including the effects of declines in commodity prices, supply and demand, utilization rates, dayrates, customer drilling programs, stacking and reactivation of rigs, effects of new rigs on the market, the impact of changes to 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 awards, commencements, extensions, terminations, contract option exercises, contract revenues, early termination payments, indemnity provisions and rig mobilizations;
- liquidity, including availability under our bank credit agreement, and adequacy of cash flows for our obligations;
- regulatory or other limitations imposed as a result of the acquisition of Songa Offshore SE, a European public company limited by shares, or societas Europaea, existing under the laws of Cyprus ("Songa");
- the success of our business following completion of the Songa acquisition;
- the ability to successfully integrate our business with the Songa business;
- the risk that we may be unable to achieve expected synergies from our acquisition of Songa or that it may take longer or be more costly than expected to achieve those synergies;
- extension or replacement of our Five-Year Revolving Credit Facility before the expiration of the underlying bank credit agreement;
- 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 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
- investment in recruitment, retention and personnel development initiatives, defined benefit pension 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	▪ budgets	▪ estimates	▪ forecasts	▪ may	▪ plans	▪ projects	▪ should
▪ believes	▪ could	▪ expects	▪ intends	▪ might	▪ predicts	▪ scheduled	

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 19, 2018, we owned or had partial ownership interests in and operated 47 mobile offshore drilling units. As of February 19, 2018, our fleet consisted of 27 ultra-deepwater floaters, 12 harsh environment floaters, two deepwater floaters and six midwater floaters. At February 19, 2018, we also had two ultra-deepwater drillships under construction or under contract to be constructed. Additionally, we operated two high-specification jackups that were under contract when we sold the rigs, and we continue to operate such rigs until completion or novation of the respective drilling contracts.

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 ultra-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 drillship and semisubmersible floaters 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 Turmstrasse 30, 6312 Zug, Switzerland. Our telephone number at that address is +41 41 749-0500. Our shares are listed on the New York Stock Exchange under the symbol "RIG". 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 18—Operating Segments, Geographic Analysis and Major Customers."

Recent Developments

Business combination—On August 13, 2017, we entered into the Transaction Agreement with Songa Offshore SE, a European public company limited by shares, or societas Europaea, existing under the laws of Cyprus ("Songa"). On January 30, 2018, we completed our acquisition of an approximate 97.7 percent ownership interest in Songa. By March 31, 2018, we expect to complete the acquisition of the remaining shares not owned by us through a compulsory acquisition, which is available to us under Cyprus law. In connection with the acquisition, we acquired seven mobile offshore drillings units, including five harsh environment floaters and two midwater floaters. In connection with the acquisition, we issued 66.9 million shares and an aggregate principal amount of $854 million of the 0.5% Exchangeable Senior Bonds due January 2023. See "Part II. Item 8. Financial Statements and Supplementary Data—Notes to Consolidated Financial Statements and —Note 20—Subsequent Event."

Drilling Fleet

Fleet overview—Our drilling fleet of floaters consists of drillships and semisubmersibles. 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 17 ultra-deepwater drillships that are, and two 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, which reduces critical path activity and improves 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 two 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. Five of our 24 semisubmersibles are equipped with our patented dual-activity technology and also have mooring capability.

Fleet categories—We further categorize the drilling units of our fleet as follows: (1) "ultra-deepwater floaters," (2) "harsh environment floaters," (3) "deepwater floaters" and (4) "midwater floaters". 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.

As of February 19, 2018, we owned and operated a fleet of 47 rigs, including the seven rigs recently acquired in the Songa acquisition and excluding two newbuilds under construction, as follows:

- 27 ultra-deepwater floaters;
- 12 harsh environment floaters;
- Two deepwater floaters; and
- Six midwater floaters.

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 19, 2018, provide certain specifications for our rigs, including the seven rigs recently acquired in the Songa acquisition. 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. The dates provided represent the expected time of completion, the year placed into service, and, if applicable, the year of the most recent upgrade. As of February 19, 2018, we owned all of the drilling rigs in our fleet noted in the tables below, except for the following: (1) the ultra-deepwater floater *Petrobras 10000*, which is subject to a capital lease through August 2029, and (2) the ultra-deepwater floater *Discoverer Luanda*, which is owned through our 65 percent ownership interest in Angola Deepwater Drilling Company Ltd. ("ADDCL").

Rigs under construction (2)

Name	Type	Expected completion	Water depth capacity (in feet)	Drilling depth capacity (in feet)	Contracted location or contracted status
Ultra-deepwater floaters					
Ultra-deepwater drillship TBN1 (a) (b) (c) (d)	HSD	2Q 2020	12,000	40,000	Uncontracted
Ultra-deepwater drillship TBN2 (a) (b) (c) (d)	HSD	4Q 2020	12,000	40,000	Uncontracted

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

Ultra-deepwater floaters (27)

Name	Type	Year entered service	Water depth capacity (in feet)	Drilling depth capacity (in feet)	Contracted location or standby status
Deepwater Poseidon (a) (b) (c) (d)	HSD	2018	12,000	40,000	U.S. Gulf
Deepwater Pontus (a) (b) (c) (d)	HSD	2017	12,000	40,000	U.S. Gulf
Deepwater Conqueror (a) (b) (c) (d)	HSD	2016	12,000	40,000	U.S. Gulf
Deepwater Proteus (a) (b) (c) (d)	HSD	2016	12,000	40,000	U.S. Gulf
Deepwater Thalassa (a) (b) (c) (d)	HSD	2016	12,000	40,000	U.S. Gulf
Deepwater Asgard (a) (b) (d)	HSD	2014	12,000	40,000	U.S. Gulf
Deepwater Invictus (a) (b) (d)	HSD	2014	12,000	40,000	U.S. Gulf
Deepwater Champion (a) (b)	HSD	2011	12,000	40,000	Stacked
Discoverer India (a) (b) (e)	HSD	2010	12,000	40,000	Ivory Coast
Discoverer Luanda (a) (b) (e)	HSD	2010	7,500	40,000	Stacked
Dhirubhai Deepwater KG2 (a)	HSD	2010	12,000	35,000	Myanmar
Discoverer Inspiration (a) (b) (d) (e)	HSD	2010	12,000	40,000	U.S. Gulf
Discoverer Americas (a) (b) (e)	HSD	2009	12,000	40,000	Stacked
Development Driller III (a) (b) (f)	HSS	2009	7,500	37,500	Idle
Petrobras 10000 (a) (b)	HSD	2009	12,000	37,500	U.S. Gulf
Discoverer Clear Leader (a) (b) (d) (e)	HSD	2009	12,000	40,000	Idle
Dhirubhai Deepwater KG1 (a)	HSD	2009	12,000	35,000	India
GSF Development Driller II (a) (b) (f)	HSS	2005	7,500	37,500	Stacked
GSF Development Driller I (a) (b) (f)	HSS	2005	7,500	37,500	Australia
Discoverer Deep Seas (a) (b) (e)	HSD	2001	10,000	35,000	Stacked
Discoverer Spirit (a) (b) (e)	HSD	2000	10,000	35,000	Stacked
GSF C.R. Luigs (a)	HSD	2000	10,000	35,000	Stacked
Deepwater Discovery (a)	HSD	2000	10,000	30,000	Stacked
Deepwater Nautilus (f)	HSS	2000	8,000	30,000	Malaysia
Discoverer Enterprise (a) (b) (e)	HSD	1999	10,000	35,000	Stacked
Deepwater Frontier (a)	HSD	1999	10,000	30,000	Stacked
Deepwater Millennium (a)	HSD	1999	10,000	30,000	Stacked

"HSD" means high-specification drillship.
"HSS" means high-specification semisubmersible.
(a) Dynamically positioned.
(b) Dual-activity.
(c) Designed to accommodate a future upgrade to a 20,000 pounds psi blowout preventer.
(d) Two blowout preventers.
(e) Enterprise-class or Enhanced Enterprise-class rig.
(f) Moored.

Harsh environment floaters (12)

Name	Type	Year entered service/ upgraded	Water depth capacity (in feet)	Drilling depth capacity (in feet)	Contracted location or standby status
Songa Enabler (a) (b)	HSS	2016	1,640	28,000	Norwegian N. Sea
Songa Encourage (a) (b)	HSS	2016	1,640	28,000	Norwegian N. Sea
Songa Endurance (a) (b)	HSS	2015	1,640	28,000	Norwegian N. Sea
Songa Equinox (a) (b)	HSS	2015	1,640	28,000	Norwegian N. Sea
Polar Pioneer (b)	HSS	1985/2014	1,500	25,000	Stacked
Transocean Spitsbergen (a) (b) (c)	HSS	2010	10,000	30,000	Norwegian N. Sea
Transocean Barents (a) (b) (c)	HSS	2009	10,000	30,000	Canada
Henry Goodrich (b)	HSS	1985/2007	5,000	30,000	Canada
Transocean Leader (b)	HSS	1987/1997	4,500	25,000	U.K. N. Sea
Paul B, Loyd, Jr.(b)	HSS	1990	2,000	25,000	U.K. N. Sea
Transocean Arctic (b)	HSS	1986	1,650	25,000	Norwegian N. Sea
Songa Dee (b)	HSS	1984	1,500	30,000	Stacked

"HSS" means high-specification semisubmersible.
(a) Dynamically positioned.
(b) Moored.
(c) Dual-activity.

Deepwater floaters (2)

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

"OS" means other semisubmersible.
(a) Dynamically positioned.
(b) Moored.

Midwater floaters (6)

Name	Type	Year entered service/ upgraded	Water depth capacity (in feet)	Drilling depth capacity (in feet)	Contracted location or standby status
Sedco 714	OS	1983/1997	1,600	25,000	Stacked
Transocean 712	OS	1983	1,600	25,000	U.K. N. Sea
Actinia	OS	1982	1,500	25,000	India
Sedco 711	OS	1982	1,800	25,000	Stacked
Songa Delta	OS	1981	1,640	25,000	Stacked
Songa Trym	OS	1976	1,300	25,000	Stacked

"OS" means other semisubmersible.

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 19, 2018, our drilling fleet, including stacked and idle rigs, but excluding rigs under construction, was located in the Norwegian North Sea (ten units), the United States ("U.S.") Gulf of Mexico (ten units), Trinidad (seven units), United Kingdom ("U.K.") North Sea (five units), Malaysia (four units), India (three units), Canada (two units), Aruba (one unit), Australia (one unit), Brazil (one units), Ivory Coast (one unit), Myanmar (one unit), and Romania (one unit).

We categorize the market sectors in which we operate as follows: (1) ultra-deepwater, (2) deepwater and (3) midwater. The ultra-deepwater, deepwater and midwater market sectors, collectively known as the floater market, are serviced by our drillships and semisubmersibles, 12 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 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 continuing to experience a cyclical downturn. A multi-year weak commodity pricing environment has resulted in our customers delaying investment decisions and postponing exploration and production programs. Relative to years prior to the downturn, we have experienced significantly reduced demand, resulting in a decline in the execution of drilling contracts for the global offshore drilling fleet and an unprecedented level of early terminations and cancellations of drilling contracts. Over the past year, however, opportunities have increased for our drilling services. In markets requiring harsh environment floating drilling rigs, such as the Norwegian North Sea and eastern Canada, the limited supply of these specialized rigs has improved fleet utilization, which is resulting in increased dayrates on high-specification rigs being tendered for new work. Outside of harsh environment markets, the excess supply of ultra-deepwater floaters relative to demand continues and has delayed improvement of dayrates. However, as the hydrocarbon supply-demand balance improves, we expect sustained improvement of oil prices, ultimately resulting in greater demand for ultra-deepwater drilling rigs and improvement of 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, 2017, 2016 and 2015, we sold for scrap value three, 11 and 17 drilling units, respectively, and at December 31, 2017, we had five additional rigs classified as held for sale for scrap value.

Longer term, our 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. As commodity prices stabilize and confidence improves in the stability of such price levels, we anticipate additional projects will be approved. 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. See "Item 1A. Risk Factors—Risks related to our business."

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,		
	2017	2016	2015
Operating revenues			
U.S.	$ 1,527	$ 1,977	$ 2,416
Brazil	335	453	673
U.K.	288	551	1,139
Other countries (a)	823	1,180	3,158
Total operating revenues	$ 2,973	$ 4,161	$ 7,386

(a) Other countries represents countries in which we operate that individually had operating revenues representing less than 10 percent of consolidated 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,	
	2017	2016
Long-lived assets		
U.S.	$ 7,541	$ 6,181
Trinidad	2,563	3,977
Other countries (a)	7,298	10,935
Total long-lived assets	$ 17,402	$ 21,093

(a) Other countries represents countries in which we operate that individually had long-lived assets representing less than 10 percent of consolidated 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, 2017, the contract backlog was approximately $9.5 billion, representing a decrease of 19 percent and 41 percent, respectively, compared to the contract backlog at December 31, 2016 and 2015, which was $11.7 billion and $16.0 billion, respectively. See "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. 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 10—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, 2017, our most significant customers were Chevron Corporation (together with its affiliates, "Chevron"), Royal Dutch Shell plc (together with its affiliates, "Shell") and Petróleo Brasileiro S.A. ("Petrobras"), representing approximately 29 percent, 17 percent and 14 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, 2017. Additionally, as of February 19, 2018, the customers with the most significant aggregate amount of contract backlog associated with our drilling contracts were Shell, Statoil ASA (together with its affiliates, "Statoil") and Chevron, representing approximately 52 percent, 31 percent and 10 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, 2017, we had approximately 4,900 employees, including approximately 400 persons engaged through contract labor providers. Approximately 26 percent of our total workforce, working primarily in Brazil, Norway and the U.K. are represented by, and some of our contracted labor work is subject to, 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 affect the market for 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 participate 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 the 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, 2017, 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*. 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, the first 10,000-ft. rated ultra-deepwater drillship and the first semisubmersible rig for year-round sub-Arctic operations. We have repeatedly achieved water depth world records in the past. Twenty-two drillships and semisubmersibles in our existing fleet are, and our two 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.

We continue to develop and deploy industry-leading technology. In addition to our patented dual-activity drilling technology, two of our drillships under construction will include industry-leading hookload capability, hybrid power systems for reduced fuel consumption and reduced emissions as well as advanced generator protection for power plant reliability. We are focused on a breakthrough drilling innovation program that includes a fault-resistant and fault-tolerant blowout preventer control system. Nine drillships in our existing fleet are, and our two drillships that are under construction will be, outfitted with two blowout preventers and triple liquid mud systems. Five drillships in our existing fleet are, and our two drillships that are under construction will be, designed to accept 20,000 psi blowout preventers in the future. Six of our harsh environment semi-submersibles are designed and constructed specifically to provide highly efficient performance offshore Norway and in the Barents Sea. We believe the continual improvement of, and effective use of, technology to meet or exceed our customers' requirements is critical to maintain our competitive position within the contract drilling services industry. Additionally, our digital transformation program delivers real-time data feeds from equipment and processes, which is used to build machine health models. These models allow us to systematically optimize equipment maintenance and achieve higher levels of operational efficiency. This data-driven approach, augmented by the size of our fleet, is helping us build a knowledge framework for sustainable process optimization.

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. Prolonged reductions 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. Consistent with this dynamic, customers may delay or cancel 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. Idled or stacked rigs may remain out of service for extended periods of time.

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, 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. Additional rigs that remain under construction, and the entry into service of these new units will increase overall supply.

Our two ultra-deepwater drillships currently under construction have not been contracted for work. Combined with the expected 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 near-term increase in the 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 seek to renegotiate 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. In February 2018, after experiencing equipment breakdown that could not be repaired timely, we and our customer mutually agreed to amend the drilling contract for one of our rigs at a reduced dayrate and for reduced duration. During the years ended December 31, 2017 and 2016, our customers early terminated or cancelled contracts for one and eight of our rigs, respectively. 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.***

At February 19, 2018, our contract backlog was approximately $12.8 billion. This amount represents the number of days remaining in the firm term of the drilling contract multiplied by the maximum contractual operating dayrate, excluding revenues for mobilization, demobilization and contract preparation or other incentive provisions, which are not expected to be significant to our contract drilling revenues. The contractual operating dayrate may be higher than the actual dayrate we ultimately receive or an alternative contractual dayrate, such as waiting on weather rate, repair rate, standby rate or force majeure rate, may apply under certain circumstances. Our contractual backlog includes amounts associated with our newbuild units that are currently under construction. 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. Several factors could cause rig downtime or a suspension of operations, including: equipment breakdowns and other unforeseen engineering problems, labor strikes and other work stoppages, shortages of material and skilled labor, surveys by government and maritime authorities, periodic classification surveys, severe weather or harsh operating conditions, and force majeure events.

In certain drilling contracts, the dayrate may be reduced to zero if, for example, repairs extend beyond a stated period of time. Our contract backlog includes only firm commitments, which are represented by signed drilling contracts or, 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 for an extended period of time. Liquidity issues and other market pressures could lead our customers to seek bankruptcy protection or 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, cancelled or terminated or obtain drilling contracts for our uncontracted newbuilds.***

The offshore drilling markets in which we compete experience fluctuations in the demand for drilling services. Our ability to renew expiring drilling contracts or obtain new drilling contracts depends on the prevailing or expected market conditions at the time of expiration. A number of existing drilling contracts for our drilling rigs that are currently operating are scheduled to expire before December 31, 2018, and our two ultra-deepwater drillships currently under construction do not have customer drilling contracts. 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. When oil and natural gas prices are low or it is expected that such prices will decrease in the future, we may be unable to obtain drilling contracts at attractive dayrates or at all. We may not be able to obtain new drilling contracts in direct continuation with existing contracts or for our uncontracted newbuild units, or depending on prevailing market conditions, we may enter into drilling contracts at dayrates substantially below the existing dayrates or on terms otherwise less favorable compared to existing contract terms, which may have an adverse effect on our consolidated statement of financial position, results of operations or cash flows.

- ***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.***

We must make substantial capital and operating expenditures to maintain our fleet. These expenditures could increase as a result of changes in the cost of labor and materials, requirements of customers, the size of our fleet, the cost of replacement parts for existing rigs, the geographic location of the rigs and the length of drilling contracts. Our expenditures may also increase as a result of industry standards, governmental regulations and maritime self-regulatory organization and technical standards related to safety, security or the environment.

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. 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, if we are unable to fund capital expenditures with our cash flows from operations or proceeds from 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.

- ***Various credit rating agencies have rated our debt below investment grade, which could limit our access to capital and have a materially adverse effect on our business and financial condition.***

Three credit rating agencies have rated our non-credit enhanced senior unsecured long-term debt ("Debt Rating") below investment grade. 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 or replacing our existing credit agreements;
- cause us to refinance, issue debt or enter into bank credit agreements 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 Debt Ratings 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, 2017 and 2016, our total consolidated debt was $7.4 billion and $8.5 billion, respectively. This substantial level of debt and other obligations could have significant adverse consequences on our business and future prospects, including the following:

- we may 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 Capital Resources—Sources and Uses of Liquidity."

- ***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, 2017, our most significant customers were Chevron, Shell and Petrobras, accounting for approximately 29 percent, 17 percent and 14 percent, respectively, of our consolidated operating revenues. As of February 19, 2018, the customers with the most significant aggregate amount of contract backlog were Shell, Statoil and Chevron, representing approximately 52 percent, 31 percent and 10 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. 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. 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.

- ***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 19, 2018, we had two ultra-deepwater floater 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 delayed deliveries of significant parts or equipment due to supplier shortages, constraints, disruption or quality issues;
  - 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. Delayed 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. Our reliance on our 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. A disruption in the deliveries from our suppliers, manufacturers or service providers, capacity constraints, production disruptions, price increases, quality control issues, recalls or other decreased availability of parts and equipment or ancillary services could adversely affect our ability to meet our commitments to customers, adversely impact our operations, increase our operating costs 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 Macondo well incident resulted in the most extensive spill of hydrocarbons in U.S. history. Under the *Deepwater Horizon* drilling contract and in accordance with our settlement agreement with the operator, BP plc (together with its affiliates "BP") agreed to indemnify us with respect to certain matters, and we agreed to indemnify BP with respect to certain matters. We could experience a material adverse effect on our consolidated statement of financial position, results of operations or cash flows to the extent that BP 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.

- ***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 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 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 consolidated 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 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.

- ***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 are areas 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.

- ***Swiss corporate governance may affect our business.***

The Swiss Federal Council Ordinance Against Excessive Compensation at Public Companies (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 our annual general meetings, our shareholders are required to approve the maximum aggregate compensation of (1) our board of directors for the period through the successive annual general meeting and (2) our executive management team for the following year. 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 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;
  - the diversion of management and key employees' attention may detract from our ability to increase revenues and minimize costs; and
  - 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.

- ***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 26 percent of our total workforce, working primarily in Brazil, Norway and the U.K. are represented by, and some of our contracted labor work is subject to, 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 affect the market for 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 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 U.S. Environmental Protection Agency 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 agreement (the "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 U.S. is one of over 70 nations having ratified or otherwise consented to be bound by the Paris Agreement. The greenhouse gas emission reductions called for by the Paris Agreement are not binding. On June 1, 2017, the U.S. announced its plan to withdraw from the Paris Agreement and to seek negotiations either to reenter the Paris Agreement on different terms or establish a new framework agreement. The Paris Agreement provides for a four-year exit process beginning in November 2016, which would result in an effective exit-date of November 2020. The U.S.'s adherence to the exit process is uncertain, and the terms on which the U.S. may reenter the Paris Agreement or a separately negotiated agreement if it chooses to do so, are unclear at this time.

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 subject to and have been involved in litigation with certain of our customers. We have subsidiaries that have issued debt under indentures that are subject to covenant compliance, some of which have been accused of breaching certain requirements of such covenants (see "Part II. Item 8. Financial Statements and Supplementary Data—Notes to Consolidated Financial Statements—Note 10—Commitments and Contingencies—Global Marine 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. Certain subsidiaries are subject to litigation relating to environmental damage. Our patent for dual-activity technology has been successfully challenged in certain jurisdictions. We are also subject to a number of significant tax disputes. We cannot predict the outcome of the cases involving those subsidiaries or the potential costs to resolve them. Insurance may not be applicable or sufficient in all cases, insurers may not remain solvent and policies may not be located. 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. 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 have significant carrying amounts of long-lived assets that are subject to impairment testing.***

At December 31, 2017, the carrying amount of our property and equipment was $17.4 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, 2017, we recognized an aggregate loss of $1.4 billion associated with the impairment of certain assets sold for scrap value or for alternative use, and we recognized a loss of $94 million associated with the impairment of our midwater floater asset group. 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, and we recognized a loss of $41 million associated with the impairment of certain assets sold for scrap value. 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.

The U.S., for example, has enacted tax legislation that eliminates some perceived tax advantages of companies that have legal domiciles outside the U.S., but have certain U.S. connections. Switzerland, in response to certain guidance from and demands by the European Union ("EU") and the Organization for Economic Co-operation and Development (the "OECD"), has been carefully considering various tax reform proposals. Some of these tax reform measures may be adopted into law and effective as early as 2019. 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, 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. Respective countries have adopted various measures into their own tax laws. The EU 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., India, Brazil or Nigeria, 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 prior 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.

- ***As a Swiss corporation, our flexibility may be limited with respect to certain aspects of capital management, and we may 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. The 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. Shareholders at our annual general meeting in May 2018 will be requested to approve an authorized share capital since the current authorized share capital will expire on May 12, 2018. Our current authorized share capital is limited to approximately five percent of our registered share capital. Additionally, subject to certain 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 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 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 five 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 31 percent of the share capital registered in the commercial register as of February 13, 2018 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, and in March 2017, the government of the U.K. formally initiated the process. 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 March 2017 initiation. 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 Zug, Switzerland; and
- corporate offices in Houston, Texas; and the Cayman Islands.

Our remaining offices and bases are located in various countries in North America, South America, Europe, Africa and Asia. 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 10—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, 2017. 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 6—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, 2017. All such actions, claims, tax and other matters are incorporated herein by reference.

As of December 31, 2017, 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 completed our internal investigation, and we did not identify any wrongdoing by any of our employees or agents in connection with our business. We 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 13, 2018, 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 13, 2018
Jeremy D. Thigpen (a)	President and Chief Executive Officer	43
Terry B. Bonno	Senior Vice President, Industry and Community Relations	60
Howard E. Davis	Executive Vice President, Chief Administrative Officer and Chief Information Officer	59
Brady K. Long	Senior Vice President and General Counsel	45
Mark L. Mey (a)	Executive Vice President, Chief Financial Officer	54
John B. Stobart (a)	Executive Vice President, Chief Operating Officer and Chief Performance Officer	63
David Tonnel	Senior Vice President and Corporate Controller	48

(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 this position 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 this position 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. From 2011 to November 2015, when Mr. Long joined the Company in this position, he served 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 this position 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 and Chief Performance Officer of the Company. Before being named to his current position in September 2017, he served as Executive Vice President and Chief Operating Officer from October 2012 to September 2017. Before joining the Company in this position 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, working 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, working 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 and Corporate Controller of the Company. Before being named to his current position in April 2017, he served as Senior Vice President, Supply Chain and Corporate Controller from October 2015 to April 2017, 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 HEC (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			
	2017		2016	
	High	Low	High	Low
First quarter	$ 16.16	$ 11.69	$ 13.48	$ 7.67
Second quarter	13.04	7.67	12.05	8.34
Third quarter	10.84	7.20	13.03	8.68
Fourth quarter	11.78	9.33	16.66	9.10

On February 15, 2018, the last reported sales price of our shares on the NYSE was $9.23 per share. On February 15, 2018, there were 6,008 holders of record of our shares and 458,914,707 shares outstanding.

Shareholder Matters

Share issuance

In connection with the acquisition of Songa Offshore SE, a European public company limited by shares, or societas Europaea, existing under the laws of Cyprus ("Songa"), shareholders at our extraordinary general meeting, held January 16, 2018, were requested to consider the following: (1) the issuance of up to 68.6 million Transocean Ltd. shares, (2) an amendment of our articles of association to create additional authorized share capital, (3) election of one new director to our board of directors and (4) issuance of consideration shares of our authorized share capital and our shares issuable upon exchange of the 0.5% Exchangeable Senior Bonds due January 2023 (the "Exchangeable Bonds").

On January 18, 2018, we announced that shareholders at our extraordinary general meeting approved all proposals related to the Songa acquisition. On January 30, 2018, we completed the acquisition of an approximate 97.7 percent ownership interest in Songa. By March 31, 2018, we expect to complete the acquisition of the remaining shares not owned by us through a compulsory acquisition of the remaining shares not owned by us, which is available to us under Cyprus law. In connection with the acquisition, we issued 66.9 million shares to shareholders of Songa with an aggregate market value of $735 million, equivalent to $10.99 per share, estimated based on the market value of our shares on the date of issuance. We also issued an aggregate principal amount of $854 million of the Exchangeable Bonds as partial consideration for the acquisition of the acquired Songa shares and partial settlement of certain Songa indebtedness. Holders of the Exchangeable Bonds may convert the notes into shares of Transocean Ltd. under certain circumstances at a rate of 97.29756 shares per $1,000 note, equivalent to a conversion price of $10.28 per share, subject to adjustment due to the occurrence of certain events. See "Part II. Item 8. Financial Statements and Supplementary Data—Notes to Consolidated Financial Statements and 20─Subsequent Event."

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, 2017, the aggregate amount of par value of our outstanding shares was CHF 39 million, equivalent to approximately $40 million, and the aggregate amount of qualifying additional paid-in capital of our outstanding shares was CHF 11.4 billion, equivalent to approximately $11.7 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 13, 2018, 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	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (a)	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs (in millions) (a)
October 2017	—	$ —	—	$ 3.329
November 2017	—	—	—	3.329
December 2017	—	—	—	3.329
Total	—	$ —	—	$ 3.329

(a) In May 2009, at our annual general meeting, our shareholders approved and authorized our board of directors, at its discretion, to repurchase for cancellation any amount of our shares for an aggregate purchase price of up to CHF 3.5 billion. Following authorization by the board of directors, management repurchased and subsequently cancelled 2,863,267 of our shares for an aggregate cost of $240 million, equivalent to an aggregate cost of CHF 257 million or an average cost of $83.74 per share. At December 31, 2017, the authorization remaining under the share repurchase program was for the repurchase of our outstanding shares for an aggregate cost of up to CHF 3.2 billion, equivalent to $3.3 billion. The share repurchase program could be suspended or discontinued by our board of directors or company management, as applicable, at any time. 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, 2017 and 2016 and for each of the three years in the period ended December 31, 2017 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, 2015, 2014 and 2013, and for each of the two years in the period ended December 31, 2014 have been derived from our accounting records. The following data should be read in conjunction with "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and the audited consolidated financial statements and the notes thereto included under "Item 8. Financial Statements and Supplementary Data."

	Years ended December 31,				
	2017	2016 (a)	2015	2014 (b)	2013
	(In millions, except per share data)				
Statement of operations data					
Operating revenues	$ 2,973	$ 4,161	$ 7,386	$ 9,185	$ 9,246
Operating income (loss)	(2,504)	1,132	1,365	(1,347)	2,203
Income (loss) from continuing operations	(3,097)	827	895	(1,880)	1,428
Net income (loss)	(3,097)	827	897	(1,900)	1,437
Net income (loss) attributable to controlling interest	(3,127)	778	865	(1,839)	1,434
Per share earnings (loss) from continuing operations					
Basic	$ (8.00)	$ 2.08	$ 2.36	$ (5.02)	$ 3.92
Diluted	$ (8.00)	$ 2.08	$ 2.36	$ (5.02)	$ 3.92
Balance sheet data (at end of period)					
Total assets	$ 22,410	$ 26,889	$ 26,431	$ 28,676	$ 32,759
Debt due within one year	250	724	1,093	1,032	323
Long-term debt	7,146	7,740	7,397	9,019	10,329
Total equity	12,711	15,805	15,000	14,104	16,719
Other financial data					
Cash provided by operating activities	$ 1,144	$ 1,911	$ 3,445	$ 2,220	$ 1,918
Cash used in investing activities	(587)	(1,313)	(1,932)	(1,828)	(1,658)
Cash provided by (used in) financing activities	(1,090)	115	(1,809)	(1,000)	(2,151)
Capital expenditures	497	1,344	2,001	2,165	2,238
Distributions of qualifying additional paid-in capital	—	—	381	1,018	606
Per share distributions of qualifying additional paid-in capital	$ —	$ —	$ 1.05	$ 2.81	$ 1.68

(a) In December 2016, Transocean Partners LLC ("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.

(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 19, 2018, we owned or had partial ownership interests in and operated 47 mobile offshore drilling units, including 27 ultra-deepwater floaters, 12 harsh environment floaters, two deepwater floaters and six midwater floaters. Additionally, we operated two high-specification jackups that were under contract when we sold the rigs, and we continue to operate such rigs until completion or novation of the respective drilling contracts. At February 19, 2018, we also had two ultra-deepwater drillships 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 ultra-deepwater and harsh environment drilling services. We believe our drilling fleet is one of the most versatile fleets in the world, consisting of drillships and semisubmersible floaters 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

Business combination—On January 30, 2018, we completed our acquisition of an approximate 97.7 percent ownership interest in Songa Offshore SE, a European public company limited by shares, or societas Europaea, existing under the laws of Cyprus ("Songa"). By March 31, 2018, we expect to complete the acquisition of the remaining shares not owned by us through a compulsory acquisition, which is available to us under Cyprus law. In connection with the acquisition, we acquired seven mobile offshore drilling units, including five harsh environment floaters and two midwater floaters. See "—Liquidity and Capital Resources—Sources and uses of liquidity."

Fleet expansion—In February 2018, we completed the construction of and placed into service the ultra-deepwater floater *Deepwater Poseidon*. During the year ended December 31, 2017, we completed construction of and placed into service the ultra-deepwater floater *Deepwater Pontus*. See "—Operating Results" and "—Liquidity and Capital Resources—Drilling fleet."

Drilling contract terminations—In the year ended December 31, 2017, we recognized revenues of $201 million and received aggregate cash proceeds of $408 million associated with early terminated or cancelled drilling contracts. See "—Outlook," "—Operating Results" and "—Liquidity and Capital Resources—Sources and uses of cash."

Dispositions—On May 31, 2017, we completed the sale of 10 high-specification jackups and novated the contracts relating to the construction of five high-specification jackups, together with related assets. In the year ended December 31, 2017, as a result of the transaction, we received aggregate net cash proceeds of $319 million and recognized an aggregate net loss of $1.6 billion associated with the disposal of these assets.

During the year ended December 31, 2017, we completed the sale of one ultra-deepwater and three midwater floaters, along with related equipment, for which we received aggregate net cash proceeds of $22 million, and recognized an aggregate net gain of $9 million. See "—Liquidity and Capital Resources—Drilling fleet."

Impairments—During the year ended December 31, 2017, we recognized a loss of $1.4 billion associated with the impairment of five ultra-deepwater floaters, one deepwater floater and two midwater floaters, along with related assets, which were classified as held for sale at the time of impairment.

In the year ended December 31, 2017, as a result of impairment testing, we determined that our midwater floater asset group was impaired, and we recognized a loss of $94 million, associated with the impairment of these held and used assets. See "—Operating Results", "—Liquidity and Capital Resources—Drilling fleet".

Debt issuances—On October 17, 2017, we completed an offering of an aggregate principal amount of $750 million of 7.50% senior unsecured notes due January 2026 (the "7.50% Senior Notes"), and we received aggregate cash proceeds of $742 million, net of issue costs. On May 5, 2017, we completed an offering of an aggregate principal amount of $410 million of 5.52% senior secured notes due May 2022 (the "5.52% Senior Secured Notes"), and we received aggregate cash proceeds of $403 million, net of issue costs. See "—Liquidity and Capital Resources—Sources and uses of liquidity."

Debt tender offers—On July 11, 2017, we completed cash tender offers (the “2017 Tender Offers”) to purchase up to $1.5 billion aggregate principal amount of certain notes (the “2017 Tendered Notes”). We received valid tenders from holders of $1.2 billion aggregate principal amount of the 2017 Tendered Notes. As a result, we made an aggregate cash payment of $1.3 billion and recognized an aggregate net loss of $48 million associated with the retirement of such validly tendered debt. See “—Liquidity and Capital Resources—Sources and uses of liquidity.”

Debt redemptions and repurchases—During the year ended December 31, 2017, we completed transactions to redeem or repurchase an aggregate principal amount of $557 million of our debt securities. As a result, we made an aggregate cash payment of $564 million and recognized an aggregate net loss of $7 million associated with the retirement of such redemptions and repurchases of debt. See “—Liquidity and Capital Resources—Sources and uses of liquidity”.

Outlook

Drilling market—Our long-term view of the offshore drilling market remains positive, especially for harsh environment and ultra-deepwater floaters. Brent oil prices have exceeded $70 per barrel for the first time since 2015, improving our customers’ economics of drilling oil and gas wells. This is, in large part, due to favorable trends in the hydrodcarbon supply-demand balance where oil supply has declined relative to demand.

Over the past year, opportunities have increased for our drilling services. In markets requiring harsh environment floating drilling rigs, such as the Norwegian North Sea and eastern Canada, the limited supply of these specialized rigs has improved fleet utilization, which is resulting in increased dayrates on high-specification rigs being tendered for new work. Outside of harsh environment markets, the excess supply of ultra-deepwater floaters relative to demand has delayed improvement of dayrates. However, as the hydrocarbon supply-demand balance improves, we expect sustained improvement of oil prices, ultimately resulting in greater demand for ultra-deepwater drilling rigs and improvement of dayrates.

As of February 19, 2018, our contract backlog, including the contract backlog recently acquired in the Songa acquisition, was $12.8 billion compared to $9.4 billion as of October 26, 2017. The risks of drilling project delays, contract renegotiations and contract terminations and cancellations remain in the near term.

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 19, 2018, the uncommitted fleet rates for each of the five years in the period ending December 31, 2022 were as follows:

	2018	2019	2020	2021	2022
Uncommitted fleet rate					
Ultra-deepwater floaters	63 %	70 %	81 %	83 %	86 %
Harsh environment floaters	42 %	58 %	55 %	58 %	64 %
Deepwater floaters	30 %	100 %	100 %	100 %	100 %
Midwater floaters	80 %	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 average 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:

Contract backlog	February 19, 2018	October 26, 2017	February 9, 2017
		(In millions)	
Ultra-deepwater floaters	$ 8,367	$ 8,664	$ 10,070
Harsh environment floaters	4,269	450	623
Deepwater floaters	105	155	259
Midwater floaters	60	83	127
High-specification jackups	38	71	172
Total contract backlog	$ 12,839	$ 9,423	$ 11,251

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 connection with our acquisition of Songa, we acquired contract backlog of $3.7 billion, included in the contract backlog for our harsh environment floaters presented above, measured as of the acquisition date, January 30, 2018.

The contract backlog for high-specification floaters represents the backlog for two high-specification jackups that were under contract when we sold the rigs, and we continue to operate such rigs until completion or novation of the respective drilling contracts.

In February 2018, after experiencing equipment breakdown that could not be repaired timely, we and our customer mutually agreed to amend the drilling contract for *Transocean Leader* at a reduced dayrate and for reduced duration, which resulted in the removal of approximately $112 million from the contract backlog for harsh environment floaters, as presented above. During the year ended December 31, 2017, a customer early terminated for convenience its drilling contract for *Discoverer Clear Leader,* which resulted in the removal of approximately $202 million from the contract backlog for our ultra-deepwater floaters, as presented above. During the year ended December 31, 2016, our customers early terminated or cancelled contracts for *Deepwater Asgard, Deepwater Champion*, *Deepwater Millennium*, *Discoverer Deep Seas*, *Discoverer India*, *GSF Constellation II*, *GSF Development Driller I* and *Transocean John Shaw*.

On May 31, 2017, we completed the sale of 10 high-specification jackups and novated the contracts relating to the construction of five high-specification jackups, together with related assets. At February 19, 2018, the contract backlog for the high-specification jackups represents the contract backlog associated with the contracted revenues we expect to earn for the continued operation of two high-specification jackups following the sale of these rigs. See "—Operating Results" and "—Liquidity and Capital Resources—Drilling Fleet."

At February 19, 2018, the contract backlog and average contractual dayrates for our fleet were as follows:

		For the years ending December 31,				
	Total	2018	2019	2020	2021	Thereafter
Contract backlog		(In millions, except average dayrates)				
Ultra-deepwater floaters	$ 8,367	$ 1,331	$ 1,328	$ 999	$ 942	$ 3,767
Harsh environment floaters	4,269	825	757	808	772	1,107
Deepwater floaters	105	105	—	—	—	—
Midwater floaters	60	45	15	—	—	—
High-specification jackups	38	38	—	—	—	—
Total contract backlog	$ 12,839	$ 2,344	$ 2,100	$ 1,807	$ 1,714	$ 4,874
Average-contractual dayrates						
Ultra-deepwater floaters	$ 470,000	$ 375,000	$ 439,000	$ 505,000	$ 519,000	$ 506,000
Harsh environment floaters	$ 400,000	$ 324,000	$ 422,000	$ 409,000	$ 423,000	$ 437,000
Deepwater floaters	$ 206,000	$ 206,000	$ —	$ —	$ —	$ —
Midwater floaters	$ 101,000	$ 101,000	$ 101,000	$ —	$ —	$ —
High-specification jackups	$ 144,000	$ 144,000	$ —	$ —	$ —	$ —
Total fleet average	$ 430,000	$ 320,000	$ 423,000	$ 457,000	$ 471,000	$ 488,000

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,		
	2017	2016	2015
Average daily revenue			
Ultra-deepwater floaters	$ 472,400	$ 492,100	$ 513,900
Harsh environment floaters	$ 235,900	$ 329,100	$ 542,600
Deepwater floaters	$ 195,200	$ 253,900	$ 354,400
Midwater floaters	$ 95,600	$ 274,100	$ 349,200
High-specification jackups	$ 143,900	$ 143,800	$ 172,900
Total fleet average daily revenue	$ 321,300	$ 353,500	$ 400,500

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, except when we continue to operate rigs subsequent to sale, as we do with two of the high-specification jackups sold in May 2017.

Average daily revenue decreased for the year ended December 31, 2017 relative to the prior years due to the completion of drilling contracts with higher dayrates and the commencement of newly signed drilling contracts at substantially lower dayrates.

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,		
	2017	2016	2015
Revenue efficiency			
Ultra-deepwater floaters	96 %	98 %	95 %
Harsh environment floaters	96 %	98 %	98 %
Deepwater floaters	94 %	96 %	97 %
Midwater floaters	96 %	99 %	95 %
High-specification jackups	101 %	98 %	99 %
Total fleet average revenue efficiency	96 %	98 %	96 %

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,		
	2017	2016	2015
Rig utilization			
Ultra-deepwater floaters	39 %	45 %	65 %
Harsh environment floaters	73 %	57 %	64 %
Deepwater floaters	73 %	54 %	73 %
Midwater floaters	38 %	42 %	77 %
High-specification jackups	61 %	55 %	83 %
Total fleet average rig utilization	48 %	48 %	71 %

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, 2017 compared to the year ended December 31, 2016

The following is an analysis of our operating results. See "—Performance and Other Key Indicators" for definitions of operating days, average daily revenue, revenue efficiency and rig utilization.

	Years ended December 31, 2017	Years ended December 31, 2016	Change	% Change
	(In millions, except day amounts and percentages)			
Operating days	8,499	10,443	(1,944)	(19)%
Average daily revenue	$ 321,300	$ 353,500	$ (32,200)	(9)%
Revenue efficiency	96 %	98 %		
Rig utilization	48 %	48 %		
Contract drilling revenues	$ 2,731	$ 3,705	$ (974)	(26)%
Other revenues	242	456	(214)	(47)%
	2,973	4,161	(1,188)	(29)%
Operating and maintenance expense	(1,388)	(1,875)	487	26 %
Depreciation expense	(832)	(893)	61	7 %
General and administrative expense	(156)	(172)	16	9 %
Loss on impairment	(1,498)	(93)	(1,405)	nm
Gain (loss) on disposal of assets, net	(1,603)	4	(1,607)	nm
Operating income (loss)	(2,504)	1,132	(3,636)	nm
Other income (expense), net				
Interest income	43	20	23	nm
Interest expense, net of amounts capitalized	(491)	(409)	(82)	(20)%
Gain (loss) on retirement of debt	(55)	148	(203)	nm
Other, net	4	43	(39)	(91)%
Income (loss) from continuing operations before income tax expense	(3,003)	934	(3,937)	nm
Income tax expense	(94)	(107)	13	12 %
Income (loss) from continuing operations	$ (3,097)	$ 827	$ (3,924)	nm

"nm" means not meaningful.

Operating revenues—Contract drilling revenues decreased for the year ended December 31, 2017 compared to the year ended December 31, 2016 primarily due to the following: (a) approximately $600 million resulting from a greater number of rigs idle or stacked, (b) approximately $450 million resulting from rigs sold or classified as held for sale, (c) approximately $255 million resulting from lower dayrates and (d) approximately $45 million resulting from decreased revenue efficiency. These decreases were partially offset by (a) approximately $325 million resulting from our four newbuild ultra-deepwater drillships that commenced operations during the two-year period ended December 31, 2017 and (b) approximately $65 million resulting from the reactivation of two rigs.

Other revenues decreased for the year ended December 31, 2017 compared to the year ended December 31, 2016, due to $196 million resulting from drilling contracts early terminated or cancelled by our customers, and by $18 million resulting from reimbursable items.

Costs and expenses—Operating and maintenance expense decreased for the year ended December 31, 2017 compared to the year ended December 31, 2016, primarily due to the following: (a) approximately $250 million resulting from rigs sold or classified as held for sale, (b) approximately $170 million resulting from a greater number of rigs idle or stacked, (c) approximately $90 million resulting from reduced onshore costs and (d) approximately $75 million resulting from reduced offshore costs. These decreases were partially offset by: (a) approximately $75 million resulting from our four newbuild ultra-deepwater drillships that commenced operations during the two-year period ended December 31, 2017 and (b) approximately $30 million resulting from cost recoveries from insurance associated with the Macondo well incident in the year ended December 31, 2016 with no comparable activity in the year ended December 31, 2017.

Depreciation expense decreased for the year ended December 31, 2017 compared to the year ended December 31, 2016 primarily due to the following: (a) approximately $82 million resulting from rigs sold or classified as held for sale and (b) approximately $22 million primarily resulting from the retirement or full depreciation of certain assets. These decreases were partially offset by approximately $50 million primarily resulting from our newbuild ultra-deepwater drillships placed into service during the two-year period ended December 31, 2017.

General and administrative expense decreased for the year ended December 31, 2017 compared to the year ended December 31, 2016, primarily due to the following: (a) approximately $10 million of reduced personnel costs and (b) approximately $4 million of reduced professional fees.

Loss on impairment or disposal of assets—In the year ended December 31, 2017, we recognized a loss on impairment related to the following: (a) a loss of $1.4 billion associated with the impairment of certain assets to be sold for scrap value or for alternative use, which were classified as held for sale at the time of impairment, and (b) a loss of $94 million associated with the impairment of our midwater floater asset group. 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.

Loss on disposal of assets in the year ended December 31, 2017, was primarily the result of the completion of the sale of 10 high-specification jackups and novation of the contracts relating to the construction of five high-specification jackups, together with related assets.

Other income and expense—Interest expense, net of amounts capitalized, increased in the year ended December 31, 2017 compared to the year ended December 31, 2016, primarily due to the following: (a) approximately $168 million resulting from new debt issued in the two-year period ended December 31, 2017, (b) approximately $63 million resulting from reduced interest costs capitalized for our newbuild ultra-deepwater drillships that commenced operations during the two-year period ended December 31, 2017 and (c) approximately $13 million resulting from downgrades to the credit rating for our senior unsecured long-term debt. Partially offsetting these increases was approximately $160 million resulting from debt retired during the two-year period ended December 31, 2017.

Loss on retirement of debt in the year ended December 31, 2017 resulted primarily from the following: (a) an aggregate loss of $48 million resulting from the retirement of notes validly tendered in the 2017 Tender Offers and (b) an aggregate loss of $7 million resulting from debt redemptions and repurchases. Gain on retirement of debt in the year ended December 31, 2016 resulted primarily from the following: (a) an aggregate net gain of $104 million resulting from the retirement of notes validly tendered in cash tender offers (the "2016 Tender Offers") and (b) an aggregate net gain of $44 million resulting from the retirement of notes repurchased in the open market.

Other income, net, decreased in the year ended December 31, 2017 compared to the year ended December 31, 2016, primarily due to $33 million of reduced income associated with our dual-activity patent.

Income tax expense—In the years ended December 31, 2017 and 2016, our effective tax rate was (3.1) percent and 11.5 percent, respectively, based on income from continuing operations before income tax expense. Our effective tax rate decreased primarily due to losses on impairment and disposal of assets with no tax benefit. In the years ended December 31, 2017 and 2016, the effect of the various discrete period tax items was a net tax benefit of $37 million and $50 million, respectively. In the year ended December 31, 2017, such discrete items were primarily related to the tax benefit of changes in unrecognized tax benefits associated with tax positions taken in prior years, valuation allowances on deferred tax assets not expected to be realized, remeasurement of the United States ("U.S.") deferred tax assets for a tax rate change as a result of the 2017 enactment of the Tax Cuts and Jobs Act (the "2017 Tax Act") and deductions related to resolution of certain litigation matters related to Macondo well incident. In the year ended December 31, 2016, such discrete items were primarily related to the tax benefit of changes in unrecognized tax benefits associated with tax positions taken in prior years and valuation allowances on deferred tax assets for losses not expected to be realized. In the years ended December 31, 2017 and 2016, our effective tax rate, excluding discrete items, was 95.2 percent and 18.5 percent, respectively, based on income from continuing operations before income tax expense. Our effective tax rate increased in the year ended December 31, 2017 compared to the year ended December 31, 2016, 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.

In December 2017, the U.S. enacted the 2017 Tax Act, which includes a number of changes to existing U.S. tax laws that have an impact on our income tax provision, most notably a reduction of the U.S. corporate income tax rate from 35 percent to 21 percent for tax years beginning after December 31, 2017, and the creation of a territorial tax system with a one-time mandatory tax on certain unremitted earnings and profits of the foreign subsidiaries of our U.S. subsidiaries. The 2017 Tax Act also makes prospective changes beginning in 2018, including a base erosion and anti-abuse tax ("BEAT"), a global intangible low-taxed income tax, additional limitations on the deductibility of executive compensation, limitations on the deductibility of interest, and repeal of the domestic manufacturing deduction. As a result of the 2017 Tax Act, we remeasured our deferred tax assets and liabilities to reflect the reduction in the U.S. corporate income tax rate from 35 percent to 21 percent, resulting in a $66 million increase in income tax expense for the year ended December 31, 2017 and a corresponding $66 million decrease in net deferred tax assets as of December 31, 2017. We are still analyzing certain aspects of the 2017 Tax Act and refining our calculations which could potentially affect the measurement of these balances or potentially give rise to new deferred tax amounts.

As of December 31, 2017, our consolidated cumulative loss incurred over the recent three-year period, primarily due to losses on impairment and disposal of assets, represented significant objective negative evidence for our evaluation. Such evidence, together with potential organizational changes that could alter our ability to realize certain deferred tax assets, has limited our ability to consider other subjective evidence, such as projected future contract activity. As a result, we recorded an incremental valuation allowance of $110 million to recognize only a portion of our U.S. deferred tax assets that are more likely than not to be recognized. If estimated future taxable income changes during the carryforward periods or if the cumulative loss is no longer present, we may adjust the amount of deferred tax assets that we expect to realize.

Due to a number of factors related to our operating activities and organizational structure, 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, 2017, 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 and India. Conversely, the countries in which we incurred the most significant income taxes during this period that were based on income before income tax include Brazil, Switzerland, Norway, the United Kingdom ("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. See Notes to Consolidated Financial Statements—Note 6—Income Taxes.

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

The following is an analysis of our operating results. See "—Performance and Other Key Indicators" for definitions of operating days, average daily revenue, revenue efficiency and rig utilization.

	Years ended December 31,			
	2016	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 resulting from a greater number of rigs idle or stacked, (b) approximately \$860 million resulting from rigs sold or classified as held for sale and (c) approximately \$365 million resulting from lower dayrates. These decreases were partially offset by (a) approximately \$270 million resulting from our newbuild ultra-deepwater drillships that commenced operations in the year ended December 31, 2016 and (b) approximately \$70 million 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 resulting from reimbursable items and approximately \$37 million 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 December 31, 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 resulting from a greater number of rigs idle or stacked, (b) approximately \$355 million resulting from rigs sold or classified as held for sale, (c) approximately \$315 million resulting from reduced offshore costs and (d) approximately \$195 million resulting from reduced onshore costs. These decreases were partially offset by approximately \$75 million resulting from 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 resulting from the impairment of our deepwater floater and midwater floater asset groups in the prior year and (b) approximately $40 million resulting from rigs sold or classified as held for sale, partially offset by (c) approximately $66 million resulting from 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 expense, 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 due 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 due 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 resulting from our debt repurchases and redemptions and (b) approximately $36 million of increased interest capitalized resulting from our newbuild construction program. Partially offsetting these decreases were the following: (a) approximately $64 million resulting from new debt issued in the year ended December 31, 2016 and (b) approximately $37 million 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 2016 Tender Offers and (b) an aggregate net gain of $44 million resulting from the redemption or repurchase 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—In the years ended December 31, 2016 and 2015, our effective tax rate was 11.5 percent and 11.9 percent, respectively, based on income from continuing operations before income tax expense. 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. In 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. Our effective tax rate, excluding discrete items, 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.

Due to a number of factors related to our operating activities and organizational structure, 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. See —Critical Accounting Policies and Estimates—Income taxes.

Liquidity and Capital Resources

Sources and uses of cash

At December 31, 2017, we had $2.5 billion in unrestricted cash and cash equivalents and $450 million in unrestricted short-term investments. In the year ended December 31, 2017, our primary sources of cash were our cash flows from operating activities, including cash proceeds from customers for early terminations or cancellations of drilling contracts; net proceeds from the issuance of debt and net proceeds from the sale of the high-specification jackups. Our primary uses of cash were the repayment of debt, primarily related to the 2017 Tender Offers, debt redemptions and open market debt repurchases, our investments in capital expenditures and deposits into short-term investments.

	Years ended December 31, 2017	Years ended December 31, 2016	Change
		(In millions)	
Cash flows from operating activities			
Net income (loss)	$ (3,097)	$ 827	$ (3,924)
Depreciation	832	893	(61)
Loss on impairment	1,498	93	1,405
(Gain) loss on disposal of assets, net	1,603	(4)	1,607
(Gain) loss on retirement of debt	55	(148)	203
Deferred income tax expense	89	68	21
Other non-cash items, net	96	56	40
Changes in deferred revenues and costs, net	87	291	(204)
Changes in other operating assets and liabilities, net	(19)	(165)	146
	$ 1,144	$ 1,911	$ (767)

Net cash provided by operating activities decreased primarily due to reduced operating activities and a decrease of $45 million cash received from customers for early terminations or cancellations of drilling contracts.

	Years ended December 31, 2017	Years ended December 31, 2016	Change
		(In millions)	
Cash flows from investing activities			
Capital expenditures	$ (497)	$ (1,344)	$ 847
Proceeds from disposal of assets, net	350	30	320
Deposits into short-term investments	(450)	—	(450)
Other, net	10	1	9
	$ (587)	$ (1,313)	$ 726

Net cash used in investing activities decreased primarily due to: (a) reduced capital expenditures, primarily associated with our newbuild construction projects, and (b) increased proceeds from asset disposals, primarily related to the sale of 10 high-specification jackups and the novation of contracts relating to the construction of five high-specification jackups, together with related assets, in the year ended December 31, 2017. These decreases were partially offset by the use of cash associated with deposits into short-term investments, primarily time deposits, in the year ended December 31, 2017 with no comparable activity in the prior year.

	Years ended December 31, 2017	Years ended December 31, 2016	Change
		(In millions)	
Cash flows from financing activities			
Proceeds from issuance of debt, net of discounts and issue costs	$ 1,144	$ 2,401	$ (1,257)
Repayments of debt	(2,284)	(2,295)	11
Proceeds from cash accounts and investments restricted for financing activities, net of deposits	53	39	14
Distributions to holders of noncontrolling interest	—	(30)	30
Other, net	(3)	—	(3)
	$ (1,090)	$ 115	$ (1,205)

Net cash used in financing activities increased primarily due to reduced cash proceeds from the issuance of the 7.50% Senior Notes and 5.52% Senior Secured Notes in the year ended December 31, 2017 compared to the cash proceeds from the issuance of the 9.00% senior notes due July 2023 (the “9.00% Senior Notes”), 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”) in the prior year.

Sources and uses of liquidity

Overview—We expect to use existing unrestricted cash balances and short-term investments, 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 arrangements. In each case subject 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 the rating of our non-credit enhanced senior unsecured long-term debt ("Debt Rating") to Debt Ratings that are below investment grade. During the years ended December 31, 2016 and 2017, the same three credit rating agencies further downgraded our Debt Rating. Such downgrades have caused 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 flows are 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 flows from operations may be reduced. We have, however, continued to generate positive cash flows from operating activities over recent years and expect that such cash flows will continue to be positive over the next year.

Business combination—On January 30, 2018, we completed the acquisition of an approximate 97.7 percent ownership interest in Songa. By March 31, 2018, we expect to complete the acquisition of the remaining shares not owned by us through a compulsory acquisition, which is available to us under Cyprus law.

In connection with the acquisition, we issued 66.9 million shares with an aggregate market value of $735 million, equivalent to $10.99 per share, estimated based on the market value of our shares on the date of issuance to shareholders of Songa as partial consideration for the acquired Songa shares. We expect to issue 1.7 million shares for the remaining shares to be acquired through the compulsory acquisition.

We also issued an aggregate principal amount of $854 million of the 0.5% Exchangeable Senior Bonds due January 2023 (the "Exchangeable Bonds") as partial consideration for the acquisition of the acquired Songa shares and partial settlement of certain Songa indebtedness. We expect to issue an aggregate principal amount of $14 million of the Exchangeable Bonds for the remaining shares to be acquired through the compulsory acquisition. Transocean Inc. is the issuer of the Exchangeable Bonds, which are fully and unconditionally guaranteed by Transocean Ltd. and rank equally with our other senior unsecured debt. We will pay interest on the Exchangeable Bonds semiannual, commencing July 30, 2018. Holders of the Exchangeable Bonds may convert the notes into shares of Transocean Ltd. under certain circumstances at a rate of 97.29756 shares per $1,000 note, equivalent to a conversion price of $10.28 per share, subject to adjustment due to the occurrence of certain events.

Debt issuances—On October 17, 2017, we completed an offering of an aggregate principal amount of $750 million of the 7.50% Senior Notes, and we received aggregate cash proceeds of $742 million, net of issue costs. We used the majority of the net proceeds from the debt offering to repay or redeem certain maturing debt. See "—Debt redemptions and repurchases")

On May 5, 2017, we completed an offering of an aggregate principal amount of $410 million of the 5.52% Senior Secured Notes and we received aggregate cash proceeds of $403 million, net of issue costs. The indenture that governs the 5.52% Senior Secured Notes contains covenants that limit the ability of our subsidiaries that own or operate *Deepwater Conqueror* to declare or pay dividends to affiliates. We will be required to redeem or to offer to redeem the notes at a price equal to 100 percent of the aggregate principal amount, and, under certain circumstances, the payment of a make-whole amount, upon the occurrence of certain events related to *Deepwater Conqueror* and the related drilling contract.

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. 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 *Deepwater Thalassa* and *Deepwater Proteus* to declare or pay dividends to affiliates 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.

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 2016 Tender Offers (see "—Debt tender offers").

Debt tender offers—On July 11, 2017, we completed the 2017 Tender Offers to purchase for cash up to $1.5 billion aggregate principal amount of the 2017 Tendered Notes. As a result, we received valid tenders from holders of an aggregate principal amount of $1.2 billion of the 2017 Tendered Notes, and we made an aggregate cash payment of $1.3 billion to settle the 2017 Tendered Notes.

On August 1, 2016, we completed the 2016 Tender Offers to purchase for cash up to $1.0 billion aggregate principal amount of certain of our outstanding senior notes (collectively, the "2016 Tendered Notes"). As a result of the 2016 Tender Offers, we received valid tenders from holders of an aggregate principal amount of $981 million of the 2016 Tendered Notes, and we made an aggregate cash payment of $876 million to settle the 2016 Tendered Notes.

Debt redemptions and repurchases—In November 2017, we redeemed the outstanding 6.00% Senior Notes due March 2018 and the 7.375% Senior Notes due April 2018 with aggregate principal amounts of $319 million and $82 million, respectively, by making an aggregate cash payment of $407 million using proceeds from the issuance of the 7.50% Senior Notes.

In the years ended December 31, 2017 and 2016, we repurchased in the open market an aggregate principal amount of $156 million and $399 million, respectively, of our debt securities for an aggregate cash payment of $157 million and $354 million, respectively. During the year ended December 31, 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.

Debt scheduled maturities—On the scheduled maturity date of October 16, 2017, we made a cash payment of $152 million to repay the outstanding 2.50% Senior Notes due October 2017, at a price equal to 100 percent of the aggregate principal amount. 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.

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 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 by our subsidiary or previously held in treasury.

Litigation settlements and insurance recoveries—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 an affiliate of BP plc. together with its affiliates ("BP") had made against us and had assigned to private plaintiffs who previously settled economic damages claims against BP. On February 15, 2017, the U.S. District Court for the Eastern District of Louisiana (the "MDL Court") entered a final order and judgement approving the PSC Settlement Agreement, which is no longer subject to appeal. In June 2016 and August 2015, we made a cash deposit of $25 million and $212 million, respectively, into escrow accounts established by the MDL Court for the settlement. In November 2017, the MDL Court released $25 million from the escrow accounts for partial payment of attorneys' fees. As of February 13, 2018, the aggregate cash balance of our escrow accounts was $212 million.

Pursuant to a cooperation guilty plea agreement by and among the U.S. Department of Justice ("DOJ") and certain of our affiliates, 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, 2017 and 2016, we made the final scheduled cash payments of $60 million.

Noncontrolling interest—In the year ended December 31, 2016, Transocean Partners LLC ("Transocean Partners") declared and paid an aggregate distribution of $99 million, of which $28 million was paid to holders of noncontrolling interest. 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 consolidated indebtedness to total tangible capitalization ratio of 0.6 to 1.0. At December 31, 2017, our consolidated indebtedness to total tangible capitalization ratio, as defined in the Five-Year Revolving Credit Facility, 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. See Notes to Consolidated Financial Statements—Note 10—Commitments and Contingencies.

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 13, 2018, 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 13, 2018, we had no borrowings outstanding, $7 million of 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. On February 12, 2010, our board of directors authorized our management to implement the share repurchase program. At December 31, 2017, the authorization remaining under the share repurchase program was for the repurchase of up to CHF 3.2 billion, equivalent to approximately $3.3 billion, of our outstanding shares. We intend to fund any repurchases using available cash balances and cash from operating activities. The share repurchase program could be suspended or discontinued by our board of directors or company management, as applicable, at any time. We may decide, 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 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. 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. 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, 2017, our contractual obligations stated at face value, were as follows:

	Total	For the years ending December 31, 2018	2019 - 2020 (in millions)	2021 - 2022	Thereafter
Contractual obligations					
Debt	$ 6,943	$ 227	$ 701	$ 1,191	$ 4,824
Interest on debt	4,709	508	974	852	2,375
Capital lease obligation (a)	837	72	144	142	479
Operating lease obligations	97	15	23	20	39
Purchase obligations	898	48	850	—	—
Service agreement obligations (b)	1,059	67	207	201	584
Total (c)	$ 14,543	$ 937	$ 2,899	$ 2,406	$ 8,301

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

(b) In the years ended December 31, 2017 and 2016, we entered into long-term service agreements with certain original equipment manufacturers to provide services and parts related to our pressure control systems, thrusters, top drives and other equipment. 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, 2017, our defined benefit pension and other postemployment plans represented an aggregate liability of $359 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 and Other Postemployment Benefit Plans" and Notes to Consolidated Financial Statements—Note 9—Postemployment Benefit Plans.

As of December 31, 2017, our unrecognized tax benefits related to uncertain tax positions, net of prepayments, represented a liability of $309 million. Due to the high degree of uncertainty regarding the timing of future cash outflows associated with the liabilities recognized in this balance, we are unable to make reasonably reliable estimates of the period of cash settlement with the respective taxing authorities, and we have excluded this amount from the contractual obligations presented in the table above. See Notes to Consolidated Financial Statements—Note 6—Income Taxes.

Other commercial commitments—We have other commercial commitments that we are contractually obligated to fulfill with cash under certain circumstances. These commercial commitments include standby letters of credit and surety bonds that guarantee our performance as it relates to our drilling contracts, insurance, customs, tax and other obligations in various jurisdictions. Standby letters of credit are issued under various uncommitted credit lines, some of which require cash collateral. At December 31, 2017, the aggregate cash collateral held by banks for letters of credit was $7 million. The obligations that are the subject of these standby letters of credit and surety bonds are primarily geographically concentrated in Brazil and 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, 2017, these obligations stated in U.S. dollar equivalents and their time to expiration were as follows:

	Total	For the years ended December 31, 2018	2019 - 2020 (in millions)	2021 - 2022	Thereafter
Other commercial commitments					
Standby letters of credit	$ 29	$ 22	$ 7	$ —	$ —
Surety bonds	51	2	37	12	—
Total	$ 80	$ 24	$ 44	$ 12	$ —

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, 2017, the cash investments held by the captive insurance company totaled $239 million, and the amount of such cash investments is expected to range from $100 million to $250 million by December 31, 2018. 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.

On January 30, 2018, we completed our acquisition of an approximate 97.7 percent ownership interest in Songa. By March 31, 2018, we expect to complete the acquisition of the remaining shares not owned by us through a compulsory acquisition, which is available to us under Cyprus law. In connection with the acquisition, we acquired seven mobile offshore drilling units, including five harsh environment floaters and two midwater floaters. See Notes to Consolidated Financial Statements—Note 20—Subsequent Event.

In the years ended December 31, 2017 and 2016, we made capital expenditures of $497 million and $1.3 billion, respectively, including $397 million and $1.2 billion, respectively, for our major construction projects. For the year ending December 31, 2018, we expect total capital expenditures and other capital additions to be approximately $130 million, including $74 million for our major construction projects. As of December 31, 2017, 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, 2017	For the years ending December 31, 2018	2019	2020	Total
			(In millions)		
Deepwater Pontus (a)	$ 896	$ —	$ —	$ —	$ 896
Deepwater Poseidon (b)	871	29	—	—	900
Ultra-Deepwater drillship TBN1 (c)	266	29	56	464	815
Ultra-Deepwater drillship TBN2 (c)	200	16	38	506	760
Total	$ 2,233	$ 74	$ 94	$ 970	$ 3,371

(a) In October 2017, the ultra-deepwater floater *Deepwater Pontus* was placed into service and commenced operations.

(b) In February 2018, the ultra-deepwater floater *Deepwater Poseidon* was placed into service and commenced operations.

(c) Our two unnamed ultra-deepwater drillships under construction at the Jurong Shipyard Pte Ltd. in Singapore do not yet have drilling contracts and are expected to be delivered in the second quarter of 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.

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 and commercial banks or capital market financings. We also have available credit under the Five-Year Revolving Credit Facility, which is expected to be extended or replaced with another credit facility before expiration of the underlying bank credit agreement on June 28, 2019 (see "—Sources and uses of liquidity—Five-Year Revolving Credit Facility"). 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, 2017, 2016 and 2015, we identified seven, seven and 22 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.

On May 31, 2017, we completed the sale of 10 high-specification jackups and novated the contracts relating to the construction of five high-specification jackups, together with related assets. In the year ended December 31, 2017, as a result of this transaction, we received aggregate net cash proceeds of $319 million. During the year ended December 31, 2017, we also completed the sale of one ultra-deepwater floater and three midwater floaters, along with related assets, and we received net cash proceeds of $22 million. During the year ended December 31, 2016, we completed the sale of three deepwater floaters and eight midwater floaters, along with related assets, 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 assets, and we received aggregate net cash proceeds of $35 million.

Pension and Other Postemployment Benefit Plans

Overview—As of December 31, 2017, we maintained three funded and three unfunded defined benefit plans in the U.S. (the "U.S. Plans"). As of December 31, 2017, we also maintained one defined benefit plan in the U.K. (the "U.K. Plan"), and we maintained two funded and two unfunded defined benefit plans in Norway (the "Norway Plans"). Even though benefits under some of our defined benefit pension plans have ceased accruing, we maintain the respective pension obligations under such plans until they have been fully satisfied. During the year ended December 31, 2017, we permitted certain participants of our U.K. Plan to make a one-time election to receive a payment of retirement benefits in the form of a lump sum distribution. During the year ended December 31, 2016, we satisfied our obligations under four funded defined benefit plans in Norway and an unfunded defined benefit plan in Nigeria. We refer to the U.K. Plan, the Norway Plans and the plan in Nigeria, 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 postemployment 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 (in millions, except percentages).

	Year ended December 31, 2017				Year ended December 31, 2016			
	U.S. Plans	Non-U.S. Plans	OPEB Plans	Total	U.S. Plans	Non-U.S. Plans	OPEB Plans	Total
Net periodic benefit costs	$ (1)	$ 8	$ (2)	$ 5	$ (3)	$ (4)	$ (4)	$ (11)
Other comprehensive income (loss) (a)	15	10	(4)	21	(35)	25	(2)	(12)
Employer contributions	1	12	2	15	3	43	3	49
At end of period:								
Accumulated benefit obligation	$ 1,680	$ 375	$ 19	$ 2,074	$ 1,557	$ 396	$ 19	$ 1,972
Projected benefit obligation	1,680	379	19	2,078	1,557	398	19	1,974
Fair value of plan assets	1,343	393	—	1,736	1,204	400	—	1,604
Funded status	(337)	14	(19)	(342)	(353)	2	(19)	(370)
Accumulated comprehensive income (loss) (a)	(301)	(84)	19	(366)	(316)	(94)	23	(387)
Weighted-Average Assumptions								
-Net periodic benefit costs								
Discount rate (b)	4.26 %	2.69 %	3.08 %	3.97 %	4.56 %	3.69 %	3.13 %	4.37 %
Long-term rate of return (c)	6.31 %	4.79 %	na	5.96 %	6.82 %	5.85 %	na	6.57 %
Compensation trend rate (b)	na %	2.25 %	na	2.25 %	0.22 %	4.01 %	na	0.98 %
-Benefit obligations								
Discount rate (b)	3.68 %	2.49 %	2.93 %	3.45 %	4.26 %	2.69 %	3.08 %	3.94 %
Compensation trend rate (b)	na	2.50 %	na	2.50 %	na	2.25 %	na	2.25 %

"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—Net periodic benefit costs increased for the year ended December 31, 2017 compared to the year ended December 31, 2016 primarily due to a decrease in expected returns from plan assets. In the year ending December 31, 2018, we expect our net periodic benefit costs to represent income of approximately $12 million.

Plan assets—In the year ended December 31, 2017, the fair value of the investments in the funded Transocean Plans increased by $132 million, or 8 percent, primarily due to the following: $229 million resulting from investment returns, and $36 million resulting from net gains on currency exchange rate changes for our non-U.S. Plans, partially offset by $133 million resulting from benefits paid from plan assets, net of contributions.

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, 2017, we contributed $15 million and participants did not contribute to the Transocean Plans and the OPEB Plans. In the year ended December 31, 2016, we contributed $49 million and participants contributed $1 million to the Transocean Plans and the OPEB Plans. For the year ending December 31, 2018, we expect to contribute $12 million to the Transocean Plans and $3 million to the OPEB Plans.

See Notes to Consolidated Financial Statements—Note 9—Postemployment Benefit Plans.

Off-Balance Sheet Arrangements

We had no off-balance sheet arrangements as of December 31, 2017.

Related Party Transactions

As of December 31, 2017, we did not have any material related party transactions that were not in the ordinary course of business

Other Matters

Macondo well incident

We believe the most notable remaining 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 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 10—Commitments and Contingencies.

Regulatory matters

Consent Decree—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 undertake certain actions, including enhanced safety and compliance actions when operating in U.S. waters. The Consent Decree also requires us to submit and make publicly available certain plans, reports and other submissions. One such plan 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, as required, 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 Clean Water Act. We also agreed to pay, and have satisfied our obligations to pay, civil penalties of $1.0 billion plus interest. See Notes to Consolidated Financial Statements—Note 10—Commitments and Contingencies.

Other regulatory 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.

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. While we cannot predict or provide assurance as to the final outcome of these proceedings, we do not expect the ultimate liability to have a material adverse effect on our consolidated statement of financial position or results of operations, although it may have a material adverse effect on our consolidated cash flows. See Notes to Consolidated Financial Statements—Note 6—Income Taxes.

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. On an ongoing basis, we evaluate our estimates, including those related to our allowance for doubtful accounts, materials and supplies obsolescence, property and equipment, income taxes, contingent liabilities and defined benefit pension and other postemployment benefit plans. 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 establish 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. Such tax exposures include potential challenges to permanent establishment positions, intercompany pricing, disposition transactions, and withholding tax rates and their applicability. These exposures may be affected by changes in applicable tax law or other factors, which could cause us to revise our prior estimates, and are generally resolved through the settlement of audits within these tax jurisdictions or by judicial means. At December 31, 2017 and 2016, the liability for estimated tax exposures in our jurisdictions of operation was approximately $309 million and $370 million, respectively.

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 indefinitely reinvested in the future. If we were to make a distribution from the unremitted earnings of these subsidiaries, we could be subject to taxes payable to various jurisdictions. 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. Due to the timing of the enactment of the 2017 Tax Act, it is not practicable to estimate the amount of indefinitely reinvested earnings or the deferred tax liability related to unremitted earnings of our subsidiaries.

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. The 2017 Tax Act imposes a one-time transition tax on certain unremitted earnings and profits of the foreign subsidiaries of our U.S. subsidiaries. Prior to enactment of the 2017 Tax Act, we did not recognize a deferred tax liability related to the unremitted earnings of the foreign subsidiaries of our U.S. subsidiaries because we considered those foreign earnings to be indefinitely reinvested. Upon enactment of the 2017 Tax Act, we did not have the necessary information available, prepared and analyzed to develop a reasonable estimate of the transition tax. We have not yet completed our calculation of the post-1986 earnings and profits for the foreign subsidiaries of our U.S. subsidiaries or determined the amounts of those earnings held in cash and other assets necessary to determine the transition tax. The determination of the transition tax requires further analysis regarding the amount and composition of our historical foreign earnings, which is expected to be completed and reflected in our financial statements issued for subsequent reporting periods that fall within the measurement period provided by SAB 118. The transition tax will also impact the utilization of our foreign tax credits and net operating losses generated in the U.S. which will impact our valuation allowance analysis related to those deferred tax assets and could have a material impact or our valuation allowances. Because we have not completed our analysis of the amount and composition of our historical foreign earnings and the associated transition tax, we also cannot determine the associated impact on our assertion that the unremitted earnings of the foreign subsidiaries of our U.S. subsidiaries will be indefinitely reinvested.

We continually evaluate strategies that could allow for the future utilization of our deferred tax assets. During the year ended December 31, 2017, in evaluating our projected realizability of deferred tax assets, we considered our consolidated cumulative loss incurred over the recent three-year period, primarily due to losses on impairment and disposal of assets, together with potential organizational changes that could alter our ability to realize deferred tax assets, which have limited our ability to consider other subjective evidence, such as projected contract activity. During the year ended December 31, 2016, in evaluating our projected realizability of deferred tax assets, we considered potential organizational changes that could alter our ability to realize deferred tax assets.

See Notes to Consolidated Financial Statements—Note 6—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, 2017 and 2016, the carrying amount of our property and equipment was $17.4 billion and $21.1 billion, respectively, representing 78 percent 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, 2017, 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 $34 million and a hypothetical one-year decrease would cause an increase in our annual depreciation expense of approximately $52 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 and midwater floaters.

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, 2017, we recognized a loss of $94 million ($93 million, net of tax) associated with the impairment of the midwater floater asset group. 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.

See Notes to Consolidated Financial Statements—Note 5—Drilling Fleet.

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, 2017 and 2016, we recognized revenues of $201 million and $471 million, respectively, associated with cancellations and early terminations.

See Notes to Consolidated Financial Statements—Note 3—Accounting Standards Updates.

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. As of December 31, 2017 and 2016, the liability for estimated loss contingencies that we believe are probable and for which a reasonable estimate can be made was $219 million and $250 million, respectively, recorded in other current liabilities, the majority of which is related to our settlement with the PSC.

See Notes to Consolidated Financial Statements—Note 10—Commitments and Contingencies.

Pension and other postemployment 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 postemployment benefit plans are actuarially determined and are affected by assumptions, including long-term rate of return, discount rates, mortality rates and employee turnover rates. For our defined benefit plans that 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 and Other Postemployment Benefit Plans" and Notes to Consolidated Financial Statements—Note 9—Postemployment Benefit Plans.

Accounting Standards Updates

For a discussion of the new accounting standards updates that have had or are expected to have an effect on our consolidated financial statements, see Notes to Consolidated Financial Statements—Note 3—Accounting Standards Updates..

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Interest rate risk —We are exposed to interest rate risk, primarily associated with our long-term debt instruments. The following table presents the principal cash flows and related weighted-average interest rates of our debt instruments by contractual maturity date. The following table presents information for the years ending December 31 (in millions, except interest rate percentages):

	Scheduled Maturity Date (a)							
	2018	2019	2020	2021	2022	Thereafter	Total	Fair Value
Debt								
Fixed rate (USD)	$ 257	$ 237	$ 531	$ 580	$ 687	$ 5,192	$ 7,484	$ 7,538
Average interest rate	6.59 %	6.58 %	6.53 %	7.59 %	6.12 %	7.78 %		

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

At December 31, 2017 and 2016, the fair value of our debt was $7.5 billion and $8.2 billion, respectively. During the year ended December 31, 2017, the fair value of our debt decreased by $680 million due to the following: (a) a decrease of approximately $2.2 billion resulting from our repayment of $2.2 billion aggregate principal amount of debt (see Notes to Consolidated Financial Statements—Note 8—Debt), partially offset by (b) an increase of approximately $1.1 billion resulting from the issuance of $410 million and $750 million aggregate principal amount of the 5.52% senior secured notes due May 2022 and the 7.50% senior unsecured notes due January 2026, respectively, and (c) an increase of approximately $400 million resulting from the change in market prices for our outstanding debt.

The majority of our cash equivalents and short-term investments is subject to variable interest rates or short-term interest rates and such cash equivalents and short-term investments would earn commensurately higher rates of return if interest rates increase. Based upon the amounts of our short-term investments as of December 31, 2017 and 2016, a hypothetical one percentage point change in interest rates would result in a corresponding change in annual interest income of approximately $25 million and $31 million, respectively.

Currency exchange rate risk—We are exposed to currency exchange rate risk primarily associated with our international operations. Our primary risk management strategy for currency exchange rate risk 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.

Item 8. Financial Statements and Supplementary Data

Management's Report on Internal Control Over Financial Reporting

Management of Transocean Ltd. (the "Company," "we" or "our") is responsible for the integrity and objectivity of the financial information included in this annual report. We have prepared our financial statements in accordance with accounting principles generally accepted in the United States, which require us to apply our best judgement to make estimates and assumptions for certain amounts. We are responsible for establishing and maintaining a system of internal controls and procedures to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements. Our internal control system is supported by a program of internal audits and appropriate reviews by management, written policies and guidelines, careful selection of qualified personnel, and a written Code of Integrity. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements and, even when determined to be effective, can only provide reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness in 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.

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934. Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2017. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission, as described in *Internal Control-Integrated Framework*, as published in 2013. Based on this assessment, management believes that the Company maintained effective internal control over financial reporting as of December 31, 2017.

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 Shareholders and the Board of Directors of Transocean Ltd.

Opinion on Internal Control over Financial Reporting

We have audited Transocean Ltd. and subsidiaries' internal control over financial reporting as of December 31, 2017, 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). In our opinion, Transocean Ltd. and subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2017, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2017 and 2016, 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, 2017, and the related notes and financial statement schedule listed in the Index at Item 15(a) and our report dated February 21, 2018, expressed an unqualified opinion thereon.

Basis for Opinion

The Company's 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 are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. 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.

Definition and Limitations of Internal Control Over Financial Reporting

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.

/s/ Ernst & Young LLP

Houston, Texas
February 21, 2018

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Transocean Ltd.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Transocean Ltd. and subsidiaries (the Company) as of December 31, 2017 and 2016, 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, 2017, and the related notes and financial statement schedule listed in the Index at Item 15(a) (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position of the Company at December 31, 2017 and 2016, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2017, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 21, 2018 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP
We have served as the Company's auditor since 1999.

Houston, Texas
February 21, 2018

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working world

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To the General Meeting of

Transocean Ltd., Steinhausen

Zurich, February 21, 2018

Report of the statutory auditor on the consolidated financial statements

Opinion

As statutory auditor, we have audited the consolidated financial statements of Transocean Ltd. and its subsidiaries (the Group), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the related consolidated statements of operations, comprehensive income (loss), equity, cash flows, and notes to the consolidated financial statements for each of the three years in the period ended December 31, 2017 (pages AR-56 – AR-90). In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2017 and 2016, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2017, in accordance with U.S. generally accepted accounting principles and comply with Swiss law.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of the 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 are a public ac counting firm and are required to be independent with respect to the Company. We conducted our audits in accordance with Swiss law, Swiss Auditing Standards and the standards of the Public Company Accounting Oversight Board (United States) (PCAOB). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement, whether due to fraud or error.

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.

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 mi sstatement 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 inspect a list of all contracts entered into during the year, including modifications, and evaluate terms summarized by management for those that would require subjective judgment. We test contracts utilizing a risk based approach to verify management has appropriately considered the application of the terms. We tested the accounting treatment for contracts terminated 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 and midwater floaters. 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 income and market approaches, using projected discounted cash flows and estimates of the 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 5 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 related to the midwater asset group.

	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 from and press releases.
Realizability of deferred tax assets	
Area of emphasis	Transocean Ltd. measures deferred tax assets and liabilities using enacted tax rates that will apply in the years in which the temporary differences are expected to be recovered or paid. Valuation allowances for deferred tax assets are recorded 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 the realizability of deferred tax assets, all available positive and negative evidence is considered, including projected future taxable income and the existence of cumulative losses in recent years. Estimates, judgments and assumptions are required in determining whether deferred tax assets will be fully or partially realized. As a result of the significant impairment charges in 2017 recognized on assets held for sale and disposals, Transocean Ltd. is in a consolidated three-year cumulative loss position. The principal consideration for our determination that the realizability of deferred tax assets is a key audit matter is the judgment involved in determining the sources of income available to realize the deferred tax assets, including tax planning strategies, available carrybacks, and utilization of deferred tax liabilities and uncertain tax positions. The three-year cumulative loss position also limits the ability to consider other subjective evidence, such as projected contract activity. *See note 6 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 realizability of deferred tax assets included the following procedures: We tested the effectiveness of controls over Transocean Ltd.'s process to assess the realizability of deferred tax assets. We involved EY tax professionals regarding Transocean's assessment and conclusion that it is more likely than not to realize its deferred tax assets based on the identified sources of future taxable income. We performed procedures to evaluate management's assessment, including testing forecasted income, evaluating prudent and feasible tax planning strategies, agreeing carrybacks available to prior year tax returns, tracing uncertain tax positions to account details, and recalculating the valuation allowances required.

Report on other legal requirements

We are a public accounting firm registered with the Swiss Federal Audit Oversight Authority (FAOA) and the PCAOB and we confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA). We are independent with respect to the Group in accordance with Swiss law (article 728 CO and article 11 AOA) and U.S. federal securities laws as well as the applicable rules and regulations of the Swiss audit profession, the U.S. Securities and Exchange Commission and the PCAOB, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In accordance with article 728a para. 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

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

We have served as the Company's auditor since 2008.

Ernst & Young Ltd.

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

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

	Years ended December 31, 2017	2016	2015
Operating revenues			
Contract drilling revenues	$ 2,731	$ 3,705	$ 6,802
Other revenues	242	456	584
	2,973	4,161	7,386
Costs and expenses			
Operating and maintenance	1,388	1,875	2,955
Depreciation	832	893	963
General and administrative	156	172	192
	2,376	2,940	4,110
Loss on impairment	(1,498)	(93)	(1,875)
Gain (loss) on disposal of assets, net	(1,603)	4	(36)
Operating income (loss)	(2,504)	1,132	1,365
Other income (expense), net			
Interest income	43	20	22
Interest expense, net of amounts capitalized	(491)	(409)	(432)
Gain (loss) on retirement of debt	(55)	148	23
Other, net	4	43	37
	(499)	(198)	(350)
Income (loss) from continuing operations before income tax expense	(3,003)	934	1,015
Income tax expense	94	107	120
Income (loss) from continuing operations	(3,097)	827	895
Income (loss) from discontinued operations, net of tax	—	—	2
Net income (loss)	(3,097)	827	897
Net income attributable to noncontrolling interest	30	49	32
Net income (loss) attributable to controlling interest	$ (3,127)	$ 778	$ 865
Earnings (loss) per share—basic			
Earnings (loss) from continuing operations	$ (8.00)	$ 2.08	$ 2.36
Earnings (loss) from discontinued operations	—	—	—
Earnings (loss) per share	$ (8.00)	$ 2.08	$ 2.36
Earnings (loss) per share—diluted			
Earnings (loss) from continuing operations	$ (8.00)	$ 2.08	$ 2.36
Earnings (loss) from discontinued operations	—	—	—
Earnings (loss) per share	$ (8.00)	$ 2.08	$ 2.36
Weighted-average shares outstanding			
Basic	391	367	363
Diluted	391	367	363

See accompanying notes.

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

	Years ended December 31, 2017	2016	2015
Net income (loss)	$ (3,097)	$ 827	$ 897
Net income attributable to noncontrolling interest	30	49	32
Net income (loss) attributable to controlling interest	(3,127)	778	865
Components of net periodic benefit costs before reclassifications	—	(20)	63
Components of net periodic benefit costs reclassified to net income	21	8	23
Other comprehensive income (loss) before income taxes	21	(12)	86
Income taxes related to other comprehensive income	(28)	6	(17)
Other comprehensive income (loss)	(7)	(6)	69
Other comprehensive income attributable to noncontrolling interest	—	—	—
Other comprehensive income (loss) attributable to controlling interest	(7)	(6)	69
Total comprehensive income (loss)	(3,104)	821	966
Total comprehensive income attributable to noncontrolling interest	30	49	32
Total comprehensive income (loss) attributable to controlling interest	$ (3,134)	$ 772	$ 934

See accompanying notes.

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

	December 31, 2017	December 31, 2016
Assets		
Cash and cash equivalents	$ 2,519	$ 3,052
Short-term investments	450	—
Accounts receivable, net		
Trade	597	833
Other	44	65
Materials and supplies, net	418	561
Restricted cash accounts and investments	466	466
Other current assets	112	121
Total current assets	4,606	5,098
Property and equipment	22,693	27,372
Less accumulated depreciation	(5,291)	(6,279)
Property and equipment, net	17,402	21,093
Deferred income taxes, net	47	298
Other assets	355	400
Total assets	$ 22,410	$ 26,889
Liabilities and equity		
Accounts payable	$ 201	$ 206
Accrued income taxes	79	95
Debt due within one year	250	724
Other current liabilities	839	960
Total current liabilities	1,369	1,985
Long-term debt	7,146	7,740
Deferred income taxes, net	44	178
Other long-term liabilities	1,082	1,153
Total long-term liabilities	8,272	9,071
Commitments and contingencies		
Redeemable noncontrolling interest	58	28
Shares, CHF 0.10 par value, 417,060,033 authorized, 143,783,041 conditionally authorized and 394,801,990 issued at December 31, 2017 and 2016 and 391,237,308 and 389,366,241 outstanding at December 31, 2017 and 2016, respectively	37	36
Additional paid-in capital	11,031	10,993
Retained earnings	1,929	5,056
Accumulated other comprehensive loss	(290)	(283)
Total controlling interest shareholders' equity	12,707	15,802
Noncontrolling interest	4	3
Total equity	12,711	15,805
Total liabilities and equity	$ 22,410	$ 26,889

See accompanying notes.

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

	Years ended December 31, Quantity 2017	2016	2015	Years ended December 31, Amount 2017	2016	2015
Shares						
Balance, beginning of period	389	364	362	$ 36	$ 5,193	$ 5,169
Issuance of shares under share-based compensation plans	2	1	2	1	—	24
Issuance of shares for acquisition of noncontrolling interest	—	24	—	—	2	—
Reduction of par value	—	—	—	—	(5,159)	—
Balance, end of period	391	389	364	$ 37	$ 36	$ 5,193
Additional paid-in capital						
Balance, beginning of period				$ 10,993	$ 5,736	$ 5,797
Share-based compensation				41	42	64
Issuance of shares under share-based compensation plans				(1)	—	(24)
Issuance of shares for acquisition of noncontrolling interest, net of issue costs				—	313	—
Reduction of par value				—	5,159	—
Cancellation of shares held in treasury				—	(240)	—
Reclassification of obligation for distribution of qualifying additional paid-in capital				—	—	(109)
Allocated capital for transactions with holders of noncontrolling interest				—	(18)	9
Other, net				(2)	1	(1)
Balance, end of period				$ 11,031	$ 10,993	$ 5,736
Treasury shares, at cost						
Balance, beginning of period				$ —	$ (240)	$ (240)
Cancellation of shares held in treasury				—	240	—
Balance, end of period				$ —	$ —	$ (240)
Retained earnings						
Balance, beginning of period				$ 5,056	$ 4,278	$ 3,413
Net income (loss) attributable to controlling interest				(3,127)	778	865
Balance, end of period				$ 1,929	$ 5,056	$ 4,278
Accumulated other comprehensive loss						
Balance, beginning of period				$ (283)	$ (277)	$ (346)
Other comprehensive income (loss) attributable to controlling interest				(7)	(6)	69
Balance, end of period				$ (290)	$ (283)	$ (277)
Total controlling interest shareholders’ equity						
Balance, beginning of period				$ 15,802	$ 14,690	$ 13,793
Total comprehensive income (loss) attributable to controlling interest				(3,134)	772	934
Share-based compensation				41	42	64
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)
Allocated capital for transactions with holders of noncontrolling interest				—	(18)	9
Other, net				(2)	1	(1)
Balance, end of period				$ 12,707	$ 15,802	$ 14,690
Noncontrolling interest						
Balance, beginning of period				$ 3	$ 310	$ 311
Total comprehensive income attributable to noncontrolling interest				1	26	38
Distributions to holders of noncontrolling interest				—	(30)	(29)
Acquisition of noncontrolling interest				—	(321)	(1)
Allocated capital for transactions with holders of noncontrolling interest				—	18	(9)
Balance, end of period				$ 4	$ 3	$ 310
Total equity						
Balance, beginning of period				$ 15,805	$ 15,000	$ 14,104
Total comprehensive income (loss)				(3,133)	798	972
Share-based compensation				41	42	64
Issuance of shares for acquisition of noncontrolling interest, net of issue costs				—	315	—
Distributions to holders of noncontrolling interest				—	(30)	(29)
Acquisition of noncontrolling interest				—	(321)	(1)
Reclassification of obligation for distribution of qualifying additional paid-in capital				—	—	(109)
Other, net				(2)	1	(1)
Balance, end of period				$ 12,711	$ 15,805	$ 15,000

See accompanying notes.

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

	Years ended December 31, 2017	2016	2015
Cash flows from operating activities			
Net income (loss)	$ (3,097)	$ 827	$ 897
Adjustments to reconcile to net cash provided by operating activities:			
Depreciation	832	893	963
Share-based compensation expense	41	42	64
Loss on impairment	1,498	93	1,875
(Gain) loss on disposal of assets, net	1,603	(4)	35
(Gain) loss on retirement of debt	55	(148)	(23)
Deferred income tax expense (benefit)	89	68	(134)
Other, net	55	14	74
Changes in deferred revenues, net	33	219	(90)
Changes in deferred costs, net	54	72	179
Changes in other operating assets and liabilities, net	(19)	(165)	(395)
Net cash provided by operating activities	1,144	1,911	3,445
Cash flows from investing activities			
Capital expenditures	(497)	(1,344)	(2,001)
Proceeds from disposal of assets, net	350	30	54
Deposits into short-term investments	(450)	—	—
Other, net	10	1	15
Net cash used in investing activities	(587)	(1,313)	(1,932)
Cash flows from financing activities			
Proceeds from issuance of debt, net of discounts and issue costs	1,144	2,401	—
Repayments of debt	(2,284)	(2,295)	(1,506)
Deposits to cash accounts restricted for financing activities	(97)	(85)	—
Proceeds from cash accounts and investments restricted for financing activities	150	124	110
Distributions of qualifying additional paid-in capital	—	—	(381)
Distributions to holders of noncontrolling interest	—	(30)	(29)
Other, net	(3)	—	(3)
Net cash provided by (used in) financing activities	(1,090)	115	(1,809)
Net increase (decrease) in cash and cash equivalents	(533)	713	(296)
Cash and cash equivalents at beginning of period	3,052	2,339	2,635
Cash and cash equivalents at end of period	$ 2,519	$ 3,052	$ 2,339

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 ultra-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, 2017, we owned or had partial ownership interests in and operated 39 mobile offshore drilling units, including 26 ultra-deepwater floaters, seven harsh environment floaters, two deepwater floaters and four midwater floaters. At December 31, 2017, we also had three ultra-deepwater drillships under construction or under contract to be constructed. See Note 5—Drilling Fleet.

Business combination—On August 13, 2017, we entered into a transaction agreement (as amended, the "Transaction Agreement") with Songa Offshore SE, a European public company limited by shares, or societas Europaea, existing under the laws of Cyprus ("Songa"), pursuant to which we agreed to offer to acquire all of the issued and outstanding shares of Songa, subject to certain conditions, through a public voluntary exchange offer (the "Offer"). At December 31, 2017, Songa owned and operated seven mobile offshore drilling units, including five harsh environment floaters and two midwater floaters. See Note 20—Subsequent Event.

Disposition—On May 31, 2017, we completed the sale of 10 high-specification jackups and novated the contracts relating to the construction of five high-specification jackups, together with related assets. At December 31, 2017 we continued to operate two high-specification jackups that were under contract when we sold the rigs, and we will continue to operate such rigs until completion or novation of the respective drilling contracts. See Note 5—Drilling Fleet.

Note 2—Significant Accounting Policies

Accounting estimates—To prepare financial statements in accordance with accounting principles generally accepted in the United States ("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 and other postemployment benefit plans. 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 4—Variable Interest Entities and Note 11—Noncontrolling Interest.

Business combination—In connection with our acquisition of Songa, we will apply the acquisition method of accounting. Accordingly, we will record the acquired assets and assumed liabilities at fair value and recognize goodwill to the extent the fair value of the business acquired exceeds the fair value of the net assets. We will estimate the fair values of the acquired assets and assumed liabilities as of the date of the acquisition, and our estimates will be subject to adjustment based on our final assessments of the fair values of property and equipment, intangible assets, liabilities and our evaluation of tax positions and contingencies. We will complete our final assessments of the fair values of the acquired assets and assumed liabilities and our final evaluations of uncertain tax positions and contingencies within one year of the acquisition date. See Note 20—Subsequent Event.

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. See Note 3—Accounting Standards Updates.

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—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. 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. In the years ended December 31, 2017, 2016 and 2015, share-based compensation expense was $41 million, $42 million and $64 million, respectively. See Note 13—Share Based Compensation Plans.

Capitalized interest—We capitalize interest costs for qualifying construction and upgrade projects and only capitalize interest costs during periods in which progress for the construction projects continues to be underway. As of December 31, 2017, we had ceased capitalization of interest costs on one uncontracted newbuild drillship due to a pause in construction in progress. In the years ended December 31, 2017, 2016 and 2015, we capitalized interest costs of $116 million, $176 million and $140 million, respectively, for our construction work in progress.

Functional 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, 2017, 2016 and 2015, we recognized a net loss of $6 million, a net loss of $2 million and a net gain of less than $1 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. We recognize the effect of changes in tax laws as of the date of enactment. 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 measure deferred tax assets and liabilities using enacted tax rates that will apply in the years in which the temporary differences are expected to be recovered or paid. 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 6—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.

Short-term investments—We periodically deposit unrestricted excess funds in time deposits and commercial paper with original maturities beyond three months. Such short-term investments are with commercial banks and companies with high credit ratings. At December 31, 2017, the carrying amount of our short-term investments was $450 million.

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, 2017 and 2016, 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, 2017 and 2016, the allowance for obsolescence was $141 million and $153 million, respectively.

Restricted cash accounts and investments—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 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, 2017, the aggregate carrying amount of our restricted cash investments was $489 million, of which $466 million and $23 million was classified in current assets and other assets, respectively. 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 current assets and other assets, respectively. See Note 3—Accounting Standards Updates, Note 8—Debt and Note 10—Commitments and Contingencies.

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, 2017 and 2016, the aggregate carrying amount of our assets held for sale, recorded in other current assets, was $22 million and $6 million, respectively. See Note 5—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, 2017, 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 25 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 and midwater floaters. 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, 2017, we determined that the carrying amount of the midwater floater asset group exceeded its fair value, and we recognized a loss of $94 million ($93 million, or $0.25 per diluted share, net of tax) associated with the impairment of these long-lived assets. 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), which had no tax effect, 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. 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 5—Drilling Fleet.

Pension and other postemployment benefit plans—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 postemployment 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. For our defined benefit plans that 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, 2017 and 2016, our pension and other postemployment benefit plan obligations represented an aggregate liability of $359 million and $375 million, respectively, and an aggregate asset of $17 million and $5 million, respectively, representing the funded status of the plans. In the years ended December 31, 2017, 2016 and 2015, aggregate net periodic benefit costs were costs of $5 million, income of $11 million and costs of $26 million, respectively. See Note 3—Accounting Standards Updates and Note 9—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. Such reclassifications did not have a material effect on our consolidated statement of financial position, results of operations or cash flows.

Note 3—Accounting Standards Updates

Recently adopted accounting standards

Stock compensation—Effective January 1, 2017, we adopted 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 is effective for annual periods beginning after December 15, 2016 and interim periods within those annual periods. Our adoption did not 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.

Recently issued accounting standards

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 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. We expect to apply the modified retrospective approach to our adoption, which is consistent, in application, with the approach we expect to elect under the lease accounting standards update. We have determined we have one revenue stream. Our adoption, and the ultimate effect on our consolidated financial statements, will be based on an evaluation of the contract-specific facts and circumstances. Although we do not expect any changes to the timing of our revenue recognition for our current drilling contracts with customers, we are still evaluating the disclosures that will be contained in our note to consolidated financial statements. We are continuing to evaluate the requirements and the other effects 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 January 1, 2018, we intend to early 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 definition of a lease, we have determined that our drilling contracts contain a lease component. We intend to early adopt these accounting standards, effective January 1, 2018, given the interaction with the accounting standards update related to revenue from contracts with customers. In a recent update, targeted improvements were proposed to the accounting standards that provides for (a) an optional new transition method for adoption that results in initial recognition of a cumulative effect adjustment to retained earnings in the year of adoption and (b) a practical expedient for lessors, under certain circumstances, to combine the lease and non-lease components of revenues for presentation purposes. If the targeted improvements are approved, we intend to apply the alternative transition method, which is consistent, in application, with the approach we expect to elect under the revenue accounting standards update, and intend to elect the practical expedient for lessors for presentation purposes. Our adoption, and the ultimate effect on our consolidated financial statements, will be based on an evaluation of the contract-specific facts and circumstances. We do not expect any changes to the timing of our revenue recognition for our current drilling contracts with customers. Additionally, based on the lease arrangements under which we are the lessee as of December 31, 2017, we expect to recognize an aggregate lease liability and a corresponding right-to-use asset of between \$65 million and \$75 million. We are continuing to evaluate the requirements with regard to arrangements under which we are the lessor and the other effects 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.

Statement of cash flows—Effective January 1, 2018, we will adopt the accounting standards update that requires amounts generally described as restricted cash or restricted cash equivalents to 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. Aside from presenting the restricted cash and restricted cash equivalents as a component of the beginning and ending cash balances on our consolidated statements of cash flows, we will remove the effect of proceeds from and deposits to restricted accounts from our cash flows provided by or used in operating and financing activities, as applicable. For the years ended December 31, 2017, 2016 and 2015, such changes would have resulted in an increase of \$26 million, \$69 million and \$242 million, respectively, to cash flows provided by operating activities and for the years ended December 31, 2017 and 2016, an increase of \$97 million, and \$61 million, respectively, to cash flows provided by or used in financing activities.

Income taxes—Effective 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.

Retirement benefits—Effective January 1, 2018, we will adopt the accounting standards update that requires an employer to disaggregate the service cost component from the other components of net benefit cost related to defined benefit retirement plans and other postemployment benefit plans. The update requires that the service cost component be presented in the same line item as other compensation costs for employees and the other components of net benefit cost in other income and expense on our consolidated statements of operations. The update also allows only the service cost component of net benefit cost to be eligible for capitalization. The update, which permits early adoption, is effective for annual 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 cash flows or on the disclosures contained in our notes to consolidated financial statements.

Note 4—Variable Interest Entity

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, was as follows (in millions):

	Years ended December 31,	
	2017	2016
Assets	$ 716	$ 787
Liabilities	7	25
Net carrying amount	$ 709	$ 762

Note 5—Drilling Fleet

Construction work in progress—For each of the three years in the period ended December 31, 2017, the changes in our construction work in progress, including capital expenditures and other capital additions, were as follows (in millions):

	Years ended December 31,		
	2017	2016	2015
Construction work in progress, at beginning of period	$ 2,171	$ 3,735	$ 2,447
Capital expenditures			
Newbuild construction program	397	1,206	1,622
Other equipment and construction projects	100	138	379
Total capital expenditures	497	1,344	2,001
Changes in accrued capital additions	(23)	(86)	(11)
Impairment of construction work in progress	—	—	(52)
Construction work in progress sold	(289)	—	—
Property and equipment placed into service			
Newbuild construction program	(896)	(2,557)	—
Other property and equipment	(68)	(265)	(650)
Construction work in progress, at end of period	$ 1,392	$ 2,171	$ 3,735

Impairments of assets held and used—During the years ended December 31, 2017, 2016 and 2015, we identified indicators that the asset groups in our contract drilling services reporting unit may not be recoverable.

In the year ended December 31, 2017, such indicators included a significant decline in commodity prices and the market value of our stock, a reduction of projected dayrates and a further extension to low utilization rates. In the year ended December 31, 2017, as a result of our testing, we recognized a loss of $94 million ($93 million, or $0.25 per diluted share, net of tax) associated with the impairment of the midwater floater asset group.

In the year ended December 31, 2016, such indicators included a reduction of projected dayrates and an extension to low utilization rates. In the year ended December 31, 2016, as a result of our testing, 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.

In the year ended December 31, 2015, 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. In the year ended December 31, 2015, as a result of our testing, 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.

We estimated the fair value of the asset groups by applying a combination of 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 markets for the assets in an orderly transaction between 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.

Impairments of assets held for sale—In the year ended December 31, 2017, we recognized an aggregate loss of $1.4 billion ($3.59 per diluted share), which had no tax effect, associated with the impairment of the ultra-deepwater floaters *Cajun Express, Deepwater Pathfinder, GSF Jack Ryan, Sedco Energy* and *Sedco Express,* the deepwater floater *Transocean Marianas* and the midwater floaters *Transocean Prospect* and *Transocean Searcher*, along with related assets, which we determined were impaired at the time that we classified the assets as 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 assets, which we determined were impaired at the time that we classified the assets as assets held for sale.

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 assets, which we determined were impaired at the time that we classified the assets as assets held for sale.

We measured the impairment of the drilling units and related assets 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 assets based on comparable units to be sold for scrap value or alternative purposes. 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.

Dispositions—On May 31, 2017, in connection with our efforts to dispose of non-strategic assets, we completed the sale of 10 high-specification jackups, including *GSF Constellation I, GSF Constellation II, GSF Galaxy I, GSF Galaxy II, GSF Galaxy III, GSF Monarch, Transocean Andaman, Transocean Ao Thai, Transocean Honor* and *Transocean Siam Driller*, along with related assets, and novated the contracts relating to the construction of five high-specification jackups, together with related assets. In the year ended December 31, 2017, we received aggregate net cash proceeds of $319 million and recognized an aggregate net loss of $1.6 billion ($4.08 per diluted share), which had no tax effect, associated with the disposal of these assets. Following the completion of the sale, we agreed to continue to operate three of these high-specification jackups through completion or novation of the respective drilling contracts, one of which was completed as of September 30, 2017. In the year ended December 31, 2017, excluding our loss on the disposal of these assets, our operating results included income of $65 million, before taxes, associated with the high-specification jackup asset group. In the years ended December 31, 2016 and 2015, our operating results included income of $74 million and $208 million, respectively, before taxes, associated with the high-specification jackup asset group.

During the year ended December 31, 2017, we also completed the sale of the ultra-deepwater floater *GSF Jack Ryan* and the midwater floaters *GSF Rig 140*, *Transocean Prospect* and *Transocean Searcher,* along with related assets. In the year ended December 31, 2017, we received aggregate net cash proceeds of $22 million and recognized an aggregate net gain of $9 million associated with the disposal of these assets. In the year ended December 31, 2017, we received aggregate net cash proceeds of $9 million and recognized an aggregate net loss of $15 million associated with the disposal of assets unrelated to rig sales.

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 assets. 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 assets. 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.

Assets held for sale—At December 31, 2017, the aggregate carrying amount of our assets held for sale, including the ultra-deepwater floaters *Cajun Express, Deepwater Pathfinder, Sedco Energy* and *Sedco Express* and the deepwater floater *Transocean Marianas,* along with related assets, was $22 million, recorded in other current assets. 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 assets, recorded in other current assets.

Note 6—Income Taxes

Overview—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.

Tax provision and rate—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. The components of our provision (benefit) for income taxes were as follows (in millions):

	Years ended December 31,		
	2017	2016	2015
Current tax expense	$ 5	$ 39	$ 254
Deferred tax expense (benefit)	89	68	(134)
Income tax expense	$ 94	$ 107	$ 120

In the years ended December 31, 2017, 2016 and 2015, our effective tax rate was (3.1) percent, 11.5 percent and 11.9 percent, respectively, based on income from continuing operations before income tax expense.

The following is a reconciliation of the income tax expense (benefit) for our continuing operations computed at the Swiss holding company federal statutory rate of 7.83% and our reported provision for income taxes (in millions):

	Years ended December 31,		
	2017	2016	2015
Income tax expense (benefit)	$ (235)	$ 72	$ 80
Impairment losses subject to rates different than the Swiss federal statutory rate	241	5	(8)
Change in valuation allowance	162	32	10
Impact of U.S. tax reform	66	—	—
Revaluation of Norwegian assets	1	18	14
Litigation matters, primarily related to the Macondo well incident	(70)	(1)	(9)
Changes in unrecognized tax benefits, net	(56)	(31)	12
Benefit from foreign tax credits	(15)	(16)	(10)
Earnings subject to rates different than the Swiss federal statutory rate	2	34	36
Other, net	(2)	(6)	(5)
Income tax expense	$ 94	$ 107	$ 120

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

	December 31, 2017	December 31, 2016
Deferred tax assets		
Net operating loss carryforwards	$ 435	$ 383
Deferred income	101	122
Accrued payroll expenses not currently deductible	54	110
Loss contingencies	42	68
Tax credit carryforwards	37	33
United Kingdom charter limitation	36	33
Professional fees	3	3
Other	30	37
Valuation allowance	(574)	(412)
Total deferred tax assets	164	377
Deferred tax liabilities		
Depreciation and amortization	(157)	(239)
Other	(4)	(18)
Total deferred tax liabilities	(161)	(257)
Net deferred tax assets	$ 3	$ 120

At December 31, 2017 and 2016, our deferred tax assets included U.S. foreign tax credit carryforwards of $37 million and $33 million, respectively, which will expire between 2018 and 2027. The deferred tax assets related to our net operating losses were generated in various worldwide tax jurisdictions. At December 31, 2017, the net operating losses carryforwards, which were generated in various jurisdictions worldwide, included $261 million that do not expire and $174 million that will expire beginning between 2020 and 2037. 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, 2017 and 2016, due to uncertainty of realization, we have recorded a valuation allowance of $574 million and $412 million, respectively, on net operating losses and other deferred tax assets.

As of December 31, 2017, our consolidated cumulative loss incurred over the recent three-year period, primarily due to losses on impairment and disposal of assets, represented significant objective negative evidence for our evaluation. Such evidence, together with potential organizational changes that could alter our ability to realize certain deferred tax assets, has limited our ability to consider other subjective evidence, such as projected future contract activity. As a result, we recorded an incremental valuation allowance of $110 million to recognize only a portion of our U.S. deferred tax assets that are more likely than not to be recognized. If estimated future taxable income changes during the carryforward periods or if the cumulative loss is no longer present, we may adjust the amount of deferred tax assets that we expect to realize.

Our other deferred tax liabilities include taxes related to the earnings of certain subsidiaries that are not indefinitely reinvested or that will not be indefinitely 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 effect on our consolidated statement of financial position, results of operations or cash flows. Due to the timing of the enactment of the 2017 Tax Act, as discussed below, it is not practicable to estimate the amount of indefinitely reinvested earnings or the deferred tax liability related to the indefinitely reinvested earnings due to the complexities associated with the underlying hypothetical calculations.

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, 2017	2016	2015
Balance, beginning of period	$ 274	$ 287	$ 272
Additions for prior year tax positions	17	13	17
Additions for current year tax positions	13	42	36
Reductions for prior year tax positions	(68)	(34)	(27)
Reductions related to statute of limitation expirations	(13)	(15)	(6)
Reductions due to settlements	(1)	(19)	(5)
Balance, end of period	$ 222	$ 274	$ 287

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,	
	2017	2016
Unrecognized tax benefits, excluding interest and penalties	$ 222	$ 274
Interest and penalties	87	96
Unrecognized tax benefits, including interest and penalties	$ 309	$ 370

In the years ended December 31, 2017, 2016 and 2015, we recognized income of $9 million, $23 million and $1 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, 2017, if recognized, $309 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, 2018, 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.

U.S. tax reform—In December 2017, the U.S. enacted the Tax Cuts and Jobs Act (the "2017 Tax Act"), which includes a number of changes to existing U.S. tax laws that have an impact on our income tax provision, most notably a reduction of the U.S. corporate income tax rate from 35 percent to 21 percent for tax years beginning after December 31, 2017, and the creation of a territorial tax system with a one-time mandatory tax on previously deferred foreign earnings of U.S. subsidiaries. The 2017 Tax Act also makes prospective changes beginning in 2018, including a base erosion and anti-abuse tax ("BEAT"), a global intangible low-taxed income ("GILTI") tax, additional limitations on the deductibility of executive compensation, limitations on the deductibility of interest and repeal of the domestic manufacturing deduction. We are still evaluating the GILTI tax, which imposes a tax on non-U.S. income in excess of a deemed return on tangible assets of non-U.S. corporations, and its prospective effect on future periods.

We recognized the income tax effects of the 2017 Tax Act in our financial statements for the year ended December 31, 2017 in accordance with Staff Accounting Bulletin No. 118 ("SAB 118"), which provides SEC staff guidance for the application of accounting standards for income taxes in the reporting period in which the 2017 Tax Act was enacted. As such, our financial results reflect (a) the income tax effects of the 2017 Tax Act for which the accounting is complete, (b) provisional amounts for those specific income tax effects of the 2017 Tax Act for which the accounting is incomplete but a reasonable estimate could be determined and (c) no adjustments to current or deferred taxes for income tax effects for which the accounting is incomplete and a reasonable estimate could not be determined. The 2017 Tax Act's U.S. tax law changes that we believe will have a material impact on our federal income taxes are as follows:

Reduction of the U.S. corporate income tax rate—At December 31, 2017, we remeasured our deferred tax assets and liabilities to reflect the reduction in the U.S. corporate income tax rate from 35 percent to 21 percent, resulting in a $66 million increase in income tax expense for the year ended December 31, 2017 and a corresponding $66 million decrease in net deferred tax assets as of December 31, 2017. However, we are still analyzing certain aspects of the 2017 Tax Act and refining our calculations, which could potentially affect the measurement of these balances or potentially give rise to new deferred tax amounts.

Transition tax on foreign earnings—The 2017 Tax Act imposes a one-time transition tax on certain unremitted earnings and profits of the foreign subsidiaries of our U.S. subsidiaries. Prior to enactment of the 2017 Tax Act, we did not recognize a deferred tax liability related to the unremitted earnings of the foreign subsidiaries of our U.S. subsidiaries because we considered those foreign earnings to be indefinitely reinvested. Upon enactment of the 2017 Tax Act, we did not have the necessary information available, prepared and analyzed to develop a reasonable estimate of the transition tax. We have not yet completed our calculation of the post-1986 earnings and profits for the foreign subsidiaries of our U.S. subsidiaries or determined the amounts of those earnings held in cash and other assets necessary to determine the transition tax. The determination of the transition tax requires further analysis regarding the amount and composition of our historical foreign earnings, which is expected to be completed and reflected in our financial statements issued for subsequent reporting periods that fall within the measurement period provided by SAB 118. The transition tax will also impact the utilization of our foreign tax credits and net operating losses generated in the U.S. which will impact our valuation allowance analysis related to those deferred tax assets and could have a material impact to our valuation allowances. Because we have not completed our analysis of the amount and composition of our historical foreign earnings and the associated transition tax, we also cannot determine the associated impact on our assertion that the unremitted earnings of the foreign subsidiaries of our U.S. subsidiaries will be indefinitely reinvested.

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 Brazil, as 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.

Brazil tax investigations—In December 2005, the Brazilian tax authorities issued a tax assessment with respect to our tax returns for the years 2000 through 2004, which is currently for an aggregate amount of BRL 853 million, equivalent to approximately $258 million, including penalties and interest. On January 25, 2008, we filed a protest letter with the Brazilian tax authorities for this tax assessment, and we are currently engaged in the appeals process. On May 19, 2014, the Brazilian tax authorities issued an aggregate tax assessment with respect to our Brazilian income tax returns for the years 2009 and 2010, which is currently for an aggregate amount of BRL 145 million, equivalent to approximately $44 million, including penalties and interest. On June 18, 2014, we filed a protest letter with the Brazilian tax authorities for this tax assessment. 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 7—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,					
	2017		2016		2015	
	Basic	Diluted	Basic	Diluted	Basic	Diluted
Numerator for earnings (loss) per share						
Income (loss) from continuing operations attributable to controlling interest	$ (3,127)	$ (3,127)	$ 778	$ 778	$ 865	$ 865
Undistributed earnings allocable to participating securities	—	—	(14)	(14)	(8)	(8)
Income (loss) from continuing operations available to shareholders	$ (3,127)	$ (3,127)	$ 764	$ 764	$ 857	$ 857
Denominator for earnings (loss) per share						
Weighted-average shares outstanding	391	391	367	367	363	363
Effect of stock options and other share-based awards	—	—	—	—	—	—
Weighted-average shares for per share calculation	391	391	367	367	363	363
Per share earnings (loss) from continuing operations	$ (8.00)	$ (8.00)	$ 2.08	$ 2.08	$ 2.36	$ 2.36

In the years ended December 31, 2017, 2016 and 2015, we excluded from the calculation 4.7 million, 2.5 million and 3.3 million share-based awards, respectively, since the effect would have been anti-dilutive.

Note 8—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, 2017	December 31, 2016	December 31, 2017	December 31, 2016
2.50% Senior Notes due October 2017 (a)	$ —	$ 485	$ —	$ 484
Eksportfinans Loans due January 2018	26	123	26	123
6.00% Senior Notes due March 2018 (a)	—	754	—	757
7.375% Senior Notes due April 2018 (a)	—	211	—	211
6.50% Senior Notes due November 2020 (a)	286	508	288	513
6.375% Senior Notes due December 2021 (a)	328	552	327	549
5.52% Senior Secured Notes due May 2022 (b)	362	—	356	—
3.80% Senior Notes due October 2022 (a)	506	539	502	534
9.00% Senior Notes due July 2023 (c)	1,250	1,250	1,216	1,211
7.75% Senior Secured Notes due October 2024 (d)	540	600	526	583
6.25% Senior Secured Notes due December 2024 (d)	562	625	549	609
7.50% Senior Notes due January 2026 (c)	750	—	742	—
7.45% Notes due April 2027 (a)	88	88	86	86
8.00% Debentures due April 2027 (a)	57	57	57	57
7.00% Notes due June 2028	300	300	307	308
Capital lease contract due August 2029	541	566	541	566
7.50% Notes due April 2031 (a)	588	588	585	585
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	7,484	8,546	7,396	8,464
Less debt due within one year				
2.50% Senior Notes due October 2017 (a)	—	485	—	484
Eksportfinans Loans due January 2018	26	98	26	98
5.52% Senior Secured Notes due May 2022 (b)	79	—	77	—
7.75% Senior Secured Notes due October 2024 (b)	60	60	57	57
6.25% Senior Secured Notes due December 2024 (b)	62	63	60	60
Capital lease contract due August 2029	30	25	30	25
Total debt due within one year	257	731	250	724
Total long-term debt	$ 7,227	$ 7,815	$ 7,146	$ 7,740

(a) Transocean Inc., a 100 percent owned direct 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 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," 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 capital distributions.

(b) The subsidiary issuer of the unregistered senior secured notes is a wholly owned indirect subsidiary of Transocean Inc. The senior secured notes are fully and unconditionally guaranteed by the owner of the collateral rig. See "—Debt issuances—Senior secured notes."

(c) Transocean Inc. is the issuer of the unregistered notes. The priority guaranteed senior unsecured notes, which rank equal in right of payment of 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, are fully and unconditionally, jointly and severally, guaranteed by Transocean Ltd. and certain wholly owned subsidiaries of Transocean Inc. See "—Debt issuances—Priority guaranteed senior unsecured notes."

(d) Each subsidiary issuer of the respective unregistered senior secured notes is a wholly owned indirect subsidiary of Transocean Inc. The senior secured notes are fully and unconditionally, jointly and severally, guaranteed by Transocean Ltd., Transocean Inc. and, in each case, the owner of the respective collateral rig. See "—Debt issuances—Senior secured notes."

Scheduled maturities—At December 31, 2017, the scheduled maturities of our debt were as follows (in millions):

	Total
Years ending December 31,	
2018	$ 257
2019	237
2020	531
2021	580
2022	687
Thereafter	5,192
Total principal amount of debt	7,484
Total debt-related balances, net	(88)
Total carrying amount of debt	$ 7,396

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 5.52% senior secured notes due May 2022 (the "5.52% Senior Secured Notes"), 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, collectively with the 5.52% Senior Secured Notes and 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 to their affiliates. The 7.75% Senior Secured Notes and the 6.25% Senior Secured Notes also 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, 2017, the Maximum Collateral Ratio under both indentures was less than 5.75 to 1.00. See Note 10—Commitments and Contingencies—Global Marine litigation.

Interest rate adjustments—The interest rates for certain of our notes are subject to adjustment from time to time upon a change to the credit rating of our non-credit enhanced senior unsecured long-term debt ("Debt Rating"). At December 31, 2017, based on our Debt Rating on that date, the interest rate in effect for the 2.50% senior notes due October 2017 (the "2.50% Senior Notes") and the 3.80% senior notes due October 2022 was 4.50 percent and 5.80 percent, respectively, and the interest rate in effect for the 6.375% senior notes due December 2021 and the 7.35% senior notes due December 2041 was 8.375 percent and 9.35 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, which 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 consolidated indebtedness to total 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. Additionally, such 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. At December 31, 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 December 31, 2017, we had no borrowings outstanding, $7 million of letters of credit issued, and we had $3.0 billion of available borrowing capacity under the Five-Year Revolving Credit Facility. See Note 10—Commitments and Contingencies—Global Marine litigation.

Debt issuances

Priority guaranteed senior unsecured notes—On October 17, 2017, we completed an offering of an aggregate principal amount of $750 million of 7.50% senior unsecured notes due January 15, 2026 (the "7.50% Senior Notes"), and we received aggregate cash proceeds of $742 million, net of issue costs. We are required to pay interest on the 7.50% Senior Notes semiannually on January 15 and July 15 of each year, beginning on July 15, 2018. We may redeem all or a portion of the 7.50% Senior Notes at any time prior to January 15, 2021 at a price equal to 100 percent of the aggregate principal amount plus a make-whole provision, and on or after January 15, 2021, at specified redemption prices.

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 are required to pay interest on the 9.00% Senior Notes semiannually on January 15 and July 15 of each year. 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.

Senior secured notes—On May 5, 2017, we completed an offering of an aggregate principal amount of $410 million of 5.52% Senior Secured Notes, and we received aggregate cash proceeds of $403 million, net of issue costs. We are required to pay quarterly installments of principal and interest on the last business day of March, June, September and December of each year. We may redeem all or a portion of the 5.52% Senior Secured Notes at any time on or prior to December 31, 2021 at a price equal to 100 percent of the aggregate principal amount plus, subject to certain exceptions related to the drilling contract for *Deepwater Conqueror*, a make-whole amount. We will be required to redeem or to offer to redeem the notes at a price equal to 100 percent of the aggregate principal amount, and, under certain circumstances, the payment of a make-whole amount, upon the occurrence of certain events related to *Deepwater Conqueror* and the related drilling contract.

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 issue costs. 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 issue costs. We are required to pay semiannual installments of principal and interest on the 7.75% Senior Secured Notes on April 15 and October 15 of each year, and we are required to pay semiannual installments of principal and interest on the 6.25% Senior Secured Notes on June 1 and December 1 of each year. 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 5.52% Senior Secured Notes are secured by the assets and earnings associated with the ultra-deepwater floater *Deepwater Conqueror*, the equity of the wholly owned subsidiaries that own and operate the collateral rig, and certain related assets. 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. At December 31, 2017 and 2016, we had $211 million and $103 million, respectively, deposited in restricted cash accounts to satisfy debt service and working capital requirements for the Senior Secured Notes. At December 31, 2017, the aggregate carrying amount of *Deepwater Conqueror, Deepwater Thalassa* and *Deepwater Proteus* was $2.4 billion. At December 31, 2016, the aggregate carrying amount of *Deepwater Thalassa* and *Deepwater Proteus* was $1.7 billion.

Debt retirement

Tender offers—On July 11, 2017, we completed cash tender offers to purchase up to $1.5 billion aggregate principal amount of certain notes (the “2017 Tendered Notes”). On August 1, 2016, we completed cash tender offers to purchase up to $1.0 billion aggregate principal amount of certain notes (the “2016 Tendered Notes”). During the years ended December 31, 2017 and 2016, we received valid tenders from holders of an aggregate principal amount of the 2017 Tendered Notes and the 2016 Tendered Notes as follows (in millions):

	Years ended December 31,	
	2017	2016
2.50% Senior Notes due October 2017	$ 271	$ —
6.00% Senior Notes due March 2018	400	—
7.375% Senior Notes due April 2018	128	—
6.50% Senior Notes due November 2020	207	348
6.375% Senior Notes due December 2021	213	476
3.80% Senior Notes due October 2022	—	157
Aggregate principal amount retired	$ 1,219	$ 981
Aggregate cash payment	$ 1,269	$ 876
Aggregate net gain (loss)	$ (48)	$ 104

Repurchases and redemptions—During the years ended December 31, 2017, 2016 and 2015, we repurchased in the open market or redeemed debt securities with aggregate principal amounts as follows (in millions):

	Years ended December 31, 2017	2016	2015
4.95% Senior Notes due November 2015	$ —	$ —	$ 893
5.05% Senior Notes due December 2016	—	36	25
2.50% Senior Notes due October 2017	62	85	180
6.00% Senior Notes due March 2018	354	35	211
7.375% Senior Notes due April 2018	83	26	10
6.50% Senior Notes due November 2020	15	44	—
6.375% Senior Notes due December 2021	10	122	50
3.80% Senior Notes due October 2022	33	38	16
7.45% Notes due April 2027	—	8	4
7.50% Notes due April 2031	—	5	7
Aggregate principal amount retired	$ 557	$ 399	$ 1,396
Aggregate cash payment	$ 564	$ 354	$ 1,372
Aggregate net gain (loss)	$ (7)	$ 44	$ 23

Scheduled maturities and installments—On the scheduled maturity date of October 16, 2017, we made a cash payment of $152 million to repay the outstanding 2.50% Senior Notes, at a price equal to 100 percent of the aggregate principal amount. 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. In the years ended December 31, 2017, 2016 and 2015, we also made cash payments of $299 million, $127 million and $134 million to repay other indebtedness in scheduled installments.

Note 9—Postemployment Benefit Plans

Defined benefit pension and other postemployment benefit plans

Overview—As of December 31, 2017, we had defined benefit plans in the U.S., the United Kingdom ("U.K."), and Norway. Benefits under the defined benefit plans in the U.S. and the U.K. have ceased accruing. We maintain the respective pension obligations under such plans until they have been fully satisfied. As of December 31, 2017, the defined benefit plans in the U.S. included three funded and three unfunded plans (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, 2017, the defined benefit plan in the U.K. included one funded plan (the "U.K. Plan"). During the year ended December 31, 2017, we permitted certain participants to make a one-time election to receive payment of retirement benefits in the form of a lump sum distribution. As of December 31, 2017, the defined benefit plans in Norway, primarily group pension schemes with life insurance companies, included two funded and two unfunded plans, (the "Norway Plans"). During the year ended December 31, 2016, we satisfied our obligations under four funded defined benefit plans in Norway and an unfunded defined benefit plan in Nigeria. During the year ended December 31, 2015, we satisfied our obligations under 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 postemployment 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, 2017			December 31, 2016		
	U.S. Plans	Non-U.S. Plans	OPEB Plans	U.S. Plans	Non-U.S. Plans	OPEB Plans
Discount rate	3.68 %	2.49 %	2.93 %	4.26 %	2.69 %	3.08 %
Compensation trend rate	na	2.50 %	na	na	2.25 %	na

We estimated our net periodic benefit costs using the following weighted-average assumptions:

	Year ended December 31, 2017			Year ended December 31, 2016			Year ended December 31, 2015		
	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	4.26 %	2.69 %	3.08 %	4.56 %	3.69 %	3.13 %	4.16 %	3.26 %	3.86 %
Expected rate of return	6.31 %	4.79 %	na	6.82 %	5.85 %	na	7.79 %	5.93 %	na
Compensation trend rate	na %	2.25 %	na	0.22 %	4.01 %	na	0.21 %	3.83 %	na
Health care cost trend rate									
-initial	na	na	na	na	na	na	na	na	7.81 %
-ultimate	na	na	na	na	na	na	na	na	5.00 %
-ultimate year	na	na	na	na	na	na	na	na	2023

"na" means not applicable.

Net periodic benefit costs—Net periodic benefit costs, before tax, included the following components (in millions):

	Year ended December 31, 2017			Year ended December 31, 2016			Year ended December 31, 2015		
	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	$ 3	$ 6	$ 3	$ 10	$ 13	$ 5	$ 26	$ 31
Interest cost	65	11	76	69	17	86	65	19	84
Expected return on plan assets	(74)	(20)	(94)	(80)	(25)	(105)	(87)	(28)	(115)
Settlements and curtailments	—	13	13	—	(5)	(5)	3	2	5
Actuarial (gain) loss, net	5	1	6	5	(1)	4	11	11	22
Prior service cost, net	—	—	—	—	—	—	—	—	—
Net periodic benefit costs	$ (1)	$ 8	$ 7	$ (3)	$ (4)	$ (7)	$ (3)	$ 30	$ 27

In the years ended December 31, 2017, 2016 and 2015, 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 $2 million, income of $4 million and income of $1 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, 2017				December 31, 2016			
	U.S. Plans	Non-U.S. Plans	OPEB Plans	Total	U.S. Plans	Non-U.S. Plans	OPEB Plans	Total
Actuarial gain (loss), net	$ (301)	$ (84)	$ (4)	$ (389)	$ (316)	$ (94)	$ (3)	$ (413)
Prior service cost, net	—	—	23	23	—	—	26	26
Total	$ (301)	$ (84)	$ 19	$ (366)	$ (316)	$ (94)	$ 23	$ (387)

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, 2018 (in millions):

	Year ending December 31, 2018			
	U.S. Plans	Non-U.S. Plans	OPEB Plans	Total
Actuarial loss, net	$ 7	$ 1	$ 1	$ 9
Prior service cost, net	—	—	(3)	(3)
Total amount expected to be recognized	$ 7	$ 1	$ (2)	$ 6

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, 2017				Year ended December 31, 2016			
	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	$ 1,557	$ 398	$ 19	$ 1,974	$ 1,523	$ 502	$ 24	$ 2,049
Actuarial (gains) losses, net	115	18	2	135	52	36	(3)	85
Service cost	3	3	—	6	3	10	—	13
Interest cost	65	11	—	76	69	17	1	87
Currency exchange rate changes	—	35	—	35	—	(77)	—	(77)
Participant contributions	—	—	—	—	—	—	1	1
Benefits paid	(60)	(86)	(2)	(148)	(90)	(46)	(4)	(140)
Settlements and curtailments	—	—	—	—	—	(44)	—	(44)
Projected benefit obligation, end of period	1,680	379	19	2,078	1,557	398	19	1,974
Change in plan assets								
Fair value of plan assets, beginning of period	1,204	400	—	1,604	1,198	439	—	1,637
Actual return on plan assets	198	31	—	229	93	84	—	177
Currency exchange rate changes	—	36	—	36	—	(80)	—	(80)
Employer contributions	1	12	2	15	3	43	3	49
Participant contributions	—	—	—	—	—	—	1	1
Benefits paid	(60)	(86)	(2)	(148)	(90)	(46)	(4)	(140)
Settlements	—	—	—	—	—	(40)	—	(40)
Fair value of plan assets, end of period	1,343	393	—	1,736	1,204	400	—	1,604
Funded status, end of period	$ (337)	$ 14	$ (19)	$ (342)	$ (353)	$ 2	$ (19)	$ (370)
Balance sheet classification, end of period:								
Pension asset, non-current	$ —	$ 17	$ —	$ 17	$ —	$ 5	$ —	$ 5
Pension liability, current	(2)	(1)	(3)	(6)	(2)	—	(3)	(5)
Pension liability, non-current	(335)	(2)	(16)	(353)	(351)	(3)	(16)	(370)
Accumulated other comprehensive income (loss) (a)	(301)	(84)	19	(366)	(316)	(94)	23	(387)

(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, 2017				December 31, 2016			
	U.S. Plans	Non-U.S. Plans	OPEB Plans	Total	U.S. Plans	Non-U.S. Plans	OPEB Plans	Total
Projected benefit obligation	$ 1,680	$ 5	$ 19	$ 1,704	$ 1,557	$ 5	$ 19	$ 1,581
Fair value of plan assets	1,343	2	—	1,345	1,204	2	—	1,206

At December 31, 2017 and 2016, the accumulated benefit obligation for all defined benefit pension plans was $2.1 billion and $2.0 billion, respectively. The aggregate accumulated benefit obligation and fair value of plan assets for plans with an accumulated benefit obligation in excess of plan assets were as follows (in millions):

	December 31, 2017				December 31, 2016			
	U.S. Plans	Non-U.S. Plans	OPEB Plans	Total	U.S. Plans	Non-U.S. Plans	OPEB Plans	Total
Accumulated benefit obligation	$ 1,680	$ 3	$ 19	$ 1,702	$ 1,557	$ 4	$ 19	$ 1,580
Fair value of plan assets	1,343	—	—	1,343	1,204	—	—	1,204

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, 2017 and 2016, the weighted-average target and actual allocations of the investments for our funded Transocean Plans were as follows:

	December 31, 2017				December 31, 2016			
	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 %	39 %	52 %	39 %	50 %	45 %	53 %	45 %
Fixed income securities	50 %	50 %	48 %	48 %	50 %	45 %	47 %	44 %
Other investments	—	11 %	—	13 %	—	10 %	— %	11 %
Total	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %

As of December 31, 2017, the investments for our funded Transocean Plans were categorized as follows (in millions):

	December 31, 2017								
	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	$ 557	$ —	$ 557	$ —	$ —	$ —	$ 557	$ —	$ 557
Non-U.S. equity funds	138	—	138	5	153	158	143	153	296
Bond funds	629	—	629	8	190	198	637	190	827
Total mutual funds	1,324	—	1,324	13	343	356	1,337	343	1,680
Other investments									
Cash and money market funds	6	7	13	—	—	—	6	7	13
Property collective trusts	—	—	—	—	20	20	—	20	20
Investment contracts	—	—	—	—	23	23	—	23	23
Total other investments	6	7	13	—	43	43	6	50	56
Total investments	$ 1,330	$ 7	$ 1,337	$ 13	$ 386	$ 399	$ 1,343	$ 393	$ 1,736

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

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, 2017, 2016 and 2015, we made an aggregate contribution of $15 million, $49 million and $39 million, respectively, to the Transocean Plans and the OPEB Plans using our cash flows from operations. In the year ending December 31, 2018, we expect to contribute $12 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,				
2018	$ 71	$ 8	$ 3	$ 82
2019	73	7	3	83
2020	75	8	3	86
2021	79	8	2	89
2022	80	9	2	91
2023 - 2027	421	60	7	488

Defined contribution plans

At December 31, 2017, 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, 2017, 2016 and 2015, we recognized expense of $43 million, $51 million and $89 million, respectively, related to our defined contribution plans.

The U.S. Savings Plan 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. The U.S. Savings Restoration Plan 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. Effective January 1, 2017, the Non-U.S. Savings Plan, provides eligible employees with matching contributions up to 12 percent of each participant's base salary based on the participant's contribution to the plan. In the years ended December 31, 2016 and 2015, the Non-U.S. Savings Plan provided eligible employees with matching contributions up to 6.0 percent and 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.

Note 10—Commitments and Contingencies

Lease obligations

We have operating lease obligations expiring at various dates, principally for real estate, office space and operating equipment. In the years ended December 31, 2017, 2016 and 2015, our rental expense for all operating leases, including operating leases with terms of less than one year, was approximately $52 million, $45 million and $72 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, 2017, 2016 and 2015, depreciation expense associated with *Petrobras 10000*, the asset held under capital lease, was $23 million. At December 31, 2017 and 2016, the aggregate carrying amount of this asset held under capital lease was as follows (in millions):

	December 31,	
	2017	2016
Property and equipment, cost	$ 774	$ 776
Accumulated depreciation	(170)	(149)
Property and equipment, net	$ 604	$ 627

At December 31, 2017, 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,		
2018	$ 72	$ 15
2019	72	12
2020	72	11
2021	71	10
2022	71	10
Thereafter	479	39
Total future minimum rental payment	837	$ 97
Less amount representing imputed interest	(296)	
Present value of future minimum rental payments under capital leases	541	
Less current portion included in debt due within one year	(30)	
Long-term capital lease obligation	$ 511	

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, 2017, 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,		
2018	$ 48	$ 67
2019	3	100
2020	847	107
2021	—	99
2022	—	102
Thereafter	—	584
Total	$ 898	$ 1,059

Letters of credit and surety bonds

At December 31, 2017 and 2016, we had outstanding letters of credit totaling $29 million and $50 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, 2017, the aggregate cash collateral held by banks for letters of credit was $7 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, 2017 and 2016, we had outstanding surety bonds totaling $51 million and $33 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 or is pending release of funds from escrow (see "—PSC Settlement Agreement"). As for any actions not resolved by our previous settlements, including any claims by individuals who opted out of the settlement agreement that we and the Plaintiff Steering Committee (the "PSC") filed with the MDL Court in May 2015 (the "PSC Settlement Agreement"), we will vigorously defend those claims and pursue any and all defenses available.

In the year ended December 31, 2015, 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, 2017 and 2016, the liability for estimated loss contingencies that we believe are probable and for which a reasonable estimate can be made was $219 million and $250 million, respectively, recorded in other current liabilities, the majority of which is related to our settlement with the PSC.

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. We also agreed to make an aggregate cash payment of $400 million, including a criminal fine and cash contributions to the National Fish & Wildlife Foundation and the National Academy of Sciences, payable in scheduled installments. At December 31, 2016, the carrying amount of our liability for settlement obligations under the Plea Agreement was $60 million, recorded in other current liabilities. In the years ended December 31, 2017, 2016 and 2015, we made cash payments of $60 million in each period, representing the final installments for our obligations under the Plea Agreement.

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 requires us to submit and make publicly available certain plans, reports and other submissions. One such plan 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, as required, 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. The Consent Decree resolved the claim by the U.S. for civil penalties under the CWA. We may request termination of the Consent Decree after January 2, 2019, provided we meet certain conditions. 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.

PSC Settlement Agreement—On May 29, 2015, together with the PSC, we filed 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) 72.8 percent to private plaintiffs, businesses, and local governments who could have asserted punitive damages claims against us under general maritime law; and (2) 27.2 percent to private plaintiffs who previously settled economic damages claims against BP and were assigned certain claims BP had made against us. In exchange for these payments, each of the classes agreed to release all respective claims it has against us. Thirty claimants elected to opt out of the PSC Settlement Agreement. In June 2016 and August 2015, we made a cash deposit of $25 million and $212 million, respectively, into escrow accounts established by the MDL Court for the settlement. On February 15, 2017, the MDL Court entered a final order and judgement approving the PSC Settlement Agreement, which is no longer subject to appeal. In November 2017, the MDL Court released $25 million from the escrow accounts for payment of attorneys' fees. At December 31, 2017 and 2016, the aggregate balance in escrow was $212 million and $237 million, respectively, recorded in restricted cash accounts and investments.

Other legal proceedings

Asbestos litigation—In 2004, several of our subsidiaries were named, along with numerous other unaffiliated defendants, in complaints filed 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, 2017, 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, 2017, the subsidiary was a defendant in approximately 140 lawsuits with a corresponding number of plaintiffs. 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, including 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, 2017, the aggregate tax assessment was for BRL 529 million, equivalent to approximately $160 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. In November 2017, the Third Chamber of the Taxpayer's Council for administrative proceedings ruled in our favor on the validity of the initial tax claims. The ruling is subject to appeal by the state tax authorities. While we cannot predict or provide assurance as to the final outcome of these proceedings, we do not expect it to have a material adverse effect on our consolidated statement of financial position, results of operations or cash flows.

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.

Global Marine litigation—On November 28, 2017, Wilmington Trust Company, in its capacity as trustee, filed a lawsuit in the Supreme Court of the State of New York, County of New York, against Global Marine Inc. ("Global Marine"), one of our wholly owned, indirect subsidiaries, seeking a declaratory judgment that Global Marine is in default under the indenture governing its $300 million of outstanding 7.00% Notes due June 2028. We disagree with the assertions in the lawsuit and believe that Global Marine is in compliance with the indenture and has meritorious defenses against these allegations, although it can make no assurance regarding the outcome of the lawsuit, including the actual amount that would be due in the event that the lawsuit is successful. The notes are neither guaranteed by, nor recourse to, Transocean Ltd. or our other subsidiaries. The claimants seek payment prior to the scheduled maturity of the principal amount of notes outstanding and accrued but unpaid interest as well as make-whole amounts under the indenture. In addition, the acceleration of the amounts due under the indenture could, absent a waiver from the requisite lenders, result in an event of default under our currently undrawn Five-Year Revolving Credit Facility. We intend to vigorously defend the lawsuit. 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. 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 Environmental 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 that are likely to be asserted, is adequately accrued and should not have a material effect on our consolidated statement of financial position, results of operations or cash flows.

Note 11—Noncontrolling Interest

Redeemable noncontrolling interest

Angola Deepwater Drilling Company Limited—We own a 65 percent interest and Angco Cayman Limited ("Angco Cayman") owns a 35 percent interest, in ADDCL, a variable interest entity. 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. Changes in redeemable noncontrolling interest were as follows (in millions):

	Years ended December 31,		
	2017	2016	2015
Redeemable noncontrolling interest			
Balance, beginning of period	$ 28	$ 5	$ 11
Net income (loss) attributable to noncontrolling interest	30	23	(6)
Balance, end of period	$ 58	$ 28	$ 5

See Note 4—Variable Interest Entity.

Noncontrolling interest

Transocean Partners—Transocean Partners LLC, a Marshall Islands limited liability company and a wholly owned indirect subsidiary ("Transocean Partners"), was previously a partially owned subsidiary. In the years ended December 31, 2016 and 2015, Transocean Partners declared and paid an aggregate distribution of $99 million and $100 million, respectively, to its unitholders, of which $28 million and $29 million, respectively, was paid to the holders of noncontrolling interest. 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.

Note 12—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. 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 by our subsidiary or previously held in treasury.

Shares issued—To complete the merger with Transocean Partners, in December 2016, 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 11—Noncontrolling Interest, Note 15—Supplemental Cash Flow Information and Note 20—Subsequent Event.

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. 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, 2017, 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 the 2.9 million shares previously purchased under the share repurchase program and held in treasury, and such cancellation 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, 2017 and 2016, our subsidiaries held 3.6 million shares and 5.4 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,	
	2017	2016
Balance, beginning of period	$ (283)	$ (277)
Other comprehensive loss before reclassifications	(2)	(15)
Reclassifications to net income	(5)	9
Other comprehensive loss, net	(7)	(6)
Balance, end of period	$ (290)	$ (283)

Note 13—Share-Based Compensation

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, 2017, under the current plan established in 2015, we had 20.7 million shares authorized and 9.9 million shares available to be granted under the Long-Term Incentive Plan. As of December 31, 2017, 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 1.7 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 or shares to be issued remains uncertain. At the end of the measurement period, the awarded number of options or shares to be issued is determined. 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. The following table summarizes unvested activity for service-based units granted under our incentive plans during the year ended December 31, 2017:

	Number of units	Weighted-average grant-date fair value per unit
Unvested at January 1, 2017	4,006,082	$ 13.10
Granted	1,921,029	13.03
Vested	(1,867,970)	15.14
Forfeited	(238,686)	11.42
Unvested at December 31, 2017	3,820,455	$ 12.15

During the year ended December 31, 2017, the aggregate grant-date fair value of the service-based units that vested was $28 million. During the years ended December 31, 2016 and 2015, we granted 3,155,382 and 2,848,521 service-based units, respectively, with a weighted-average grant-date fair value of $8.69 and $18.70 per unit, respectively. During the years ended December 31, 2016 and 2015, we had 1,725,734 and 1,817,758 service-based units, respectively, that vested with an aggregate grant-date fair value of $48 million and $81 million, respectively.

Stock options—During the years ended December 31, 2017 and 2016, we granted service-based 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, 2017:

	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, 2017	1,934,695	$ 44.88	6.12	$ 6
Granted	877,231			
Forfeited	(58,463)			
Outstanding at December 31, 2017	2,753,463	$ 34.98	6.37	$ 2
Vested and exercisable at December 31, 2017	1,263,702	$ 62.78	3.63	$ —

During the year ended December 31, 2017, the weighted-average grant-date fair value of the service-based stock options that we granted was $6.46 per option. During the year ended December 31, 2017, the aggregate grant-date fair value of service-based stock options that vested was $2 million. During the year ended December 31, 2017, no service-based stock options were exercised. As of December 31, 2017, there were outstanding unvested service-based stock options to purchase 1,489,761 shares. During the year ended December 31, 2016, we granted service-based stock options to purchase 945,724 shares with a weighted-average grant-date fair value of $5.11 per option. During the year ended December 31, 2015, we did not grant service-based stock options. During the year ended December 31, 2016 and 2015, the aggregate grant-date fair value of service-based options that vested was $3 million and $9 million, respectively. During the years ended December 31, 2016 and 2015, no service-based stock options were exercised.

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. The number of shares ultimately earned per unit 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, 2017:

	Number of units	Weighted-average grant-date fair value per unit
Unvested at January 1, 2017	1,439,606	$ 14.40
Granted	689,740	16.25
Vested	(478,492)	13.87
Forfeited	(12,173)	11.60
Unvested at December 31, 2017	1,638,681	$ 13.56

During the year ended December 31, 2017, performance-based units vested with an aggregate grant-date fair value of $7 million. During the years ended December 31, 2016 and 2015, we granted 997,362 and 652,592 performance-based units, respectively, with a weighted-average grant-date fair value of $11.60 and $17.91 per unit, respectively. During the year ended December 31, 2016, the total grant-date fair value of the performance-based units that vested was $6 million. During the year ended December 31, 2015, no performance-based units vested since neither the market factors nor the performance targets were achieved.

Note 14—Supplemental Balance Sheet Information

Other current liabilities were comprised of the following (in millions):

	December 31, 2017	December 31, 2016
Other current liabilities		
Accrued payroll and employee benefits	$ 176	$ 200
Accrued interest	127	135
Accrued taxes, other than income	67	87
Macondo well incident settlement obligations	—	60
Deferred revenues	213	209
Contingent liabilities	246	262
Other	10	7
Total other current liabilities	$ 839	$ 960

Other long-term liabilities were comprised of the following (in millions):

	December 31, 2017	December 31, 2016
Other long-term liabilities		
Postemployment benefit plan obligations	$ 353	$ 370
Income taxes payable	247	333
Deferred revenues	422	390
Other	60	60
Total other long-term liabilities	$ 1,082	$ 1,153

Note 15—Supplemental Cash Flow Information

Net cash provided by operating activities attributable to the net change in other operating assets and liabilities was comprised of the following (in millions):

	Years ended December 31, 2017	2016	2015
Changes in operating assets and liabilities			
Decrease in accounts receivable	$ 230	$ 350	$ 742
Increase in other current assets	(30)	(29)	(177)
(Increase) decrease in other assets	(33)	(12)	5
Decrease in accounts payable and other current liabilities	(115)	(286)	(828)
Decrease in other long-term liabilities	(13)	(55)	(72)
Change in income taxes receivable / payable, net	(58)	(133)	(65)
	$ (19)	$ (165)	$ (395)

Additional cash flow information was as follows (in millions):

	Years ended December 31, 2017	2016	2015
Certain cash operating activities			
Cash payments for interest	$ 486	$ 351	$ 439
Cash payments for income taxes	124	172	314
Non-cash investing and financing activities			
Capital additions, accrued at end of period (a)	$ 20	$ 42	$ 128
Issuance of shares to acquire noncontrolling interest (b)	—	317	—

(a) Additions to property and equipment for which we had accrued a corresponding liability in accounts payable at the end of the period. See Note 5—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 11—Noncontrolling Interest and Note 12—Shareholders' Equity.

Note 16—Financial Instruments

The carrying amounts and fair values of our financial instruments were as follows (in millions):

	December 31, 2017		December 31, 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	$ 2,519	$ 2,519	$ 3,052	$ 3,052
Short-term investments	450	450	—	—
Restricted cash accounts and investments	489	489	510	511
Long-term debt, including current maturities	7,396	7,538	8,464	8,218

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. Our cash equivalents are primarily invested in short-term time deposits and money market funds. The carrying amount of our cash and cash equivalents approximates fair value because of the short maturities of the instruments. At December 31, 2017 and 2016, the aggregate carrying amount of our cash equivalents was $2.1 billion and $2.6 billion, respectively.

Short-term investments—The carrying amount of unrestricted short-term investments represents the historical cost of the time deposits in which they are invested. The carrying amount of such short-term investments approximates fair value because of the short maturities of the instruments.

Restricted cash accounts and investments—The carrying amount of the cash and cash equivalents 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, 2017, the aggregate carrying amount of such restricted cash and cash equivalents was $456 million, including $440 million and $16 million recorded in current assets and other assets, respectively. At December 31, 2016, the aggregate carrying amount of such restricted cash and cash equivalents was $387 million, including $368 million and $19 million recorded in current assets and other assets, respectively.

The carrying amount of the restricted cash investments pledged for debt service of the Eksportfinans Loans due January 2018 and for security of certain other credit arrangements represents the amortized historical cost of the 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, 2017 and 2016, the aggregate carrying amount of the restricted cash investments was $33 million and $123 million, respectively. At December 31, 2017 and 2016, the estimated fair value of such restricted cash investments was $33 million and $124 million, 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 17—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, is based on variable or short-term interest rates, which change with market interest rates. We are also exposed to the interest rate risk related to our fixed-rate debt when we refinance maturing debt with new debt or when we repurchase debt in open market repurchases.

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, cash equivalents and short-term investments 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 18—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, 2017, we had approximately 4,900 employees, including approximately 400 persons engaged through contract labor providers. Approximately 26 percent of our total workforce, working primarily in Brazil, Norway and the U.K. are represented by, and some of our contracted labor work is subject to, 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 affect the market for all offshore employees not just the union members.

Note 18—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,		
	2017	2016	2015
Operating revenues			
U.S.	$ 1,527	$ 1,977	$ 2,416
Brazil	335	453	673
U.K.	288	551	1,139
Other countries (a)	823	1,180	3,158
Total operating revenues	$ 2,973	$ 4,161	$ 7,386

(a) Other countries represent countries in which we operate that individually had operating revenues representing less than 10 percent of consolidated operating revenues earned.

Long-lived assets by country were as follows (in millions):

	December 31,	
	2017	2016
Long-lived assets		
U.S.	$ 7,541	$ 6,181
Trinidad	2,563	3,977
Other countries (a)	7,298	10,935
Total long-lived assets	$ 17,402	$ 21,093

(a) Other countries represents countries in which we operate that individually had long-lived assets representing less than 10 percent of consolidated long-lived assets.

Since the majority of our assets are mobile, the geographic locations of such assets at the end of the periods are not necessarily indicative of the geographic distribution of the operating 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, 2017 and 2016, the aggregate carrying amount of our long-lived assets located in Switzerland was less than $1 million and $2 million, respectively.

Our international operations are subject to certain political and other uncertainties, including risks of war and civil disturbances or other market disrupting events, expropriation of equipment, repatriation of income or capital, taxation policies, and the general hazards associated with certain areas in which we operate.

Major customers—For the year ended December 31, 2017, Chevron Corporation (together with its affiliates, “Chevron”), Royal Dutch Shell plc (together with its affiliates, “Shell”) and Petróleo Brasileiro S.A. (“Petrobras”) accounted for approximately 29 percent, 17 percent and 14 percent, respectively, of our consolidated operating revenues. For the year ended December 31, 2016, Chevron, BP, Shell and Petrobras accounted for approximately 24 percent, 12 percent, 12 percent and 11 percent, respectively, of our consolidated operating revenues from continuing operations. For the year ended December 31, 2015, Chevron and Shell accounted for approximately 14 percent and 10 percent of our consolidated operating revenues.

Note 19—Quarterly Results (Unaudited)

	Three months ended			
	March 31,	June 30,	September 30,	December 31,
	(In millions, except per share data)			
2017				
Operating revenues	$ 785	$ 751	$ 808	$ 629
Operating income (loss) (a)	173	(1,544)	(1,145)	12
Income (loss) from continuing operations (a)	95	(1,679)	(1,411)	(102)
Net income (loss) (a)	95	(1,679)	(1,411)	(102)
Net income (loss) attributable to controlling interest (a)	91	(1,690)	(1,417)	(111)
Per share earnings (loss) from continuing operations				
Basic	$ 0.23	$ (4.32)	$ (3.62)	$ (0.28)
Diluted	$ 0.23	$ (4.32)	$ (3.62)	$ (0.28)
Weighted-average shares outstanding				
Basic	390	391	391	391
Diluted	390	391	391	391
2016				
Operating revenues	$ 1,341	$ 940	$ 906	$ 974
Operating income (b)	424	163	229	316
Income from continuing operations (b)	242	92	236	257
Net income (b)	241	93	236	257
Net income attributable to controlling interest (b)	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

(a) Second quarter and third quarter included an aggregate loss of $1.4 billion associated with the impairment of certain drilling units classified as assets held for sale. Second quarter included a loss of $94 million associated with the impairment of our midwater floater asset group. Second quarter included a loss of $1.6 billion associated with the sale of 10 high-specification jackups and the novation of five high-specification jackups under construction. First quarter, second quarter, third quarter and fourth quarter included an aggregate loss of $55 million associated with the retirement of debt.

(b) 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 5—Drilling Fleet, Note 8—Debt and Note 10—Commitments and Contingencies.

Note 20—Subsequent Event

Business combination—On August 13, 2017, we entered into the Transaction Agreement with Songa pursuant to which we agreed to offer to acquire all of the issued and outstanding shares of Songa through the Offer in exchange for consideration per Songa share, consisting of (i) 0.3572 newly issued shares of Transocean Ltd. and (ii) approximately $2.99726 principal amount of 0.5% Exchangeable Senior Bonds due January 2023 (the “Exchangeable Bonds”) to be issued by Transocean Inc., our wholly owned direct subsidiary and a Cayman Islands exempted company. Additionally, each Songa shareholder could elect to receive a cash payment of NOK 47.50 per Songa share up to a maximum of NOK 125,000 per shareholder in lieu of some or all of the consideration such shareholder would otherwise be entitled to receive in the Offer.

We believe the acquisition of Songa strengthens and solidifies our position as a leader in harsh environment and ultra-deepwater drilling services by adding significant high value assets, including four high-specification harsh environment floaters, supported by significant contract backlog. Additionally, the acquisition strengthens our footprint in harsh environment operating areas and our existing relationship with Statoil ASA.

In connection with the acquisition, shareholders at our extraordinary general meeting, on January 16, 2018, were requested to consider the following: (1) the issuance of up to 68.6 million Transocean Ltd. shares, (2) an amendment of our articles of association to create additional authorized share capital, (3) election of one new director to our board of directors and (4) issuance of consideration shares of our authorized share capital and our shares issuable upon exchange of the Exchangeable Bonds. On January 18, 2018, we announced that shareholders at our extraordinary general meeting approved all proposals related to the Songa acquisition.

On January 30, 2018, we completed the acquisition of an approximate 97.7 percent ownership interest in Songa, and we issued 66.9 million shares with an aggregate market value of $735 million, equivalent to $10.99 per share, estimated based on the market value of our shares on the date of issuance to shareholders of Songa as partial consideration for the acquired Songa shares. Additionally, we made an aggregate cash payment of less than $1 million to Songa shareholders that elected to receive a cash payment.

We also issued an aggregate principal amount of $854 million of the Exchangeable Bonds as partial consideration for the acquisition of the acquired Songa shares and partial settlement of certain Songa indebtedness. Transocean Inc. is the issuer of the Exchangeable Bonds, which are fully and unconditionally guaranteed by Transocean Ltd. and rank equally with our other senior unsecured debt. We will pay interest on the Exchangeable Bonds semiannually, commencing July 30, 2018. Holders of the Exchangeable Bonds may convert the notes into shares of Transocean Ltd. under certain circumstances at a rate of 97.29756 shares per $1,000 note, equivalent to a conversion price of $10.28 per share, subject to adjustment due to the occurrence of certain events.

By March 31, 2018, we expect to complete the acquisition of the remaining shares not owned by us through a compulsory acquisition, which is available to us under Cyprus law. In connection with the compulsory acquisition, we expect to issue 1.6 million shares and an aggregate principal amount of $13 million of the Exchangeable Bonds as consideration for the remaining Songa shares. We have not completed our preliminary allocation of the acquisition price to the assets acquired and liabilities assumed given the timing of the acquisition date, on January 30, 2018, relative to the date of issuance of our financial statements as of and for the year ended December 31, 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—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 United States ("U.S.") Securities and Exchange Commission's rules and forms. Under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, we performed an evaluation of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2017.

Internal control over financial reporting—In our annual report for the year ended December 31, 2016, we identified and disclosed a material weakness in the execution of our controls over the application of the accounting literature to the measurement of deferred taxes. The material weakness was specifically related to the following: (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.

To remediate the identified material weakness, we implemented the following improvements to enhance our overall financial control environment: (1) we added additional personnel and external resources with the appropriate level of tax accounting expertise and invested in additional technical tax accounting training, (2) we standardized our documentation and communication protocols and integrated our processes within and between tax and other key departments, and (3) we expanded the use of systems and automated certain processes. Prior to the issuance of this annual report, we successfully completed the testing of these enhanced controls and concluded that the material weakness had been remediated as of December 31, 2017.

Except as described above, there has been no change to our internal control over financial reporting during the quarter ended December 31, 2017 that has materially affected or is reasonably likely to materially affect our internal control over financial reporting. See "Management's Report on Internal Control Over Financial Reporting" and "Report of Independent Registered Public Accounting Firm," included in Item 8 of this annual report.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Item 11. Executive Compensation

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters

Item 13. Certain Relationships, Related Transactions, and Director Independence

Item 14. Principal Accounting Fees and Services

The information required by Items 10, 11, 12, 13 and 14 is incorporated herein by reference to our definitive proxy statement for our 2018 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, 2017. 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, 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
Year ended December 31, 2017					
Reserves and allowances deducted from asset accounts:					
Allowance for doubtful accounts receivable	$ —	$ —	$ —	$ —	$ —
Allowance for obsolete materials and supplies	153	24	—	36 (b)	141
Valuation allowance on deferred tax assets	412	162	—	—	574

(a) Uncollectible accounts receivable written off, net of recoveries.

(b) Amount related to materials and supplies on rigs and related equipment sold or classified as held for sale.

(c) Amount related to deferred tax asset recorded for net operating losses with an offsetting valuation allowance.

(3) Exhibits

The following exhibits are filed or furnished herewith, as indicated, or incorporated by reference to the location indicated:

Number	Description	Location
2.1	Transaction Agreement, dated August 13, 2017, among Transocean Ltd., Transocean Inc. and Songa Offshore SE (schedules and exhibits have been omitted from this exhibit pursuant to Item 601(b)(2) of Regulation S-K and will be provided to the Securities and Exchange Commission upon request).	Exhibit 2.1 to Transocean Ltd.'s Current Report on Form 8-K (Commission File No. 000-53533) filed on August 15, 2017)
2.2	Amendment No. 1 to Transaction Agreement, dated September 15, 2017, among Transocean Ltd., Transocean Inc. and Songa Offshore SE	Exhibit 2.1 to Transocean Ltd.'s Current Report on Form 8-K (Commission File No. 000-53533) filed on September 15, 2017
2.3	Amendment No. 2 to Transaction Agreement, dated December 19, 2017, among Transocean Ltd., Transocean Inc. and Songa Offshore SE	Exhibit 2.1 to Transocean Ltd.'s Current Report on Form 8-K (Commission File No. 000-53533) filed on December 20, 2017
3.1	Articles of Association of Transocean Ltd.	Exhibit 3.1 to Transocean Ltd.'s Current Report on Form 8-K (Commission File No. 000-38373) filed on January 30, 2018
3.2	Organizational Regulations of Transocean Ltd., adopted November 18, 2016.	Exhibit 3.1 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	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	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	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	Exhibit 4.4 to Transocean Ltd.'s Current Report on Form 8-K (Commission File No. 333-75899) filed on December 19, 2008
4.5	Form of 7.45% Notes due April 15, 2027	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	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	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	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.	Exhibit 4.1 of Global Marine Inc.'s Registration Statement on Form S-4 (No. 333-39033) filed on October 30, 1997
4.10	First Supplemental Indenture dated as of June 23, 2000, between Global Marine Inc. and Wilmington Trust Company, as Trustee, relating to Debt Securities of Global Marine Inc.	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
4.11	Second Supplemental Indenture dated as of November 20, 2001, between Global Marine Inc. and Wilmington Trust Company, as Trustee, relating to Debt Securities of Global Marine Inc.	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
4.12	Form of 7% Note Due 2028	Exhibit 4.2 of Global Marine Inc.'s Current Report on Form 8-K (Commission File No. 1-5471) filed on May 22, 1998
4.13	Terms of 7% Note Due 2028	Exhibit 4.1 of Global Marine Inc.'s Current Report on Form 8-K (Commission File No. 1-5471) filed on May 22, 1998
4.14	Senior Indenture, dated as of December 11, 2007, between Transocean Inc. and Wells Fargo Bank, National Association	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

Number	Description	Location
4.15	First Supplemental Indenture, dated as of December 11, 2007, between Transocean Inc. and Wells Fargo Bank, National Association	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
4.16	Third Supplemental Indenture, dated as of December 18, 2008, among Transocean Ltd., Transocean Inc. and Wells Fargo Bank, National Association, as trustee	Exhibit 4.3 to Transocean Ltd.'s Current Report on Form 8-K (Commission File No. 333-75899) filed on December 19, 2008)
4.17	Fourth Supplemental Indenture, dated as of September 21, 2010, among Transocean Ltd., Transocean Inc. and Wells Fargo Bank, National Association, as trustee	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
4.18	Fifth Supplemental Indenture, dated as of December 5, 2011, among Transocean Ltd., Transocean Inc. and Wells Fargo Bank, National Association, as trustee	Exhibit 4.3 to Transocean Ltd.'s Current Report on Form 8-K (Commission File No. 000-53533) filed on December 5, 2011
4.19	Sixth Supplemental Indenture, dated as of September 13, 2012, among Transocean Inc., Transocean Ltd. and Wells Fargo Bank, National Association, as trustee	Exhibit 4.3 to Transocean Ltd.'s Current Report on Form 8-K (Commission File No. 000-53533) filed on September 13, 2012
4.20	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	Exhibit 4.1 to Transocean Ltd.'s Current Report on Form 8-K (Commission File No. 000-53533) filed on July 2, 2014
4.21	Guarantee Agreement dated June 30, 2014 among Transocean Ltd. and JPMorgan Chase Bank, N.A., as administrative agent under the Credit Agreement	Exhibit 4.2 to Transocean Ltd.'s Current Report on Form 8-K (Commission File No. 000-53533) filed on July 2, 2014
4.22	Indenture, dated as of July 21, 2016, by and among Transocean Inc., the Guarantors and Wells Fargo Bank, National Association	Exhibit 4.1 to Transocean Ltd.'s Current Report on Form 8-K (Commission File No. 000-53533) filed on July 22, 2016
4.23	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	Exhibit 4.1 to Transocean Ltd.'s Current Report on Form 8-K (C omission File No. 000-53533) filed on October 20, 2016
4.24	Indenture, dated December 8, 2016, by and among Transocean Proteus Limited, the Guarantors and Wells Fargo Bank, National Association	Exhibit 4.1 to Transocean Ltd.'s Current Report on Form 8-K (Commission File No. 000-53533) filed on December 8, 2016
4.25	Indenture dated as of October 17, 2017, by and among Transocean Inc., the guarantors party thereto and Wells Fargo Bank, National Association	Exhibit 4.1 to Transocean Ltd.'s Current Report on Form 8-K (Commission File No. 000-53533) filed on October 17, 2017
4.26	Indenture, dated January 30, 2018, among Transocean Inc., Transocean Ltd., as guarantor, and Computershare Trust Company N.A. and Computershare Trust Company of Canada, as co-trustees	Exhibit 4.1 of Transocean Ltd.'s Current Report on Form 8-K (Commission File No. 000-38373) filed on January 30, 2018
4.27	Form of 0.5% Exchangeable Senior Bonds due 2023	Exhibit A of Exhibit 4.1 to Transocean Ltd.'s Current Report on Form 8-K (Commission File No. 000-38373) filed on January 30, 2018
4.28	Registration Rights Agreement, dated as of January 30, 2018, among Transocean Ltd., Transocean Inc., and the security holders named therein	Exhibit 4.3 to Transocean Ltd.'s Current Report on Form 8-K (Commission File No. 000-38373) filed on January 30, 2018
* 10.1	Long-Term Incentive Plan of Transocean Ltd. (as amended and restated as of February 12, 2009)	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)	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	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	Exhibit 10.33 to the GlobalSantaFe Corporation Annual Report on Form 10-K (Commission File No. 001-14634) for the year ended December 31, 2004
* 10.5	Amendment to Transocean Inc. Deferred Compensation Plan	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	Exhibit 99.2 to Transocean Inc.'s Current Report on Form 8-K (Commission File No. 333-75899) filed on March 3, 2004

Number	Description	Location
10.7	Tax Sharing Agreement dated February 4, 2004 between Transocean Holdings Inc. and TODCO	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	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	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	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	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	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	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	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	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.	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.	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	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	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	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	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	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	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	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	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
10.26	First Amendment to Global Marine Inc. 1990 Non-Employee Director Stock Option Plan	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
10.27	Second Amendment to Global Marine Inc. 1990 Non-Employee Director Stock Option Plan	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

Number	Description	Location
* 10.28	1997 Long-Term Incentive Plan	GlobalSantaFe Corporation’s Registration Statement on Form S-8 (No. 333-7070) filed June 13, 1997
10.29	Amendment to 1997 Long Term Incentive Plan	Exhibit 10.25 of GlobalSantaFe Corporation’s Annual Report on Form 20-F (Commission File No. 001-14634) for the year ended December 31, 1998
10.30	Amendment to 1997 Long Term Incentive Plan, dated December 1, 1999	Exhibit 10.33 of GlobalSantaFe Corporation’s Annual Report on Form 20-F (Commission File No. 001-14634) for the year ended December 31, 1999
* 10.31	GlobalSantaFe Corporation 1998 Stock Option and Incentive Plan	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
10.32	First Amendment to GlobalSantaFe Corporation 1998 Stock Option and Incentive Plan	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
* 10.33	GlobalSantaFe Corporation 2001 Non-Employee Director Stock Option and Incentive Plan	Exhibit 4.8 of GlobalSantaFe Corporation’s Registration Statement on Form S-8 (No. 333-73878) filed on November 21, 2001
* 10.34	GlobalSantaFe Corporation 2001 Long-Term Incentive Plan	Exhibit A to GlobalSantaFe Corporation’s definitive proxy statement (Commission File No. 001-14634) filed on March 21, 2001
* 10.35	GlobalSantaFe 2003 Long-Term Incentive Plan (as Amended and Restated Effective June 7, 2005)	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
* 10.36	Transocean Ltd. Pension Equalization Plan, as amended and restated, effective January 1, 2009	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
* 10.37	Transocean U.S. Supplemental Retirement Benefit Plan, as amended and restated, effective as of November 27, 2007	Exhibit 10.11 to Transocean Inc.’s Current Report on Form 8-K (Commission File No. 333-75899) filed on December 3, 2007
* 10.38	GlobalSantaFe Corporation Supplemental Executive Retirement Plan	Exhibit 10.1 to the GlobalSantaFe Corporation Quarterly Report on Form 10-Q (Commission File No. 001-14634) for the quarter ended September 30, 2002
* 10.39	Transocean U.S. Supplemental Savings Plan	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
10.40	Form of Indemnification Agreement entered into between Transocean Ltd. and each of its Directors and Executive Officers	Exhibit 10.1 to Transocean Inc.’s Current Report on Form 8-K (Commission File No. 333-75899) filed on October 10, 2008
* 10.41	Form of Assignment Memorandum for Executive Officers	Exhibit 10.6 to Transocean Ltd.’s Current Report on Form 8-K (Commission File No. 000-53533) filed on December 19, 2008
10.42	Drilling Contract between Vastar Resources, Inc. and R&B Falcon Drilling Co. dated December 9, 1998 with respect to *Deepwater Horizon*, as amended	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
* 10.43	Executive Severance Benefit Policy	Exhibit 10.1 to Transocean Ltd.’s Current Report on Form 8-K (Commission File No. 000-53533) filed on February 23, 2012
* 10.44	Transocean Ltd. 2015 Long-Term Incentive Plan	Annex B to Transocean Ltd.’s definitive proxy statement (Commission File No. 001-53533) filed on March 23, 2015
10.45	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	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
10.46	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.	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

Number	Description	Location
10.47	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	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
* 10.48	Employment Agreement among Transocean Ltd., Transocean Offshore Deepwater Drilling Inc. and John Stobart dated December 1, 2015	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
* 10.49	Employment Agreement with Jeremy D. Thigpen effective September 1, 2016	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
* 10.50	Employment Agreement with Mark L. Mey effective September 1, 2016	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
10.51	Pre-acceptance, dated August 13, 2017, between Transocean Ltd. and Perestroika AS	Exhibit 10.1 to Transocean Ltd.'s current report on Form 8-K (Commission File No. 000-53533) filed on August 15, 2017
10.52	Pre-acceptance, dated August 13, 2017, between Transocean Ltd. and certain funds affiliated with Asia Research and Capital Management Ltd.	Exhibit 10.2 to Transocean Ltd.'s current report on Form 8-K (Commission File No. 000-53533) filed on August 15, 2017
10.53	Form of Pre-acceptance among Transocean Ltd. and certain shareholders of Songa Offshore SE	Exhibit 10.3 to Transocean Ltd.'s current report on Form 8-K (Commission File No. 000-53533) filed on August 15, 2017
10.54	Form of Amendment No. 1 to Pre-acceptance among Transocean Ltd. and certain shareholders of Songa Offshore SE	Exhibit 10.1 to Transocean Ltd.'s current report on Form 8-K (Commission File No. 000-53533) filed on September 15, 2017
10.55	Form of Amendment No. 2 to Pre-acceptance among Transocean Ltd. and certain shareholders of Songa Offshore SE	Exhibit 10.1 to Transocean Ltd.'s current report on Form 8-K (Commission File No. 000-53533) filed on December 20, 2017
21	Subsidiaries of Transocean Ltd.	Filed with our annual report on Form 10-K.
23.1	Consent of Ernst & Young LLP	Filed with our annual report on Form 10-K.
24	Powers of Attorney	Filed with our annual report on Form 10-K.
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934 and Section 302 of the Sarbanes-Oxley Act of 2002	Filed with our annual report on Form 10-K.
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934 and Section 302 of the Sarbanes-Oxley Act of 2002	Filed with our annual report on Form 10-K.
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Furnished with our annual report on Form 10-K.
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Furnished with our annual report on Form 10-K.
99.1	Cooperation Guilty Plea Agreement by and among Transocean Deepwater Inc., Transocean Ltd. and the United States	Exhibit 99.2 to Transocean Ltd.'s Current Report on Form 8-K (Commission File No. 000-53533) filed on January 3, 2013
99.2	Consent Decree by and among Triton Asset Leasing GmbH, Transocean Holdings LLC, Transocean Offshore Deepwater Drilling Inc., Transocean Deepwater Inc. and the United States	Exhibit 99.3 to Transocean Ltd.'s Current Report on Form 8-K (Commission File No. 000-53533) filed on January 3, 2013
99.3	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	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 with our annual report on Form 10-K.

Certain instruments relating to our long-term debt and our subsidiaries have not been filed as exhibits since the total amount of securities authorized under any such instrument does not exceed 10 percent of our total assets and our subsidiaries on a consolidated basis. We agree to furnish a copy of each such instrument to the SEC upon request.

Certain agreements filed as exhibits to this Report may contain representations and warranties by the parties to such agreements. These representations and warranties have been made solely for the benefit of the parties to such agreements and (1) may be intended not as statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate, (2) may have been qualified by certain disclosures that were made to other parties in connection with the negotiation of such agreements, which disclosures are not reflected in such agreements, and (3) may apply standards of materiality in a way that is different from what may be viewed as material to investors.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned; thereunto duly authorized, on February 21, 2018.

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 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 February 21, 2018.

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 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
* **Frederick W. Mohn**	Director
* **Edward R. Muller**	Director
By: /s/ David Tonnel **(Attorney-in-Fact)**	

TRANSOCEAN LTD.

STATUTORY FINANCIAL STATEMENTS
For the years ended December 31, 2017 and 2016

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working world

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To the General Meeting of

Transocean Ltd., Steinhausen

Zurich, February 21, 2018

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-11), for the year ended December 31, 2017.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended December 31, 2017 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 judgment, 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 and press releases.

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

TRANSOCEAN LTD.
STATEMENTS OF OPERATIONS
(In thousands)

	Years ended December 31, 2017	Years ended December 31, 2016
Income		
Guarantee fee income	CHF 1,401	CHF 1,495
Financial income	5	27
Total income	1,406	1,522
Costs and expenses		
General and administrative	28,408	47,979
Depreciation	27	24
(Gain) loss on currency exchange	(327)	8,149
Financial expense	929	8,167
Total costs and expenses	29,037	64,319
Loss on impairment	(440,372)	—
Loss on sale of subsidiary	—	(1,242)
Direct taxes	1	—
Net loss for the period	CHF (468,002)	CHF (64,039)

See accompanying notes.

TRANSOCEAN LTD.
BALANCE SHEETS
(in thousands)

	December 31, 2017	December 31, 2016
Assets		
Cash	CHF 3,455	CHF 16,793
Receivables from subsidiaries	6,416	8,576
Other current assets	6,818	881
Total current assets	16,689	26,250
Investment in subsidiaries	6,114,795	6,555,167
Property and equipment	1,382	1,446
Less accumulated depreciation	1,353	1,389
Property and equipment, net	29	57
Other non-current assets	1,436	100
Total non-current assets	6,116,260	6,555,324
Total assets	CHF 6,132,949	CHF 6,581,574
Liabilities and shareholders' equity		
Accounts payable to subsidiaries	CHF 25,449	CHF 32,104
Interest payable to subsidiaries	309	1,572
Other current liabilities	5,107	21,628
Total current liabilities	30,865	55,304
Long-term interest bearing note payable to subsidiary	52,157	7,344
Other non-current liabilities	—	997
Total non-current liabilities	52,157	8,341
Share capital	39,480	39,480
Statutory capital reserves from capital contribution	11,403,842	11,403,893
Statutory capital reserve from capital contribution for shares held by subsidiaries	71,639	71,588
Accumulated loss		
Accumulated loss brought forward from previous years	(4,997,032)	(4,932,993)
Net loss for the period	(468,002)	(64,039)
Total shareholders' equity	6,049,927	6,517,929
Total liabilities and shareholders' equity	CHF 6,132,949	CHF 6,581,574

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. At December 31, 2017 and 2016, we had less than 10 full-time employees.

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"). 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.

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 non-Swiss 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 non-Swiss 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,	
	2017	2016	2017	2016
CHF / USD	0.99	0.98	0.97	1.02
CHF / GBP	1.26	1.35	1.31	1.26
CHF / NOK	0.12	0.12	0.12	0.12

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		Carrying amount as of December 31, 2017		Carrying amount as of December 31, 2016	
Transocean Inc.	Holding	Cayman Islands	100%	USD	0.01	CHF	6,114,687	CHF	6,555,059
Transocean Management Ltd.	Management and administration	Switzerland	90%	CHF	100.00	CHF	90	CHF	90
Transocean Management Services GmbH	Management and administration	Switzerland	90%	CHF	20.00	CHF	18	CHF	18

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, 2017, as a result of our annual impairment test, we determined that the carrying amounts of our investments in subsidiaries were impaired, and, as a result, we recognized an aggregate loss of CHF 440 million and released excess reserves in amount of CHF 511 million associated with the impairment of our investment in Transocean Inc. 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.

Principal indirect investments—Our principal indirect investments in subsidiaries were as follows:

December 31, 2017 Company name	Domicile	Ownership and voting interest	December 31, 2016 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 Conqueror Limited	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 1 Limited	Cayman Islands	100%
Transocean Holdings 2 Limited	Cayman Islands	100%	Transocean Holdings 2 Limited	Cayman Islands	100%
Transocean Holdings 3 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 Phoenix 2 Limited	Cayman Islands	100%	Transocean Phoenix 2 Limited	Cayman Islands	100%
Transocean Proteus 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, 2017, we formed Transocean Conqueror Limited in connection with the issuance of senior secured notes. See Note 7— Guarantees and Commitments.

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	Accumulated loss	Own shares against capital reserve from capital contribution	Total shareholders' equity
Balance at December 31, 2015	373,831	CHF 5,607,459	CHF 9,522,987	CHF 70,093	CHF —	CHF (8,682,993)	CHF (256,949)	CHF 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
Own share transactions	—	—	(51)	51	—	—	—	—
Net loss	—	—	—	—	—	(468,002)	—	(468,002)
Balance at December 31, 2017	394,802	CHF 39,480	CHF 11,403,842	CHF 71,639	CHF —	CHF (5,465,034)	CHF —	CHF 6,049,927

(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, 2017 and 2016, Transocean Inc. withheld 5,630 and 20,699 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, 2017 and 2016, the aggregate value of own share transactions was CHF 51 thousand and CHF 203 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 143.8 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 USD 318 million, as required under the option agreement. Following the completion of the merger, TPHL held 95,830 of our shares.

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, 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%
Transfers under share-based compensation plans	(1,880)		
Balance at December 31, 2017	3,550	394,802	0.90%

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, 2017 and 2016, we transferred 1.9 million and 1.6 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, 2017 and 2016, 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):

December 31, 2017			December 31, 2016		
Name	Number of shares	Percentage of issued share capital	Name	Number of shares	Percentage of issued share capital
BlackRock, Inc.	35,420	9.10%	Vanguard	39,972	10.27%
Vanguard	33,345	8.52%	BlackRock, Inc.	22,962	5.90%
			State Street Corporation	19,715	5.06%

See Note 10—Subsequent Events.

Own shares—At December 31, 2017 and 2016, we held, indirectly through Transocean Inc. and TPHL, 3.6 million and 5.4 million registered shares, respectively, representing 0.9 percent and 1.4 percent, respectively, of our issued share capital. See Note 5—Own Shares.

Shares held by board members—The number of shares held, including shares privately held, by members of our board of directors were as follows:

Name	December 31, 2017 Vested shares and unvested share units	December 31, 2017 Stock options and stock appreciation rights	December 31, 2016 Vested shares and unvested share units	December 31, 2016 Stock options and stock appreciation rights
Merrill A. "Pete" Miller, Jr.	82,753	—	52,882	—
Glyn A. Barker	71,761	—	52,460	—
Vanessa C.L. Chang	69,455	—	48,154	—
Frederico F. Curado	60,013	—	40,712	—
Chad Deaton	66,755	—	47,454	—
Tan Ek Kia	69,523	—	50,222	—
Vincent J. Intrieri	55,253	—	35,952	—
Martin B. McNamara	108,276	—	88,975	—
Samuel Merksamer	65,989	—	46,688	—
Edward R. Muller	85,139	—	69,838	3,820
Jeremy D. Thigpen	1,115,235	451,575	883,012	233,957
Total	1,850,152	451,575	1,416,349	237,777

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 number of shares held, including shares privately held, by members of our executive management team and their conditional rights to receive shares under our share-based compensation plans were as follows:

	December 31, 2017					December 31, 2016				
Name	Number of shares held	Number of granted share units vesting in 2018	Number of granted share units vesting in 2019	Number of granted share units vesting in 2020	Total shares and share units	Number of shares held	Number of granted share units vesting in 2017	Number of granted share units vesting in 2018	Number of granted share units vesting in 2019	Total shares and share units
Jeremy D. Thigpen	156,784	471,428	270,586	37,633	936,431	65,197	338,303	433,796	45,716	883,012
Mark L. Mey	95,204	223,977	116,301	16,258	451,740	41,856	160,262	207,720	19,157	428,995
John Stobart	84,854	169,379	116,747	16,318	387,298	37,266	102,212	153,062	19,244	311,784
Total	336,842	864,784	503,634	70,209	1,775,469	144,319	600,777	794,578	84,117	1,623,791

In each of the table above, the number of granted share units vesting in future years represents the vesting of previously granted service awards and performance awards in the form of share units.

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:

	December 31, 2017					December 31, 2016				
Name	Number of granted stock options vested and outstanding	Number of granted stock options vesting in 2018	Number of granted stock options vesting in 2019	Number of granted stock options vesting in 2020	Total vested and unvested stock options	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	150,525	150,525	72,540	451,575	—	77,985	77,986	77,986	233,957
Mark L. Mey	32,679	64,017	64,017	31,337	192,050	—	32,679	32,680	32,680	98,039
John Stobart	71,425	64,281	64,282	31,453	231,441	38,597	32,828	32,828	32,829	137,082
Total	182,089	278,823	278,824	135,330	875,066	38,597	143,492	143,494	143,495	469,078

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, 2017 Number of share units granted	December 31, 2017 Value of share units	December 31, 2016 Number of share units granted	December 31, 2016 Value of share units
Board members	203,580	CHF 2,134,778	212,777	CHF 1,928,824
Executive management team	559,932	8,381,144	757,053	7,866,743
Employees	6,910	91,086	25,011	211,038
Total	770,422	CHF 10,607,008	994,841	CHF 10,006,605

Note 7—Guarantees and Commitments

Transocean Inc. and other indirect subsidiaries debt obligations—Transocean Inc., Transocean Phoenix 2 Limited ("TP2L") and Transocean Proteus Limited ("TPTL") have each issued certain debt securities or entered into other debt instruments, including notes, revolving credit facilities, debentures, surety bonds and letters of credit. We have guaranteed certain of these debt securities or other debt instruments. With certain exceptions under the indentures of the senior secured notes issued by our subsidiaries, we are not subject to any significant restrictions on our ability to obtain funds from our consolidated subsidiaries by dividends, loans or return of capital distributions. At December 31, 2017 and 2016, the aggregate carrying amount of debt that we have guaranteed was USD 6.2 billion and USD 7.5 billion, respectively, equivalent to approximately CHF 6.0 billion and CHF 7.6 billion, respectively. See Note 10—Subsequent Events.

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 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 agreed to 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, 2017 and 2016, we recognized guarantee fee income of less than CHF 1 million and CHF 2 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 resolved all matters relating to suspension, debarment and statutory disqualification arising from the matters contemplated by the Plea Agreement. We guaranteed the compliance obligations required of the Respondents under the EPA Agreement. In 2016, Transocean approached the EPA Suspension and Debarment Division ("EPA SDD") to request the early termination of the EPA Agreement in light of Transocean's successful performance of its obligations under the EPA Agreement. After discussions between Transocean and the EPA SDD in 2016 and early 2017, the EPA Suspension and Debarment Official granted Transocean's request. The EPA Agreement was terminated effective as of June 21, 2017.

Norway tax investigations and trial—Norwegian civil tax authorities previously challenged certain transactions undertaken by our subsidiaries in 1999, 2001 and 2002. 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 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. On June 16, 2017, the Norwegian Supreme Court rejected the appeal, formally closing the dispute in favor of our subsidiaries.

Transocean Management Ltd. office lease obligation—Transocean Management Ltd., has a continuing lease obligation for its former principal offices in Vernier, Switzerland. Under an uncommitted line of credit, Transocean Ltd. issued a surety bond in the full amount of the lease obligation. At December 31, 2017 and 2016, our guarantee for the Transocean Management Ltd. 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. A significant portion of the contingencies arising from the Macondo well incident has now been resolved or is pending release of funds from escrow. We believe the most notable remaining claims against the Macondo Subsidiaries arising from the Macondo well incident are the 30 settlement class opt outs from the PSC Settlement Agreement.

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. On June 27, 2017, the petition was denied and the dismissal is now final.

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, 2017 and 2016, Transocean Inc. and TPHL held 3.6 million and 5.4 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, 2017 and 2016, we had borrowings of USD 53.2 million and USD 7.2 million, respectively, equivalent to approximately CHF 52.2 million and CHF 7.3 million, respectively, outstanding under the revolving credit facility. At December 31, 2017 and 2016, the variable interest rate on the outstanding borrowings was 2.50 percent and 2.25 percent, respectively.

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, 2017 and 2016, we recognized such costs of CHF 10 million and CHF 15 million, respectively, recorded in general and administrative costs and expenses.

Note 10—Subsequent Events

Business combination— On August 13, 2017, we entered into the Transaction Agreement with Songa Offshore SE, a European public company limited by shares, or societas Europaea, existing under the laws of Cyprus (“Songa”), pursuant to which we agreed to offer to acquire all of the issued and outstanding shares of Songa through the Offer in exchange for consideration per Songa share, consisting of (i) 0.3572 newly issued shares of Transocean Ltd. and (ii) approximately USD 2.99726 principal amount of 0.5% Exchangeable Senior Bonds due January 2023 (the “Exchangeable Bonds”) to be issued by Transocean Inc. Additionally, each Songa shareholder could elect to receive a cash payment of NOK 47.50 per Songa share up to a maximum of NOK 125,000 per shareholder in lieu of some or all of the consideration such shareholder would otherwise be entitled to receive in the Offer.

In connection with the acquisition, shareholders at our extraordinary general meeting, on January 16, 2018, were requested to consider the following: (1) the issuance of up to 68.6 million of our shares, (2) an amendment of our articles of association to create additional authorized share capital, (3) election of one new director to our board of directors and (4) issuance of consideration shares of our authorized share capital and our shares issuable upon exchange of the Exchangeable Bonds. On January 18, 2018, we announced that shareholders at our extraordinary general meeting approved all proposals related to the Songa acquisition.

On January 30, 2018, we completed the acquisition of an approximate 97.7 percent ownership interest in Songa, and we issued 66.9 million shares with an aggregate market value of USD 735 million, equivalent to USD 10.99 per share, estimated based on the market value of our shares on the date of issuance to shareholders of Songa as partial consideration for the acquired Songa shares. Additionally, we made an aggregate cash payment of less than USD 1 million to Songa shareholders that elected to receive a cash payment.

Transocean Inc. also issued an aggregate principal amount of USD 854 million of the Exchangeable Bonds as partial consideration for the acquisition of the acquired Songa shares and partial settlement of certain Songa indebtedness. Transocean Inc. is the issuer of the Exchangeable Bonds, which are fully and unconditionally guaranteed by us. Holders of the Exchangeable Bonds may convert the notes into our shares under certain circumstances at a rate of 97.29756 shares per USD 1,000 note, equivalent to a conversion price of USD 10.28 per share, subject to adjustment due to the occurrence of certain events.

By March 31, 2018, we expect to complete the acquisition of the remaining shares not owned by us through a compulsory acquisition, which is available to us under Cyprus law. In connection with the compulsory acquisition, we expect to issue 1.6 million shares and Transocean Inc. is expected to issue an aggregate principal amount of USD 13 million of the Exchangeable Bonds as consideration for the remaining Songa shares.

Significant shareholders—Subsequent to December 31, 2017, in connection with the Songa acquisition, we issued our shares to Songa shareholders as partial consideration for their shares. As of January 31, 2018, as a result of the transaction, Frederick W. Mohn, a newly elected member of our board of directors held, directly and indirectly through Perestroika AS, 31.1 million shares, which represented approximately 6.74% of our issued capital, based on our 461.7 million total shares issued as of such date.

TRANSOCEAN LTD.

PROPOSED APPROPRIATION OF THE ACCUMULATED LOSS

The board of directors proposes that shareholders at the annual general meeting in 2018 approve the following appropriation (in thousands):

	December 31, 2017	December 31, 2016
Balance brought forward from previous years	CHF (4,997,032)	CHF (8,682,993)
Reduction of par value	—	3,750,000
Net loss for the year	(468,002)	(64,039)
Total accumulated loss	(5,465,034)	(4,997,032)
Balance to be carried forward on this account	CHF (5,465,034)	CHF (4,997,032)

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 2018 Annual General Meeting is the accumulated loss of Transocean Ltd., on a standalone basis.

Proposed Release of Statutory Capital Reserves from Capital Contribution to Free Capital Reserves from Capital Contribution (in thousands)

Statutory capital reserves from capital contribution, as of December 31, 2017	CHF 11,403,842
Less release to free capital reserves from capital contribution	1,500,000
Remaining statutory capital reserves from capital contribution	CHF 9,903,842

The Board of Directors proposes that (1) the accumulated loss of the Company be carried forward and (2) CHF 1,500,000,000 of statutory capital reserves from capital contribution be released and allocated to free capital reserves from capital contribution.

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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
Founder and CEO of VDA Capital Management LLC, a private investment fund

Samuel J. Merksamer
Former Managing Director
Icahn Capital LP

Frederik W. Mohn
Former Chairman Songa Offshore SE
Sole Owner and Managing Director of Perestroika AS

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,
Chief Operating Officer and
Chief Performance Officer

CORPORATE INFORMATION

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Steinhausen, Switzerland
Phone: +41 (41) 749-0500

Transfer Agent and Registrar
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www.computershare.com
Online inquiries: www-us.computershare.com/investor/contact

Shareholder inquiries:
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Louisville, Kentucky 40233-5000
1 877 397 7229
1 201 680 6570 (for callers outside the United States)

Overnight correspondence:
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462 South 4th Street
Suite 1600
Louisville, Kentucky 40233-5000

Proxy solicitor
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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.

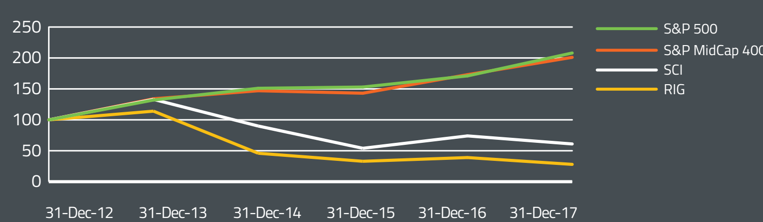
NYSE Annual CEO Certification and Sarbanes-Oxley Section 302 Certifications
We submitted the annual chief executive officer certification to the NYSE as required under the corporate governance rules. We also filed the chief executive officer certifications required under section 302 of the Sarbanes-Oxley Act of 2002 as an exhibit to our 2017 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. The following table represents the intraday high and low per-share prices as reported on the NYSE for the periods indicated.

NYSE (USD)	2017		2016	
	HIGH	LOW	HIGH	LOW
First Quarter	16.16	11.69	13.48	7.67
Second Quarter	13.04	7.67	12.05	8.34
Third Quarter	10.84	7.20	13.03	8.68
Fourth Quarter	11.78	9.33	16.66	9.10

Performance Graph[1]
The graph below compares the cumulative total shareholder return of our shares, the Standard & Poor's 500 Stock Index ("S&P 500"), the Standard & Poor's MidCap 400 Index ("S&P MidCap 400") and the Upstream Index prepared by Simmons & Company International, Energy Specialists of Piper Jaffray ("SCI") over our last five fiscal years. In 2017, the Company moved to the S&P MidCap 400 from the S&P 500 due to a market capitalization below $4.5 billion. The graph assumes that $100 was invested in our shares, the S&P 500 and the S&P MidCap 400 on December 31, 2012, 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, 2012 - December 31, 2017



DATE	DEC-12	DEC-13	DEC-14	DEC-15	DEC-16	DEC-17
S&P 500	$100	$132	$151	$153	$171	$208
S&P MidCap 400	$100	$134	$147	$143	$173	$201
SCI	$100	$133	$90	$54	$74	$61
RIG	$100	$114	$46	$33	$39	$28

[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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