



LETTER TO SHAREHOLDERS

NOTICE OF 2019 ANNUAL GENERAL MEETING AND PROXY STATEMENT

COMPENSATION REPORT

2018 ANNUAL REPORT TO SHAREHOLDERS

ABOUT TRANSOCEAN LTD.

Transocean is a leading international provider of offshore contract drilling services for oil and gas wells. The company specializes in technically demanding sectors of the global offshore drilling business with a particular focus on ultra-deepwater and harsh environment drilling services, and believes that it operates one of the most versatile offshore drilling fleets in the world. Transocean owns or has partial ownership interests in, and operates a fleet of 48 mobile offshore drilling units consisting of 31 ultra-deepwater floaters, 13 harsh environment floaters and four midwater floaters. In addition, Transocean is constructing four ultra-deepwater drillships and one harsh environment semisubmersible in which the company holds a 33.0% interest.

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



ABOUT THE COVER

The front cover features one of our ultra-deepwater drillships, the *Deepwater Asgard*, currently operating in the Gulf of Mexico. The back cover features two of our drillers.

FORWARD-LOOKING STATEMENTS

Any statements included in this Proxy Statement and 2018 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 11, 2019

Letter to Shareholders

To the owners of our company:

2018 will be remembered as a transformative year in Transocean's long and storied history. Among other things:

- We expanded and enhanced our fleet through three separate strategic acquisitions, further strengthening our industry-leading position in the ultra-deepwater and harsh environment floater markets.
- We bolstered our backlog by booking 37 new floater fixtures in 2018, adding 19 rig years, and almost \$2 billion in future work, our highest total since 2014.
- We entered into an agreement with Chevron to construct and operate the industry's most technically capable ultra-deepwater drillship, and the first equipped with subsea equipment rated to 20,000 psi.
- We continued to strengthen our balance sheet and extend our liquidity runway through five discrete opportunistic financing transactions.

We accomplished all of this while delivering safe and efficient operations, including a full year without a single lost time incident, and the highest Revenue, Adjusted EBITDA and Adjusted EBITDA Margin for 2018 among all offshore drilling contractors.

We believe that 2018 may also be remembered as the start of the recovery in the offshore market. Buoyed by strong and relatively stable oil prices over the first three quarters of 2018, many of our customers generated record cash flows from operations, providing them with the liquidity that they needed to fund dividends, repurchase their own shares, service debt and invest in longer cycle offshore projects. This incremental cash, coupled with dramatically reduced breakeven costs per barrel for offshore projects, and rapidly declining reserve replacement ratios, led to a tangible increase in year-over-year contracting activity.

Even though oil prices declined sharply in the fourth quarter of 2018, creating temporary uncertainty across the industry, we continue to expect increased levels of contracting activity as we progress through 2019. Oil prices have rebounded to start the year, with Brent crude trading above \$60 per barrel, and our recent customer engagements suggest that they are undeterred by the year-end volatility in commodity prices. However, we remain acutely aware that price instability could delay offshore projects currently planned for the back half of 2019, 2020 and 2021. As such, we will maintain our disciplined approach as we continue to enhance our leadership position and prepare Transocean to capitalize on the incremental demand that we expect to ultimately materialize in the ultra-deepwater market.

In preparation for that recovery, we will continue to be prudent as we take the necessary actions to strategically position Transocean to outperform throughout the cycle.

We continue to strengthen our fleet of high-specification assets through newbuilds, acquisitions and divestitures – further enhancing our industry-leading harsh environment and ultra-deepwater fleet. In February 2018, the *Deepwater Poseidon*, the fourth and final contract-backed Shell newbuild, commenced its ten-year contract in the Gulf of Mexico. In addition to adding the *Poseidon* to our operating fleet during 2018, we closed three significant transactions – the acquisitions of Songa Offshore SE and Ocean Rig UDW Inc and an investment in a joint venture to acquire, complete, market and operate the *Transocean Norge*, a harsh

environment semi-submersible drilling rig. The high-specification assets associated with all three of these transactions are preferred by our customers and position us to best capitalize on a market recovery.

The Songa acquisition added four high-specification, fit-for-purpose harsh environment semi-submersible drilling rigs to our fleet, while bolstering our backlog with \$3.8 billion of long-term contracts.

The Ocean Rig acquisition added ten high-specification ultra-deepwater drillships to our fleet, including two world-class assets currently under construction, with deliveries scheduled for 2019 and 2020. This provides us with more of the highly efficient assets that our customers favor.

Lastly, our 33% investment in the joint venture that acquired the *Transocean Norge* secured us the exclusive marketing and operating rights to one of the industry's most capable harsh environment semi-submersibles. We have now taken delivery of this rig, and she is scheduled to commence her maiden contract in the second quarter of 2019.

We have also furthered the high-grading of our fleet through the recycling of ten older, less-competitive assets since the beginning of 2018, bringing our total over the past five years to 48 floaters. When offset by the newbuilds, and rigs added through acquisitions over those same five years, we now have a fleet of 48 floaters, including 31 ultra-deepwater, 13 harsh environment, and four midwater floaters.

While we will continue to evaluate our fleet and consider opportunities to enhance it, we are pleased to have assembled the largest and highest-specification ultra-deepwater and harsh environment floater fleet in the industry.

We continue to add new contracts to our backlog, including a contract to construct and operate the industry's highest specification ultra-deepwater drillship. Over the course of 2018, Transocean added almost \$2 billion of new backlog by securing 37 awards. By comparison to the prior year, this represents a 222% increase in total dollars booked, and a 144% increase in total contracts awarded. Of note, our 37 new fixtures in 2018 represented 21% of the total floater contracts awarded in 2018, the most of any offshore driller, clearly suggesting that our customers prefer our high-specification assets, our history of performance in challenging environments, and our flexible approach to contracting arrangements, including performance-driven models. Importantly, because of Transocean's global reach, during 2018, we secured contracts in every major market, including the U.S. Gulf of Mexico, Canada, Brazil, West Africa, the United Kingdom, Norway, India, Southeast Asia and Australia.

The most notable of those contract awards was realized in late December, when we entered into an agreement with Chevron to construct and operate the industry's most technically capable drillship, which will incorporate state-of-the-art technology, including dual 20,000 psi blowout preventers, a first for ultra-deepwater applications, a derrick with gross hoisting capacity of 3.4 million pounds, a variable deckload capacity of 24,000 metric tons, and an enhanced dynamic positioning system. The five-year drilling contract for this rig added an estimated \$830 million to our already industry-leading backlog and represents the largest single contract any offshore driller has entered into since 2012. More than any other award, this contract is a testament to the confidence that our customers have in Transocean's ability to safely, efficiently and successfully deliver new game-changing technology to the industry, enabling our customers to drill and complete wells in reservoirs previously deemed inaccessible.

We remain committed to maintaining our balance sheet flexibility. In 2018, through various opportunistic transactions, we issued approximately \$3.0 billion of debt with maturities between 2023 and 2025, while retiring \$2.1 billion of debt with maturities primarily between 2018 and 2022. Additionally, we successfully entered into a new \$1 billion five-year undrawn revolving credit facility, including a \$500 million accordion feature. As a direct result of these transactions and outstanding operational performance, we exited 2018 with \$2.2 billion in cash and short-term investments and a \$1 billion undrawn revolving credit facility. Therefore, we enter 2019 with sufficient liquidity to continue to navigate the current market environment, while also continuing to invest in our fleet, people and strategy.

We continue to focus on differentiation and operational excellence. In 2018, we continued to make advancements in the development of several new technologies designed to improve safety, equipment reliability, and drilling efficiency. We also made progress in commercializing technology engineered to reduce a rig's fuel consumption and carbon footprint, which we will begin deploying to select rigs in 2019.

We fully recognize that we must continue to realize opportunities to improve our customers' economics through more efficient well delivery; thus, we continue to explore new technologies and processes to safely reduce the time required to drill and complete wells.

Entering 2019, we are prepared to execute more rig reactivations and rig moves than we have in the recent past; therefore, in addition to focusing on new technology and process redesign, we are thoroughly focused on flawless and timely reactivations. This includes an acute focus on delivering incident-free operations and superior uptime performance, beginning day one of the campaign. We believe that efficient reactivations will be critical in differentiating Transocean in the eyes of our customers and are working intently with both the shipyards and our equipment providers to thoughtfully plan and execute each project.

We remain committed to corporate sustainability. In 2018, we introduced the first sustainability report in Transocean's history. In this report, we captured our 2016 baseline performance and communicated our 2022 goals for: Personal Safety, Environmental Impact, Innovation and Technology, Operational and Financial Performance, Diversity and Development, and Community Support. While our 2022 goals are ambitious, the organization is committed to taking the actions required to deliver our stated objectives.

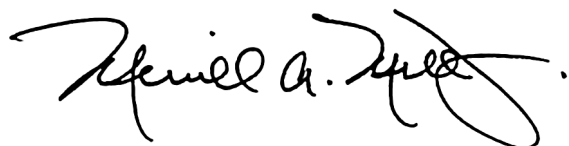
We look forward to 2019. While the volatility in oil prices over the final months of 2018 created some uncertainty, we remain encouraged by the strategic direction we have taken at Transocean and the opportunities we believe will continue to emerge in the offshore deepwater market. Supporting our position:

- Our customers generated record cash flows in 2018, providing them the flexibility to return capital to shareholders, service debt and invest in longer cycle offshore projects.
- Offshore project breakeven costs per barrel continue to trend lower and are demonstrating superior economics to other opportunities in our customers' portfolios.
- Our customers need to replace their longer-term production and reserve base.

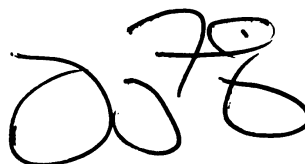
We believe that the combination of these three facts should drive a material increase in offshore drilling activity in 2019 and beyond.

We also are pleased to announce that Chadwick C. "Chad" Deaton, a member of our Board since 2012, is being nominated to succeed our current Chairman, Merrill A. "Pete" Miller, who will not stand for re-election to the Board. Chad joined our Board before his retirement in 2013 from his role as Executive Chairman of Baker Hughes, where he also served eight years as Chairman, President and Chief Executive Officer. Chad has more than 30 years of experience in the oilfield service industry. We thank Pete for his significant contributions to the success of Transocean over the past five years and look forward to Chad's leadership going forward.

We thank you, our shareholders, on behalf of our entire team at Transocean, for your continued support and trust. We look forward to further strengthening this great company as we enter the recovery.



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 11, 2019

Dear Shareholder:

The 2019 annual general meeting of the shareholders (the “2019 Annual General Meeting”) of Transocean Ltd. (the “Company”) will be held on Thursday, May 9, 2019, 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 2019 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 2019 Annual General Meeting, we will ask you to vote on the following items:

Agenda Item	Description	Board of Directors Recommendation
1	Approval of the 2018 Annual Report, Including the Audited Consolidated Financial Statements of Transocean Ltd. for Fiscal Year 2018 and the Audited Statutory Financial Statements of Transocean Ltd. for Fiscal Year 2018	FOR
2	Discharge of the Members of the Board of Directors and Executive Management Team from Liability for Activities During Fiscal Year 2018	FOR
3	Appropriation of the Accumulated Loss for Fiscal Year 2018	FOR
4	Reelection of 10 Directors, Each for a Term Extending Until Completion of the Next Annual General Meeting	FOR
5	Election of the Chairman of the Board of Directors for a Term Extending Until Completion of the Next Annual General Meeting	FOR
6	Election of the Members of the Compensation Committee, Each for a Term Extending Until Completion of the Next Annual General Meeting	FOR
7	Reelection of the Independent Proxy for a Term Extending Until Completion of the Next Annual General Meeting	FOR
8	Appointment of Ernst & Young LLP as the Company’s Independent Registered Public Accounting Firm for Fiscal Year 2019 and Reelection of Ernst & Young Ltd, Zurich, as the Company’s Auditor for a Further One-Year Term	FOR
9	Advisory Vote to Approve Named Executive Officer Compensation	FOR
10	Prospective Votes on the Maximum Compensation of the Board of Directors and the Executive Management Team	FOR

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, by telephone 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.

NOTICE TO SHAREHOLDERS

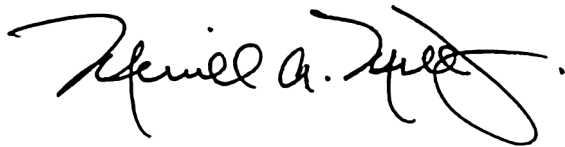
Under rules of the U.S. Securities and Exchange Commission (“SEC”), we have elected to provide access to our proxy materials over the internet. Accordingly, we are sending a Notice of Internet Availability of Proxy Materials (the “Notice”) to our shareholders as of the close of business on March 15, 2019. All shareholders will have the ability to access the proxy materials on the website referred to in the Notice or to request to receive a printed set of the proxy materials. Instructions on how to access the proxy materials over the internet or to request a printed copy may be found in the Notice. The Notice also instructs you on how you may submit your proxy over the internet, by telephone or via mail. 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 22, 2019, and who were not registered as of March 8, 2019. The proxy statement and form of proxy are first being mailed to shareholders on or about March 15, 2019.

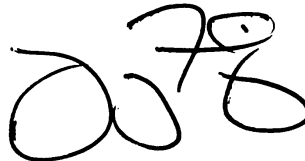
A note to Swiss and other European investors: Transocean Ltd. is incorporated in Switzerland, has issued registered shares and trades on the New York Stock Exchange; however, unlike some Swiss incorporated companies, **share blocking and re-registration are not requirements for any shares of Transocean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

2019 Annual General Meeting Details



Date and Time
Thursday, May 9, 2019
6:30 p.m., Swiss time



Place:
Offices of Transocean Ltd.
Turmstrasse 30
CH-6312 Steinhausen, Switzerland



Record Date:
April 22, 2019

Voting:

Internet



Visit the website noted on your proxy card to vote online.

Telephone



Use the toll-free telephone number noted on your proxy card to vote by telephone.

Mail



Sign, date and return your proxy card in the postage pre-paid envelope provided to vote by mail.

In Person



Cast your vote in person at the 2019 Annual General Meeting.

Shareholders registered in our share register on the record date have the right to attend the 2019 Annual General Meeting and vote their shares. Such shareholders may designate proxies to vote their shares by submitting their proxy electronically over the internet, by telephone 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 2018 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 2018, each of the current directors attended 100% of the Board of Directors’ meetings and committee meetings held by committees on which he or she served during his or her elected term. Detailed information regarding the nominees for reelection is provided under Agenda Item 4:

Directors for Reelection	Independent*
Glyn A. Barker	✓
Vanessa C.L. Chang	✓
Frederico F. Curado	✓
Chadwick C. Deaton	✓
Vincent J. Intriери	✓
Samuel J. Merksamer	✓
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 Chadwick C. Deaton as Chairman of the Board of Directors (Agenda Item 5) and Frederico F. Curado, Vincent J. Intriери and Tan Ek Kia as members of the Compensation Committee (Agenda Item 6) to serve until completion of the 2020 annual general meeting of the shareholders (the “2020 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 2019 Annual General Meeting. Swiss companies may only appoint an independent proxy for these purposes. At the 2018 annual general meeting of the shareholders (the “2018 Annual General Meeting”), shareholders elected Schweiger Advokatur / Notariat to serve as our independent proxy for a term extending until the completion of the 2019 Annual General Meeting. Agenda Item 7 asks that you again elect this firm to act as the independent proxy for the 2020 Annual General Meeting and any extraordinary general meeting of shareholders of the Company that may be held prior to the 2020 Annual General Meeting.

The Minder Ordinance and our Articles of Association also require that the shareholders ratify the maximum aggregate amount of compensation of the Board of Directors for the period between the 2019 Annual General Meeting and the 2020 Annual General Meeting (Agenda Item 10A) and the maximum aggregate amount of compensation of the Executive Management Team for fiscal year 2020 (Agenda Item 10B). The shareholder vote is binding.

Features of Executive Compensation Program

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

the Company. We believe our executive compensation program includes key features that align the interests of our executives with those of our shareholders and does not include features that could impair that alignment.

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 employee stock options)
✓ 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 (cash and equity)	✗ 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, in exchange for covenants that protect the Company
✓ 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-based equity that has not vested
✓ Retain an independent consultant who does not perform any services for management (i.e., retained by and reports only to our Compensation Committee)	✗ Offer executive perquisites
✓ Maintain double trigger change-in-control provisions	

INVITATION TO 2019 ANNUAL GENERAL MEETING OF TRANSOCEAN LTD.

Thursday, May 9, 2019
6:30 p.m., Swiss time
at the Offices of Transocean Ltd.
Turmstrasse 30
CH-6312 Steinhausen, Switzerland

Agenda Items

- (1) **Approval of the 2018 Annual Report, Including the Audited Consolidated Financial Statements of Transocean Ltd. for Fiscal Year 2018 and the Audited Statutory Financial Statements of Transocean Ltd. for Fiscal Year 2018.**

Proposal of the Board of Directors

The Board of Directors proposes that the 2018 Annual Report, including the audited consolidated financial statements for the year ended December 31 (“fiscal year”) 2018, and the audited statutory financial statements for fiscal year 2018, 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 2018.**

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, Keelan I. Adamson and John B. Stobart, who served as members of our Executive Management Team in 2018, be discharged from liability for activities during fiscal year 2018.

Recommendation

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

- (3) **Appropriation of Accumulated Loss for Fiscal Year 2018.**

Proposal of the Board of Directors

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

	in CHF thousands
Appropriation of Accumulated Loss	
Balance brought forward from previous years	(5,465,034)
Net loss of the year	(431,179)
Total accumulated loss	<u>(5,896,213)</u>
Appropriation of accumulated loss	
Balance to be carried forward on this account	<u>(5,896,213)</u>

Recommendation

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

- (4) Reelection of 10 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 10 candidates be reelected to the Board of Directors, each for a term extending until completion of the next annual general meeting.

- 4A Reelection of Glyn A. Barker as a director.**
- 4B Reelection of Vanessa C.L. Chang as a director.**
- 4C Reelection of Frederico F. Curado as a director.**
- 4D Reelection of Chadwick C. Deaton as a director.**
- 4E Reelection of Vincent J. Intrieri as a director.**
- 4F Reelection of Samuel J. Merksamer as a director.**
- 4G Reelection of Frederik W. Mohn as a director.**
- 4H Reelection of Edward R. Muller as a director.**
- 4I Reelection of Tan Ek Kia as a director.**
- 4J Reelection of Jeremy D. Thigpen as a director.**

Recommendation

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

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

Proposal of the Board of Directors

The Board of Directors proposes that Chadwick C. Deaton 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 reelection as a member of the Board of Directors.

Recommendation

The Board of Directors recommends you vote “**FOR**” this proposal number 5.

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

Proposal of the Board of Directors

The Board of Directors proposes that the following 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 reelection as a member of the Board of Directors:

- 6A Election of Frederico F. Curado as a member of the Compensation Committee.**
- 6B Election of Vincent J. Intrieri as a member of the Compensation Committee.**
- 6C Election of Tan Ek Kia as a member of the Compensation Committee.**

Recommendation

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

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

Proposal of the Board of Directors

The Board of Directors proposes that Schweiger Advokatur / Notariat be reelected to serve as independent proxy at (and until completion of) the 2020 Annual General Meeting and at any extraordinary general meeting of shareholders of the Company that may be held prior to the 2020 Annual General Meeting.

Recommendation

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

(8) Appointment of Ernst & Young LLP as the Company’s Independent Registered Public Accounting Firm for Fiscal Year 2019 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 2019 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 2019 Annual General Meeting and terminating on the date of the 2020 Annual General Meeting.

Recommendation

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

(9) Advisory Vote to Approve Named Executive Officer Compensation for Fiscal Year 2019.

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 2019 Annual General Meeting, is hereby APPROVED.

Recommendation

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

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

10A Ratification of the Maximum Aggregate Amount of Compensation of the Board of Directors for the Period Between the 2019 Annual General Meeting and the 2020 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 2019 Annual General Meeting and the 2020 Annual General Meeting.

Recommendation

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

10B Ratification of the Maximum Aggregate Amount of Compensation of the Executive Management Team for Fiscal Year 2020.

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 2020.

Recommendation

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

Organizational Matters

A copy of the Notice is being sent to each shareholder registered in Transocean Ltd.’s share register as of the close of business on March 15, 2019. Any additional shareholders who are registered in Transocean Ltd.’s share register as of the close of business on April 22, 2019, 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 22, 2019, will not be entitled to attend, vote or grant proxies to vote at the 2019 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 22, 2019, and the opening of business on the day following the 2019 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 22, 2019, have the right to attend the 2019 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 2019 Annual General Meeting for consideration. Such shareholders may designate proxies to vote their shares electronically over the internet, by telephone 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 2019 Annual General Meeting. Even if you plan to attend the 2019 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 11:59 p.m. Eastern

Daylight Time on Wednesday, May 8, 2019 (5:59 a.m. Swiss time on Thursday, May 9, 2019) unless extended by the Company.

If you have timely submitted electronic voting instructions, telephone 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 2019 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 2019 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.

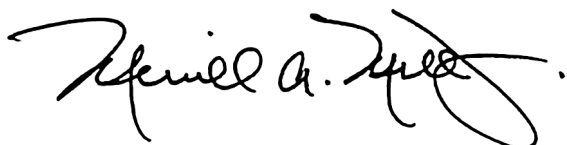
Shareholders may grant proxies to any third party. Such third party need not be a shareholder.

Directions to the 2019 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 2019 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 2019 Annual General Meeting in person, we urge you to arrive at the meeting location no later than 5:30 p.m., Swiss time on Thursday, May 9, 2019. In order to determine attendance correctly, any shareholder leaving the 2019 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 2018 Annual Report (including the consolidated financial statements for fiscal year 2018, the statutory financial statements of Transocean Ltd. for fiscal year 2018 and the audit reports on such consolidated and statutory financial statements) and the 2018 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 11, 2019

YOUR VOTE IS IMPORTANT

You may designate a proxy to vote your shares by submitting your voting instructions electronically over the internet, by calling the toll-free number 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 2019 ANNUAL GENERAL MEETING TO BE HELD ON MAY 9, 2019.

**Our proxy statement and 2018 Annual Report are available at:
*www.proxyvote.com***

PROXY STATEMENT

**FOR 2019 ANNUAL GENERAL MEETING OF SHAREHOLDERS OF TRANSOCEAN LTD.
MAY 9, 2019**

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 2019 Annual General Meeting to be held on May 9, 2019 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 15, 2019.

Record Date

Only shareholders of record on April 22, 2019, are entitled to notice of, to attend, and to vote or to grant proxies to vote at, the 2019 Annual General Meeting. No shareholder will be entered in Transocean Ltd.'s share register with voting rights between the close of business on April 22, 2019, and the opening of business on the day following the 2019 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 22, 2019, and the opening of business on the day following the 2019 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 time the meeting proceeds to business constitutes a quorum for purposes of convening the 2019 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 2019 Annual General Meeting.

Votes Required

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

Agenda Item	Description	Relative Majority ⁽¹⁾	Plurality of Votes
1	Approval of the 2018 Annual Report, Including the Audited Consolidated Financial Statements and Audited Statutory Financial Statements for Fiscal Year 2018 of Transocean Ltd.	✓	
2	Discharge of the Members of the Board of Directors and Executive Management Team from Liability for Activities During Fiscal Year 2018	✓	
3	Appropriation of the Accumulated Loss	✓	
4	Reelection of 10 Directors		✓ (2)(4)
5	Election of Chairman of the Board of Directors		✓ (2)
6	Election of Members of the Compensation Committee		✓ (2)
7	Reelection of Independent Proxy	✓	
8	Appointment of Ernst & Young as Independent Auditor	✓	
9	Advisory Vote to Approve Named Executive Officer Compensation	✓ (3)	
10	Prospective Votes on the Maximum Compensation of the Board of Directors and the Executive Management Team	✓	

- (1) Affirmative vote of a simple majority of the votes cast in person or by proxy at the 2019 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 2019 Annual General Meeting. The plurality requirement means that the nominee who receives the largest number of votes for a position as a director, 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 for director 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) 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 1, 2019, there were 610,361,775 Transocean Ltd. shares outstanding, which exclude 219,902 issued shares that are held by the Company or our subsidiaries. Only registered holders of our shares on April 22, 2019, the record date established for the 2019 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 is being sent to each shareholder registered in Transocean Ltd.'s share register as of the close of business on March 15, 2019. Any additional shareholders

PROXY STATEMENT

who are registered in Transocean Ltd.'s share register as of the close of business on April 22, 2019, but who were not registered in the share register as of March 8, 2019, will receive a copy of the proxy materials, including a proxy card, after April 22, 2019. Shareholders not registered in Transocean Ltd.'s share register as of April 22, 2019, will not be entitled to attend, vote or grant proxies to vote at, the 2019 Annual General Meeting.

If you are registered as a shareholder in Transocean Ltd.'s share register as of April 22, 2019, 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 11:59 p.m. Eastern Daylight Time on Wednesday, May 8, 2019 (5:59 a.m. Swiss time on Thursday, May 9, 2019) unless extended by the Company.

By Telephone: 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 11:59 p.m. Eastern Daylight Time on Wednesday, May 8, 2019 (5:59 a.m. Swiss time on Thursday, May 9, 2019) 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 2019 AGM Vote Processing c/o Broadridge 51 Mercedes Way Edgewood, NY 11717 USA	Or	Transocean 2019 AGM Vote Processing Schweiger Advokatur / Notariat Dammstrasse 19 CH-6300 Zug Switzerland
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All proxy cards must be received no later than 11:59 p.m. Eastern Daylight Time on Wednesday, May 8, 2019 (5:59 a.m. Swiss time on Thursday, May 9, 2019) 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 by telephone.

Even if you plan to attend the 2019 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 2019 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 2018
- Agenda Item No. 4—Reelection of 10 Directors
- Agenda Item No. 5—Election of the Chairman of the Board of Directors
- Agenda Item No. 6—Election of the Members of the Compensation Committee
- Agenda Item No. 9—Advisory Vote to Approve Named Executive Officer Compensation
- Agenda Item No. 10A—Ratification of the Maximum Aggregate Compensation of the Board of Directors for the Period Between the 2019 Annual General Meeting and the 2020 Annual General Meeting
- Agenda Item No. 10B—Ratification of the Maximum Aggregate Compensation of the Executive Management Team for Fiscal Year 2020

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 2019 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 2019 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 2019 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:

PROXY STATEMENT

Transocean 2019 AGM Vote Processing c/o Broadridge 51 Mercedes Way Edgewood, NY 11717 USA	Or	Transocean 2019 AGM Vote Processing Schweiger Advokatur / Notariat Dammstrasse 19 CH-6300 Zug Switzerland
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- 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 2019 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 2019 Annual General Meeting in person, we urge you to arrive at the meeting location no later than 5:30 p.m. Swiss time on Thursday, May 9, 2019. In order to determine attendance correctly, any shareholder leaving the 2019 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 2018 Annual Report, Including the Audited Consolidated Financial Statements of Transocean Ltd. for Fiscal Year 2018 and the Audited Statutory Financial Statements of Transocean Ltd. for Fiscal Year 2018

Proposal of the Board of Directors

The Board of Directors proposes that the 2018 Annual Report, including the audited consolidated financial statements of Transocean Ltd. for fiscal year 2018 and the audited statutory financial statements of Transocean Ltd. for fiscal year 2018, be approved.

Explanation

The audited consolidated financial statements of Transocean Ltd. for fiscal year 2018 and the audited Swiss statutory financial statements of Transocean Ltd. for fiscal year 2018 are contained in the 2018 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 2018 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 2018 and statutory financial statements for fiscal year 2018. 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, 2018, be approved. Ernst & Young Ltd expresses its opinion that the "consolidated financial statements for the years ended December 31, 2018 and 2017 present fairly in all material respects the consolidated financial position of Transocean Ltd. and subsidiaries at December 31, 2018 and 2017, and the consolidated results of operations and cash flows for each of the three years in the period ended December 31, 2018, 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 2018 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 2018

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, Keelan I. Adamson and John B. Stobart, who served as members of our Executive Management Team in 2018, be discharged from liability for activities during fiscal year 2018.

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 the 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 2018.

Recommendation

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

AGENDA ITEM 3

Appropriation of the Accumulated Loss for Fiscal Year 2018

Proposal of the Board of Directors

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

	in CHF thousands
Appropriation of Accumulated Loss	
Balance brought forward from previous years	(5,465,034)
Net loss of the year	(431,179)
Total accumulated loss	<u>(5,896,213)</u>
Appropriation of accumulated loss	
Balance to be carried forward on this account	<u>(5,896,213)</u>

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 2019 Annual General Meeting is the accumulated loss of Transocean Ltd., on a standalone basis.

Recommendation

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

AGENDA ITEM 4

Reelection of 10 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, 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 eight different nationalities represented in our director and executive officer group and over 55 in our global workforce. We have a presence in over 32 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 2019 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 as a director at the 2019 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 8, 2019.

Nominees for Director



AGE: 65
DIRECTOR
COMMITTEES:
 Audit
 Finance

GLYN A. BARKER

Background

U.K. citizen. Mr. Barker 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. Mr. Barker was Deputy Chairman of the English National Opera Company from 2009 to 2016.

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 due to his experience in international business and his expertise in finance, public company governance, corporate transactions, accounting and auditing, and strategy.

Education

Mr. Barker received his Bachelor of Science degree in Economics & Accounting from the University of Bristol in 1975 and is a Chartered Accountant.



AGE: 66
DIRECTOR
COMMITTEES:
 Audit
 Corporate Governance

VANESSA C.L. CHANG

Background

Canadian and U.S. citizen. Ms. Chang has served as a director of the Company since 2012. Ms. Chang previously served as a Director and shareholder of EL & EL Investments, a privately held real estate investment business, from 1998 to 2018, as the President and Chief Executive Officer of *ResolvItNow.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.

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 due to her experience in diverse industries, along with her financial and accounting background, as well as her expertise in public company governance, human capital management, corporate transactions and strategy.

Education

Ms. Chang received her Bachelor of Arts degree from the University of British Columbia in 1973 and is an inactive Certified Public Accountant.



AGE: 57
DIRECTOR
COMMITTEES:
 Audit
 Compensation

FREDERICO F. CURADO

Background

Brazilian citizen. Mr. Curado 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 2017. 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. Mr. Curado was a member of the Executive Board of the ICC - International Chamber of Commerce from 2013 to 2018, a director of Iochpe-Maxion S.A. from 2015 to 2017, the President of the Brazilian Chapter of the Brazil-United States Business Council from 2011 to 2016, a member of Brazil's National Council for Industrial Development from 2011 to 2016 and was a director of the Smithsonian National Air and Space Museum from 2014 to 2017.

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 due to his CEO experience leading an international corporation, including experience with Brazilian business and governmental sectors, combined with his expertise in oil and gas, safety and environment, and operations and engineering.

Education

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.



AGE: 66
DIRECTOR
COMMITTEES:
 Corporate Governance
 HSE

CHADWICK C. DEATON

Background

U.S. citizen. Mr. Deaton 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 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).

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 due to his significant experience in the oilfield services industry, including as CEO, his expertise in safety and environment, operations and engineering, technology and research development, along with his human capital management, strategy and corporate transactions experience.

Education

Mr. Deaton received his Bachelor of Science degree in Geology from the University of Wyoming in 1976.



AGE: 62

DIRECTOR

COMMITTEES:

Compensation
Corporate Governance
Finance

VINCENT J. INTRIERI

Background

U.S. citizen. Mr. Intrieri 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 Hertz Global Holdings, Inc. (NYSE: HTZ) (since 2014) and Navistar International Corporation (NYSE: NAV) (since 2012). Mr. Intrieri previously served as a director of Energen Corporation (NYSE: EGN) (from March 2018 until November 2018), Conduent Incorporated from 2017 to 2018, 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.

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 due to his significant financial, corporate transactions, executive management, research and development, safety and environment, accounting and auditing and public company governance experience.

Education

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.



AGE: 38
DIRECTOR
COMMITTEES:
 Finance
 HSE

SAMUEL J. MERKSAMER

Background

U.S. citizen. Mr. Merksamer has served as a director of the Company since 2013. Mr. Merksamer is a Partner at Caligan Partners, L.P., an investment firm. He 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 previously served as a director of American International Group, Inc. (NYSE: AIG) (from 2016 to 2018), 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.

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 due to his expertise in finance, strategy, corporate transactions, accounting and public company governance.

Education

Mr. Merksamer received an A.B. in Economics from Cornell University in 2002.



AGE: 42
DIRECTOR
COMMITTEES:
 Audit
 HSE

FREDERIK W. MOHN

Background

Norwegian citizen. Mr. Mohn 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, Gjettingrenda AS, Fornebu Sentrum AS, Fornebu Sentrum Utvikling AS and Høvik Stasjonsby AS og KS.

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 due to his knowledge of the oil and gas industry, his previous position as Chairman of the Board of Songa Offshore SE and his expertise in finance, strategy, accounting and auditing, and corporate transactions.

Education

Mr. Mohn received his Bachelor of Science degree from Royal Holloway, University of London in 2001.



AGE: 66
DIRECTOR
COMMITTEES:
 Finance
 HSE

EDWARD R. MULLER

Background

U.S. citizen. Mr. Muller 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 was its Chairman from 2008 to 2012 and from 2016 to 2018.

The Board of Directors has concluded that Mr. Muller, an attorney by education, should remain on the Board of Directors and has recommended that he serve an additional term due to his extensive executive experience in a capital-intensive energy business and previous experience as CEO, safety and environment, finance, public company governance, strategy and accounting and auditing.

Education

Mr. Muller received his Bachelor of Arts degree from Dartmouth College in 1973 and his law degree from Yale Law School in 1976.



AGE: 70
DIRECTOR
COMMITTEES:
 Compensation
 HSE

TAN EK KIA

Background

Malaysian citizen. Mr. Tan 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.

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 due to his significant experience as a CEO and leading large projects, particularly in Asia, and his expertise in operations and engineering, safety and environment, public company governance, and strategy.

Education

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.



AGE: 44
DIRECTOR
Executive Member

JEREMY D. THIGPEN

Background

U.S. citizen. Mr. Thigpen 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.

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.













Education

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.













Recommendation

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

**TRANSOCEAN LTD.
SKILLS EXPERIENCE MATRIX
INDEPENDENT DIRECTORS**

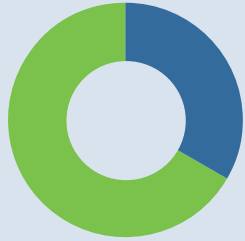
Business or Professional Experience/Skills/Attributes												
Glyn A. Barker				●	●			●		●	●	●
Vanessa C.L. Chang				●	●			●	●	●	●	●
Frederico F. Curado	●	●	●	●	●	●	●	●	●	●	●	●
Chadwick C. Deaton	●	●	●		●	●	●	●	●	●	●	
Vincent J. Intrieri	●	●		●	●		●	●	●	●	●	●
Samuel Merksamer				●	●					●	●	●
Frederik W. Mohn	●	●		●	●			●		●	●	●
Edward R. Muller		●		●	●	●		●		●	●	●
Tan Ek Kia	●	●	●		●	●		●		●		

LEGEND:

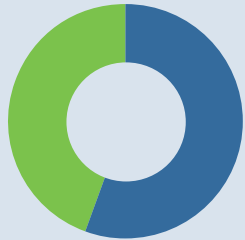
 Oil & Gas (including Oilfield Services)	 Operations & Engineering	 Public Company Governance	 Technology, Research & Development	 Human Capital Management	 Mergers & Acquisitions
 Safety & Environment	 Finance, Debt & Capital Markets	 Public Company CEO	 Global International	 Strategy	 Accounting & Auditing

OTHER ATTRIBUTES OF OUR INDEPENDENT DIRECTORS

Diversity



3 of 9 are female or ethnically diverse



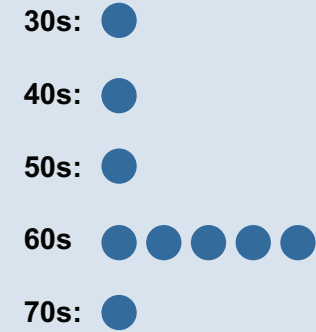
5 of 9 are non-U.S. citizens

Tenure



Average tenure: 5.4 years

Age



Average age: 59.1

AGENDA ITEM 5

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

Nomination of the Board of Directors

Pursuant to the Minder Ordinance and our Articles of Association, the authority to elect the Chairman of the Board of Directors is vested with the general meeting of shareholders. The term of office of the Chairman of the Board of Directors is the same as the other directors' terms and extends until completion of the next annual general meeting. The Chairman elected at the 2019 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 Chadwick C. Deaton for election by the shareholders as the Chairman of the Board of Directors. Mr. Deaton has served on the Board since May 2012. He is the chairman of the Board's Health Safety and Environment Committee and a member of the Corporate Governance Committee. If elected as Chairman, he will step down from his committee assignments. Mr. Deaton's biographical information may be found above under Agenda Item 4.

Recommendation

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

AGENDA ITEM 6

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

Nominations of the Board of Directors

Pursuant to the Minder Ordinance and our Articles of Association, the authority to elect the members of the Compensation Committee of the Board of Directors is vested with the general meeting of shareholders. The term of office of the members of the Compensation Committee is the same as the 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 2019 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 4.

Recommendation

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

AGENDA ITEM 7

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

Pursuant to the Minder Ordinance and our Articles of Association, the authority to elect the independent proxy is vested with the general meeting of shareholders. The independent proxy elected at the 2019 Annual General Meeting will serve as independent proxy at the 2020 Annual General Meeting and at any extraordinary general meeting of shareholders of the Company that may be held prior to the 2020 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 2018 Annual General Meeting to serve as independent proxy at the 2019 Annual General Meeting and any extraordinary general meeting of shareholders of the Company held prior to the 2019 Annual General Meeting.

Recommendation

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

AGENDA ITEM 8

Appointment of Ernst & Young LLP as the Company's Independent Registered Public Accounting Firm for Fiscal Year 2019 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 2019 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 2019 Annual General Meeting and terminating on the day of the 2020 Annual General Meeting.

Representatives of Ernst & Young Ltd will be present at the 2019 Annual General Meeting, will have the opportunity to make a statement and will be available to respond to questions you may ask. Information regarding the fees paid by the Company to Ernst & Young appears below.

Recommendation

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

FEES PAID TO ERNST & YOUNG

Audit fees for Ernst & Young LLP and its affiliates for each of the fiscal years 2018 and 2017 and audit-related fees, tax fees and total of all other fees for services rendered in 2018 and 2017 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 2018	5,062,709	526,289	25,132	4,931
Fiscal year 2017	6,179,212	345,008	12,580	2,160

(1) The audit fees include those associated with our annual audit, reviews of our quarterly reports on Form 10-Q, statutory audits of our subsidiaries, services associated with documents filed with the SEC and audit consultations.

(2) The audit-related fees include services in connection with accounting consultations, employee benefit plan audits and attest services related to financial reporting.

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

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 2018 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

AGENDA ITEM 8

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 2019. Requests for services that have received this pre-approval are subject to specified fee or budget restrictions, as well as internal management controls.

AGENDA ITEM 9

Advisory Vote to Approve Named Executive Officer Compensation

Proposal of the Board of Directors

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 2019 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 2019 Annual General Meeting, we will consider our shareholders' feedback and the Compensation Committee will evaluate whether any actions are necessary to address this feedback.

Recommendation

The Board of Directors recommends that you vote “**FOR**” approval of the compensation of the Company’s Named Executive Officers, as disclosed pursuant to the compensation disclosure rules of the SEC, including the Compensation Discussion and Analysis, the compensation tables, and the narrative disclosure in this proxy statement.

AGENDA ITEM 10

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

10A Ratification of the Maximum Aggregate Amount of Compensation of the Board of Directors for the Period Between the 2019 Annual General Meeting and the 2020 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 2019 Annual General Meeting and the 2020 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 2019 Annual General Meeting and the 2020 Annual General Meeting (the “2019/2020 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 restricted share units.

Set forth below is an overview of the non-employee director compensation elements for the term of office between the 2017 Annual General Meeting and the 2018 Annual General Meeting (the “2017/2018 Term”), and the term of office between the 2018 Annual General Meeting and the 2019 Annual General Meeting (the

“2018/2019 Term”). Additionally, the compensation elements currently contemplated for the 2019/2020 Term are also provided:

	Term of Office	Term of Office	Term of Office
	2017 AGM – 2018 AGM	2018 AGM – 2019 AGM	2019 AGM – 2020 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 ⁽¹⁾	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 2018 are disclosed under “2018 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 2019/2020 Term. This amount is the maximum amount that the Company can pay or grant to the members of the Board of Directors for the 2019/2020 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 2017/2018 Term, and the shareholder-approved, maximum aggregate compensation payable to our Board of Directors for the 2018/2019 Term. The 2017/2018 and 2018/2019 Terms include ten 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 2019/2020 Term. This proposal is unchanged from

the maximum aggregate compensation proposed for the 2017/2018 Term and the 2018/2019 Term, as the Board plans to maintain ten non-employee directorships long-term. Although nine non-employee candidates are being nominated for election at this 2019 Annual General Meeting, the Board expects to identify and nominate another candidate for election to the Board no later than the 2020 Annual General Meeting.

	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	Term of Office 2019 AGM-2020 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⁽¹⁾	2,575,000 ⁽²⁾⁽³⁾	2,575,000 ⁽²⁾⁽³⁾	2,575,000 ⁽²⁾⁽³⁾
Dividend Equivalents⁽⁴⁾	300,000	300,000	300,000
Total⁽⁵⁾	4,121,000	4,121,000	4,121,000

(1) 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 "2018 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.

(2) 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.

(3) Aggregate target amount.

(4) 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 2018.

(5) Mandatory employer-paid social taxes pursuant to applicable law are not included in the total amount. In 2018, employer-paid social taxes totaled U.S. \$41,184.

The aggregate compensation paid to date and expected to be paid to the members of the Board of Directors during the 2018/2019 Term is within the maximum aggregate amount approved by shareholders at the 2018 Annual General Meeting. The actual payout and grants will be disclosed in the 2020 and 2021 Proxy Statements, respectively, and the Swiss Compensation Report for fiscal years 2019 and 2020, respectively.

Recommendation

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

10B Ratification of the Maximum Aggregate Amount of Compensation of the Executive Management Team for Fiscal Year 2020.

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 2020.

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 2020. 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 Operations 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 2016-2018 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, 2016, and 2017, the shareholder approval levels have been 86%, 81%, 92%, 80%, 87%, 96% and 97%, 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 2018, as is explained in detail in Agenda Item No. 9.

The proposed maximum aggregate amount of compensation for the Executive Management Team for fiscal year 2020 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 2020 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 2020. This amount is unchanged from the approved maximum aggregate amount of compensation for fiscal year 2019, and is the maximum amount that the Company can pay or grant to its members of the Executive Management Team for fiscal year 2020, 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 2019 Annual General Meeting.

The table below shows the maximum aggregate amount of compensation that could have been paid or granted in the fiscal year 2018 under our compensation principles and plans, the maximum aggregate amount of compensation available to be paid or granted for fiscal year 2019 under our compensation principles and plans currently in effect, and our proposed maximum aggregate amount of compensation for fiscal year 2020.

The proposed maximum aggregate amount of compensation for fiscal year 2020 is based on our estimated compensation levels and is unchanged from the maximum aggregate amount of compensation for fiscal year 2019, which was approved by shareholders at last year's annual general meeting.

	Fiscal Year 2018 Maximum Payable ⁽¹⁾	Fiscal Year 2019 Proposed Maximum Amount ⁽¹⁾⁽²⁾	Fiscal Year 2020 Proposed Maximum Amount ⁽¹⁾⁽²⁾
	U.S.\$	U.S.\$	U.S.\$
Base Salary	2,664,090 ⁽³⁾	2,750,000 ⁽⁴⁾	2,750,000
Annual Performance Bonus⁽⁵⁾	6,250,000	6,250,000	6,250,000
Long-Term Incentives⁽⁶⁾	12,500,000	12,500,000	12,500,000
All Other Compensation⁽⁷⁾	2,500,000	2,500,000	2,500,000
Total	23,914,090	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 5 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 2018.
- (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 75% 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 2020 grant cycle, the actual number of shares to be allocated under such long-term incentive plans will be determined in 2023 depending on performance achievement over a three-year performance cycle and may range between 0% to 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 2018, employer-paid social taxes totaled U.S. \$283,390.

Shareholder approval is based on the maximum aggregate amounts that could be payable in accordance with our compensation principles as set out in the 2019 Proxy Statement's "Compensation Discussion and Analysis." Therefore, actual aggregate amounts paid to our Executive Management Team members for fiscal year 2020 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 (2018: U.S. \$17,050,273) than the maximum amount payable (2018: U.S. \$24,000,000) 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 2020 Executive Management Team compensation will be disclosed in the proxy statement for our 2021 annual general meeting and the Swiss Compensation Report for fiscal year 2020.

Recommendation

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

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 Corporate Governance Guidelines and committee charters also require, among other things, that each committee and the Board of Directors annually conduct a self-evaluation of their own performance. The evaluation provides an opportunity for an assessment of each member of the Board of Directors.

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;
- Gender Pay Gap Regulations;
- Our Modern Slavery and Human Trafficking Statement; and
- Our Tax Principles Statement.

Information contained on our website is not part of this proxy statement.

Transocean is committed to safely performing our operations while reducing our environmental footprint. Our industry is reliant on the natural resources of our planet and we are keenly aware of our responsibility to minimize our impact on the environment. Through Transocean's continuous engagement with our stakeholders, we incorporate feedback and set the course to tackle material issues that are important to our complex industry and global community. Transocean is committed to serving our communities, supporting and participating in industry associations, and engaging with our investors. For more information on our sustainability efforts, see our inaugural sustainability report on our website by selecting the Health, Safety and Environment page from the "About" tab on the homepage and scrolling down to the sustainability report.

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 2018, 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. There is no family relationship between any of our directors.

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.
- Mr. Barker's son was 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 was employed by PwC until January 2019, his son did not, directly or indirectly, provide any services to the Company or any of its affiliates, and his son worked within a division of PwC that did not provide any services to the Company or any of its affiliates. Moreover, Mr. Barker's son was not a partner or principal of PwC, but was instead one of more than 250,000 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.
- 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 2016 to 2018, Mr. Merksamer served as non-executive director of American International Group, Inc., a company that provides insurance-related services to the Company.
- Since 2010, Mr. Tan has served as a non-executive director of Keppel Corporation, which provides the Company with services related to rig construction and shipyard work.
- 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 10.50% of the Company's outstanding shares as of March 1, 2019. 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 2018. During 2019, 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
- A reputation, both personal and professional, consistent with our FIRST *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 2018, 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 2018, 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, Mr. Mohn acquired beneficial ownership of U.S. \$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 shareholders. 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 2019 Annual General Meeting. At the 2018 Annual General Meeting, all directors were in attendance.

Board Meetings and Committees

During 2018, 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 100% 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. Following the 2019 Annual General Meeting, the Board expects to complete its annual review of committee assignments.

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 incentive 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 incentive plans to new and existing employees of the Company, excluding executive officers and other officers

BOARD MEETINGS AND COMMITTEES

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 incentive 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. The Compensation Committee met four times during 2018.

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. The Finance Committee met five times during 2018.

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 should function 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, Ms. Chang and Mr. Deaton. The Corporate Governance Committee met four times during 2018.

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. From 2013 to February 13, 2019, the Health, Safety and Environment Committee assumed additional responsibility to oversee the Company's implementation of certain requirements of the Consent Decree by and among the U.S. Department of Justice and certain of the Company's affiliates. The Consent Decree was terminated on February 13, 2019. Accordingly, the Consent Decree has no further force or effect on the Company.

The current members of the Health, Safety and Environment Committee are Mr. Deaton, Chairman, and Messrs. Merksamer, Mohn, Muller and Tan. The Health, Safety and Environment Committee met four times during 2018.

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

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

- An understanding of generally accepted accounting principles and financial statements;
- The ability to assess the general application of such principles in connection with the accounting for estimates, accruals, and reserves;
- Experience preparing, auditing, analyzing or evaluating financial statements that present a breadth of complexity of accounting issues that are generally comparable to the breadth and level of complexity of issues that can reasonably be expected to be raised by our financial statements, or experience actively supervising one or more persons engaged in such activities;
- An understanding of internal control over financial reporting; and
- An understanding of audit committee functions.

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

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

The current members of the Audit Committee are Mr. Barker, Chairman, Ms. Chang, and Messrs. Curado and Mohn. The Audit Committee met eight times during 2018.

The Board of Directors has reviewed the criteria set by the NYSE and 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 all of the current members of the Audit Committee qualify under NYSE rules as having accounting or related financial management expertise.

BOARD MEETINGS AND COMMITTEES

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. Mr. Mohn is the sole owner and managing director of Perestroika, a Norwegian investment company, and served previously as a director of Songa Offshore SE, Chairman of the Songa Board and as managing director of Frank Mohn AS.

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 2018, 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 ⁽¹⁾⁽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.

2018 DIRECTOR COMPENSATION

In 2018, each non-employee member of the Board of Directors received the compensation described above.

At the Board of Directors meeting held immediately after the 2018 Annual General Meeting of our shareholders, the Board of Directors granted 16,141 restricted share units to each non-employee director (other than the Chairman) and 24,981 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. \$13.01 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 2018.

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	220,002	—	355,002
Vanessa C. L. Chang	100,000	220,002	—	320,002
Frederico F. Curado	100,000	220,002	—	320,002
Chadwick C. Deaton	110,000	220,002	—	330,002
Vincent J. Intrieri	109,167	220,002	—	329,169
Samuel J. Merksamer	100,000	220,002	—	320,002
Merrill A. "Pete" Miller, Jr.	325,000	340,491	—	665,491
Frederik Mohn	91,667	220,002	—	311,669
Edward R. Muller	110,000	220,002	—	330,002
Tan Ek Kia	120,000	220,002	—	340,002
Martin B. McNamara	9,167	—	—	9,167

⁽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 2018, computed in accordance with FASB ASC topic 718. For a discussion of the valuation assumptions with respect to these awards, please see Note 15 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2018.

AUDIT COMMITTEE REPORT

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

- The integrity of the financial reporting process resulting in the Company's financial statements;
- Compliance with legal and regulatory requirements;
- The independence, qualifications and performance of the Company's independent registered accountants, Ernst & Young LLP ("EY"); and
- The performance of the internal audit function.

The Committee complied in 2018 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 disclosure controls and procedures, 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;
- Reviewed and 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 Chief Audit Executive, 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 integrity; and
- Recommended to the Company's Board of Directors that the Company's audited financial statements for the year ended December 31, 2018, 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;

AUDIT COMMITTEE REPORT

- 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 Chief Audit Executive and EY. The Committee met eight times in 2018 with regular executive sessions with EY and management, including the Chief Audit Executive.

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 1, 2019, of more than 5% of the Company's shares.

Name and Address of Beneficial Owner	Shares Beneficially Owned	Percent of Class ⁽¹⁾
Perestroika AS, Perestroika (Cyprus) Ltd. ⁽²⁾ Statminister Michelsensvei 38 5320 Paradis, Norway	67,740,289	10.50%
Frederik W. Mohn ⁽²⁾ Statminister Michelsensvei 38 5320 Paradis, Norway		
The Vanguard Group ⁽³⁾ 100 Vanguard Blvd. Malvern, PA 19355	48,849,557	8.00%
BlackRock, Inc. ⁽⁴⁾ 55 East 52nd Street New York, NY 10055	46,560,579	7.63%
PRIMECAP Management Co. ⁽⁵⁾ 177 E. Colorado Blvd. 11 th Floor Pasadena, CA 91105	33,891,839	5.55%

(1) The percentage indicated is based on 610,361,775 Company shares deemed to be outstanding as of March 1, 2019.

(2) The number of shares and associated percent of class is based on the Schedule 13D filed with the SEC on February 5, 2018, as amended on September 4, 2018, by Mr. Frederik W. Mohn, Perestroika (Cyprus) Ltd. and Perestroika AS. 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 owned by Mr. Mohn's spouse) and shared voting power and shared dispositive power with the Perestroika entities 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 held directly by Perestroika (Cyprus) Ltd., a wholly owned subsidiary of Perestroika AS.

(3) The number of shares is based on the Schedule 13G/A filed with the SEC on February 12, 2019, by The Vanguard Group. According to the filing, The Vanguard Group has sole voting power with regard to 63,738 shares, shared voting power with regard to 63,738 shares, sole dispositive power with regard to 48,590,693 shares and shared dispositive power with regard to 258,864 shares.

(4) The number of shares is based on the Schedule 13G/A filed with the SEC on January 10, 2019, by BlackRock, Inc. According to the filing, BlackRock, Inc. has sole voting power with regard to 44,177,137 shares, and sole dispositive power with regard to 46,560,580 shares.

(5) The number of shares is based on the Schedule 13G/A filed with the SEC on February 8, 2019, by PRIMECAP Management Company. According to the filing, PRIMECAP has sole voting power with regard to 15,344,674 shares, and sole dispositive power with regard to 33,891,839 shares.

SECURITY OWNERSHIP OF DIRECTORS AND EXECUTIVE OFFICERS

The table below shows how many shares each of our directors and nominees, each of the Named Executive Officers included in the summary compensation section below and all directors and executive officers as a group beneficially owned as of March 1, 2019.

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	679,983	488,684	1,168,667	*
Mark L. Mey	326,877	203,006	529,883	*
Howard E. Davis	118,049	157,114	275,163	*
Brady K. Long	135,784	136,242	272,026	*
Keelan I. Adamson	133,255	123,926	257,181	*
Glyn A. Barker	11,748	60,013	71,761	*
Vanessa C.L. Chang	9,700	65,755	75,455	*
Frederico F. Curado	0	60,013	60,013	*
Chadwick C. Deaton	1,000	65,755	66,755	*
Vincent J. Intrieri	10,000	55,253	65,253	*
Samuel J. Merksamer	0	65,989	65,989	*
Merrill A. "Pete" Miller, Jr.	0	82,753	82,753	*
Frederik W. Mohn ⁽⁴⁾	33,120,553	34,619,736	67,740,289	10.50%
Edward R. Muller	6,647	78,492	85,139	*
Tan Ek Kia	0	69,523	69,523	*
John B. Stobart ⁽⁵⁾	—	311,122	311,122	*
All of directors and executive officers as a group (17 persons)	34,675,893	36,815,588	71,491,481	11.05%

* 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, 2019, through the exercise of options held by Messrs. Thigpen (448,684), Mey (203,006), Davis (157,114), Long (136,242), Stobart (242,438) and all executive officers as a group (1,523,622). Also includes vested restricted share units held by Messrs. Barker (60,013), Curado (60,013), Deaton (65,755), Intrieri (55,253), Merksamer (65,989), Miller (82,753), Muller (78,492) and Tan (69,523), and Ms. Chang (65,755) and all directors and executive officers as a group (603,546).

⁽³⁾ As of March 1, 2019, 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⁾ The number of shares and associated percent of class is based on the Schedule 13D filed with the SEC on February 5, 2018, as amended on September 4, 2018, by Mr. Frederik W. Mohn, Perestroika (Cyprus) Ltd. and Perestroika AS. 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 owned by Mr. Mohn's spouse) and shared voting power and shared dispositive power with the Perestroika entities 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 held directly by Perestroika (Cyprus) Ltd., a wholly owned subsidiary of Perestroika AS.

⁽⁵⁾ Mr. Stobart retired from the position of Executive Vice President and Chief Operating and Performance Officer effective June 1, 2018.

COMPENSATION DISCUSSION AND ANALYSIS

This Compensation Discussion and Analysis provides an overview and analysis of Transocean's executive compensation programs and policies, material compensation decisions for 2018, 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 2018:

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

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, Adamson 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 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 employee stock options)
✓ 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 (cash and equity)	✗ 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, in exchange for covenants that protect the Company
✓ 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-based equity that has not vested
✓ Retain an independent consultant who does not perform any services for management (i.e., retained by and reports only to our Compensation Committee)	✗ Offer executive perquisites
✓ Maintain double trigger change-in-control provisions	

2018 Business Overview

Transocean continued reshaping its offshore drilling fleet in 2018 by closing three significant transactions that transformed our fleet to be much younger and more technologically advanced, with a focus on ultra-deepwater and harsh environments, the two most promising sectors of the offshore drilling market.

2018 was a transformative year at Transocean. We acquired Songa Offshore SE and Ocean Rig UDW Inc., and invested in a joint venture to acquire, complete construction of and operate the *Transocean Norge*, a technologically advanced harsh environment semisubmersible drilling rig. These strategic acquisitions and investments during the downturn for offshore drilling position Transocean for a market recovery and demonstrate our commitment to remaining the industry's leading offshore driller.

During 2018, we strengthened our liquidity and financial position through solid operating results and executing multiple financing transactions. This included delivering the highest Adjusted Normalized EBITDA margin among offshore drillers and issuing approximately \$3.0 billion of debt with maturities between 2023 and 2025, while retiring \$2.1 billion of debt with maturities primarily between 2018 and 2022. Additionally, we further bolstered our liquidity by successfully securing a new \$1.0 billion, five-year undrawn revolving credit facility with an accordion feature offering an additional \$500 million of capacity.

Importantly, we added more than \$2.0 billion in backlog in 2018 – the most since 2014. This amount equates to approximately 19 rig years of backlog. As of February 11, 2019, our contract backlog totaled U.S. \$12.2 billion, approximately four times our nearest competitor. Transocean owns or has partial ownership interests in, and operates a fleet of 48 mobile offshore drilling units consisting of 31 ultra-deepwater floaters, 13 harsh environment floaters, and four midwater floaters. Transocean is also constructing four ultra-deepwater drillships; and recently accepted delivery of the newbuild, *Transocean Norge*, in which the Company has a 33.0% interest.

We delivered these strong results during a year when volatility continued in the offshore drilling sector. This was accomplished by maintaining our financial discipline and efficient operations with a constant focus on the safety of our workforce and the protection of the environments in which we operate. As a result of this we were able to generate revenue of approximately \$3.0 billion and Adjusted Normalized EBITDA of approximately \$1.0 billion and an Adjusted Normalized EBITDA margin of approximately 36%. Our fleet was also strengthened in 2018, as it has been in previous years during the downturn, by the retirement of eight older, less competitive rigs that were unlikely to be marketable going forward.

The business highlights below demonstrate our Company's commitment to near-term performance, while preparing for a market recovery:

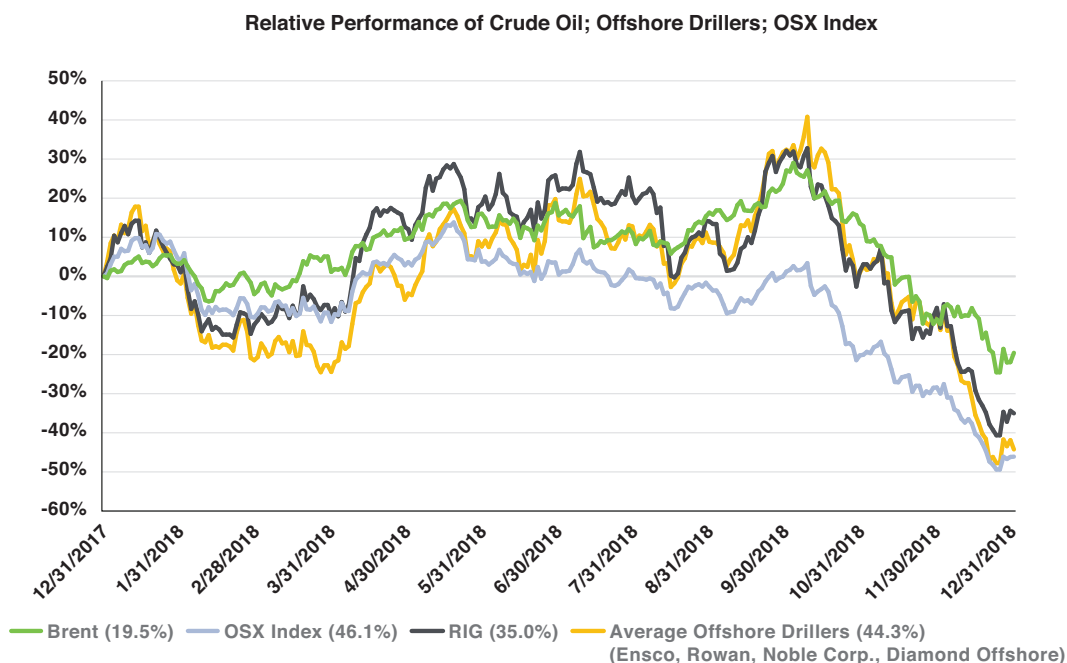
- In January, we acquired Songa Offshore SE, adding seven semisubmersibles to our fleet, including four high-specification, harsh environment CAT D rigs – the *Transocean Equinox*, *Transocean Endurance*, *Transocean Encourage* and *Transocean Enabler* – on long-term contracts with Equinor ASA (“Equinor”).
- In February, the newbuild ultra-deepwater drillship *Deepwater Poseidon* commenced operations on its 10-year contract with Shell in the U.S. Gulf of Mexico. The seventh generation dynamically positioned ultra-deepwater drillship can operate in water depths of 12,000 feet and can drill to depths of 40,000 feet.
- In May, through a joint venture with funds managed and/or advised by Hayfin Capital Management LLP, we purchased a 33.0% interest in a newbuild harsh environment semisubmersible. The rig, named the *Transocean Norge*, is a Moss Maritime CS60 design vessel and is considered to be among the most capable newbuild semisubmersibles in the world. In the third quarter of 2018, the *Transocean Norge* received her maiden contract with Equinor in the Norwegian Continental Shelf. The contract is expected to commence in July 2019.
- In December, we acquired Ocean Rig UDW Inc., adding nine high-specification ultra-deepwater drillships, two harsh environment semisubmersibles and two high-specification ultra-deepwater

drillships currently under construction to Transocean’s existing fleet. This acquisition improves our position to capitalize on an ultra-deepwater market recovery.

- Also, in December, we entered into an agreement with Chevron to enhance, complete, and operate one of our ultra-deepwater drillships that is currently under construction at the Jurong shipyard. The to-be-named drillship will be the industry’s most capable, offering state-of-the-art technology, including dual 20,000 psi blowout preventers, a first for an ultra-deepwater application; a derrick with gross hoisting capacity of 3.4 million pounds; and variable deckload capacity of 24,000 metric tons. The 5-year drilling contract for this rig added an estimated \$830 million to our already industry-leading backlog. This was the largest contract we’ve executed since 2013.

Throughout 2018, Transocean secured additional liquidity to withstand the downturn while opportunistically enhancing its fleet in anticipation of a market recovery. Given our Company’s long history as an industry-leading provider of offshore drilling services, we believe and continue to demonstrate that we have the experience, expertise and financial discipline necessary to effectively manage our business throughout market cycles and deliver long-term value to our shareholders. With better visibility of improving market fundamentals, we continue to take actions necessary to maintain our leadership position and strategically position Transocean for a market recovery.

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



Executive Compensation Philosophy, Strategy and Design

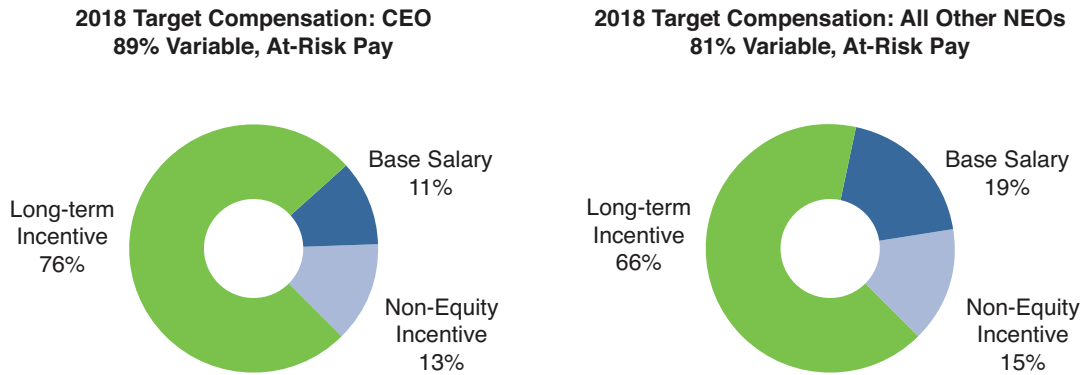
The primary goal of our compensation program is to align pay with performance. We accomplish this goal by providing our executives with a competitive compensation package that rewards performance against specific, identified, financial, strategic and operational goals that the Compensation Committee of the Board (the “Committee”) believes are critical to the Company’s long-term success and the achievement of sustainable long-term shareholder returns.

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

- Aligning annual incentive compensation with financial and strategic objectives; and
- Rewarding absolute share price appreciation and relative performance in total shareholder return (“TSR”) through long-term equity incentive awards.

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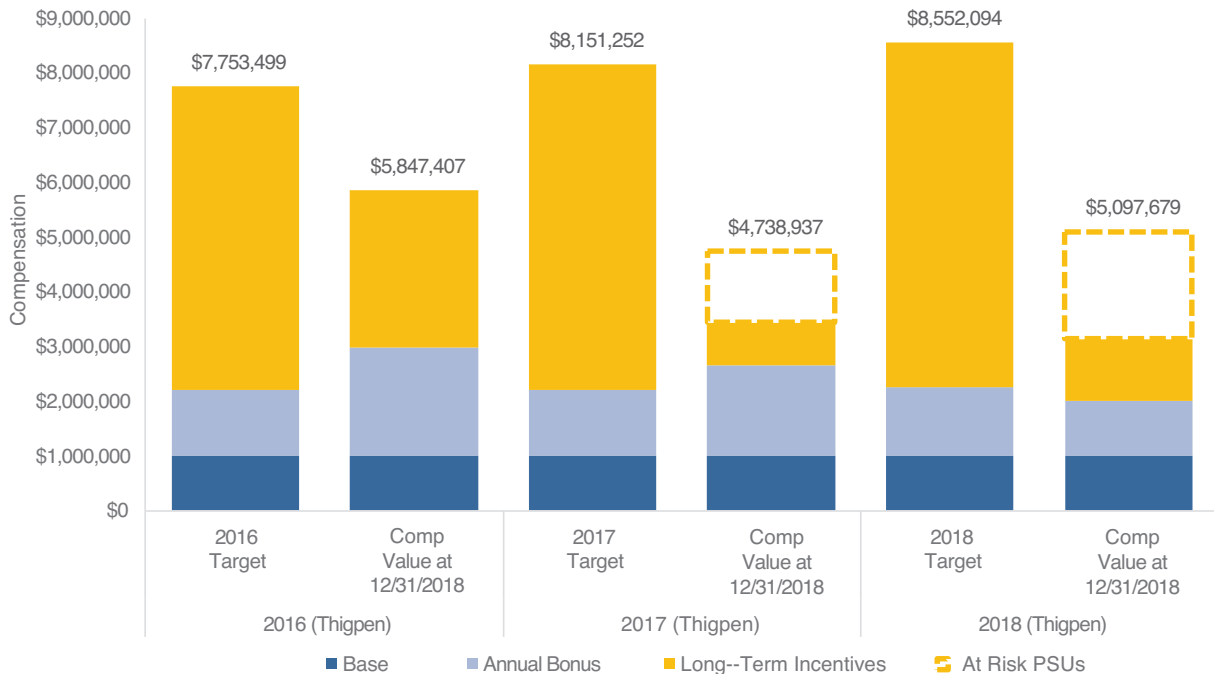
We deliver the vast majority of executive pay as performance-based, “at-risk” incentive compensation, which is designed to balance short-term periodic results and long-term multi-year success of the Company and to build long-term shareholder value without excessive risk-taking. We believe the approach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



Relationship Between Target and Realizable Pay

The Summary Compensation Table reflects the grant-date fair value for share awards, as required. However, we believe that a better assessment of amounts earned through share awards can be made by considering our executives’ realizable pay, which was significantly lower than the grant-date fair value. While our performance-based equity program resulted in payouts in only three of the last nine performance cycles, and the majority of outstanding stock options are currently underwater, the more recent, in-process long-term performance cycles, reflect our recent superior performance relative to our offshore drilling peers.

The graph below illustrates the effect of our performance-based compensation programs on the total compensation of our Chief Executive Officer and compares his targeted compensation to realizable pay as of December 31, 2018.



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- Realized/realizable pay is defined as the compensation delivered or deliverable for each year calculated as of the end of the fiscal year, including: base salary paid; annual incentive amount paid; value of performance share unit plan ("PSUs") payout and, for performance periods still in progress, amounts that would be received if the PSU performance period ended 12/31/2018, 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") granted.
- The value of stock options, PSUs and RSUs was calculated as of 12/31/2018 (the last trading day of the year).

2018 Compensation Program Overview

In 2018, the Company continued to reinforce the alignment between pay and performance through our executive compensation programs and compensation award levels.

In recognition of the industry downturn, the Committee carefully considered appropriate 2018 target compensation opportunities for our Named Executive Officers. In close consultation with their independent compensation consultant, the Committee implemented the following executive compensation actions for our Named Executive Officers:

- Modifications to our peer groups, to improve alignment between the Company and the peers against whom the Committee's compensation decisions are evaluated;
- Continuation of the freeze on base salaries for all Named Executive Officers who had no change in their role or position, marking the fourth consecutive year of the salary freeze;
- Limitation on performance share awards such that payouts can never exceed target in the event absolute TSR performance is less than -15%;
- Expansion of the Company's clawback policy to cover both forms of incentive compensation (cash and equity);
- Broadening of the Company's definition of "cause" to allow for the cancellation of outstanding incentive compensation awards for actions that are inconsistent with our Code of Integrity; and
- Continuation of the abolishment of all executive perquisites, including financial planning, annual physicals and club memberships, effective January 1, 2017.

These compensation actions reflect our focus on good governance, while maintaining prudently designed, competitive compensation packages.

Executive Compensation Setting

We regularly review our executive compensation program 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. With support of its independent compensation consultant, 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, positioning elements of total direct compensation at approximately the median; 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 the purpose of 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, the total and each element of their total direct compensation are compared against published and publicly available compensation data.

Considering the current state of the industry and in consultation with the Committee's independent compensation consultant, the 2018 Compensation Peer Group was modified. Our Compensation Peer Group review considered revenue size and market capitalization; both standard industry measures in developing compensation peer groups, to ensure continued alignment. The following four companies were removed from the 2018 compensation peer group due to concerns that they were too large, in terms of annual revenue and market capitalization: Baker Hughes, a GE company; Canadian Natural Resources; EOG Resources and Halliburton Company. They were replaced by the following three companies that are more comparable to the Company: Hess Corporation, McDermott International and Murphy Oil Corporation. The net effect of these changes to the 2018 Compensation Peer Group composition reduced the average revenue size and market capitalization, thereby improving alignment with the Company's current scope.

As a result of these changes, the Compensation Peer Group for 2018 comprised the following companies:

• Anadarko Petroleum Corporation	• Hess Corporation	• Noble Energy, Inc.
• Apache Corporation	• Marathon Oil Corporation	• Petrofac Limited
• Chesapeake Energy Corporation	• McDermott International	• Seadrill Limited
• Devon Energy Corporation	• Murphy Oil Corporation	• TechnipFMC plc
• Diamond Offshore Drilling, Inc.	• Nabors Industries Ltd.	• Weatherford International plc
• Encana Corporation	• National Oilwell Varco, Inc.	
• Ensco plc	• Noble Corporation plc	

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 base salary, short-term incentive and long-term incentive compensation levels.

Performance Peer Group

The Committee establishes a Performance Peer Group to evaluate the Company's TSR relative to that of companies considered to be direct business competitors and competitors for investment capital. For 2016 and 2017, the Committee approved a Performance Peer Group focused on offshore drillers to best align with our strategic business objectives. Beginning in 2018, the Committee expanded the Performance Peer Group by adding certain oilfield services companies to the existing offshore drillers, acknowledging consolidation within

COMPENSATION DISCUSSION AND ANALYSIS

the offshore drilling sector and ensuring the Company's performance peer group remained meaningfully large in order to effectively assess relative TSR.

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 oilfield service operations. The Performance Peer Group for 2018 consisted of:

- Aker Solutions
- Diamond Offshore Drilling, Inc.
- Dril-Quip, Inc.
- Ensco plc
- Forum Energy Technologies, Inc.
- National Oilwell Varco, Inc.
- Noble Corporation plc
- Oceaneering International, Inc.
- Oil States International, Inc.
- Rowan Companies
- Saipem S.p.A.
- Subsea 7 S.A.
- TechnipFMC plc

We will continue to assess the composition of the Performance Peer Group for 2019 and beyond, with a sharp 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.	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 shareholder return performance relative to peers over a three-year performance period.	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. “Cliff” vesting at the end of each three-year performance period.
Long-Term Incentive - Restricted Share Units	Motivate executives to contribute to long-term increases in shareholder value, build executive ownership and retain executives through ratable 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 ratable vesting.	Variable compensation. Long-term award with ratable vesting over three years that provides a direct link between realizable pay and stock price appreciation.
Expatriate Benefits	Assist expatriate executives with part of the additional burden of an overseas posting. Effective January 2019, none of our Named Executive Officers will receive expatriate benefits.	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 baseline of short-term compensation 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 Benefit Policy and are not payable in the event of a termination for cause or a voluntary resignation.

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

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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 regularly, including in the context of promotions or other changes in job responsibilities. Each base salary is also reviewed by the Committee annually, both individually and, for internal pay equity purposes, relative to other Executive Officers.

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 data from our Compensation Peer Group and other survey data, job responsibilities, individual skills, experience and expected future contributions of each Named Executive Officer. The Committee also considers input from its independent compensation consultant within the framework of the Company's compensation philosophy and objectives.

In February 2018, the Committee, in consideration of the industry downturn, and with consultation from its independent compensation consultant, elected to freeze base salaries for our Named Executive Officers, with the exception of Mr. Long, who was promoted to Executive Vice President and General Counsel. Mr. Long is the only individual who, while an Executive Officer, has received a base salary increase since 2015.

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

Executive	2018 Base Salary	Increase over 2017
Mr. Thigpen	1,000,000	0%
Mr. Mey	760,000	0%
Mr. Davis	550,000	0%
Mr. Adamson ⁽¹⁾	523,769	N/A
Mr. Long	550,000	5%
Mr. Stobart ⁽²⁾	670,000	0%

(1) Mr. Adamson was not an Executive Officer until his appointment as Executive Vice President and Chief Operations Officer in August 2018.

(2) Mr. Stobart retired as Executive Vice President and Chief Operating and Performance Officer in June 2018.

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 2018, the Named Executive Officers had a potential payout range of 0% to 200% of their individual target award opportunity. The 2018 target bonus opportunity for each Named Executive Officer, expressed as a percentage of base salary, was as follows:

Executive	Bonus Target
Mr. Thigpen	125%
Mr. Mey	85%
Mr. Adamson	75%
Mr. Davis	75%
Mr. Long	75%
Mr. Stobart	100%

2018 Bonus Structure and Achievement

The annual cash bonus structure was designed to recognize and incent strong 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. This structure is designed to focus on those areas where we can differentiate ourselves from our competitors during the industry downturn and be well-positioned to outperform the competition in the market recovery.

Each measure, relative weighting, and the threshold-target maximum payout range was designed with reference to our 2018 business plan, as presented to the Committee in early February 2018, and our 2017 performance results.

The following chart outlines the 2018 bonus performance measures and relative weightings. Each of the measures is defined and discussed in more detail below.

Bonus Plan Performance Measure	2018 Weighting
Safety	20%
EBITDA	60%
Uptime	20%
2018 Bonus Structure	100%

Based on the performance measures described further below 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 77% of the targeted bonus opportunity under the Bonus Plan for 2018. The components of this total bonus payout under the Bonus Plan for 2018 are as follows:

Performance Measure	2018 Weighted Achievement
Safety	0%
EBITDA	54%
Uptime	23%
2018 Bonus Plan Achievement	77%

For specific award amounts, see “Executive Compensation—Summary Compensation Table” below.

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.” Beginning in 2017, the safety component of the bonus structure has focused on Total Recordable Incident Rate (“TRIR”). We establish threshold, target, and maximum levels of TRIR performance for the purposes of assessing any incentive payout from this metric. In addition, the bonus structure provides for a 25% reduction to the TRIR calculated payout for any Tier 1 Operational Integrity event (see definition below). The Committee elected to carry forward this methodology and weighting for 2018.

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.

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The Committee approved a TRIR target for 2018 of 0.25. In setting this target, the Committee received input from the Board's Health, Safety and Environment (HSE) Committee, comprised of 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 Target and Performance Range	Bonus Payout
Maximum = 0.21	200%
Target = 0.25	100%
Minimum = 0.29	0%

As noted above, the year-end TRIR payout is reduced by 25% for any Tier 1 Operational Integrity event during the year, regardless of formulaic performance achievement. Furthermore, the Committee evaluates whether to apply discretion in response to unforeseen, extraordinary circumstances in considering overall bonus results.

In setting the 2018 TRIR threshold-target-maximum values, the Committee considered the following:

- Integration of the Songa Offshore SE fleet following the January 2018 acquisition;
- Planned and anticipated increases in rig startups and reactivations; and
- An increase in rig crew hiring and the need to train these new employees in the Company's safety programs and processes.

With consideration given to these factors and the recognition that this increased activity would challenge the Company's ability to improve upon what was the lowest annual TRIR in the Company's history, the Committee approved the 2018 TRIR target at 0.25, which approximated the blending of the 2017 actual results for Transocean and Songa Offshore SE. The target represented a challenging yet realistic goal as we integrated the operations and practices of Songa Offshore within the safety management system of Transocean.

In setting the threshold and maximum values, the Committee applied a 15% range above and below the 0.25 target. This range created a minimum, or entry point, of 0.29 and a maximum of 0.21.

Further, the Committee recognized the impact of Operational Integrity on process safety performance. 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;
- Other circumstances resulting in serious injuries/fatalities;
- Major structural damage to Company property; and
- Uncontrolled release of hazardous fluids.

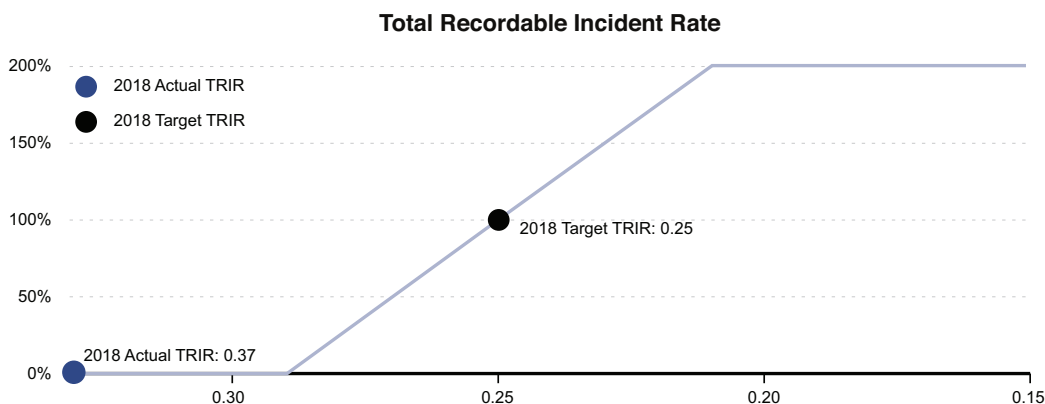
Consistent with our 2017 Bonus Plan design, a Tier 1 event, as defined in the Company's Health and Safety Policies and Requirements, is the most serious Operational Integrity event, requiring immediate and potentially significant Company time and resources to rectify.

Measuring Total Recordable Incident Rate (TRIR) Results

The 2018 formulaic result for TRIR was 0.37, which fell below threshold performance and resulted in zero payout for the safety component of the 2018 Bonus Plan. While we were disappointed that the Company did not continue its track record of continuous improvement in TRIR, compared to prior years, we were encouraged by the overall 2018 safety performance for the following reasons:

- The Company experienced no Lost Time Incidents in 2018, a standard never previously achieved by the Company for a full calendar year;
- The majority of incidents counted in TRIR did not present the potential of escalating to a Lost Time Incident;
- Half our operating rigs did not experience any incidents counted in TRIR; and
- The Company experienced no Tier 1 events.

Despite these encouraging circumstances, the formulaic performance of TRIR, resulted in zero percent for 2018, as illustrated.



Financial Performance

Developing Our EBITDA Target

For the 2018 Bonus Plan, the Committee evaluated financial measures that would most closely align management with the Company’s financial objectives. The Committee concluded that Earnings Before Interest, Taxes, Depreciation and Amortization (“EBITDA”) would be the most appropriate measure, consistent with 2017, based on the following reasons:

- It is commonly used by our shareholders to evaluate financial performance, in light of current market conditions;
- It is commonly used by our peers to evaluate their own financial performance; and
- While it is a non-GAAP financial measure, it is objective and reconcilable to the GAAP measures reported in our financial statements.

The Committee weighted EBITDA at 60% of the total 2018 Bonus Plan opportunity.

In establishing the EBITDA target and range, the Committee considered the Company’s 2018 financial plan, as presented by management in early February 2018. 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 2018 EBITDA target was set below the 2017 actual financial result, the target objectively reflected the continuing industry downturn and related financial challenges, including uncertainties with respect to the recontracting of rigs whose contracts were set to expire in 2018.

EBITDA Target and Performance Range	Achievement (MM-\$)
Threshold	1,093
Target	1,249
Maximum	1,405

Measuring EBITDA Results

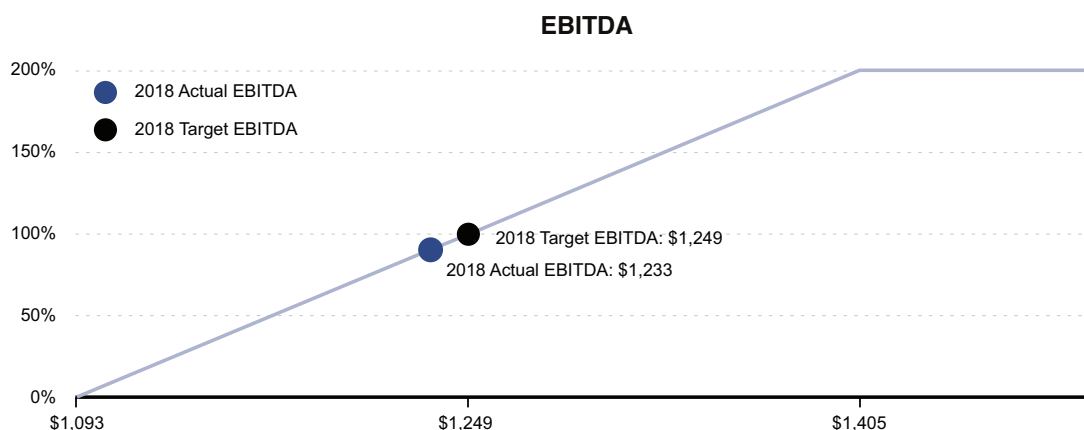
The Company delivered strong EBITDA results for 2018, despite limited demand for rigs and declining or flat contract dayrates. Outstanding operating performance and revenue efficiency for deployed rigs, combined with a strong focus on cost management, resulted in strong EBITDA results, relative to target performance and to peers.

Included in this proxy statement, attached as Appendix A, is a reconciliation of EBITDA to net income, the most directly comparable GAAP financial measure. The differential between actual EBITDA and EBITDA performance achievement for the 2018 Bonus Plan is the result of a Committee-approved calculation of EBITDA to reflect the following discrete items:

- Purchase Price Accounting Adjustment.** The transaction to acquire Songa Offshore closed on January 30, 2018. Consistent with US GAAP, management calculated the Purchase Price Adjustment associated with this transaction as part of the next Form 10-Q filing in May 2018, and management determined that the Company was required to make a purchase price adjustment in connection with this acquisition. The entry could not have been included in the 2018 financial plan presented to the Committee in February 2018, as it had not yet been calculated. If the acquisition had closed in late 2017, the adjustment would have been included in the 2018 financial plan, and the EBITDA target would have been accordingly adjusted downward.
- Rig Reactivation.** After management presented the 2018 financial plan to the Committee, an unexpected contracting opportunity arose for the *Development Driller III* – a rig that had been idle. The opportunity was for a strategic customer in West Africa, a critical market for ultra-deepwater rigs, and reactivating idle rigs for promising commercial opportunities is a critical component to the Company’s plan for long-term EBITDA growth. While the contract was scheduled to commence in 2019, the reactivation costs to prepare the rig for the contract would be incurred in 2018. Management, in consultation with the Committee, pursued and ultimately won the contract, despite the adverse impact on 2018 EBITDA. The Committee believes that one of its duties is to make sure that the executive compensation program does not lead to unintended adverse outcomes – i.e., results that are against the shareholders’ best interests. Accordingly, the Committee evaluated the circumstances surrounding the contract and determined that, were the reactivation costs included in the 2018 EBITDA performance calculation, management would be improperly penalized for acting in the shareholders’ best interest. As a result, the Committee concluded that the costs should be excluded from the calculation of 2018 EBITDA performance. The Committee further determined that the revenue from the contract would be included in the 2019 EBITDA target, so that the Executive Officers do not improperly benefit from this decision in 2019.
- Contract Blend and Extend.** In mid-2018, management was approached by a customer requesting a “blend and extend” of its current contract. As background, a “blend and extend” is an exchange between the customer and the Company: the customer reduces the dayrate in the short-term, but extends the contract beyond its current term, adding critical backlog and financial security to the Company’s contract portfolio. Not every “blend and extend” is in the Company’s best interest; the circumstances that dictate whether such an arrangement is commercially viable vary (e.g., amount of the reduction in dayrate, length of extended term, competing prospects for the rig). In consultation with the Committee, management elected to enter into the arrangement, as doing so extended the term of the contract by two years at a favorable dayrate. The Committee believes that had the reduction in the 2018 dayrate not been addressed in the EBITDA performance calculation, management would have been improperly penalized for making a commercial decision that was clearly in the shareholders’ best interests. As noted above, the Committee works closely with management, in consultation with the Committee’s independent compensation consultant, to make sure that the executive compensation program does not lead to unintended adverse consequences. Calculating EBITDA to set aside the marginal impact of the reduced dayrate in connection with this outstanding commercial opportunity is consistent with that

priority. As with the rig reactivation noted above, the Committee further determined that the revenue from the contract would be included in the EBITDA target for future periods so that the Executive Officers do not improperly benefit from this decision in subsequent years.

As illustrated, even after adjustments, the EBITDA result fell short of our goal, performing at 90% to target, with an associated weighted payout of 54% of the total target bonus opportunity for each of the Named Executive Officers.



Operational Performance

Developing Our Uptime Target

In 2017, Uptime was identified as the operational performance measure that would best align with the interests of our customers and, ultimately, our shareholders; therefore, we elected to maintain this measure for 2018. This measure represented 20% of the 2018 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, it has no standard industry definition or reporting structure. As a result, the Company has developed its own definition, in consultation with the Committee, and that definition recognizes the key impediments to Uptime: equipment failures and human performance errors.

Uptime is measured as total operating hours, minus downtime hours, expressed as a percentage of the maximum total operating hours. Operating hours are defined as the number of hours a rig is operating under 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 250,000 hours of operation in 2018).

The Committee approved the following Uptime target for 2018:

Uptime Target and Performance Range	Achievement
Threshold	94.5%
Target	96.0%
Maximum	97.5%

In setting the 2018 Uptime target, the Committee considered the Company’s outlook for 2018, which featured:

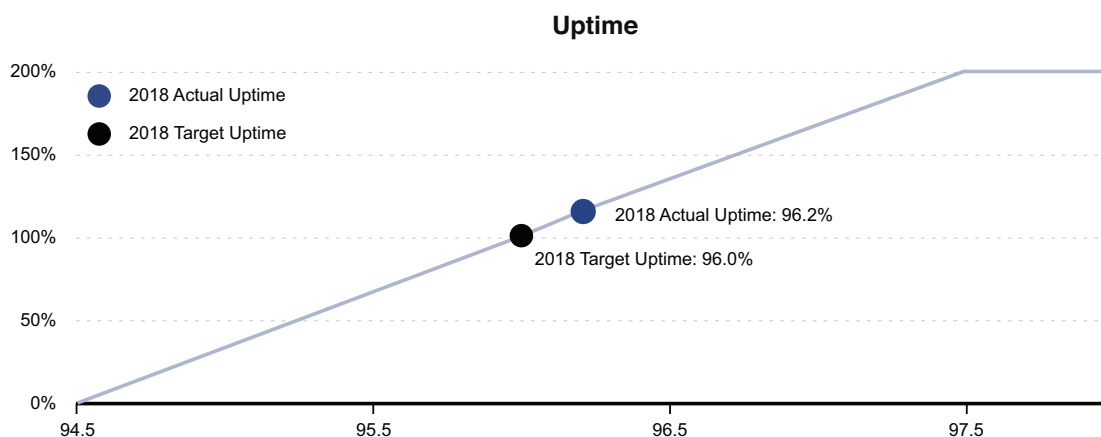
- The reactivation of three rigs and the start-up of one rig in the U.S. Gulf of Mexico;
- The mobilization of five rigs to new countries, with new customers; and
- The hiring of approximately 2,500 new employees, including approximately 900 employees joining the Company through the acquisition of Songa Offshore SE.

These factors led the Committee to conclude that the risk of equipment failure and human performance errors was elevated for 2018, compared to 2017. Despite this incremental risk, in support of its desire to drive continuous improvement, the Committee decided to maintain the challenging target from 2017, and approved the 2018 Uptime target at 96.0%.

Measuring Uptime Results

Based on this high level of operational efficiency, the Company achieved 96.2% Uptime performance in 2018. This increase over target performance equates to approximately 500 hours, or 21 days, of additional operational productivity across the fleet, resulting in greater customer satisfaction and higher earnings.

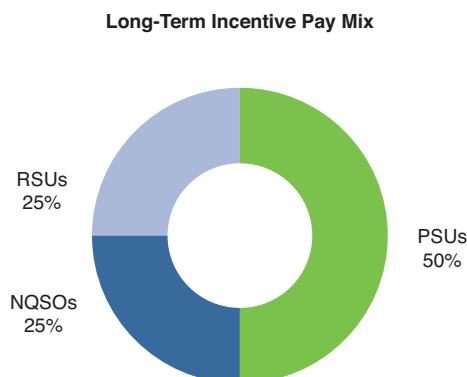
As illustrated, the formulaic performance of Uptime achieved 115% performance to target and an associated weighted payout of 23% of the total target bonus opportunity for each of the Named Executive Officers.



Long-Term Incentives

The Committee establishes competitive long-term incentive (“LTI”) opportunities for our Named Executive Officers that motivate them to increase total shareholder return, drive long-term sustainable value and align the interests of participants with those of shareholders. LTI opportunities vary in the actual value delivered, based on the Company’s actual total shareholder return.

To provide an appropriate balance of incentives tied to performance, three types of long-term equity instruments were used in 2018: Performance Units (“PSUs”), Restricted Share Units (“RSUs”) and Non-Qualified Stock Options (“NQSOs”). 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 total LTI is conveyed through PSUs. RSUs are included in the incentive mix to reinforce a direct relationship to the shareholder experience and to promote ownership of Company equity. Stock Options only deliver value to the executive when the Company’s share price appreciates following the grant date. All three equity instruments are also designed to be retentive in nature through multi-year performance and vesting periods.

The following LTI award values were delivered to our Named Executive Officers in 2018.

Named Executive Officer	2018 LTI Fair Value U.S.\$
Mr. Thigpen	6,302,094
Mr. Mey	2,430,805
Mr. Adamson	1,205,748
Mr. Davis	1,935,647
Mr. Long	1,800,590
Mr. Stobart	2,439,821

Performance Units (PSU)

The target value of the 2018 PSU grants to each of the Named Executive Officers was approximately 50% of each officer’s total 2018 LTI award target value.

Each PSU represents one share and is earned based on performance over a three-year cycle from January 1, 2018 through December 31, 2020. 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 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%. The Committee 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 ranking of TSR performance:

Company Ranking	% of Target Performance Units
90 th Percentile or higher	200%
50 th Percentile	100%
25 th Percentile	50%
Less than 25 th Percentile	0%

Upon completion of the 2018 - 2020 PSU performance cycle, the Committee will determine final payout levels, if any, and PSUs will be distributed to the Named Executive Officers, along with a cash payment equal to any dividends or equivalents for earned shares that may have accrued during the performance cycle.

Restricted Share Units (RSU)

The target value of the 2018 RSU grants to each of the Named Executive Officers was approximately 25% of each officer's total 2018 LTI award target value.

Time-vested RSUs were granted to all Named Executive Officers as part of the 2018 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 2018 NQSO grants to each of the Named Executive Officers was approximately 25% of each officer's total 2018 LTI award target value.

Time-vested NQSOs were granted to each Named Executive Officers as part of the 2018 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 2018

In 2019, the Committee evaluated the Company's performance for the three-year performance period from January 1, 2016 through December 31, 2018, and determined the performance to be 133% of target based on the Company's TSR relative to the Performance Peer Group. However, in recognition of the importance of shareholder alignment, the Committee capped the earning of PSUs at target as a result of the Company's absolute TSR being less than negative 15% during the performance period. Thus, the actual payout was reduced to 100%, or target.

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 agreements.

Expatriate Benefits

For employees 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 are designed to help defray the significant expense associated with expatriation. Beginning in 2014, we eliminated the tax protection and tax equalization aspects of these benefits for our Named Executive Officers.

In 2018, Mr. Adamson was the only Named Executive Officer eligible for expatriate benefits, the value of which is included in the Summary Compensation Table under “All Other Compensation” and described in the notes to that table. Effective December 31, 2018, Mr. Adamson ceased to be eligible for any expatriate benefits and, as a result, effective January 1, 2019, the Company has no Named Executive Officers receiving expatriate benefits.

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 retirement plans.

Perquisites

The Committee elected to eliminate all executive perquisites for our Named Executive Officers, effective January 1, 2017. As a result, none received perquisites in 2018.

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 outstanding long-term incentive awards 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 on the success of the combined enterprise 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, 2018, are described under “Executive Compensation—Potential Payments Upon Termination or Change of 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 Benefit Policy.

In June 2018, Mr. Stobart announced his retirement from the position of Executive Vice President, Chief Operating Officer and Chief Performance Officer and, in accordance with the terms of Mr. Stobart's employment agreement, has continued to receive his base salary plus an amount equal to the pro-rata portion of his target bonus during the applicable 12-month notice period.

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 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 is 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. The Committee 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 2018, the Compensation Committee consisted of three directors: Tan Ek Kia (Chairman), Frederico F. Curado, and Vincent J. Intrieri.

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 2018.

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 2018. In May 2018, the Committee assessed whether the work of Pay Governance for the Committee during 2018 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

COMPENSATION DISCUSSION AND ANALYSIS

Exchange Act. The Committee concluded that no conflict of interest was raised that would prevent Pay Governance from independently advising 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. No advisors other than Pay Governance were hired in 2018.

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 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.

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

COMPENSATION DISCUSSION AND ANALYSIS

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. The Committee has determined that all executives meet or exceed their minimum ownership requirements.

Executive Compensation Recoupment/Clawback Policy

Under the Incentive Compensation Recoupment Policy, the Company is authorized to recover or adjust both cash and equity 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.

No Hedging or Pledging of Company Shares

We have a policy that prohibits any employee, officer or director of the Company from engaging in short-term or speculative transactions in the Company's securities. It, therefore, is the Company's policy that employees, officers and directors and their family members or wholly-owned businesses not engage in any of the following transactions:

- Short sales;
- Publicly Traded Options;
- Hedging Transactions; and
- Margin Accounts and Pledging.

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.

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.

Tax Impact on Compensation

Prior to 2018, Section 162(m) of the Internal Revenue Code ("Section 162(m)") limited the annual tax deduction to \$1,000,000 for compensation paid by a publicly held company to its Chief Executive Officer and each of its three other most highly compensated Named Executive Officers other than the Chief Financial Officer, unless the compensation was designed to meet certain performance-based requirements. 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 is no longer available, subject to transition relief

for certain grandfathered arrangements in effect as of November 2, 2017. In addition, the “covered employees” subject to Section 162(m) limitations will be expanded to include our Chief Financial Officer, and once one of our Named Executive Officers is considered a covered employee for 2017 or later, the Named Executive Officer will remain a covered employee so long as he or she receives compensation from the Company. To the extent practicable, we intend to preserve future deductions related to existing compensation arrangements that are eligible for transition relief under the 2017 Tax Act, but we reserve the right to use our judgment to authorize compensation payments that are not deductible under Section 162(m) when we believe that such payments are appropriate and in the best interest of shareholders, after taking into consideration changing business conditions or the executive’s individual performance and/or changes in specific job duties and responsibilities.

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

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Summary Compensation Table

The following table shows the compensation paid by the Company for the fiscal year ended December 31, 2018, to each of our Chief Executive Officer, Chief Financial Officer and the next three most highly compensated Executive Officers as of December 31, 2018, 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 <i>President and Chief Executive Officer</i>	2018	1,000,000	--	4,818,543	1,483,551	962,500	--	286,201	8,550,795
	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
Mark L. Mey <i>Executive Vice President and Chief Financial Officer</i>	2018	760,000	--	1,858,576	572,229	497,420	--	183,350	3,871,575
	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
Howard E. Davis <i>Executive Vice President and Chief Administrative and Information Officer</i>	2018	550,000	--	1,479,983	455,663	317,625	--	127,803	2,931,074
	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 K. Long <i>Executive Vice President and General Counsel</i>	2018	545,833	--	1,376,718	423,872	315,291	--	123,500	2,785,214
	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
Keelan I. Adamson <i>Executive Vice President and Chief Operations Officer</i>	2018	523,769	--	922,402	283,346	269,572	--	147,843	2,146,932
John B. Stobart <i>Former Executive Vice President and Chief Operating and Performance Officer</i>	2018	670,000	--	1,865,472	574,349	257,950	--	544,785	3,912,556
	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

⁽¹⁾ The Stock Awards column represents the aggregate grant date fair value of performance share units and restricted share units granted in each year as shown in the "Grants of Plan-Based Awards for 2018" table and computed in accordance with the provisions of FASB ASC Topic 718. The Option Awards column represents the aggregate dollar amount recognized for financial statement reporting purposes. Regarding assumptions underlying the valuation of these equity awards, please see Note 15 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2018.

⁽²⁾ Non-Equity Incentive Plan Compensation includes annual cash bonuses payable to the Named Executive Officers based on service during the year 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 2018, is described under "Compensation Discussion and Analysis—2018 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 2018, 2017 or 2016.

⁽⁴⁾ All other compensation for 2018 consists of the following:

Name	Company Contributions to Savings Plans ⁽¹⁾ (\$)	Life, Health and Welfare Insurance Premiums (\$)	Relocation Expenses (\$)	Other Benefits ⁽²⁾ (\$)	All Other Compensation Total (\$)
Jeremy D. Thigpen	265,600	20,601	--	--	286,201
Mark L. Mey	165,148	18,202	--	--	183,350

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Howard E. Davis	111,925	15,878	--	--	127,803
Brady K. Long	105,298	18,202	--	--	123,500
Keelan I. Adamson	89,659	20,601	--	37,583	147,843
John B. Stobart	159,460	19,402	30,923	335,000	544,785

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

⁽²⁾ Other benefits include dependent education reimbursement for Mr. Adamson and payments to Mr. Stobart during his notice period, in accordance with the terms of his employment agreement.

Grants of Plan-Based Awards for 2018

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, 2018.

	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards ⁽¹⁾			Estimated Future Payouts Under Equity Incentive Plan Awards ⁽²⁾			All Other Stock Awards: Number of Shares of Stock or Units ⁽³⁾	All Other Option Awards: Number of Shares of Securities Underlying Options ⁽³⁾	Exercise Price of Option Award ⁽⁴⁾	Grant Date Fair Value of Stock and Option Awards ⁽⁵⁾
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)				
Jeremy D. Thigpen	--	--	1,250,000	2,500,000	--	307,557	615,114				
	2/8/2018							163,399			3,318,540
	2/8/2018								328,947	9.18	1,500,003
Mark L. Mey	--	--	646,000	1,292,000	--	118,629	237,258				
	2/8/2018							63,025			1,483,551
	2/8/2018								126,880	9.18	572,229
Howard E. Davis	--	--	412,500	825,000	--	94,464	188,928				
	2/8/2018							50,187			1,019,267
	2/8/2018								101,034	9.18	460,717
Brady K. Long	--	--	409,469	818,938	--	87,873	175,746				
	2/8/2018							46,685			948,150
	2/8/2018								93,985	9.18	428,568
Keelan I. Adamson	--	--	350,096	700,192	--	58,875	117,750				
	2/8/2018							31,279			635,261
	2/8/2018								62,970	9.18	287,141
John B. Stobart	--	--	332,247	664,493	--	119,069	238,138				
	2/8/2018							63,259			1,284,755
	2/8/2018								127,350	9.18	580,718
	2/8/2018										574,349

⁽¹⁾ This column shows the potential payout opportunities to the Named Executive Officers for the 2018 performance period under our Performance Award and Cash Bonus Plan. There is no payout at or below threshold under this plan for 2018. 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 2018, see "Compensation Discussion Analysis—2018 Bonus Structure."

⁽²⁾ The February 8, 2018, performance share unit award is subject to a three-year performance period ending December 31, 2020. The actual number of performance units received will be determined in the first 60 days of 2021 and is contingent on our performance in total shareholder return relative to the Performance Peer Group. Any earned shares will vest on December 31, 2020. The amounts shown under the Maximum column represent the payout level of 200%. There is no payout at or below threshold level under this plan for 2018. For more information regarding long-term incentives plans, including the performance targets used for 2018 and the contingent nature of the long-term incentives granted, please see "Compensation Discussion and Analysis—Long-Term Incentives."

⁽³⁾ These columns show 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, 2019, 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. This is equal to the closing market price of our common stock on the date of grant.

⁽⁵⁾ This column represents the grant date fair value of these awards computed in accordance with FASB ASC Topic 718. The 2018

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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. The grant date fair value of stock option awards is measured using the Black-Scholes option-pricing model.

Outstanding Equity Awards at Year-End 2018

The following table sets forth certain information with respect to outstanding equity awards at December 31, 2018, for the Named Executive Officers.

Name	Number of Securities Underlying Unexercised Options (#) Exercisable ⁽¹⁾	Number of Securities Underlying Unexercised Options (#) Unexercisable ⁽¹⁾	Option Exercise Price (\$/Share)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested ⁽²⁾ (#)	Market Value of Shares or Units of Stock That Have Not Vested ⁽³⁾ (\$)	Equity Incentive Plan Awards: Number of Unearned Shares, Units, Other Rights That Have Not Vested ⁽⁴⁾⁽⁵⁾ (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units, Other Rights That Have Not Vested (\$)
Jeremy D. Thigpen	155,971	77,986	8.61	2/10/2026				
	72,539	145,079	13.35	2/9/2027				
	-	328,947	9.18	2/7/2028				
					45,716	317,269		
					75,265	522,339		
					163,399	1,133,989		
						274,295	1,903,607	
						187,238	1,299,432	
						307,557	2,134,446	
Mark L. Mey	65,359	32,680	8.61	2/10/2026				
	31,337	62,674	13.35	2/9/2027				
	-	126,880	9.18	2/7/2028				
					19,157	132,950		
					32,515	225,654		
					63,025	437,394		
						114,943	797,704	
						80,887	561,356	
						118,629	823,285	
Howard E. Davis	49,019	24,510	8.61	2/10/2026				
	24,953	49,908	13.35	2/9/2027				
	-	101,034	9.18	2/7/2028				
					14,368	99,714		
					25,892	179,690		
					50,187	348,298		
						86,207	598,277	
						64,410	447,005	
						94,464	655,580	
Brady K. Long	38,992	19,497	8.61	2/10/2026				
	23,212	46,426	13.35	2/9/2027				
	-	93,985	9.18	2/7/2028				
					11,429	79,317		
					24,085	167,150		
					46,685	323,994		
						68,574	475,904	
						59,916	415,817	
						87,873	609,839	
Keelan I. Adamson	3,492	-	78.76	2/9/2021				
	8,455	-	50.79	2/16/2022				
	15,767	-	59.30	2/13/2023				
	29,412	14,706	8.61	2/10/2026				
	15,552	31,105	13.35	2/9/2027				
	-	62,970	9.18	2/7/2028				
					8,621	59,830		
					16,137	111,991		
					31,279	217,076		
						51,724	358,965	
						40,144	278,599	
						58,875	408,593	
John B. Stobart	38,597	-	59.30	2/13/2023				
	65,656	32,829	8.61	2/10/2026				
	31,453	62,906	13.35	2/9/2027				
	-	127,350	9.18	2/7/2028				
					19,244	133,553		
					32,635	226,487		
				63,259	439,017			
						115,465	801,327	
						81,186	563,431	
						119,069	826,339	

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- ⁽¹⁾ Each option award has a 10-year term and vests in one-third increments over a three-year period.
- ⁽²⁾ Represents time-vested restricted share units granted on February 11, 2016, February 10, 2017 and February 8, 2018. Restricted share units vest in one-third increments over a three-year period.
- ⁽³⁾ For purposes of calculating the amounts in these columns, the closing price of our shares on the NYSE on December 31, 2018, of \$6.94 was used.
- ⁽⁴⁾ Represents performance share units, which are subject to a three-year performance period ending on December 31, 2018, December 31, 2019, and December 31, 2020. The actual number of performance share units received will be determined in the first 60 days following the end of the performance period and is contingent on our performance as determined by comparing our total shareholder return relative to the Performance Peer Group. Any shares earned will vest on the last day of the performance period. For more information regarding long-term incentive plans, please see "Compensation Discussion and Analysis—Long-Term Incentives."
- ⁽⁵⁾ Performance share units are listed at the targeted number of units.

Option Exercises and Shares Vested for 2018

The following table sets forth certain information with respect to the exercise of options and the vesting of RSUs and PSUs, as applicable, during 2018 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 D. Thigpen	--	--	480,180	4,782,616
Mark L. Mey	--	--	215,862	2,214,737
Howard E. Davis	--	--	33,980	327,387
Brady K. Long	--	--	41,305	407,481
Keelan I. Adamson	--	--	52,496	486,039
John B. Stobart	--	--	141,068	1,304,709

⁽¹⁾ Value realized on vesting is calculated by multiplying the closing price of our shares on the NYSE on the date of vesting by the number of gross shares that vested on such date, including any shares subsequently withheld in satisfaction of requisite tax withholding.

Pension Benefits for 2018

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	4	534,498	--
Mark L. Mey	Transocean Savings Restoration Plan	4	293,971	--
Howard E. Davis	Transocean Savings Restoration Plan	3	153,878	--
Brady K. Long	Transocean Savings Restoration Plan	3	117,495	--
Keelan I. Adamson	Transocean Savings Restoration Plan	4	166,738	--
	Transocean U.S. Retirement Plan	10	383,692	--
	Transocean Pension Equalization Plan	10	369,847	--
John B. Stobart	Transocean Savings Restoration Plan	4	420,834	--
	Transocean U.S. Retirement Plan	2	89,306	--
	Transocean Pension Equalization Plan	2	217,968	--

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. Benefits are payable upon a participant's termination of employment, or six months after termination in the case of certain officers.

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. Messrs. Adamson and Stobart are the only Named Executive Officers who participate 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). Furthermore, employees earn the right to receive a benefit if they are active employees and age 65 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 for 2018" table above. In particular, monthly accrued pension benefits, payable at age 65, were determined as of December 31, 2018. The present value of these benefits was calculated based on assumptions used in the Company's financial statements for 2018.

Transocean Pension Equalization Plan

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

Certain employees are eligible to receive a benefit under the PEP if the level of their compensation prior to January 1, 2015, would otherwise cause them to exceed the Internal Revenue Code compensation limitations imposed on the Transocean U.S. Retirement Plan. The purpose of the PEP is to provide supplemental post-retirement income in recognition of service to the Company. Benefits are payable upon a participant's termination of employment, or six months after termination in the case of certain officers.

The plan recognizes the same forms of compensation and the same formula used to calculate the plan benefit as the Transocean U.S. Retirement Plan however, earnings are not limited to the pay cap under the Internal Revenue Code Section 401(a)(17) (U.S. \$260,000 in 2014 when the PEP was frozen). Benefits are not earned until the individual has five years of credited service with the Company.

Certain assumptions and calculation methods were used to determine the values of the pension benefits disclosed in the "Pension Benefits for 2018" table above. In particular, monthly accrued pension benefits, payable at age 65, were determined as of December 31, 2018. The present value of these benefits was calculated based on assumptions used in the Company's financial statements for 2018.

Potential Payments Upon Termination or Change of Control

The following table summarizes the treatment of outstanding awards as provided in the terms and conditions of each award.

Event	Consequences
Voluntary not-for-cause termination	Restricted Share Units and Stock Options – executive's right to unvested portion of award terminates immediately
Involuntary not-for-cause termination or Retirement	Restricted Share Units – prorated portion of award vests Performance Share Units – prorated portion of award vests based on actual performance after the performance period ends Stock Options – executive's right to unvested portion of award terminates
Termination due to Death or Disability	Restricted Share Units and Stock Options – award vests Performance Share Units – prorated portion of award vests based on actual
Involuntary termination not-for-cause after a Change of Control	Restricted Share Units and Stock Options – award vests Performance Share Units – award vests based on target performance

The following table sets forth certain information with respect to compensation that would be payable to the Named Executive Officers, as of December 31, 2018, upon a variety of termination or change of control scenarios.

As of December 31, 2018, 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.

Name	Triggering Event ⁽¹⁾	Cash Severance Payment ⁽²⁾ (\$)	Non-Equity Incentive Compensation ⁽³⁾	Stock Awards ⁽⁴⁾ (\$)	Option Awards ⁽⁵⁾ (\$)	Retirement Plan Benefit ⁽⁶⁾ (\$)	Total (\$)
Jeremy D. Thigpen	Voluntary Not-for-Cause	--	--	--	--	534,498	534,498
	Involuntary Not-for-Cause	--	962,500	2,461,657	--	534,498	3,958,655
	Retirement	--	962,500	2,461,657	--	534,498	3,958,655
	Death	--	962,500	3,481,342	--	534,498	4,978,340
	Disability	--	962,500	3,481,342	--	534,498	4,978,340
	Change of Control	--	962,500	5,407,475	--	534,498	6,904,473
Mark L. Mey	Voluntary Not-for-Cause	--	--	--	--	293,971	293,971
	Involuntary Not-for-Cause	--	497,420	1,013,760	--	293,971	1,805,151
	Retirement	--	497,420	1,013,760	--	293,971	1,805,151
	Death	--	497,420	1,416,873	--	293,971	2,208,264
	Disability	--	497,420	1,416,873	--	293,971	2,208,264
	Change of Control	--	497,420	2,180,638	--	293,971	2,972,029
Howard E. Davis	Voluntary Not-for-Cause	--	--	--	--	153,878	153,878
	Involuntary Not-for-Cause	577,500	317,625	801,434	--	153,878	1,850,437
	Retirement	--	317,625	801,434	--	153,878	1,272,937
	Death	--	317,625	1,122,104	--	153,878	1,593,607
	Disability	--	317,625	1,122,104	--	153,878	1,593,607
	Change of Control	577,500	317,625	1,730,288	--	153,878	2,779,291
Brady K. Long	Voluntary Not-for-Cause	--	--	--	--	117,495	117,495
	Involuntary Not-for-Cause	577,500	315,291	732,798	--	117,495	1,743,084
	Retirement	--	315,291	732,798	--	117,495	1,165,584
	Death	--	315,291	1,030,367	--	117,495	1,463,153
	Disability	--	315,291	1,030,367	--	117,495	1,463,153
	Change of Control	577,500	315,291	1,596,117	--	117,495	2,606,403

EXECUTIVE COMPENSATION

Keelan I. Adamson	Voluntary Not-for-Cause	--	--	--	--	536,585	536,585
	Involuntary Not-for-Cause	--	269,572	497,304	--	536,585	1,303,461
	Retirement	--	269,572	497,304	--	536,585	1,303,461
	Death	--	269,572	697,035	--	390,860	1,357,467
	Disability	--	269,572	697,035	--	536,585	1,503,192
	Change of Control	--	269,572	1,076,089	--	536,585	1,882,246
John B. Stobart	Voluntary Not-for-Cause	--	--	--	--	638,802	638,802
	Involuntary Not-for-Cause	--	257,950	1,017,618	--	638,802	1,914,370
	Retirement	--	257,950	1,017,618	--	638,802	1,914,370
	Death	--	257,950	1,422,232	--	579,897	2,260,079
	Disability	--	257,950	1,422,232	--	638,802	2,318,984
	Change of Control	--	257,950	2,188,827	--	638,802	3,085,579

(1) Amounts in the table represent obligations of the Company under agreements currently in place and valued as of December 31, 2018.

(2) Amounts payable under the terms of the Executive Severance Benefit Policy. This includes a lump sum payment equal to 52 weeks of base salary as well as outplacement services (not to exceed 5% of the base salary) for Messrs. Davis and Long.

(3) Amounts payable for the 2018 annual cash bonus earned (these amounts are also reflected in the "Summary Compensation Table").

(4) Represents the value of restricted share units and performance share units that would vest upon the triggering event, based on \$6.94, the closing stock price on the last trading day of 2018.

(5) Represents the ("in-the-money") value of vested and unvested stock options.

(6) Represents the present value of PEP and Savings Restoration Plan benefits which would have been payable as of December 31, 2018.

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 total annual compensation of our median employee.

Based on SEC rules for this disclosure and applying the methodology described below, the Company determined that our CEO's total compensation in U.S. dollars for 2018 was \$8,550,795, and the 2018 total compensation of the median employee in U.S. dollars was \$118,192. Accordingly, for 2018, the Company estimates the ratio of our CEO's total compensation to the median total compensation of all employees to be 72 to 1.

Due to acquisitions that occurred in 2018 that impacted our employee population, we are not using the same median employee as prior year. In determining the applicable median salary, we first excluded 209 of our non-U.S. employees located in Angola, Cyprus, Hungary, Malaysia, India, Cayman Islands, Nigeria, Singapore and Thailand representing 4.2% 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, 2018. 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 annualized base salary for all included employees on December 31, 2018, the last day of our fiscal year.

Once the median employee was identified as described above, the total annual compensation for 2018 for that employee was determined using the same rules that apply to reporting NEO compensation in the Total column of the "Summary Compensation Table."

EQUITY COMPENSATION PLAN INFORMATION

The following table provides information concerning securities authorized for issuance under our equity compensation plans as of December 31, 2018.

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⁾	3,767,483	21.56	21,450,598
Equity compensation plans not approved by security holders	—	—	—
Total	3,767,483	21.56	21,450,598

⁽¹⁾ We may also grant restricted share units and other forms of share-based awards under our long-term incentive plans previously approved by our shareholders. At December 31, 2018, we had 6,445,332 shares available for future issuance pursuant to grants of restricted share units.

OTHER MATTERS

Compensation Committee Interlocks and Insider Participation

The members of the Compensation Committee of the Board of Directors during 2018 were Tan Ek Kia, Chairman, Frederico F. Curado, and Vincent J. Intrieri. 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 2018, 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 2018.

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 2020 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 9, 2019. However, if the date of the 2020 Annual General Meeting changes by more than 30 days from the anniversary of the 2019 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.

OTHER MATTERS

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 7, 2020, for the 2020 annual meeting unless it is more than 30 calendar days before or after May 9, 2020.

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 7, 2020. 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 Georgeson LLC for a fee of \$20,000, plus expenses, to aid in the solicitation of proxies. Proxies may be solicited by personal interview, mail, telephone, facsimile, internet or other means of electronic distribution by our directors, officers and employees, who will not receive additional compensation for those services. Arrangements also may be made with brokerage houses and other custodians, nominees and fiduciaries for the forwarding of solicitation materials to the beneficial owners of shares held by those persons, and we will reimburse them for reasonable expenses incurred by them in connection with the forwarding of solicitation materials.

Forward-Looking Statements

The statements included in this proxy statement, including in the letter to shareholders and in the section entitled “Compensation Discussion and Analysis—Executive Summary—2018 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 2018 Annual Report and in our other filings with the SEC. Should one or more of these risks or uncertainties materialize (or the other consequences of such a development worsen), or should underlying assumptions prove incorrect, actual results may vary materially from those indicated or expressed or implied by such forward-looking statements. All subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by reference to these risks and uncertainties. You should not place undue reliance on forward-looking statements. Each forward-looking statement speaks only as of the date of the particular statement, and we undertake no obligation to publicly update or revise any forward-looking statements, except as required by law.

APPENDIX A

Transocean Ltd. and subsidiaries

Non-GAAP Financial Measures and Reconciliations

Earnings Before Interest, Taxes, Depreciation and Amortization and Related Margins

(in millions, except percentages)

	Year ended 12/31/18
Contract Drilling Revenues	\$ 3,018
Contract intangible amortization	112
Contract drilling revenues before amortization	3,130
Drilling contract termination fees	(124)
Adjusted Normalized Revenues	\$ 3,006
Net income (loss)	\$ (2,003)
Interest expense, net of interest income	567
Income tax expense	228
Depreciation expense	818
Contract intangible amortization	112
EBITDA	(278)
Acquisition and restructuring costs	34
Loss on impairment of goodwill and other assets	1,464
Bargain purchase gain	(10)
Gain on disposal of assets, net	7
Loss on retirement of debt	3
Adjusted EBITDA	1,206
Drilling contract termination fees	(124)
Adjusted Normalized EBITDA	\$ 1,082
EBITDA margin	(9) %
Adjusted EBITDA margin	39 %
Adjusted Normalized EBITDA margin	36 %

TRANSOCEAN LTD.

COMPENSATION REPORT

For the years ended December 31, 2018 and 2017

To the General Meeting of
Transocean Ltd., Steinhausen

Zurich, March 8, 2019

Report of the statutory auditor on the compensation report

We have audited the compensation report (pages CR-2 to CR-6) of Transocean Ltd. for the year ended December 31, 2018.

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 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, 2018 of Transocean Ltd. complies with Swiss law and articles 14 – 16 of the Ordinance.

Ernst & Young Ltd

/s/ Jolanda Dolente
Licensed audit expert
(Auditor in charge)

/s/ Jennifer Mathias
Certified public accountant

TRANSOCEAN LTD. COMPENSATION REPORT

General

Transocean Ltd. ("Transocean", "we", "us", or "our") is the parent company of Transocean Inc. 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.

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, 2018 and 2017. For a description of our governance framework relating to executive and director compensation, please refer to page P-42 et seq. of our 2019 Proxy Statement under the caption "Executive and Director Compensation Process." For a description of our directors' compensation principles, please refer to page P-49 et seq. of our 2019 Proxy Statement under the captions "Director Compensation Strategy" and "2018 Director Compensation." For a description of our Executive Management Team compensation principles, please refer to page P-55 et seq. of our 2019 Proxy Statement under the caption "Compensation Discussion and Analysis."

For the years ended December 31, 2018 and 2017, we have presented all compensation amounts in U.S. dollars and Swiss francs using the average annual currency exchange rate of USD 1.00 to CHF 0.98 and CHF 0.99, 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, 2018		Year ended December 31, 2017	
	Payment currency	Swiss franc equivalent	Payment currency	Swiss franc equivalent
Annual retainer for non-executive chairman	USD 325,000	CHF 317,753	USD 325,000	CHF 320,905
Annual retainer for non-executive vice-chairman	—	—	—	—
Annual retainer for non-employee directors	100,000	97,770	100,000	98,740
Annual award of restricted share units for non-executive chairman	325,000	317,753	325,000	320,905
Annual award of restricted share units for non-executive vice-chairman	—	—	—	—
Annual award of restricted share units for non-employee directors	210,000	205,317	210,000	207,354
Additional annual retainer for committee chairmen:				
Audit committee	35,000	34,220	35,000	34,559
Compensation committee	20,000	19,554	20,000	19,748
Corporate governance committee, finance committee, and health, safety and environment committee	10,000	9,777	10,000	9,874

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, 2018 and December 31, 2017.

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 shares upon vesting or to defer shares until the director no longer serves on the board.

TRANSOCEAN LTD.
COMPENSATION REPORT—continued

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

Name and function	Year ended December 31, 2018				Year ended December 31, 2017			
	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	CHF 650,651	CHF 317,753	CHF 332,898	24,981	CHF 634,138	CHF 320,905	CHF 313,233	29,871
	USD 665,491	USD 325,000	USD 340,491		USD 642,230	USD 325,000	USD 317,230	
Glyn Barker (d) Member of the board; chair of the audit committee; member of the finance committee	347,085	131,990	215,096	16,141	335,693	133,299	202,394	19,301
	355,002	135,000	220,002		339,977	135,000	204,977	
Vanessa C.L. Chang (c) Member of the board; member of the audit committee; member of the corporate governance committee since February 8, 2018; member of the finance committee until February 8, 2018	312,866	97,770	215,096	16,141	301,134	98,740	202,394	19,301
	320,002	100,000	220,002		304,977	100,000	204,977	
Frederico F. Curado (e) Member of the board; member of the compensation committee; member of the audit committee	312,866	97,770	215,096	16,141	301,134	98,740	202,394	19,301
	320,002	100,000	220,002		304,977	100,000	204,977	
Chad Deaton (c) Member of the board; chair of the health, safety and environment committee; member of the corporate governance committee	322,643	107,547	215,096	16,141	311,008	108,614	202,394	19,301
	330,002	110,000	220,002		314,977	110,000	204,977	
Tan Ek Kia (f) Member of the board; chair of the compensation committee; member of the health, safety and environment committee	332,420	117,324	215,096	16,141	320,882	118,488	202,394	19,301
	340,002	120,000	220,002		324,977	120,000	204,977	
Vincent J. Intrieri (c) Member of the board, chair of the corporate governance committee since February 8, 2018 and a prior member of such committee; member of the compensation committee; member of the finance committee	321,828	106,732	215,096	16,141	301,134	98,740	202,394	19,301
	329,169	109,167	220,002		304,977	100,000	204,977	
Samuel Merksamer (c) Member of the board; member of the finance committee; member of the health, safety and environment committee	312,866	97,770	215,096	16,141	301,134	98,740	202,394	19,301
	320,002	100,000	220,002		304,977	100,000	204,977	
Frederik Mohn (g) Member of the board; member of the audit committee since February 8, 2018; member of the health, safety and environment committee since February 8, 2018	304,718	89,623	215,096	16,141	—	—	—	—
	311,669	91,667	220,002		—	—	—	
Edward R. Muller (c) Member of the board; chair of the finance committee; member of the health, safety and environment committee	322,643	107,547	215,096	16,141	311,008	108,614	202,394	19,301
	330,002	110,000	220,002		314,977	110,000	204,977	
Martin B. McNamara (c)(h) Member of the board; chair of the corporate governance committee and member of the compensation committee until January 30, 2018	8,962	8,962	—	—	311,008	108,614	202,394	19,301
	9,167	9,167	—		314,977	110,000	204,977	
Total (CHF)	CHF 3,549,548	CHF 1,280,788	CHF 2,268,762	170,250	CHF 3,428,272	1,293,494	2,134,778	203,580
Total (USD)	USD 3,630,510	USD 1,310,001	USD 2,320,508		USD 3,472,020	1,310,000	2,162,020	

- (a) Fees earned include cash retainer fees.
- (b) For the years ended December 31, 2018 and 2017, we estimated the fair value of restricted share units to be USD 13.63 and USD 10.62, respectively, equivalent to CHF 13.33 and CHF 10.49, respectively, based on the market price of our shares as reported on the NYSE on the grant date.
- (c) Total compensation is not subject to employer-paid social taxes.
- (d) In addition to the total compensation presented above, Mr. Barker received compensation representing employer-paid U.K. social taxes. In the years ended December 31, 2018 and 2017, such employer-paid social taxes on Transocean compensation were USD 18,630 and USD 18,395, respectively, equivalent to CHF 18,215 and CHF 18,163, respectively.
- (e) In addition to the total compensation presented above, Mr. Curado received compensation representing employer-paid Swiss social taxes. In the years ended December 31, 2018 and 2017, such employer-paid social taxes were USD 7,945 and USD 7,845, respectively, equivalent to CHF 7,768 and CHF 7,746, 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, 2018 and 2017, such employer-paid social taxes were USD 7,327 and USD 7,247, respectively, equivalent to CHF 7,163 and CHF 7,156, respectively.
- (g) In addition to the total compensation presented above, Mr. Mohn received compensation representing employer-paid Swiss social taxes. In the year ended December 31, 2018, such employer-paid social taxes were USD 7,283, equivalent to CHF 7,121.
- (h) Effective January 30, 2018, Mr. McNamara retired from the Board of Directors.

TRANSOCEAN LTD.
COMPENSATION REPORT—continued

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, 2018			Year ended December 31, 2017		
	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 2,320,443 USD 2,373,369	CHF 6,161,558 USD 6,302,094	CHF 8,482,001 USD 8,675,463	CHF 3,066,519 USD 3,105,650	CHF 5,876,266 USD 5,951,252	CHF 8,942,785 USD 9,056,902
Mark-Anthony Lovell Mey Executive Vice President and Chief Financial Officer since May 28, 2015	1,475,839 1,509,501	2,376,598 2,430,806	3,852,437 3,940,307	1,931,853 1,956,505	2,538,557 2,570,951	4,470,410 4,527,456
Keelan I. Adamson Executive Vice President and Chief Operations Officer since August 10, 2018	452,127 462,439	— —	452,127 462,439	— —	— —	— —
John B. Stobart Executive Vice President and Chief Operating and Performance Officer until June 1, 2018	1,498,075 1,532,244	2,385,413 2,439,822	3,883,488 3,972,066	2,145,836 2,173,219	2,547,940 2,580,454	4,693,776 4,753,673
Total (CHF)	CHF 5,746,484	CHF 10,923,569	CHF 16,670,053	CHF 7,144,208	CHF 10,962,763	CHF 18,106,970
Total (USD)	USD 5,877,553	USD 11,172,722	USD 17,050,275	USD 7,235,374	USD 11,102,657	USD 18,338,031

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, 2018					
	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 977,700 USD 1,000,000	CHF 941,036 USD 962,500	CHF — USD —	CHF 259,677 USD 265,600	CHF 142,030 USD 145,269	CHF 2,320,443 USD 2,373,369
Mark-Anthony Lovell Mey	743,052 760,000	486,328 497,420	— —	161,465 165,148	84,994 86,933	1,475,839 1,509,501
Keelan I. Adamson (d)	228,870 234,090	132,173 135,188	— —	71,380 73,008	19,704 20,154	452,127 462,439
John B. Stobart	655,059 670,000	252,198 257,950	357,763 365,923	155,904 159,460	77,151 78,911	1,498,075 1,532,244
Total (CHF)	CHF 2,604,681	CHF 1,811,735	CHF 357,763	CHF 648,426	CHF 323,879	CHF 5,746,484
Total (USD)	USD 2,664,090	USD 1,853,058	USD 365,923	USD 663,216	USD 331,267	USD 5,877,553

- (a) Bonus represents the amount earned in the year ended December 31, 2018, but not paid as of December 31, 2018.
- (b) Additional compensation for Mr. Stobart includes relocation expenses and payment for his notice period in accordance with the terms of his employment agreement.
- (c) Includes employer-paid social taxes and costs of health benefits, such as medical and dental insurance. Through December 31, 2018, Mr. Adamson has accrued benefits of USD 369,847, equivalent to CHF 361,599 under the Transocean Ltd. Pension Equalization Plan and USD 383,692, equivalent to CHF 375,136 under the Transocean U.S. Retirement Plan. Mr. Stobart has accrued benefits of USD 217,968, equivalent to CHF 213,107 under the Transocean Ltd. Pension Equalization Plan and USD 89,306, equivalent to CHF 87,314 under the Transocean U.S. Retirement Plan.
- (d) Mr. Adamson's compensation is prorated for 2018 based on his August 10, 2018 appointment to the Executive Management Team.

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 USD 1,000,000	CHF 1,635,134 USD 1,656,000	CHF 40,978 USD 41,501	CHF 295,430 USD 299,200	CHF 107,576 USD 108,949	CHF 3,066,519 USD 3,105,650
Mark-Anthony Lovell Mey	750,424 760,000	880,247 891,480	49,909 50,546	180,927 183,236	70,345 71,243	1,931,853 1,956,505
John B. Stobart	661,558 670,000	912,950 924,600	308,294 312,228	180,927 183,236	82,107 83,155	2,145,836 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 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 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.

TRANSOCEAN LTD.
COMPENSATION REPORT—continued

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, 2018 and 2017, we granted performance share units to members of our Executive Management Team. Such performance share units are subject to a three-year performance period during which the actual number of units remain uncertain. The number of performance share units presented below represents the targeted number of shares awarded. The actual number of share units earned will be determined in the first 60 days following the performance period based on performance thresholds and may range between zero and two shares per performance share unit.

Share-based compensation awards were granted as follows:

Name	Year ended December 31, 2018										
	Stock options		Restricted share units		Performance share units		Total share-based compensation				
	Options (a)	Fair value	Units (a)	Fair value	Units (a)(b)	Fair value					
Jeremy D. Thigpen	328,947	CHF	1,450,468	163,399	CHF	1,466,553	307,557	CHF	3,244,537	CHF	6,161,558
		USD	1,483,551		USD	1,500,003		USD	3,318,540	USD	6,302,094
Mark-Anthony Lovell Mey	126,880		559,468	63,025		565,667	118,629		1,251,463		2,376,598
			572,229			578,570			1,280,007		2,430,806
Keelan I. Adamson (c)	—		—	—		—	—		—		—
John B. Stobart	127,350		561,541	63,259		567,768	119,069		1,256,104		2,385,413
			574,349			580,718			1,284,755		2,439,822
Total (CHF)		CHF	2,571,477		CHF	2,599,988		CHF	5,752,104	CHF	10,923,569
Total (USD)	583,177	USD	2,630,129	289,683	USD	2,659,291	545,255	USD	5,883,302	USD	11,172,722

- (a) We granted stock options, restricted share units and performance share units to the members of our Executive Management Team on February 8, 2018.
(b) The three-year performance period is January 1, 2018 to December 31, 2020 and is based on our total shareholder return relative to our performance peer group.
(c) Mr. Adamson did not receive any awards of share-based compensation at the time of his appointment to the Executive Management Team.

Name	Year ended December 31, 2017										
	Stock options		Restricted share units		Performance share units		Total share-based compensation				
	Options (a)	Fair value	Units (a)	Fair value	Units (a)(b)	Fair value					
Jeremy D. Thigpen	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)		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.

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, 2018. At December 31, 2018 and 2017, 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.

TRANSOCEAN LTD.
COMPENSATION REPORT—continued

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

During the year ended December 31, 2018 we paid former non-employee board member, Martin McNamara, USD 9,167, equivalent to CHF 8,962, representing 2018 prorated fees prior to retirement. Additionally, we paid former Executive Management Team member, John Stobart, USD 3,972,065, equivalent to CHF 3,883,488, which included compensation for his service as COO through June 2018 as well as compensation for his notice period. These amounts for Mr. McNamara and Mr. Stobart are included in the total compensation tables above.

During the year ended December 31, 2017 we did not pay or grant any compensation to former members of our Board of Directors or our Executive Management Team or to related persons of active or former members of our Board of Directors or our Executive Management Team.

TRANSOCEAN LTD.

CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2018, 2017 and 2016

TRANSOCEAN LTD. AND SUBSIDIARIES
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Forward-Looking Information

The statements included in this annual report regarding future financial performance and results of operations and other statements that are not historical facts are forward-looking statements within the meaning of Section 27A of the United States (“U.S.”) Securities Act of 1933 and Section 21E of the U.S. Securities Exchange Act of 1934. Forward-looking statements in this annual report include, but are not limited to, statements about the following subjects:

- our results of operations, 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 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, renegotiations, 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 (“Songa”), a European public company limited by shares, or *societas Europaea*, existing under the laws of Cyprus or the acquisition of Ocean Rig UDW Inc. (“Ocean Rig”), a Cayman Islands exempted company with limited liability;
- the success of our business following completion of the acquisition of Songa or Ocean Rig;
- the ability to successfully integrate our business with the Songa and Ocean Rig businesses;
- the risk that we may be unable to achieve expected synergies from the acquisitions of Songa or Ocean Rig or that it may take longer or be more costly than expected to achieve those synergies;
- 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;
- 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;
- 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 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 11, 2019, we owned or had partial ownership interests in and operated a fleet of 49 mobile offshore drilling units, consisting of 31 ultra-deepwater floaters, 14 harsh environment floaters and four midwater floaters. As of February 11, 2019, we were constructing (i) four additional ultra-deepwater drillships and (ii) one additional harsh environment semisubmersible, in which we hold a partial ownership interest.

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. 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 20—Operating Segments, Geographic Analysis and Major Customers.”

Recent Developments

Business combinations—On January 30, 2018, we acquired 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”). On March 28, 2018, we acquired the remaining shares not owned by us through a compulsory acquisition under Cyprus law, and as a result, Songa became our wholly owned subsidiary. To complete these transactions, we issued 68.0 million shares and \$863 million aggregate principal amount of 0.50% exchangeable senior bonds due January 30, 2023. As a result of the acquisition, we acquired seven mobile offshore drilling units, including five harsh environment floaters and two midwater floaters.

On December 5, 2018, we acquired Ocean Rig UDW Inc. (“Ocean Rig”), a Cayman Islands exempted company with limited liability, in a merger transaction, and as a result, Ocean Rig became our wholly owned subsidiary. To complete the acquisition, we issued 147.7 million shares and made an aggregate cash payment of \$1.2 billion. As a result of the acquisition, we acquired (i) 11 mobile offshore drilling units, including nine ultra-deepwater floaters and two harsh environment floaters, and (ii) the contracts relating to the construction of two ultra-deepwater drillships. In February 2019, we committed to plans to sell one ultra-deepwater floater and one harsh environment floater acquired in the Ocean Rig acquisition.

See “Part II. Item 8. Financial Statements and Supplementary Data—Notes to Consolidated Financial Statements—Note 4—Business Combinations.”

Drilling Fleet

Fleet overview—Our drilling fleet of floaters consists of drillships and semisubmersibles, which are mobile and can be moved to new locations in response to customer demand. Our drilling equipment is suitable for both exploration and development, and we engage in both types of drilling activity. 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. Our high-specification drillships are equipped with dynamic positioning thruster systems, which allows them to maintain position without anchors through the use of onboard propulsion and station-keeping systems. Ultra-deepwater drillships 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 25 ultra-deepwater drillships that are, and four ultra-deepwater drillships under construction that will be, equipped with our patented dual-activity technology. Dual-activity technology employs structures, equipment and techniques using two drilling stations within a dual derrick to allow these drillships to perform simultaneous drilling tasks in a parallel, rather than a sequential manner, which reduces critical path activity and improves efficiency in both exploration and development drilling. In addition to dynamic positioning thruster systems, dual-activity technology and industry-leading hoisting capacity, one of our newbuild drillships under construction, which was recently contracted, will be equipped with and another newbuild drillship will be equipped to accommodate two 20,000 pounds per square inch (“psi”) blowout preventers.

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. Semisubmersibles are known for stability, making them well suited for operating in rough sea conditions. Semisubmersible floaters are capable of maintaining their position over a well either through dynamic positioning or the use of mooring systems. 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. Five of our 22 semisubmersibles are equipped with dual-activity technology and also have mooring capability. Two of these five dual-activity units are custom-designed, high capacity semisubmersible drilling rigs, equipped for year-round operations in harsh environments, including those of the Norwegian continental shelf and sub-Arctic waters.

Fleet categories—We further categorize the drilling units of our fleet as follows: (1) “ultra-deepwater floaters,” (2) “harsh environment floaters” and (3) “midwater floaters”. Ultra-deepwater floaters are equipped with high-pressure mud pumps and are capable of drilling in water depths of 4,500 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. 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 11, 2019, we owned and operated a fleet of 49 rigs, excluding five newbuilds under construction, as follows:

- 31 ultra-deepwater floaters;
- 14 harsh environment floaters; and
- Four 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 operating 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, the 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 not return some stacked rigs to work for drilling services.

Drilling units—The following tables, presented as of February 11, 2019, provide certain specifications for our rigs. Unless otherwise noted, the stated location of each rig indicates either the current drilling location, if the rig is operating, or the next operating location, if the rig is in shipyard with a follow-on contract. 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 11, 2019, we owned all of the drilling rigs in our fleet noted in the tables below, except for the following: (1) the harsh environment floater *Transocean Norge*, which is under construction and owned through our 33.0 percent ownership interest in Orion Holdings (Cayman) Limited, and (2) the ultra-deepwater floater *Petrobras 10000*, which is subject to a capital lease through August 2029.

Rig category and name	Type	Expected completion	Water depth capacity (in feet)	Drilling depth capacity (in feet)	Contracted location or contracted status
Rigs under construction (5)					
Ultra-deepwater floaters					
Ocean Rig Santorini (a) (b) (c)	Drillship	3Q 2019	12,000	40,000	Uncontracted
Ultra-deepwater drillship TBN1 (a) (b) (c) (d)	Drillship	2Q 2020	12,000	40,000	Uncontracted
Ocean Rig Crete (a) (b) (c)	Drillship	3Q 2020	12,000	40,000	Uncontracted
Ultra-deepwater drillship TBN2 (a) (b) (c) (e)	Drillship	4Q 2021	12,000	40,000	U.S. Gulf
Harsh environment floater					
Transocean Norge (a) (f)	Semisubmersible	3Q 2019	10,000	40,000	Norwegian N. Sea

- (a) To be dynamically positioned.
- (b) To be equipped with our patented dual activity.
- (c) To be equipped with two blowout preventers.
- (d) Designed to accommodate a future upgrade to 20,000 pounds psi blowout preventers.
- (e) To be equipped with two 20,000 pounds psi blowout preventers.
- (f) To be equipped with mooring equipment.

Rig category and name	Type	Year entered service	Water depth capacity (in feet)	Drilling depth capacity (in feet)	Contracted location or standby status
Ultra-deepwater floaters (31)					
Deepwater Poseidon (a) (b) (c) (d)	Drillship	2018	12,000	40,000	U.S. Gulf
Deepwater Pontus (a) (b) (c) (d)	Drillship	2017	12,000	40,000	U.S. Gulf
Deepwater Conqueror (a) (b) (c) (d)	Drillship	2016	12,000	40,000	U.S. Gulf
Deepwater Proteus (a) (b) (c) (d)	Drillship	2016	12,000	40,000	U.S. Gulf
Deepwater Thalassa (a) (b) (c) (d)	Drillship	2016	12,000	40,000	U.S. Gulf
Ocean Rig Apollo (a) (b)	Drillship	2015	12,000	40,000	Stacked
Ocean Rig Athena (a) (b)	Drillship	2014	12,000	40,000	Stacked
Deepwater Asgard (a) (b) (d)	Drillship	2014	12,000	40,000	Mexico Gulf
Deepwater Invictus (a) (b) (d)	Drillship	2014	12,000	40,000	Trinidad
Ocean Rig Skyros (a) (b)	Drillship	2013	12,000	40,000	Angola
Ocean Rig Mylos (a) (b)	Drillship	2013	12,000	40,000	Stacked
Deepwater Champion (a) (b)	Drillship	2011	12,000	40,000	Stacked
Ocean Rig Corcovado (a) (b)	Drillship	2011	10,000	35,000	Idle
Ocean Rig Mykonos (a) (b)	Drillship	2011	10,000	35,000	Idle
Ocean Rig Poseidon (a) (b)	Drillship	2011	10,000	35,000	Angola
Ocean Rig Olympia (a) (b)	Drillship	2011	10,000	35,000	Stacked
Discoverer India (a) (b) (e)	Drillship	2010	12,000	40,000	Ivory Coast
Discoverer Luanda (a) (b) (e)	Drillship	2010	7,500	40,000	Stacked
Dhirubhai Deepwater KG2 (a)	Drillship	2010	12,000	35,000	China
Discoverer Inspiration (a) (b) (d) (e)	Drillship	2010	12,000	40,000	U.S. Gulf
Discoverer Americas (a) (b) (e)	Drillship	2009	12,000	40,000	Stacked
Development Driller III (a) (b) (f)	Semisubmersible	2009	7,500	37,500	Equatorial Guinea
Petrobras 10000 (a) (b)	Drillship	2009	12,000	37,500	Brazil
Discoverer Clear Leader (a) (b) (d) (e)	Drillship	2009	12,000	40,000	Idle
Dhirubhai Deepwater KG1 (a)	Drillship	2009	12,000	35,000	India
GSF Development Driller II (a) (b) (f)	Semisubmersible	2005	7,500	37,500	Stacked
GSF Development Driller I (a) (b) (f)	Semisubmersible	2005	7,500	37,500	Australia
Discoverer Deep Seas (a) (b) (e)	Drillship	2001	10,000	35,000	Stacked
Discoverer Spirit (a) (b) (e)	Drillship	2000	10,000	35,000	Stacked
Deepwater Nautilus (f)	Semisubmersible	2000	8,000	30,000	Brunei
Discoverer Enterprise (a) (b) (e)	Drillship	1999	10,000	35,000	Stacked

Harsh environment floaters (14)

Transocean Enabler (a) (f)	Semisubmersible	2016	1,640	28,000	Norwegian N. Sea
Transocean Encourage (a) (f)	Semisubmersible	2016	1,640	28,000	Norwegian N. Sea
Transocean Endurance (a) (f)	Semisubmersible	2015	1,640	28,000	Norwegian N. Sea
Transocean Equinox (a) (f)	Semisubmersible	2015	1,640	28,000	Norwegian N. Sea
Polar Pioneer (f)	Semisubmersible	1985/2014	1,500	25,000	Stacked
Songa Dee (f)	Semisubmersible	1984/2014	1,500	30,000	Stacked
Transocean Spitsbergen (a) (f) (g)	Semisubmersible	2010	10,000	30,000	Norwegian N. Sea
Transocean Barents (a) (f) (g)	Semisubmersible	2009	10,000	30,000	Canada
Henry Goodrich (f)	Semisubmersible	1985/2007	5,000	30,000	Canada
Eirik Raude (a) (h)	Semisubmersible	2002	9,800	30,000	Stacked
Leiv Eiriksson (a) (f)	Semisubmersible	2001	7,500	25,000	Norwegian N. Sea
Transocean Leader (f)	Semisubmersible	1987/1997	4,500	25,000	U.K. N. Sea
Paul B. Loyd, Jr. (f)	Semisubmersible	1990	2,000	25,000	U.K. N. Sea
Transocean Arctic (f)	Semisubmersible	1986	1,650	25,000	Norwegian N. Sea

Midwater floaters (4)

Sedco 714 (f)	Semisubmersible	1983/1997	1,600	25,000	Stacked
Transocean 712 (f)	Semisubmersible	1983	1,600	25,000	U.K. N. Sea
Actinia (f)	Semisubmersible	1982	1,500	25,000	India
Sedco 711 (f)	Semisubmersible	1982	1,800	25,000	Stacked

- (a) Dynamically positioned.
- (b) Patented dual activity.
- (c) Designed to accommodate a future upgrade to 20,000 pounds psi blowout preventers.
- (d) Two blowout preventers.
- (e) Enterprise-class or Enhanced Enterprise-class rig.
- (f) Moored.
- (g) Dual activity.
- (h) Later in February 2019, we committed to a plan to sell *Eirik Raude* and related assets.

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 to capture demand in another locale. Consequently, we cannot predict the percentage of our revenues that will be derived from particular geographic areas in future periods. As of February 11, 2019, our drilling fleet, including stacked and idle rigs, but excluding rigs under construction, was located in the Norwegian North Sea (nine units), the United States (“U.S.”) Gulf of Mexico (seven units), Trinidad (six units), Greece (five units), United Kingdom (“U.K.”) North Sea (five units), Angola (two units), Canada (two units), India (two units), Spain (two units), Australia (one unit), Brazil (one unit), Brunei (one unit), China (one unit), Equatorial Guinea (one unit), Ivory Coast (one unit), Malaysia (one unit), Mexican Gulf of Mexico (one unit) and Romania (one unit).

We categorize the market sectors in which we operate as follows: (1) ultra-deepwater and deepwater, (2) harsh environment and (3) midwater. These market sectors, collectively known as the floater market, are serviced by our drillships and semisubmersibles, 14 of which are suited to work in harsh environments. We generally view the ultra-deepwater and deepwater market sector as water depths beginning at 4,500 feet and extending to the maximum water depths in which rigs are capable of drilling, which is currently up to 12,000 feet. The midwater market sector services water depths from approximately 300 feet to approximately 4,500 feet. The harsh environment market sector services regions that are more challenged by lower temperatures, harsher weather conditions and water currents.

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.

In recent years, the industry has experienced a severe, prolonged cyclical downturn. Multiple years of volatile and generally weak commodity prices have resulted in our customers delaying offshore investment decisions and postponing exploration and production programs. Structural efficiency gains implemented by industry participants in reaction to the downturn have given customers more flexibility to progress exploration and development plans in a lower commodity pricing environment, which resulted in increased customer project sanctioning in 2018. We anticipate this trend of increased project sanctioning to continue in 2019 as our customers realize improved offshore economics, making them less sensitive to market volatility, and sharpening their focus on exploration and reserve replacement. 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 resulted in improved fleet utilization, which has caused increased dayrates on high-specification rigs being tendered for new work over the past year. Outside of harsh environment markets, however, persistent excess supply of ultra-deepwater floaters relative to demand has delayed improvement of dayrates. 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.

Our recent acquisitions of Songa and Ocean Rig have significantly enhanced our high-specification asset portfolio. The Songa acquisition improved our fleet profile with harsh environment units for which we have already seen improved demand. The Ocean Rig acquisition further improved our fleet profile by adding high-specification ultra-deepwater units that we expect to be in high demand as the market improves and the offshore drilling industry continues to prioritize the most modern and capable assets. We have also made concerted efforts since the beginning of the downturn to high-grade our fleet through divestment of lower-specification assets. During the years ended December 31, 2018, 2017 and 2016, we sold for scrap value eight, three and 11 drilling units, respectively, and at December 31, 2018, 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 our customers implement the structural efficiency gains, 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.”

Contract Drilling Services

Our contracts to provide offshore drilling services are individually negotiated and vary in their terms and conditions. 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 rate 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, 2018, our contract backlog was approximately \$12.5 billion, representing an increase of 32 percent and seven percent, respectively, compared to the contract backlog at December 31, 2017 and 2016, which was \$9.5 billion and \$11.7 billion, respectively. See “Part II. Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Performance and Other Key Indicators.”

Certain of our drilling contracts 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, 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 financial position, 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.”

Under dayrate drilling contracts, consistent with standard industry practice, our customers, as the operators, generally assume, and grant indemnity for, subsurface and well control risks, and their consequential damages. Under all of our current drilling contracts, our customers, indemnify us for pollution damages in connection with reservoir fluids stemming from operations under the contract, and we indemnify our customers for pollution that originates above the surface of the water from the rig from substances in our control, such as diesel used onboard the rig or other fluids stored onboard the rig. Also, our customers indemnify us for consequential damages they incur, damage to the well or reservoir, 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 our customers for the risks discussed above may 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 financial position, results of operations or cash flows.

Significant Customers

We engage in offshore drilling services for most of the leading integrated oil companies or their affiliates, as well as for many government-controlled oil companies and independent oil companies. For the year ended December 31, 2018, our most significant customers were Royal Dutch Shell plc (together with its affiliates, “Shell”), Chevron Corporation (together with its affiliates, “Chevron”) and Equinor ASA (together with its affiliates, “Equinor”), representing approximately 26 percent, 21 percent and 18 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, 2018. Additionally, as of February 11, 2019, the customers with the most significant aggregate amount of contract backlog associated with our drilling contracts were Shell, Equinor and Chevron, representing approximately 45 percent, 28 percent and 15 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 an adverse effect on our consolidated 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, 2018, we had approximately 6,700 employees, including approximately 800 persons engaged through contract labor providers. Approximately 34 percent of our total workforce, working primarily in Norway, Brazil, the U.K.

and Australia 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 since local laws or customs in those areas 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. We may also enter into joint ventures for operational or investment purposes. We may or may not control these joint ventures. We participate in several joint venture companies, principally in the Cayman Islands, Angola, Indonesia, Malaysia and Nigeria. At December 31, 2018, we held interests in certain joint venture companies in the Cayman Islands, Angola, Indonesia, Malaysia, Nigeria and other countries, the most significant of which were as follows:

We hold a 33.0 percent ownership interest in Orion Holdings (Cayman) Limited, an unconsolidated Cayman Islands exempted company formed to construct and own the newbuild harsh environment semisubmersible *Transocean Norge*. Our partners, certain affiliates of Hayfin Capital Management LLP, own the remaining 67.0 percent ownership interest not owned by us.

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.

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-five drillships and three semisubmersibles in our existing fleet are, and our four drillships that are under construction will be, equipped with our patented dual-activity technology, and two of our semisubmersibles are equipped with another form of dual-activity technology. Dual-activity 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 four 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 two of our drillships that are under construction will be, designed to accept 20,000 psi blowout preventers in the future, and we recently contracted one of the drillships under construction to be equipped as such. Seven of our harsh environment semi-submersibles are designed and constructed specifically to provide highly efficient performance in the Norwegian North Sea 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 global environmental standards. 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 U.S. Securities and Exchange Commission ("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 have a greater impact on 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 often 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 is highly cyclical and is impacted by oil and natural gas price levels and volatility. Periods of high customer demand, limited rig supply and high dayrates have been 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. The number of new units expected to be delivered without contracts, combined with the expected increase in the number of rigs in the global market completing contracts and becoming idle, has intensified and may further intensify price competition. 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. Any further near-term increase in the construction of new units would likely exacerbate the negative impact of increased supply on dayrates and rig utilization rates. Additional rigs that remain under construction, and the entry into service of these new units will increase overall supply. In an oversupplied market, we may have limited bargaining power to negotiate on more favorable terms. 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. Lower dayrates and rig utilization rates could adversely affect our revenues and profitability.

As of February 11, 2019, we have 19 uncontracted rigs, including seven uncontracted rigs recently acquired in the Ocean Rig acquisition. These rigs may remain out of service for extended periods of time. We also have three additional rigs under construction that have not been contracted for work. If we are unable to obtain drilling contracts for our uncontracted rigs, whether due to a prolonged offshore drilling market recovery or otherwise, it may have an adverse effect on our results of operations and cash flows, and we may not be able to realize the expected synergies and other benefits of the acquisition on the timeline currently expected or at all.

- ***Our current backlog of contract drilling revenue may not be fully realized.***

At February 11, 2019, our contract backlog was approximately \$12.2 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 generally insignificant to our contract drilling revenues. 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 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 due to 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 financial position, results of operations or cash flows.

- ***We may not be able to renew or obtain new drilling contracts for rigs whose contracts are expiring or obtain drilling contracts for our stacked and idle rigs or 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. As of February 11, 2019, we have 19 stacked or idle rigs and three ultra-deepwater drillships under construction that do not have customer drilling contracts. We also have nine existing drilling contracts for our rigs that are currently operating, which are scheduled to expire before December 31, 2019. 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 financial position, results of operations or cash flows.

- ***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 a weak commodity price environment as operators look to reduce their capital expenditures. 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, 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 financial position, results of operations or cash flows. See "Item 1. Business—Contract Drilling Services."

- ***We must make substantial capital and operating expenditures to maintain our active fleet or to reactivate our stacked or idle fleet, and we may be required to make significant capital expenditures to maintain our competitiveness, to execute our growth plan and to comply with laws and applicable regulations and standards of governmental authorities and organizations.***

We must make substantial capital and operating expenditures to maintain our active fleet or to reactivate our stacked or idle 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. 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 and to execute our growth plan. Changes in governmental regulations, safety or other equipment standards, as well as compliance with standards imposed by maritime self-regulatory organizations, may cause our capital expenditures to increase or require us to make additional unforeseen capital expenditures. As a result of these factors, 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.

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, perceptions of us or our industry, 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 financial position, results of operations and cash flows.

- ***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, 2018 and 2017, our total debt was \$10.0 billion and \$7.4 billion, respectively, of which \$2.6 billion and \$1.4 billion, respectively, was secured. 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."

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

Two credit rating agencies have rated our non-credit enhanced senior unsecured long-term debt (our “Debt Rating”) below investment grade. Our Debt Ratings could have adverse consequences for our business and future prospects and could cause the following:

- limitations on our ability to access debt markets, including for the purpose of refinancing our existing debt or replacing our existing credit agreement;
- less favorable terms and conditions on any refinancing arrangements, debt issuances or bank credit agreements, some of which could require collateral and restrict, among other things, our ability to pay distributions or repurchase shares;
- increases to certain fees under our bank credit facilities and interest rates under indentures governing certain of our senior notes;
- reduced willingness of current and prospective customers to transact business with us;
- requirements from creditors or customers for additional insurance, guarantees and collateral;
- limitations on our access to bank and third-party guarantees, surety bonds and letters of credit; and
- reductions to or eliminations of the level of credit suppliers and financial institutions may provide 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.

Our Debt Ratings have caused some of the effects listed above, and any further downgrades may cause or exacerbate, any of the effects listed above and could have an adverse effect on our business and financial condition.

- ***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 an adverse effect on our consolidated financial position, results of operations or cash flows.***

We engage in offshore drilling services for most of the leading integrated oil companies or their affiliates, as well as for many government-controlled oil companies and independent oil companies. For the year ended December 31, 2018, our most significant customers were Shell, Chevron and Equinor, accounting for approximately 26 percent, 21 percent and 18 percent, respectively, of our total contract drilling revenues. As of February 11, 2019, the customers with the most significant aggregate amount of contract backlog were Shell, Equinor and Chevron, representing approximately 45 percent, 28 percent and 15 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 an adverse effect on our business and on our consolidated financial position, results of operations or 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 expenditures 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 an adverse effect on our business and on our consolidated financial position, results of operations or cash flows.

- ***Worldwide financial, economic and political conditions could have a material adverse effect on our consolidated 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 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 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 reassigned 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. The amount of contract preparation and reactivation costs vary based on the scope and length of the contract preparation or reactivation project, and the recognition of such costs varies depending on the duration of the firm contractual period and other contract terms.

■ ***Our shipyard projects and operations are subject to delays and cost overruns.***

As of February 11, 2019, we had under construction four ultra-deepwater drillships and one harsh environment semisubmersible, in which we have a partial ownership interest. 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 revenues we could earn, 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.

■ ***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 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, some of which 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 and compliance with any such new legislation or regulations could have an adverse effect on our business or on our consolidated financial position, results of operations or cash flows.

As contract driller with operations in certain 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. 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 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. and non-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.

Certain of our drilling contracts are partially payable in local currency. The amounts, if any, of local currency received under these drilling contracts may exceed our local currency needs, leading to an accumulation of excess local currency balances, 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.

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 conduct our operations 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 have a material adverse effect on our business and on our consolidated 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 we self-insure \$50 million of the \$750 million excess liability coverage through our wholly owned captive insurance company. We also retain the risk for any liability that exceeds our 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 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.

- ***The continuing effects of the enhanced regulations enacted following the Macondo well incident and of agreements applicable to us could have an adverse effect on our business and worldwide operations.***

Following the Macondo well incident, enhanced governmental safety and environmental requirements applicable to our 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 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 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 the 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 an adverse effect on our revenues and profitability.

- ***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 divestitures, acquisitions 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, such as the following:

- 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 adverse consequences could arise in the integration or separation processes, including unanticipated restructuring or separation costs and liabilities, as well as delays or other difficulties in transitioning, coordinating, consolidating, replacing and integrating personnel, information and management systems, and customer products and services; and
- the diversion of management and key employees' attention may detract from our ability to increase revenues and minimize costs.

- ***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 34 percent of our total workforce, primarily employed in Norway, Brazil, the U.K. and Australia, 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 or our consolidated financial position 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 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 with potential customers or retain existing business with 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.***

Scientific studies have suggested that emissions of certain gases, including greenhouse gases, carbon dioxide and methane, contribute 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. For example, in December 2015, 195 nations adopted the Paris Agreement, which went into effect in November 2016. The Paris Agreement aims to limit increases in global temperatures to well below two degrees Celsius. While the greenhouse gas emission reductions called for by the Paris Agreement are not binding, we expect continued and increased attention to climate change. This attention has led, and we expect it to continue to lead, to additional regulations designed to reduce greenhouse gas emissions domestically and internationally. 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 an adverse effect 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 13—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, which could have an adverse effect on our financial position, results of operations or cash flows.

- ***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. Our data protection measures and measures taken by our customers and vendors may not prevent

unauthorized access of information technology systems. Threats to our information technology systems, and the systems of our customers and vendors, associated with cybersecurity risks and cyber-incidents or attacks continue to grow. Threats to our systems and our customers' and vendors' systems may derive from human error, fraud or malice on the part of employees or third parties, or may result from accidental technological failure. In addition, breaches to our systems and systems of our customers and vendors 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 and vendor data; disruption of our customers' and vendors' operations; loss or damage to our customer and vendor 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 or on our consolidated financial position, results of operations or cash flows.

In addition, new laws and regulations governing data privacy and the unauthorized disclosure of confidential information, including the European Union General Data Protection Regulation and recent California legislation, pose increasingly complex compliance challenges and potentially elevate our costs. Any failure by us to comply with these laws and regulations, including as a result of a security or privacy breach, could result in significant penalties and liabilities for us. Additionally, if we acquire a company that has violated or is not in compliance with applicable data protection laws, we may incur significant liabilities and penalties as a result.

- ***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 business and results of operations.***

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. The 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 our operations and have an adverse effect on our results of operations.

- ***We may not realize the anticipated benefits of the acquisition of Songa or Ocean Rig.***

We believe these acquisitions will provide benefits to the combined company as described in our other filings with the SEC. However, there is a risk that some or all of the expected benefits of either or both acquisitions may fail to materialize, or may not occur within the time periods anticipated. The realization of such benefits may be affected by a number of factors, many of which are beyond our control, including but not limited to the strength or weakness of the economy and competitive factors in the areas where we do business, the effects of competition in the markets in which we operate, and the impact of changes in the laws and regulations regulating the offshore drilling industry or affecting domestic or foreign operations. The challenge of coordinating previously separate businesses makes evaluating the business and future financial prospects of the combined company following the acquisition difficult. The success of the acquisitions, including anticipated benefits and cost savings, will depend, in part, on our ability to successfully integrate the operations of each of these companies in a manner that results in various benefits, including, among other things, an expanded market reach and operating efficiencies, and that does not materially disrupt existing relationships nor result in decreased revenues or dividends. Failure to realize the anticipated benefits of the acquisitions may impact the financial performance of the combined company.

- ***We have incurred significant transaction and acquisition-related costs and may incur significant integration costs in connection with the acquisitions.***

We have incurred substantial costs in connection with the negotiation and completion of acquisitions of Songa and Ocean Rig. We have incurred significant legal, advisory and financial services fees in connection with the process of negotiating and evaluating the terms of each acquisition. Additional significant unanticipated costs may be incurred as we continue to combine and integrate the acquired businesses. We also have incurred and will continue to incur transaction fees and costs related to formulating and implementing integration plans, including facilities and systems consolidation costs and employment-related costs. We continue to assess the magnitude of these costs, and additional unanticipated costs may be incurred as we continue to integrate the companies' businesses. Although we expect that the elimination of duplicative costs, as well as the realization of other efficiencies related to the integration of the businesses, which should allow us to offset integration-related costs over time, this net benefit may not be achieved in the near term, or at

all (see the risk factor titled “We may not realize the anticipated benefits of the acquisition of Songa or Ocean Rig” above). These costs described above, as well as other unanticipated costs and expenses, could have an adverse effect on our consolidated financial position, operating results and cash flows.

Other risks

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

At December 31, 2018, the carrying amount of our property and equipment was \$20.4 billion, representing 80 percent of our total assets. In accordance with our 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. We also review the carrying amounts of assets at the time that we classify such assets as held for sale. In the year ended December 31, 2018, we recognized an aggregate loss of \$999 million associated with the impairment of certain assets that we determined were impaired at the time the assets were classified as held for sale. In the year ended December 31, 2017, we recognized an aggregate loss of \$1.4 billion associated with the impairment of certain assets that we determined were impaired at the time the assets were classified as held for sale and an aggregate loss of \$94 million associated with the impairment of our midwater floater asset group. Future expectations of lower dayrates or rig utilization rates or a significant change to the composition of one or more of our asset groups could result in the recognition of additional losses on impairment of our long-lived asset groups if future cash flow expectations, based on 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 effective tax rate on our worldwide earnings, which could result in a significant adverse effect on our earnings and cash flows from operations.***

We are subject to changes in applicable tax laws, treaties or regulations in the jurisdictions in which we operate and earn income, and such changes 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. Switzerland, for example, has been carefully considering various tax reform proposals in response to certain guidance from and demands by the European Union (“EU”) and the Organization for Economic Co-operation and Development (the “OECD”). Some of these tax reform measures may be adopted into law and effective as early as 2019. 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. In addition, the EU issued its Anti-Tax Avoidance Directive in 2016 that required its member states to adopt specific tax reform measures by 2019. Other tax jurisdictions in which we operate may consider implementing similar legislation. Any material change to tax laws or policies, their interpretation or the adoption of new interpretations of existing laws and rulings in any of the jurisdictions in which we operate could result in a higher effective tax rate on our worldwide earnings and such change could have a significant adverse effect on our consolidated 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 effective tax rate on our worldwide earnings, which could result in a significant negative impact on our earnings and cash flows from operations.***

We are subject to tax laws, treaties and regulations in the countries in which we operate and earn income. Our income taxes are based on 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 in these jurisdictions, and 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 that we or any of our key subsidiaries maintained or maintain a permanent establishment in the U.S. The determination of the aforementioned, among other things, involves considerable uncertainty. If we or any of our key subsidiaries were determined to have been engaged in a trade or business in the U.S. through a permanent establishment, then 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. If this occurs, 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 performing 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. However, a prior case and an IRS pronouncement that relies on the case characterize income from time chartering of vessels as rental income rather than services income for other tax purposes. The IRS has subsequently 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 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 the shareholder, the shareholder could be required 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. Additionally, 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.

- ***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 within a period of up to two years. The authorized share capital is limited to a maximum of 50 percent of a company’s registered share capital. The authorized share capital approved by our shareholders at the May 2018 annual general meeting will expire on May 18, 2020. Accordingly, shareholders at our annual general meeting in May 2019 are not expected to be requested to approve an authorized share capital. 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 based on the difference between the repurchase price and the related amount of par value and the related amount of 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. If we repurchase shares, we expect to use an alternative procedure pursuant to which we repurchase 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. The use of such “virtual second trading line” with respect to share repurchase programs is subject to the approval of the competent Swiss tax and other authorities. We may not be able to repurchase as many shares as we would like to repurchase for purposes of capital reduction on the “virtual second trading line” without subjecting the selling shareholders to Swiss withholding taxes.

- ***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 attract and retain executive management and members of our board of directors.

- ***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 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. Actions taken under such provisions may adversely affect prevailing market prices for our shares, and could, 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 our current authorized share capital will expire on May 18, 2020, to issue a specified number of shares, which under our current authorized share capital 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 24 percent of the share capital registered in the commercial register as of February 12, 2019, 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 we are given advance notice;
- 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 cash-out or squeeze-out 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 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. Though the U.K. withdrawal from the European Union is scheduled to occur in March 2019, there is currently no agreement in place regarding the withdrawal, creating 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 an 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 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 Steinhausen, 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 13—Commitments and Contingencies” and “Part II. Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Other Matters—” in this annual report for the year ended December 31, 2018. 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 10—Income Taxes” and in “Part II. Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Other Matters—Tax matters” in this annual report for the year ended December 31, 2018. All such actions, claims, tax and other matters are incorporated herein by reference.

As of December 31, 2018, 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 consolidated 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.

Item 4. Mine Safety Disclosures

Not applicable.

Executive Officers of the Registrant

We have included the following information, presented as of February 11, 2019, 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 11, 2019
Jeremy D. Thigpen (a)	President and Chief Executive Officer	44
Keelan Adamson (a)	Executive Vice President and Chief Operations Officer	49
Howard E. Davis	Executive Vice President, Chief Administrative Officer and Chief Information Officer	60
Brady K. Long	Executive Vice President and General Counsel	46
Mark L. Mey (a)	Executive Vice President and Chief Financial Officer	55
David Tonnel	Senior Vice President and Corporate Controller	49

(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.

Keelan Adamson is Executive Vice President and Chief Operations Officer of the Company. Before being named to his current position in August 2018, Mr. Adamson served as Senior Vice President, Operations from October 2017 to July 2018 and as Senior Vice President, Operations Integrity and HSE, from June 2015 to October 2017. Since 2010, Mr. Adamson served in multiple executive positions with responsibilities spanning Engineering and Technical Services, Major Capital Projects, Human Resources, and more recently, Operations Integrity and HSE. Mr. Adamson started his career as a drilling engineer with BP Exploration in 1991 and joined Transocean in July 1995. In addition to several management assignments in the U.K., Asia, and Africa, he also held leadership roles in Sales and Marketing, Well Construction and Technology, and as Managing Director for operations in North America, Canada and Trinidad. Mr. Adamson earned a Bachelor's degree in Aeronautical Engineering from The Queens University of Belfast and completed the Advanced Management program at Harvard Business School in 2016.

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 Executive Vice President and General Counsel of the Company. Before being named to his current position in March 2018, Mr. Long served as Senior Vice President and General Counsel from November 2015 to March 2018. From 2011 to November 2015, when Mr. Long joined the Company, he served as Vice President—General Counsel and Secretary of Enso 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 and Chief Financial Officer of the Company. Before joining the Company in this position in May 2015, Mr. Mey served as Executive Vice President and Chief Financial Officer 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.

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." On February 11, 2019, we had 610,061,503 shares outstanding and 5,718 holders of record of our shares.

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 0.50% 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. On March 28, 2018, we acquired the remaining shares not owned by us through a compulsory acquisition under Cyprus law and as a result, Songa became our wholly owned subsidiary. To complete these transactions, we issued 68.0 million shares and \$863 million aggregate principal amount of the Exchangeable Bonds and made an aggregate cash payment of \$8 million.

In connection with the acquisition of Ocean Rig UDW Inc., a Cayman Islands exempted company with limited liability ("Ocean Rig"), shareholders at our extraordinary general meeting, held November 29, 2018, were requested to consider the following: (1) an amendment of our articles of association to create additional authorized share capital, (2) the issuance of up to 147.7 million Transocean Ltd. (together with its subsidiaries and predecessors, unless the context requires otherwise, "Transocean," the "Company," "we," "us" or "our") shares and (3) the deletion of the previously approved special purpose authorized share capital. On November 29, 2018, we announced that shareholders at our extraordinary general meeting approved all proposals related to the Ocean Rig acquisition. On December 5, 2018, we completed the acquisition of Ocean Rig in a merger transaction and as a result, Ocean Rig became our wholly owned subsidiary. To complete the acquisition, we issued 147.7 million Transocean Ltd. shares and made an aggregate cash payment of \$1.2 billion.

See "Part II. Item 8. Financial Statements and Supplementary Data—Notes to Consolidated Financial Statements and 4—Business Combinations."

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 is not 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 is not 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 is not 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 are 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, 2018, the aggregate amount of par value of our outstanding shares was CHF 61 million, equivalent to approximately \$62 million, and the aggregate amount of qualifying additional paid-in

capital of our outstanding shares was CHF 13.4 billion, equivalent to approximately \$13.7 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 United States ("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 a 35 percent Swiss withholding tax based on the difference between the repurchase price and the related amount of par value and 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. However, for such repurchased shares, the portions of the repurchase price that are attributable to the par value and the qualifying additional paid-in capital for Swiss statutory reporting purposes are not subject to the Swiss withholding tax.

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. The use of such "virtual second trading line" with respect to share repurchase programs is subject to 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, are not generally 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 11, 2019, Transocean Inc., our wholly owned subsidiary, held as treasury shares less than 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 number 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 2018	—	\$ —	—	\$ 3,304
November 2018	—	—	—	3,304
December 2018	—	—	—	3,304
Total	—	\$ —	—	\$ 3,304

- (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. At December 31, 2018, 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, 2018 and 2017 and for each of the three years in the period ended December 31, 2018 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, 2016, 2015 and 2014, and for each of the two years in the period ended December 31, 2015 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,				
	2018 (a) (b)	2017	2016 (c)	2015	2014 (d)
	(In millions, except per share data)				
Statement of operations data					
Operating revenues	\$ 3,018	\$ 2,973	\$ 4,161	\$ 7,386	\$ 9,185
Operating income (loss)	(1,251)	(2,505)	1,106	1,365	(1,347)
Income (loss) from continuing operations	(2,003)	(3,097)	827	895	(1,880)
Net income (loss)	(2,003)	(3,097)	827	897	(1,900)
Net income (loss) attributable to controlling interest	(1,996)	(3,127)	778	865	(1,839)
Per share earnings (loss) from continuing operations					
Basic	\$ (4.27)	\$ (8.00)	\$ 2.08	\$ 2.36	\$ (5.02)
Diluted	\$ (4.27)	\$ (8.00)	\$ 2.08	\$ 2.36	\$ (5.02)
Balance sheet data (at end of period)					
Total assets	\$ 25,665	\$ 22,410	\$ 26,889	\$ 26,431	\$ 28,676
Debt due within one year	373	250	724	1,093	1,032
Long-term debt	9,605	7,146	7,740	7,397	9,019
Total equity	13,114	12,711	15,805	15,000	14,104
Other financial data					
Cash provided by operating activities	\$ 558	\$ 1,170	\$ 1,980	\$ 3,445	\$ 2,220
Cash used in investing activities	(797)	(587)	(1,313)	(1,932)	(1,828)
Cash provided by (used in) financing activities	(147)	(1,041)	176	(1,809)	(1,000)
Capital expenditures	184	497	1,344	2,001	2,165
Distributions of qualifying additional paid-in capital	—	—	—	381	1,018
Per share distributions of qualifying additional paid-in capital	\$ —	\$ —	\$ —	\$ 1.05	\$ 2.81

- (a) In December 2018, we acquired Ocean Rig UDW Inc. ("Ocean Rig") in a merger transaction, and as a result, Ocean Rig became our wholly owned subsidiary. To complete the acquisition, we issued 147.7 million shares and made an aggregate cash payment of \$1.2 billion.
- (b) In January 2018, we acquired approximately 97.7 percent ownership interest in Songa Offshore SE ("Songa"). In March 2018, we acquired the remaining shares not owned by us through a compulsory acquisition under Cyprus law and as a result Songa became our wholly owned subsidiary. To complete these transactions, we issued 68.0 million shares and \$863 million aggregate principal amount of the Exchangeable Bonds and made an aggregate cash payment of \$8 million.
- (c) 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 our wholly owned subsidiary. 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.
- (d) 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 11, 2019, we owned or had partial ownership interests in and operated a fleet of 49 mobile offshore drilling units, including 31 ultra-deepwater floaters, 14 harsh environment floaters and four midwater floaters. As of February 11, 2019, we were constructing (i) four additional ultra-deepwater drillships and (ii) one additional harsh environment semisubmersible, in which we hold a partial ownership interest.

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. 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 combinations—On January 30, 2018, we acquired an approximate 97.7 percent ownership interest in Songa Offshore SE ("Songa"). On March 28, 2018, we acquired the remaining shares not owned by us through a compulsory acquisition under Cyprus law, and as a result Songa became our wholly owned subsidiary. To complete these transactions, we issued 68.0 million shares and \$863 million aggregate principal amount of 0.50% exchangeable senior bonds due January 30, 2023 (the "Exchangeable Bonds"). As a result of 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."

On December 5, 2018, we acquired Ocean Rig UDW Inc. ("Ocean Rig") in a merger transaction, and as a result, Ocean Rig became our wholly owned subsidiary. To complete the acquisition, we issued 147.7 million shares and made an aggregate cash payment of \$1.2 billion. As a result of the acquisition, we acquired (i) 11 mobile offshore drilling units, including nine ultra-deepwater floaters and two harsh environment floaters, and (ii) the contracts relating to the construction of two ultra-deepwater drillships. In February 2019, we committed to plans to sell one ultra-deepwater floater and one harsh environment floater acquired in the Ocean Rig acquisition. See "—Liquidity and Capital Resources—Sources and uses of liquidity."

Impairments—In the year ended December 31, 2018, we recognized an aggregate loss of \$999 million, which had no tax effect, associated with the impairment of four ultra-deepwater floaters, two deepwater floaters and two midwater floaters, along with related assets, which we determined were impaired at the time we classified the assets as held for sale, and we recognized a loss of \$462 million, which had no tax effect, associated with the impairment of our goodwill. See "—Operating Results."

Secured Credit Facility—In June 2018, we entered into a bank credit agreement, which established a \$1.0 billion secured revolving credit facility (the "Secured Credit Facility"), and we terminated the former bank credit agreement. See "—Liquidity and Capital Resources—Sources and uses of liquidity."

Debt issuances—In July 2018, we issued \$750 million aggregate principal amount of 5.875% senior secured notes due January 2024 (the "5.875% Senior Secured Notes"), and \$600 million aggregate principal amount of 6.125% senior secured notes due August 2025 (the "6.125% Senior Secured Notes"), together the "2018 Senior Secured Notes", and we received approximately \$733 million and \$586 million, respectively, of aggregate cash proceeds, net of discount and issue costs. On October 25, 2018, we issued \$750 million aggregate principal amount of 7.25% senior unsecured notes due November 2025 (the "7.25% Senior Notes"), and we received aggregate cash proceeds of \$735 million, net of issue costs. On February 1, 2019, we issued \$550 million aggregate principal amount of 6.875% senior secured notes due February 2027 (the "6.875% Senior Secured Notes"), and we received aggregate cash proceeds of \$538 million, net of discount and issue costs. See "—Liquidity and Capital Resources—Sources and uses of liquidity."

Debt retirement—In the year ended December 31, 2018, we made an aggregate cash payment of \$1.6 billion to repay debt assumed in the Songa acquisition. In the year ended December 31, 2018, we repurchased in the open market \$95 million aggregate

principal amount of our debt securities for an aggregate cash payment of \$95 million. See “—Liquidity and Capital Resources—Sources and uses of liquidity.”

Debt tender offers—On February 5, 2019, we completed tender offers (the “2019 Tender Offers”) to purchase for cash up to \$700 million aggregate purchase price of certain outstanding senior notes (the “2019 Tendered Notes”). In January and February 2019, as a result of the 2019 Tender Offers, we made an aggregate cash payment of \$521 million to settle the validly tendered 2019 Tendered Notes. In the three months ending March 31, 2019, we expect to recognize an aggregate net loss of approximately \$18 million associated with the retirement of debt. See “—Liquidity and Capital Resources—Sources and uses of liquidity.”

Investment in unconsolidated affiliates—In May 2018 and January 2019, we made an aggregate cash investment of \$91 million and \$59 million, respectively, representing a 33.0 percent ownership interest in Orion Holdings (Cayman) Limited, a Cayman Islands company formed to construct and own the newbuild harsh environment semisubmersible *Transocean Norge*. We expect to operate the rig, through one of our wholly owned subsidiaries, under a six-well drilling contract that is expected to commence in July 2019. 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*. See “—Liquidity and Capital Resources—Drilling fleet.”

Dispositions—During the year ended December 31, 2018, we completed the sale of six ultra-deepwater floaters, one deepwater floater and one midwater floater, along with related assets, for which we received aggregate net cash proceeds of \$36 million. See “—Operating Results” and “—Liquidity and Capital Resources—Drilling fleet.”

Outlook

Drilling market—Our long-term view of the part of the offshore drilling market in which we participate is positive, especially for the highest specification floaters. Brent oil prices, although somewhat volatile, remained above \$60 per barrel for most of 2018, improving our customers’ economics for drilling oil and gas wells and providing positive support for our customers’ budget cycles for 2019. Structural efficiency gains across the industry, which resulted in improved economics for offshore development, and some favorable trends in the hydrocarbon supply-demand balance whereby oil supply has declined relative to demand, resulted in an increase in our customers’ investment decisions in 2018. We expect this trend of additional investment by our customers to continue in 2019.

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 has resulted 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 despite the increase in contract activity. However, as the hydrocarbon supply-demand balance improves, we expect that stability and sustained improvement of oil prices will ultimately result in greater demand for ultra-deepwater drilling rigs and improvement of dayrates as utilization tightens.

As of February 11, 2019, our contract backlog was \$12.2 billion compared to \$11.5 billion as of October 22, 2018. We believe the risks of drilling project delays, contract renegotiations and contract terminations and cancellations have diminished as oil prices have improved and our customers’ cash positions have improved.

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 11, 2019, the uncommitted fleet rates for each of the five years in the period ending December 31, 2023 were as follows:

	2019	2020	2021	2022	2023
Uncommitted fleet rate					
Ultra-deepwater floaters	56 %	70 %	80 %	86 %	86 %
Harsh environment floaters	31 %	60 %	67 %	70 %	84 %
Midwater floaters	34 %	50 %	98 %	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, contract preparation, other incentive provisions or reimbursement revenues, 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:

	February 11, 2019	October 22, 2018	February 19, 2018
Contract backlog		(In millions)	
Ultra-deepwater floaters	\$ 8,404	\$ 7,435	\$ 8,367
Harsh environment floaters	3,716	3,974	4,269
Deepwater floaters	—	4	105
Midwater floaters	97	102	60
High-specification jackups	—	—	38
Total contract backlog	<u>\$ 12,217</u>	<u>\$ 11,515</u>	<u>\$ 12,839</u>

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 Ocean Rig acquisition, we acquired contract backlog of approximately \$650 million, included in the contract backlog for our ultra-deepwater and harsh environment floaters presented above, measured as of the acquisition date, December 5, 2018. In connection with our Songa acquisition, 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.

In December 2018, we and a subsidiary of Chevron Corporation (together with its affiliates, "Chevron") entered into a rig design and construction contract and a five-year drilling contract for one of our ultra-deepwater drillships under construction at the Jurong Shipyard Pte Ltd. in Singapore. The drilling contract added \$830 million of estimated contract backlog. The drilling contract is subject to design, construction and delivery requirements set forth in the construction contract. In the event of termination for convenience by the customer, we will be compensated for our incremental 20,000 pounds per square inch ("psi") subsea investment in the rig, and termination for convenience after April 2020 will result in a substantial termination fee.

At February 11, 2019, the contract backlog and average contractual dayrates for our fleet were as follows:

	Total	For the years ending December 31,				Thereafter
		2019	2020	2021	2022	
Contract backlog		(In millions, except average dayrates)				
Ultra-deepwater floaters	\$ 8,404	\$ 1,497	\$ 1,387	\$ 1,179	\$ 860	\$ 3,481
Harsh environment floaters	3,716	974	860	765	702	415
Midwater floaters	97	48	47	2	—	—
Total contract backlog	<u>\$ 12,217</u>	<u>\$ 2,519</u>	<u>\$ 2,294</u>	<u>\$ 1,946</u>	<u>\$ 1,562</u>	<u>\$ 3,896</u>
Average-contractual dayrates						
Ultra-deepwater floaters	\$ 443,000	\$ 374,000	\$ 423,000	\$ 475,000	\$ 471,000	\$ 472,000
Harsh environment floaters	\$ 385,000	\$ 323,000	\$ 389,000	\$ 420,000	\$ 432,000	\$ 427,000
Midwater floaters	\$ 126,000	\$ 122,000	\$ 130,000	\$ 130,000	\$ —	\$ —
Total fleet average	<u>\$ 416,000</u>	<u>\$ 340,000</u>	<u>\$ 392,000</u>	<u>\$ 450,000</u>	<u>\$ 453,000</u>	<u>\$ 467,000</u>

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, excluding revenues for contract terminations and reimbursements, 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,		
	2018	2017	2016
Average daily revenue			
Ultra-deepwater floaters	\$ 356,700	\$ 472,400	\$ 492,100
Harsh environment floaters	\$ 296,400	\$ 235,900	\$ 329,100
Deepwater floaters	\$ 186,700	\$ 195,200	\$ 253,900
Midwater floaters	\$ 99,900	\$ 95,600	\$ 274,100
High-specification jackups	\$ 152,900	\$ 143,900	\$ 143,800
Total fleet average daily revenue	\$ 296,200	\$ 321,300	\$ 353,500

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 and is reduced by the amortization of the contract intangible assets acquired in the Songa acquisition and, to a lesser extent, the Ocean Rig acquisition. 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 or classification as held for sale, unless we continue to operate rigs subsequent to sale, as we did with three of the high-specification jackups sold in May 2017, in which case we remove the rigs at the time of completion or novation of the contract.

Revenue efficiency—Revenue efficiency is defined as actual contract drilling revenues, excluding revenues for contract terminations and reimbursements, 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, excluding revenues from contract terminations and reimbursements, 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,		
	2018	2017	2016
Revenue efficiency			
Ultra-deepwater floaters	96 %	96 %	98 %
Harsh environment floaters	94 %	96 %	98 %
Deepwater floaters	94 %	94 %	96 %
Midwater floaters	98 %	96 %	99 %
High-specification jackups	100 %	101 %	98 %
Total fleet average revenue efficiency	95 %	96 %	98 %

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,		
	2018	2017	2016
Rig utilization			
Ultra-deepwater floaters	48 %	39 %	45 %
Harsh environment floaters	82 %	73 %	57 %
Deepwater floaters	93 %	73 %	54 %
Midwater floaters	41 %	38 %	42 %
High-specification jackups	97 %	61 %	55 %
Total fleet average rig utilization	59 %	48 %	48 %

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, 2018 compared to the year ended December 31, 2017

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,		Change	% Change
	2018	2017		
(In millions, except day amounts and percentages)				
Operating days	9,706	8,499	1,207	14 %
Average daily revenue	\$ 296,200	\$ 321,300	\$ (25,100)	(8)%
Revenue efficiency	95 %	96 %		
Rig utilization	59 %	48 %		
Contract drilling revenues	\$ 3,018	\$ 2,731	\$ 287	11 %
Other revenues	—	242	(242)	nm
	3,018	2,973	45	2 %
Operating and maintenance expense	(1,799)	(1,389)	(410)	(30)%
Depreciation expense	(818)	(832)	14	2 %
General and administrative expense	(188)	(156)	(32)	(21)%
Loss on impairment	(1,464)	(1,498)	34	2 %
Loss on disposal of assets, net	—	(1,603)	1,603	nm
Operating loss	(1,251)	(2,505)	1,254	50 %
Other income (expense), net				
Interest income	53	43	10	23 %
Interest expense, net of amounts capitalized	(620)	(491)	(129)	(26)%
Loss on retirement of debt	(3)	(55)	52	95 %
Other, net	46	5	41	nm
Loss before income tax expense	(1,775)	(3,003)	1,228	41 %
Income tax expense	(228)	(94)	(134)	nm
Net loss	\$ (2,003)	\$ (3,097)	\$ 1,094	35 %

“nm” means not meaningful.

Contract drilling revenues—Contract drilling revenues increased for the year ended December 31, 2018 compared to the year ended December 31, 2017 primarily due to the following: (a) approximately \$515 million resulting from operations acquired in the acquisitions of Songa and Ocean Rig, (b) approximately \$335 million resulting from our two newbuild ultra-deepwater drillships that commenced operations in the two-year period ended December 31, 2018, (c) approximately \$125 million resulting from contract early terminations and cancellations, (d) approximately \$110 million resulting from the reactivation of two rigs and (e) approximately \$90 million of reimbursement revenues. These increases were partially offset by the following decreases: (a) approximately \$375 million resulting from lower dayrates, (b) approximately \$345 million resulting from a greater number of rigs idle or stacked, (c) approximately \$135 million resulting from rigs sold or classified as held for sale and (d) approximately \$40 million resulting from lower revenue efficiency.

Other revenues for the year ended December 31, 2017, included revenues of \$201 million resulting from contract early terminations and cancellations and \$41 million of reimbursement revenues. For the year ended December 31, 2018, these activities are presented in contract drilling revenues as part of our single performance obligation.

Costs and expenses—Operating and maintenance expense increased for the year ended December 31, 2018 compared to the year ended December 31, 2017, primarily due to the following: (a) approximately \$290 million resulting from operations acquired in the acquisitions of Songa and Ocean Rig, (b) approximately \$80 million resulting from our two newbuild ultra-deepwater drillships that commenced operations in the two-year period ended December 31, 2018, (c) approximately \$65 million resulting from increased costs primarily associated with changes to our country of operations and maintenance programs, (d) approximately \$55 million resulting from the reactivation of three rigs and (e) approximately \$45 million resulting from increased reimbursable costs. These increases were partially offset by the following decreases: (a) approximately \$80 million resulting from a greater number of rigs sold or classified as held for sale and (b) approximately \$50 million resulting from a greater number of rigs idle or stacked.

Depreciation expense decreased for the year ended December 31, 2018 compared to the year ended December 31, 2017 primarily due to the following: (a) approximately \$120 million resulting from rigs sold or classified as held for sale, (b) approximately \$20 million resulting from the retirement or full depreciation of certain assets and (c) approximately \$5 million resulting from the impairment of our midwater floater asset group in the year ended to December 31, 2017. These decreases were partially offset by the following increases: (a) approximately \$82 million resulting from the rigs acquired in the acquisitions of Songa and Ocean Rig and (b) approximately \$49 million resulting from our two newbuild ultra-deepwater drillships placed into service in the two-year period ended December 31, 2018.

General and administrative expense increased for the year ended December 31, 2018 compared to the year ended December 31, 2017, primarily due to the following: (a) approximately \$18 million of increased acquisition costs related to the acquisitions of Songa and Ocean Rig, (b) approximately \$7 million of increased professional fees related to developing technology for improving fleet performance and reducing costs and (c) approximately \$4 million of increased personnel costs, primarily resulting from costs associated with the early retirement of certain personnel.

Loss on impairment or disposal of assets—In the year ended December 31, 2018, we recognized losses related to the following: (a) \$999 million associated with the impairment of certain assets classified as held for sale and (b) \$462 million associated with the impairment of goodwill. In the year ended December 31, 2017, we recognized losses related to the following: (a) a loss of \$1.4 billion associated with the impairment of certain assets classified as held for sale and (b) a loss of \$94 million associated with the impairment of our midwater floater asset group.

In the year ended December 31, 2018, we recognized an aggregate gain of \$7 million associated with the sale of six ultra-deepwater floaters, one deepwater floater and one midwater floater, along with related assets. In the year ended December 31, 2018, we recognized an aggregate loss of \$7 million associated with the disposal of assets unrelated to rig sales. In the year ended December 31, 2017, loss on disposal of assets was primarily due to 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, 2018 compared to the year ended December 31, 2017, primarily due to the following: (a) approximately \$98 million reduced interest costs capitalized for our newbuild ultra-deepwater drillships placed into service in the two-year period ended December 31, 2018, (b) approximately \$78 million resulting from debt issued in the two-year period ended December 31, 2018 and (c) approximately \$32 million resulting from the debt and related undesignated derivative instruments issued or assumed in connection with the Songa acquisition. These increases were partially offset by a decrease of approximately \$83 million resulting from the retirement of debt.

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 cash tender offers completed July 11, 2017 (the “2017 Tender Offers”) and (b) an aggregate loss of \$7 million resulting from debt redemptions and repurchases.

Other income, net, increased in the year ended December 31, 2018 compared to the year ended December 31, 2017, primarily due to the following: (a) an increase of \$45 million associated with receipt of payments related to our dual-activity patent, (b) an increase of \$15 million associated with the non-service component of net periodic benefit costs, (c) \$10 million associated with the bargain purchase gain resulting from the Ocean Rig acquisition with no comparable activity in the prior year and (d) \$4 million associated with undesignated interest rate swaps acquired in the Songa acquisition and subsequently terminated in the year ended December 31, 2018 with no comparable activity in the prior year. These increases were partially offset by a decrease of \$33 million associated with currency exchange, \$21 million of which resulted from undesignated currency derivative instruments in the current year.

Income tax expense—In the years ended December 31, 2018 and 2017, our effective tax rate was (12.8) percent and (3.1) percent, respectively, based on loss before income tax expense. In the years ended December 31, 2018 and 2017, the effect of the various discrete period tax items represented a net tax expense of \$143 million and a net tax benefit of \$37 million, respectively. In the year ended December 31, 2018, such discrete items were primarily related to the United States (“U.S.”) transition tax on non-U.S. earnings. 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 and foreign tax credits not expected to be realized, remeasurement of the U.S. deferred tax assets for a tax rate change as a result of the 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 years ended December 31, 2018 and 2017, our effective tax rate, excluding discrete items, was (29.2) percent and 95.2 percent, respectively, based on loss before income tax expense. Our effective tax rate decreased in the year ended December 31, 2018 compared to the year ended December 31, 2017, primarily due to changes in the relative blend of income from operations in certain jurisdictions and a loss before income taxes and the increased tax expense as a result of the U.S. base erosion and anti-abuse tax (“BEAT”).

The 2017 Tax Act amended existing U.S. tax laws that had an impact on our income tax provision, such as a reduction of the U.S. corporate income tax rate and the creation of a quasi-territorial tax system with a one-time mandatory tax on certain unremitted earnings and profits of the non-U.S. subsidiaries of our U.S. subsidiaries. The 2017 Tax Act also made prospective changes, effective in 2018, including BEAT, a global intangible low-taxed income tax, additional limitations on the deductibility of executive compensation and interest and the repeal of the domestic manufacturing deduction. In the year ended December 31, 2018, we recognized income tax expense of \$33 million related to the bareboat charter structure of our U.S. operations because we concluded it was subject to BEAT. A significant portion of our BEAT liability is contractually reimbursable by our customers due to a change-in-law provision in certain drilling contracts. In the year ended December 31, 2017, we recognized income tax expense of \$66 million with a corresponding decrease to our net deferred tax assets to reflect the reduction in the U.S. corporate income tax rate from 35 percent to 21 percent.

As of December 31, 2018, our consolidated cumulative loss recognized over the recent three-year period, primarily due to losses on impairment and disposal of assets, represented significant objective negative evidence for our evaluation of our deferred tax assets. Although such evidence has limited our ability to consider other subjective evidence, we analyze each jurisdiction separately. We consider objective evidence, such as contract backlog activity in jurisdictions in which we have profitable contracts. 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 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, 2018, 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 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 10—Income Taxes.

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,		Change	% Change
	2017	2016		
	(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	(1,389)	(1,901)	512	27 %
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)	(2,505)	1,106	(3,611)	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	5	69	(64)	(93)%
Income (loss) before income tax expense	(3,003)	934	(3,937)	nm
Income tax expense	(94)	(107)	13	12 %
Net income (loss)	\$ (3,097)	\$ 827	\$ (3,924)	nm

“nm” means not meaningful.

Contract drilling 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 the following increases: (a) approximately \$325 million resulting from our four newbuild ultra-deepwater drillships that commenced operations in 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 the following: (a) \$196 million resulting from drilling contracts early terminated or cancelled by our customers, and (b) \$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 the following increases: (a) approximately \$75 million resulting from our four newbuild ultra-deepwater drillships that commenced operations in 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 an increase of approximately \$50 million primarily resulting from our newbuild ultra-deepwater drillships placed into service in 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 losses related to the following: (a) \$1.4 billion associated with the impairment of certain assets classified as held for sale and (b) \$94 million associated with the impairment of our midwater floater asset group. In the year ended December 31, 2016, we recognized losses related to the following: (a) \$52 million associated with the impairment of our deepwater floater asset group and (b) \$41 million associated with the impairment of certain assets classified as held for sale.

In the year ended December 31, 2017, loss on disposal of assets was primarily due to 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 a decrease of 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 completed August 1, 2016 (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 (a) \$33 million of reduced income associated with our dual-activity patent and (b) \$25 million of reduced income associated with the non-service component of net periodic benefit costs.

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 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 represented 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 U.S. deferred tax assets for a tax rate change as a result of the enactment of 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 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 the following: (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.

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 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 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 10—Income Taxes.

Liquidity and Capital Resources

Sources and uses of cash

At December 31, 2018, we had \$2.2 billion in unrestricted cash and cash equivalents and \$429 million in restricted cash and cash equivalents. In the year ended December 31, 2018, our primary sources of cash were as follows: (1) net cash proceeds from the issuance of debt, (2) net cash provided by operating activities and (3) proceeds from maturities of unrestricted and restricted short-term investments. Our primary uses of cash were as follows: (a) repayments of debt, (b) cash paid in business combinations, net of cash acquired, (c) capital expenditures, primarily associated with our newbuild construction projects, (d) deposits into restricted short-term investments, (e) investments in unconsolidated affiliates, and (e) payments to terminate certain derivative instruments assumed in the Songa acquisition.

	Years ended December 31,		Change
	2018	2017	
	(In millions)		
Cash flows from operating activities			
Net loss	\$ (2,003)	\$ (3,097)	\$ 1,094
Non-cash items, net	2,432	4,173	(1,741)
Changes in operating assets and liabilities, net	129	94	35
	<u>\$ 558</u>	<u>\$ 1,170</u>	<u>\$ (612)</u>

Net cash provided by operating activities decreased primarily due to the following: (i) proceeds of \$408 million received from customers for early terminations or cancellations of drilling contracts in the year ended December 31, 2017 with no comparable activity in the current year and (ii) increased cash used in our operations, including for increased cash interest payments and three rig reactivations.

	Years ended December 31,		Change
	2018	2017	
	(In millions)		
Cash flows from investing activities			
Capital expenditures	\$ (184)	\$ (497)	\$ 313
Proceeds from disposal of assets, net	43	350	(307)
Cash paid in business combinations, net of cash acquired	(883)	—	(883)
Investment in unconsolidated affiliates	(107)	—	(107)
Proceeds from (deposits to) unrestricted and restricted short-term investments, net	334	(450)	784
Other, net	—	10	(10)
	<u>\$ (797)</u>	<u>\$ (587)</u>	<u>\$ (210)</u>

Net cash used in investing activities increased primarily due to the following: (i) cash used in business combinations, net of cash acquired, with no comparable activity in the year ended December 31, 2017, (ii) reduced net proceeds from disposal of assets and (iii) cash used to invest in unconsolidated joint venture companies, including one that was established to construct and own the harsh environment semisubmersible *Transocean Norge* with no comparable activity in the year ended December 31, 2017, partially offset by (iv) increased proceeds from maturities of unrestricted and restricted short-term investments, net of deposits, and (v) reduced capital expenditures, primarily associated with our major construction projects.

	Years ended December 31,		Change
	2018	2017	
	(In millions)		
Cash flows from financing activities			
Proceeds from issuance of debt, net of discounts and issue costs	\$ 2,054	\$ 1,144	\$ 910
Repayments of debt	(2,105)	(2,284)	179
Proceeds from investments restricted for financing activities	26	102	(76)
Payments to terminate derivative instruments	(92)	—	(92)
Other, net	(30)	(3)	(27)
	<u>\$ (147)</u>	<u>\$ (1,041)</u>	<u>\$ 894</u>

Net cash used in financing activities decreased primarily due to the following: (i) increased net cash proceeds from the issuance of the 7.25% Senior Notes and the 2018 Senior Secured Notes in the current year compared to net cash proceeds from the issuance of the 5.52% senior secured notes due May 2022 (the “5.52% Senior Secured Notes”) and the 7.50% senior unsecured notes due January 2026 (the “7.50% Senior Notes”) in the prior year and (ii) decreased cash used to repay debt, primarily associated with the 2017 Tender Offers in the year ended December 31, 2017 compared to cash used to repay debt, primarily associated with debt assumed in the Songa acquisition, in the year ended December 31, 2018, partially offset by (iii) cash used to settle and terminate certain derivative instruments acquired in the Songa acquisition in the year ended December 31, 2018 with no comparable activity in the prior year and (iv) decreased cash proceeds from investments restricted for financing activities.

Sources and uses of liquidity

Overview—We expect to use existing unrestricted cash balances, internally generated cash flows, borrowings under the Secured Credit Facility, 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. The rating of our non-credit enhanced senior unsecured long-term debt (“Debt Rating”) is below investment grade. Such Debt Rating has caused us to experience increased fees 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. If the drilling market were to deteriorate, or if we were to 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 combinations—On December 5, 2018, we acquired Ocean Rig in a merger transaction, and as a result, Ocean Rig became our wholly owned subsidiary. To complete the acquisition, we issued 147.7 million shares and made an aggregate cash payment of \$1.2 billion.

On January 30, 2018, we acquired an approximate 97.7 percent ownership interest in Songa. On March 28, 2018, we acquired the remaining shares not owned by us through a compulsory acquisition under Cyprus law, and as a result, Songa became our wholly owned subsidiary. To complete these transactions, we issued 68.0 million shares and issued \$863 million aggregate principal amount of Exchangeable Bonds as further described below.

Secured Credit Facility—In June 2018, we entered into a bank credit agreement, which established a \$1.0 billion Secured Credit Facility, which is scheduled to expire on the earlier of (i) June 22, 2023 and (ii) if greater than \$300 million aggregate principal amount of our 9.00% Senior Notes due July 2023 remain outstanding in April 2023, such date. The Secured Credit Facility is guaranteed by Transocean Ltd. and certain subsidiaries. The Secured Credit Facility is initially secured by, among other things, a lien on the ultra-deepwater floaters *Deepwater Asgard*, *Deepwater Invictus* and *Discoverer Inspiration* and the harsh environment floaters *Transocean Barents* and *Transocean Spitsbergen*. The Secured Credit Facility contains covenants that, among other things, include maintenance of certain guarantee and collateral coverage ratios, a maximum debt to capitalization ratio of 0.60 to 1.00 and minimum liquidity of \$500 million. The Secured Credit Facility also restricts the ability of Transocean Ltd. and certain of our subsidiaries to, among other things, merge, consolidate or otherwise make changes to the corporate structure, incur liens, incur additional indebtedness, enter into transactions with affiliates and pay dividends and other distributions. In order to borrow under the Secured Credit Facility, we must, at

the time of the borrowing request, not be in default under the bank credit agreement and make certain representations and warranties, including with respect to compliance with laws and solvency, to the lenders. Repayment of borrowings under the Secured Credit Facility are 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 Secured Credit Facility and, if not waived by the lenders, could cause us to lose access to the Secured Credit Facility. At February 11, 2019, we had no borrowings outstanding, \$27 million of letters of credit issued, and we had \$1.0 billion of available borrowing capacity under the Secured Credit Facility. See Notes to Consolidated Financial Statements—Note 8—Debt and Note 13—Commitments and Contingencies—Global Marine litigation.

Investments in unconsolidated affiliates—In the year ended December 31, 2018, we made an aggregate cash investment of \$107 million in unconsolidated affiliates, including an initial investment of \$91 million, representing a 33.0 percent interest, in Orion Holdings (Cayman) Limited (“Orion”), a Cayman Islands company formed to construct and own the newbuild harsh environment semisubmersible *Transocean Norge*. In January 2019, we made an additional \$59 million contribution to Orion, and we agreed to contribute \$33 million in January 2020. The total purchase price for the rig, under construction at the Jurong Shipyard Pte Ltd. in Singapore, is \$500 million. Additionally, we invested \$16 million in other companies involved in researching and developing technology to improve automation in drilling and other activities.

Debt issuances—On February 1, 2019, we issued \$550 million aggregate principal amount of 6.875% senior secured notes due February 2027 (the “6.875 Senior Secured Notes”), and we received aggregate cash proceeds of \$538 million, net of issue costs. The indenture that governs the 6.875% Senior Secured Notes contains covenants that, among other things, limit the ability of our subsidiaries that own or operate the collateral rig *Deepwater Poseidon* to declare or pay dividends to their affiliates. We may redeem all or a portion of the 6.875 Senior Secured Notes at any time prior to February 1, 2022 at a price equal to 100 percent of the aggregate principal amount plus a make-whole provision, and on or after February 1, 2022, at specified redemption prices.

On October 25, 2018, we issued \$750 million aggregate principal amount of 7.25% Senior Notes, and we received aggregate cash proceeds of \$735 million, net of issue costs. We may redeem all or a portion of the 7.25% Senior Notes at any time prior to November 1, 2021 at a price equal to 100 percent of the aggregate principal amount plus a make-whole provision, and on or after November 1, 2021, at specified redemption prices.

In July 2018, we issued \$750 million aggregate principal amount of the 5.875% Senior Secured Notes and \$600 million aggregate principal amount of the 6.125% Senior Secured Notes, and we received aggregate cash proceeds of \$733 million and \$586 million, respectively, net of discount and issue costs. The indentures that govern the 2018 Senior Secured Notes contain covenants that, among other things, limit the ability of our subsidiaries that own or operate the collateral rigs *Transocean Enabler*, *Transocean Encourage* and *Deepwater Pontus* to declare or pay dividends to their affiliates. We may redeem all or a portion of the 2018 Senior Secured Notes 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 rigs and the related drilling contracts.

In connection with the Songa acquisition transactions, we issued \$863 million aggregate principal amount of the 0.50% exchangeable senior bonds due January 2023 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.

On October 17, 2017, we issued \$750 million aggregate principal amount of 7.50% Senior Notes, and we received aggregate cash proceeds of \$742 million, net of issue costs. 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 May 5, 2017, we issued \$410 million aggregate principal amount of the 5.52% Senior Secured Notes, and we received aggregate cash proceeds of \$403 million, net of issue costs. The note purchase agreement 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.

Debt assumptions and repayments—In connection with the Songa acquisition, we assumed rights and obligations under credit agreements establishing two senior secured term loan facilities (the “Senior Secured Term Loans”) and a subscription agreement establishing a junior secured bond facility (the “Junior Secured Bonds”). The credit agreements and subscription agreement for the assumed debt contained change of control clauses, for which we received waivers from the lenders that were scheduled to expire on August 31, 2018. On February 12, 2018, we served notice of our intent to call the Junior Secured Bonds. In the year ended December 31,

2018, we made an aggregate cash payment of \$1.4 billion and \$171 million to repay the borrowings under the Senior Secured Term Loans and the Junior Secured Bonds, respectively, and terminated the underlying agreements.

In connection with the Songa acquisition, we assumed the indebtedness related to two bond loans (together, the “Bond Loans”), previously publicly traded on the Oslo stock exchange, and on March 14, 2018, we made a cash payment of NOK 345 million, equivalent to \$44 million, to repay the Bond Loans. We also assumed the rights and obligations under a credit agreement, which was due to expire on March 31, 2018, for a secured borrowing facility. On February 2, 2018, we made a cash payment of \$23 million to repay the borrowings outstanding under the secured borrowing facility and terminated the underlying credit agreement.

Debt tender offers—On February 5, 2019, we completed the 2019 Tender Offers to purchase for cash up to \$700 million aggregate purchase price of the 2019 Tendered Notes, subject to the terms and conditions specified in the related offer to purchase. In January and February 2019, as a result of the 2019 Tender Offers, we made an aggregate cash payment of \$521 million to settle the validly tendered 2019 Tendered Notes.

On July 11, 2017, we completed the 2017 Tender Offers to purchase for cash 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, and we made an aggregate cash payment of \$1.3 billion to settle the 2017 Tendered Notes.

Debt redemptions, repurchases and other repayments—In the year ended December 31, 2018, we repurchased in the open market \$95 million aggregate principal amount of our debt securities for an aggregate cash payment of \$95 million. In the year ended December 31, 2017, we repurchased in the open market \$156 million aggregate principal amount of our debt securities for an aggregate cash payment of \$157 million.

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, and we made an aggregate cash payment of \$407 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.

Derivative instruments—In connection with the Songa acquisition, we acquired certain currency swaps that were denominated in Norwegian kroner. In February 2018, we made an aggregate cash payment of \$92 million in connection with the settlement and termination of the currency swaps.

Litigation settlements—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. In exchange for these payments, the two classes of plaintiffs agreed to release all respective claims against us. 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 an escrow account established by the MDL Court for the settlement. In November 2017, the MDL Court released \$25 million from the escrow account for payment of attorneys’ fees. In November 2018, the MDL Court released \$58 million from the escrow account as the first installment to the plaintiffs. As of February 11, 2019, the aggregate balance of our escrow account was \$156 million. We expect the remaining funds to be released in March 2019.

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 each to the National Fish & Wildlife Foundation and the National Academy of Sciences. In the year ended December 31, 2017, we made the final scheduled cash payment of \$60 million.

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 February 11, 2019, 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 on 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 on 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, 2018, our contractual obligations stated at face value, were as follows:

	Total	For the years ending December 31,			Thereafter
		2019	2020 - 2021	2022 - 2023	
		(in millions)			
Contractual obligations					
Debt	\$ 9,583	\$ 354	\$ 1,337	\$ 3,084	\$ 4,808
Interest on debt	4,875	623	1,157	920	2,175
Capital lease obligation (a)	765	72	143	143	407
Operating lease obligations	204	18	27	24	135
Purchase obligations	1,882	932	950	—	—
Service agreement obligations (b)	1,189	106	238	248	597
Total (c)	\$ 18,498	\$ 2,105	\$ 3,852	\$ 4,419	\$ 8,122

- (a) Includes scheduled installments of principal and imputed interest on our capital lease obligation.
- (b) We have 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, 2018, our defined benefit pension and other postemployment plans represented an aggregate liability of \$362 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 Notes to Consolidated Financial Statements—Note 12—Postemployment Benefit Plans.

As of December 31, 2018, our unrecognized tax benefits related to uncertain tax positions, net of prepayments, represented a liability of \$514 million. Although a portion of these might settle or reverse in the coming year, there is a 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 excluded this amount from the contractual obligations presented in the table above. See Notes to Consolidated Financial Statements—Note 10—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 committed and uncommitted credit lines, some of which require cash collateral. At December 31, 2018, the aggregate cash collateral held by banks for letters of credit was \$5 million. The obligations that are the subject of these standby letters of credit and surety bonds are primarily geographically concentrated in 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, 2018, these obligations stated in U.S. dollar equivalents and their time to expiration were as follows:

	Total	For the years ended December 31,			Thereafter
		2019	2020 - 2021	2022 - 2023	
		(in millions)			
Other commercial commitments					
Standby letters of credit	\$ 31	\$ 22	\$ 5	\$ 3	\$ 1
Surety bonds	84	37	—	47	—
Total	\$ 115	\$ 59	\$ 5	\$ 50	\$ 1

We have established a wholly owned captive insurance company to insure various risks of our operating subsidiaries. Access to the cash and cash equivalents of the captive insurance company may be limited due to local regulatory restrictions. At December 31, 2018, the captive insurance company held cash and cash equivalents of \$241 million, and such balance is expected to range from \$50 million to \$265 million through December 31, 2019. The balance of actual cash and cash equivalents held by the captive insurance company varies, depending on the premiums paid to the captive insurance company and the timing and number of claims or 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 December 5, 2018, we completed our acquisition of Ocean Rig in a merger transaction. In connection with the Ocean Rig acquisition, we acquired (i) 11 mobile offshore drilling units, including nine ultra-deepwater floaters and two harsh environment floaters, and (ii) the contracts relating to the construction of two ultra-deepwater drillships. On January 30, 2018, we completed our acquisition of an approximate 97.7 percent ownership interest in Songa, and on March 28, 2018, we acquired the remaining shares not owned by us, and as a result, Songa became our wholly owned subsidiary. In connection with the Songa acquisition, we acquired seven mobile offshore drilling units, including five harsh environment floaters and two midwater floaters. See Notes to Consolidated Financial Statements—Note 4—Business Combinations.

We hold a 33.0 percent interest in Orion Holdings (Cayman) Limited, a Cayman Islands company formed to construct and own the newbuild harsh environment semisubmersible *Transocean Norge*. In May 2018 and January 2019, we made an aggregate cash investment of \$91 million and \$59 million, respectively. The total purchase price for the rig, under construction at the Jurong Shipyard Pte Ltd. in Singapore, is \$500 million. The Moss Maritime CS60 design is considered among the most capable newbuild semisubmersibles in the world. We expect to operate the rig, through one of our wholly owned subsidiaries, under a six-well drilling contract that is expected to commence in July 2019. See Notes to Consolidated Financial Statements—Note 1—Business.

In the years ended December 31, 2018 and 2017, we made capital expenditures of \$184 million and \$497 million, respectively, including \$75 million and \$397 million, respectively, for our major construction projects. As of December 31, 2018, the historical and projected capital expenditures, capitalized interest and other cash or non-cash capital additions for our ongoing major construction projects were as follows:

	Total costs through December 31, 2018	For the years ending December 31,			Total
		2019	2020	2021	
			(In millions)		
Ocean Rig Santorini (a)	—	455	—	—	455
Ultra-Deepwater drillship TBN1 (b)	293	65	527	—	885
Ocean Rig Crete (a)	—	12	613	—	625
Ultra-Deepwater drillship TBN2 (c)	216	106	622	106	1,050
Total	\$ 509	\$ 638	\$ 1,762	\$ 106	\$ 3,015

- (a) *Ocean Rig Santorini* and *Ocean Rig Crete*, two ultra-deepwater drillships under construction at Samsung Heavy Industries Co., Ltd. shipyard in South Korea, do not yet have drilling contracts and are expected to be delivered in the third quarter of 2019 and the third quarter of 2020, respectively. Included in the above table, upon delivery of *Ocean Rig Santorini* and *Ocean Rig Crete* in the third quarter of 2019 and third quarter of 2020, respectively, our expected remaining obligations to the shipyard will be \$360 million and \$520 million, respectively. The shipyard has agreed to finance the expected remaining obligations at an interest rate of three percent per annum, payable semiannually, with principal due at maturity in June 2023 and January 2024, respectively.
- (b) Our unnamed ultra-deepwater drillship under construction at the Jurong Shipyard Pte Ltd. in Singapore does not yet have a drilling contract and is expected to be delivered in the second quarter of 2020.
- (c) Our unnamed ultra-deepwater drillship under construction at the Jurong Shipyard Pte Ltd. in Singapore is expected to commence operations in the fourth quarter of 2021. The projected capital additions include estimates for an upgrade for two 20,000 pounds per square inch blowout preventers and other equipment required by our customer, Chevron.

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 financing arrangements with banks or other capital providers. We also have available credit under our Secured Credit Facility (see “Sources and uses of liquidity”). Economic conditions could impact the availability of these sources of funding.

Dispositions—From time to time, we may 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, 2018, 2017 and 2016, we identified eight, seven and seven such drilling units, respectively, that we have sold or intend to sell for scrap value. In February 2019, we committed to plans to sell two additional drilling units for scrap value. We continue to evaluate the drilling units in our fleet and may identify additional lower-specification drilling units to be sold for scrap value.

During the year ended December 31, 2018, we completed the sale of six ultra-deepwater floaters, one deepwater floater and one midwater floater, along with related assets, and we received net cash proceeds of \$36 million. 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 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.

Off-Balance Sheet Arrangements

Orion Holdings (Cayman) Limited is an unconsolidated affiliate formed to construct and own the newbuild harsh environment semisubmersible *Transocean Norge*. The total purchase price for the rig, under construction at the Jurong Shipyard Pte Ltd. in Singapore, is \$500 million. In January 2019, we made an additional \$59 million contribution and we agreed to make another \$33 million contribution in January 2020. Orion Holdings (Cayman) Limited may enter into financing arrangements to fund its capital requirements for the construction of the newbuild unit.

Related Party Transactions

As of December 31, 2018, we did not have any material related party transactions that were not in the ordinary course of business.

Other Matters

Regulatory matters

Consent Decree—Under the civil consent decree (the “Consent Decree”), which resolved the claim by the U.S. for civil penalties under the Clean Water Act, we agreed to undertake certain actions, including enhanced safety and compliance actions when operating in U.S. waters. We also agreed to pay, and have satisfied our obligations to pay, civil penalties of \$1.0 billion plus interest. 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. On January 2, 2019, as permitted under the Consent Decree, we submitted an official termination request to the U.S. On February 6, 2019, the U.S. submitted a joint stipulation and proposed order (the “Order”) to terminate the Consent Decree to the U.S. District Court for the Eastern District of Louisiana (the “Court”), and on February 13, 2019, the Court entered the Order. Accordingly, the Consent Decree is terminated and has no further force or effect on the Company.

Other regulatory matters—In addition, we occasionally 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.

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

Tax matters

We conduct operations through our various subsidiaries in 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 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 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 10—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. These estimates require significant judgments and assumptions. On an ongoing basis, we evaluate our estimates, including those related to our income taxes, property and equipment, assets held for sale, goodwill, contingencies, postemployment benefit plans, materials and supplies obsolescence, share-based compensation and allowance for doubtful accounts. 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 on 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. 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, 2018 and 2017, the liability for estimated tax exposures in our jurisdictions of operation was approximately \$514 million and \$309 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. If we were to distribute from the unremitted earnings of these subsidiaries, we could be subject to taxes payable to various jurisdictions.

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 our non-U.S. subsidiaries that are owned by U.S. subsidiaries. At December 31, 2017, we did not have the necessary information available, prepared and analyzed to develop a reasonable estimate of the transition tax. In the year ended December 31, 2018, we completed our evaluation of the post-1986 earnings and profits for the non-U.S. subsidiaries of our U.S. subsidiaries and determined the amount of those earnings held in cash and other assets necessary to determine the transition tax, and we recorded income tax expense of \$103 million for estimated transition taxes and an income tax benefit of \$16 million for the estimated effect on the utilization of foreign tax credits. The transition tax had an effect on the utilization of our foreign tax credits and net operating losses generated in the U.S., which had an effect on our valuation allowance analysis related to those deferred tax assets. Although we have completed our analysis and recorded the resulting impact of the 2017 Tax Act, the U.S. Congress or Treasury may introduce clarifications, modification or amendments that could cause us to make further adjustments in future periods.

We continually evaluate strategies that could allow for the future utilization of our deferred tax assets. During the years ended December 31, 2018 and 2017, in evaluating our projected realizability of deferred tax assets, we considered our consolidated cumulative

loss incurred over the recent three-year period, which is primarily due to losses on impairment and disposal of assets, which has limited our ability to consider other subjective evidence, such as projected contract activity rather than contract backlog. See Notes to Consolidated Financial Statements—Note 10—Income Taxes.

Business combinations—In connection with our acquisition of Songa and Ocean Rig, we applied the acquisition method of accounting. Accordingly, we recorded the acquired assets and assumed liabilities at fair value and recognized goodwill to the extent the consideration transferred exceeded the fair value of the net assets acquired. To the extent the fair value of the net assets acquired exceeded the consideration transferred, we recognize a bargain purchase gain. We estimate the fair values of the acquired assets and assumed liabilities as of the acquisition date, and our estimates continue to 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.

Our estimates of fair value of property and equipment and contract intangibles require us to use significant unobservable inputs, representative of a Level 3 fair value measurement, such as future commodity prices, projected demand for our services, rig utilization, dayrates, remaining useful lives of the rigs and discount rates. We also consider a sales comparison approach from the perspective of potential buyers and sellers of comparable assets. The valuation of a rig and our estimate of the remaining useful life can also vary based on the rig design, condition and particular equipment configuration. We estimate the fair value of drilling contracts by comparing the contractual dayrates over the remaining firm contract term and option periods relative to the projected market dayrates as of the acquisition date. We estimate the fair value of construction contracts by comparing the contractual future payments and terms relative to the market payments and terms as of the acquisition date. It can be difficult to determine the fair value based on the cyclical nature of our business, demand for offshore drilling rigs in different markets and changes in economic conditions. See Notes to Consolidated Financial Statements—Note 4—Business Combinations.

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, 2018 and 2017, the carrying amount of our property and equipment was \$20.4 billion and \$17.4 billion, respectively, representing 80 percent and 78 percent, respectively, of our total assets.

Capitalized costs—We capitalize costs incurred to enhance, improve and extend the useful lives of our property and equipment and expense costs incurred to repair and maintain the existing condition of our rigs. For newbuild construction projects, we also capitalize the initial preparation, mobilization and commissioning costs incurred until the drilling unit is placed into service. Capitalized costs increase the carrying amounts and depreciation expense of the related assets, which also impact our results of operations.

Useful lives and salvage values—We depreciate our assets using the straight-line method over their estimated useful lives after allowing for salvage values. We estimate useful lives and salvage values by applying judgments and assumptions that reflect both historical experience and expectations regarding future operations, rig utilization and asset performance. Useful lives and salvage values of rigs are difficult to estimate due to a variety of factors, including (a) technological advances that impact the methods or cost of oil and gas exploration and development, (b) changes in market or economic conditions, and (c) changes in laws or regulations affecting the drilling industry. Applying different judgments and assumptions in establishing the useful lives and salvage values would likely result in materially different net carrying amounts and depreciation expense for our assets. We reevaluate the remaining useful lives and salvage values of our rigs when certain events occur that directly impact the useful lives and salvage values of the rigs, including changes in operating condition, functional capability and market and economic factors. When evaluating the remaining useful lives of rigs, we also consider major capital upgrades required to perform certain contracts and the long-term impact of those upgrades on future marketability. At December 31, 2018, 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 \$40 million and a hypothetical one-year decrease would cause an increase in our annual depreciation expense of approximately \$64 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 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 weigh 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 years ended December 31, 2018, 2017 and 2016, we recognized a loss of \$999 million, \$1.4 billion and \$41 million, respectively, associated with the impairment of assets that we determined were impaired at the time we classified such assets as assets held for sale. See Notes to Consolidated Financial Statements—Note 6—Drilling Fleet.

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, 2018 and 2017, the liability for estimated loss contingencies that we believe are probable and for which a reasonable estimate can be made was \$158 million and \$219 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 13—Commitments and Contingencies.

Goodwill impairment—We conduct impairment testing for our goodwill annually as of October 1 and more frequently, on an interim basis, when an event occurs or circumstances change that may indicate a reduction in the fair value of a reporting unit is below its carrying amount. Before testing goodwill, we consider whether or not to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount and whether an impairment test is required. If, as the result of our qualitative assessment, we determine that an impairment test is required, or, alternatively, if we elect to forgo the qualitative assessment, we test goodwill for impairment by comparing the carrying amount of the reporting unit, including goodwill, to the fair value of the reporting unit. We test goodwill at the reporting unit level, which is defined as an operating segment or a component of an operating segment that constitutes a business for which financial information is available and is regularly reviewed by management. We have determined that contract drilling services is our single reporting unit for this purpose.

To estimate the fair value of our reporting unit, we apply a variety of valuation methods, incorporating the income, market and cost approaches. We estimate fair value using discounted cash flows, publicly traded company multiples and acquisition multiples. To develop the projected cash flows associated with our contract drilling services reporting unit, which are based on estimated future dayrates and rig utilization, we consider key factors, including assumptions regarding future commodity prices, credit market conditions and the effect these factors may have on our contract drilling operations and the capital expenditure budgets of our customers. We discount projected cash flows using a long-term weighted-average cost of capital, which is based on our estimate of the investment returns that market participants would require for our reporting unit. To develop the publicly traded company multiples, we gather available market data for companies with operations similar to our reporting unit and publicly available information for recent acquisitions in the marketplace. We may weigh the approaches, under certain circumstances, when a single approach produces inconclusive results or when results from multiple approaches deviate significantly.

Our estimates of fair value require us to use significant unobservable inputs, representative of a Level 3 fair value measurement, including assumptions related to the future performance of our contract drilling services reporting unit, such as future commodity prices, projected demand for our services, rig utilization and dayrates. Because our business is cyclical in nature, the results of our impairment testing are expected to vary significantly depending on the timing of the assessment relative to the business cycle. Altering either the timing of or the assumptions used in a reporting unit's fair value calculations could result in an estimate that is significantly below its carrying amount, which may indicate its goodwill is impaired. In the year ended December 31, 2018, as a result of an interim goodwill test, we recognized an aggregate loss of \$462 million, which had no tax effect, associated with the impairment of the full balance of our

goodwill. See Notes to Consolidated Financial Statements—Note 3—Accounting Standards Updates, Note 4—Business Combinations and Note 7—Goodwill and Other Intangibles.

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, including current maturities. The following table presents the nominal amounts and related weighted-average interest rates of our long-term debt instruments by contractual maturity date for the years ending December 31 (in millions, except interest rate percentages):

	Scheduled Maturity Date (a)						Total	Fair value
	2019	2020	2021	2022	2023	Thereafter		
Debt								
Fixed rate (USD)	\$ 386	\$ 680	\$ 730	\$ 740	\$ 2,427	\$ 5,131	\$ 10,094	\$ 9,212
Average interest rate	6.35 %	6.41 %	7.26 %	6.13 %	5.67 %	7.21 %		

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

At December 31, 2018 and 2017, the fair value of our debt, presented above was \$9.2 billion and \$7.5 billion, respectively. During the year ended December 31, 2018, the fair value of our debt increased by \$1.7 billion due to the following: (a) an increase of approximately \$2.1 billion due to the issuance of Exchangeable Bonds and the 2018 Senior Secured Notes, (b) an increase of approximately \$661 million due to the issuance of 7.25% Senior Notes, partially offset by (c) a decrease of \$363 million due to the repayment of debt in scheduled installments and (d) a decrease of approximately \$753 million due to changes in market prices for our outstanding debt. See Notes to Consolidated Financial Statements—Note 8—Debt.

The majority of our cash equivalents is subject to variable interest rates or short-term interest rates and such cash equivalents would earn commensurately higher rates of return if interest rates increase.

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 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. We may occasionally enter into forward exchange contracts to satisfy anticipated local currency needs. 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. See Notes to Consolidated Financial Statements—Note 19—Risk Concentration.

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, 2018. 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. On December 5, 2018, we completed our acquisition of Ocean Rig UDW Inc. ("Ocean Rig"). Management has excluded Ocean Rig, which accounted for 11 percent of the Company's total assets as of December 31, 2018, from its assessment of the effectiveness of the Company's internal control over financial reporting. Based on this assessment, management believes that the Company maintained effective internal control over financial reporting as of December 31, 2018.

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

To 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, 2018, 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, 2018, based on the COSO criteria.

As indicated in the accompanying Management's Report on Internal Control over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Ocean Rig, which is included in the 2018 consolidated financial statements of the Company and constituted 11 percent of total assets as of December 31, 2018. Our audit of internal control over financial reporting of the Company also did not include an evaluation of the internal control over financial reporting of Ocean Rig.

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, 2018 and 2017, 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, 2018, and the related notes and financial statement schedule listed in the Index at Item 15(a) and our report dated February 19, 2019, 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 19, 2019

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, 2018 and 2017, 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, 2018, and the related notes and financial statement schedule listed in the Index at Item 15(a) (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, 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, 2018, 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 19, 2019 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 19, 2019

To the General Meeting of
Transocean Ltd., Steinhausen

Zurich, February 19, 2019

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 Company), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, 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, 2018 (pages AR-52 – AR-89). In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2018 and 2017, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, 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 accounting 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, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

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

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

Business combinations	
Area of emphasis	<p>As described in Note 4 to the consolidated financial statements, during 2018 the Company acquired Songa Offshore SE for net consideration of USD 1.8 billion and Ocean Rig UDW Inc. for a net consideration of USD 2.5 billion.</p> <p>Auditing the accounting for the Company's 2018 acquisitions of Songa Offshore SE and Ocean RIG UDW Inc. involved a high degree of subjectivity in evaluating management's estimates, such as the recognition of the fair value of assets acquired and liabilities assumed.</p>
Our audit response	<p>Our audit procedures related to the key audit matter of business combinations included the following procedures:</p> <p>We tested the Company's controls over the accounting for acquisitions, such as controls over the recognition and measurement of assets acquired, liabilities assumed, and consideration paid and payable, including convertible instruments. We read the purchase agreements, evaluated the significant assumptions and methods used in developing the fair value estimates, and tested the recognition of (1) the assets acquired and liabilities assumed at fair value; (2) the identifiable acquired intangible assets at fair value; and (3) goodwill or bargain purchase gain measured as a residual.</p> <p>We evaluated, among other things, whether the significant assumptions, including forecasted day rates and utilization, discount rates, estimated useful lives, and the growth rate used in valuing the rigs and related contract intangibles were appropriate, which are affected by expectations about future market or economic conditions. Specifically, when evaluating the assumptions related to the forecasted day rates and utilization, we compared the assumptions to similar fixtures in the market and considered whether they were consistent with evidence obtained in other areas of the audit, such as assumptions used by the Company in its budget.</p>
Valuation of Goodwill of the Contract Drilling Services reporting unit	
Area of emphasis	<p>At December 31, 2018, the Company had no goodwill and recorded an impairment of USD 462 million during the year-ended December 31, 2018. As discussed in Note 7 of the consolidated financial statements, goodwill is tested for impairment at least annually, or on an interim basis if indicators are present, at the reporting unit level. The Company's goodwill is initially assigned to its reporting unit as of the acquisition date.</p> <p>Auditing management's annual goodwill impairment test was complex and highly judgmental due to the significant estimation required in determining the fair value of the reporting unit. In particular, the fair value estimate of the Contract Drilling Services reporting unit was sensitive to significant assumptions such as the weighted average cost of capital, forecasted day rates and utilization, operating margin, working capital and terminal value, which are affected by expectations about future market or economic conditions.</p>
Our audit response	<p>Our audit procedures related to the key audit matter of valuation of goodwill of the contract drilling services reporting unit included the following procedures:</p> <p>We obtained an understanding, evaluated the design and tested the operating effectiveness of the Company's controls over its goodwill impairment assessment process.</p> <p>To test the estimated fair value of the Company's Contract Drilling Services reporting unit, we performed audit procedures that included, among others, assessing methodologies and testing the significant assumptions discussed above and the underlying data used by the Company in its analysis. We compared the significant assumptions used by management to current industry and economic trends, including offshore activity, changes to the Company's business model, customer analysis and other relevant factors. We assessed the historical accuracy of management's estimates and performed sensitivity analyses of significant assumptions to evaluate the changes in the fair value of the Contract Drilling Services reporting unit that would result from changes in the assumptions. In addition, we tested the reconciliation of the fair value of all reporting units to the market capitalization of the Company.</p>

Realizability of deferred tax assets	
Area of emphasis	<p>As discussed in Note 10 to the consolidated financial statements, the Company had deferred tax assets of USD 87 million (net of a USD 681 million valuation allowance). 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.</p> <p>Auditing the realizability of deferred tax assets is complex because of the judgement involved in determining the sources of income available to realize the deferred tax assets, including projected future taxable income, tax planning strategies, available carrybacks, and utilization of deferred tax liabilities and uncertain tax positions.</p>
Our audit response	<p>Our audit procedures related to the key audit matter of realizability of deferred tax assets included the following procedures:</p> <p>We evaluated the Company's assessment of the realizability of deferred tax assets and the resultant valuation allowance. We tested controls that address the risks of material misstatement relating to the realizability of deferred tax assets, including controls over management's projections of future taxable income, the future reversal of existing taxable temporary differences and management's identification and use of available tax planning strategies.</p> <p>Our audit procedures included, among others, testing forecasted taxable income and evaluating the availability of future taxable temporary differences. We evaluated the assumptions used by the Company to develop projections of future taxable income and temporary differences by jurisdiction and tested the completeness and accuracy of the underlying data used in its projections. For example, we compared the projections of future taxable income with firm contractual agreements. We also reconciled the projections of future taxable income with other forecasted financial information prepared by the Company.</p> <p>In addition, we involved our tax professionals to evaluate the application of tax law in the Company's available tax planning strategies and projections of future taxable income. We also tested the Company's scheduling of the reversal of existing temporary taxable differences.</p>

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 Company 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
Licensed audit expert
(Auditor in charge)

/s/ Jennifer Mathias
Certified public accountant

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

	Years ended December 31,		
	2018	2017	2016
Contract drilling revenues	\$ 3,018	\$ 2,731	\$ 3,705
Other revenues	—	242	456
	3,018	2,973	4,161
Costs and expenses			
Operating and maintenance	1,799	1,389	1,901
Depreciation	818	832	893
General and administrative	188	156	172
	2,805	2,377	2,966
Loss on impairment	(1,464)	(1,498)	(93)
Gain (loss) on disposal of assets, net	—	(1,603)	4
Operating income (loss)	(1,251)	(2,505)	1,106
Other income (expense), net			
Interest income	53	43	20
Interest expense, net of amounts capitalized	(620)	(491)	(409)
Gain (loss) on retirement of debt	(3)	(55)	148
Other, net	46	5	69
	(524)	(498)	(172)
Income (loss) before income tax expense	(1,775)	(3,003)	934
Income tax expense	228	94	107
Net income (loss)	(2,003)	(3,097)	827
Net income (loss) attributable to noncontrolling interest	(7)	30	49
Net income (loss) attributable to controlling interest	\$ (1,996)	\$ (3,127)	\$ 778
Earnings (loss) per share			
Basic	\$ (4.27)	\$ (8.00)	\$ 2.08
Diluted	\$ (4.27)	\$ (8.00)	\$ 2.08
Weighted-average shares outstanding			
Basic	468	391	367
Diluted	468	391	367

See accompanying notes.

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

	Years ended December 31,		
	2018	2017	2016
Net income (loss)	\$ (2,003)	\$ (3,097)	\$ 827
Net income (loss) attributable to noncontrolling interest	(7)	30	49
Net income (loss) attributable to controlling interest	(1,996)	(3,127)	778
Components of net periodic benefit costs before reclassifications	6	—	(20)
Components of net periodic benefit costs reclassified to net income	5	21	8
Other comprehensive income (loss) before income taxes	11	21	(12)
Income taxes related to other comprehensive income (loss)	—	(28)	6
Other comprehensive income (loss)	11	(7)	(6)
Other comprehensive income attributable to noncontrolling interest	—	—	—
Other comprehensive income (loss) attributable to controlling interest	11	(7)	(6)
Total comprehensive income (loss)	(1,992)	(3,104)	821
Total comprehensive income (loss) attributable to noncontrolling interest	(7)	30	49
Total comprehensive income (loss) attributable to controlling interest	\$ (1,985)	\$ (3,134)	\$ 772

See accompanying notes.

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

	December 31,	
	2018	2017
Assets		
Cash and cash equivalents	\$ 2,160	\$ 2,519
Short-term investments	—	450
Accounts receivable, net	604	596
Materials and supplies, net	474	418
Restricted cash accounts and investments	551	466
Other current assets	159	157
Total current assets	3,948	4,606
Property and equipment	25,811	22,693
Less accumulated depreciation	(5,403)	(5,291)
Property and equipment, net	20,408	17,402
Contract intangible assets	795	—
Deferred income taxes, net	66	47
Other assets	448	355
Total assets	\$ 25,665	\$ 22,410
Liabilities and equity		
Accounts payable	\$ 269	\$ 201
Accrued income taxes	70	79
Debt due within one year	373	250
Other current liabilities	746	839
Total current liabilities	1,458	1,369
Long-term debt	9,605	7,146
Deferred income taxes, net	64	44
Other long-term liabilities	1,424	1,082
Total long-term liabilities	11,093	8,272
Commitments and contingencies		
Redeemable noncontrolling interest	—	58
Shares, CHF 0.10 par value, 638,285,574 authorized, 143,754,246 conditionally authorized, 610,581,677 issued and 609,649,291 outstanding at December 31, 2018, and 417,060,033 authorized, 143,783,041 conditionally authorized, 394,801,990 issued and 391,237,308 outstanding at December 31, 2017	59	37
Additional paid-in capital	13,394	11,031
Retained earnings (accumulated deficit)	(67)	1,929
Accumulated other comprehensive loss	(279)	(290)
Total controlling interest shareholders' equity	13,107	12,707
Noncontrolling interest	7	4
Total equity	13,114	12,711
Total liabilities and equity	\$ 25,665	\$ 22,410

See accompanying notes.

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

	Years ended December 31,			Years ended December 31,		
	2018	2017	2016	2018	2017	2016
	Quantity			Amount		
Shares						
Balance, beginning of period	391	389	364	\$ 37	\$ 36	\$ 5,193
Issuance of shares under share-based compensation plans	3	2	1	—	1	—
Issuance of shares in acquisition transactions	216	—	24	22	—	2
Reduction of par value	—	—	—	—	—	(5,159)
Balance, end of period	610	391	389	\$ 59	\$ 37	\$ 36
Additional paid-in capital						
Balance, beginning of period				\$ 11,031	\$ 10,993	\$ 5,736
Share-based compensation				45	41	42
Issuance of shares under share-based compensation plans				—	(1)	—
Issuance of shares in acquisition transactions				2,101	—	313
Equity component of convertible debt instruments				172	—	—
Acquisition of redeemable noncontrolling interest				53	—	—
Reduction of par value				—	—	5,159
Cancellation of shares held in treasury				—	—	(240)
Allocated capital for transactions with holders of noncontrolling interest				(3)	—	(18)
Other, net				(5)	(2)	1
Balance, end of period				\$ 13,394	\$ 11,031	\$ 10,993
Treasury shares, at cost						
Balance, beginning of period				\$ —	\$ —	\$ (240)
Cancellation of shares held in treasury				—	—	240
Balance, end of period				\$ —	\$ —	\$ —
Retained earnings (accumulated deficit)						
Balance, beginning of period				\$ 1,929	\$ 5,056	\$ 4,278
Net income (loss) attributable to controlling interest				(1,996)	(3,127)	778
Balance, end of period				\$ (67)	\$ 1,929	\$ 5,056
Accumulated other comprehensive loss						
Balance, beginning of period				\$ (290)	\$ (283)	\$ (277)
Other comprehensive income (loss) attributable to controlling interest				11	(7)	(6)
Balance, end of period				\$ (279)	\$ (290)	\$ (283)
Total controlling interest shareholders' equity						
Balance, beginning of period				\$ 12,707	\$ 15,802	\$ 14,690
Total comprehensive income (loss) attributable to controlling interest				(1,985)	(3,134)	772
Share-based compensation				45	41	42
Issuance of shares in acquisition transactions				2,123	—	315
Equity component of convertible debt instruments				172	—	—
Acquisition of redeemable noncontrolling interest				53	—	—
Allocated capital for transactions with holders of noncontrolling interest				(3)	—	(18)
Other, net				(5)	(2)	1
Balance, end of period				\$ 13,107	\$ 12,707	\$ 15,802
Noncontrolling interest						
Balance, beginning of period				\$ 4	\$ 3	\$ 310
Total comprehensive income (loss) attributable to noncontrolling interest				(2)	1	26
Recognition of noncontrolling interest in business combination				33	—	—
Acquisition of noncontrolling interest				(31)	—	(321)
Distributions to holders of noncontrolling interest				—	—	(30)
Allocated capital for transactions with holders of noncontrolling interest				3	—	18
Balance, end of period				\$ 7	\$ 4	\$ 3
Total equity						
Balance, beginning of period				\$ 12,711	\$ 15,805	\$ 15,000
Total comprehensive income (loss)				(1,987)	(3,133)	798
Share-based compensation				45	41	42
Issuance of shares in acquisition transactions				2,123	—	315
Equity component of convertible debt instruments				172	—	—
Recognition of noncontrolling interest in business combination				33	—	—
Acquisition of redeemable noncontrolling interest				53	—	—
Acquisition of noncontrolling interest				(31)	—	(321)
Distributions to holders of noncontrolling interest				—	—	(30)
Other, net				(5)	(2)	1
Balance, end of period				\$ 13,114	\$ 12,711	\$ 15,805

See accompanying notes.

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

	Years ended December 31,		
	2018	2017	2016
Cash flows from operating activities			
Net income (loss)	\$ (2,003)	\$ (3,097)	\$ 827
Adjustments to reconcile to net cash provided by operating activities:			
Contract intangible asset amortization	112	—	—
Depreciation	818	832	893
Share-based compensation expense	45	41	42
Loss on impairment	1,464	1,498	93
(Gain) loss on disposal of assets, net	—	1,603	(4)
(Gain) loss on retirement of debt	3	55	(148)
Deferred income tax expense (benefit)	(16)	89	68
Other, net	6	55	14
Changes in deferred revenues, net	(139)	33	219
Changes in deferred costs, net	34	54	72
Changes in other operating assets and liabilities, net	234	7	(96)
Net cash provided by operating activities	558	1,170	1,980
Cash flows from investing activities			
Capital expenditures	(184)	(497)	(1,344)
Proceeds from disposal of assets, net	43	350	30
Cash paid in business combinations, net of cash acquired	(883)	—	—
Investment in unconsolidated affiliates	(107)	—	—
Proceeds from maturities of unrestricted and restricted short-term investments	507	—	—
Deposits into unrestricted and restricted short-term investments	(173)	(450)	—
Other, net	—	10	1
Net cash used in investing activities	(797)	(587)	(1,313)
Cash flows from financing activities			
Proceeds from issuance of debt, net of discounts and issue costs	2,054	1,144	2,401
Repayments of debt	(2,105)	(2,284)	(2,295)
Proceeds from investments restricted for financing activities	26	102	100
Payments to terminate derivative instruments	(92)	—	—
Distributions to holders of noncontrolling interest	—	—	(30)
Other, net	(30)	(3)	—
Net cash provided by (used in) financing activities	(147)	(1,041)	176
Net increase (decrease) in unrestricted and restricted cash and cash equivalents	(386)	(458)	843
Unrestricted and restricted cash and cash equivalents, beginning of period	2,975	3,433	2,590
Unrestricted and restricted cash and cash equivalents, end of period	\$ 2,589	\$ 2,975	\$ 3,433

See accompanying notes.

TRANSOCEAN LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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. As of December 31, 2018, we owned or had partial ownership interests in and operated a fleet of 50 mobile offshore drilling units, including 32 ultra-deepwater floaters, 14 harsh environment floaters and four midwater floaters. As of December 31, 2018, we were constructing (i) four additional ultra-deepwater drillships and (ii) one additional harsh environment semisubmersible, in which we hold a partial ownership interest.

Business combinations—On January 30, 2018, we acquired 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”). On March 28, 2018, we acquired the remaining shares not owned by us through a compulsory acquisition under Cyprus law, and as a result, Songa became our wholly owned subsidiary. To complete these transactions, we issued 68.0 million shares and \$863 million aggregate principal amount of 0.50% exchangeable senior bonds due January 30, 2023 (the “Exchangeable Bonds”). As a result of the acquisition, we acquired seven mobile offshore drilling units, including five harsh environment floaters and two midwater floaters. See Note 4—Business Combinations and Note 14—Equity.

On December 5, 2018, we acquired Ocean Rig UDW Inc., a Cayman Islands exempted company with limited liability (“Ocean Rig”), in a merger transaction, and as a result, Ocean Rig became our wholly owned subsidiary. To complete the acquisition, we issued 147.7 million shares and made an aggregate cash payment of \$1.2 billion. As a result of the acquisition, we acquired (i) 11 mobile offshore drilling units, including nine ultra-deepwater floaters and two harsh environment floaters and (ii) the contracts relating to the construction of two ultra-deepwater drillships. See Note 4—Business Combinations, Note 14—Equity and Note 22—Subsequent Events.

Investment in unconsolidated affiliates—In the year ended December 31, 2018, we made an aggregate cash investment of \$107 million in unconsolidated affiliates, including an initial investment of \$91 million, representing a 33.0 percent interest, in Orion Holdings (Cayman) Limited (“Orion”), a Cayman Islands company formed to construct and own the newbuild harsh environment semisubmersible *Transocean Norge*. We account for this investment, recorded in other assets, using the equity method of accounting. The total purchase price for the rig, under construction at the Jurong Shipyard Pte Ltd. in Singapore, is \$500 million. We have agreed to make additional contributions of \$59 million and \$33 million to Orion in January 2019 and January 2020, respectively. We expect to operate the rig, through one of our wholly owned subsidiaries, under a drilling contract that is expected to commence in July 2019. Additionally, we invested \$16 million in other companies, recorded in other assets using the cost method of accounting, that are involved in researching and developing technology to improve automation in drilling and other activities.

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, goodwill, income taxes, contingencies, share-based compensation and 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 a valuation requires multiple input levels, 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 unconsolidated 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

TRANSOCEAN LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—continued

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 14—Equity.

Business combinations—In connection with our acquisitions, we applied the acquisition method of accounting. Accordingly, we recorded the acquired assets and assumed liabilities at fair value and recognized goodwill to the extent the consideration transferred exceeded the fair value of the net assets acquired. To the extent the fair value of the net assets acquired exceeded the consideration transferred, we recognize a bargain purchase gain, recorded in other income, net. We estimated the fair values of the acquired assets and assumed liabilities as of the date of the acquisition, and our estimates are subject to adjustment based on our ongoing assessments of the fair values of property and equipment, intangible assets, other assets and liabilities and our evaluation of tax positions and contingencies, which are ongoing. 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 4—Business Combinations.

Goodwill—We conduct impairment testing for our goodwill annually as of October 1 and more frequently, on an interim basis, when an event occurs or circumstances change that indicate that the fair value of our reporting unit may have declined below its carrying value. We test goodwill at the reporting unit level, which is defined as an operating segment or one level below an operating segment that constitutes a business for which financial information is available and is regularly reviewed by management. We determined that we have a single reporting unit for this purpose. Before testing goodwill, we consider whether or not to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, as the result of our qualitative assessment, we determine that an impairment test is required, or, alternatively, if we elect to forgo the qualitative assessment, we record an impairment to goodwill to the extent the carrying amount of the reporting unit, including goodwill, exceeds the fair value of the reporting unit. In the year ended December 31, 2018, as a result of an interim goodwill test, we recognized an aggregate loss of \$462 million, which had no tax effect, associated with the impairment of our goodwill. See Note 3—Accounting Standards Updates, Note 4—Business Combinations and Note 7—Goodwill and Other Intangibles.

Contract intangibles—In connection with our acquisitions, we recognized drilling contract intangible assets related to the acquired drilling contracts for future contract drilling services and construction contract intangible liabilities related to the acquired shipyard contracts for the construction of two rigs. The drilling contract intangible assets represent the amount by which the fixed dayrates of the acquired contracts were above the market dayrates that were available or expected to be available during the term of the contract for similar contracts, measured as of the acquisition date. We recognize the amortization on a straight-line basis over the expected remaining contract period as a reduction of contract drilling revenues. The construction contract intangible liabilities resulting from the Ocean Rig acquisition represent the amount by which the remaining amounts due under the acquired contracts were above market construction rates for similar drilling units, measured as of the acquisition date. We expect to recognize the construction contract intangible liabilities as reductions to the capitalized cost of the two rigs at the time we take delivery of the assets. At December 31, 2018, the aggregate carrying amount of our drilling contract intangible assets and our construction contract intangible liabilities was \$795 million and \$132 million, respectively. See Note 4—Business Combinations, Note 7—Goodwill and Other Intangibles and Note 13—Commitments and Contingencies.

Derivative instruments—We record derivatives on our consolidated balance sheet, measured at fair value. We recognize the gains and losses associated with changes in the fair value of undesignated derivatives in current period earnings. See Note 9—Derivative Instruments.

Revenue recognition—We recognize revenues earned under our drilling contracts based on variable dayrates, which range from a full operating dayrate to lower rates or zero rates for periods when drilling operations are interrupted or restricted, based on the specific activities we perform during the contract on an hourly, or more frequent, basis. Such dayrate consideration is attributed to the distinct time period to which it relates within the contract term, and therefore, is recognized as we perform the services. When the operating dayrate declines over the contract term, we recognize revenues on a straight-line basis over the full contract period. We recognize reimbursement revenues and the corresponding costs as we provide the customer-requested goods and services, when such reimbursable costs are incurred while performing drilling operations. Prior to performing drilling operations, we may receive pre-operating revenues, on either a fixed lump-sum or variable dayrate basis, for mobilization, contract preparation, customer-requested goods and services or capital upgrades, which we recognize on a straight-line basis over the estimated firm contract period. We recognize losses for loss contracts as such losses are incurred. We recognize revenues for demobilization or from contract terminations as we fulfill our obligations and all contingencies have been resolved. To obtain contracts with our customers, we incur costs to prepare a rig for contract and deliver or mobilize a rig to the drilling location. We defer pre-operating costs, such as contract preparation and mobilization costs, and recognize such costs on a straight-line basis, consistent with the general pace of activity, in operating and maintenance costs over the estimated firm period of drilling.

We elected to apply the optional exemption that permits us to exclude disclosure of the estimated transaction price related to the variable portion of unsatisfied performance obligations at the end of the reporting period, as our transaction price is based on a single performance obligation consisting of a series of distinct hourly, or more frequent, periods, the variability of which will be resolved at the time of the future services. See Note 5—Revenues.

TRANSOCEAN LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—continued

Share-based compensation—To measure the fair values of granted or modified stock options, we use the Black-Scholes-Merton option-pricing model and apply assumptions for the expected life, risk-free interest rate, expected volatility and dividend yield. 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-based restricted share units 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 use a risk neutral approach and an average price at the performance start date. We recognize share-based compensation expense in the same financial statement line item as cash compensation paid to the respective employees or non-employee directors. We recognize such 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. In the years ended December 31, 2018, 2017 and 2016, share-based compensation expense was \$45 million, \$41 million and \$42 million, respectively. See Note 15—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. In the years ended December 31, 2018, 2017 and 2016, we capitalized interest costs of \$37 million, \$116 million and \$176 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, 2018, 2017 and 2016, we recognized a net loss of \$38 million, a net loss of \$6 million and a net loss of \$2 million, respectively, related to currency exchange rates.

Income taxes—We provide for income taxes based on the tax laws and rates in effect in the countries in which we operate and earn income. We recognize the effect of changes in tax laws as of the date of enactment. Effective January 1, 2018, we recognize potential global intangible low-taxed income inclusions as a period cost. 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 10—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 with high credit ratings.

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, 2018 and 2017, 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, 2018 and 2017, the allowance for obsolescence was \$134 million and \$141 million, respectively.

TRANSOCEAN LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—continued

Restricted cash accounts and investments—We maintain restricted cash accounts 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 accounts and investments in current assets if the restriction is expected to expire or otherwise be resolved within one year or if such funds are considered to offset liabilities that are properly classified as current liabilities. At December 31, 2018, the aggregate carrying amount of our restricted cash accounts and investments was \$552 million, of which \$551 million and \$1 million was classified in current assets and other assets, respectively. At December 31, 2017, the aggregate carrying amount of our restricted cash accounts and investments was \$489 million, of which \$466 million and \$23 million was classified in current assets and other assets, respectively. See Note 3—Accounting Standards Updates, Note 8—Debt, Note 13—Commitments and Contingencies and Note 18—Financial Instruments.

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, 2018 and 2017, the aggregate carrying amount of our assets held for sale, recorded in other current assets, was \$25 million and \$22 million, respectively. See Note 6—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, 2018, the aggregate carrying amount of our property and equipment represented approximately 80 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 30 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 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. See Note 6—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. We calculate investment gains or losses for this purpose 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, the most significant of which include long-term rate of return on plan assets, discount rates and mortality rates. 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.

TRANSOCEAN LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—continued

At December 31, 2018 and 2017, our pension and other postemployment benefit plan obligations represented an aggregate liability of \$362 million and \$359 million, respectively, and an aggregate asset of \$47 million and \$17 million, respectively, representing the funded status of the plans. In the years ended December 31, 2018, 2017 and 2016, aggregate net periodic benefit costs were income of \$9 million, costs of \$5 million and income of \$11 million, respectively. See Note 3—Accounting Standards Updates and Note 12—Postemployment Benefit Plans.

Contingencies—We perform assessments of our contingencies on an ongoing basis to evaluate the appropriateness of our liabilities and disclosures for such contingencies. We establish liabilities for estimated loss contingencies when we believe a loss is probable and the amount of the probable loss can be reasonably estimated. We recognize corresponding assets for those loss contingencies that we believe are probable of being recovered through insurance. Once established, we adjust the carrying amount of a contingent liability upon the occurrence of a recognizable event when facts and circumstances change, altering our previous assumptions with respect to the likelihood or amount of loss. We recognize expense for legal costs as they are incurred, and we recognize a corresponding asset for such legal costs only if we expect such legal costs to be recovered through insurance.

Reclassifications—We have made certain reclassifications to prior period amounts to conform with the current year's presentation. In our consolidated balance sheet as of December 31, 2017, we reclassified certain balances receivable from non-customers, totaling \$45 million, from accounts receivable, net, to other current assets. 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

Revenue from contracts with customers—Effective January 1, 2018, we adopted the accounting standards update that requires an entity to recognize revenue in a manner that depicts 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. In our evaluation of the requirements, we determined that reimbursement revenues and contract early cancellation and termination fees were part of our single performance obligation, and we determined that reimbursement revenues should be recorded on a gross basis as the service is performed. Our adoption, using the modified retrospective approach, for which we were not required to make any changes to the prior year presentation, did not have a material effect on our consolidated statements of financial position, operations or cash flows.

Income taxes—Effective January 1, 2018, we adopted 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. 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.

Statement of cash flows—Effective January 1, 2018, we adopted 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. 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 removed the effect of proceeds from and deposits to restricted accounts from our cash flows provided by or used in operating, investing and financing activities, as applicable. For the years ended December 31, 2018 and 2017, such changes 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.

Retirement benefits—Effective January 1, 2018, we adopted 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. 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.

Goodwill—Effective January 1, 2018, we early adopted the accounting standards update that simplifies the method for measuring the implied value of goodwill when performing a goodwill impairment test by performing a one-step test, comparing the fair value of the reporting unit with its carrying amount. The update eliminates the two-step requirement to perform procedures to determine the fair value of assets and liabilities on the same basis as required in a business combination. In the year ended December 31, 2018, we applied this simplified method in our interim goodwill test, and we recognized an aggregate loss of \$462 million, which had no tax effect, associated with the full impairment of our goodwill.

TRANSOCEAN LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—continued

Recently issued accounting standards

Leases—Effective January 1, 2019, we will adopt the accounting standards update that (a) requires lessees to recognize a right to use asset and a lease liability for virtually all leases, and (b) updates previous accounting standards for lessors to align certain requirements with the updates to lessee accounting standards and the revenue recognition accounting standards. In a recent update, targeted improvements were made that provide 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. We expect to elect the new optional transition method of adoption. With respect to our drilling contracts, which could contain a lease component, we expect to apply the practical expedient and recognize revenues based on the service component, which we have determined is the predominant component of our contracts. With respect to the lease arrangements under which we are the lessee as of December 31, 2018, we expect to recognize an aggregate lease liability of between \$130 million and \$140 million and a right-of-use asset of between \$100 million and \$110 million. We do not expect our adoption to have a material effect on our consolidated statements of financial position, operations or cash flows.

Other comprehensive income—Effective January 1, 2019, we will adopt the accounting standards update that allows for reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act (the “2017 Tax Act”). We expect to apply the permitted alternative and reclassify such stranded tax effects resulting from the 2017 Tax Act. We do not expect our adoption to have a material effect on our consolidated statements of financial position, operations or cash flows or on the disclosures contained in our notes to consolidated financial statements.

Financial instruments – credit losses—Effective no later than January 1, 2020, we will adopt the accounting standards update that requires entities to estimate an expected lifetime credit loss on financial assets ranging from short-term trade accounts receivable to long-term financings. The update, which permits early adoption, is effective for annual reporting periods beginning after December 15, 2019, including interim periods within those fiscal years. We continue to evaluate the requirements and do not expect our adoption to have a material effect on our consolidated statements of financial position, operations or cash flows or on the disclosures contained in our notes to consolidated financial statements.

Note 4—Business Combinations

Overview

During the year ended December 31, 2018, we completed the acquisitions of Songa and Ocean Rig. On January 30, 2018, we acquired an approximate 97.7 percent ownership interest in Songa. We believe the Songa acquisition strengthens our position as a leader in harsh environment and ultra-deepwater drilling services by adding high value assets, including four high-specification harsh environment floaters, supported by significant contract backlog, and strengthens our footprint in harsh environment operating areas. The goodwill resulting from the business combination was attributed to synergies and intangible assets that did not qualify for separate recognition. On December 5, 2018, we acquired Ocean Rig in a merger transaction. We believe the Ocean Rig acquisition further strengthens our position as a leader in the ultra-deepwater and harsh environment drilling services by adding additional high-value assets, including nine ultra-deepwater floaters and two harsh environment floaters, and the contracts relating to the construction of two ultra-deepwater drillships (see Note 22—Subsequent Events). In the year ended December 31, 2018 and 2017, in connection with these acquisitions, we incurred acquisition costs of \$24 million and \$4 million, respectively, recorded in general and administrative costs and expenses.

Pro forma combined operating results—We have included the operating results of Songa and Ocean Rig in our consolidated results of operations, commencing on the acquisition date, January 30, 2018 and December 5, 2018, respectively. In the year ended December 31, 2018, our consolidated statement of operations includes revenues of \$497 million and net income of \$87 million associated with the operations of Songa and revenues of \$15 million and net loss of \$8 million associated with the operations of Ocean Rig. Pro forma combined operating results, assuming the acquisitions were completed as of January 1, 2017, were as follows (in millions, except per share data):

	Years ended December 31,	
	2018	2017
Contract drilling revenues	\$ 3,373	\$ 4,386
Net loss	(2,124)	(3,174)
Per share loss - basic and diluted	(3.47)	(5.29)

TRANSOCEAN LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—continued

Ocean Rig UDW Inc.

Consideration—To complete the acquisition, we issued 147.7 million shares with a per share market value of \$9.32, based on the market value of our shares on the acquisition date, and made an aggregate cash payment of \$1.2 billion. The aggregate fair value of the consideration transferred in the business combination was as follows (in millions):

	Total
Consideration transferred	
Aggregate fair value of shares issued as partial consideration for Ocean Rig shares	\$ 1,377
Aggregate cash paid as partial consideration for Ocean Rig shares	1,168
Total consideration transferred in business combination	\$ 2,545

Assets and liabilities—We estimated the fair value of assets acquired and liabilities assumed, measured as of December 5, 2018, as follows (in millions):

	Total
Assets acquired	
Cash and cash equivalents	\$ 152
Accounts receivable	72
Property and equipment	2,206
Drilling contract intangible assets	275
Other assets	114
Liabilities assumed	
Accounts payable and other current liabilities	71
Construction contract intangible liabilities	132
Other long-term liabilities	61
Net assets acquired	\$ 2,555

As a result of the acquisition, we recognized a gain of \$10 million, recorded in other, net, associated with the bargain purchase, primarily due to the decline in the market value of our shares between the announcement date and the closing date. We estimated the fair value of the rigs and related equipment 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 acquisition date. We estimated the fair value of the drilling contracts by comparing the contractual dayrates over the remaining firm contract term and option periods relative to the projected market dayrates as of the acquisition date. We estimated the fair value of the construction contracts by comparing the contractual future payments and terms relative to the market payments and terms as of the acquisition date. Our estimates of fair value for the drilling units and contract intangibles required us to use significant unobservable inputs, representative of a Level 3 fair value measurement, including assumptions related to the future performance of the assets, such as future commodity prices, projected demand for our services, rig availability, rig utilization, dayrates, remaining useful lives of the rigs and discount rates.

We have not completed our estimates of the fair values of assets acquired and liabilities assumed. We continue to review the estimated fair values of property and equipment, intangible assets, and other assets and liabilities, and to evaluate the assumed tax positions and contingencies. Our estimates of the fair value for such assets and liabilities require significant assumptions and judgment. Until we complete our evaluation, we may be required to adjust our original estimates, and such adjustments could be material.

Songa Offshore SE

Consideration—To complete the acquisition, we issued 66.9 million shares with a per share market value of \$10.99, based on the market value of our shares on the acquisition date. We also issued \$854 million aggregate principal amount of Exchangeable Bonds, including \$562 million aggregate principal amount as partial consideration to Songa shareholders and \$292 million aggregate principal amount as settlement for certain Songa indebtedness. The aggregate fair value of the consideration transferred in the business combination was as follows (in millions):

	Total
Consideration transferred	
Aggregate fair value of shares issued as partial consideration for Songa shares	\$ 735
Aggregate fair value of Exchangeable Bonds issued as partial consideration for Songa shares	675
Consideration transferred to Songa shareholders	1,410
Aggregate fair value of Exchangeable Bonds issued for settlement of certain Songa indebtedness	351
Total consideration transferred in business combination	\$ 1,761

TRANSOCEAN LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—continued

Assets and liabilities—We estimated the fair value of assets acquired, liabilities assumed and noncontrolling interest, measured as of January 30, 2018, as follows (in millions):

	Total
Assets acquired	
Cash and cash equivalents	\$ 113
Accounts receivable	115
Other current assets	80
Property and equipment	2,414
Goodwill	462
Contract intangible assets	632
Liabilities assumed	
Accounts payable and other current liabilities	178
Debt	1,768
Other long-term liabilities	76
Net assets acquired	1,794
Noncontrolling interest in business combination	33
Controlling interest acquired in business combination	\$ 1,761

In the year ended December 31, 2018, we completed our estimates of the fair values of the assets and liabilities. We estimated the fair value of the rigs and related equipment 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 acquisition date. We estimated the fair value of the drilling contracts by comparing the contractual dayrates over the remaining firm contract term and option periods relative to the projected market dayrates as of the acquisition date. Our estimates of fair value for these assets required us to use significant unobservable inputs, representative of a Level 3 fair value measurement, including assumptions related to the future performance of the assets, such as future commodity prices, projected demand for our services, rig availability, dayrates and discount rates. We estimated the fair value of the debt using significant other observable inputs, representative of a Level 2 fair value measurement, including the terms and credit spreads for the instruments.

Noncontrolling interest—On March 28, 2018, we acquired the remaining Songa shares not owned by us through a compulsory acquisition under Cyprus law, and as a result, Songa became our wholly owned subsidiary. As consideration for the remaining Songa shares, we issued 1.1 million shares and \$9 million aggregate principal amount of Exchangeable Bonds and we made an aggregate cash payment of \$8 million to Songa shareholders who elected to receive a cash payment or failed to make an election, for an aggregate fair value of \$30 million.

Note 5—Revenues

Overview—The services we perform represent a single performance obligation under our drilling contracts with customers that is satisfied over time. We earn revenues primarily by performing the following activities: (i) providing our drilling rig, work crews, related equipment and services necessary to operate the rig (ii) delivering the drilling rig by mobilizing to and demobilizing from the drill location, and (iii) performing certain pre-operating activities, including rig preparation activities or equipment modifications required for the contract.

The duration of our performance obligation varies by contract. At December 31, 2018, the expected remaining duration of our drilling contracts extends through February 2028, excluding unexercised options. In the year ended December 31, 2018, we recognized revenues of \$174 million, respectively, for performance obligations satisfied in previous periods, primarily related to our customer's termination of the contract for *Discoverer Clear Leader*, effective November 2017, and certain revenues recognized on a cash basis.

In the years ended December 31, 2018, 2017 and 2016, we recognized costs of \$45 million, \$45 million and \$86 million, respectively, associated with pre-operating costs for contracts with customers. At December 31, 2018 and 2017, the unrecognized pre-operating costs to obtain contracts was \$2 million and \$18 million, respectively, recorded in other assets.

Disaggregation—In the years ended December 31, 2018, 2017 and 2016, we recognized revenues as follows (in millions):

	Year ended December 31, 2018					
	U.S.	Norway	U.K.	Brazil	Other	Total
Ultra-deepwater floaters	\$ 1,496	\$ —	\$ —	\$ 26	\$ 266	\$ 1,788
Harsh environment floaters	—	651	124	—	199	974
Deepwater floaters	—	—	—	84	40	124
Midwater floaters	—	—	38	—	36	74
High-specification jackups	—	—	—	—	58	58
Total revenues	\$ 1,496	\$ 651	\$ 162	\$ 110	\$ 599	\$ 3,018

TRANSOCEAN LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—continued

	Year ended December 31, 2017					
	U.S.	Norway	U.K.	Brazil	Other	Total
Ultra-deepwater floaters	\$ 1,519	\$ —	\$ —	\$ 235	\$ 294	\$ 2,048
Harsh environment floaters	8	83	225	—	140	456
Deepwater floaters	—	—	—	100	44	144
Midwater floaters	—	—	30	—	123	153
High-specification jackups	—	—	33	—	139	172
Total revenues	<u>\$ 1,527</u>	<u>\$ 83</u>	<u>\$ 288</u>	<u>\$ 335</u>	<u>\$ 740</u>	<u>\$ 2,973</u>

	Year ended December 31, 2016					
	U.S.	Norway	U.K.	Brazil	Other	Total
Ultra-deepwater floaters	\$ 1,919	\$ —	\$ —	\$ 317	\$ 491	\$ 2,727
Harsh environment floaters	58	107	265	—	72	502
Deepwater floaters	—	—	—	99	121	220
Midwater floaters	—	107	199	37	56	399
High-specification jackups	—	—	87	—	226	313
Total revenues	<u>\$ 1,977</u>	<u>\$ 214</u>	<u>\$ 551</u>	<u>\$ 453</u>	<u>\$ 966</u>	<u>\$ 4,161</u>

Contract liabilities—We recognize contract liabilities, recorded in other current liabilities and other long-term liabilities, for mobilization, contract preparation, capital upgrades and deferred revenues for declining dayrate contracts using the straight-line method over the remaining contract term. Contract liabilities for our contracts with customers were as follows (in millions):

	December 31, 2018	January 1, 2018
Deferred contract revenues, recorded in other current liabilities	\$ 87	\$ 203
Deferred contract revenues, recorded in other long-term liabilities	399	422
Total contract liabilities	<u>\$ 486</u>	<u>\$ 625</u>

Significant changes in contract liabilities were as follows (in millions):

	Year ended December 31, 2018
Total contract liabilities, beginning of period	\$ 625
Decrease due to recognition of revenues for goods and services	(239)
Increase due to goods and services transferred over time	100
Total contract liabilities, end of period	<u>\$ 486</u>

Note 6—Drilling Fleet

Construction work in progress—For each of the three years in the period ended December 31, 2018, the changes in our construction work in progress, including capital expenditures and other capital additions, were as follows (in millions):

	Years ended December 31,		
	2018	2017	2016
Construction work in progress, beginning of period	\$ 1,392	\$ 2,171	\$ 3,735
Capital expenditures			
Newbuild construction program	75	397	1,206
Other equipment and construction projects	109	100	138
Total capital expenditures	184	497	1,344
Changes in accrued capital additions	4	(23)	(86)
Construction work in progress acquired in business combination	28	—	—
Construction work in progress sold	—	(289)	—
Property and equipment placed into service			
Newbuild construction program	(903)	(896)	(2,557)
Other property and equipment	(73)	(68)	(265)
Construction work in progress, end of period	<u>\$ 632</u>	<u>\$ 1,392</u>	<u>\$ 2,171</u>

Impairments of assets held and used—During the years ended December 31, 2017 and 2016, 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

TRANSOCEAN LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—continued

included a significant decline in commodity prices and the market value of our stock, a reduction of projected dayrates and a further extension of low utilization rates, and 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, 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, 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.

We measured 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 estimate of fair value required us to use significant unobservable inputs, representative of a Level 3 fair value measurement, including assumptions related to the future performance of our contract drilling services reporting unit, such as future commodity prices, projected demand for our services, rig 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, 2018, we recognized an aggregate loss of \$999 million (\$2.13 per diluted share), which had no tax effect, associated with the impairment of the ultra-deepwater floaters *Deepwater Discovery*, *Deepwater Frontier*, *Deepwater Millennium* and *GSF C.R. Luigs*, the deepwater floaters *Jack Bates* and *Transocean 706* and the midwater floaters *Songa Delta* and *Songa Trym*, 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, 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.

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 to be sold for scrap value or binding contracts to sell such assets for alternative purposes. If we commit to plans to sell additional rigs for values below the respective carrying amounts, we will be required to recognize additional losses in future periods associated with the impairment of such assets.

Dispositions—During the year ended December 31, 2018, in connection with our efforts to dispose of non-strategic assets, we completed the sale of the ultra-deepwater floaters *Cajun Express*, *Deepwater Discovery*, *Deepwater Pathfinder*, *GSF C.R. Luigs*, *Sedco Energy* and *Sedco Express*, the deepwater floater *Transocean Marianas* and the midwater floater *Songa Trym*, along with related assets. In the year ended December 31, 2018, we received aggregate net cash proceeds of \$36 million and recognized an aggregate net gain of \$7 million (\$0.01 per diluted share), which had no tax effect, associated with the disposal of these assets. In the year ended December 31, 2018, we received aggregate net cash proceeds of \$7 million and recognized an aggregate net loss of \$7 million associated with the disposal of assets unrelated to rig sales.

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 continued to operate three of these high-specification jackups through completion of the drilling contracts, the last of which was completed in October 2018. In the years ended December 31, 2018, 2017 and 2016, excluding our loss on the disposal of these assets, our operating results included income of \$44 million, \$65 million and \$74 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

TRANSOCEAN LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—continued

(\$0.01 per diluted share), which had no tax effect, 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.

Assets held for sale—At December 31, 2018, the aggregate carrying amount of our assets held for sale, including the ultra-deepwater floaters *Deepwater Frontier* and *Deepwater Millennium*, the deepwater floaters *Jack Bates* and *Transocean 706* and the midwater floater *Songa Delta*, along with related assets, was \$25 million, recorded in other current assets. At December 31, 2017, the aggregate carrying amount of our assets held for sale was \$22 million, including the ultra-deepwater floaters *Cajun Express*, *Deepwater Pathfinder*, *Sedco Energy* and *Sedco Express* and the deepwater floater *Transocean Marianas*, along with related assets, recorded in other current assets.

Note 7—Goodwill and Other Intangibles

Goodwill—During the three months ended June 30, 2018, we classified as held for sale and impaired three ultra-deepwater floaters (see Note 6—Drilling Fleet). We identified the impairment of these assets included in our single contract drilling services reporting unit as a trigger to test the recoverability of goodwill. As a result, we performed an interim goodwill impairment test as of June 30, 2018, and we determined that the goodwill associated with our contract drilling services reporting unit was fully impaired. In the year ended December 31, 2018, we recognized a loss of \$462 million (\$0.99 per diluted share), which had no tax effect, associated with the impairment of the full balance of our goodwill. We estimated the fair value of the contract drilling services reporting unit using the income approach. Our estimate of fair value required us to use significant unobservable inputs, representative of a Level 3 fair value measurement, including assumptions related to the future performance of the reporting unit, such as future commodity prices, projected demand for our services, rig availability and dayrates.

Finite-lived intangible assets and liabilities—At December 31, 2018, the gross carrying amount and accumulated amortization of our drilling contract intangible assets were as follows (in millions):

	Year ended December 31, 2018		
	Gross carrying amount	Accumulated amortization	Net carrying amount
Drilling contract intangible assets			
Balance, beginning of period	\$ —	\$ —	\$ —
Acquisition	907	—	907
Amortization	—	(112)	(112)
Balance, end of period	<u>\$ 907</u>	<u>\$ (112)</u>	<u>\$ 795</u>

In the year ended December 31, 2018, we recognized drilling contract intangible amortization of \$112 million recorded as a reduction of contract drilling revenues. We expect to amortize the carrying amounts over the remaining contract periods, through March 2024. As of December 31, 2018, the estimated future amortization of contract intangible assets was as follows (in millions):

	Total
Years ending December 31,	
2019	\$ 179
2020	179
2021	179
2022	178
2023	76
Thereafter	4
Total carrying amount of contract intangible assets	<u>\$ 795</u>

At December 31, 2018, the gross carrying amount of our construction contract liabilities was \$132 million. We expect to recognize the construction contract intangible liabilities as reductions to the capitalized cost of the two rigs at the time we take delivery of the assets.

TRANSOCEAN LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—continued

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, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Eksportfinans Loan due January 2018	\$ —	\$ 26	\$ —	\$ 26
6.50% Senior Notes due November 2020 (a)	286	286	288	288
6.375% Senior Notes due December 2021 (a)	328	328	327	327
5.52% Senior Secured Notes due May 2022 (b)	282	362	280	356
3.80% Senior Notes due October 2022 (a)	411	506	408	502
0.50% Exchangeable Bonds due January 2023 (a)	863	—	862	—
9.00% Senior Notes due July 2023 (c)	1,250	1,250	1,221	1,216
5.875% Senior Secured Notes due January 2024 (d)	750	—	735	—
7.75% Senior Secured Notes due October 2024 (d)	480	540	469	526
6.25% Senior Secured Notes due December 2024 (d)	500	562	489	549
6.125% Senior Secured Notes due August 2025 (d)	600	—	588	—
7.25% Senior Notes due November 2025 (c)	750	—	736	—
7.50% Senior Notes due January 2026 (c)	750	750	742	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	306	307
Capital lease contract due August 2029	511	541	511	541
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	10,094	7,484	9,978	7,396
Less debt due within one year				
Eksportfinans Loan due January 2018	—	26	—	26
5.52% Senior Secured Notes due May 2022 (b)	83	79	81	77
5.875% Senior Secured Notes due January 2024 (d)	83	—	79	—
7.75% Senior Secured Notes due October 2024 (d)	60	60	58	57
6.25% Senior Secured Notes due December 2024 (d)	62	62	60	60
6.125% Senior Secured Notes due August 2025 (d)	66	—	63	—
Capital lease contract due August 2029	32	30	32	30
Total debt due within one year	386	257	373	250
Total long-term debt	\$ 9,708	\$ 7,227	\$ 9,605	\$ 7,146

- (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. 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.”

See Note 22—Subsequent Events.

TRANSOCEAN LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—continued

Scheduled maturities—At December 31, 2018, the scheduled maturities of our debt were as follows (in millions):

Years ending December 31,	Total
2019	\$ 386
2020	680
2021	730
2022	740
2023	2,427
Thereafter	5,131
Total principal amount of debt	10,094
Total debt-related balances, net	(116)
Total carrying amount of debt	\$ 9,978

Indentures—The indentures that govern our debt generally 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 5.875% senior secured notes due January 2024 (the “5.875% Senior Secured Notes”), the 6.125% senior secured notes due August 2025 (the “6.125% Senior Secured Notes”), 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”) 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 5.875% Senior Secured Notes, the 6.125% Senior Secured Notes, 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 the debt balance relative to each rig’s earnings, that changes over the terms of the notes. At December 31, 2018, the Maximum Collateral Ratio under the respective indenture was as follows: (i) 6.00 to 1.00 for the 5.875% Senior Secured Notes, (ii) 5.75 to 1.00 for the 6.125% Senior Secured Notes and (iii) 4.75 to 1.00 for the 7.75% Senior Secured Notes and the 6.25% Senior Secured Notes.

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, 2018, the interest rate in effect for the 6.375% senior notes due December 2021 (the “6.375% Senior Notes”), the 3.80% senior notes due October 2022 (the “3.80% Senior Notes”) and the 7.35% senior notes due December 2041 was 8.375 percent, 5.80 percent and 9.35 percent, respectively.

Secured Credit Facility—In June 2018, we entered into a bank credit agreement, which established a \$1.0 billion secured revolving credit facility (the “Secured Credit Facility”), which is scheduled to expire on the earlier of (i) June 22, 2023 and (ii) if greater than \$300 million aggregate principal amount of our 9.00% senior notes due July 2023 (the “9.00% Senior Notes”) remain outstanding in April 2023, such date. The Secured Credit Facility is guaranteed by Transocean Ltd. and certain wholly owned subsidiaries. The Secured Credit Facility is secured by, among other things, a lien on the ultra-deepwater floaters *Deepwater Asgard*, *Deepwater Invictus* and *Discoverer Inspiration* and the harsh environment floaters *Transocean Barents* and *Transocean Spitsbergen*, the aggregate carrying amount of which was \$3.4 billion at December 31, 2018. The Secured Credit Facility contains covenants that, among other things, include maintenance of certain guarantee and collateral coverage ratios, a maximum debt to capitalization ratio of 0.60 to 1.00 and minimum liquidity of \$500 million. The Secured Credit Facility also restricts the ability of Transocean Ltd. and certain of our subsidiaries to, among other things, merge, consolidate or otherwise make changes to the corporate structure, incur liens, incur additional indebtedness, enter into transactions with affiliates and pay dividends and other distributions.

We may borrow under the Secured Credit Facility at either (1) the reserve adjusted London interbank offered rate plus a margin (the “Secured Credit Facility Margin”), which ranges from 2.625 percent to 3.375 percent based on the credit rating of the Secured Credit Facility, or (2) the base rate specified in the credit agreement plus the Secured Credit Facility Margin, minus one percent per annum. Throughout the term of the Secured Credit Facility, we pay a facility fee on the amount of the underlying commitment which ranges from 0.375 percent to 1.00 percent based on the credit rating of the Secured Credit Facility. At December 31, 2018, based on the credit rating of the Secured Credit Facility on that date, the Secured Credit Facility Margin was 2.75 percent and the facility fee was 0.50 percent. At December 31, 2018, we had no borrowings outstanding, \$25 million of letters of credit issued, and we had \$1.0 billion of available borrowing capacity under the Secured Credit Facility. See Note 13—Commitments and Contingencies—Global Marine litigation.

Debt issuances

Priority guaranteed senior unsecured notes—On October 25, 2018, we issued \$750 million aggregate principal amount of 7.25% senior unsecured notes due November 2025 (the “7.25% Senior Notes”), and we received aggregate cash proceeds of \$735 million, net of issue costs. We may redeem all or a portion of the 7.25% Senior Notes at any time prior to November 1, 2021 at a price equal to

TRANSOCEAN LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—continued

100 percent of the aggregate principal amount plus a make-whole provision, and on or after November 1, 2021, at specified redemption prices.

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 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 \$1.3 billion of the 9.00% Senior Notes and we received aggregate cash proceeds of \$1.2 billion, net of initial discount and costs payable by us. 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—In July 2018, we issued \$750 million aggregate principal amount of 5.875% Senior Secured Notes and \$600 million aggregate principal amount of 6.125% Senior Secured Notes, and we received aggregate cash proceeds of \$733 million and \$586 million, respectively, net of discount and issue costs. The 5.875% Senior Secured Notes are secured by the assets and earnings associated with the harsh environment floaters *Transocean Enabler* and *Transocean Encourage* and the equity of the wholly owned subsidiaries that own or operate the collateral rigs. The 6.125% Senior Secured Notes are secured by the assets and earnings associated with the ultra-deepwater floater *Deepwater Pontus* and the equity of the wholly owned subsidiaries that own or operate the collateral rig. In connection with the issuance of such notes, we were required to deposit \$63 million, with respect to the 5.875% Senior Secured Notes, and \$51 million with respect to the 6.125% Senior Secured Notes, in restricted cash accounts to satisfy debt service and reserve requirements. We are required to pay semiannual installments of principal and interest on the 5.875% Senior Secured Notes, beginning January 15, 2019, and on the 6.125% Senior Secured Notes, beginning February 1, 2019. We may redeem all or a portion of these notes at a price equal to 100 percent of the aggregate principal amount plus a make-whole provision.

On May 5, 2017, we issued \$410 million aggregate principal amount of 5.52% Senior Secured Notes, and we received aggregate cash proceeds of \$403 million, net of issue costs. 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. We are required to pay quarterly installments of principal and interest on the 5.52% Senior Secured Notes. 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, a make-whole amount.

On October 19, 2016, we issued \$600 million aggregate principal amount 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. The 7.75% Senior Secured Notes and the 6.25% Senior Secured Notes are secured by the assets and earnings associated with the ultra-deepwater floater *Deepwater Thalassa* and the *Deepwater Proteus*, respectively, and the equity of the wholly owned subsidiary that owns the collateral rig. We are required to pay semiannual installments of principal and interest on the 7.75% Senior Secured Notes and the 6.25% Senior Secured Notes. 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.

At December 31, 2018 and 2017, we had \$347 million and \$211 million, respectively, deposited in restricted cash accounts to satisfy debt service and working capital requirements for the senior secured notes. At December 31, 2018, the aggregate carrying amount of *Deepwater Conqueror*, *Deepwater Pontus*, *Deepwater Proteus*, *Deepwater Thalassa*, *Transocean Enabler* and *Transocean Encourage* was \$4.4 billion. At December 31, 2017, the aggregate carrying amount of *Deepwater Conqueror*, *Deepwater Thalassa* and *Deepwater Proteus* was \$2.4 billion. 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 rigs and the related drilling contracts.

Exchangeable bonds—In connection with the Songa acquisition transactions, we issued \$863 million aggregate principal amount of Exchangeable Bonds, as partial consideration for the Songa shares and as consideration for refinancing certain Songa indebtedness. The Exchangeable Bonds may be converted at any time prior to the maturity date at an exchange rate of 97.29756 shares per \$1,000 note, equivalent to a conversion price of \$10.28 per share, subject to adjustment upon the occurrence of certain events. Holders of Exchangeable Bonds may require us to repurchase all or a portion of such holder’s Exchangeable Bonds upon the occurrence of certain events. The aggregate fair value of the Exchangeable Bonds, measured as of the issuance date, was \$1.0 billion, which represented a substantial premium of \$172 million above par, and we recorded such premium to additional paid-in capital. We estimated the fair value using significant other observable inputs, representative of a Level 2 fair value measurement, including the terms and credit spreads for the instruments.

TRANSOCEAN LTD. AND SUBSIDIARIES
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Debt assumptions and repayments

Senior Secured Term Loans and Junior Secured Bonds—In connection with the Songa acquisition, we assumed the rights and obligations under credit agreements establishing two senior secured term loan facilities (the “Senior Secured Term Loans”) and a subscription agreement establishing a junior secured bond facility (the “Junior Secured Bonds”). The credit agreements and subscription agreement contained change of control clauses, for which we received waivers from the lenders that were scheduled to expire on August 31, 2018. On February 12, 2018, we served notice of our intent to call the Junior Secured Bonds. Prior to the expiration of the waivers, we made an aggregate cash payment of \$1.4 billion and \$171 million to repay the borrowings under the Senior Secured Term Loans and the Junior Secured Bonds, respectively, and terminated the underlying agreements. We recognized an aggregate net loss of \$1 million associated with the repaid borrowings.

Other debt—In connection with the Songa acquisition, we assumed the indebtedness related to two bond loans (together, the “Bond Loans”), previously publicly traded on the Oslo stock exchange. On the acquisition date, the Bond Loans had an aggregate principal amount of NOK 337 million, equivalent to \$44 million. On March 14, 2018, we made a cash payment of NOK 345 million, equivalent to \$44 million, to repay the Bond Loans. We also assumed the rights and obligations under a credit agreement for a secured borrowing facility. On February 2, 2018, we made a cash payment of \$23 million to repay the borrowings outstanding under the secured borrowing facility and terminated the underlying credit agreement.

Debt retirements

Repurchases and repayments—During the years ended December 31, 2018, 2017 and 2016, we repurchased in the open market debt securities with aggregate principal amounts as follows (in millions):

	Years ended December 31,		
	2018	2017	2016
5.05% Senior Notes due December 2016	\$ —	\$ —	\$ 36
2.50% Senior Notes due October 2017	—	62	85
6.00% Senior Notes due March 2018	—	354	35
7.375% Senior Notes due April 2018	—	83	26
6.50% Senior Notes due November 2020	—	15	44
6.375% Senior Notes due December 2021	—	10	122
3.80% Senior Notes due October 2022	95	33	38
7.45% Notes due April 2027	—	—	8
7.50% Notes due April 2031	—	—	5
Aggregate principal amount retired	<u>\$ 95</u>	<u>\$ 557</u>	<u>\$ 399</u>
Aggregate cash payment	\$ 95	\$ 564	\$ 354
Aggregate net gain (loss)	\$ —	\$ (7)	\$ 44

Tender offers—In 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 aggregate principal amounts of the 2017 Tendered Notes and 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	<u>\$ 1,219</u>	<u>\$ 981</u>
Aggregate cash payment	\$ 1,269	\$ 876
Aggregate net gain (loss)	\$ (48)	\$ 104

See Note 22—Subsequent Events.

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 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. In the years ended December

TRANSOCEAN LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—continued

31, 2018, 2017 and 2016, we also made cash payments of \$257 million, \$299 million and \$127 million to repay other indebtedness in scheduled installments.

Note 9—Derivative Instruments

Forward exchange contracts—At December 31, 2018, we held undesignated forward exchange contracts, extending through June 2019, with an aggregate notional payment amount of \$76 million and an aggregate notional receive amount of NOK 600 million, representing a weighted average exchange rate of NOK 7.94 to \$1. In the year ended December 31, 2018, we recognized a loss of \$9 million, recorded in other, net, associated with the forward exchange contracts. At December 31, 2018, the undesignated forward exchange contracts represented a liability with a carrying amount of \$6 million, recorded in other current liabilities.

In connection with the Songa acquisition, we acquired certain undesignated forward exchange contracts for the purchase of Norwegian kroner that extended through May 2018. On the acquisition date, the forward exchange contracts represented an asset of \$4 million. During the year ended December 31, 2018, we settled the remaining forward exchange contracts upon expiration. In the year ended December 31, 2018, we recognized a loss of \$1 million, recorded in other, net, associated with the forward exchange contracts.

Interest rate swaps—In connection with the Songa acquisition, we acquired interest rate swaps, which we repaid in the year ended December 31, 2018. On the acquisition date, the aggregate fair value of the interest rate swaps represented an asset of \$14 million. In July and August 2018, we received aggregate cash proceeds of \$18 million in connection with the settlement and termination of the interest rate swaps. In the year ended December 31, 2018, we recognized a gain of \$4 million, recorded in other, net, associated the interest rate swaps.

Currency swaps—In connection with the Songa acquisition, we acquired currency swaps, which were previously designated as a cash flow hedge, to reduce the variability of cash interest payments and the final cash principal payment associated with the Bond Loans resulting from the changes in the U.S. dollar to Norwegian krone exchange rate. On the acquisition date, the aggregate fair value of the currency swaps represented a liability of \$81 million. In February 2018, we made an aggregate cash payment of \$92 million in connection with the settlement and termination of the currency swaps. In the year ended December 31, 2018, we recognized a loss of \$11 million, recorded in other, net, associated with the currency swaps.

Note 10—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 income tax provision (benefit) were as follows (in millions):

	Years ended December 31,		
	2018	2017	2016
Current tax expense	\$ 244	\$ 5	\$ 39
Deferred tax expense (benefit)	(16)	89	68
Income tax expense	\$ 228	\$ 94	\$ 107

In the years ended December 31, 2018, 2017 and 2016, our effective tax rate was (12.8) percent, (3.1) percent and 11.5 percent, respectively, based on income before income tax expense.

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The following is a reconciliation of the income tax expense (benefit) 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,		
	2018	2017	2016
Income tax expense (benefit) at Swiss federal statutory rate	\$ (139)	\$ (235)	\$ 72
Impact of U.S. tax reform	136	66	—
Changes in unrecognized tax benefits, net	117	(56)	(31)
Impairment losses subject to rates different than the Swiss federal statutory rate	114	241	5
Changes in valuation allowance	67	162	32
Currency revaluation of Norwegian assets	11	1	18
Litigation matters, primarily related to the Macondo well incident	—	(70)	(1)
Earnings subject to rates different than the Swiss federal statutory rate	(70)	2	34
Benefit from foreign tax credits	(5)	(15)	(16)
Other, net	(3)	(2)	(6)
Income tax expense	\$ 228	\$ 94	\$ 107

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

	December 31,	
	2018	2017
Deferred tax assets		
Net operating loss carryforwards	\$ 479	\$ 435
Interest expense limitation	76	59
Accrued payroll expenses not currently deductible	49	54
Accrued expenses	44	16
Loss contingencies	40	42
United Kingdom charter limitation	30	36
Deferred income	26	101
Tax credit carryforwards	11	37
Other	13	17
Valuation allowance	(681)	(574)
Total deferred tax assets	87	223
Deferred tax liabilities		
Depreciation	(62)	(216)
Contract intangible revenues	(22)	—
Other	(1)	(4)
Total deferred tax liabilities	(85)	(220)
Deferred tax assets, net	\$ 2	\$ 3

At December 31, 2018 and 2017, our deferred tax assets included U.S. foreign tax credit carryforwards of \$11 million and \$37 million, respectively, which will expire between 2019 and 2028. The deferred tax assets related to our net operating losses were generated in various worldwide tax jurisdictions. At December 31, 2018, the net operating losses carryforwards, which were generated in various jurisdictions worldwide, included \$307 million that do not expire and \$172 million that will expire beginning between 2021 and 2038. 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.

As of December 31, 2018, our consolidated cumulative loss incurred over the recent three-year period was primarily due to losses on impairment and disposal of assets, which represented significant objective negative evidence for our evaluation of our deferred tax assets. Although such evidence has limited our ability to consider other subjective evidence, we analyze each jurisdiction separately. We consider objective evidence, such as contract backlog activity, in jurisdictions in which we have profitable contracts. 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. At December 31, 2018 and 2017, due to uncertainty of realization, we have recorded a valuation allowance of \$681 million and \$574 million, respectively, on net operating losses and other deferred tax assets.

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. As of December 31, 2018, we did not provide for deferred taxes on earnings of certain subsidiaries that are indefinitely reinvested because it is not practical to estimate the amount of tax that would ultimately be due if remitted. 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

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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.

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,		
	2018	2017	2016
Balance, beginning of period	\$ 222	\$ 274	\$ 287
Additions for prior year tax positions	172	17	13
Additions for current year tax positions	29	13	42
Reductions related to statute of limitation expirations	(8)	(13)	(15)
Reductions for prior year tax positions	(7)	(68)	(34)
Reductions due to settlements	—	(1)	(19)
Balance, end of period	<u>\$ 408</u>	<u>\$ 222</u>	<u>\$ 274</u>

The liabilities related to our unrecognized tax benefits, including related interest and penalties that we recognize as a component of income tax expense, were as follows (in millions):

	December 31,	
	2018	2017
Unrecognized tax benefits, excluding interest and penalties	\$ 408	\$ 222
Interest and penalties	106	87
Unrecognized tax benefits, including interest and penalties	<u>\$ 514</u>	<u>\$ 309</u>

In the years ended December 31, 2018, 2017 and 2016, we recognized, as a component of our income tax provision, expense of \$13 million, income of \$9 million and income of \$23 million, respectively, related to previously recognized interest and penalties associated with our unrecognized tax benefits. As of December 31, 2018, if recognized, \$514 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, 2019, 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 2017 Tax Act, which amended existing U.S. tax laws that had an impact on our income tax provision, such as a base erosion and anti-abuse tax (“BEAT”), a global intangible low-taxed income tax, additional limitations on the deductibility of executive compensation and interest and the repeal of the domestic manufacturing deduction. In the years ended December 31, 2018 and 2017, we recognized the income tax effects of the 2017 Tax Act 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. Although we have completed our analysis and recorded the resulting impact of the 2017 Tax Act, the U.S. Congress or Treasury may introduce clarifications, modification or amendments that could cause us to make further adjustments in future periods.

In the year ended December 31, 2017, we recognized income tax expense of \$66 million with a corresponding decrease to our net deferred tax assets to reflect the reduction in the U.S. corporate income tax rate from 35 percent to 21 percent.

In the year ended December 31, 2018, we recognized income tax expense of \$33 million related to the bareboat charter structure of our U.S. operations because we concluded it is subject to BEAT. A significant portion of our BEAT liability is contractually reimbursable by our customers due to a change-in-law provision in certain drilling contracts.

The 2017 Tax Act imposes a one-time transition tax on certain unremitted earnings and profits of our non-U.S. subsidiaries that are owned by U.S. subsidiaries. At December 31, 2017, we did not have the necessary information available, prepared and analyzed to develop a reasonable estimate of the transition tax. In the year ended December 31, 2018, we completed our evaluation, and we recorded income tax expense of \$103 million for estimated transition taxes and an income tax benefit of \$16 million for the estimated effect on the utilization of foreign tax credits.

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 2011. 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.

TRANSOCEAN LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—continued

Brazil tax investigations—In December 2005, the Brazilian tax authorities began issuing tax assessments with respect to our tax returns for the years 2000 through 2004. In January 25, 2008, we filed a protest letter with the Brazilian tax authorities for these tax assessments, and we are currently engaged in the appeals process. In May 19, 2014, the Brazilian tax authorities issued an additional tax assessment for the years 2009 and 2010, and in June 18, 2014, we filed protests with the Brazilian tax authorities for these tax assessments. In September 2018, a portion of one of the cases was favorably closed. As of December 31, 2018, the remaining aggregate tax assessment was for BRL 973 million, equivalent to approximately \$251 million, including penalties and interest. 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 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.

Note 11—Earnings (Loss) Per Share

The numerator and denominator used for the computation of basic and diluted per share earnings were as follows (in millions, except per share data):

	Years ended December 31,					
	2018		2017		2016	
	Basic	Diluted	Basic	Diluted	Basic	Diluted
Numerator for earnings (loss) per share						
Net income (loss) attributable to controlling interest	\$ (1,996)	\$ (1,996)	\$ (3,127)	\$ (3,127)	\$ 778	\$ 778
Undistributed earnings allocable to participating securities	—	—	—	—	(14)	(14)
Net income (loss) available to shareholders	<u>\$ (1,996)</u>	<u>\$ (1,996)</u>	<u>\$ (3,127)</u>	<u>\$ (3,127)</u>	<u>\$ 764</u>	<u>\$ 764</u>
Denominator for earnings (loss) per share						
Weighted-average shares outstanding	467	467	391	391	367	367
Effect of share-based awards and other equity instruments	1	1	—	—	—	—
Weighted-average shares for per share calculation	<u>468</u>	<u>468</u>	<u>391</u>	<u>391</u>	<u>367</u>	<u>367</u>
Per share earnings (loss)	<u>\$ (4.27)</u>	<u>\$ (4.27)</u>	<u>\$ (8.00)</u>	<u>\$ (8.00)</u>	<u>\$ 2.08</u>	<u>\$ 2.08</u>

In the years ended December 31, 2018, 2017 and 2016, we excluded from the calculation 10.6 million, 4.7 million and 2.5 million share-based awards, respectively, since the effect would have been anti-dilutive. In the year ended December 31, 2018, we excluded from the calculation 77.2 million shares issuable upon conversion of the Exchangeable Bonds, since the effect would have been anti-dilutive.

Note 12—Postemployment Benefit Plans

Defined benefit pension and other postemployment benefit plans

Overview—As of December 31, 2018, 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, 2018, the defined benefit plans in the U.S. included three funded and three unfunded plans (the “U.S. Plans”). As of December 31, 2018, the defined benefit plan in the U.K. included one funded plan (the “U.K. Plan”). As of December 31, 2018, the defined benefit plans in Norway, primarily group pension schemes with life insurance companies, included three funded and two unfunded plans (the “Norway Plans”), one of which we assumed in our acquisition of Songa. We refer to the U.K. Plan and the Norway Plans, collectively, as the “Non-U.S. Plans.” We refer to the U.S. Plans and the Non-U.S. Plans, collectively, as the “Transocean Plans”. Additionally, we 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, 2018			December 31, 2017		
	U.S.	Non-U.S.	OPEB	U.S.	Non-U.S.	OPEB
	Plans	Plans	Plans	Plans	Plans	Plans
Discount rate	4.31 %	2.86 %	3.56 %	3.68 %	2.49 %	2.93 %
Compensation trend rate	na	2.75 %	na	na	2.50 %	na

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We estimated our net periodic benefit costs using the following weighted-average assumptions:

	Year ended December 31, 2018			Year ended December 31, 2017			Year ended December 31, 2016		
	U.S.	Non-U.S.	OPEB	U.S.	Non-U.S.	OPEB	U.S.	Non-U.S.	OPEB Plans
	Plans	Plans	Plans	Plans	Plans	Plans	Plans	Plans	Plans
Discount rate	3.68 %	2.49 %	2.93 %	4.26 %	2.69 %	3.08 %	4.56 %	3.69 %	3.13 %
Expected rate of return	6.21 %	4.72 %	na	6.31 %	4.79 %	na	6.82 %	5.85 %	na
Compensation trend rate	na	2.50 %	na	na	2.25 %	na	0.22 %	4.01 %	na

“na” means not applicable.

Net periodic benefit costs—Net periodic benefit costs, before tax, included the following components (in millions):

	Year ended December 31, 2018			Year ended December 31, 2017			Year ended December 31, 2016		
	U.S.	Non-U.S.	Transocean	U.S.	Non-U.S.	Transocean	U.S.	Non-U.S.	Transocean
	Plans	Plans	Plans	Plans	Plans	Plans	Plans	Plans	Plans
Net periodic benefit costs									
Service cost	\$ —	\$ 7	\$ 7	\$ 3	\$ 3	\$ 6	\$ 3	\$ 10	\$ 13
Interest cost	61	10	71	65	11	76	69	17	86
Expected return on plan assets	(72)	(19)	(91)	(74)	(20)	(94)	(80)	(25)	(105)
Settlements and curtailments	—	(1)	(1)	—	13	13	—	(5)	(5)
Actuarial (gain) loss, net	8	1	9	5	1	6	5	(1)	4
Prior service cost, net	—	—	—	—	—	—	—	—	—
Net periodic benefit costs	<u>\$ (3)</u>	<u>\$ (2)</u>	<u>\$ (5)</u>	<u>\$ (1)</u>	<u>\$ 8</u>	<u>\$ 7</u>	<u>\$ (3)</u>	<u>\$ (4)</u>	<u>\$ (7)</u>

In the years ended December 31, 2018, 2017 and 2016, for the OPEB Plans, the combined components of net periodic benefit costs, including service cost, interest cost, recognized net actuarial losses, prior service cost amortization, curtailments and special termination benefits, were income of \$4 million, \$2 million and \$4 million, respectively.

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, 2018				Year ended December 31, 2017			
	U.S.	Non-U.S.	OPEB	Total	U.S.	Non-U.S.	OPEB	Total
	Plans	Plans	Plans		Plans	Plans	Plans	
Change in projected benefit obligation								
Projected benefit obligation, beginning of period	\$ 1,680	\$ 379	\$ 19	\$ 2,078	\$ 1,557	\$ 398	\$ 19	\$ 1,974
Assumed projected benefit obligation	—	29	—	29	—	—	—	—
Actuarial (gains) losses, net	(145)	(45)	(2)	(192)	115	18	2	135
Service cost	—	7	—	7	3	3	—	6
Interest cost	61	10	1	72	65	11	—	76
Currency exchange rate changes	—	(21)	—	(21)	—	35	—	35
Benefits paid	(69)	(19)	(2)	(90)	(60)	(86)	(2)	(148)
Settlements	—	(3)	—	(3)	—	—	—	—
Plan amendment	—	1	—	1	—	—	—	—
Special termination benefit	—	—	1	1	—	—	—	—
Projected benefit obligation, end of period	<u>1,527</u>	<u>338</u>	<u>17</u>	<u>1,882</u>	<u>1,680</u>	<u>379</u>	<u>19</u>	<u>2,078</u>
Change in plan assets								
Fair value of plan assets, beginning of period	1,343	393	—	1,736	1,204	400	—	1,604
Fair value of acquired plan assets	—	22	—	22	—	—	—	—
Actual return on plan assets	(87)	(6)	—	(93)	198	31	—	229
Currency exchange rate changes	—	(22)	—	(22)	—	36	—	36
Employer contributions	2	13	2	17	1	12	2	15
Benefits paid	(69)	(19)	(2)	(90)	(60)	(86)	(2)	(148)
Settlements	—	(3)	—	(3)	—	—	—	—
Fair value of plan assets, end of period	<u>1,189</u>	<u>378</u>	<u>—</u>	<u>1,567</u>	<u>1,343</u>	<u>393</u>	<u>—</u>	<u>1,736</u>
Funded status, end of period	<u>\$ (338)</u>	<u>\$ 40</u>	<u>\$ (17)</u>	<u>\$ (315)</u>	<u>\$ (337)</u>	<u>\$ 14</u>	<u>\$ (19)</u>	<u>\$ (342)</u>
Balance sheet classification, end of period:								
Pension asset, non-current	\$ —	\$ 47	\$ —	\$ 47	\$ —	\$ 17	\$ —	\$ 17
Pension liability, current	(3)	(1)	(3)	(7)	(2)	(1)	(3)	(6)
Pension liability, non-current	(335)	(6)	(14)	(355)	(335)	(2)	(16)	(353)
Accumulated other comprehensive income (loss) (a)	(307)	(64)	15	(356)	(301)	(84)	19	(366)

(a) Amounts are before income tax effect.

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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, 2018				December 31, 2017			
	U.S.	Non-U.S.	OPEB	Total	U.S.	Non-U.S.	OPEB	Total
	Plans	Plans	Plans		Plans	Plans	Plans	
Projected benefit obligation	\$ 1,527	\$ 26	\$ 17	\$ 1,570	\$ 1,680	\$ 5	\$ 19	\$ 1,704
Fair value of plan assets	1,189	20	—	1,209	1,343	2	—	1,345

At December 31, 2018 and 2017, the accumulated benefit obligation for all defined benefit pension plans was \$1.9 billion and \$2.1 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, 2018				December 31, 2017			
	U.S.	Non-U.S.	OPEB	Total	U.S.	Non-U.S.	OPEB	Total
	Plans	Plans	Plans		Plans	Plans	Plans	
Accumulated benefit obligation	\$ 1,527	\$ 3	\$ 17	\$ 1,547	\$ 1,680	\$ 3	\$ 19	\$ 1,702
Fair value of plan assets	1,189	—	—	1,189	1,343	—	—	1,343

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, 2018				December 31, 2017			
	U.S.	Non-U.S.	OPEB	Total	U.S.	Non-U.S.	OPEB	Total
	Plans	Plans	Plans		Plans	Plans	Plans	
Actuarial gain (loss), net	\$ (307)	\$ (63)	\$ (1)	\$ (371)	\$ (301)	\$ (84)	\$ (4)	\$ (389)
Prior service cost, net	—	(1)	16	15	—	—	23	23
Total	<u>\$ (307)</u>	<u>\$ (64)</u>	<u>\$ 15</u>	<u>\$ (356)</u>	<u>\$ (301)</u>	<u>\$ (84)</u>	<u>\$ 19</u>	<u>\$ (366)</u>

The following table presents the amounts in accumulated other comprehensive income expected to be recognized as components of net periodic benefit costs during the year ending December 31, 2019 (in millions):

	Year ending December 31, 2019			
	U.S.	Non-U.S.	OPEB	Total
	Plans	Plans	Plans	
Actuarial loss, net	\$ 3	\$ —	\$ —	\$ 3
Prior service cost, net	—	—	(2)	(2)
Total amount expected to be recognized	<u>\$ 3</u>	<u>\$ —</u>	<u>\$ (2)</u>	<u>\$ 1</u>

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, 2018 and 2017, the weighted-average target and actual allocations of the investments for the funded Transocean Plans were as follows:

	December 31, 2018				December 31, 2017			
	Target allocation		Actual allocation		Target allocation		Actual allocation	
	U.S.	Non-U.S.	U.S.	Non-U.S.	U.S.	Non-U.S.	U.S.	Non-U.S.
	Plans	Plans	Plans	Plans	Plans	Plans	Plans	Plans
Equity securities	50 %	34 %	50 %	32 %	50 %	39 %	52 %	39 %
Fixed income securities	50 %	51 %	50 %	52 %	50 %	50 %	48 %	48 %
Other investments	— %	15 %	— %	16 %	— %	11 %	— %	13 %
Total	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>

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As of December 31, 2018 and 2017, the investments for the funded Transocean Plans were categorized as follows (in millions):

	December 31, 2018								
	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	\$ 401	\$ —	\$ 401	\$ —	\$ —	\$ —	\$ 401	\$ —	\$ 401
Non-U.S. equity funds	179	—	179	5	120	125	184	120	304
Bond funds	591	—	591	7	195	202	598	195	793
Total mutual funds	<u>1,171</u>	<u>—</u>	<u>1,171</u>	<u>12</u>	<u>315</u>	<u>327</u>	<u>1,183</u>	<u>315</u>	<u>1,498</u>
Other investments									
Cash and money market funds	6	1	7	—	—	—	6	1	7
Property collective trusts	—	—	—	—	19	19	—	19	19
Investment contracts	—	—	—	—	43	43	—	43	43
Total other investments	<u>6</u>	<u>1</u>	<u>7</u>	<u>—</u>	<u>62</u>	<u>62</u>	<u>6</u>	<u>63</u>	<u>69</u>
Total investments	<u>\$ 1,177</u>	<u>\$ 1</u>	<u>\$ 1,178</u>	<u>\$ 12</u>	<u>\$ 377</u>	<u>\$ 389</u>	<u>\$ 1,189</u>	<u>\$ 378</u>	<u>\$ 1,567</u>

	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	<u>1,324</u>	<u>—</u>	<u>1,324</u>	<u>13</u>	<u>343</u>	<u>356</u>	<u>1,337</u>	<u>343</u>	<u>1,680</u>
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	<u>6</u>	<u>7</u>	<u>13</u>	<u>—</u>	<u>43</u>	<u>43</u>	<u>6</u>	<u>50</u>	<u>56</u>
Total investments	<u>\$ 1,330</u>	<u>\$ 7</u>	<u>\$ 1,337</u>	<u>\$ 13</u>	<u>\$ 386</u>	<u>\$ 399</u>	<u>\$ 1,343</u>	<u>\$ 393</u>	<u>\$ 1,736</u>

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, 2018, 2017 and 2016, we made an aggregate contribution of \$17 million, \$15 million and \$49 million, respectively, to the Transocean Plans and the OPEB Plans using our cash flows from operations. In the year ending December 31, 2019, we expect to contribute \$15 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,				
2019	\$ 78	\$ 7	\$ 3	\$ 88
2020	80	8	3	91
2021	81	8	3	92
2022	83	8	2	93
2023	83	9	2	94
2024 - 2028	426	55	5	486

TRANSOCEAN LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—continued

Defined contribution plans

We sponsor defined contribution plans, for our employees, the most significant of which were as follows: (1) a qualified savings plan covering certain employees working in the U.S., (2) a non-qualified supplemental plan covering certain eligible employees working in the U.S., (3) a qualified savings plan covering certain eligible U.K. employees, (4) a non-qualified savings plan covering certain employees working outside the U.S. and U.K. and (5) various savings plans covering eligible employees working in Norway. In the years ended December 31, 2018, 2017 and 2016, we recognized expense of \$50 million, \$43 million and \$51 million, respectively, related to our defined contribution plans.

Note 13—Commitments and Contingencies

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, 2018, the aggregate future payments required under our purchase obligations and our service agreement obligations were as follows (in millions):

Years ending December 31,	Purchase obligations	Service agreement obligations
2019	\$ 932	\$ 106
2020	950	120
2021	—	118
2022	—	122
2023	—	126
Thereafter	—	597
Total	<u>\$ 1,882</u>	<u>\$ 1,189</u>

In connection with our acquisition of Ocean Rig, we acquired contracts relating to the construction of two ultra-deepwater drillships *Ocean Rig Santorini* and *Ocean Rig Crete*. Included in the above table, upon delivery of *Ocean Rig Santorini* and *Ocean Rig Crete* in the third quarter of 2019 and third quarter of 2020, respectively, our expected remaining obligations to the shipyard will be \$360 million and \$520 million, respectively. The shipyard has agreed to finance the expected remaining obligations at an interest rate of three percent per annum, payable semiannually, with principal due at maturity in June 2023 and January 2024, respectively.

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, 2018, 2017 and 2016, our rental expense for all operating leases, including operating leases with terms of less than one year, was approximately \$35 million, \$52 million and \$45 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, 2018, 2017 and 2016, depreciation expense associated with *Petrobras 10000*, the asset held under capital lease, was \$23 million. At December 31, 2018 and 2017, the aggregate carrying amount of this asset held under capital lease was as follows (in millions):

	December 31,	
	2018	2017
Property and equipment, cost	\$ 777	\$ 774
Accumulated depreciation	(194)	(170)
Property and equipment, net	<u>\$ 583</u>	<u>\$ 604</u>

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At December 31, 2018, the aggregate future minimum rental payments related to our non-cancellable operating leases and the capital lease were as follows (in millions):

Years ending December 31,	Capital lease	Operating leases
2019	\$ 72	\$ 18
2020	72	16
2021	71	11
2022	71	12
2023	72	12
Thereafter	407	135
Total future minimum rental payment	765	\$ 204
Less amount representing imputed interest	(254)	
Present value of future minimum rental payments under capital leases	511	
Less current portion included in debt due within one year	(32)	
Long-term capital lease obligation	\$ 479	

Letters of credit and surety bonds

At December 31, 2018 and 2017, we had outstanding letters of credit totaling \$31 million and \$29 million, respectively, issued under various committed and 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, 2018, the aggregate cash collateral held by banks for letters of credit was \$5 million. As is customary in the contract drilling business, we also have various surety bonds in place that secure customs obligations related to the importation of our rigs and certain performance and other obligations. At December 31, 2018 and 2017, we had outstanding surety bonds totaling \$84 million and \$51 million, respectively.

Legal proceedings

Macondo well incident—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.

We 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, 2018 and 2017, the liability for estimated loss contingencies that we believe are probable and for which a reasonable estimate can be made was \$158 million and \$219 million, respectively, recorded in other current liabilities, the majority of which is related to our settlement with the PSC.

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 an escrow account 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 account for payment of attorneys’ fees. In November 2018, the MDL Court released \$58 million from the escrow account as the first installment to the plaintiffs. At December 31, 2018 and 2017, the aggregate cash balance in escrow account was \$156 million and \$212 million, respectively, recorded in restricted cash accounts and investments. We expect the remaining funds to be released in March 2019.

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, for which our subsidiary is no longer subject to probation. We also agreed to make an aggregate cash payment of \$400 million, including a criminal fine

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and certain cash contributions payable in scheduled installments. In the years ended December 31, 2017 and 2016, we made a cash payment of \$60 million in each year, representing the final installments for our obligations under the Plea Agreement.

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 our payment of the amounts due or otherwise staying any judgment therefrom, result in an event of default under our currently undrawn Secured 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.

Nigerian customer arbitration—One of our customers in Nigeria owes us approximately \$80 million for drilling services performed in 2014 and 2015. The customer has not disputed the services rendered and we have remained engaged in discussions with the customer about collection of this overdue balance. In September 2018, we notified the customer of our intentions to enter into arbitration. We intend to vigorously pursue full recovery of this receivable. While we cannot predict or provide assurance as to its outcome, 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.

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, 2018, nine 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, 2018, the subsidiary was a defendant in approximately 156 lawsuits with a corresponding number of plaintiffs. For many of these lawsuits, we have not been provided 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 in 1989. In September 2018, the subsidiary and certain insurers agreed to a settlement of outstanding disputes that leaves the subsidiary with funding, including cash, annuities and coverage in place settlement agreements with insurers, that we believe will be sufficient to respond to both the current lawsuits as well as future lawsuits of a similar nature. 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.

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

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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.

Environmental matters

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.

One of our subsidiaries has 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 agreed with the Environmental Protection Agency (the "EPA") and the Department of Justice to settle our potential liabilities by remediating the site. Under a participation agreement, the parties to the settlement completed the required remediation, and we believe our share, approximately eight percent, of the ongoing future operation and maintenance costs is not material. We have no reason to believe that any additional potential liabilities for the site will be material.

One of our subsidiaries was 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 as a PRP or PRPs. The current property owner, an unrelated party, performed the required testing and detected no contaminants, and based on such results, we would contest any potential liability. 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. We have no knowledge 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. It is difficult to quantify the potential cost of environmental matters and remediation obligations. Nevertheless, based on the available information, we do not expect the ultimate liability, if any, resulting from all environmental matters, including the liability for all related pending legal proceedings, asserted legal claims and known potential legal claims that are likely to be asserted, to have a material adverse effect on our consolidated statement of financial position, results of operations or cash flows.

Note 14—Equity

Redeemable noncontrolling interest—Until June 11, 2018, we owned a 65 percent interest in Angola Deepwater Drilling Company Ltd. ("ADDCL"), a Cayman Islands company and variable interest entity for which we concluded that we were the primary beneficiary. Angco Cayman Limited ("Angco Cayman") owned the remaining a 35 percent interest in ADDCL. Under the terms of ADDCL's governing documents, Angco Cayman had the right to require us to purchase its interest in ADDCL for cash, and accordingly, we presented the carrying amount of Angco Cayman's ownership interest as redeemable noncontrolling interest on our consolidated balance sheets. We also had the right under ADDCL's governing documents to require Angco Cayman to sell us its interest, and we exercised that right. On June 11, 2018, pursuant to a settlement requiring no cash payment, we acquired the interests in ADDCL not previously owned by us, and ADDCL became our wholly owned subsidiary. In connection with the acquisition, we reclassified the \$53 million aggregate carrying amount of the redeemable noncontrolling interest to additional paid-in capital. At December 31, 2017, the carrying amount of the assets and liabilities of ADDCL, after eliminating the effect of intercompany transactions, was \$716 million and \$7 million, respectively.

Noncontrolling interest—Transocean Partners LLC, a Marshall Islands limited liability company ("Transocean Partners"), was previously a partially owned subsidiary. In the year ended December 31, 2016, Transocean Partners declared and paid a distribution to its unitholders, of which the holders of noncontrolling interest were paid \$28 million. On December 9, 2016, Transocean Partners merged with one of our subsidiaries as contemplated under the merger agreement and became our wholly owned subsidiary. 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.

Extraordinary general meetings—On November 29, 2018, in connection with the Ocean Rig acquisition, shareholders at our extraordinary general meeting approved: (1) an amendment of our articles of association to create additional authorized share capital, (2) the issuance of up to 147.7 million Transocean Ltd. shares and (3) the deletion of the previously approved special purpose authorized share capital. On January 16, 2018, in connection with the Songa acquisition, shareholders at our extraordinary general meeting approved: (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) the election of a new director to our board of directors and (4) the issuance of consideration shares from our authorized share capital and shares issuable upon exchange of the Exchangeable Bonds.

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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.

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—One of our subsidiaries holds our shares for future use to satisfy our obligations to deliver shares in connection with awards granted under our incentive plans or other rights to acquire our shares. At December 31, 2018, our subsidiary held 0.9 million shares. At December 31, 2017, two of our subsidiaries, together, held 3.6 million of our shares for this purpose.

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):

	<u>Years ended December 31,</u>	
	<u>2018</u>	<u>2017</u>
Balance, beginning of period	\$ (290)	\$ (283)
Other comprehensive income (loss) before reclassifications	7	(2)
Reclassifications to net income	4	(5)
Other comprehensive income (loss), net	11	(7)
Balance, end of period	<u>\$ (279)</u>	<u>\$ (290)</u>

Note 15—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. At December 31, 2018, we had 32.7 million shares authorized and 15.0 million shares available to be granted under the Long-Term Incentive Plan. At December 31, 2018, the total unrecognized compensation cost related to our unvested share-based awards was \$37 million, which is 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 until the end of the measurement period, at which time 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 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, 2018:

	<u>Number of units</u>	<u>Weighted-average grant-date fair value per unit</u>
Unvested at January 1, 2018	3,820,455	\$ 12.15
Granted	2,521,939	9.67
Vested	(2,087,141)	12.74
Forfeited	(177,261)	10.17
Unvested at December 31, 2018	<u>4,077,992</u>	<u>\$ 10.40</u>

During the year ended December 31, 2018, the vested restricted share units had an aggregate grant-date fair value of \$27 million. During the years ended December 31, 2017 and 2016, we granted 1,921,029 and 3,155,382 service-based units, respectively,

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with a per unit weighted-average grant-date fair value of \$13.03 and \$8.69, respectively. During the years ended December 31, 2017 and 2016, we had 1,867,970 and 1,725,734 service-based units, respectively, that vested with an aggregate grant-date fair value of \$28 million and \$48 million, respectively.

Stock options—The following table summarizes activity for vested and unvested service-based stock options outstanding under our incentive plans during the year ended December 31, 2018:

	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, 2018	2,753,463	\$ 34.98	6.37	\$ 2
Granted	1,249,266	9.18		
Exercised	(6,922)	8.61		
Forfeited	(52,900)	22.09		
Expired	(175,424)	144.32		
Outstanding at December 31, 2018	<u>3,767,483</u>	<u>\$ 21.56</u>	<u>6.84</u>	<u>\$ —</u>
Vested and exercisable at December 31, 2018	1,600,514	\$ 36.90	4.58	\$ —

During the year ended December 31, 2018, the granted stock options had a per option weighted-average grant-date fair value of \$4.52. During the year ended December 31, 2018, the vested stock options had an aggregate grant-date fair value of \$6 million. At December 31, 2018 and 2017, there were outstanding unvested stock options to purchase 2,166,969 and 1,489,761 shares, respectively. During the years ended December 31, 2017 and 2016, we granted stock options to purchase 877,231 and 945,724 shares, respectively, with a per option weighted-average grant-date fair value of \$6.46 and \$5.11, respectively. During the years ended December 31, 2017 and 2016, the vested stock options had an aggregate grant-date fair value of \$2 million and \$3 million, respectively. During the years ended December 31, 2017 and 2016, no 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 market factors. 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, 2018:

	Number of units	Weighted-average grant-date fair value per unit
Unvested at January 1, 2018	1,638,681	\$ 13.56
Granted	1,074,054	10.79
Vested	(948,941)	11.60
Unvested at December 31, 2018	<u>1,763,794</u>	<u>\$ 12.93</u>

During the year ended December 31, 2018, the vested performance-based units had an aggregate grant-date fair value of \$11 million. During the years ended December 31, 2017 and 2016, we granted 689,740 and 997,362 performance-based units, respectively, with a per unit weighted-average grant-date fair value of \$16.25 and \$11.60, respectively. During the years ended December 31, 2017 and 2016, the vested performance-based units had an aggregate grant-date fair value of \$7 million and \$6 million, respectively.

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Note 16—Supplemental Balance Sheet Information

Other current liabilities were comprised of the following (in millions):

	December 31,	
	2018	2017
Other current liabilities		
Accrued payroll and employee benefits	\$ 182	\$ 176
Accrued interest	184	127
Accrued taxes, other than income	69	67
Deferred revenues	87	213
Contingent liabilities	213	246
Other	11	10
Total other current liabilities	\$ 746	\$ 839

Other long-term liabilities were comprised of the following (in millions):

	December 31,	
	2018	2017
Other long-term liabilities		
Postemployment benefit plan obligations	\$ 355	\$ 353
Income taxes payable	476	247
Deferred revenues	399	422
Construction contract intangible liability	132	—
Other	62	60
Total other long-term liabilities	\$ 1,424	\$ 1,082

Note 17—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,		
	2018	2017	2016
Changes in other operating assets and liabilities			
Decrease in accounts receivable	\$ 180	\$ 230	\$ 350
(Increase) decrease in other assets	3	(37)	28
Decrease in accounts payable and other current liabilities	(154)	(115)	(286)
(Decrease) increase in other long-term liabilities	80	(13)	(55)
Change in income taxes receivable / payable, net	125	(58)	(133)
	\$ 234	\$ 7	\$ (96)

Additional cash flow information was as follows (in millions):

	Years ended December 31,		
	2018	2017	2016
Certain cash operating activities			
Cash payments for interest	\$ 570	\$ 486	\$ 351
Cash payments for income taxes	151	124	172
Non-cash investing and financing activities			
Capital additions, accrued at end of period (a)	\$ 30	\$ 20	\$ 42
Issuance of shares in business combinations (b)	2,112	—	—
Issuance of debt in business combination (c)	1,026	—	—
Issuance of shares to acquire noncontrolling interest (d)	—	—	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 6—Drilling Fleet.
- (b) In connection with our acquisition of Songa and Ocean Rig, we issued 66.9 million and 147.7 million shares, respectively, with an aggregate fair value of \$735 million and \$1.4 billion, respectively. See Note 4—Business Combinations.
- (c) In connection with our acquisition of Songa, we issued \$854 million aggregate principal amount of Exchangeable Bonds as partial consideration to Songa shareholders and settlement for certain Songa indebtedness. See Note 4—Business Combinations.
- (d) 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, we issued 23.8 million shares. See Note 14—Equity.

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Note 18—Financial Instruments

Overview—The carrying amounts and fair values of our financial instruments were as follows (in millions):

	December 31, 2018		December 31, 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	\$ 2,160	\$ 2,160	\$ 2,519	\$ 2,519
Short-term investments	—	—	450	450
Restricted cash and cash equivalents	429	429	456	456
Restricted investments	123	123	33	33
Long-term debt, including current maturities	9,978	9,212	7,396	7,538
Derivative instruments, liabilities	6	6	—	—

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 our 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 near-term maturities of the instruments.

Short-term investments—The carrying amount of our 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 near-term maturities of the instruments.

Restricted cash and cash equivalents—The carrying amount of our restricted cash and cash equivalents, which are subject to restrictions due to collateral requirements, legislation, regulation or court order approximates fair value due to the near-term maturities of the instruments in which the restricted balances are held. At December 31, 2018, the aggregate carrying amount of such restricted cash and cash equivalents was \$429 million, including \$428 million and \$1 million, recorded in current assets and other assets, respectively. 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.

Restricted investments—The carrying amount of our restricted investments, which are subject to restrictions due to court order or pledged for security of certain credit arrangements, approximates fair value because of the near-term maturities of the instruments. At December 31, 2018, the aggregate carrying amount of the restricted investments was \$123 million, recorded in other current assets. At December 31, 2017, the aggregate carrying amount of the restricted investments was \$26 million and \$7 million, recorded in current assets and other assets, respectively.

Debt—The carrying amount of our debt represents the principal amount, net of unamortized discounts, premiums, debt issue costs and fair value adjustments. We measured the estimated fair value of our debt using significant other observable inputs, representative of a Level 2 fair value measurement, including the terms and credit spreads for the instruments.

Derivative instruments—The carrying amount of our derivative instruments represents the estimated fair value of such instruments. We measured the estimated fair value of our derivative instruments using significant other observable inputs, representative of a Level 2 fair value measurement, including the terms and credit spreads for the instruments.

Note 19—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.

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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 20—Operating Segments, Geographic Analysis and Major Customers). We establish an allowance for doubtful accounts on a case-by-case basis, considering changes in the financial position of a customer, when we believe the required payment of specific amounts owed to us is unlikely to occur. Although we have encountered only isolated credit concerns related to independent oil companies, we occasionally require collateral or other security to support customer receivables. In certain instances, when we determine that collection is not reasonably assured, we may occasionally offer extended payment terms and recognize revenues associated with the contract on a cash basis.

Labor agreements—We require highly skilled personnel to operate our drilling units. We conduct extensive personnel recruiting, training and safety programs. At December 31, 2018, we had approximately 6,700 employees, including approximately 800 persons engaged through contract labor providers. Approximately 34 percent of our total workforce, working primarily in Norway, Brazil, U.K. and Australia 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 20—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,		
	2018	2017	2016
Operating revenues			
U.S.	\$ 1,496	\$ 1,527	\$ 1,977
Norway	651	83	214
U.K.	162	288	551
Brazil	110	335	453
Other countries (a)	599	740	966
Total operating revenues	<u>\$ 3,018</u>	<u>\$ 2,973</u>	<u>\$ 4,161</u>

(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,	
	2018	2017
Long-lived assets		
U.S.	\$ 6,257	\$ 7,541
Norway	3,260	887
Trinidad	1,841	2,563
Other countries (a)	9,050	6,411
Total long-lived assets	<u>\$ 20,408</u>	<u>\$ 17,402</u>

(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, 2018 and 2017, the aggregate carrying amount of our long-lived assets located in Switzerland was less than \$1 million.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—continued

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, 2018, Royal Dutch Shell plc (together with its affiliates, “Shell”), Chevron Corporation (together with its affiliates, “Chevron”) and Equinor ASA (together with its affiliates, “Equinor”) accounted for approximately 26 percent, 21 percent and 18 percent, respectively, of our consolidated operating revenues. For the year ended December 31, 2017, Chevron, 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.

Note 21—Quarterly Results (Unaudited)

	Three months ended			
	March 31,	June 30,	September 30,	December 31,
	(In millions, except per share data)			
2018				
Operating revenues	\$ 664	\$ 790	\$ 816	\$ 748
Operating loss (a)	(4)	(917)	(305)	(25)
Net loss (a)	(212)	(1,139)	(409)	(243)
Net loss attributable to controlling interest (a)	(210)	(1,135)	(409)	(242)
Per share loss				
Basic	\$ (0.48)	\$ (2.46)	\$ (0.88)	\$ (0.48)
Diluted	\$ (0.48)	\$ (2.46)	\$ (0.88)	\$ (0.48)
Weighted-average shares outstanding				
Basic	438	462	463	506
Diluted	438	462	463	506
2017				
Operating revenues	\$ 785	\$ 751	\$ 808	\$ 629
Operating income (loss) (b)	169	(1,542)	(1,147)	15
Net income (loss) (b)	95	(1,679)	(1,411)	(102)
Net income (loss) attributable to controlling interest (b)	91	(1,690)	(1,417)	(111)
Per share earnings (loss)				
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

- (a) First quarter, third quarter and fourth quarter included an aggregate loss of \$24 million associated with Songa and Ocean Rig acquisition costs. Fourth quarter included a bargain purchase gain of \$10 million associated with Ocean Rig acquisition. Second quarter included a loss of \$462 million associated with the impairment of our goodwill. Second quarter, third quarter and fourth quarter included an aggregate loss of \$999 million associated with the impairment of certain drilling units classified as assets held for sale.
- (b) 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.

TRANSOCEAN LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—continued

Note 22—Subsequent Events

Senior secured notes issuance—On February 1, 2019, we issued \$550 million aggregate principal amount of 6.875% senior secured notes due February 2027 (the “6.875% Senior Secured Notes”), and we received approximately \$538 million aggregate cash proceeds, net of discount and issue costs. In connection with the issuance of such notes, we were required to deposit \$19 million in restricted cash accounts to satisfy debt service requirements. We are required to pay semiannual installments of interest only through August 2021, after which we will pay semiannual installments of principal and interest. We may redeem all or a portion of the 6.875% Senior Secured Notes at any time prior to February 1, 2022 at a price equal to 100 percent of the aggregate principal amount plus a make-whole provision, and on or after February 1, 2022 at specified redemption prices. 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 indenture that governs the 6.875% Senior Secured Notes contains covenants that limit the ability of our subsidiaries that own or operate the collateral rig to declare or pay dividends to their affiliates. The indenture also imposes a Maximum Collateral Ratio, represented by the net earnings of the rig relative to the debt balance, that changes over the term of the notes. Through December 31, 2020, the Maximum Collateral Ratio under the indenture is 5.75 to 1.00. The 6.875% Senior Secured Notes are secured by the assets and earnings associated with the ultra-deepwater floater *Deepwater Poseidon* and the equity of the wholly owned subsidiaries that own or operate the collateral rig.

Debt tender offers—On February 5, 2019, we completed tender offers (the “2019 Tender Offers”) to purchase for cash up to \$700 million aggregate purchase price of our 6.50% senior notes due November 2020 (the “6.50% Senior Notes”), 6.375% Senior Notes, 3.80% Senior Notes and 9.00% Senior Notes (collectively, the “2019 Tendered Notes”), subject to the terms and conditions specified in the related offer to purchase. In connection with the 2019 Tender Offers, we received valid tenders from holders of an aggregate principal amount of the 2019 Tendered Notes as follows: \$57 million of 6.50% Senior Notes, \$63 million of 6.375% Senior Notes, \$190 million of 3.80% Senior Notes, and \$200 million of 9.00% Senior Notes. In January and February 2019, as a result of the 2019 Tender Offers, we made an aggregate cash payment of \$521 million to settle the validly tendered 2019 Tendered Notes. In the three months ending March 31, 2019, we expect to recognize an aggregate net loss of approximately \$18 million associated with the retirement of debt.

Assets held for sales—Subsequent to December 31, 2018, we committed to plans to sell the ultra-deepwater floater *Ocean Rig Paros* and the harsh environment floater *Eirik Raude* and related assets. At December 31, 2018, the aggregate carrying amount of the assets was \$12 million.

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, 2018.

Internal control over financial reporting—There has been no change to our internal control over financial reporting during the quarter ended December 31, 2018 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 2019 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, 2018. Certain information with respect to our executive officers is set forth in Item 4 of this annual report under the caption "Executive Officers of the Registrant."

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) Index to Financial Statements, Financial Statement Schedules and Exhibits

(1) Index to Financial Statements

Included in Part II of this report:	Page
Management's Report on Internal Control Over Financial Reporting	AR-46
Reports of Independent Registered Public Accounting Firm	AR-47
Consolidated Statements of Operations	AR-52
Consolidated Statements of Comprehensive Income (Loss)	AR-53
Consolidated Balance Sheets	AR-54
Consolidated Statements of Equity	AR-55
Consolidated Statements of Cash Flows	AR-56
Notes to Consolidated Financial Statements	AR-57

Financial statements of unconsolidated subsidiaries are not presented herein because such subsidiaries do not meet the significance test.

(2) Financial Statement Schedules

Transocean Ltd. and Subsidiaries Schedule II - Valuation and Qualifying Accounts (In millions)

	Balance at beginning of period	Additions Charge to cost and expenses	Charge to other accounts -describe	Deductions -describe	Balance at end of period
Year ended December 31, 2016					
Reserves and allowances deducted from asset accounts:					
Allowance for obsolete materials and supplies	148	15	—	10 (a)	153
Valuation allowance on deferred tax assets	380	32	—	—	412
Year ended December 31, 2017					
Reserves and allowances deducted from asset accounts:					
Allowance for obsolete materials and supplies	153	24	—	36 (a)	141
Valuation allowance on deferred tax assets	412	162	—	—	574
Year ended December 31, 2018					
Reserves and allowances deducted from asset accounts:					
Allowance for obsolete materials and supplies	141	12	—	19 (a)	134
Valuation allowance on deferred tax assets	574	67	40 (b)	—	681

- (a) Amount related to materials and supplies on rigs and related assets sold or classified as held for sale.
- (b) Amount primarily related to the following: (i) adjustments of \$26 million to the valuation allowance and related deferred tax assets with corresponding adjustments to retained earnings associated with our adoption of the accounting standards update that requires an entity to recognize in the period in which it occurs the income tax consequences of an intra entity transfer of an asset other than inventory and (ii) an adjustment of \$14 million to the valuation allowance related to deferred tax assets acquired in business combinations.

(3) Exhibits

The following exhibits are filed or furnished with our annual report on Form 10-K, 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
2.4	Agreement and Plan of Merger, dated September 3, 2018, by and among Transocean Ltd., Transocean Oceanus Holdings Limited, Transocean Oceanus Limited and Ocean Rig UDW Inc.	Exhibit 2.1 to Transocean Ltd.'s Current Report on Form 8-K (Commission File No. 001-38373) filed on September 4, 2018
3.1	Articles of Association of Transocean Ltd.	Exhibit 3.1 to Transocean Ltd.'s Current Report on Form 8-K (Commission File No. 001-38373) filed on February 13, 2019
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	Credit Agreement dated June 22, 2018, among Transocean Inc., the lenders parties thereto and Citibank, N.A., as administrative agent and collateral agent.	Exhibit 4.1 to Transocean Ltd.'s Current Report on Form 8-K (Commission File No. 001-38373) filed on June 27, 2018
4.2	Indenture, dated July 13, 2018, by and among Transocean Guardian 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. 001-38373) filed on July 17, 2018
4.3	Indenture, dated July 20, 2018, by and among Transocean Pontus 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. 001-38373) filed on July 24, 2018
4.4	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
4.5	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
4.6	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
4.7	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
4.8	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
4.9	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
4.10	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
4.11	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
4.12	Indenture dated as of September 1, 1997, between Global Marine Inc. and Wilmington Trust Company, as Trustee, relating to Debt Securities of Global Marine Inc.	Exhibit 4.1 of Global Marine Inc.'s Registration Statement on Form S-4 (No. 333-39033) filed on October 30, 1997
4.13	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. 001-05471) for the quarter ended June 30, 2000

Number	Description	Location
4.14	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
4.15	Form of 7% Note Due 2028	Exhibit 4.2 of Global Marine Inc.'s Current Report on Form 8-K (Commission File No. 001-05471) filed on May 22, 1998
4.16	Terms of 7% Note Due 2028	Exhibit 4.1 of Global Marine Inc.'s Current Report on Form 8-K (Commission File No. 001-05471) filed on May 22, 1998
4.17	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
4.18	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
4.19	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
4.20	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
4.21	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
4.22	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
4.23	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
4.24	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
4.25	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
4.26	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 (Commission File No. 000-53533) filed on October 20, 2016
4.27	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
4.28	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
4.29	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 to Transocean Ltd.'s Current Report on Form 8-K (Commission File No. 000-38373) filed on January 30, 2018
4.30	Form of 0.50% 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
4.31	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
4.32	Indenture, dated October 25, 2018, among Transocean Inc., the guarantors party thereto and Wells Fargo Bank, National Association, as trustee	Filed with our Annual Report on Form 10-K for the year ended December 31, 2018
4.33	Indenture, dated February 1, 2019, by and among Transocean Poseidon Limited, the Guarantors and Wells Fargo Bank, National Association, as trustee and collateral agent	Exhibit 4.1 to Transocean Ltd.'s Current Report on Form 8-K (Commission File No. 001-38373) filed on February 1, 2019

Number	Description	Location
* 10.1	First Amendment to Transocean Ltd. 2015 Long-Term Incentive Plan	Annex B to Transocean Ltd.'s definitive proxy statement (Commission File No. 001-38373) filed on March 20, 2018
10.2	Form of Voting and Support Agreement, by and among Transocean Ltd. and certain shareholders of Ocean Rig UDW Inc.	Exhibit 10.1 to Transocean Ltd.'s Current Report on Form 8-K (Commission File No. 001-38373) filed on September 4, 2018
10.3	Form of Voting and Support Agreement, by and among Ocean Rig UDW Inc. and certain shareholders of Transocean Ltd.	Exhibit 10.2 to Transocean Ltd.'s Current Report on Form 8-K (Commission File No. 001-38373) filed on September 4, 2018.
* 10.4	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
* 10.5	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
* 10.6	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
* 10.7	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
* 10.8	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
10.9	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
10.10	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
10.11	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
* 10.12	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
* 10.13	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
* 10.14	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
* 10.15	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
* 10.16	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
* 10.17	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
* 10.18	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
* 10.19	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
* 10.20	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
* 10.21	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
* 10.22	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

Number	Description	Location
* 10.23	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
* 10.24	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
* 10.25	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
* 10.26	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
10.27	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
* 10.28	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. 001-05471) for the year ended December 31, 1991
* 10.29	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. 001-05471) for the quarter ended June 30, 1995
* 10.30	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. 001-05471) for the year ended December 31, 1996
* 10.31	1997 Long-Term Incentive Plan	GlobalSantaFe Corporation's Registration Statement on Form S-8 (No. 333-7070) filed June 13, 1997
* 10.32	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
* 10.33	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
* 10.34	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. 001-05471) for the quarter ended March 31, 1998
* 10.35	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. 001-05471) for the quarter ended June 30, 2000
* 10.36	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
* 10.37	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
* 10.38	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
* 10.39	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
* 10.40	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
* 10.41	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
* 10.42	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

Number	Description	Location
10.43	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
* 10.44	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
10.45	Drilling Contract between Vastar Resources, Inc. and R&B Falcon Drilling Co. dated December 9, 1998 with respect to <i>Deepwater Horizon</i> , as amended	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
* 10.46	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
* 10.47	Transocean Ltd. 2015 Long-Term Incentive Plan	Annex B to Transocean Ltd.'s definitive proxy statement (Commission File No. 000-53533) filed on March 23, 2015
10.48	Term Sheet Agreement for a Transocean and PSC/DHEPDS Settlement, dated May 20, 2015, among Triton Asset Leasing GmbH, Transocean Deepwater Inc., Transocean Offshore Deepwater Drilling Inc., Transocean Holdings LLC, the Plaintiffs Steering Committee in MDL 2179, and the <i>Deepwater Horizon</i> Economic and Property Damages Settlement Class	Exhibit 10.3 to Transocean Ltd.'s Quarterly Report on Form 10-Q (Commission File No. 000-53533) for the quarter ended June 30, 2015
10.49	Confidential Settlement Agreement, Mutual Releases and Agreement to Indemnify, dated May 20, 2015, among Transocean Offshore Deepwater Drilling Inc., Transocean Deepwater Inc., Transocean Holdings LLC, Triton Asset Leasing GmbH, BP Exploration and Production Inc. and BP America Production Co.	Exhibit 10.6 to Transocean Ltd.'s Quarterly Report on Form 10-Q (Commission File No. 000-53533) for the quarter ended June 30, 2015
10.50	Transocean Punitive Damages and Assigned Claims Settlement Agreement, dated May 29, 2015, among Transocean Offshore Deepwater Drilling Inc., Transocean Deepwater Inc., Transocean Holdings LLC, Triton Asset Leasing GmbH, the Plaintiffs Steering Committee in MDL 2179, and the <i>Deepwater Horizon</i> Economic and Property Damages Settlement Class	Exhibit 10.7 to Transocean Ltd.'s Quarterly Report on Form 10-Q (Commission File No. 000-53533) for the quarter ended June 30, 2015
* 10.51	Employment Agreement among Transocean Ltd., Transocean Offshore Deepwater Drilling Inc. and John Stobart dated December 1, 2015	Exhibit 10.60 to Transocean Ltd.'s Annual Report on Form 10-K (Commission File No. 000-53533) for the year ended December 31, 2015
* 10.52	Employment Agreement with Keelan Adamson dated August 10, 2018	Exhibit 10.1 to Transocean Ltd.'s Current Report on Form 8-K (Commission File No. 001-38373) filed on August 14, 2018.
* 10.53	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. 000-53533) for the quarter ended September 30, 2016
* 10.54	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. 000-53533) for the quarter ended September 30, 2016
10.55	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
10.56	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
10.57	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
10.58	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
10.59	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 for the year ended December 31, 2018
23.1	Consent of Ernst & Young LLP	Filed with our Annual Report on Form 10-K for the year ended December 31, 2018
24	Powers of Attorney	Filed with our Annual Report on Form 10-K for the year ended December 31, 2018
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 for the year ended December 31, 2018

Number	Description	Location
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 for the year ended December 31, 2018
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 for the year ended December 31, 2018
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 for the year ended December 31, 2018
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 for the year ended December 31, 2018

* Compensatory plan or arrangement

Exhibits listed above as previously having been filed with the U.S. Securities and Exchange Commission are incorporated herein by reference pursuant to Rule 12b-32 under the Securities Exchange Act of 1934 and made a part hereof with the same effect as if filed herewith.

Certain instruments relating to our long-term debt and our subsidiaries have not been filed as exhibits since the total amount of securities authorized under any such instrument does not exceed 10 percent of our total assets and our subsidiaries on a consolidated basis. We agree to furnish a copy of each such instrument to the SEC upon request.

Certain agreements filed as exhibits to this Report may contain representations and warranties by the parties to such agreements. These representations and warranties have been made solely for the benefit of the parties to such agreements and (1) may be intended not as statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate, (2) may have been qualified by certain disclosures that were made to other parties in connection with the negotiation of such agreements, which disclosures are not reflected in such agreements, and (3) may apply standards of materiality in a way that is different from what may be viewed as material to investors.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned; thereunto duly authorized, on February 19, 2019.

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 19, 2019.

<u>Signature</u>	<u>Title</u>
<hr/> *	Chairman of the Board of Directors
<hr/> Merrill A. "Pete" Miller, Jr	
<hr/> /s/ Jeremy D. Thigpen	President and Chief Executive Officer (Principal Executive Officer)
<hr/> Jeremy D. Thigpen	
<hr/> /s/ Mark L. Mey	Executive Vice President and Chief Financial Officer (Principal Financial Officer)
<hr/> Mark L. Mey	
<hr/> /s/ David Tonnel	Senior Vice President and Corporate Controller (Principal Accounting Officer)
<hr/> David Tonnel	
<hr/> *	Director
<hr/> Glyn A. Barker	
<hr/> *	Director
<hr/> Vanessa C.L. Chang	
<hr/> *	Director
<hr/> Frederico F. Curado	
<hr/> *	Director
<hr/> Chad C. Deaton	
<hr/> *	Director
<hr/> Tan Ek Kia	
<hr/> *	Director
<hr/> Vincent J. Intrieri	
<hr/> *	Director
<hr/> Samuel Merksamer	
<hr/> *	Director
<hr/> Frederick W. Mohn	
<hr/> *	Director
<hr/> Edward R. Muller	
<hr/> By: /s/ David Tonnel	
<hr/> (Attorney-in-Fact)	

TRANSOCEAN LTD.

STATUTORY FINANCIAL STATEMENTS
For the years ended December 31, 2018 and 2017

To the General Meeting of
Transocean Ltd., Steinhausen

Zurich, February 19, 2019

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, 2018.

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, 2018 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 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
Licensed audit expert
(Auditor in charge)

/s/ Jennifer Mathias
Certified public accountant

TRANSOCEAN LTD.
STATEMENTS OF OPERATIONS
(In thousands)

	Years ended December 31,			
	2018		2017	
Income				
Guarantee fee income	CHF	921	CHF	1,401
Financial income		49		5
Total income		970		1,406
Costs and expenses				
General and administrative		19,873		28,408
Depreciation		26		27
(Gain) loss on currency exchange		21,924		(327)
Financial expense		12,106		929
Total costs and expenses		53,929		29,037
Loss on impairment		(378,031)		(440,372)
Direct taxes		(189)		1
Net loss for the year	CHF	(431,179)	CHF	(468,002)

See accompanying notes.

TRANSOCEAN LTD.
BALANCE SHEETS
(in thousands)

	December 31,			
	2018		2017	
Assets				
Cash	CHF	53,837	CHF	3,455
Receivables from subsidiaries		21,600		6,416
Other current assets		1,302		6,818
Total current assets		76,739		16,689
Investment in subsidiaries		9,739,216		6,114,795
Property and equipment		1,392		1,382
Less accumulated depreciation		1,390		1,353
Property and equipment, net		2		29
Other non-current assets		99		1,436
Total non-current assets		9,739,317		6,116,260
Total assets	CHF	9,816,056	CHF	6,132,949
Liabilities and shareholders' equity				
Accounts payable to subsidiaries	CHF	8,459	CHF	25,449
Interest payable to subsidiaries		7,453		309
Other current liabilities		2,301		5,107
Total current liabilities		18,213		30,865
Long-term interest bearing notes payable to subsidiary		2,156,663		52,157
Total non-current liabilities		2,156,663		52,157
Share capital		61,058		39,480
Statutory capital reserves from capital contribution		11,903,340		11,403,842
Statutory capital reserves from capital contribution for shares held by subsidiaries		72,995		71,639
Free capital reserves from capital contribution		1,500,000		—
Accumulated loss				
Accumulated loss brought forward from previous years		(5,465,034)		(4,997,032)
Net loss for the year		(431,179)		(468,002)
Total shareholders' equity		7,641,180		6,049,927
Total liabilities and shareholders' equity	CHF	9,816,056	CHF	6,132,949

See accompanying notes.

TRANSOCEAN LTD.
NOTES TO STATUTORY FINANCIAL STATEMENTS

Note 1—General

Transocean Ltd. (the “Company”, “we”, “us”, or “our”) is the parent company of Transocean Inc. and Transocean Management Services GmbH., our direct 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, 2018 and 2017, we had less than 10 full-time employees.

On January 30, 2018, we acquired an approximate 97.7 percent ownership interest in Songa Offshore SE (“Songa”), a European public company limited by shares, or *societas Europaea*, existing under the laws of Cyprus. On March 28, 2018, we acquired the remaining shares not owned by us through a compulsory acquisition under Cyprus law, and as a result, Songa became our wholly owned subsidiary. In connection with these transactions, we issued 68.0 million shares and Transocean Inc. issued USD 863 million aggregate principal amount of 0.5% exchangeable senior bonds due January 30, 2023 (the “Exchangeable Bonds”). On March 28, 2018, immediately after completing these transactions, we contributed all shares of Songa to Transocean Inc.

On December 5, 2018, we acquired Ocean Rig UDW Inc. (“Ocean Rig”), a Cayman Islands exempted company with limited liability, in a merger transaction, and as a result, Ocean Rig became our wholly owned subsidiary. In connection with the acquisition, we issued 147.7 million shares and made an aggregate cash payment of USD 1.2 billion. On December 7, 2018, we contributed all shares of Ocean Rig to Transocean Inc.

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,	
	2018	2017	2018	2017
CHF / USD	0.98	0.99	0.98	0.97
CHF / GBP	1.31	1.26	1.25	1.31
CHF / NOK	0.12	0.12	0.11	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.

TRANSOCEAN LTD.
NOTES TO STATUTORY FINANCIAL STATEMENTS—continued

Note 3—Investment in Subsidiaries

Direct Investments—Our direct investments in subsidiaries were as follows (in thousands, except percentages):

Company name	Purpose	Domicile	Ownership and voting interest	Share capital	Carrying amount as of December 31,	
					2018	2017
Transocean Inc.	Holding	Cayman Islands	100%	USD 3,192	CHF 9,739,108	CHF 6,114,687
Transocean Management Ltd.	Management and administration	Switzerland	—	—	CHF —	CHF 90
Transocean Management Services GmbH	Management and administration	Switzerland	90%	CHF 20	CHF 108	CHF 18

On June 26, 2018, Transocean Management Ltd, formerly our direct wholly owned subsidiary, merged with Transocean Management Services GmbH. Following the merger Transocean Management Ltd ceased to exist and Transocean Management Services GmbH was the surviving entity.

Impairments—In the year ended December 31, 2018, 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 378 million associated with the impairment of our investment in Transocean Inc. 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.

Principal indirect investments—Our principal indirect investments in subsidiaries were as follows:

December 31, 2018			December 31, 2017		
Company name	Domicile	Ownership and voting interest	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 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 Guardian Limited	Cayman Islands	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 Oceanus Holdings Limited	Cayman Islands	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 Pontus Limited	Cayman Islands	100%			
Transocean Poseidon 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, 2018, we formed Transocean Guardian Limited, Transocean Pontus Limited and Transocean Poseidon Limited in connection with the issuance of senior secured notes for the purpose of partially financing the construction or acquisition of the respective collateral rig. We also formed Transocean Oceanus Holdings Limited in connection with the acquisition of Ocean Rig. See Note 7— Guarantees and Commitments.

TRANSOCEAN LTD.
NOTES TO STATUTORY FINANCIAL STATEMENTS—continued

Note 4—Shareholders' Equity

Overview—Changes in our shareholder's equity were as follows (in thousands):

	Share capital		Statutory capital reserves			Free reserves		Accumulated loss	Own shares against capital reserve from capital contribution	Total shareholders' equity
	Shares	Amount	from capital contribution	from capital contribution for shares held by subsidiaries (a)	Free capital reserves from capital contribution					
Balance at December 31, 2016	394,802	CHF 39,480	CHF 11,403,893	CHF 71,588	—	CHF (4,997,032)	—	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 (5,465,034)	—	CHF 6,049,927		
Share issuance for Songa acquisition	68,051	6,805	526,084	—	—	—	—	532,889		
Release of statutory capital reserves from capital contribution	—	—	(1,500,000)	—	1,500,000	—	—	—		
Share issuance for Ocean Rig acquisition	147,700	14,770	1,474,483	—	—	—	—	1,489,253		
Own share transactions	—	—	(1,356)	1,356	—	—	—	—		
Share issuance for debt conversions	29	3	287	—	—	—	—	290		
Net loss	—	—	—	—	—	(431,179)	—	(431,179)		
Balance at December 31, 2018	610,582	CHF 61,058	CHF 11,903,340	CHF 72,995	CHF 1,500,000	CHF (5,896,213)	—	CHF 7,641,180		

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, 2018 and 2017, Transocean Inc. withheld 118,547 and 5,630 own shares, respectively, through a broker arrangement 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, 2018 and 2017, the aggregate value of own share transactions was CHF 1.4 million and CHF 51,000, respectively. See Note 5—Own Shares.

Authorized share capital—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.

In January 2018, in connection with the acquisition of Songa, shareholders at our extraordinary general meeting approved, together with other proposals, the issuance of up to 68.6 million of our shares, par value CHF 0.10 each, tendered for a voluntary offer, and an amendment of our articles of association to create additional authorized share capital to issue up to 25.4 million registered shares, par value CHF 0.10 each, in connection with a compulsory acquisition of the remaining Songa shares not owned by us immediately after completion of the voluntary offer.

In May 2018, shareholders at our annual general meeting renewed the board of directors' authority to issue shares out of authorized share capital for a further two-year period, expiring on May 18, 2020. The board of directors' authority to issue shares in one or several steps is limited to a maximum of 27.7 million shares.

In November 2018, in connection with the acquisition of Ocean Rig, shareholders at our extraordinary general meeting approved, together with other proposals, an amendment of our articles of association to create additional authorized share capital, the issuance of up to 147.7 million shares to pay the share consideration in the acquisition of Ocean Rig. The board of directors utilized the full authorization less eight shares for the specified purpose; the remaining authorization is reflected in article 5^{ter} of the Company's articles of association but may not be used for any purpose other than the already completed acquisition of Ocean Rig. The shareholders at the same extraordinary general meeting approved the deletion of the previously approved special purpose authorized share capital, in connection with the acquisition of Songa, included in article 5^{bis} of the Company's articles of association, which allowed for the issuance of up to 24.3 million shares.

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, under the following circumstances, without obtaining additional shareholder approval:

- (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

TRANSOCEAN LTD.
NOTES TO STATUTORY FINANCIAL STATEMENTS—continued

the advance subscription rights of shareholders are excluded. In the year ended December 31, 2018, we issued 28,795 shares out of conditional share capital to holders that exercised their options to convert the Exchangeable Bonds into our shares.

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. 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, 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%
Transfers under share-based compensation plans	(2,627)		
Balance at December 31, 2018	923	610,582	0.15%

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. At December 31, 2018, 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. The share repurchase program may be suspended or discontinued by our board of directors or company management, as applicable, at any time.

Shares held by subsidiaries—At December 31, 2017, Transocean Partners Holdings Ltd. (“TPHL”) held 95,830 of our shares. On December 20, 2018, TPHL transferred its holdings of our shares to Transocean Inc. for a cash payment of CHF 1.3 million.

Transocean Inc. holds our shares to satisfy our obligations to deliver shares in connection with awards granted under our incentive plans or other rights to acquire our shares. In the years ended December 31, 2018 and 2017, we transferred 2.6 million and 1.9 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, 2018 and 2017, we received cash proceeds of CHF 1.4 million and CHF 53,000, respectively, for 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, 2018			December 31, 2017		
Name	Number of shares	Percentage of issued share capital	Name	Number of shares	Percentage of issued share capital
The Vanguard Group.	48,850	8.01%	BlackRock, Inc.	35,420	9.10%
BlackRock, Inc.	46,561	7.64%	Vanguard	33,345	8.52%
PRIMECAP Management Company	33,892	5.56%			
Frederik W. Mohn / Perestroika AS	33,137	5.44%			

Own shares—At December 31, 2018 and 2017, indirectly through Transocean Inc., we held 0.9 million and 3.6 million registered shares, respectively, representing 0.2 percent and 0.9 percent, respectively, of our issued share capital. See Note 5—Own Shares.

TRANSOCEAN LTD.
NOTES TO STATUTORY FINANCIAL STATEMENTS—continued

Shares held by board members—The number of shares held, including shares privately held, by members of our board of directors was as follows:

Name	December 31, 2018		December 31, 2017	
	Vested shares and unvested share units	Stock options and conversion rights	Vested shares and unvested share units	Stock options
Merrill A. "Pete" Miller, Jr.	107,734	—	82,753	—
Glyn A. Barker	87,902	—	71,761	—
Vanessa C.L. Chang	91,596	—	69,455	—
Frederico F. Curado	76,154	—	60,013	—
Chad Deaton	82,896	—	66,755	—
Tan Ek Kia	85,664	—	69,523	—
Vincent J. Intrieri	81,394	—	55,253	—
Martin B. McNamara	—	—	108,276	—
Samuel Merksamer	82,130	—	65,989	—
Frederick W. Mohn (a)	33,136,694	34,619,736	—	—
Edward R. Muller	101,280	—	85,139	—
Jeremy D. Thigpen	1,483,755	780,522	1,115,235	451,575
Total	35,417,199	35,400,258	1,850,152	451,575

- a) Mr. Mohn and his related parties hold conversion rights associated with the Exchangeable Bonds, which may be converted at any time prior to the maturity date at an exchange rate of 97.29756 shares per \$1,000 note, equivalent to a conversion price of \$10.28 per share, subject to adjustment upon the occurrence of certain events. Holders of Exchangeable Bonds may require us to repurchase all or a portion of such holder's Exchangeable Bonds upon the occurrence of certain events.

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 Operations 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:

Name	December 31, 2018					December 31, 2017				
	Number of shares held	Number of granted share units vesting in 2019	Number of granted share units vesting in 2020	Number of granted share units vesting in 2021	Total shares and share units	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
Jeremy D. Thigpen	430,285	325,052	399,656	54,467	1,209,460	156,784	471,428	270,586	37,633	936,431
Mark L. Mey	223,316	137,309	155,895	21,009	537,529	95,204	223,977	116,301	16,258	451,740
Keelan Adamson	85,898	67,259	77,370	10,427	240,954	—	—	—	—	—
John Stobart (a)	—	99,016	57,225	—	156,241	84,854	169,379	116,747	16,318	387,298
Total	739,499	628,636	690,146	85,903	2,144,184	336,842	864,784	503,634	70,209	1,775,469

- a) Mr. Stobart was no longer designated as a member of the Executive Management Team, effective June 1, 2018. A prorated portion of restricted share units will be released at date of termination, July 1, 2019. A prorated portion of performance share units will be released at actual performance for his 2017 and 2018 awards in 2020 and 2021, respectively.

In 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. Total shares excludes vested but unissued shares for share units granted from 2016 to 2018, which are expected to be issued in the first quarter of 2019.

Stock options held by members of the executive management team—The members of our executive management team held vested and unvested stock options as follows:

Name	December 31, 2018					December 31, 2017				
	Number of granted stock options vested and outstanding	Number of granted stock options vesting in 2019	Number of granted stock options vesting in 2020	Number of granted stock options vesting in 2021	Total vested and unvested stock options	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
Jeremy D. Thigpen	228,510	260,174	182,189	109,649	780,522	77,985	150,525	150,525	72,540	451,575
Mark L. Mey	96,696	106,310	73,630	42,294	318,930	32,679	64,017	64,017	31,337	192,050
Keelan Adamson	72,678	51,248	36,543	20,990	181,459	—	—	—	—	—
John Stobart (a)	135,706	106,732	—	—	242,438	71,425	64,281	64,282	31,453	231,441
Total	533,590	524,464	292,362	172,933	1,523,349	182,089	278,823	278,824	135,330	875,066

- a) Mr. Stobart was no longer designated as a member of the Executive Management Team, effective June 1, 2018. Unvested options are forfeited at date of termination, July 1, 2019. Vested options will remain exercisable for one year following date of termination.

TRANSOCEAN LTD.
NOTES TO STATUTORY FINANCIAL STATEMENTS—continued

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, 2018		December 31, 2017	
	Number of share units granted	Value of share units	Number of share units granted	Value of share units
Board members	170,250	CHF 2,268,760	203,580	CHF 2,134,778
Executive management team	925,092	9,253,924	559,932	8,381,144
Employees	14,364	128,921	6,910	91,086
Total	1,109,706	CHF 11,651,605	770,422	CHF 10,607,008

Note 7—Guarantees, Contingencies and Commitments

Transocean Inc. and other indirect subsidiaries debt obligations—Transocean Inc., Transocean Phoenix 2 Limited (“TP2L”), Transocean Proteus Limited (“TPTL”), Transocean Pontus Limited (“TPOL”) and Transocean Guardian Limited (“TGLtd”) have each issued certain debt securities or entered into other credit arrangements, including notes, bank credit agreements, debentures, surety bonds and letters of credit. We have guaranteed certain of these debt securities or other credit arrangements. 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, 2018 and 2017, the aggregate carrying amount of debt that we have guaranteed was USD 8.9 billion and USD 6.2 billion, respectively, equivalent to approximately CHF 8.7 billion and CHF 6.0 billion, respectively. In the years ended December 31, 2018 and 2017, we recognized guarantee fee income of less than CHF 1 million. See Note 9—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, 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 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, 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 agreed to guarantee the scheduled installments and other obligations required of the Transocean Defendants, in exchange for a guarantee fee. The guarantee fee, payable annually from January 1, 2014 to 2017, was equivalent to 1.76 percent of the weighted average daily outstanding balance due by the Transocean Defendants over the prior year. In the year ended December 31, 2017, we recognized guarantee fee income of less than CHF 1 million. See Note 9—Subsequent Events.

Transocean Management Services GmbH office lease obligation—On June 26, 2018, Transocean Management Services GmbH assumed responsibility for a lease obligation, originally entered into by its predecessor, Transocean Management Ltd., 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, 2018 and 2017, our guarantee for the lease obligation was CHF 460,000.

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 8—Related Party Transactions

Transocean Inc.—Transocean Inc. holds our shares to satisfy, on our behalf, our obligation to deliver shares in connection with awards granted under our incentive plans, warrants or other right to acquire our shares. At December 31, 2018, Transocean Inc. held 0.9 million shares. At December 31, 2017, Transocean Inc. and TPHL, together, held 3.6 million of our shares for this purpose.

We and Transocean Inc., as the borrower and lender, respectively, entered into a credit agreement dated June 1, 2011, establishing a USD 2.0 billion revolving credit facility. At December 31, 2018 and 2017, we had borrowings of USD 134 million and USD 53 million, respectively, equivalent to approximately CHF 132 million and CHF 52 million, respectively, outstanding under the revolving credit facility at a rate of 3.0 percent and 2.5 percent, respectively.

On January 30, 2018, in connection with the acquisition of Songa, we issued to Transocean Inc. an exchangeable loan note in the principal amount of USD 854 million with interest payable semiannually at a rate of 0.5 percent per annum. On March 28, 2018, we issued a first supplemental indenture in the principal amount of USD 9 million. At December 31, 2018, the outstanding principal of the exchangeable note was USD 863 million, equivalent to approximately CHF 847 million. Exchangeable loan notes may be converted at any time prior to the maturity date at an exchange rate of 97.29756 shares per \$1,000 note, equivalent to a conversion price of \$10.28 per share, subject to adjustment upon the occurrence of certain events. Holders of Exchangeable Bonds may require us to repurchase all or a portion of such holder’s Exchangeable Bonds upon the occurrence of certain events.

TRANSOCEAN LTD.
NOTES TO STATUTORY FINANCIAL STATEMENTS—continued

On November 30, 2018, in connection with the acquisition of Ocean Rig, we and Transocean Inc., as the borrower and lender, respectively, entered into a credit agreement establishing a USD 1.2 billion revolving credit facility, expiring December 5, 2024. Under the terms of the agreement, we will pay interest quarterly on outstanding borrowings at a variable rate based on the Swiss Safe Harbor Rate. At December 31, 2018, we had borrowings of USD 1.2 billion, equivalent to CHF 1.2 billion, outstanding under the credit facility at an interest rate of 3.0 percent.

Other subsidiaries—Our subsidiaries perform on our behalf certain general and administrative services, including executive administration, procurement and payables, treasury and cash management, personnel and payroll, accounting and other administrative functions. In the years ended December 31, 2018 and 2017, we recognized such costs of CHF 2 million and CHF 10 million, respectively, recorded in general and administrative costs and expenses.

Note 9—Subsequent Events

Subsidiary debt obligations—Subsequent to December 31, 2018, Transocean Poseidon Limited, our indirect wholly owned subsidiary, issued USD 550 million senior secured notes. We and Transocean Inc. have each provided a full and unconditional guarantee of the senior secured notes.

Macondo well litigation settlement obligations—On January 2, 2019, as permitted under the Consent Decree, we submitted an official termination request to the U.S. On February 6, 2019, the U.S. submitted a joint stipulation and proposed order (the “Order”) to terminate the Consent Decree to the U.S. District Court for the Eastern District of Louisiana (the “Court”), and on February 13, 2019, the Court entered the Order. Accordingly, the Consent Decree is terminated and has no further force or effect on the Company.

TRANSOCEAN LTD.

PROPOSED APPROPRIATION OF THE ACCUMULATED LOSS

The board of directors proposes that shareholders at the annual general meeting in 2019 approve the following appropriation (in thousands):

	December 31,	
	2018	2017
Balance brought forward from previous years	CHF (5,465,034)	CHF (4,997,032)
Net loss for the year	(431,179)	(468,002)
Total accumulated loss	<u>(5,896,213)</u>	<u>(5,465,034)</u>
Balance to be carried forward on this account	<u>CHF (5,896,213)</u>	<u>CHF (5,465,034)</u>

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 our shareholders at the 2019 Annual General Meeting is the accumulated loss of Transocean Ltd., on a standalone basis.

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 invest-
ment 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

Keelan Adamson
Executive Vice President and
Chief Operations Officer

Howard E. Davis
Executive Vice President,
Chief Administrative Officer and
Chief Information Officer

Brady Long
Executive Vice President and
General Counsel

CORPORATE INFORMATION

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New York, New York 10104

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 2018 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.

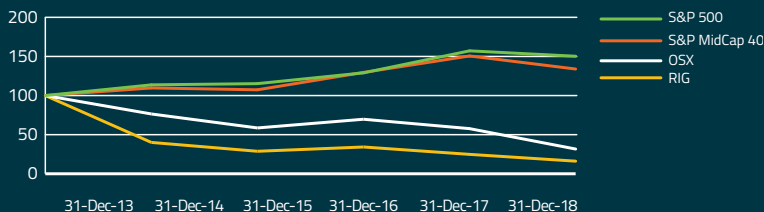
NYSE (USD)	2018		2017	
	HIGH	LOW	HIGH	LOW
First Quarter	12.40	8.70	16.16	11.69
Second Quarter	14.16	9.36	13.04	7.67
Third Quarter	14.34	10.40	10.84	7.20
Fourth Quarter	14.47	6.19	11.78	9.33

Performance Graph¹

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 Philadelphia Oil Service Sector Index ("OSX") 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, and the OSX on December 31, 2013, and that all dividends were reinvested on the date of payment.

Indexed Cumulative Total Shareholder Return

December 31, 2013 - December 31, 2018



DATE	DEC-13	DEC-14	DEC-15	DEC-16	DEC-17	DEC-18
S&P 500	\$100.00	\$113.68	\$115.24	\$129.02	\$157.17	\$150.27
S&P 400 Mid Cap	\$100.00	\$109.74	\$107.34	\$129.60	\$150.63	\$133.91
OSX Index	\$100.00	\$76.46	\$58.59	\$69.71	\$57.71	\$31.62
RIG	\$100.00	\$40.07	\$28.76	\$34.24	\$24.81	\$16.12

¹The 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.



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