



LETTER TO SHAREHOLDERS

NOTICE OF 2020 ANNUAL GENERAL MEETING AND PROXY STATEMENT

COMPENSATION REPORT

2019 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 45 mobile offshore drilling units consisting of 28 ultra-deepwater floaters, 14 harsh environment floaters and three midwater floaters. In addition, Transocean is constructing two ultra-deepwater drillships. Our shares are traded on the New York Stock Exchange under the symbol RIG.



*The symbols in the map above represent the company's global market presence as of the February 14, 2020 Fleet Status Report.*

### ABOUT THE COVER

The front cover features one of our harsh environment semisubmersibles, the *Transocean Spitsbergen*, the world's first hybrid powered dynamically positioned floating drilling unit.

### FORWARD-LOOKING STATEMENTS

Any statements included in this Proxy Statement and 2019 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.

## TO THE OWNERS OF OUR COMPANY:

As we approach our 2020 annual general meeting, we recognize the unprecedented challenges that the worldwide COVID-19 crisis and the rapid and steep decline in oil prices have presented to the offshore drilling industry. Without question, this is a pivotal time for Transocean – a time for unrivaled industry leadership. Fortunately, we approach the days ahead with confidence, as we have demonstrated our ability to outperform the competition in recent years, with 2019 being no exception.

We closed 2019 with many encouraging developments, including:

- Despite intermittent fears of a global recession, Brent crude oil prices remained above \$60/bbl for most of 2019.
- As an industry, we continued to realize sustainable efficiencies to safely reduce offshore project costs and compress the time to first oil production, thereby improving offshore project economics and increasing the number of commercially viable offshore programs.
- Due to a number of challenges, including less favorable geology, accelerating decline rates, and well spacing complications, production growth from North American shale activity appears to have peaked in 2018. Shale growth noticeably slowed in 2019, and, even before oil production increases by Russia and the Kingdom of Saudi Arabia, current expectations suggest that this trend will continue as we move through 2020 and beyond.

These factors, and others, combined to enhance the attractiveness of offshore projects in our customers' portfolios. In 2019, we observed a marked increase in customer demand, resulting in both an increase in the number of contracts awarded, and a lengthening of duration per contract. Importantly, this increase in demand was widespread, originating from private equity-backed E&P companies, to publicly traded independents, to national oil companies, to the super-majors, and spanning the world, with heightened demand in the Gulf of Mexico, Central America, Brazil, West Africa, Norway and Southeast Asia.

As a result, marketed floater utilization exited the year at 80 percent, a 500-basis point improvement from 2018. Dayrates for harsh environment assets increased for the third consecutive year, with high-specification base dayrates approaching U.S. \$400,000 per day. Furthermore, ultra-deepwater rates improved 50 to 75 percent above prior year levels and were poised to trend higher for drilling campaigns commencing in the second half of 2020 and into 2021.

Unfortunately, with the global outbreak of COVID-19, coupled with decisions by Russia and the Kingdom of Saudi Arabia to meaningfully increase oil production, we have witnessed a steep decline in oil prices to start 2020. This will likely delay offshore projects that were being contemplated when oil prices were closer to \$60/bbl. Still, we believe that our strategic business planning over the course of this downturn has positioned us well to continue to outperform our peer group. With the offshore industry's highest specification floating fleet, and a steadfast focus on incident-free operations and superior well construction, we believe that we are best-positioned to support our customers in the delivery of their operational and business objectives, which, over a multi-year recovery in the offshore space, will ultimately translate into solid returns for our shareholders.

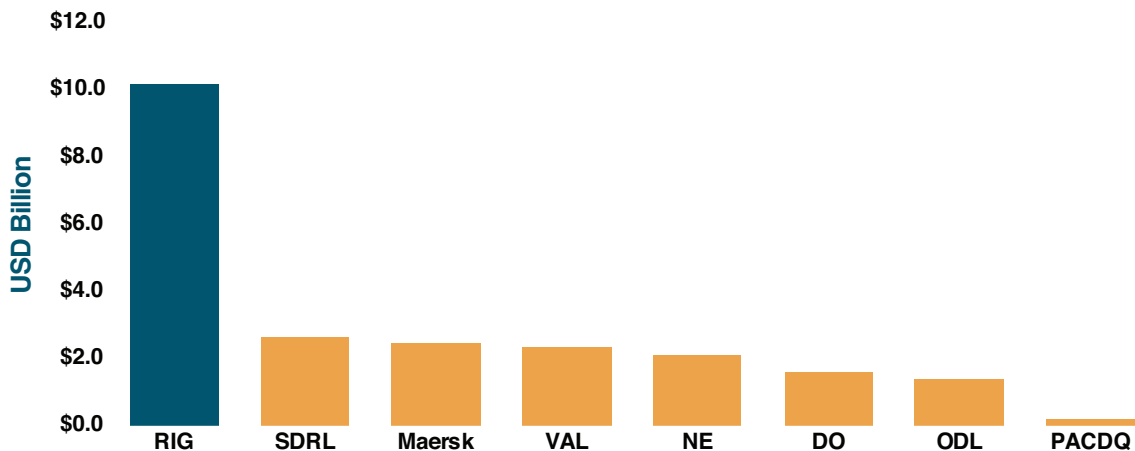
As we enter the next decade, we are proud of the resolve our employees have demonstrated as we have confronted the challenges of the past five years. By any measure, we have delivered industry-leading results throughout some of the most difficult days of the offshore drilling industry's history. In 2019, we delivered the highest Revenue, EBITDA and EBITDA Margins from a floating fleet among all offshore drilling contractors. More importantly, we delivered these results while reducing our annual total recordable incident rate by 30 percent. We are, therefore, confident going forward that this team will continue to perform at peak levels operationally that bolster our financial results.

## LETTER TO SHAREHOLDERS

As part of Transocean's Annual Report, we are pleased to recognize and thank the entire Transocean team, as we summarize our accomplishments toward furthering our company's strategic position. During the year:

- We successfully deployed the world's first hybrid energy storage system aboard a floating drilling unit, *Transocean Spitsbergen*; another first in Transocean's history of introducing revolutionary technologies to the offshore drilling industry.
- We commenced the installation of Automated Drilling Control ("ADC") on five additional harsh environment floaters currently on contract with Equinor, materially improving the safety and efficiency with which we deliver our customers' wells.
- We completed the integration of Ocean Rig, recognizing the operational and cost synergies anticipated from the transaction.
- We successfully reactivated two of our newly acquired ultra-deepwater drillships, *Deepwater Corcovado* and *Deepwater Mykonos*, both of which are now on multi-year term contracts with Petrobras in Brazil. We also successfully reactivated *GSF Development Driller III* for a contract in Equatorial Guinea and an upcoming campaign in Trinidad.
- We took delivery of the high-specification harsh environment *Transocean Norge*, and immediately placed her into operation in Norway.
- We continued to strengthen our balance sheet and extend our liquidity runway through: a) multiple timely and opportunistic financing transactions, b) exceptional operating performance throughout the year, which resulted in strong uptime for our customers and revenue efficiency in excess of 97%, and c) new contract awards, which added to our industry-leading backlog, and provide us with unparalleled visibility to future cash flows.

### OFFSHORE CONTRACT DRILLING BACKLOG



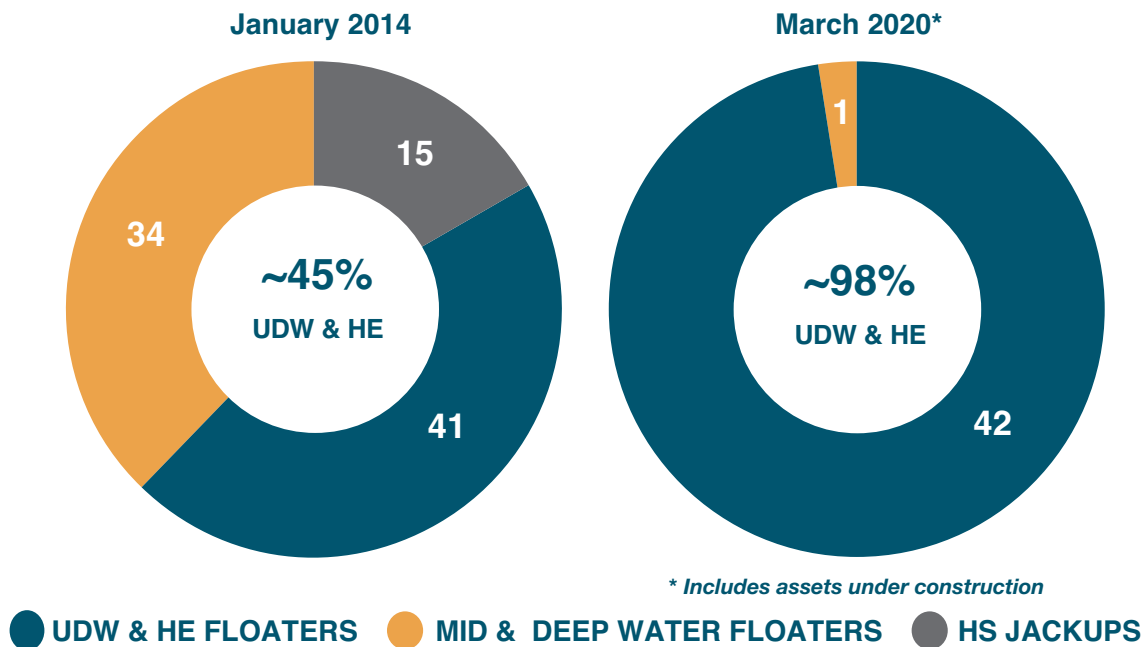
As of Latest Company Filings

## AS WE ENTER 2020, WE WILL CONTINUE TO TAKE THE NECESSARY ACTIONS TO STRATEGICALLY POSITION TRANSOCEAN TO OUTPERFORM OUR PEERS.

We continue to enhance our fleet of high-specification assets. Our fleet of 43 floaters is composed of the highest specification assets in the ultra-deepwater and harsh environment markets. This includes 28 ultra-deepwater floaters, 12 harsh environment floaters, and two ultra-deepwater drillships under construction, which include the industry's first 20,000 PSI ultra-deepwater drillship, the *Deepwater Titan*. This rig is scheduled for delivery in 2021, at which time it will commence a five-year contract with Chevron in the U.S. Gulf of Mexico. While we have strategically added to our fleet through both acquisitions and construction, we have also furthered the high-grading of our fleet through the recycling of assets. Six older, less-competitive assets were removed from our fleet in 2019, and we decided earlier in 2020 to remove the *Polar Pioneer*, *Songa Dee*, *Sedco 714* and *Sedco 711* from our fleet. This brings the total number of floaters removed or in the process of removal from our fleet to 57 since the start of the downturn. Additionally, we relinquished the rights to two newbuild ultra-deepwater drillships as the remaining contractually required capital investment was prohibitive relative to the current market.

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

### TRANSOCEAN FLEET TRANSFORMATION



### WE CONTINUE THE ADVANCEMENT OF OFFSHORE DRILLING THROUGH TECHNOLOGY

During 2019, we introduced several new technologies, including ADC, Hybrid on-board Power Plant, Haloguard and aShear. These technologies focus on the important aspects of drilling more efficient wells, ensuring the safety of our crews and the protection of the environment, while improving rig reliability, and reducing fuel consumption and emissions.

- ADC modernizes the offshore well construction process by capturing real-time downhole data that is processed via algorithms to make more efficient drilling decisions. This technology gives us a deeper understanding of what is happening inside and around the wellbore during penetration, enabling more instantaneous reactions during the drilling operation. Ultimately, this technology takes us one step further in automating the well construction process and makes well construction safer, faster, and more reliable.
- Hybrid on-board Power is the first of its kind solution to reduce fuel consumption and emissions while providing the safety of a secondary source of power in the event of a complete loss of functionality of the rig's engines, its primary power source. Our patented technology places battery reserves onboard to directly support each thruster rather than relying on the traditional power distribution system. The system also eliminates peak power demands on the diesel generators, allowing the engines to run more efficiently, significantly reducing fuel consumption and emissions, thus decreasing our carbon footprint. The first system was installed on the *Transocean Spitsbergen*, a harsh environment semisubmersible operating offshore Norway. We believe this technology can be implemented on many assets across our fleet.
- Haloguard's development focuses on protecting the most important assets on the rig, our people. Even with well-trained employees, robust policies, and procedural discipline, it is possible for people to unintentionally place themselves at risk around moving equipment. We have collaborated to pilot Haloguard, incorporating multiple technologies to provide warnings, and if necessary, halt equipment in the event personnel unintentionally come into close proximity with moving machinery.
- aShear is a promising new technology that will provide a new level of blow out preventer (BOP) safety never before available in our industry. Consisting of a pyrotechnic shear ram, aShear is designed to cut across casing, joints, and/or tools in the wellbore and do it in a matter of milliseconds following detection of an uncontrolled wellbore release. At its core, aShear will enable an operator to seal a well instantaneously, thus controlling unexpected releases from the well. aShear is depth agnostic, retrofittable to existing BOP stacks, and through the use of military grade initiation technology, results in unparalleled reliability. aShear has been successfully tested offshore, and is now nearing deployment into the offshore market.

Through the development and deployment of these technologies that drive improvements in personnel safety, provide additional safeguards for our assets and the environments in which we operate, improve drilling efficiency for our customers, and reduce our environmental footprint, Transocean continues to demonstrate its commitment to leading the industry in both operational excellence and sustainability.

### ESG IS ENTRENCHED IN OUR CORE VALUES AS A FOUNDATION FOR OUR CORPORATE CULTURE

In 2019, we published our sustainability report covering Transocean's Environmental, Social and Governance (ESG) program activities for 2017 and 2018. This report reflects our recognition of the responsibility to continuously challenge the status quo, with a focus on ethically, safely and efficiently delivering incremental value to our shareholders. With continued engagement throughout our entire organization, joint efforts with our customers, and genuine concern for the communities and countries in which we work, we expect to be a leader in the energy industry in the furtherance of this important objective.

In addition, due to our geographically diverse operations, global footprint and international workforce, we carefully assess and respond to various risks as they arise, including public health issues such as COVID-19. There is no higher priority than the health and safety of our employees, customers, partners and communities, and we will remain acutely focused on the proper management of these issues.

**WITH 2019 NOW BEHIND US, WE LOOK FORWARD TO THE OPPORTUNITIES AND OVERCOMING THE CHALLENGES OF 2020.**

As we navigate the challenges associated with COVID-19 and the decline in oil price, we remain committed to being prudent in our management of Transocean. We will continue the strategic management of our fleet, while opportunistically de-risking our balance sheet and enhancing our liquidity position. This position will be challenged in the near-term, as we take delivery of our final two newbuild ultra-deepwater drillships. Then we expect it to materially improve at an accelerated rate as our newbuild capex obligations abate and these rigs begin operating and generating significant cashflow. Meanwhile, we will continue to focus on operational excellence, minimizing operational disruptions, including those caused by COVID-19, and remaining our customer's first choice for the most demanding and challenging offshore drilling operations across their vast portfolios.

We thank you, our shareholders, on behalf of our entire team at Transocean, for your continued support and trust. We look forward to fulfilling our leadership role in better meeting the world's energy needs.



A handwritten signature in black ink, appearing to read "Chadwick C. Deaton".

**CHADWICK C. DEATON**  
Chair of the Board of  
Directors



A handwritten signature in black ink, appearing to read "Jeremy D. Thigpen".

**JEREMY D. THIGPEN**  
President and Chief Executive  
Officer

March 30, 2020

## CONTENTS

P-ii	NOTICE TO SHAREHOLDERS
P-iv	PROXY STATEMENT SUMMARY
P-1	INVITATION TO 2020 ANNUAL GENERAL MEETING OF TRANSOCEAN LTD.
P-6	IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS
P-7	INFORMATION ABOUT THE MEETING AND VOTING
P-12	<b>AGENDA ITEM 1.</b> APPROVAL OF THE 2019 ANNUAL REPORT, INCLUDING THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF TRANSOCEAN LTD. FOR FISCAL YEAR 2019 AND THE AUDITED STATUTORY FINANCIAL STATEMENTS OF TRANSOCEAN LTD. FOR FISCAL YEAR 2019
P-13	<b>AGENDA ITEM 2.</b> DISCHARGE OF THE MEMBERS OF THE BOARD OF DIRECTORS AND THE EXECUTIVE MANAGEMENT TEAM FROM LIABILITY FOR ACTIVITIES DURING FISCAL YEAR 2019
P-14	<b>AGENDA ITEM 3.</b> APPROPRIATION OF ACCUMULATED LOSS FOR FISCAL YEAR 2019
P-15	<b>AGENDA ITEM 4.</b> INCREASE IN TOTAL NUMBER OF SHARES AUTHORIZED FOR ISSUANCE
P-17	<b>AGENDA ITEM 5.</b> ELECTION OF 11 DIRECTORS, EACH FOR A TERM EXTENDING UNTIL COMPLETION OF THE NEXT ANNUAL GENERAL MEETING
P-32	SKILLS & EXPERIENCE MATRIX FOR INDEPENDENT DIRECTORS
P-34	<b>AGENDA ITEM 6.</b> ELECTION OF THE CHAIR OF THE BOARD OF DIRECTORS FOR A TERM EXTENDING UNTIL COMPLETION OF THE NEXT ANNUAL GENERAL MEETING
P-35	<b>AGENDA ITEM 7.</b> ELECTION OF THE MEMBERS OF THE COMPENSATION COMMITTEE, EACH FOR A TERM EXTENDING UNTIL COMPLETION OF THE NEXT ANNUAL GENERAL MEETING
P-36	<b>AGENDA ITEM 8.</b> REELECTION OF THE INDEPENDENT PROXY FOR A TERM EXTENDING UNTIL COMPLETION OF THE NEXT ANNUAL GENERAL MEETING
P-37	<b>AGENDA ITEM 9.</b> APPOINTMENT OF ERNST & YOUNG LLP AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR FISCAL YEAR 2020 AND REELECTION OF ERNST & YOUNG LTD, ZURICH, AS THE COMPANY'S AUDITOR FOR A FURTHER ONE-YEAR TERM
P-39	<b>AGENDA ITEM 10.</b> ADVISORY VOTE TO APPROVE NAMED EXECUTIVE OFFICER COMPENSATION
P-41	<b>AGENDA ITEM 11.</b> PROSPECTIVE VOTES ON THE MAXIMUM COMPENSATION OF THE BOARD OF DIRECTORS AND THE EXECUTIVE MANAGEMENT TEAM
P-47	<b>AGENDA ITEM 12.</b> APPROVAL OF AMENDMENT AND RESTATEMENT OF THE TRANSOCEAN LTD. 2015 LONG-TERM INCENTIVE PLAN
P-55	CORPORATE GOVERNANCE
P-62	BOARD MEETINGS AND COMMITTEES
P-69	2019 DIRECTOR COMPENSATION
P-70	AUDIT COMMITTEE REPORT
P-72	SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS
P-73	SECURITY OWNERSHIP OF DIRECTORS AND EXECUTIVE OFFICERS
P-74	COMPENSATION DISCUSSION AND ANALYSIS
P-98	COMPENSATION COMMITTEE REPORT
P-99	EXECUTIVE COMPENSATION
P-108	EQUITY COMPENSATION PLAN INFORMATION
P-109	OTHER MATTERS
A-1	APPENDIX A – NON-GAAP FINANCIAL INFORMATION
B-1	APPENDIX B – PROPOSED AMENDMENT AND RESTATEMENT OF TRANSOCEAN LTD. 2015 LONG-TERM INCENTIVE PLAN
AN-1	ANNEX A – PROPOSED AMENDMENT TO ARTICLE 5 OF THE COMPANY'S ARTICLES OF ASSOCIATION



# NOTICE TO SHAREHOLDERS

The 2020 annual general meeting of the shareholders (the “2020 Annual General Meeting”) of Transocean Ltd. (the “Company”) will be held:



## WHEN

Thursday, May 7, 2020  
6:30 p.m., Swiss time



## WHERE

Transocean Ltd.  
Turmstrasse 30  
6312 Steinhausen, Switzerland

Information regarding the matters to be acted upon at the meeting is set forth in the attached invitation to the 2020 Annual General Meeting and the proxy statement, which is available at: [www.deepwater.com](http://www.deepwater.com) by selecting Financial Reports, Annual and Quarterly Reports in the dropdown of the Investors section.

At the 2020 Annual General Meeting, we will ask you to vote on the following items:

AGENDA ITEM	DESCRIPTION	BOARD RECOMMENDATION	FOR MORE INFORMATION, SEE PAGE
1	Approval of the 2019 Annual Report, Including the Audited Consolidated Financial Statements of Transocean Ltd. for Fiscal Year 2019 and the Audited Statutory Financial Statements of Transocean Ltd. for Fiscal Year 2019	✓ FOR	P-12
2	Discharge of the Members of the Board of Directors and Executive Management Team from Liability for Activities During Fiscal Year 2019	✓ FOR	P-13
3	Appropriation of the Accumulated Loss for Fiscal Year 2019	✓ FOR	P-14
4	Increase in Total Number of Shares Authorized for Issuance	✓ FOR	P-15
5	Election of 11 Directors, Each for a Term Extending Until Completion of the Next Annual General Meeting	✓ FOR	P-17
6	Election of the Chair of the Board of Directors for a Term Extending Until Completion of the Next Annual General Meeting	✓ FOR	P-34
7	Election of the Members of the Compensation Committee, Each for a Term Extending Until Completion of the Next Annual General Meeting	✓ FOR	P-35
8	Reelection of the Independent Proxy for a Term Extending Until Completion of the Next Annual General Meeting	✓ FOR	P-36
9	Appointment of Ernst & Young LLP as the Company’s Independent Registered Public Accounting Firm for Fiscal Year 2020 and Reelection of Ernst & Young Ltd, Zurich, as the Company’s Auditor for a Further One-Year Term	✓ FOR	P-37
10	Advisory Vote to Approve Named Executive Officer Compensation	✓ FOR	P-39

11	Prospective Votes on the Maximum Compensation of the Board of Directors and the Executive Management Team	✓ FOR	P-41
12	Approval of Amendment and Restatement of the Transocean Ltd. 2015 Long-Term Incentive Plan	✓ FOR	P-47

It is important that your shares be represented and voted at the meeting. 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.

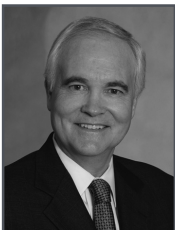
Under rules of the U.S. Securities and Exchange Commission ("SEC"), we have elected to provide access to our proxy materials over the internet. Accordingly, we are sending a Notice of Internet Availability of Proxy Materials (the "Notice") to our shareholders as of the close of business on March 2, 2020. 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 20, 2020, and who were not registered as of March 2, 2020. The Notice or proxy statement and form of proxy, as appropriate, are first being mailed or sent, as appropriate, to shareholders on or about March 30, 2020.

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,



**CHADWICK C. DEATON**  
Chair of the Board of  
Directors



**JEREMY D. THIGPEN**  
President and Chief Executive  
Officer

March 30, 2020

# PROXY STATEMENT SUMMARY

## 2019 ANNUAL GENERAL MEETING DETAILS



### WHEN

Thursday, May 7, 2020  
6:30 p.m., Swiss time



### WHERE

Transocean Ltd.  
Turmstrasse 30  
6312 Steinhausen, Switzerland



### RECORD DATE

April 20, 2020

## VOTING



### BY PHONE

**Registered Holders**  
(shares are registered in your own name)

On a touch-tone telephone, call toll-free +1 (800) 690-6903 24/7, and follow the instructions.

You will need the 12-digit control number that is included in the voting instructions form that is sent to you.

You will be able to confirm that the telephonic system has properly recorded your votes.



### BY INTERNET

Go to [www.proxyvote.com](http://www.proxyvote.com) 24/7, and follow the instructions.

You will need the 12-digit control number that is included in the voting instructions form that is sent to you.

The internet system allows you to confirm that the system has properly recorded your voting instructions.



### BY MAIL

Complete, date, sign and return your proxy card in the postage-paid envelope.

Do not mail the proxy card if you are submitting voting instructions over the internet.



### BY MOBILE DEVICE

Scan the QR code, which can be found on your voting instructions form that is sent to you.



**Beneficial Owners**  
(shares are held "in street name" in a stock brokerage account or by a bank, nominee or other holder of record)

On a touch-tone telephone, call toll-free +1 (800) 690-6903 24/7, and follow the instructions.

You will need the 12-digit control number that is included in the voting instructions form that is sent to you.

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The internet system allows you to confirm that the system has properly recorded your voting instructions.

Complete, date, sign and return your voting information form.

Do not mail the voting instruction form if you are submitting voting instructions over the internet or by telephone.

Scan the QR code, which can be found on your voting instructions form that is sent to you.



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Transocean's fleet of 43 mobile offshore drilling units consists of 28 ultra-deepwater floaters, 12 harsh environment floaters, one midwater floater, and two ultra-deepwater drillships under construction.

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As we enter the next decade, we are proud of the resolve our employees have demonstrated as we have confronted the challenges of the past five years. By any measure, we have delivered industry-leading results throughout the most difficult days of the offshore drilling industry's history. In 2019, we delivered the highest Revenue, EBITDA and EBITDA Margins from a floating fleet among all offshore drilling contractors. More importantly, we delivered these results while reducing our annual total recordable incident rate by 30 percent. We are, therefore, confident going forward that this team will continue to perform at peak levels operationally, leading to improved financial results.

### **YOUR VOTE IS IMPORTANT**

While shareholders will not attend the 2020 Annual General Meeting in person, as explained below, we encourage you to vote as soon as possible.

### **IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE 2020 ANNUAL GENERAL MEETING TO BE HELD ON MAY 7, 2020**

Our proxy statement and 2019 Annual Report are available at [www.proxyvote.com](http://www.proxyvote.com) or on our website [investor.deepwater.com](http://investor.deepwater.com) under "Financial Reports — Annual and Quarterly Reports."

Shareholders registered in our share register on the record date have the right to vote their shares at the 2020 Annual General Meeting. 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.

All dollar figures in this proxy statement are in U.S. dollars unless otherwise denoted.
























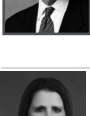





## **NOMINEES TO THE BOARD OF DIRECTORS**

We are pleased to nominate a new candidate to the Board of Directors: Diane de Saint Vincent, who has over 30 years of experience across various industries and most recently served as General Counsel of ABB from 2007 to 2019.

Each of our director nominees has a proven record of success, high integrity, an appreciation for diversity, and is committed to taking action to advance and increase the Company's sustainability efforts.

During 2019, each of our current directors attended 100% of the Board of Directors' meetings and committee meetings on which he or she served during his or her elected term. Additional information regarding the nominees for election is provided under Agenda Item 5.

# PROXY STATEMENT SUMMARY

DIRECTORS FOR ELECTION	AGE	DIRECTOR SINCE	INDEPENDENT	COMMITTEES					OTHER CURRENT PUBLIC COMPANY BOARDS
				AUDIT	COMPENSATION	FINANCE	CORPORATE GOVERNANCE	HEALTH, SAFETY AND ENVIRONMENTAL	
 <b>Glyn A. Barker</b> Former Vice Chair-U.K., PwC LLP	66	2012	✓						3
 <b>Vanessa C.L. Chang</b> Former Director and Shareholder of EL & EL Investments	67	2012	✓						3
 <b>Frederico F. Curado</b> CEO, Ultrapar S.A.	58	2013	✓						1
 <b>Chadwick C. Deaton</b> Former Executive Chair and CEO, Baker Hughes Incorporated	67	2012	✓						3
 <b>Vincent J. Intrieri</b> Founder and CEO, VDA Capital Management LLC	63	2014	✓						2
 <b>Samuel J. Merksamer</b> Partner, Caligan Partners, L.P.	39	2013	✓						0
 <b>Frederik W. Mohn</b> Owner and Managing Director, Perestroika; former Director and Chair, Songa Offshore SE	43	2018	✓						2
 <b>Edward R. Muller</b> Former Chair and CEO, GenOn Energy, Inc.; former Vice Chair, NRG Energy, Inc.	68	2008	✓						1
 <b>Diane de Saint Victor</b> Company Secretary of ABB Ltd, Switzerland	65	Nominee	✓						2
 <b>Tan Ek Kia</b> Former Chair, Shell Northeast Asia	71	2011	✓						3
 <b>Jeremy D. Thigpen</b> President and CEO, Transocean Ltd.	45	2015							0
<b>MEETINGS IN 2019: BOARD: 4</b>				<b>8</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	
<b>TOTAL NUMBER OF MEETINGS IN 2019: 28</b>									



Committee Chair



Committee Member



Audit Committee financial expert (SEC and NYSE)



Independent, 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 Chair 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 Chair of the Board of Directors (Agenda Item 6) and Glyn A. Barker, Samuel J. Merksamer and Tan Ek Kia as members of the Compensation Committee (Agenda Item 7) to serve until completion of the 2021 annual general meeting of the shareholders (the “2021 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 Chair 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 2020 Annual General Meeting. Swiss companies may only appoint an independent proxy for these purposes. At the 2019 annual general meeting of the shareholders (the “2019 Annual General Meeting”), shareholders elected Schweiger Advokatur / Notariat to serve as our independent proxy for a term extending until the completion of the 2020 Annual General Meeting. Agenda Item 8 asks that you again elect this firm to act as the independent proxy for the 2021 Annual General Meeting and any extraordinary general meeting of shareholders of the Company that may be held prior to the 2021 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 2020 Annual General Meeting and the 2021 Annual General Meeting (Agenda Item 11A) and the maximum aggregate amount of compensation of the Executive Management Team for fiscal year 2021 (Agenda Item 11B). The shareholder vote is binding.

## ACTIVE SHAREHOLDER ENGAGEMENT PROGRAM

As part of our ongoing shareholder engagement program, our Board of Directors and Management team are committed to meeting with our shareholders and incorporating their feedback into our decision-making processes. In late 2019, we engaged with shareholders representing more than 25% of our outstanding shares to discuss recent developments and to solicit investor feedback on our corporate governance, executive compensation, and sustainability practices. In addition to these topics, we also discussed the robust qualifications and capabilities of one of our independent directors, Mr. Curado, to address concerns regarding his ability to serve effectively as an independent director in light of his external commitments. Participants in some of the engagements included our Chief Executive Officer, Independent Chair, and Chair of the Corporate Governance Committee, in addition to members of executive management. All feedback received has been shared directly with the Board and has helped inform material governance, compensation and sustainability considerations.

## FEATURES OF EXECUTIVE COMPENSATION PROGRAM

Our executive compensation program reflects our 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 our management team for delivering superior financial, safety and operational performance, each of which is important to the long-term success of the Company. We feel strongly that our executive compensation program includes features that

## PROXY STATEMENT SUMMARY

align the interests of our senior management with those of our shareholders and excludes features that may result in misalignment.

### WHAT WE DO

- ✓ Conduct an annual review of our compensation strategy, including a review of our compensation-related risk profile
- ✓ Mandate meaningful share ownership requirements for our executives
- ✓ Maintain a clawback policy that allows for the forfeiture, recovery or adjustment of incentive compensation (cash and equity)
- ✓ Base annual and long-term incentive payments on quantitative, formulaic metrics
- ✓ Maintain compensation plans that are weighted significantly toward variable pay to align our executive compensation with long-term shareholder interests
- ✓ Link long-term incentive compensation to relative performance metrics to motivate strong performance
- ✓ Deliver at least 50% of long-term incentives in performance-based awards
- ✓ Retain an independent consultant who is, retained by and reports only to, our Compensation Committee (not management)
- ✓ Maintain double trigger change-in-control provisions

### WHAT WE DON'T DO

- ✗ Allow our executives to hedge, sell short or hold derivative instruments tied to our shares (other than derivative instruments issued by us)
- ✗ Allow our executives or directors to pledge Company shares
- ✗ 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
- ✗ Provide gross-ups for severance payments
- ✗ Guarantee salary increases, non-performance based bonuses or unrestricted equity compensation
- ✗ Provide any payments or reimbursements for tax equalization
- ✗ Pay dividend equivalents on performance-based equity that has not vested
- ✗ Offer executive perquisites

# INVITATION TO 2020 ANNUAL GENERAL MEETING OF TRANSOCEAN LTD.



## WHEN

Thursday, May 7, 2020  
6:30 p.m., Swiss time



## WHERE

Transocean Ltd.  
Turmstrasse 30  
6312 Steinhausen, Switzerland

## AGENDA ITEMS





ITEM	DESCRIPTION	PROPOSAL OF THE BOARD OF DIRECTORS	BOARD RECOMMENDATION												
1	Approval of the 2019 Annual Report, Including the Audited Consolidated Financial Statements of Transocean Ltd. for Fiscal Year 2019 and the Audited Statutory Financial Statements of Transocean Ltd. for Fiscal Year 2019.	The Board of Directors proposes that the 2019 Annual Report, including the audited consolidated financial statements for the year ended December 31 ("fiscal year") 2019, and the audited statutory financial statements for fiscal year 2019, be approved.	✓ FOR												
2	Discharge of the Members of the Board of Directors and the Executive Management Team from Liability for Activities During Fiscal Year 2019.	The Board of Directors proposes that the members of the Board of Directors and Messrs. Jeremy D. Thigpen, Mark L. Mey, Keelan I. Adamson, who served as members of our Executive Management Team in 2019, be discharged from liability for activities during fiscal year 2019.	✓ FOR												
3	Appropriation of Accumulated Loss for Fiscal Year 2019.	<p>The Board of Directors proposes that the accumulated loss of the Company be carried forward.</p> <table border="1"> <thead> <tr> <th>APPROPRIATION OF ACCUMULATED LOSS</th> <th>IN CHF THOUSANDS</th> </tr> </thead> <tbody> <tr> <td>Balance brought forward from previous years</td> <td>(5,896,213)</td> </tr> <tr> <td>Net loss of the year</td> <td>(1,378,613)</td> </tr> <tr> <td>Total accumulated loss</td> <td>(7,274,826)</td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th>APPROPRIATION OF ACCUMULATED LOSS</th> <th></th> </tr> </thead> <tbody> <tr> <td>Balance to be carried forward on this account</td> <td>(7,274,826)</td> </tr> </tbody> </table>	APPROPRIATION OF ACCUMULATED LOSS	IN CHF THOUSANDS	Balance brought forward from previous years	(5,896,213)	Net loss of the year	(1,378,613)	Total accumulated loss	(7,274,826)	APPROPRIATION OF ACCUMULATED LOSS		Balance to be carried forward on this account	(7,274,826)	✓ FOR
APPROPRIATION OF ACCUMULATED LOSS	IN CHF THOUSANDS														
Balance brought forward from previous years	(5,896,213)														
Net loss of the year	(1,378,613)														
Total accumulated loss	(7,274,826)														
APPROPRIATION OF ACCUMULATED LOSS															
Balance to be carried forward on this account	(7,274,826)														
4	Increase in Total Number of Shares Authorized for Issuance.	The Board of Directors proposes to increase the total number of shares that may be issued using the Company's authorized share capital to a maximum of 184,974,503 shares, with such authorization expiring on May 7, 2022.	✓ FOR												
5	Election of 11 Directors, Each for a Term Extending Until Completion of the Next Annual General Meeting.	The Board of Directors proposes that the following candidates be elected to the Board of Directors, each for a term extending until completion of the next annual general meeting.	✓ FOR												



## INVITATION TO 2020 ANNUAL GENERAL MEETING OF TRANSOCEAN LTD.

ITEM	DESCRIPTION	PROPOSAL OF THE BOARD OF DIRECTORS	BOARD RECOMMENDATION
		<p><b>5A</b> Election of Glyn A. Barker as a director.</p> <p><b>5B</b> Election of Vanessa C.L. Chang as a director.</p> <p><b>5C</b> Election of Frederico F. Curado as a director.</p> <p><b>5D</b> Election of Chadwick C. Deaton as a director.</p> <p><b>5E</b> Election of Vincent J. Intrieri as a director.</p> <p><b>5F</b> Election of Samuel J. Merksamer as a director.</p> <p><b>5G</b> Election of Frederik W. Mohn as a director.</p> <p><b>5H</b> Election of Edward R. Muller as a director.</p> <p><b>5I</b> Election of Diane de Saint Victor as a director.</p> <p><b>5J</b> Election of Tan Ek Kia as a director.</p> <p><b>5K</b> Election of Jeremy D. Thigpen as a director.</p>	
6	Election of the Chair of the Board of Directors for a Term Extending Until Completion of the Next Annual General Meeting.	The Board of Directors proposes that Chadwick C. Deaton be elected as the Chair 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.	✓ FOR
7	Election of the Members of the Compensation Committee, Each for a Term Extending Until Completion of the Next Annual General Meeting.	<p>The Board of Directors proposes that the following three candidates be elected 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:</p> <p><b>7A</b> Election of Glyn A. Barker as a member of the Compensation Committee.</p> <p><b>7B</b> Election of Samuel J. Merksamer as a member of the Compensation Committee.</p> <p><b>7C</b> Election of Tan Ek Kia as a member of the Compensation Committee.</p>	✓ FOR each nominee
8	Reelection of the Independent Proxy for a Term Extending Until Completion of the Next Annual General Meeting.	The Board of Directors proposes that Schweiger Advokatur / Notariat be reelected to serve as independent proxy at (and until completion of) the 2021 Annual General Meeting and at any extraordinary general meeting of shareholders of the Company that may be held prior to the 2021 Annual General Meeting.	✓ FOR
9	Appointment of Ernst & Young LLP as the Company's Independent Registered Public Accounting Firm for Fiscal Year 2020 and Reelection of Ernst & Young Ltd, Zurich, as the Company's Auditor for a Further One-Year Term.	The Board of Directors proposes that Ernst & Young LLP be appointed as the Company's independent registered public accounting firm for fiscal year 2020 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 2020 Annual General Meeting and terminating on the date of the 2021 Annual General Meeting.	✓ FOR

## INVITATION TO 2020 ANNUAL GENERAL MEETING OF TRANSOCEAN LTD.

ITEM	DESCRIPTION	PROPOSAL OF THE BOARD OF DIRECTORS	BOARD RECOMMENDATION
<b>10</b>	Advisory Vote to Approve Named Executive Officer Compensation for Fiscal Year 2020.	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. The Board of Directors has proposed a resolution that provides shareholders with the opportunity to endorse or not endorse the Company's Named Executive Officer compensation program as described in the proxy statement for the Company's 2020 Annual General Meeting.	 <b>FOR</b>
<b>11</b>	Prospective Vote on the Maximum Compensation of the Board of Directors and the Executive Management Team.		
<b>11A</b>	Ratification of the Maximum Aggregate Amount of Compensation of the Board of Directors for the Period Between the 2020 Annual General Meeting and the 2021 Annual General Meeting.	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 2020 Annual General Meeting and the 2021 Annual General Meeting.	 <b>FOR</b>
<b>11B</b>	Ratification of the Maximum Aggregate Amount of Compensation of the Executive Management Team for Fiscal Year 2021.	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 2021.	 <b>FOR</b>
<b>12</b>	Approval of Amendment and Restatement of the Transocean Ltd. 2015 Long-Term Incentive Plan	The Board of Directors proposes that the shareholders approve an amendment to the Transocean Ltd. 2015 Long-Term Incentive Plan for additional reserves in the aggregate amount of 30,000,000 shares issuable pursuant to the Transocean Ltd. 2015 Long-Term Incentive Plan, as amended ("2015 LTIP"), which was originally approved by shareholders on May 15, 2015.	 <b>FOR</b>

## 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 2, 2020. Any additional shareholders who are registered in Transocean Ltd.'s share register as of the close of business on April 20, 2020, 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 20, 2020, will not be entitled to vote or grant proxies to vote at the 2020 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 20, 2020, and the opening of business on the day following the 2020 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 20, 2020, have the right to vote their shares at the 2020 Annual General Meeting, 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 2020 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 2020 Annual General 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 6, 2020 (5:59 a.m. Swiss time on Thursday, May 7, 2020) 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 2020 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 2020 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.

Information concerning the 2020 Annual General Meeting can be obtained by contacting:



OUR  
CORPORATE  
SECRETARY  
AT OUR  
REGISTERED  
OFFICE

Transocean Ltd.  
Attention: Corporate Secretary  
Turmstrasse 30  
6312 Steinhausen, Switzerland



INVESTOR  
RELATIONS AT  
OUR OFFICES  
IN THE UNITED  
STATES

Transocean Ltd.  
Attention: Investor Relations  
1414 Enclave Parkway  
Houston, Texas 77077  
USA

## INVITATION TO 2020 ANNUAL GENERAL MEETING OF TRANSOCEAN LTD.



TELEPHONE  
NUMBER

+41 (41) 749-0500



TELEPHONE  
NUMBER

+1 (713) 232-7500

### ANNUAL REPORT, CONSOLIDATED FINANCIAL STATEMENTS, STATUTORY FINANCIAL STATEMENTS

A copy of the 2019 Annual Report (including the consolidated financial statements for fiscal year 2019, the statutory financial statements of Transocean Ltd. for fiscal year 2019 and the audit reports on such consolidated and statutory financial statements) and the 2019 Swiss Compensation Report is available for physical inspection at our registered office:



Transocean Ltd.  
Turmstrasse 30  
6312 Steinhausen, Switzerland

Copies of these materials may be obtained without charge by contacting:



OUR  
CORPORATE  
SECRETARY  
AT OUR  
REGISTERED  
OFFICE

Transocean Ltd.  
Attention: Corporate Secretary  
Turmstrasse 30  
6312 Steinhausen, Switzerland



INVESTOR  
RELATIONS AT  
OUR OFFICES  
IN THE UNITED  
STATES

Transocean Ltd.  
Attention: Investor Relations  
1414 Enclave Parkway  
Houston, Texas 77077  
USA



TELEPHONE  
NUMBER

+41 (41) 749-0500



TELEPHONE  
NUMBER

+1 (713) 232-7500

On behalf of the Board of Directors,

**CHADWICK C. DEATON**  
Chair of the Board of Directors

Steinhausen, Switzerland  
March 30, 2020

# IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS

## **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 2020 ANNUAL GENERAL MEETING TO BE HELD ON MAY 7, 2020**

Our proxy statement and 2019 Annual Report are available at [www.proxyvote.com](http://www.proxyvote.com) or on our website [investor.deepwater.com](http://investor.deepwater.com) under “Financial Reports — Annual and Quarterly Reports.”

# PROXY STATEMENT



## WHEN

Thursday, May 7, 2020  
6:30 p.m., Swiss time



## WHERE

Transocean Ltd.  
Turmstrasse 30  
6312 Steinhausen, Switzerland



## RECORD DATE

April 20, 2020

## 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 2020 Annual General Meeting to be held on May 7, 2020 at 6:30 p.m., Swiss time, at the offices of Transocean Ltd. at Turmstrasse 30, 6312 Steinhausen, Switzerland. The Notice or proxy statement and form of proxy, as appropriate, are first being mailed to shareholders on or about March 30, 2020.

### RECORD DATE

Only shareholders of record on April 20, 2020, are entitled to notice of and to vote or to grant proxies to vote at, the 2020 Annual General Meeting. No shareholder will be entered in Transocean Ltd.'s share register with voting rights between the close of business on April 20, 2020, and the opening of business on the day following the 2020 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 20, 2020, and the opening of business on the day following the 2020 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 2020 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 the relevant quorums at the meeting are satisfied, so long as the broker has discretion to vote the shares on at least one matter before the 2020 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 <sup>(1)</sup>	TWO-THIRDS MAJORITY	PLURALITY OF VOTES
1	Approval of the 2019 Annual Report, Including the Audited Consolidated Financial Statements and Audited Statutory Financial Statements for Fiscal Year 2019 of Transocean Ltd.	✓		
2	Discharge of the Members of the Board of Directors and Executive Management Team from Liability for Activities During Fiscal Year 2019	✓ <sup>(2)</sup>		
3	Appropriation of the Accumulated Loss	✓		
4	Increase in Total Number of Shares Authorized for Issuance		✓ <sup>(3)</sup>	
5	Election of 11 Directors			✓ <sup>(4)(5)</sup>
6	Election of Chair of the Board of Directors			✓ <sup>(4)</sup>
7	Election of Members of the Compensation Committee			✓ <sup>(4)</sup>
8	Reelection of Independent Proxy	✓		
9	Appointment of Ernst & Young as Independent Auditor	✓		
10	Advisory Vote to Approve Named Executive Officer Compensation	✓ <sup>(6)</sup>		
11	Prospective Votes on the Maximum Compensation of the Board of Directors and the Executive Management Team	✓		
12	Approval of Amendment and Restatement of the Transocean Ltd. 2015 Long-Term Incentive Plan	✓		

(1) Affirmative vote of a simple majority of the votes cast at the 2020 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 simple majority of the votes cast at the 2020 Annual General Meeting on the applicable agenda item. Shares held by members of the Board of Directors and members of the Company's Executive Management Team are not entitled to vote on this matter and are not counted for this 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.

(3) The affirmative vote of at least two-thirds of the shares represented at the 2020 Annual General Meeting and entitled to vote on that agenda item. An abstention, blank or invalid ballot will have the effect of a vote "AGAINST" this proposal.

(4) Affirmative vote of a plurality of the votes cast at the 2020 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.

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

(6) The proposal is an advisory vote; as such, the vote is not binding on the Company.

## OUTSTANDING SHARES

As of March 10, 2020, there were 614,531,889 Transocean Ltd. shares outstanding, which exclude 3,438,636 that are held by the Company or our subsidiaries. Only registered holders of our shares on April 20, 2020, the record date established for the 2020 Annual General Meeting, are entitled to notice of 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 2, 2020. Any additional shareholders who are registered in Transocean Ltd.'s share register as of the close of business on April 20, 2020, but who were not registered in the share register as of March 2, 2020, will receive a copy of the proxy materials, including a proxy card, after April 20, 2020. Shareholders not registered in Transocean Ltd.'s share register as of April 20, 2020, will not be entitled to vote or grant proxies to vote at, the 2020 Annual General Meeting.

If you are registered as a shareholder in Transocean Ltd.'s share register as of April 20, 2020, 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](http://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 6, 2020 (5:59 a.m. Swiss time on Thursday, May 7, 2020) 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 6, 2020 (5:59 a.m. Swiss time on Thursday, May 7, 2020) 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 2020 AGM  
Vote Processing  
c/o Broadridge  
51 Mercedes Way  
Edgewood, NY 11717  
USA

or



Transocean 2020 AGM  
Vote Processing  
Schweiger Advokatur / Notariat  
Dammstrasse 19  
6300 Zug  
Switzerland

All proxy cards must be received no later than 11:59 p.m. Eastern Daylight Time on Wednesday, May 6, 2020 (5:59 a.m. Swiss time on Thursday, May 7, 2020) 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.

### **YOUR VOTE IS IMPORTANT.**

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 2020 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:

<b>AGENDA ITEM</b>	<b>DESCRIPTION</b>
<b>2</b>	Discharge of the Members of the Board of Directors and the Executive Management Team from Liability for Activities During Fiscal Year 2019
<b>5</b>	Election of 11 Directors
<b>6</b>	Election of the Chair of the Board of Directors
<b>7</b>	Election of the Members of the Compensation Committee
<b>10</b>	Advisory Vote to Approve Named Executive Officer Compensation
<b>11A</b>	Ratification of the Maximum Aggregate Compensation of the Board of Directors for the Period Between the 2020 Annual General Meeting and the 2021 Annual General Meeting
<b>11B</b>	Ratification of the Maximum Aggregate Compensation of the Executive Management Team for Fiscal Year 2021
<b>12</b>	Approval of Amendment and Restatement of the Transocean Ltd. 2015 Long-Term Incentive Plan

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 2020 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 2020 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 2020 Annual General Meeting.

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

- submitting a properly completed and executed proxy card with a later date and timely delivering it either directly to the independent proxy or to Vote Processing, c/o Broadridge at the addresses indicated below
- giving written notice of the revocation prior to the meeting to:



Transocean 2020 AGM  
Vote Processing  
c/o Broadridge  
51 Mercedes Way  
Edgewood, NY 11717  
USA

Or



Transocean 2020 AGM  
Vote Processing  
Schweiger Advokatur / Notariat  
Dammstrasse 19  
6300 Zug  
Switzerland

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.

Due to the extraordinary situation in connection with the COVID-19 pandemic, the 2020 Annual General Meeting will not take place in the usual format. In accordance with the Swiss Federal Council Ordinance on Measures to Combat the Coronavirus (the "COVID-19 Ordinance"), shareholders will not be permitted to attend the meeting in person. Shareholders and beneficial owners of our shares must therefore exercise their voting rights only by voting by internet, telephone or mail, as described above, or by giving a proxy card voting instructions to the independent proxy or its substitute, as further described in this proxy statement. We look forward to welcoming shareholders in person at general meetings of shareholders that take place following the 2020 Annual General Meeting, consistent with our long-standing practice.

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 2019 Annual Report, Including the Audited Consolidated Financial Statements of Transocean Ltd. for Fiscal Year 2019 and the Audited Statutory Financial Statements of Transocean Ltd. for Fiscal Year 2019

### PROPOSAL OF THE BOARD OF DIRECTORS

The Board of Directors proposes that the 2019 Annual Report, including the audited consolidated financial statements of Transocean Ltd. for fiscal year 2019 and the audited statutory financial statements of Transocean Ltd. for fiscal year 2019, be approved.

### EXPLANATION

The audited consolidated financial statements of Transocean Ltd. for fiscal year 2019 and the audited Swiss statutory financial statements of Transocean Ltd. for fiscal year 2019 are contained in the 2019 Annual Report, which, along with this proxy statement, are available at: [www.deepwater.com](http://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



Transocean Ltd.'s registered office  
Turmstrasse 30  
6312 Steinhausen, Switzerland

The 2019 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 2019 and statutory financial statements for fiscal year 2019. 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, 2019, be approved. Ernst & Young Ltd expresses its opinion that the "consolidated financial statements for the years ended December 31, 2019 and 2018, present fairly in all material respects the consolidated financial position of Transocean Ltd. and subsidiaries at December 31, 2019 and 2018, and the consolidated results of operations and cash flows for each of the three years in the period ended December 31, 2019, 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 2019 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 2019

#### PROPOSAL OF THE BOARD OF DIRECTORS

The Board of Directors proposes that the members of the Board of Directors and Messrs. Jeremy D. Thigpen, Mark L. Mey, and Keelan I. Adamson, who served as members of our Executive Management Team in 2019, be discharged from liability for activities during fiscal year 2019.

#### 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 2019.

#### RECOMMENDATION

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

## AGENDA ITEM 3

### Appropriation of the Accumulated Loss for Fiscal Year 2019

#### PROPOSAL OF THE BOARD OF DIRECTORS

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

#### APPROPRIATION OF ACCUMULATED LOSS

	<u>IN CHF THOUSANDS</u>
Balance brought forward from previous years	(5,896,213)
Net loss of the year	(1,378,613)
Total accumulated loss	(7,274,826)

#### APPROPRIATION OF ACCUMULATED LOSS

Balance to be carried forward on this account	(7,274,826)
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#### 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 2020 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

### Increase in Total Number of Shares Authorized for Issuance

#### PROPOSAL OF THE BOARD OF DIRECTORS

The Board of Directors proposes to amend the Company's Articles of Association to increase the total number of shares that may be issued using the Company's authorized share capital to a maximum of 184,974,503 shares, representing approximately 30% of the Company's issued shares as of March 10, 2020. Within this authorization, the maximum number of shares issuable without preemptive rights would be limited to 61,658,167 shares, representing approximately 10% of the Company's issued shares as of March 10, 2020. This authorization to issue shares with or without preemptive rights would expire on May 7, 2022. The Board of Directors does not currently have plans to issue shares under the proposed authorization. The Board of Directors believes, however, that providing the flexibility to issue shares quickly is a strategic benefit for the Company and that the proposal would more closely align the Company's authorized share capital with that of its peers, most of whom have received similar or higher authorizations from their respective shareholders.

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

#### EXPLANATION

As of March 10, 2020, the Company had 614,531,889 shares issued and recorded in the Commercial Register. We are currently authorized to issue an additional 21,703,889 shares using the authorized share capital that was approved by our shareholders at our 2018 Annual General Meeting. The current authorized share capital expires on May 18, 2020.

Although our shares are listed on the NYSE and held predominantly by U.S. investors, we are incorporated in Switzerland and subject to Swiss corporate law. Unlike companies incorporated in U.S. jurisdictions for whom authorized share capital does not expire, our ability to issue shares using authorized share capital expires every two years under Swiss law. We have therefore traditionally sought shareholder approval every two years for additional authority to issue shares without a specific purpose using authorized share capital.

The current proposal would permit us to issue up to 184,974,503 additional shares using authorized share capital, or approximately 30% of the Company's issued shares as of March 10, 2020 until May 7, 2022. Within this authorization, the maximum number of shares issuable without preemptive rights would be limited to 61,658,167 shares, or approximately 10% of the Company's issued shares as of March 10, 2020.

We do not currently have plans to issue shares pursuant to the proposed authorization. We believe, however, that it is advisable to maintain flexibility to be able to access capital markets at optimal times and market conditions, rather than being subject to the delays and costs associated with calling a special shareholders' meeting. Further, we believe the number of shares proposed for authorization is appropriate in all respects. It will allow our authorized share capital to be more closely aligned with the authorizations received by most of our peers. Further, we believe it is compliant with the policies of certain proxy advisory firms, whose voting recommendations help inform the voting decisions of some of our largest shareholders. The proposed authorization is also lower than the maximum authorization permitted under Swiss law and our Articles of Association.

If the proposed increase in the total number of authorized shares is approved, the Board of Directors would determine the time of the issuance, the issuance price, the manner in which the shares will be paid, the date from which the shares carry the right to dividends and, subject to provisions of our Articles of Association and the limitations on issuing shares without preemptive rights described above, the conditions for the exercise of the preemptive rights with respect to the issuance and the allotment of preemptive rights that are not exercised.

## AGENDA ITEM 4

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Further authorization for the issuance of the shares by a vote of our shareholders will not be solicited prior to such issuance, subject to applicable laws and regulations, including the rules of the NYSE.

The Board of Directors may allow preemptive rights that are not exercised to expire, or it may place such rights on shares, the preemptive rights of which have not been exercised at market conditions, or use them otherwise in the Company's interest. Further, under our Articles of Association, and subject to the limitations on issuing shares without preemptive rights described above, in connection with the issuance of shares using authorized share capital, the Board of Directors is authorized to limit or withdraw the preemptive rights of the existing shareholders in various circumstances, including for financing and acquisitions purposes.

To the extent that shares are issued in the future, the issuance may decrease the existing shareholders' percentage of equity ownership and, depending on the price at which such shares are issued, could be dilutive to the existing shareholders up to the amount of the proposed authorization above. However, we have demonstrated our commitment to prudently manage the Company's use of and access to capital during the recent market downturn and developing market recovery. Since the proposed authorization has an expiration date – May 7, 2022 – our shareholders will have the opportunity to review and vote upon additional requests for shareholder approval of our authorized share capital at regular intervals.

### RECOMMENDATION

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

## AGENDA ITEM 5

### Election of 11 Directors, Each for a Term Extending Until Completion of the Next Annual General Meeting

#### NOMINATIONS OF THE BOARD OF DIRECTORS

The Board of Directors has nominated the following candidates for election to the Board of Directors of the Company, each for a term extending until completion of the next annual general meeting.

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  
Diane de Saint Victor  
Tan Ek Kia  
Jeremy D. Thigpen

#### 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



## AGENDA ITEM 5

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 for potential Board of Directors candidates, interview those candidates and conduct 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:



Transocean Ltd.  
Attention: Corporate Secretary  
Turmstrasse 30  
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.”

In connection with the Board of Directors’ periodic review of the skills, experience and diversity of its members, the Board also assesses the appropriateness of its size to determine whether any changes are necessary. The Board had previously contemplated expanding its size for various reasons, including to help maintain committees of an appropriate size and composition, to diversify the skills and experience of its members and to provide for an orderly transition for anticipated retirements pursuant to our Corporate Governance Guidelines. As a result of the potential uncertainty presented by the worldwide COVID-19 crisis and the rapid and steep decline in oil prices, the Board has determined that its current membership and size provides the Company with the appropriate combination of leadership, experience and oversight at this time.

The Board of Directors considers diversity as a key factor in the director nominee selection process though it does not employ a strict policy. 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 and will have eight different nationalities represented in our director and executive officer group, and over 58 in our global workforce. We have a presence in over 27 countries worldwide.

8

**NATIONALITIES**  
IN OUR DIRECTOR AND  
EXECUTIVE OFFICER GROUP

58+

**NATIONALITIES**  
IN OUR GLOBAL  
WORKFORCE

27+

**COUNTRIES WORLDWIDE**

## Board Leadership

Except during extraordinary circumstances, the Board of Directors has chosen not to combine the positions of Chief Executive Officer and Chair 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 Chair 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 Chair of the Board of Directors requires. The Board of Directors believes that having separate positions and having an independent outside director serve as Chair of the Board of Directors is the appropriate leadership structure for us at this time and demonstrates our commitment to good corporate governance.

## Executive Sessions

Our independent directors met in executive session without management at each of the regularly scheduled Board of Directors’ meetings held in 2019. During 2020, 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 Chair of the Board of Directors to act as the presiding director for executive sessions.

## Director Attendance at Annual General Meeting

In light of travel restrictions due to COVID-19, we do not expect all of our directors to attend the 2020 Annual General Meeting. At the 2019 Annual General Meeting, all directors were in attendance.

### VOTING REQUIREMENT TO ELECT NOMINEES

The election of each nominee requires the affirmative vote of a plurality of the votes cast at the 2020 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](http://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 2020 Annual General Meeting listed below an executed irrevocable letter of resignation consistent with these guidelines described above.

The information regarding the nominees presented below is as of March 10, 2020.

## NOMINEES FOR DIRECTOR



### GLYN A. BARKER | Director since 2012

#### CAREER HIGHLIGHTS

Glyn A. Barker served as Vice Chair-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 UK 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), and Interserve plc (LON: IRV) (since 2016), and the Chair of Irwin Mitchell Holdings Ltd (since 2012). He served as director (from 2014 to 2016) and the Chair (from 2015 to 2016) of Transocean Partners LLC and as a director of Aviva plc (LON: AV) (from 2012 to 2019). Mr. Barker was Deputy Chair of the English National Opera Company from 2009 to 2016.

**FORMER VICE  
CHAIR — U.K.,  
PWC LLP**

#### U.K. CITIZEN

Independent

Age: 66

#### COMMITTEES

Audit

Finance

#### OTHER CURRENT PUBLIC COMPANY BOARDS

Berkeley Group  
Holdings plc (LON:  
BKG) (since 2012)  
Interserve plc (LON:  
IRV) (since 2016)

#### EDUCATION

Chartered Accountant

Bachelor of Science, Economics and Accounting, University of Bristol (1975)

#### KEY QUALIFICATIONS AND EXPERTISE

The Board of Directors recommends Mr. Barker should remain on the Board of Directors due to his experience and expertise in:

- Accounting & auditing
- Finance debt & capital markets
- Global international
- Mergers & acquisitions
- Public company governance
- Strategy



## VANESSA C.L. CHANG | Director since 2012

### CAREER HIGHLIGHTS

Vanessa C.L. 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 *ResolveItNow.com* from 2000 until 2002 and was the Senior Vice President of Secured Capital Corp in 1998. From 1986 until 1997, Ms. Chang was the West Coast partner in charge of Corporate Finance for KPMG Peat Marwick LLP. Ms. Chang is a director or trustee of 17 funds advised by the Capital Group and its subsidiaries, nine of which are members of the American Funds family and eight 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). Ms. Chang is a member of the American Institute of Certified Public Accountants, the California State Board of Accountancy, Women Corporate Directors and the National Association of Corporate Directors.

### FORMER DIRECTOR AND SHAREHOLDER OF EL & EL INVESTMENTS

### CANADIAN AND U.S. CITIZEN

Independent

Age: 67

### COMMITTEES

Audit

Corporate  
Governance

### OTHER CURRENT PUBLIC COMPANY BOARDS

Edison  
International  
(NYSE: EIX since  
2007)  
Sykes Enterprises,  
Incorporated  
(NASDAQ: SYKES)  
(since 2016)

### EDUCATION

Certified Public Accountant (inactive)

Bachelor of Arts, University of British Columbia (1973)

### KEY QUALIFICATIONS AND EXPERTISE

The Board of Directors recommends Ms. Chang should remain on the Board of Directors due to her experience and expertise in:

- Accounting & auditing
- Finance, debt & capital markets
- Global international
- Human capital management
- Mergers & acquisitions
- Public company governance
- Strategy
- Sustainability



## FREDERICO F. CURADO | Director since 2013

### CAREER HIGHLIGHTS

Frederico F. Curado is the Chief Executive Officer of Ultrapar S.A. (NYSE: UGP) since 2017, and previously served as President and Chief Executive Officer of Embraer S.A. (NYSE: ERJ) from 2007 to 2016. He joined Embraer in 1984 and served in a variety of management positions during his career, including Executive Vice President, Airline Market from 1998 to 2007 and Executive Vice President, Planning and Organizational Development from 1995 to 1998. Mr. Curado has been a director of ABB Ltd. 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 lochpe-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.

**CEO, ULTRAPAR S.A.**

### BRAZILIAN CITIZEN

Independent  
Age: 58

### COMMITTEES

Corporate Governance  
Health, Safety, Environment and Sustainability

### OTHER CURRENT PUBLIC COMPANY BOARDS

ABB Ltd (NYSE: ABB) (since 2016)

### EDUCATION

Executive Master's in Business Administration, University of São Paulo, Brazil (in 1997)  
Bachelor of Science degree, Mechanical-Aeronautical Engineering, Instituto Tecnológico de Aeronáutica in Brazil (1983)

### KEY QUALIFICATIONS AND EXPERTISE

As noted above, in late 2019, we engaged with shareholders regarding among other things, the robust qualifications and capabilities of Mr. Curado. The Board of Directors recommends that Mr. Curado remain on the Board due to the following:

- His leadership as the chair of our Health, Safety, Environment and Sustainability (HSES) Committee, informed by more than 30 years in the highly regulated aerospace industry, providing critical cross-industry perspectives on ways to continue to improve our HSES practices;
- His expertise in the oil and gas industry in Brazil, which is one of our key markets;
- His exemplary preparation for, attendance at, and engagement in, Board of Directors and committee meetings;
- His commitment to best practices in governance, executive compensation, shareholder engagement, and sustainability, as evidenced by our numerous improvements in those areas since he joined the Board of Directors; and
- His experience and expertise in:
  - Accounting & auditing
  - Finance, debt & capital markets
  - Global international, especially Brazilian business and governance sectors
  - Human capital management
  - Legal & compliance
  - Mergers & acquisitions
  - Oil & gas (including oilfield services)
  - Operations & engineering
  - Public company CEO
  - Public company governance
  - Safety & environment
  - Strategy
  - Sustainability
  - Technology, research & development

Lastly, we note that, although Mr. Curado is the Chief Executive Officer of Ultrapar S.A., he is not on the board of directors of that company; accordingly, he serves on only one Board of Directors other than our own.



## CHADWICK C. DEATON | Director since 2012

### CAREER HIGHLIGHTS

Mr. Deaton served as Executive Chair of Baker Hughes Incorporated from 2012 to 2013, prior to which he served as Chair 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).

**FORMER  
EXECUTIVE CHAIR  
AND CEO, BAKER  
HUGHES  
INCORPORATED**

### U.S. CITIZEN

Independent  
Age 67

### OTHER CURRENT PUBLIC COMPANY BOARDS

Air Products and  
Chemicals, Inc.  
(NYSE: APD) (since  
2010)

CARBO  
Ceramics Inc.  
(NYSE: CRR) (since  
2013; and previously  
from 2004 to 2009)

Marathon Oil  
Corporation (NYSE:  
MRO) (since 2014)

### EDUCATION

Bachelor of Science degree, Geology, University of Wyoming (1976)

### KEY QUALIFICATIONS AND EXPERTISE

The Board of Directors recommends Mr. Deaton should remain on the Board of Directors due to his significant experience and expertise in:

- Finance, debt & capital markets
- Global international
- Human capital management
- Legal & compliance
- Mergers & acquisitions
- Oil & gas (including oilfield services)
- Operations & engineering
- Public company CEO
- Public company governance
- Safety & environment
- Strategy
- Technology, research & development



## VINCENT J. INTRIERI | Director since 2014

### CAREER HIGHLIGHTS

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 Chair 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 Chair 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.

### FOUNDER AND CEO, VDA CAPITAL MANAGEMENT LLC

### U.S. CITIZEN

Independent  
Age 63

### COMMITTEES

Compensation  
Corporate Governance  
Finance

### OTHER CURRENT PUBLIC COMPANY BOARDS

Hertz Global Holdings, Inc. (NYSE: HTZ) (since 2014)  
Navistar International Corporation (NYSE: NAV) (since 2012)

### EDUCATION

Certified Public Accountant (inactive)  
Bachelor of Science degree, with Distinction, Accounting, The Pennsylvania State University (Erie Campus) (1984)

### KEY QUALIFICATIONS AND EXPERTISE

The Board of Directors recommends Mr. Intrieri should remain on the Board of Directors due to his significant experience and expertise in:

- Accounting & auditing
- Finance, debt & capital markets
- Global international
- Human capital management
- Mergers & acquisitions
- Oil & gas (including oilfield services)
- Public company governance
- Safety & environmental
- Strategy
- Technology, research & development





## SAMUEL J. MERKSAMER | Director since 2013

### CAREER HIGHLIGHTS

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.

**PARTNER,  
CALIGAN  
PARTNERS, L.P.**

**U.S. CITIZEN**  
Independent  
Age 39

**COMMITTEES**  
Compensation  
Finance

### EDUCATION

A.B. degree, Economics, Cornell University (2002)

### KEY QUALIFICATIONS AND EXPERTISE

The Board of Directors recommends Mr. Merksamer should remain on the Board of Directors due to his experience and expertise in:

- Accounting & auditing
- Finance, debt & capital markets
- Mergers & acquisitions
- Public company governance
- Strategy



## FREDERIK W. MOHN | Director since 2018

### CAREER HIGHLIGHTS

Mr. Mohn has served as a director of the Company since January 30, 2018, when Transocean acquired Songa Offshore SE. Previously, Mr. Mohn served as a director of Songa Offshore SE from 2013 to 2014, and as Chair 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. Mr. Mohn previously served as a director of Dof ASA, a Norwegian shipping company, from August 2017 to October 2019 and as a director of Fjord 1, a Norwegian transport company from August 2017 to December 2019. 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 the following private companies: Viken Crude AS, Gjøttumgrenda AS, Fornebu Sentrum AS, Fornebu Sentrum Utvikling AS and Høvik Stasjonsby AS og KS.

### EDUCATION

Bachelor of Science degree, Royal Holloway, University of London (2001)

### KEY QUALIFICATIONS AND EXPERTISE

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 recommends Mr. Mohn should remain on the Board of Directors due to his previous position as Chair of the Board of Songa Offshore SE and his expertise in:

- Accounting & auditing
- Finance, debt & capital markets
- Global international
- Mergers & acquisitions
- Oil & gas (including oilfield services)
- Public company governance
- Safety & environment
- Strategy

**OWNER AND  
MANAGING  
DIRECTOR,  
PERESTROIKA;  
FORMER  
DIRECTOR AND  
CHAIR, SONGA  
OFFSHORE SE**

**NORWEGIAN  
CITIZEN**

Independent  
Age 43

### COMMITTEES

Audit  
Health, Safety,  
Environment and  
Sustainability



## EDWARD R. MULLER | Director since 2008

### CAREER HIGHLIGHTS

Mr. Muller 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 Chair 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 Chair and Chief Executive Officer (since 2010) and President (since 2011). Mr. Muller previously served as Chair, 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 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 Chair from 2008 to 2012 and from 2015 to 2018.

**FORMER CHAIR AND CEO, GENON ENERGY, INC.; AND FORMER VICE CHAIR, NRG ENERGY, INC.**

### U.S. CITIZEN

Independent  
Age 68

### COMMITTEES

Audit  
Finance

### OTHER CURRENT PUBLIC COMPANY BOARDS

AeroVironment, Inc.  
(NASDAQ: AVAV)  
(since 2013)

### EDUCATION

Law degree, Yale Law School (1976)  
Bachelor of Arts degree, Dartmouth College (1973)

### KEY QUALIFICATIONS AND EXPERTISE

The Board of Directors recommends Mr. Muller, an attorney by education, should remain on the Board of Directors due to his extensive experience and expertise in:

- Accounting & auditing
- Finance, debt & capital markets
- Global international
- Legal & compliance
- Mergers & acquisitions
- Public company CEO
- Public company governance
- Safety & environmental
- Strategy



## DIANE DE SAINT VICTOR | Director nominee

### CAREER HIGHLIGHTS

Ms. de Saint Victor is ABB Ltd.'s Company Secretary, a position she plans to vacate in March 2020. Ms. de Saint Victor previously served as ABB Ltd.'s General Counsel and Company Secretary from 2007 to 2019. During this time, Ms. de Saint Victor also served as the vice Chair of the Board of Directors of ABB Asea Brown Boveri Ltd. Prior to joining ABB, she served as a Senior Vice President and General Counsel of Airbus Group from 2004 to 2006 and from 2003 to 2004 as a Vice President and General Counsel at SCA Hygiene Products. She spent a decade working at Honeywell, beginning in 1993 as the General Counsel Europe for the company. Her final two years with Honeywell were spent working as the company's Vice President and General Counsel International. Earlier in her career, Ms. de Saint Victor worked for General Electric and as counsel for two law firms. She currently serves on the boards of ABB India Limited, a role she plans to leave in May 2020; and Natixis, Altran. She previously was a director at Barclays PLC, where she was a member of the audit and reputation committees from 2013 to 2017 and the American Chamber of Commerce in France from 2017 to 2019. Ms. de Saint Victor is a member of Women Corporate Directors, the American Bar Association, the American Corporate Counsel Association and the International Bar Association.

### FORMER GENERAL COUNSEL, ABB LTD.

### FRENCH CITIZEN

Independent  
Age: 65

### OTHER CURRENT PUBLIC COMPANY BOARDS

Natixis S.A.,  
France (ENX: KN  
Paris)

Altran  
Technologies S.A.,  
France (ENX: ALT  
Paris)

### EDUCATION

D.E.A. (L.L.M. equivalent) in Business Law from Paris Law School (1977)

D.E.A. (L.L.M. equivalent) in International Law from Paris Law School (1976)

Admitted to the Paris Bar in 1975

### KEY QUALIFICATIONS AND EXPERTISE

The Board of Directors recommends Ms. De Saint Victor should be elected to the Board of Directors due to her experience and expertise in:

- Global international
- Legal & compliance
- Mergers & acquisitions
- Public company governance
- Strategy
- Sustainability



## TAN EK KIA | Director since 2011

### CAREER HIGHLIGHTS

Mr. Tan is the former 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 Chair, 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), 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 Chair 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 Chair 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. He is a Chartered Engineer with the UK Engineering Council and a Fellow of the Institution of Engineers Malaysia.

### EDUCATION

Bachelor of Science degree, Mechanical Engineering, University of Nottingham (1973)

### KEY QUALIFICATIONS AND EXPERTISE

The Board of Directors recommends Mr. Tan should remain on the Board of Directors due to his significant experience and expertise in:

- Global international
- Oil & gas (including oilfield services)
- Operations & engineering
- Public company CEO
- Public company governance
- Safety & environment
- Strategy

### FORMER CHAIR SHELL NORTHEAST ASIA

### MALAYSIAN CITIZEN

Independent  
Age 71

### COMMITTEES

Compensation  
Health, Safety,  
Environment and  
Sustainability

### OTHER CURRENT PUBLIC COMPANY BOARDS

Keppel Corporation  
Ltd (SGX: KPELY)  
(since 2010)  
PT Chandra Asri  
Petrochemical Tbk  
(IDX: TPIA) (since  
2011)  
KrisEnergy Ltd  
(SGX: SK3) (since  
2013 and Chair since  
2017)



**PRESIDENT AND  
CHIEF EXECUTIVE  
OFFICER,  
TRANSOCEAN LTD.**

**U.S. CITIZEN**  
Age 45

## **JEREMY D. THIGPEN | Director since 2015**

### **CAREER HIGHLIGHTS**

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 Chair for National Oilwell Varco.

### **EDUCATION**

Program for Management Development, Harvard Business School (2001)  
Bachelor of Arts degree, Economics and Managerial Studies, Rice University (1997)















### **KEY QUALIFICATIONS AND EXPERTISE**

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

## **RECOMMENDATION**

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

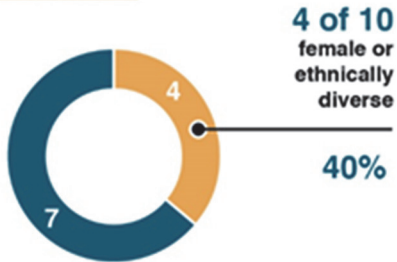
# SKILLS AND EXPERIENCE MATRIX FOR INDEPENDENT DIRECTORS

BUSINESS OR PROFESSIONAL EXPERIENCE, SKILLS AND 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	Diane de Saint Victor	Tan Ek Kia	# OUT OF 10
 Accounting & auditing	✓	✓	✓		✓	✓	✓	✓			7
 Finance, debt & capital markets	✓	✓	✓	✓	✓	✓	✓	✓			8
 Global international	✓	✓	✓	✓	✓		✓	✓	✓	✓	9
 Human capital management		✓	✓	✓	✓						4
 Legal & Compliance			✓	✓				✓	✓		4
 Mergers & acquisitions	✓	✓	✓	✓	✓	✓	✓	✓	✓		9
 Oil & gas (including oilfield services)			✓	✓	✓		✓			✓	5
 Operations & engineering			✓	✓						✓	3
 Public company CEO			✓	✓				✓		✓	4
 Public company governance	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10
 Safety & environment			✓	✓	✓		✓	✓		✓	6
 Strategy	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	10
 Sustainability		✓	✓						✓		3
 Technology, research & development			✓	✓	✓						3

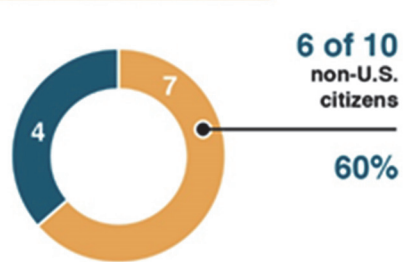
## Other Attributes of Our Independent Directors and Nominees



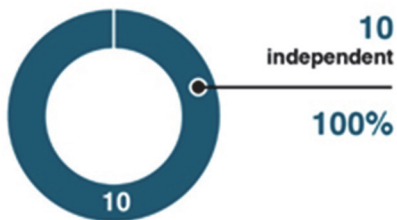
### DIVERSITY



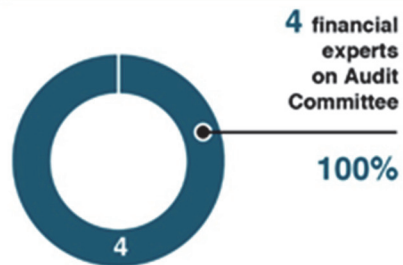
### GLOBAL CITIZENSHIP



### INDEPENDENCE (NYSE STANDARDS)



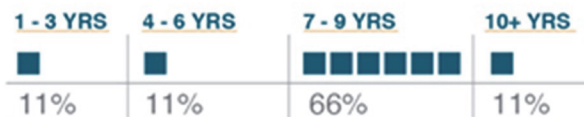
### AUDIT COMMITTEE EXPERTISE (SEC)



### TENURE OF CURRENT DIRECTORS

Average tenure **7.3 years**

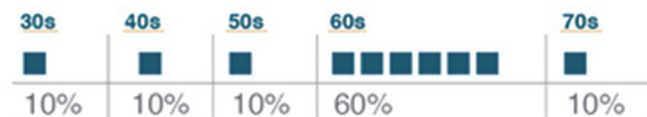
Median tenure **8 years**



### AGE OF DIRECTORS AND NOMINEES

Average age **60.8 years**

Median age **65 years**





## AGENDA ITEM 6

### Election of the Chair 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 Chair of the Board of Directors is vested with the general meeting of shareholders. The term of office of the Chair of the Board of Directors is the same as the other directors' terms and extends until completion of the next annual general meeting. The Chair elected at the 2020 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 nominates Chadwick C. Deaton for reelection by the shareholders as the Chair of the Board of Directors. Mr. Deaton has served on the Board since May 2012 and as Board Chair since 2019. Prior to his election as Chair of the Board of Directors by our shareholders at the 2019 Annual General Meeting, Mr. Deaton served as Chair of the Board's Health Safety and Environment Committee and as a member of the Corporate Governance Committee. Mr. Deaton's biographical information may be found above under Agenda Item 5.

#### RECOMMENDATION

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

## AGENDA ITEM 7

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

#### NOMINATIONS OF THE BOARD OF DIRECTORS

Pursuant to the Minder Ordinance and our Articles of Association, the authority to elect the members of the Compensation Committee of the Board of Directors is vested with the general meeting of shareholders. The term of office of the members of the Compensation Committee is the same as the other directors' term and extends until completion of the next annual general meeting.

Upon the recommendation of the Corporate Governance Committee, the Board of Directors has nominated for election by the shareholders at the 2020 Annual General Meeting

**Glyn A. Barker**  
**Samuel J. Merksamer**  
**Tan Ek Kia**

as members of the Compensation Committee of the Board of Directors. Biographical information regarding the nominees may be found above under Agenda Item 5.

#### RECOMMENDATION

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

## AGENDA ITEM 8

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

Pursuant to the Minder Ordinance and our Articles of Association, the authority to elect the independent proxy is vested with the general meeting of shareholders. The independent proxy elected at the 2020 Annual General Meeting will serve as independent proxy at the 2021 Annual General Meeting and at any extraordinary general meeting of shareholders of the Company that may be held prior to the 2021 Annual General Meeting.

The Board of Directors has nominated for reelection as independent proxy Schweiger Advokatur / Notariat, Dammstrasse 19, 6300 Zug, Switzerland. Schweiger Advokatur / Notariat was elected at the 2019 Annual General Meeting to serve as independent proxy at the 2020 Annual General Meeting and any extraordinary general meeting of shareholders of the Company held prior to the 2020 Annual General Meeting. Schweiger Advokatur/Notariat confirmed to the Company that it possesses the required independence to fulfill its mandate.

#### RECOMMENDATION

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

## AGENDA ITEM 9

### Appointment of Ernst & Young LLP as the Company's Independent Registered Public Accounting Firm for Fiscal Year 2020 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 2020 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 2020 Annual General Meeting and terminating on the day of the 2021 Annual General Meeting.

Representatives of Ernst & Young Ltd will be present at the 2020 Annual General Meeting, will have the opportunity to make a statement and will be available to respond to questions you may ask. Information regarding the fees paid by the Company to Ernst & Young appears below.

#### RECOMMENDATION

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

#### FEES PAID TO ERNST & YOUNG

Audit fees for Ernst & Young LLP and its affiliates for each of the fiscal years 2019 and 2018 and audit-related fees, tax fees and total of all other fees for services rendered in 2019 and 2018 are as follows:

	AUDIT FEES <sup>(1)</sup> U.S. \$	AUDIT-RELATED FEES <sup>(2)</sup> U.S. \$	TAX FEES U.S. \$	TOTAL OF ALL OTHER FEES <sup>(3)</sup> U.S. \$
Fiscal year 2019	5,023,982	462,876	-	2,154
Fiscal year 2018	5,062,709	526,289	25,132	4,931

(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 2019 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.

## AGENDA ITEM 9

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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 Chair of the Audit Committee may grant pre-approvals of audit or non-audit work, so long as such pre-approvals are presented to the full Audit Committee at its next scheduled meeting. Unless the specific service has been previously pre-approved with respect to the 12-month period following the advance approval, the Audit Committee must approve a service before the independent registered public accounting firm is engaged to perform the service. The Audit Committee has given advance approval for specified audit, audit-related and other services for 2020. Requests for services that have received this pre-approval are subject to specified fee or budget restrictions, as well as internal management controls.

# AGENDA ITEM 10

## Advisory Vote to Approve Named Executive Officer Compensation

### PROPOSAL OF THE BOARD OF DIRECTORS

At the Company's 2017 Annual General Meeting, the Company's shareholders supported the Board of Directors' recommendation to hold an advisory vote on executive compensation every year for the Company's Named Executive Officers. As a result, 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 2020 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 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;
- 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;
- 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
- 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;
- 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.
- Median pay positioning for target performance, above median pay for above target performance, and below median pay for below target performance;

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 2020 Annual General Meeting, we will consider our shareholders' feedback and the Compensation Committee will evaluate whether any actions are necessary to address this feedback.

## RECOMMENDATION

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

## AGENDA ITEM 11

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

- 11A** Ratification of the Maximum Aggregate Amount of Compensation of the Board of Directors for the Period Between the 2020 Annual General Meeting and the 2021 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 2020 Annual General Meeting and the 2021 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 2020 Annual General Meeting and the 2021 Annual General Meeting (the “2020/2021 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:

- cash retainers and
- grants of restricted share units

Set forth below is an overview of the non-employee director compensation elements for the term of office between the 2018 Annual General Meeting and the 2019 Annual General Meeting (the “2018/2019 Term”), and the term of office between the 2019 Annual General Meeting and the 2020 Annual General Meeting (the



## AGENDA ITEM 11

“2019/2020 Term”). Additionally, the compensation elements currently contemplated for the 2020/2021 Term are also provided:

	2018 AGM – 2019 AGM (U.S.\$)	TERM OF OFFICE 2019 AGM – 2020 AGM (U.S.\$)	2020 AGM – 2021 AGM (U.S.\$)
<b>CASH RETAINERS</b>			
Non-employee chair	325,000	325,000	275,000
Non-employee vice chair	250,000	250,000	250,000
Non-employee directors (other than the chair and the vice chair)	100,000	100,000	100,000
Additional retainer for committee chair:			
Audit Committee	35,000	35,000	35,000
Compensation Committee	20,000	20,000	20,000
Corporate Governance Committee, Finance Committee, and Health, Safety, Environment and Sustainability Committee	10,000	10,000	10,000
<b>GRANT OF RESTRICTED SHARE UNITS</b>			
Non-employee chair	325,000	325,000	275,000
Non-employee vice chair	210,000	210,000	210,000
Non-employee directors (other than the chair and the vice chair)	210,000	210,000	210,000

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 2019 are disclosed under “2019 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 2020/2021 Term. This amount is the maximum amount that the Company can pay or grant to the members of the Board of Directors for the 2020/2021 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 2018/2019 Term, and the shareholder-approved, maximum aggregate compensation payable to our Board of Directors for the 2019/2020 Term. The 2018/2019 and 2019/2020 Terms include ten non-employee directorships, one of whom

was Chair 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 2020/2021 Term.

The proposal includes consideration for 10 non-employee directors, one of whom will be chair.

	TERM OF OFFICE		
	2018 AGM-2019 AGM <sup>(5)</sup>	2019 AGM-2020 AGM <sup>(5)</sup>	2020 AGM-2021 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 <sup>(1)</sup>	2,575,000 <sup>(2)(3)</sup>	2,575,000 <sup>(2)(3)</sup>	2,575,000 <sup>(2)(3)</sup>
Total <sup>(4)</sup>	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 "2019 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) Mandatory employer-paid social taxes pursuant to applicable law are not included in the total amount. In 2019, employer-paid social taxes totaled U.S. \$42,350.
- (5) Based on 10 non-employee directors and the assumptions described above.

The aggregate compensation paid to date and expected to be paid to the members of the Board of Directors during the 2019/2020 Term is within the maximum aggregate amount approved by shareholders at the 2019 Annual General Meeting. The actual payout and grants will be disclosed in the 2021 and 2022 Proxy Statements, respectively, and the Swiss Compensation Report for fiscal years 2020 and 2021, respectively.

## RECOMMENDATION

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

## 11B Ratification of the Maximum Aggregate Amount of Compensation of the Executive Management Team for Fiscal Year 2021.

### 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 2021.

### 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 2021. 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:

- base salary,
- annual performance bonus,
- long-term incentives, which may comprise grants of restricted share units, performance share units and stock options and
- other compensation, including Company contributions to savings and pension plans, life insurance premiums

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 2017-2019 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 support for the Company's executive compensation principles.

For fiscal years 2011, 2012, 2013, 2014, 2015, 2016, 2017 and 2018, the shareholder approval levels have been 86%, 81%, 92%, 80%, 87%, 96%, 97% 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 2019, as is explained in detail in Agenda Item No.10.

The proposed maximum aggregate amount of compensation for the Executive Management Team for fiscal year 2021 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 2021 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 2021. This amount is unchanged from the approved maximum aggregate amount of compensation for fiscal year 2020, and is the maximum amount that the Company can pay or grant to its members of the Executive Management Team for fiscal year 2021, 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 2020 Annual General Meeting.

The table below shows the maximum aggregate amount of compensation that could have been paid or granted in the fiscal year 2019 under our compensation principles and plans, the maximum aggregate amount of compensation available to be paid or granted for fiscal year 2020 under our compensation principles and plans currently in effect, and our proposed maximum aggregate amount of compensation for fiscal year 2021.

The proposed maximum aggregate amount of compensation for fiscal year 2021 is based on our estimated compensation levels and represents no change from the maximum aggregate amount of compensation for fiscal year 2020, which was approved by shareholders at last year's annual general meeting.

	FISCAL YEAR 2019 MAXIMUM PAYABLE <sup>(1)</sup> (U.S.\$)	FISCAL YEAR 2020 MAXIMUM PAYABLE <sup>(1)</sup> (U.S.\$)	FISCAL YEAR 2021 PROPOSED MAXIMUM AMOUNT <sup>(1)(2)</sup> (U.S.\$)
Base Salary	2,695,000 <sup>(3)</sup>	2,360,000 <sup>(4)</sup>	2,455,000
Annual Performance Bonus <sup>(5)</sup>	6,250,000	6,250,000	6,250,000
Long-Term Incentives <sup>(6)</sup>	12,500,000	12,500,000	12,795,000
All Other Compensation <sup>(7)</sup>	2,500,000	2,500,000	2,500,000
Total	23,945,000	23,610,000	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 2019.

- (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 2021 grant cycle, the actual number of shares to be allocated under such long-term incentive plans will be determined in 2024 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 2019, employer-paid social taxes totaled U.S. \$227,273.

Shareholder approval is based on the maximum aggregate amounts that could be payable in accordance with our compensation principles as set out in the 2020 Proxy Statement’s “Compensation Discussion and Analysis.” Therefore, actual aggregate amounts paid to our Executive Management Team members for fiscal year 2021 will fall within the range that may be payable. And although historical compensation paid to our Executive Management Team, as disclosed in the Swiss Compensation Report, has been substantially less (2019: U.S. \$19,209,695) than the maximum amount payable (2019: 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 2021 Executive Management Team compensation will be disclosed in the proxy statement for our 2022 Annual General Meeting and the Swiss Compensation Report for fiscal year 2021.

### RECOMMENDATION

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

## AGENDA ITEM 12

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

#### PROPOSAL OF THE BOARD OF DIRECTORS

The Board of Directors proposes that the shareholders approve the amendment and restatement of the Transocean 2015 Long-Term Incentive Plan, as amended (“2015 LTIP”), which was originally approved by shareholders on May 15, 2015. The amendment and restatement of the 2015 Plan would change the 2015 LTIP by (1) reserving an additional 30,000,000 shares issuable pursuant to awards, (2) expanding the minimum 1-year vesting requirement to apply to all awards, while excluding 5% of shares reserved under the 2015 Plan from the restriction, and (3) updating the 2015 Plan to remove outdated provisions.

#### EXPLANATION

In order to effectively execute our business strategy, it is essential for us to manage our talent in an industry where there is intense competition for qualified individuals. We need to (i) attract highly qualified new industry professionals and (ii) reward and retain our experienced professionals. We believe that the issuance of equity-based incentive compensation is a key component of our comprehensive human resource strategy, and that equity-based incentives promote and sustain the progress, growth and profitability of the Company by:

- attracting, motivating and retaining individuals of high ability;
- reinforcing a pay-for-performance culture;
- aligning the interests of our employees with that of the Company, and
- providing incentives and rewards to employees who are in a position to contribute to the success and long-term objectives of the Company.

The competition for highly-qualified talent has increased the importance of equity-based compensation as a key component for employee recruitment and retention and the need for available shares under an equity compensation plan. In 2019, the Company granted awards under the 2015 LTIP to 472 individuals, six of whom were Executives Officers and nine of whom were non-employee directors.

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

As of January 31, 2020, dilution attributed to the 2015 LTIP was approximately 3.25% and would increase by approximately 5% upon approval of 30,000,000 additional reserves. The three-year average annual percentage of the Company’s outstanding shares issued under equity incentive plans or the Company’s “burn rate” was 1.60%, well below the Institutional Shareholder Services benchmark for our industry of 4.03%. However, when annual grants are made in periods of depressed share prices such as those that resulted from the economic impact of the COVID-19 outbreak, coupled with the decisions by Russia and the Kingdom of Saudi Arabia to meaningfully increase oil production, dilution may increase significantly from the rate implied by our average “burn rate.” Nonetheless, we believe that it is important that meaningful equity-based long-term incentives remain a significant element of our compensation program throughout the business cycle of our industry. We may also increase cash compensation during such periods relative to our historical practices to limit the amount of dilution from equity awards.

The table below shows information as of January 31, 2020, with regard to all of our share-settled equity plans:

Total Stock Options Outstanding	4,864,425
Total Restricted Share Awards/Units Outstanding	5,382,990
Total Performance Share Awards/Units Outstanding	2,757,717
Total Common Shares Outstanding	611,897,060
Weighted-Average Exercise Price of Stock Options Outstanding	\$ 9.55
Weighted-Average Remaining Duration of Stock Options Outstanding	7.89 years
Total Shares Available for Grant Under the 2015 LTIP	7,430,769

## DESCRIPTION OF THE 2015 LTIP

The Company believes that the 2015 LTIP incorporates state-of-the-art governance best practices, and a summary description of the material features of the 2015 LTIP is set forth below.

The 2015 LTIP plan document is attached to this proxy statement as Appendix B and is incorporated by reference into this proposal. As further described below, the 2015 LTIP will be amended to provide for an increase of 30,000,000 ordinary shares available for issuance as long-term incentive awards.

Highlights of the 2015 LTIP include:

- *Fungible share pool.* The 2015 LTIP uses a fungible share pool under which each share issued pursuant to a restricted share award or restricted share unit (including performance awards) will reduce the number of shares available under the 2015 LTIP by 1.68 shares, and each share issued pursuant to awards other than restricted share awards and restricted share units will reduce the number of shares available by 1.0 share.
- *No liberal share counting.* The 2015 LTIP prohibits the reuse of shares withheld or delivered to satisfy the exercise price of, or to satisfy tax withholding requirements for any awards under the 2015 LTIP. The 2015 LTIP also prohibits “net share counting” upon the exercise of options or stock appreciation rights (or SARs) and the use of shares reacquired in the open market or otherwise using cash proceeds from the exercise of stock options.
- *No repricing or reloading of stock options or SARs; no cash outs.* The 2015 LTIP prohibits the direct or indirect repricing of stock options or SARs without shareholder approval and also prohibits the repurchase by the Company of outstanding stock options or SARs with an exercise price higher than the current fair market value.
- *Clawback.* All equity awards allow for the cancellation of outstanding awards for actions that are inconsistent with our Code of Integrity.
- *No discounted stock options or SARs.* All stock options and SARs must have an exercise price or base price equal to or greater than the fair market value of the underlying shares on the date of grant.
- *Definition of change of control.* The 2015 LTIP defines “change of control” in a manner such that a change of control would not be deemed to occur until the actual consummation of the event that results in the change of control.
- *No automatic vesting on a change of control.* The terms of the 2015 LTIP do not provide for automatic single-trigger vesting upon the occurrence of a change of control.
- *Minimum vesting.* Awards under the 2015 LTIP may not vest earlier than the first anniversary of the grant date, except that up to 5% of shares reserved for awards under the 2015 Plan may be granted without regard to the minimum 1-year vesting restriction.

- *No dividend equivalents on options, SARs or unvested awards.* The terms of the 2015 LTIP do not permit dividend equivalents to be made a part of an award of stock options or SARs and do not permit payment of dividend equivalents with respect to awards that are unvested.
- *Administered by an independent committee.* The Compensation Committee, which is made up entirely of independent directors, has ultimate administration authority for the 2015 LTIP.

### Shares Available for Award and Share Counting

When originally adopted, the 2015 LTIP reserved a total of 19,500,000 shares for awards, plus the remaining shares from a prior long-term incentive plan that had not been granted. In 2018, shareholders approved an additional 12,000,000 shares under the 2015 LTIP. Subject to shareholders' approval of the proposed amendment and restatement of the 2015 LTIP, an additional 30,000,000 shares will be reserved for awards under the 2015 LTIP.

Awards under the 2015 LTIP will reduce the shares available for grant under the 2015 LTIP as follows: each share issued pursuant to a restricted share award or restricted share unit will reduce the number of shares available under the 2015 LTIP by 1.68 shares, and each share issued pursuant to awards other than restricted share awards and restricted share units will reduce the number of shares available by 1.0 share.

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

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

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

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

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



## Administration

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

## Eligible Participants

As of January 31, 2020, the Company had approximately 6,000 eligible participants in the 2015 LTIP and, in 2019, awards under the plan were granted to 457 employees, six executive officers and nine non-employee directors.

## Types of Awards

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

- *Nonqualified and Incentive Stock Options.* Nonqualified stock options and incentive stock options may be granted under the 2015 LTIP. The exercise price of options may not be less than the fair market value of our shares on the date of grant and no option may be exercised after the expiration of ten years from the date of grant. The fair market value of our shares is determined by reference to the reported closing price on the NYSE. An option may be exercised only to the extent that the option is vested in accordance with a schedule determined by the Compensation Committee in its sole discretion.
- *Stock appreciation rights or SARs.* SARs may be granted to participants under the 2015 LTIP. The exercise price of a SAR may not be less than the fair market value of our shares on the date of grant and no SAR may be exercised after the expiration of ten years from the date of grant. The payment of the appreciation associated with the exercise of a SAR will be made by the Company in shares of our common stock or in cash as determined by the Compensation Committee. A SAR may be exercised only to the extent that the SAR is vested in accordance with a schedule determined by the Compensation Committee in its sole discretion.
- *Restricted share awards and restricted share units.* Restricted share awards and restricted share units, or RSUs, may be granted under the 2015 LTIP. Restricted share awards and RSUs granted under the 2015 LTIP will vest in accordance with a schedule or achievement of certain performance or other criteria as determined by the Compensation Committee. Upon termination of service or employment prior to vesting, the restricted shares or RSUs will be forfeited, unless otherwise determined by the Compensation Committee. The Compensation Committee has the discretion to grant a holder of restricted shares the right to vote such shares and to receive dividends. RSUs do not entitle a holder to any of the rights of a shareholder with respect to the shares; however, the Compensation Committee has the discretion to grant dividend equivalents with respect to the RSUs provided that no dividend equivalents may be paid with respect to an award that has not vested.
- *Performance awards.* Performance awards may be granted under the 2015 LTIP. Performance awards issued under the 2015 LTIP will become payable in accordance with the achievement of certain performance or other criteria as determined by the Compensation Committee, provided that a performance period may be no less than one year in duration. Performance measures may be based on the achievement of one or more of the following: (1) increased revenue; (2) net income measures (including but not limited to income after capital costs and income before or after taxes); (3) share price measures (including but not limited to growth measures and total shareholder return); price per share; market share; earnings per share (actual or targeted growth); (4) earnings before interest, taxes, depreciation, and amortization (“EBITDA”); (5) economic value added (or an equivalent metric); (6) market value added; (7) debt to equity ratio; (8) cash flow measures (including but not limited to cash flow return on capital, cash flow return on tangible capital, net cash flow and net cash flow before financing activities, cash flow value added, cash flow return on market capitalization); (9) return measures (including but not limited to return on equity, return on average assets, return on capital, risk-adjusted return on capital, return on investors’ capital and return on average equity); (10) operating measures (including operating income, funds from operations, cash from operations, after-tax operating

income; sales volumes, production volumes and production efficiency); (11) expense measures (including but not limited to overhead cost and general and administrative expense cost control and project management); (12) margins; (13) shareholder value; (14) total shareholder return; (15) proceeds from dispositions; (16) total market value and corporate values measures (including ethics compliance, environmental, human resources development and safety); and (17) any other measure as determined by the Compensation Committee.

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

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

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

### **Minimum Vesting Requirements**

The 2015 LTIP does not permit awards to vest earlier than the first anniversary of the grant date; provided that up to 5% of shares reserved for awards under the 2015 Plan may be granted without regard to the minimum 1-year vesting restriction.

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

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

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

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

### **Termination and Agreement**

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

### **Transferability**

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

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

Under current federal tax law, the following are the U.S. federal income tax consequences generally arising with respect to restricted shares, performance shares, options and other awards granted under the 2015 LTIP.

The discussion is not a complete analysis of all federal income tax consequences and does not cover all specific transactions which may occur.

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

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

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

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

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

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

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

Section 162(m) limits the annual tax deduction to U.S. \$1 million for compensation paid by a publicly held company to its chief executive officer and each of the company's three other most highly compensated named executive officers, unless certain performance-based requirements are met. Under the Tax Cuts and Jobs Act of 2017 (the "2017 Tax Act"), effective for our taxable year beginning January 1, 2018, the exception under Section 162(m) for performance-based compensation will no longer be available, subject to transition relief for certain grandfathered arrangements in effect as of November 2, 2017. In addition, the covered employees will be expanded to include our chief financial officer, and once one of our named executive officers is considered a covered employee, the named executive officer will remain a covered employee so long as he or she receives compensation from us. Although the deductibility of compensation is a consideration evaluated by the Compensation Committee, the Compensation Committee believes that the lost deduction on compensation payable in excess of the U.S. \$1 million limitation is not material relative to the benefit of being able to attract and retain talented management. We have also awarded compensation that might not be fully tax deductible when such grants were nonetheless in the best interest of us and our stockholders. Accordingly, the Compensation Committee will continue to retain the discretion to pay compensation that is subject to the U.S. \$1 million deductibility limit.

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

## WHY SHOULD YOU VOTE TO APPROVE THE AMENDED AND RESTATED 2015 LTIP?

- We must attract, motivate and retain individuals of high ability. The ability to issue equity is fundamental to our compensation strategy. Our success is dependent, in large part, on our ability to use equity compensation to attract, motivate and retain experienced and highly capable people.
- We have a disciplined annual share granting practice. Our burn rate has averaged 1.6% over the past three years. For comparison purposes, our average burn rate over the past three and five years are both well below the Institutional Shareholders Services Inc. (“ISS”) cap of 4.03% for Russell 3000 constituents in the energy industry.
- Without equity compensation, we could lose employees or be forced to pay more compensation in cash. If equity compensation is not available, we could face the choice of losing our most valuable employees or using cash-based long-term incentives to compensate employees, which would not be the best use of our liquidity during the market recovery and could result in a misalignment of the interests of our employees and shareholders.
- We use equity compensation to align employee and shareholder interests. Equity compensation is a critical means of aligning the interests of our employees with those of our shareholders and provides a strong pay-for-performance link between the compensation provided to executives and the Company’s performance.
- We grant shares that must be earned by our executives. Half of the shares we awarded in 2018 to our Named Executive Officers are subject to achieving a pre-determined level of shareholder returns compared to our industry peer group.
- We have equity ownership requirements. We apply meaningful ownership requirements to our executives to ensure a significant ownership stake in our Company. This further aligns the interests of our executives with those of our shareholders.
- The 2015 LTIP incorporates state-of-the-art governance best practices. The 2015 LTIP meets governance best practices standards for employee incentive plans.

### RECOMMENDATION

The Board of Directors recommends a vote **FOR** this Agenda Item 12.

# CORPORATE GOVERNANCE

**WE ARE COMMITTED TO UPHOLDING HIGH STANDARDS OF CORPORATE GOVERNANCE AND BUSINESS CONDUCT AND BELIEVE THAT WE HAVE MAINTAINED GOOD CORPORATE GOVERNANCE PRACTICES FOR MANY YEARS.**

- We annually review and, as necessary, update our Corporate Governance Guidelines and our Code of Integrity.
- We conduct online mandatory training for our employees and officers on our Code of Integrity and other relevant compliance topics.
- We also require all 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.
- Management and the Board of Directors solicit and are responsive to shareholder feedback that informs our governance practices.

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

Non-Management Director	5x Annual Cash Retainer
President and Chief Executive Officer	6x Base Pay

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.

## Governance Documents

Our current governance documents may be found on our website at: [www.deepwater.com](http://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, Environment and Sustainability Committee Charter	Our Mission Statement
Our FIRST Shared Values	Code of Integrity	Gender Pay Gap Regulations
Our Modern Slavery and Human Trafficking Statement	Our Tax Principles Statement	

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

## Environmental Stewardship

Transocean is committed to safely performing our operations while reducing our environmental footprint. Our commitment to protecting the environment in all of our worldwide operations includes conducting our business in a manner that respects the environment, prevents incidents, identifies areas for improvement and strives to reduce emissions on all of our installations. Our industry is reliant on natural resources, and, at Transocean we are keenly aware of our responsibility to identify, control, record and reduce our environmental impact.

Through continuous engagement with stakeholders, we incorporate feedback and address the material issues that are important to our dynamic industry and global community. Among other initiatives designed to reduce our environmental footprint, we continue to identify, develop and implement more efficient and sustainable technologies. For example, in 2019, we successfully deployed the world's first hybrid energy propulsion system aboard a floating drilling unit, which targets a 14% reduction in fuel use during normal operations and reduces NOx and CO2 emissions.

To further underscore our commitment to responsible oversight of our environmental impact, in 2018, we formalized many of our sustainability initiatives, including the leadership of those initiatives under our Vice President – Human Resources, Community Relations and Sustainability. Our investments as part of this formal program include:

- Technologies that improve the safety, reliability and efficiency of our assets and to reduce the impact our rigs have on the environment;
- The responsible divestiture and disposal of older and less capable assets;
- Programs to support the global communities in which we operate;
- Recruiting, developing, retaining and motivating the industry's most talented and diverse workforce;
- Training and safety programs and tools to protect our people, assets and the environments in which we operate.

## Inclusive and Diverse Leadership and Workforce

As an international company, we respect the diversity and cultures of our workforce and the countries in which we operate. Our diverse workforce is the foundation for Transocean's position as the industry leader in offshore

drilling and our most valued asset. Our workforce serves as the steward of our reputation, essential to our growth and long-term success, and we are committed, in turn, to providing those who work at Transocean with an inclusive, supportive, safe and respectful environment in which our workforce can flourish personally and professionally.

In 2019, our workforce consisted of approximately 6,600 employees and contractors, representing 58 nationalities; women comprised 7% of our global workforce and 15% of our leadership positions. We recognize that our industry lags behind other industries in overall gender diversity, which is one of the reasons that Transocean continues to seek ways to enhance our gender representation and inclusion across all levels of our organization through recruitment, development, education and advancement.

## Community Service and Industry Leadership

Transocean is committed to serving our communities, supporting and participating in industry associations, and engaging with our investors. We are proud to help our communities around the world address the challenges they confront. Our community investments continue to focus around STEM education and literacy, health and safety to promote healthy living and disease eradication, environmental conservation and restoration, social services and employee engagement to provide the basics of food, shelter, education, water and well-being.

As an industry leader, we are mindful of our responsibility in influencing and setting the standards that guide best practices. We continue to actively participate on committees and in events sponsored by:

- American Petroleum Institute
- Center for Offshore Safety
- International Association of Drilling Contractors
- National Ocean Industries Association
- Oilfield Energy Center
- Society of Petroleum Engineers
- Women Offshore

For more information on our sustainability efforts, please see our most recent sustainability report on our website by selecting the Sustainability, 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 and sustainability practices and update policies and procedures, as appropriate, in order to maintain our high standards.

## 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, that those processes 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, cybersecurity, 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. Our management and Board of Directors continue to assess and respond to various risks that affect our industry, our company and our employees, including public health issues such as COVID-19 and market fluctuations among commodities.

## Compensation and Risk

We regularly assess risks related to our compensation programs, including our executive compensation programs. 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 2019, 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. We believe that the risks arising from our compensation policies and practices are not reasonably likely to have a material adverse change on the Company.

## 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 and nominees, 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 for membership on these committees.

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, or have had relationships with, companies with which we conduct business in the ordinary course.

The Board of Directors also considered the transactions with these companies and believes they were on arm's-length terms that were reasonable and competitive.

- From 2012 to 2019, Mr. Barker 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. Mr. Barker's son left PwC in January 2019, and at no time did his son directly or indirectly, provide any services to the Company or any of its affiliates. His son never worked within a division of PwC that provided 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.
- Since 2016, Mr. Curado has been a non-executive director of ABB Ltd, from which the Company has purchased rig-related services and equipment.
- Mr. Curado's son began working in GE's corporate audit department in 2017. GE sold its interest in Baker Hughes in 2019 and his son continues to work as a finance manager for Baker Hughes. His son-in-law works as an engineer for Mitsubishi Industries. GE, Baker Hughes and Mitsubishi Industries 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.
- Ms. de Saint Victor was General Counsel and Company Secretary of ABB Ltd. from 2007 to 2019, when she retired from her position as General Counsel. She will retire from her remaining position as Company Secretary on March 31, 2020. Since 2019, Ms. de Saint Victor has been a director and member of the audit committee of ABB India Limited. Her service on the board and audit committee of ABB India Limited will terminate on April 29, 2020.
- Until January 10, 2020, Ms. de Saint Victor's brother-in-law was managing director and controlled a majority of the voting interests in Groupe Bourbon, from whom the Company purchases offshore supply services.
- 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 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 and his right to receive 42,326 shares based on his service as a director of Transocean Ltd., he will possess voting rights with respect to approximately 11.03% of the Company's outstanding shares as of March 10, 2020. 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.

Accordingly, the Board of Directors concluded that the relationships described above 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.

## Board Retirement

Pursuant to amendments to our Corporate Governance Guidelines adopted in 2019, each member of our Board of Directors must retire from the Board at the Annual General Meeting following his or her 75<sup>th</sup> birthday or after he or she has served on the Board of Directors for 15 years, whichever occurs first.

## 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 recommended for consideration by the Board of Directors that the compensation of the Chair of the Board would be better aligned to market with a reduction in total compensation of \$100,000. In February 2020, the Board of Directors approved this recommendation by the Compensation Committee.

## 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, to:



Transocean Ltd.  
Attention: Corporate Secretary  
Turmstrasse 30  
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 executive officers to complete questionnaires identifying transactions with us in which the executive officer or director or their immediate family members have an interest. Quarterly, our directors and executive 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 Chair 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 2019, there were no related person transactions where such policies and procedures were not followed.






















## Certain Relationships and Related Party Transactions

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.





## BOARD MEETINGS AND COMMITTEES

During 2019, 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 the following standing committees: Audit, Compensation, Finance, Corporate Governance, and Health, Safety, Environment and Sustainability. As noted above, the charters for these committees may be found on our website at: [www.deepwater.com](http://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 2020 Annual General Meeting, the Board expects to complete its annual review of committee assignments.

DIRECTOR	INDEPENDENT	COMMITTEES FOR 2019				
		AUDIT	COMPENSATION	FINANCE	CORPORATE GOVERNANCE	HEALTH, SAFETY, ENVIRONMENT AND SUSTAINABILITY
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	✓					
Jeremy D. Thigpen						
<b>MEETINGS IN 2019</b>		<b>8</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>


  

 Committee Chair	 Committee Member	 Audit Committee financial expert (SEC and NYSE)	 Independent, as determined by the Board of Directors in accordance with applicable rules and regulations
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## AUDIT COMMITTEE | Meetings in 2019: 8

### MEMBERS

Glyn A. Barker   
 Vanessa C.L. Chang  
 Frederik W. Mohn  
 Edward R. Muller

Mr. Curado served on the Audit Committee and attended all meetings during the first two quarters of 2019. New Board committee assignments were made following Mr. Deaton's election at the 2019 Annual General Meeting as Chair of the Board of Directors. Mr. Muller joined the audit committee at this time and attended all meetings during the third and fourth quarter of 2019.

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 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.

**Mr. Barker** is a chartered accountant, served as an audit partner in an accounting firm and served as the Vice Chair-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. Mohn** is the sole owner and managing director of Perestroika, a Norwegian investment company, and served previously as a director of Songa Offshore SE, Chair of the Songa Board and as managing director of Frank Mohn AS.

**Mr. Muller** was previously the Vice Chair of NRG Energy, Inc. and GenOn Energy Inc.'s Chair and Chief Executive Officer.

In addition to Ms. Chang's membership on the Audit Committee, she also serves on the audit committees of Sykes Enterprises, Incorporated, and certain funds advised by the Capital Group of Companies, Inc. and its subsidiaries. In accordance with applicable NYSE rules, the Board of Directors has determined that Ms. Chang's service on the audit committees of those companies does 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.

### PRIMARY RESPONSIBILITIES

The responsibilities of the Audit Committee include, among others, the following:

- Recommend 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;
- Directly responsible for the compensation and oversight of our independent registered public accountants and our auditor pursuant to the Swiss Code of Obligations;
- Advise as necessary in the selection of the lead audit partner;
- Monitor 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;
- Review and report 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;
- Review with the accounting firm the adequacy of our system of internal controls; and
- Review transactions between us and our directors and executive officers for disclosure in the proxy statement, our policies regarding those transactions and compliance with our business ethics and conflict of interest policies.

The Audit Committee Report is on page P-70 of this proxy statement.



## COMPENSATION COMMITTEE | Meetings in 2019: 4

### MEMBERS

Tan Ek Kia 

Vincent J. Intrieri

Samuel J. Merksamer

Mr. Curado served on the Compensation Committee and attended all meetings through November 2019. At that time, he left the Committee and Mr. Merksamer was elected as a replacement member for a term extending until the 2020 Annual General Meeting.

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.

### PRIMARY RESPONSIBILITIES

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 at or above the Senior 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 chair 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.



### FINANCE COMMITTEE | Meetings in 2019: 4

#### MEMBERS

Edward R. Muller   
Glyn A. Barker  
Vincent J. Intrieri  
Samuel J. Merksamer

#### PRIMARY RESPONSIBILITIES


The responsibilities of the Finance Committee include, among others, the following:

- Approve our long-term financial policies, insurance programs and investment policies;
- Make 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; and
- Approve the creation, termination and amendment of certain of our employee benefit programs and periodically review the status of these programs and the performance of the managers of the funded programs.



## CORPORATE GOVERNANCE COMMITTEE | Meetings in 2019: 4

### MEMBERS

Vincent J. Intrieri   
 Vanessa C.L. Chang  
 Frederico F. Curado

Mr. Deaton served as a member of the Corporate Governance Committee and attended all meetings during the first two quarters of 2019. Mr. Deaton stepped down as a committee member due to his election at the 2019 Annual General Meeting as Chair of the Board.

### PRIMARY RESPONSIBILITIES


The responsibilities of the Corporate Governance Committee include, among others, the following:

- Make 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;
- Develop and recommend to the Board a set of corporate governance principles applicable to the Company;
- Coordinate the self-evaluation of the Board of Directors and its committees;
- Provide oversight of the company's ESG program, as it pertains to the policies and compensation of the Board of Directors and its committees; and
- Review the qualifications of and proposes to the Board of Directors candidates to stand for election at the next general meeting of shareholders.



## HEALTH, SAFETY, ENVIRONMENT AND SUSTAINABILITY COMMITTEE | Meetings in 2019: 4

### MEMBERS

Frederico F. Curado   
 Tan Ek Kia  
 Frederik W. Mohn

Mr. Deaton served as the chair of the Health, Safety, Environment and Sustainability Committee and attended all meetings during the first two quarters of 2019. Mr. Deaton stepped down as a committee member due to his election at the 2019 Annual General Meeting as Chair of the Board. Mr. Merksamer also served on the Committee during this time, as did Mr. Muller. Both left the Committee after the 2019 Annual General Meeting with Mr. Muller moving to the Audit Committee

The Health, Safety, Environment and Sustainability 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.

## PRIMARY RESPONSIBILITIES

The responsibilities of the Health, Safety Environment and Sustainability Committee include, among others, the following:

- Review and discuss with management the status of key environmental, health and safety issues;
- Regularly evaluate Company policies, practices and performance related to health, safety and environmental issues;
- Provide oversight to the aspects of the Company's ESG program that pertain to health, safety and the environment; and
- Guide strategy decisions to promote company goals and compliance with applicable rules and regulations.

## 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 2019, non-employee director compensation in U.S. dollars included the following fixed components:

COMPENSATION COMPONENT	COMPENSATION (U.S.\$)
Annual Retainer—non-employee Chair	325,000
Annual Retainer—non-employee Directors	100,000
Additional Annual Retainer for Committee Chair	
Audit Committee	35,000
Compensation Committee	20,000
Corporate Governance Committee, Finance Committee and Health, Safety, Environment and Sustainability Committee	10,000
Grant of Restricted Share Units—non-employee Chair <sup>(1)</sup>	325,000
Grant of Restricted Share Units—non-employee Directors and Vice Chair <sup>(1)</sup>	210,000

(1) Restricted share units are granted to each non-employee director and chair 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 (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.

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.

In February 2020, the Compensation Committee proposed, and the Board of Directors resolved to reduce the compensation of the non-employee chair by U.S. \$100,000, which would result in total compensation of U.S. \$550,000.

## 2019 DIRECTOR COMPENSATION

In 2019, each non-employee member of the Board of Directors received the compensation described above.

At the Board of Directors meeting held immediately after the 2019 Annual General Meeting of our shareholders, 26,185 restricted share units were granted to each non-employee director (other than the Chair) and 40,524 restricted share units were granted to the non-employee Chair, 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. \$8.02 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 2019.

NAME	FEES EARNED OR PAID IN CASH (U.S.\$)	STOCK AWARDS <sup>(1)</sup> (U.S.\$)	ALL OTHER COMPENSATION (U.S.\$)	TOTAL (U.S.\$)
Glyn A. Barker	135,000	199,792	—	334,792
Vanessa C. L. Chang	100,000	199,792	—	299,792
Frederico F. Curado	106,139	199,792	—	305,931
Chadwick C. Deaton	247,653	309,198	—	556,851
Vincent J. Intrieri	110,000	199,792	—	309,792
Samuel J. Merksamer	100,000	199,792	—	299,792
Merrill A. "Pete" Miller, Jr. <sup>(2)</sup>	116,458	—	—	116,458
Frederik Mohn	100,000	199,792	—	299,792
Edward R. Muller	110,000	199,792	—	309,792
Tan Ek Kia	120,000	199,792	—	319,792

(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 2019, computed in accordance with FASB ASC Topic 718. For a discussion of the valuation assumptions with respect to these awards, please see Note 17 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2019.

(2) Mr. Miller's service as a director ended at the 2019 Annual General Meeting.

# 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 2019 with all of the requirements described in its Charter, which is available on the Governance page of the Company's website: [www.deepwater.com](http://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, 2019, be included in the annual report on Form 10-K filing with the SEC.

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

- Qualifications including industry expertise, knowledge of the Company's processes, and experience of the audit team;
- Performance including quality of communication, professional skepticism;
- Independence;
- Length of service, which began in 1999;
- Results from PCAOB inspections; and
- EY's internal quality control and tone at the top.

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

Agendas for Audit Committee meetings are developed with input from the Committee, management, the Chief Audit Executive and EY. The Committee met eight times in 2019 with regular executive sessions with EY and management, including the Chief Audit Executive.

**MEMBERS OF THE AUDIT COMMITTEE**

Glyn A. Barker, Chair  
Vanessa C.L. Chang  
Frederik W. Mohn  
Edward R. Muller

# 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 10, 2020, of more than 5% of the Company's shares.

NAME AND ADDRESS OF BENEFICIAL OWNER	SHARES BENEFICIALLY OWNED	PERCENT OF CLASS <sup>(1)</sup>
Perestroika AS, Perestroika (Cyprus) Ltd. <sup>(2)</sup> Statminister Michelsensvei 38 5320 Paradis, Norway		
Frederik W. Mohn <sup>(2)</sup> Statminister Michelsensvei 38 5320 Paradis, Norway	67,740,289	11.02%
BlackRock, Inc. <sup>(3)</sup> 55 East 52nd Street New York, NY 10055	55,848,379	9.09%
The Vanguard Group <sup>(4)</sup> 100 Vanguard Blvd. Malvern, PA 19355	53,335,293	8.68%
PRIMECAP Management Co. <sup>(5)</sup> 177 E. Colorado Blvd. 11th Floor Pasadena, CA 91105	50,622,010	8.24%

- (1) The percentage indicated is based on 614,531,889 Company shares deemed to be outstanding as of March 10, 2020.
- (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 U.S. \$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 U.S. \$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 U.S. \$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 10, 2020, by BlackRock, Inc. According to the filing, BlackRock, Inc. has sole voting power with regard to 53,117,645 shares, and sole dispositive power with regard to 55,848,379 shares.
- (4) The number of shares is based on the Schedule 13G/A filed with the SEC on February 12, 2020, by The Vanguard Group. According to the filing, The Vanguard Group has sole voting power with regard to 292,121 shares, shared voting power with regard to 83,789 shares, sole dispositive power with regard to 53,028,395 shares and shared dispositive power with regard to 306,898 shares.
- (5) The number of shares is based on the Schedule 13G/A filed with the SEC on February 12, 2020, by PRIMECAP Management Company. According to the filing, PRIMECAP has sole voting power with regard to 53,235,506 shares, and sole dispositive power with regard to 50,622,010 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 10, 2020.

NAME	SHARES OWNED <sup>(1)</sup>	SHARES SUBJECT TO RIGHT TO ACQUIRE BENEFICIAL OWNERSHIP <sup>(2)</sup>	TOTAL SHARES BENEFICIALLY OWNED <sup>(3)</sup>	PERCENT OF CLASS <sup>(3)</sup>
Jeremy D. Thigpen	888,926	814,906	1,703,832	*
Mark L. Mey	412,746	332,191	744,937	*
Keelan I. Adamson	177,411	197,506	374,917	*
Howard E. Davis	202,850	259,984	462,834	*
Brady K. Long	207,018	231,935	438,953	*
Glyn A. Barker	7,272	102,339	109,611	*
Vanessa C.L. Chang	31,900	108,081	139,981	*
Frederico F. Curado	0	102,339	102,339	*
Chadwick C. Deaton	61,000	122,420	183,420	*
Vincent J. Intrieri	10,000	97,579	107,579	*
Samuel J. Merksamer	0	108,315	108,315	*
Frederik W. Mohn <sup>(4)</sup>	33,120,553	34,662,062	67,782,615	11.03%
Edward R. Muller	12,687	120,818	127,505	*
Diane de Saint Victor	0	0	0	*
Tan Ek Kia	0	111,849	111,849	*
All of directors and executive officers as a group (16 persons)	35,323,031	37,372,324	72,506,687	11.80%

\* Less than 1%.

- (1) The business address of each director and executive officer is c/o Transocean Management Ltd., Turmstrasse 30, 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 10, 2020, through the exercise of options held by Messrs. Thigpen (814,906), Mey (332,191), Adamson (197,506), Davis (259,984), Long (231,935), and all executive officers as a group (2,029,597). Also includes vested share units held and unvested share units that will vest within 60 days from March 10, 2020, by Messrs. Barker (102,339), Curado (102,339), Deaton (122,420), Intrieri (97,579), Merksamer (108,315), Mohn (42,326) Muller (120,818) and Tan (111,849), and Ms. Chang (108,081) and all directors and executive officers as a group (2,945,663).
- (3) As of March 10, 2020, 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 U.S. \$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 U.S. \$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 U.S. \$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. The total shares beneficially owned by Mr. Mohn includes 42,326 restricted share units he has the right to receive based upon his service as a director of Transocean Ltd.



# COMPENSATION DISCUSSION AND ANALYSIS

## CONTENTS

<b>P-74</b>	EXECUTIVE SUMMARY
<b>P-75</b>	2019 BUSINESS OVERVIEW
<b>P-78</b>	EXECUTIVE COMPENSATION PHILOSOPHY, STRATEGY AND DESIGN
<b>P-80</b>	2019 COMPENSATION PROGRAM OVERVIEW
<b>P-80</b>	EXECUTIVE COMPENSATION SETTING
<b>P-82</b>	EXECUTIVE COMPENSATION COMPONENTS
<b>P-94</b>	EXECUTIVE COMPENSATION GOVERNANCE, POLICY AND PRACTICE
<b>P-97</b>	TAX IMPACT ON COMPENSATION

This Compensation Discussion and Analysis provides an overview and analysis of Transocean’s executive compensation programs and policies, material compensation decisions for 2019, 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 2019:

### **JEREMY D. THIGPEN**

President and Chief Executive Officer

### **MARK L. MEY**

Executive Vice President and Chief Financial Officer

### **KEELAN I. 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

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

## Executive Summary

Our executive compensation program reflects our commitment to best practices in compensation governance. Among other attributes, our program is designed to:

- strongly align pay with Company performance,
- attract, retain, and motivate our executives to achieve important business objectives, and
- reward our management team for 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
<ul style="list-style-type: none"> <li>✓ Conduct an annual review of our compensation strategy, including a review of our compensation-related risk profile</li> <li>✓ Mandate meaningful share ownership requirements for our executives</li> <li>✓ Maintain a clawback policy that allows for the forfeiture, recovery or adjustment of incentive compensation (cash and equity)</li> <li>✓ Base annual and long-term incentive payments on quantitative, formulaic metrics</li> <li>✓ Maintain compensation plans that are weighted significantly toward variable pay to align our executive compensation with long-term shareholder interests</li> <li>✓ Link long-term incentive compensation to relative performance metrics to motivate strong performance</li> <li>✓ Deliver at least 50% of long-term incentives in performance-based awards</li> <li>✓ Retain an independent consultant who is, retained by and reports only to, our Compensation Committee (not management)</li> <li>✓ Maintain double trigger change-in-control provisions</li> </ul>	<ul style="list-style-type: none"> <li>✗ Allow our executives to hedge, sell short or hold derivative instruments tied to our shares (other than derivative instruments issued by us)</li> <li>✗ Allow our executives or directors to pledge Company shares</li> <li>✗ Have pre-arranged individual severance agreements or special change-in-control compensation agreements with any Executive Officers; however, 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</li> <li>✗ Provide gross-ups for severance payments</li> <li>✗ Guarantee salary increases, non-performance based bonuses or unrestricted equity compensation</li> <li>✗ Provide any payments or reimbursements for tax equalization</li> <li>✗ Pay dividend equivalents on performance-based equity that has not vested</li> <li>✗ Offer executive perquisites</li> </ul>

## 2019 Business Overview

Transocean is a leading international provider of offshore contract drilling services for oil and gas wells. The Company specializes in technically demanding sectors of the global offshore drilling business with a particular focus on ultra-deepwater and harsh environment drilling services, and operates one of the highest-specification offshore drilling fleets in the world. Transocean's fleet of 43 mobile offshore drilling units consists of 28 ultra-deepwater floaters, 12 harsh environment floaters, one midwater floater, and two ultra-deepwater drillships under construction.

### **WE WERE ENCOURAGED TO REPORT THAT WE COMPLETED THE YEAR IN AN ENVIRONMENT THAT WAS MUCH BETTER THAN THE ONE WE FACED AT THE BEGINNING OF THE YEAR.**

As we turned the page on 2019, we were encouraged by the direction of the offshore market. Marketed floater utilization exited the year above 80 percent, a 500-basis point improvement from 2018, as demand has increased, and lower specification floaters have been retired. Dayrates for harsh environment assets increased for the third consecutive year, with high specification base dayrates approaching U.S. \$400,000. Furthermore, ultra-deepwater rates were 75 percent above prior year levels, and it appeared they were continuing to trend higher for drilling campaigns commencing in mid-2020 and into 2021. As of February 14, 2020, our contract backlog totaled U.S. \$10.2 billion, approximately three times our nearest competitor.

## COMPENSATION DISCUSSION AND ANALYSIS

### WE DELIVERED STRONG RESULTS DURING A YEAR WHEN THE OFFSHORE DRILLING SECTOR REMAINED IN TRANSITION.

Our strong results were 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 adjusted revenue of approximately U.S. \$3.3 billion and adjusted EBITDA of approximately U.S. \$1.0 billion and an adjusted EBITDA margin of approximately 32%. The competitiveness of our fleet continues to be strengthened by the retirement of six older, less competitive rigs that were unlikely to be marketable going forward.

The business highlights below demonstrate recent initiatives that strengthen the fleet and position our Company for long-term success while demonstrating our commitment to furthering our sustainability efforts.



In February we commenced the installation of Automated Drilling Control (“ADC”) on six harsh environment floaters currently on contract with Equinor, materially improving the safety and efficiency with which we deliver our customers’ wells.



In August we took delivery of the high-specification harsh-environment semi-submersible, the *Transocean Norge*, and immediately placed it into operation in Norway.



In October we successfully deployed the world’s first hybrid energy storage system aboard a floating drilling unit (“Hybrid on-board power”), the *Transocean Spitsbergen*; this technology provides an alternative means of power for the rig’s thrusters and represents another first in Transocean’s storied history of introducing revolutionary technologies to the offshore drilling industry.



In November we successfully reactivated two of our ultra-deepwater drillships, *Deepwater Corcovado* and *Deepwater Mykonos*, that are now on multi-year contracts with Petrobras in Brazil.

### DURING 2019, WE CONTINUED THE ADVANCEMENT OF OFFSHORE DRILLING THROUGH THE DEVELOPMENT OF INNOVATIVE TECHNOLOGY AND SUSTAINABILITY.

During 2019, we introduced several new technologies including ADC, Haloguard, aShear, and Hybrid on-board power. These technologies focus on the important aspects of drilling more efficient wells with high rates of penetration, ensuring the safety of our crews and the environment and reducing fuel consumption and emissions.

ADC modernizes the offshore well construction process by capturing real-time downhole data that is processed via algorithms to make more efficient drilling decisions. This technology gives us a deeper understanding of what is happening inside and around the well bore during penetration. This information enables more instantaneous reactions during the drilling operation. Ultimately this technology takes us one step further in automating the well construction process, making it safer, faster and more reliable.

Hybrid on-board power is the first of its kind solution to both reduce fuel consumption and emissions while providing the safety of a secondary source of power in the event of a complete loss of functionality of the rig’s engines, its primary power source. This patented technology places battery reserves onboard to directly support each thruster rather than relying on the traditional power distribution system. The system also eliminates peak power demands on the diesel generators, allowing the engines to run more efficiently, significantly reducing fuel consumption and emissions, thus decreasing our carbon footprint. The first system was installed on the *Transocean Spitsbergen*, a harsh environment semisubmersible operating offshore Norway. We believe this technology is applicable across many assets within our fleet as several of our customers are also looking for ways to reduce carbon emissions.

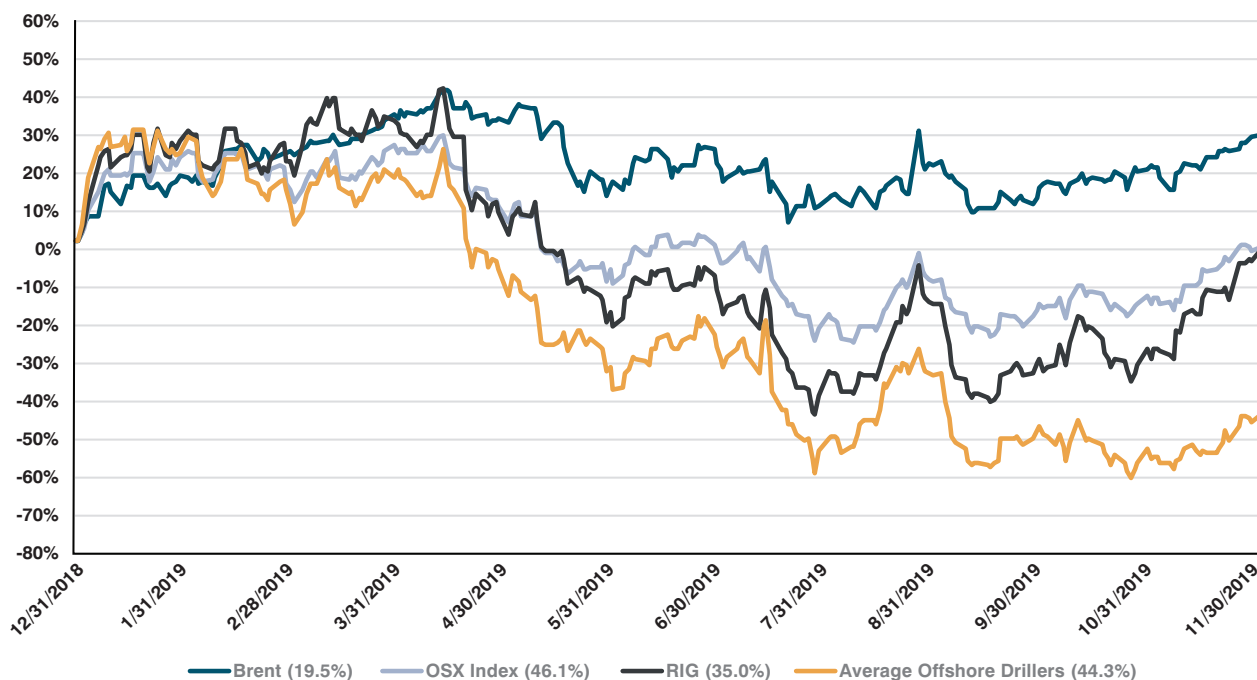
Haloguard will focus on protecting the most important assets on the rig, our people. Even with well-trained employees, robust policies, and procedural discipline, the possibility always exists for people to unintentionally place themselves in an unsafe area. Through position sensing and integrated camera technology, the Haloguard system is designed to detect a person in position on the drill floor, thereby ensuring their safety by proactively providing warnings and, if necessary, halting operations in the event a person moves into a hazardous zone.

aShear will provide a new level of blow out preventer (“BOP”) safety never before available in our industry. Consisting of a pyrotechnic shear ram, aShear is designed to cut across casing, joints, and/or tools in the wellbore in milliseconds following a detection of an uncontrolled wellbore release. aShear enables an operator to seal a well instantaneously, thus controlling unexpected releases from the wellbore. aShear is depth agnostic, retrofittable to existing BOP stacks, and through the use of military grade initiation technology, results in unparalleled reliability.

**WE LOOK FORWARD TO 2020 AND BEYOND.**

The global outbreak of COVID-19, coupled with decisions by Russia and the Kingdom of Saudi Arabia to meaningfully increase oil production, have resulted in a steep decline in oil prices to start 2020, which will likely delay offshore projects that were being contemplated when oil prices were closer to \$60/bbl. Still, we are hopeful that oil prices will ultimately return to more constructive and stable levels, and we remain encouraged that reductions in the cost per barrel of offshore projects have resulted in superior economics offshore as compared to other opportunities in our customers’ portfolios, including shale, which drove utilization rates and dayrates higher as we exited 2019. As illustrated in the chart below, the equity market valuations of offshore drillers during 2019 reflected these improving market conditions.

**RELATIVE PERFORMANCE OF CRUDE OIL; OFFSHORE DRILLERS; OSX INDEX**



## Executive Compensation Philosophy, Strategy and Design

### THE PRIMARY GOAL OF OUR COMPENSATION PROGRAM IS TO ALIGN PAY WITH PERFORMANCE.

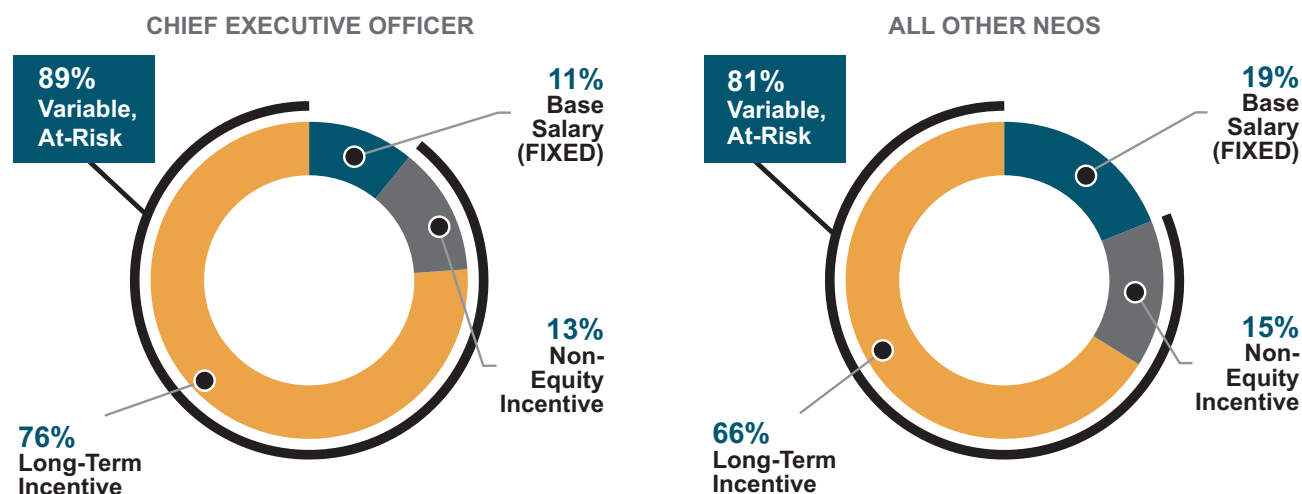
We accomplish this goal by providing our executives with a competitive compensation package that rewards performance against specific, identified, financial, strategic and operational goals that the Compensation Committee of the Board (the “Committee”) believes are critical to the Company’s long-term success and the achievement of sustainable long-term shareholder returns. We believe attracting, retaining and motivating talented personnel is essential to creating shareholder value throughout the business cycles of our industry.

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

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

We deliver the vast majority of executive pay as performance-based, “at-risk” incentive compensation, with a portion allocated to the delivery of shorter-term periodic results, and the bulk weighted toward the delivery of longer-term shareholder value. We believe this approach achieves our objective of aligning pay and performance, without excessive risk-taking.

### 2019 TARGET COMPENSATION

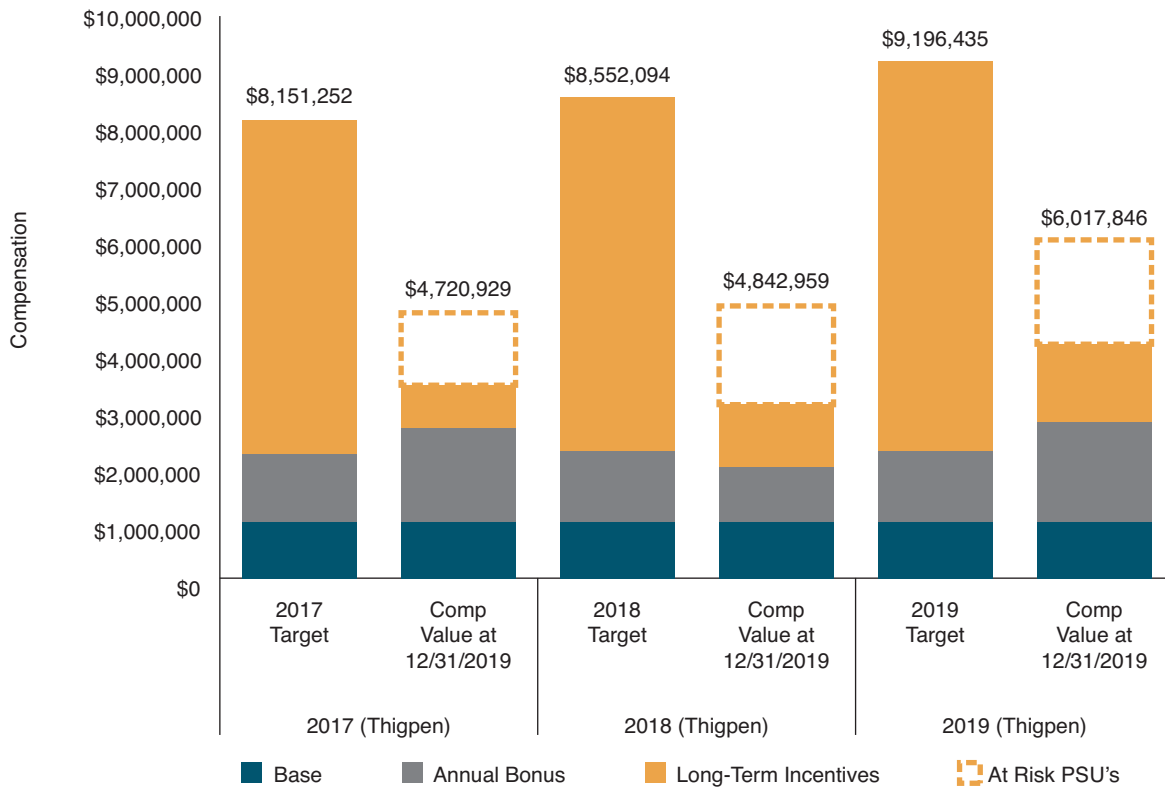


### RELATIONSHIP BETWEEN TARGET AND REALIZABLE PAY

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 four of the last ten performance cycles, and all outstanding stock options are currently underwater, the more recent, in-process long-term performance cycles, reflect our 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, 2019.

**CEO REALIZABLE AND REALIZED PAY**



- 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 12/31/2019; 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 12/31/2019 (the last trading day of the year).

## 2019 Compensation Program Overview

In 2019, 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 2019 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:

- 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%, regardless of our performance relative to our peers;
- Expansion of the Company's clawback policy to apply to both cash and equity incentive compensation;
- Broadening executive accountability by allowing for the cancellation of outstanding incentive compensation awards for actions that are inconsistent with our Code of Integrity; and
- Elimination 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 each individual component of compensation as well as the aggregate compensation that may be paid or awarded to each of our Named Executive Officers and compares them:

- Externally against compensation awarded and paid to executive officers holding comparable positions at companies with which we compete for executive talent; and
- Internally against other members of the executive team to ensure internal equity, taking into account individual performance, skills, and experience.

We assess our compensation programs with the aim of positioning elements of compensation at approximately the median as compared with the compensation of executives in 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.

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 direct compensation and each underlying element of such total direct compensation are compared against published and publicly available compensation data.

The Compensation Peer Group for 2019 was composed of the following companies:

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

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 positions in Operations and Marketing, 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 2017, the Committee approved a Performance Peer Group focused on offshore drillers to best align with our strategic business objectives. Beginning in 2018, and maintained in 2019, the Committee expanded the Performance Peer Group by adding certain oilfield services companies to the existing offshore drillers, acknowledging consolidation within 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 2019 consisted of:

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

The Committee will continue to assess the composition of the Performance Peer Group for 2020 and beyond, with a sharp focus on the impact of the 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 COMPANY 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
<b>BASE SALARY</b>	Provide a base level of income, targeting the market median for executive talent.	Fixed compensation. Reviewed annually and adjusted as appropriate.
<b>ANNUAL CASH BONUS</b>	Motivate executives to achieve our short-term business objectives and employee safety and reward contributions toward the achievement of pre-established performance goals.	Variable compensation. Award potential ranges from 0% to 200% of target based on corporate performance measured against pre-established performance goals.
<b>I. LONG-TERM INCENTIVE – PERFORMANCE UNITS</b>	Align the interests of our executives with those of our shareholders by creating a direct correlation between realized pay and shareholder return performance both relative to peers and on an absolute basis, over a three-year performance period.	Variable compensation. The number of earned units can range from 0%-200% based on total shareholder return relative to performance of drilling industry peers during three-year performance periods, provided our absolute TSR meets a pre-determined threshold. “Cliff” vesting at the end of each three-year performance period.
<b>II. LONG-TERM INCENTIVE – RESTRICTED SHARE UNITS</b>	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.
<b>III. LONG-TERM INCENTIVE – NON-QUALIFIED STOCK OPTIONS</b>	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.
<b>OTHER COMPENSATION</b>	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.
<b>POST-EMPLOYMENT</b>	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.

The Committee takes several objectives into consideration when assessing the reasonableness of the total direct compensation of the Named Executive Officers, particularly the compensation of our Chief Executive Officer. These objectives include ensuring alignment with our vision and business strategy, creating sustainable long-term shareholder value through the amount and mix of compensation provided, and advancing the core principles of our compensation philosophy and objectives while remaining within our risk tolerance.

## 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 annually, including in the context of promotions or other changes in job responsibilities. As part of its annual review, the Committee reviews each base salary, (i) for purposes of maintaining competitive compensation, relative to executive officers at applicable companies, and (ii) for internal pay equity purposes, relative to other executive officers at the Company.

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 2019, 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 in 2018, no individuals have received a base salary increase while an Executive Officer since 2015.

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

EXECUTIVE	2019 BASE SALARY (\$U.S.)	INCREASE OVER 2018 (%)
Mr. Thigpen	1,000,000	0%
Mr. Mey	760,000	0%
Mr. Adamson	600,000	0%
Mr. Davis	550,000	0%
Mr. Long	550,000	0%

## ANNUAL PERFORMANCE BONUS

Our Performance Award and Cash Bonus Plan (the “Bonus Plan”) is a formulaic, goal-driven plan that provides participants, including the Named Executive Officers, with the opportunity to earn annual cash bonuses based on performance as measured against predetermined performance objectives. Individual target award levels, expressed as percentages of the participants’ base salaries, are established by the Committee at the beginning of the year. The target award opportunities under the Bonus Plan, when combined with base salaries, are intended to position the participants to earn total cash compensation approximating competitive market median levels. Individual awards correlate to Company performance, so the executives achieve above-target awards only when the Company achieves above-target performance. Further, the bonus opportunity is capped at a maximum payout level as noted below.

## COMPENSATION DISCUSSION AND ANALYSIS

Under the Bonus Plan for 2019, the Named Executive Officers had a potential payout range of 0% to 200% of their individual target award opportunities. The 2019 target bonus opportunity for each Named Executive Officer, expressed as a percentage of base salary, was as follows:

<u>EXECUTIVE</u>	<u>BONUS TARGET (%)</u>
Mr. Thigpen	125%
Mr. Mey	85%
Mr. Adamson	75%
Mr. Davis	75%
Mr. Long	75%

### 2019 ANNUAL BONUS STRUCTURE AND ACHIEVEMENT

The annual cash bonus structure is designed to recognize and motivate strong financial, operational and safety performance. Achievement in these three focus areas provides the Committee with 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 our executives on those areas where we can differentiate ourselves from our competitors during the industry downturn and be well-positioned to outperform the competition as the market recovers.

Each measure, relative weighting, and the threshold-target-maximum payout range was designed with reference to our 2018 actual performance results, and our 2019 business plan, as presented to the Committee in early February 2019.

The following chart outlines the 2019 bonus performance measures and relative weightings. Each of the measures is defined and discussed in more detail below.

<u>PERFORMANCE MEASURE</u>	<u>2019 WEIGHTING (%)</u>
I. Safety	20%
II. EBITDA	60%
III. Uptime	20%
2019 Bonus Plan 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 142% of the targeted bonus opportunity under the Bonus Plan for 2019. The components of this total bonus payout under the Bonus Plan for 2019 are as follows:

<u>PERFORMANCE MEASURE</u>	<u>2019 WEIGHTED ACHIEVEMENT (%)</u>
I. Safety	40%
II. EBITDA	71%
III. Uptime	31%
2019 Bonus Plan Achievement	142%

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

### I. 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 2019.

### 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 hours worked.

The Committee approved a TRIR target for 2019 of 0.34. In setting this target, the Committee received input from the Board’s Health, Safety and Environment (HSE) Committee, composed of independent directors. Values above and below this target were calculated in accordance with the chart below, with outcomes falling between two boundaries interpolated on a straight-line basis:

TRIR TARGET AND PERFORMANCE RANGE	BONUS PAYOUT (%)
Threshold = 0.39	0%
Target = 0.34	100%
Maximum = 0.29	200%

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 2019 TRIR threshold-target-maximum values, the Committee considered the following:

- Integration of the Ocean Rig fleet following the December 2018 acquisition;
- Planned 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 of the operational challenges facing the Company in a year of increased activity and fleet integration, the Committee approved the 2019 TRIR target at 0.34.

Although the 2019 TRIR target was set below the TRIR target for 2018, the 0.34 target reflects an improvement over 2018 actual performance of approximately 10%. Further, it incorporates the lessons learned in 2018 with regard to the challenges of integrating a new fleet and instilling and developing our safety culture and standards into our new workforce.

In setting the threshold and maximum values, the Committee applied a 15% range above and below target. This range created a threshold, or entry point, of 0.39 and a maximum of 0.29.

## COMPENSATION DISCUSSION AND ANALYSIS

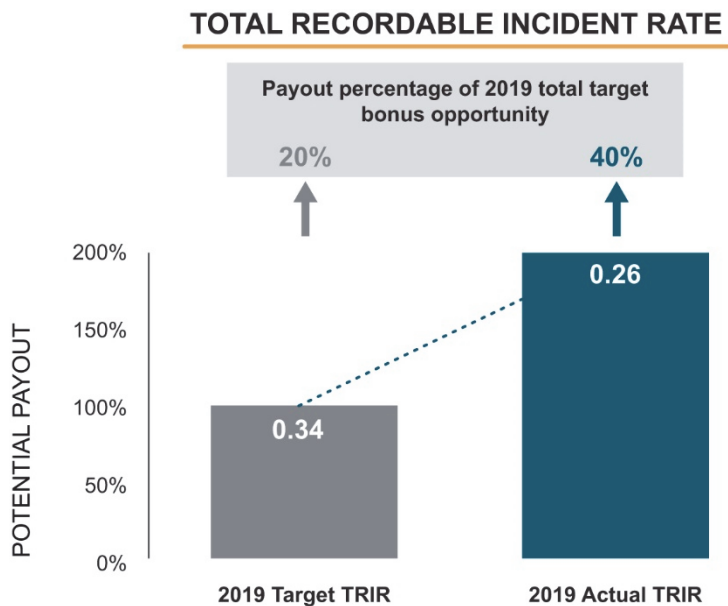
Further, the Committee recognized the impact of Operational Integrity on process safety performance. Operational Integrity is an internally developed safety measure designed to prevent, or mitigate the impact of, a significant event. We use industry standard definitions of significant events, which include:

- Fire, explosion, release of a hazardous substance with serious injury or fatality;
- Other circumstances resulting in serious injuries/fatalities and/or damage to the environment;
- Major structural damage to Company property; and
- Uncontrolled release of hazardous fluids.

Consistent with our 2017 and 2018 Bonus Plan design, a Tier 1 Operational Integrity 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 2019 formulaic result for TRIR was 0.26, which exceeded maximum performance and resulted in 200% payout for the safety component of the 2019 Bonus Plan, as illustrated:



## II. FINANCIAL PERFORMANCE

### Developing Our EBITDA Target

**FOR THE 2019 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 our metric selection for the performance year ending 2018, 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 2019 Bonus Plan opportunity.

In establishing the EBITDA target and range, the Committee considered the Company’s 2019 financial plan, as presented by management in early February 2019. Threshold and maximum performance outcomes were then set based on the potential for decreases or increases to financial outcomes tied to dynamic market conditions. Although the 2019 EBITDA target was set below the 2018 actual financial result, the target objectively reflected the continuing industry downturn and uncertainties with respect to the recontracting of rigs whose contracts were set to expire in 2019.

<u>EBITDA TARGET AND PERFORMANCE RANGE</u>	<u>BONUS PAYOUT (%)</u>
Threshold = \$672M	0%
Target = \$768M	100%
Maximum = \$864M	200%

### Measuring EBITDA Results

The Company delivered strong EBITDA results for 2019. 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 2019 Bonus Plan is the result of a Committee-approved calculation of EBITDA for an adjustment due to a change in accounting standards.

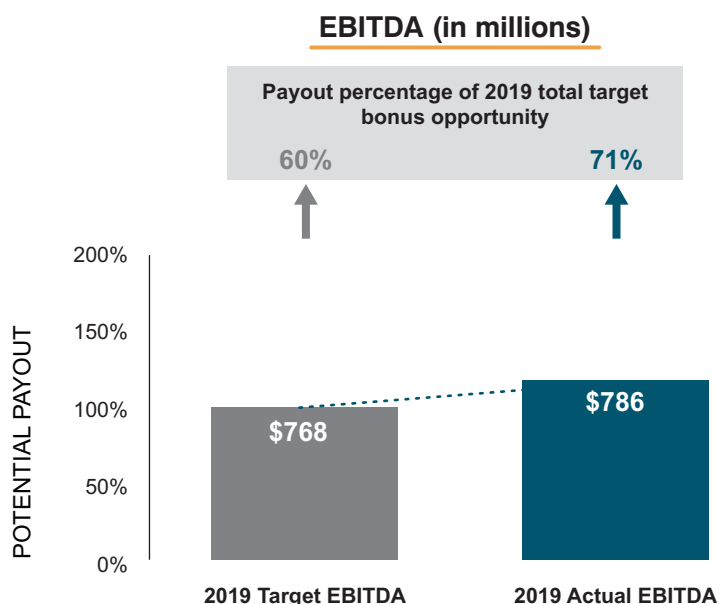
**DOWNWARD  
ADJUSTMENT TO  
BONUS  
PERFORMANCE  
AND PAYOUT**

In connection with taking occupancy of our new facility in Houston, Texas, management budgeted U.S. \$5.9 million as a non-adjusted cost acceleration. However, due to the new accounting lease standard, this amount has been accounted for as an impairment. So as not to benefit from a change in accounting standards, the EBITDA performance achievement was reduced by U.S. \$5.9 million.

The impact of this downward adjustment to EBITDA performance resulted in a reduction to the weighted payout on EBITDA performance and a reduction to overall bonus performance from 146% to 142% achievement.

## COMPENSATION DISCUSSION AND ANALYSIS

As illustrated, the EBITDA result slightly outperformed our goal, achieving 118% of target performance, with an associated weighted payout of 71% of the total target bonus opportunity for each Named Executive Officer.



### III. OPERATIONAL PERFORMANCE

#### Developing Our Uptime Target

**UPTIME WAS IDENTIFIED AS THE OPERATIONAL PERFORMANCE MEASURE THAT WOULD BEST ALIGN WITH THE INTERESTS OF OUR CUSTOMERS AND, ULTIMATELY, OUR SHAREHOLDERS. AS A RESULT, WE MAINTAINED THE UPTIME MEASURE FOR 2019.**

This measure represented 20% of the 2019 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.

Although 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 2019).

The Committee approved the following Uptime target for 2019:

UPTIME TARGET AND PERFORMANCE RANGE	BONUS PAYOUT (%)
Threshold = 94.5%	0%
Target = 96.0%	100%
Maximum = 97.5%	200%

In setting the 2019 Uptime target, the Committee considered the Company’s outlook for 2019, which featured:

- The harmonization of the Ocean Rig fleet; and
- The reactivation of cold-stacked rigs.

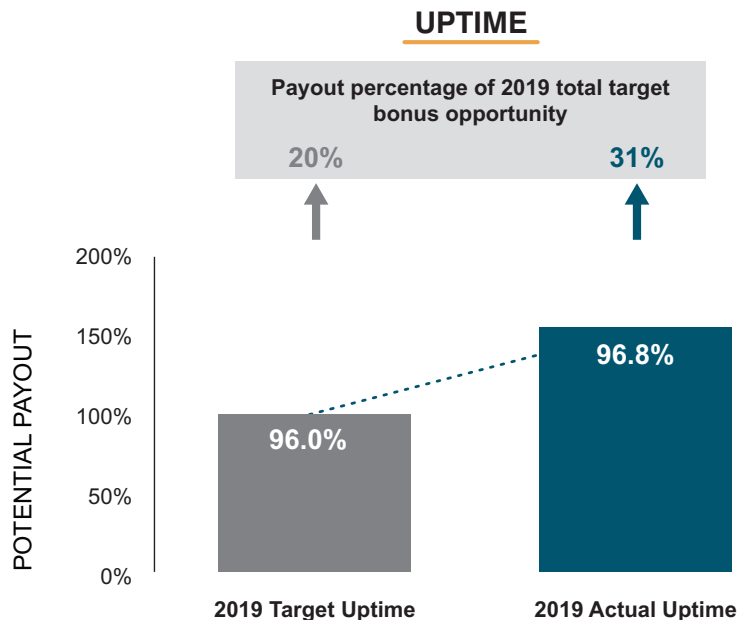
These factors led the Committee to conclude that the risk of equipment failure and human performance errors was elevated for 2019. Despite this incremental risk, the Committee decided to maintain the target from 2018, and approved the 2019 Uptime target at 96.0%.

### Measuring Uptime Results

#### THE COMPANY ACHIEVED 96.8% UPTIME PERFORMANCE IN 2019.

This increase over target performance equates to approximately 2,070 hours, or 86 days, of additional operational productivity across the fleet, resulting in greater customer satisfaction and higher earnings.

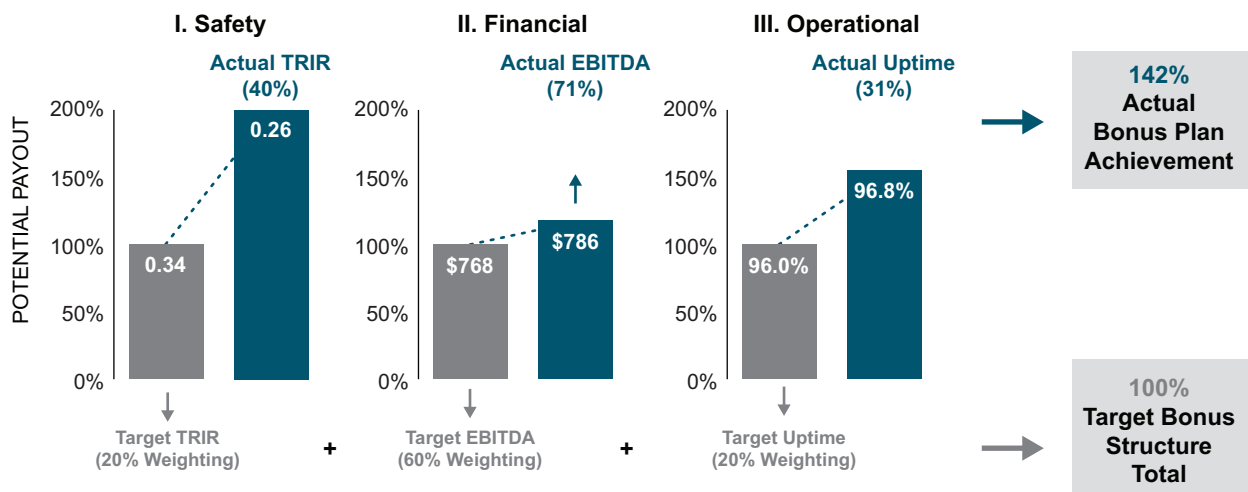
As illustrated, the formulaic performance of Uptime achieved 155% performance to target and an associated weighted payout of 31% of the total target bonus opportunity for each of the Named Executive Officers.





**PERFORMANCE MEASURES FOR ANNUAL INCENTIVE PLAN-  
TARGET VS. ACTUAL**

**% BONUS PAYOUT**



**IV. NEW ESG METRIC FOR ANNUAL PERFORMANCE BONUS**

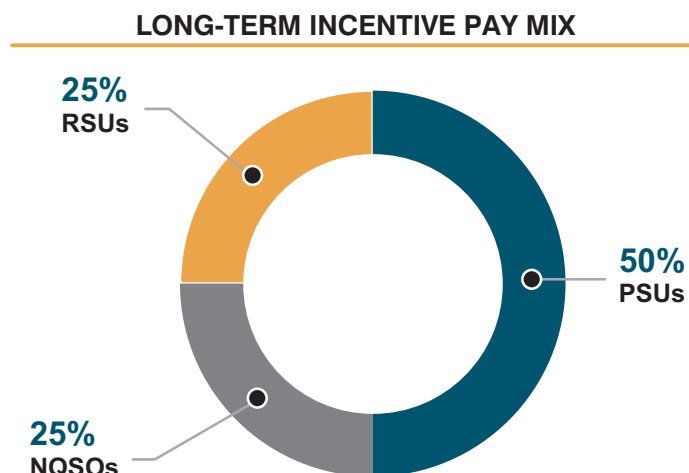
We recognize the importance of sustainability to our business and industry and are committed to identifying and introducing relevant and measurable objectives that reflect our corporate sustainability performance and influence executives’ performance objectives. We expect to include a sustainability metric in our bonus plan for 2021, which we plan to summarize in our proxy statement for the 2021 Annual General Meeting.

**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 for 2019 varied 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 2019: 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 was designed to ensure that a minimum of 50% of total LTI is conveyed through PSUs. RSUs were 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 were 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 2019.

<u>NAMED EXECUTIVE OFFICER</u>	<u>2019 LTI FAIR VALUE (U.S.\$)</u>
Mr. Thigpen	6,946,435
Mr. Mey	2,679,337
Mr. Adamson	1,786,217
Mr. Davis	2,133,543
Mr. Long	1,984,703

In February 2020, the Compensation Committee approved a change to the LTI mix whereby the weighting of PSUs will increase from 50% to 60% with the remaining 40% delivered as RSUs.

### PERFORMANCE UNITS (PSU)

The target value of the 2019 PSU grants to each of the Named Executive Officers was approximately 50% of each officer’s total 2019 LTI award target value.

Each PSU represents one share and is earned based on performance over a three-year cycle from January 1, 2019 through December 31, 2021. 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.

## COMPENSATION DISCUSSION AND ANALYSIS

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
90th Percentile or higher	200%
50th Percentile	100%
25th Percentile	50%
Less than 25th Percentile	0%

Upon completion of the 2019 - 2021 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.

In 2020, the Committee evaluated the Company's performance based on the Company's TSR relative to the Performance Peer Group for the three-year performance period from January 1, 2017 through December 31, 2019 and determined the PSU performance achievement to be 167% of target. However, in recognition of the importance of shareholder alignment, the Committee capped the earning of PSUs at target because the Company's absolute TSR was less than negative 15% during the performance period. Thus, the actual payout was reduced to 100%, or target.

### RESTRICTED SHARE UNITS (RSU)

The target value of the 2019 RSU grants to each of the Named Executive Officers was approximately 25% of each officer's total 2019 LTI award target value.

Time-vested RSUs were granted to all Named Executive Officers as part of the 2019 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 2019 NQSO grants to each of the Named Executive Officers was approximately 25% of each officer's total 2019 LTI award target value.

Time-vested NQSOs were granted to each Named Executive Officer as part of the 2019 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.

### 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.

## 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 are capped 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 2019.

## 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 the Committee's 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-in-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, 2019, 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, non-solicitation, 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.

## 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, and
- (ii) meet the independence requirements of the NYSE.

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.

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.

During 2019, the Compensation Committee consisted of the following directors: Tan Ek Kia (Chair), Frederico F. Curado (through November 2019), Vincent J. Intrieri, and Samuel J. Merksamer (starting in November 2019).

## 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 2019.

In order to preserve the independence of the Committee's compensation consultant and avoid the appearance of an impairment of such independence, 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 2019. In May 2019, the Committee assessed whether the work of Pay Governance for the Committee during 2019 raised any conflict of interest by conducting a review of several independence factors, which included the factors set forth under Rule 10C-1 of the Exchange Act. The Committee concluded that no conflict of interest was raised that would prevent Pay Governance from independently 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 made 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 2019.

## 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

## COMPENSATION DISCUSSION AND ANALYSIS

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 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 are in compliance with these 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 U.S. \$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, Chair  
Vincent J. Intriери  
Samuel J. Merksamer

# EXECUTIVE COMPENSATION

## Summary Compensation Table

The following table shows the compensation paid by the Company for the fiscal year ended December 31, 2019, to each of our Chief Executive Officer, Chief Financial Officer and the next three most highly compensated Executive Officers as of December 31, 2019, who are collectively referred to herein as our Named Executive Officers.

NAME AND PRINCIPAL POSITION	YEAR	SALARY (\$)	BONUS (\$)	STOCK AWARDS <sup>(1)</sup> (\$)	OPTION AWARDS <sup>(1)</sup> (\$)	NON-EQUITY INCENTIVE PLAN COMPENSATION <sup>(2)</sup> (\$)	CHANGE IN PENSION VALUE AND NONQUALIFIED DEFERRED COMPENSATION EARNINGS <sup>(3)</sup> (\$)	ALL OTHER COMPENSATION <sup>(4)</sup> (\$)	TOTAL (\$)
<b>Jeremy D. Thigpen</b>	2019	1,000,000	—	5,183,471	1,762,964	1,775,000	—	215,517	9,936,952
President and Chief Executive Officer	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
<b>Mark L. Mey</b>	2019	760,000	—	1,999,336	680,001	917,320	—	143,246	4,499,902
Executive Vice President and Chief Financial Officer	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
<b>Keelan I. Adamson</b>	2019	600,000	—	1,332,884	453,333	639,000	234,061	104,461	3,363,739
Executive Vice President and Chief Operations Officer	2018	523,769	—	922,402	283,346	269,572	—	147,843	2,146,932
	2017	550,000	—	1,592,062	541,481	585,750	—	101,687	3,370,980
<b>Howard E. Davis</b>	2019	550,000	—	1,479,983	455,663	317,625	—	127,803	2,931,074
Executive Vice President and Chief Administrative and Information Officer	2018	550,000	—	1,565,136	482,105	569,250	—	140,804	3,307,295
	2017	550,000	—	1,480,998	503,705	585,750	—	104,033	3,224,486
<b>Brady K. Long</b>	2019	545,833	—	1,376,718	423,872	315,291	—	123,500	2,785,214
Executive Vice President and General Counsel	2018	525,000	—	1,455,930	448,469	507,150	—	130,817	3,067,366

- (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 2019" 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, 2019.
- (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 2019, is described under "Compensation Discussion and Analysis—Annual Performance Bonus."
- (3) Change in Pension Value represents the change in value during the twelve-month period ending on December 31 of each year. 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 2019, 2018 or 2017.
- (4) All Other Compensation for 2019 includes company matching contributions of \$28,000 to the account of each NEO under the U.S. 401(k) Savings Plan; company matching contributions under the Savings Restoration Plan in the following amounts: Mr. Thigpen, \$168,250; Mr. Mey \$97,742; Mr. Adamson \$58,957; Mr. Davis, \$58,763; and Mr. Long \$58,529; and company-paid benefits in the following amounts: Mr. Thigpen, \$19,267; Mr. Mey \$17,504; Mr. Adamson \$17,504; Mr. Davis, \$14,924; and Mr. Long \$17,504.

## EXECUTIVE COMPENSATION

### Grants of Plan-Based Awards for 2019

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, 2019.

	GRANT DATE	ESTIMATED FUTURE PAYOUTS UNDER NON-EQUITY INCENTIVE PLAN AWARDS <sup>(1)</sup>			ESTIMATED FUTURE PAYOUTS UNDER EQUITY INCENTIVE PLAN AWARDS <sup>(2)</sup>			ALL OTHER STOCK AWARDS: NUMBER OF SHARES OF STOCK OR UNITS <sup>(3)</sup>	ALL OTHER OPTION AWARDS: NUMBER OF SHARES OF SECURITIES UNDERLYING OPTIONS <sup>(3)</sup>	EXERCISE PRICE OF OPTION AWARDS <sup>(4)</sup>	GRANT DATE FAIR VALUE OF STOCK AND OPTION AWARDS <sup>(5)</sup>
		THRESHOLD (\$)	TARGET (\$)	MAXIMUM (\$)	THRESHOLD (#)	TARGET (#)	MAXIMUM (#)				
<b>Jeremy D. Thigpen</b>	—	—	1,250,000	2,500,000							
	2/7/2019				—	324,977	649,954				3,500,002
	2/7/2019							201,613			1,683,469
	2/7/2019								432,099	8.35	1,762,964
<b>Mark L. Mey</b>	—	—	646,000	1,292,000							
	2/7/2019				—	125,348	250,696				1,349,998
	2/7/2019							77,765			649,338
	2/7/2019								166,667	8.35	680,001
<b>Keelan I. Adamson</b>	—	—	450,000	900,000							
	2/7/2019				—	83,565	167,130				899,995
	2/7/2019							51,843			432,889
	2/7/2019								111,111	8.35	453,333
<b>Howard E. Davis</b>	—	—	412,500	825,000							
	2/7/2019				—	99,814	199,628				1,074,997
	2/7/2019							61,924			517,065
	2/7/2019								132,716	8.35	541,481
<b>Brady K. Long</b>	—	—	412,500	825,000							
	2/7/2019				—	92,851	185,702				1,000,005
	2/7/2019							57,604			480,993
	2/7/2019								123,457	8.35	503,705

- (1) This column shows the potential payout opportunities to the Named Executive Officers for the 2019 performance period under our Performance Award and Cash Bonus Plan. There is no payout at or below threshold under this plan for 2019. 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 2019, see "Compensation Discussion Analysis—Annual Performance Bonus."
- (2) The February 7, 2019, performance share unit award is subject to a three-year performance period ending December 31, 2021. The actual number of performance units received will be determined in the first 60 days of 2022 and is contingent on our performance in total shareholder return relative to the Performance Peer Group. Any earned shares will vest on December 31, 2021. 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 2019. For more information regarding long-term incentive plans, including the performance targets used for 2019 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 incentive plans. The units and options vest in one-third increments over a three-year period commencing on March 1, 2020, 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 2019 performance share unit fair value is calculated using the Monte Carlo simulation to value total shareholder return at the share price on the date of grant. The grant date fair value of stock option awards is measured using the Black-Scholes option-pricing model.

## Outstanding Equity Awards at Year-End 2019

The following table sets forth certain information with respect to outstanding equity awards at December 31, 2019, for the Named Executive Officers.

NAME	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS (#)	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS (#)	OPTION EXERCISE PRICE (\$/SHARE)	OPTION EXPIRATION DATE	NUMBER OF SHARES OR UNITS OF STOCK THAT HAVE NOT VESTED <sup>(2)</sup> (#)	MARKET VALUE OF SHARES OR UNITS OF STOCK THAT HAVE NOT VESTED <sup>(3)</sup> (\$)	EQUITY INCENTIVE PLAN AWARDS: NUMBER OF UNEARNED SHARES, UNITS, OTHER RIGHTS THAT HAVE NOT VESTED <sup>(4)(5)</sup> (#)	EQUITY INCENTIVE PLAN AWARDS: MARKET OR PAYOUT VALUE OF UNEARNED SHARES, UNITS, OTHER RIGHTS THAT HAVE NOT VESTED (\$)
	EXERCISABLE <sup>(1)</sup>	UNEXERCISABLE <sup>(1)</sup>						
<b>Jeremy D. Thigpen</b>	233,957	—	8.61	2/10/2026				
	145,078	72,540	13.35	2/9/2027				
	109,649	219,298	9.18	2/7/2028				
	—	432,099	8.35	2/6/2029				
					37,633	258,915		
				108,933	749,459			
				201,613	1,387,097			
						187,238	1,288,197	
						307,557	2,115,992	
						324,977	2,235,842	
<b>Mark L. Mey</b>	98,039	—	8.61	2/10/2026				
	62,674	31,337	13.35	2/9/2027				
	42,293	84,587	9.18	2/7/2028				
	—	166,667	8.35	2/6/2029				
					16,258	111,855		
				42,017	289,077			
				77,765	535,023			
						80,887	556,503	
						118,629	816,168	
						125,348	862,394	
<b>Keelan I. Adamson</b>	3,492	—	78.76	2/9/2021				
	8,455	—	50.79	2/16/2022				
	15,767	—	59.3	2/13/2023				
	44,118	—	8.61	2/10/2026				
	31,104	15,553	13.35	2/9/2027				
	20,990	41,980	9.18	2/7/2028				
	—	111,111	8.35	2/6/2029				
				8,069	55,515			
				20,853	143,469			
				51,843	356,680			
						40,144	276,191	
						58,875	405,060	
						83,565	574,927	
<b>Howard E. Davis</b>	73,529	—	8.61	2/10/2026				
	49,907	24,954	13.35	2/9/2027				
	33,678	67,356	9.18	2/7/2028				
	—	132,716	8.35	2/6/2029				
					12,946	89,068		
				33,458	230,191			
				61,924	426,037			
						64,410	443,141	
						94,464	649,912	
						99,814	686,720	
<b>Brady K. Long</b>	58,489	—	8.61	2/10/2026				
	46,425	23,213	13.35	2/9/2027				
	31,328	62,657	9.18	2/7/2028				
	—	123,457	8.35	2/6/2029				
					12,043	82,856		
				31,124	214,133			
				57,604	396,316			
						59,916	412,222	
						87,873	604,566	
						92,851	638,815	

(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 10, 2017, February 8, 2018, and February 7, 2019. Restricted share units vest in one-third increments over a three-year period.

## EXECUTIVE COMPENSATION

- (3) For purposes of calculating the amounts in these columns, the closing price of our shares on the NYSE on December 31, 2019, of \$6.88 was used.
- (4) Represents performance share units, which are subject to a three-year performance period ending on December 31, 2019, December 31, 2020, and December 31, 2021. 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 the day following 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 2019

The following table sets forth certain information with respect to the exercise of options and the vesting of RSUs and PSUs, as applicable, during 2019 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 <sup>(1)</sup> (\$)
<b>Jeremy D. Thigpen</b>	—	—	412,109	3,442,488
<b>Mark L. Mey</b>	—	—	171,365	1,431,462
<b>Keelan I. Adamson</b>	—	—	78,839	658,577
<b>Howard E. Davis</b>	—	—	130,250	1,088,028
<b>Brady K. Long</b>	—	—	107,606	898,900

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

## Pension Benefits for 2019

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 2019 (\$)
Jeremy D. Thigpen	Transocean Savings Restoration Plan	5	806,123	—
Mark L. Mey	Transocean Savings Restoration Plan	5	450,331	—
Keelan I. Adamson	Transocean Savings Restoration Plan	5	238,861	—
	Transocean U.S. Retirement Plan	10	503,517	—
	Transocean Pension Equalization Plan	10	484,083	—
Howard E. Davis	Transocean Savings Restoration Plan	4	248,602	—
Brady K. Long	Transocean Savings Restoration Plan	4	203,700	—

## 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. Mr. Adamson is the only Named Executive Officer who participates in this plan.

The purpose of the plan is to provide post-retirement income benefits to employees in recognition of their long-term service to the Company. Benefits available to executives are no greater than those offered to non-executive participants. The plan is funded through cash contributions made by the Company based on actuarial valuations and regulatory requirements. Employees working for the Company in the U.S. are fully vested after completing five years of eligible employment. Employees earn the right to receive a benefit upon retirement at the normal retirement age of 65 or upon early retirement (age 55 or older with five years of service).

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 2019" table above. In particular, monthly accrued pension benefits, payable at age 65, were determined as of December 31, 2019. The present value of these benefits was calculated based on assumptions used in the Company's financial statements for 2019.

### Transocean Pension Equalization Plan

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

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

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

Certain assumptions and calculation methods were used to determine the values of the pension benefits disclosed in the "Pension Benefits for 2019" table above. In particular, monthly accrued pension benefits, payable at age 65, were determined as of December 31, 2019. The present value of these benefits was calculated based on assumptions used in the Company's financial statements for 2019.

## 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, Performance Share Units and Stock Options – executive’s right to unvested portion of award terminates immediately; vested and outstanding stock options will remain exercisable for 60 days following termination (or until option expiration, if sooner)
Involuntary not-for-cause termination or Retirement	<p>Restricted Share Units – prorated portion of award vests</p> <p>Performance Share Units – prorated portion of award vests based on actual performance after the performance period ends</p> <p>Stock Options – unvested portion of award terminates immediately; vested and outstanding will remain exercisable for one year following termination (or until option expiration, if sooner)</p>
Termination due to Death or Disability	<p>Restricted Share Units – award vests</p> <p>Performance Share Units – prorated portion of award vests based on actual performance after the performance period ends</p> <p>Stock Options – award vests and all vested and outstanding will remain exercisable for one year following termination (or until option expiration, if sooner)</p>
Involuntary termination not-for-cause after a Change of Control	<p>Restricted Share Units – award vests</p> <p>Performance Share Units – award vests based on target performance</p> <p>Stock Options – awards vests and all vested and outstanding will remain exercisable for one year following termination (or until option expiration, if sooner)</p>

The following table sets forth certain information with respect to compensation that would be payable to the Named Executive Officers, as of December 31, 2019, upon a variety of termination scenarios.



## EXECUTIVE COMPENSATION

As of December 31, 2019, 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 <sup>(1)</sup>	CASH SEVERANCE PAYMENT <sup>(2)</sup> (\$)	NON-EQUITY INCENTIVE COMPENSATION <sup>(3)</sup> (\$)	STOCK AWARDS <sup>(4)</sup> (\$)	OPTION AWARDS <sup>(5)</sup> (\$)	RETIREMENT PLAN BENEFIT <sup>(6)</sup> (\$)	TOTAL (\$)
<b>Jeremy D. Thigpen</b>	Voluntary Not-for-Cause	—	—	—	—	806,123	806,123
	Involuntary Not-for-Cause	—	1,775,000	2,672,607	—	806,123	5,253,730
	Retirement	—	1,775,000	2,672,607	—	806,123	5,253,730
	Death <sup>(7)</sup>	—	1,775,000	3,953,990	—	806,123	6,535,113
	Disability <sup>(7)</sup>	—	1,775,000	3,953,990	—	806,123	6,535,113
	Change of Control	—	1,775,000	4,547,439	—	806,123	7,128,562
<b>Mark L. Mey</b>	Voluntary Not-for-Cause	—	—	—	—	450,331	450,331
	Involuntary Not-for-Cause	—	917,320	1,042,194	—	450,331	2,409,845
	Retirement	—	917,320	1,042,194	—	450,331	2,409,845
	Death <sup>(7)</sup>	—	917,320	1,537,097	—	450,331	2,904,748
	Disability <sup>(7)</sup>	—	917,320	1,537,097	—	450,331	2,904,748
	Change of Control	—	917,320	1,765,999	—	450,331	3,133,650
<b>Keelan I. Adamson</b>	Voluntary Not-for-Cause	—	—	—	—	722,944	722,944
	Involuntary Not-for-Cause	—	639,000	584,599	—	722,944	1,946,543
	Retirement	—	639,000	584,599	—	722,944	1,946,543
	Death <sup>(7)</sup>	—	639,000	894,708	—	538,015	2,071,723
	Disability <sup>(7)</sup>	—	639,000	894,708	—	722,944	2,256,652
	Change of Control	—	639,000	1,016,451	—	722,944	2,378,395
<b>Howard E. Davis</b>	Voluntary Not-for-Cause	—	—	—	—	248,602	248,602
	Involuntary Not-for-Cause	577,500	585,750	829,894	—	248,602	2,241,746
	Retirement	—	585,750	829,894	—	248,602	1,664,246
	Death <sup>(7)</sup>	—	585,750	1,223,984	—	248,602	2,058,336
	Disability <sup>(7)</sup>	—	585,750	1,223,984	—	248,602	2,058,336
	Change of Control	577,500	585,750	1,406,258	—	248,602	2,818,110
<b>Brady K. Long</b>	Voluntary Not-for-Cause	—	—	—	—	203,700	203,700
	Involuntary Not-for-Cause	577,500	585,750	771,998	—	203,700	2,138,948
	Retirement	—	585,750	771,998	—	203,700	1,561,448
	Death <sup>(7)</sup>	—	585,750	1,138,595	—	203,700	1,928,045
	Disability <sup>(7)</sup>	—	585,750	1,138,595	—	203,700	1,928,045
	Change of Control	577,500	585,750	1,308,151	—	203,700	2,675,101

- (1) Amounts in the table represent obligations of the Company under agreements currently in place and valued as of December 31, 2019. Agreements do not provide for any single-trigger payments upon a change of control.
- (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 2019 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 U.S. \$6.88, the closing stock price on the last trading day of 2019.
- (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, 2019.
- (7) In addition to the benefits listed in the preceding table, payments will also be made under the Company's life and disability insurance plans, a benefit that is generally available to all employees.

## 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 2019 was \$9,936,952, and the 2019 total compensation of the median employee in U.S. dollars was \$129,485. Accordingly, for 2019, the Company estimates the ratio of our CEO's total compensation to the median total compensation of all employees to be 77 to 1.

Due to changes in our employee population and compensation arrangements, we are not using the same median employee as prior year. In determining the applicable median salary, we first excluded 243 of our non-U.S. employees located in Angola, Greece, Hungary, Nigeria, the Kingdom of Saudi Arabia, Spain, and Thailand representing 4.1% 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, 2019. 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, 2019, the last day of our fiscal year.

Once the median employee was identified as described above, the total annual compensation for 2019 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, 2019.

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 <sup>(1)</sup>	4,864,425	14.48	14,893,577
Equity compensation plans not approved by security holders	—	—	—
<b>Total</b>	<b>4,864,425</b>	<b>14.48</b>	<b>14,893,577</b>

(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, 2019, we had 7,467,259 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 2019 were Tan Ek Kia, Chair, Vincent J. Intrieri, Samuel J. Merksamer (as of November 2019) and Frederico F. Curado (until November 2019). There are no matters relating to interlocks or insider participation that we are required to report.

### 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 1414 Enclave Parkway, Houston, Texas 77077 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 2021 Annual General Meeting, your proposals must be received at our principal executive offices c/o Transocean Ltd., Turmstrasse 30, 6312 Steinhausen, Switzerland by no later than 5:00 p.m. Swiss time on November 30, 2020. However, if the date of the 2021 Annual General Meeting changes by more than 30 days from the anniversary of the 2020 Annual General Meeting, the deadline is a reasonable time before we begin to print and mail our proxy materials. We will notify you of this deadline in a Quarterly Report on Form 10-Q, in a Current Report on Form 8-K or in another communication to you. Shareholder proposals must also be otherwise eligible for inclusion.

*Shareholder Proposals and Nominations for Directors to be Presented at Meetings.* If you desire to bring a matter before an annual general meeting and the proposal is submitted outside the process of Rule 14a-8, you must follow the procedures set forth in our Articles of Association. Our Articles of Association provide generally that, if you desire to propose any business at an annual general meeting (including the nomination of any director), you must give us written notice at least 30 calendar days prior to the anniversary date of the proxy statement in connection with Transocean's last annual general meeting; provided, however, that if the date of the annual general meeting is 30 calendar days before or after the anniversary date of the last annual general meeting, such request must instead be made by the tenth day following the date on which we have made public disclosure of the date of the annual general meeting. The deadline under our Articles of Association for submitting proposals will be 5:00 p.m. Swiss time on February 28, 2021, for the 2021 annual meeting unless it is more than 30 calendar days before or after May 7, 2021.

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 13, 2021. 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 (if permitted) 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, 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 U.S. \$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.

## Delinquent Section 16(a) Reports

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 2019, 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 other than a Form 4 that was filed on behalf of Mr. Edward R. Muller, a member of the Company's Board of Directors, on March 11, 2020.

## 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—2019 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 2019 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 12/31/19
<b>Contract Drilling Revenues</b>	\$ 3,088
Contract intangible amortization	187
<b>Adjusted Contract Drilling Revenues</b>	<b>\$ 3,275</b>
<b>Net loss</b>	<b>\$ (1,257)</b>
Interest expense, net of interest income	617
Income tax expense	59
Depreciation and amortization	855
Contract intangible amortization	187
<b>EBITDA</b>	<b>461</b>
Acquisition and restructuring costs	6
Loss on impairment of assets	609
Loss on disposal of assets, net	5
Gain on bargain purchase	(11)
Loss on retirement of debt	41
Gain on termination of construction contracts	(132)
<b>Adjusted EBITDA</b>	<b>\$ 979</b>
EBITDA margin	14 %
Adjusted EBITDA margin	30 %

# APPENDIX B

## TRANSOCEAN LTD. 2015 LONG-TERM INCENTIVE PLAN (as amended and restated effective \_\_\_\_\_, 2020)

1. **Plan.** *Transocean Ltd., a Swiss corporation (the “Company”), established this Transocean Ltd. 2015 Long-Term Incentive Plan (this “Plan”), effective as of May 15, 2015 (the “Effective Date”) and as amended and restated effective \_\_\_\_\_, 2020.*

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

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

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

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

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

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

“*Change of Control*” means:

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

(ii) Individuals who, as of the Effective Date, constitute the Board (the “*Incumbent Board*”) cease for any reason to constitute at least a majority of the Board; *provided, however*, that for purposes of this definition any individual becoming a director subsequent to the Effective Date whose election, or nomination for election by the Company’s shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding,



for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

“*Shares*” means the registered shares, par value 0.10 Swiss francs per share, of the Company.

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

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

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

(a) *Shares Initially Available for Awards. Subject to the provisions of Paragraph 15 hereof, there shall be available for Awards under this Plan granted wholly or partly in Shares*

*(including rights or Options that may be exercised for or settled in Shares) an aggregate of 61,500,000 Shares plus the 1,212,966 Shares remaining available for awards under the Prior Plan as of the Effective Date, all of which shall be available for Incentive Stock Options. Each Share issued pursuant to an award of Restricted Shares or Restricted Share Units (including those designated as Performance Awards) granted on or after the Effective Date shall reduce the Available Shares by 1.68.*

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

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

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

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

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

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

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

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

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

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

## 6. Administration.

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

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

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

(d) Minimum Vesting or Restriction Period. *Subject to Paragraph 6(a) hereof, all Awards shall have a minimum vesting period or Restriction Period, as applicable, of one year from the Grant Date; provided, however, that Awards with respect to up to five percent (5%) of the Shares available for Awards pursuant to this Plan (subject to adjustment as provided in Paragraph 15) may be issued pursuant to Awards without regard to the limitations of this Paragraph 6(d).*

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

8. **Employee Awards.**

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

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

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

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

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

Committee. Subject to the terms of this Plan, the Committee, in its sole discretion, may settle Restricted Share Units in the form of cash or in Shares (or in a combination thereof) equal to the value of the vested Restricted Share Units.

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

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

(h) Performance Awards. Without limiting the type or number of Awards that may be made under the other provisions of this Plan, an Employee Award may be in the form of a Performance Award. The terms, conditions and limitations applicable to an Award that is a Performance Award shall be determined by the Committee. The Committee shall set Performance Objectives in its discretion which, depending on the extent to which they are met, will determine the value and/or amount of Performance Awards that will be paid out to the Participant and/or the portion of an Award that may be exercised. One or more Performance Objectives may apply to the Employee, one or more business units, divisions or sectors of the Company, or the Company as a whole, and if so desired by the Committee, by comparison with a peer group of companies. A Performance Objective shall include one or more of the following: (1) increased revenue; (2) net income measures (including but not limited to income after capital costs and income before or after taxes); (3) Share price measures (including but not limited to growth measures and total shareholder return); price per Share; market share; earnings per Share (actual or targeted growth); (4) earnings before interest, taxes, depreciation, and amortization ("EBITDA"); (5) economic value added (or an equivalent metric); (6) market value added; (7) debt to equity ratio; (8) cash flow measures (including but not limited to cash flow return on capital, cash flow return on tangible capital, net cash flow and net cash flow before financing activities cash flow value added, cash flow return on market capitalization); (9) return measures (including but not limited to return on equity, return on average assets, return on capital, risk-adjusted return on capital, return on investors' capital and return on average equity); (10) operating measures (including operating income, funds from operations, cash from operations, after-tax operating income; sales volumes, production volumes and production efficiency); (11) expense measures (including but not limited to overhead cost and general and administrative expense cost control and project management); (12) margins; (13) shareholder value; (14) total shareholder return; (15) proceeds from dispositions; (16) total market value and corporate values measures (including ethics compliance, environmental, human resources development and safety); and (17) any other measure determined by the Committee. Unless otherwise stated, such a Performance Objective need not be based upon an increase or positive result under a particular business criterion and could include, for example, maintaining the status quo or limiting economic losses (measured, in each case, by reference to specific business criteria).

9. **Director Awards.** The Board has the sole authority to grant Director Awards from time to time in accordance with this Paragraph 9. Director Awards may consist of the forms of Award described in Paragraph 8, with the exception of Options, SARs, Performance Awards and Cash Awards, and shall be granted subject to such terms and conditions as specified in Paragraph 8. Each Director Award

may, in the discretion of the Board, be embodied in an Award Agreement, which shall contain such terms, conditions, and limitations as shall be determined by the Board, in its sole discretion.

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

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

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

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

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

**13. Amendment, Modification, Suspension or Termination.** The Board may amend, modify, suspend or terminate this Plan (and the Committee may amend an Award Agreement) for the purpose of meeting or addressing any changes in legal requirements or for any other purpose permitted by law, except that (i) no amendment or alteration that would materially adversely affect the rights of any Participant under any Award previously granted to such Participant shall be made without the consent of such Participant and (ii) no amendment or alteration shall be effective prior to its approval by the shareholders of the Company to the extent shareholder approval is otherwise required by applicable legal requirements or

the requirements of the securities exchange on which the Company's shares are listed, including any amendment that expands the types of Awards available under this Plan, materially increases the number of Shares available for Awards under this Plan, materially expands the classes of persons eligible for Awards under this Plan, materially extends the term of this Plan, materially changes the method of determining the Exercise Price of Options, or deletes or limits any provisions of this Plan that prohibit the repricing of Options or SARs.

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

15. **Adjustments.**

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

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

(c) *In the event of a corporate merger, consolidation, acquisition of property or stock, separation, reorganization or liquidation, the Committee may make such adjustments to Awards or other provisions for the disposition of Awards as it deems equitable, and shall be authorized, in its discretion, (i) to provide for the substitution of a new Award or other arrangement (which, if applicable, may be exercisable for such property or stock as the Committee determines) for an Award or the assumption of the Award, regardless of whether in a transaction to which Code Section 424(a) applies, (ii) to provide, prior to the transaction, for the acceleration of the vesting and exercisability of, or lapse of restrictions with respect to, the Award and, if the transaction is a cash merger, provide*



for the termination of any portion of the Award that remains unexercised at the time of such transaction, or (iii) to cancel any such Awards and to deliver to the Participants cash in an amount that the Committee shall determine in its sole discretion is equal to the Fair Market Value of such Awards on the date of such event, which in the case of Options or Share Appreciation Rights shall be the excess (if any) of the Fair Market Value of Shares on such date over the Exercise Price of such Award.

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

16. **Restrictions.** No Shares or other form of payment shall be issued with respect to any Award unless the Company shall be satisfied based on the advice of its counsel that such issuance will be in compliance with applicable federal and state securities and other laws. Certificates evidencing Shares delivered under this Plan (to the extent that such Shares are so evidenced) may be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations and other requirements of the Securities and Exchange Commission, any securities exchange or transaction reporting system upon which the Shares are then listed or to which it is admitted for quotation and any applicable federal or state securities or other laws. The Committee may cause a legend or legends to be placed upon such certificates (if any) to make appropriate reference to such restrictions.

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

18. **Code Section 409A.**

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

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

to be subject to Code Section 409A, the applicable Award Agreement shall include terms that are designed to satisfy the requirements of Code Section 409A.

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

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

20. **No Right to Continued Service or Employment.** Nothing in this Plan or an Award Agreement shall interfere with or limit in any way the right of the Company or any of its Subsidiaries to terminate any Participant’s employment or other service relationship with the Company or its Subsidiaries at any time, nor confer upon any Participant any right to continue in the capacity in which such Participant is employed or otherwise serves the Company or its Subsidiaries.

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

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

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

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

25. **Effectiveness.** This Plan was approved by the holders of a majority of Shares present, or represented, and entitled to vote at the 2015 annual general meeting of the Company’s shareholders and became effective as of the Effective Date. This Plan shall continue until terminated by action of the Board. Notwithstanding the foregoing, the Plan, as amended and restated herein effective \_\_\_\_\_, 2020, is expressly conditioned upon the approval by the holders of a majority of Shares present, or represented, and entitled to vote at the 2020 annual general meeting of the Company’s shareholders. If the shareholders of the Company should fail to so approve this Plan at the 2020 annual general meeting of the Company’s shareholders, (i) the amendment and restatement of this Plan herein shall not be of any force or effect and (ii) the Plan shall continue in effect in accordance with its terms and provisions as in effect immediately prior to the amendment and restatement of the Plan.

# Annex A

## Amendment to Article 5 of the Articles of Association (Authorized Share Capital)

	<b>Artikel 5</b>		<b>Article 5</b>
Genehmigt Aktienkapital	<p>1 Der Verwaltungsrat ist ermächtigt, das Aktienkapital jederzeit bis zum 7. Mai 2022 im Maximalbetrag von CHF 18'497'450.30 durch Ausgabe von höchstens 184'974'503 vollständig zu liberierenden Aktien mit einem Nennwert von je CHF 0.10 zu erhöhen. Eine Erhöhung (i) auf dem Weg einer Festübernahme durch eine Bank, ein Bankenkonsortium oder Dritte und eines anschließenden Angebots an die bisherigen Aktionäre sowie (ii) in Teilbeträgen ist zulässig.</p> <p>2 Der Verwaltungsrat legt den Zeitpunkt der Ausgabe, den Ausgabebetrag, die Art, wie die neuen Aktien zu liberieren sind, den Beginn der Dividendenberechtigung, die Bedingungen für die Ausübung der Bezugsrechte sowie die Zuteilung der Bezugsrechte, welche nicht ausgeübt wurden, fest. Nicht-ausgeübte Bezugsrechte kann der Verwaltungsrat verfallen lassen, oder er kann diese bzw. Aktien, für welche Bezugsrechte eingeräumt, aber nicht ausgeübt werden, zu Marktkonditionen platzieren oder anderweitig im Interesse der Gesellschaft verwenden.</p> <p>3 Der Verwaltungsrat ist ermächtigt, die Bezugsrechte der Aktionäre in Bezug auf höchstens 61'658'167 Aktien zu entziehen oder zu beschränken und diese einzelnen Aktionären oder Dritten zuzuweisen:</p> <p>(a) wenn der Ausgabebetrag der neuen Aktien unter Berücksichtigung des Marktpreises festgesetzt wird; oder</p>	Autho- zed Share Capital	<p>1 The Board of Directors is authorized to increase the share capital, at any time until May 7, 2022, by a maximum amount of CHF 18,497,450.30 by issuing a maximum of 184,974,503 fully paid up Shares with a par value of CHF 0.10 each. An increase of the share capital (i) by means of an offering underwritten by a financial institution, a syndicate of financial institutions or another third party or third parties, followed by an offer to the then-existing shareholders of the Company, and (ii) in partial amounts shall be permissible.</p> <p>2 The Board of Directors shall determine the time of the issuance, the issue price, the manner in which the new Shares have to be paid up, the date from which the Shares carry the right to dividends, the conditions for the exercise of the preemptive rights and the allotment of preemptive rights that have not been exercised. The Board of Directors may allow the preemptive rights that have not been exercised to expire, or it may place such rights or Shares, the preemptive rights of which have not been exercised, at market conditions or use them otherwise in the interest of the Company.</p> <p>3 The Board of Directors is authorized to withdraw or limit the preemptive rights of the shareholders with respect to a maximum of 61,658,167 Shares and to allot them to individual shareholders or third parties:</p> <p>(a) if the issue price of the new Shares is determined by reference to the market price; or</p>

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| <p>(b) für die Übernahme von Unternehmen, Unternehmensteilen oder Beteiligungen oder für die Finanzierung oder Refinanzierung solcher Transaktionen oder die Finanzierung von neuen Investitionsvorhaben der Gesellschaft; oder</p> <p>(c) zum Zwecke der Erweiterung des Aktionärskreises in bestimmten Finanz- oder Investoren-Märkten, zur Beteiligung von strategischen Partnern, oder im Zusammenhang mit der Kotierung von neuen Aktien an inländischen oder ausländischen Börsen; oder</p> <p>(d) für die Einräumung einer Mehrzuteilungsoption (<i>Greenshoe</i>) von bis zu 20% der zu platzierenden oder zu verkaufenden Aktien an die betreffenden Erstkäufer oder Festübernehmer im Rahmen einer Aktienplatzierung oder eines Aktienverkaufs; oder</p> <p>(e) für die Beteiligung von Mitgliedern des Verwaltungsrates, Mitglieder der Geschäftsleitung, Mitarbeitern, Beauftragten, Beratern oder anderen Personen, die für die Gesellschaft oder eine ihrer Tochtergesellschaften Leistungen erbringen.</p> <p>4 Die neuen Aktien unterliegen den Eintragungsbeschränkungen in das Aktienbuch von Artikel 7 und 9 dieser Statuten.</p> | <p>(b) for the acquisition of an enterprise, part(s) of an enterprise or participations, or for the financing or refinancing of any of such transactions, or for the financing of new investment plans of the Company; or</p> <p>(c) for purposes of broadening the shareholder constituency of the Company in certain financial or investor markets, for purposes of the participation of strategic partners, or in connection with the listing of new Shares on domestic or foreign stock exchanges; or</p> <p>(d) for purposes of granting an over-allotment option (<i>Greenshoe</i>) of up to 20% of the total number of Shares in a placement or sale of Shares to the respective initial purchaser(s) or underwriter(s); or</p> <p>(e) for the participation of members of the Board of Directors, members of the Executive Management Team, employees, contractors, consultants or other persons performing services for the benefit of the Company or any of its subsidiaries.</p> <p>4 The new Shares shall be subject to the limitations for registration in the share register pursuant to Articles 7 and 9 of these Articles of Association."</p> |
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**TRANSOCEAN LTD.**

**COMPENSATION REPORT**  
**For the years ended December 31, 2019 and 2018**



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To the General Meeting of

**Transocean Ltd., Steinhausen**

Zurich, March 6, 2020

### **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, 2019.

#### **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, 2019 of Transocean Ltd. complies with Swiss law and articles 14 – 16 of the Ordinance.

Ernst & Young Ltd

/s/ Reto Hofer  
Licensed audit expert  
(Auditor in charge)

/s/ Ralph Petermann  
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, 2019 and 2018. For a description of our governance framework relating to executive and director compensation, please refer to page P-62 et seq. of our 2020 Proxy Statement under the caption “Executive and Director Compensation Process.” For a description of our directors’ compensation principles, please refer to page P-70 et seq. of our 2020 Proxy Statement under the captions “Director Compensation Strategy” and “2019 Director Compensation.” For a description of our Executive Management Team compensation principles, please refer to page P-76 et seq. of our 2020 Proxy Statement under the caption “Compensation Discussion and Analysis.”

For the years ended December 31, 2019 and 2018, we have presented all compensation amounts in U.S. dollars and Swiss francs using the average annual currency exchange rate of USD 1.00 to CHF 0.99 and CHF 0.98, respectively.

## BOARD OF DIRECTORS’ COMPENSATION

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

	Year ended December 31, 2019		Year ended December 31, 2018	
	Payment currency	Swiss franc equivalent	Payment currency	Swiss franc equivalent
Annual retainer - non-employee chair	USD 325,000	CHF 323,245	USD 325,000	CHF 317,753
Annual retainer - non-employee vice chair	—	—	—	—
Annual retainer - non-employee directors	100,000	99,460	100,000	97,770
Grant of restricted share units - non-employee chair	325,000	323,245	325,000	317,753
Grant of restricted share units - non-employee vice chair	—	—	—	—
Grant of restricted share units - non-employee directors	210,000	208,866	210,000	205,317
Additional annual retainer for committee chairs:				
Audit Committee	35,000	34,811	35,000	34,220
Compensation Committee	20,000	19,892	20,000	19,554
Corporate Governance Committee, Finance Committee, and Health, Safety and Environment Committee	10,000	9,946	10,000	9,777

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-employee vice chair for the years ended December 31, 2019 and December 31, 2018.

We grant restricted share units to the non-employee chair 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, 2019				Year ended December 31, 2018			
	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)
<b>Chadwick C. Deaton (c)</b>	CHF 553,843	CHF 246,315	CHF 307,528	40,524	CHF 322,643	CHF 107,547	CHF 215,096	16,141
Chair of the board since May 9, 2019; chair of the health, safety and environment committee and member of the corporate governance committee until May 9, 2019	USD 556,851	USD 247,653	USD 309,198		USD 330,002	USD 110,000	USD 220,002	
<b>Glyn A. Barker (d)</b>	332,984	134,271	198,713	26,185	347,085	131,990	215,096	16,141
Member of the board; chair of the audit committee; member of the finance committee	334,792	135,000	199,792		355,002	135,000	220,002	
<b>Vanessa C.L. Chang (c)</b>	298,173	99,460	198,713	26,185	312,866	97,770	215,096	16,141
Member of the board; member of the audit committee; member of the corporate governance committee	299,792	100,000	199,792		320,002	100,000	220,002	
<b>Frederico F. Curado (e)</b>	304,279	105,566	198,713	26,185	312,866	97,770	215,096	16,141
Member of the board; chair of the health, safety and environment committee and member of the corporate governance committee since May 9, 2019; member of the audit committee until May 9, 2019, member of the compensation committee and until November 14, 2019.	305,931	106,139	199,792		320,002	100,000	220,002	
<b>Vincent J. Intrieri (c)</b>	308,119	109,406	198,713	26,185	321,828	106,732	215,096	16,141
Member of the board, chair of the corporate governance committee; member of the compensation committee; member of the finance committee	309,792	110,000	199,792		329,169	109,167	220,002	
<b>Samuel Merksamer (c)</b>	298,173	99,460	198,713	26,185	312,866	97,770	215,096	16,141
Member of the board; member of the finance committee; member of the compensation committee since November 14, 2019; member of the health, safety and environment committee until May 9, 2019	299,792	100,000	199,792		320,002	100,000	220,002	
<b>Frederik W. Mohn (f)</b>	298,173	99,460	198,713	26,185	304,718	89,623	215,096	16,141
Member of the board; member of the audit committee; member of the health, safety and environment committee	299,792	100,000	199,792		311,669	91,667	220,002	
<b>Edward R. Muller (c)</b>	308,119	109,406	198,713	26,185	322,643	107,547	215,096	16,141
Member of the board; chair of the finance committee; member of the audit committee since May 9, 2019; member of the health, safety and environment committee until May 9, 2019	309,792	110,000	199,792		330,002	110,000	220,002	
<b>Tan Ek Kia (g)</b>	318,065	119,352	198,713	26,185	332,420	117,324	215,096	16,141
Member of the board; chair of the compensation committee; member of the health, safety and environment committee	319,792	120,000	199,792		340,002	120,000	220,002	
<b>Merrill A. "Pete" Miller, Jr (c)(h)</b>	115,829	115,829	—	—	650,651	317,753	332,898	24,981
Chair of the board until May 9, 2019	116,458	116,458	—	—	665,491	325,000	340,491	
<b>Martin B. McNamara (c)(i)</b>	—	—	—	—	8,962	8,962	—	—
Member of the board; chair of the corporate governance committee and member of the compensation committee until January 30, 2018	—	—	—	—	9,167	9,167	—	—
Total (CHF)	CHF 3,135,757	CHF 1,238,525	CHF 1,897,232	250,004	CHF 3,549,548	CHF 1,280,788	CHF 2,268,762	170,250
Total (USD)	USD 3,152,784	USD 1,245,250	USD 1,907,534		USD 3,630,510	USD 1,310,001	USD 2,320,508	

- (a) Fees earned include cash retainer fees.
- (b) For the years ended December 31, 2019 and 2018, we estimated the fair value of restricted share units to be USD 7.63 and USD 13.63, respectively, equivalent to CHF 7.59 and CHF 13.33, 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, 2019 and 2018, such employer-paid social taxes on Transocean compensation were USD 18,630 and USD 18,630, respectively, equivalent to CHF 18,529 and CHF 18,215, 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, 2019 and 2018, such employer-paid social taxes were USD 8,433 and USD 7,945, respectively, equivalent to CHF 8,387 and CHF 7,768, respectively.
- (f) In addition to the total compensation presented above, Mr. Mohn received compensation representing employer-paid Swiss social taxes. In the years ended December 31, 2019 and 2018, such employer-paid social taxes were USD 7,945 and USD 7,283, respectively, equivalent to CHF 7,902 and CHF 7,121, respectively.
- (g) In addition to the total compensation presented above, Mr. Tan received compensation representing employer-paid Swiss social taxes. In the years ended December 31, 2019 and 2018, such employer-paid social taxes were USD 7,343 and USD 7,327, respectively, equivalent to CHF 7,303 and CHF 7,163, respectively.
- (h) Effective May 9, 2019, Mr. Miller retired from the Board of Directors.
- (i) 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, 2019			Year ended December 31, 2018		
	Total salary and other non share-based compensation	Total share-based compensation	Total compensation	Total salary and other non share-based compensation	Total share-based compensation	Total compensation
<b>Jeremy D. Thigpen</b> Chief Executive Officer since April 22, 2015	CHF 3,063,515 USD 3,080,148	CHF 6,908,924 USD 6,946,435	CHF 9,972,439 USD 10,026,583	CHF 2,320,443 USD 2,373,369	CHF 6,161,558 USD 6,302,094	CHF 8,482,001 USD 8,675,463
<b>Mark L. Mey</b> Executive Vice President and Chief Financial Officer since May 28, 2015	1,859,868 1,869,965	2,664,868 2,679,337	4,524,736 4,549,302	1,475,839 1,509,501	2,376,598 2,430,806	3,852,437 3,940,307
<b>Keelan I. Adamson</b> Executive Vice President and Chief Operations Officer since August 10, 2018	1,367,813 1,375,239	1,776,571 1,786,217	3,144,384 3,161,456	452,127 462,439	— —	452,127 462,439
<b>John B. Stobart</b> Executive Vice President and Chief Operating and Performance Officer until June 1, 2018	1,464,404 1,472,354	— —	1,464,404 1,472,354	1,498,075 1,532,244	2,385,413 2,439,822	3,883,488 3,972,066
Total (CHF)	CHF 7,755,600	CHF 11,350,363	CHF 19,105,963	CHF 5,746,484	CHF 10,923,569	CHF 16,670,053
Total (USD)	USD 7,797,706	USD 11,411,989	USD 19,209,695	USD 5,877,553	USD 11,172,722	USD 17,050,275

**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, 2019					
	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
<b>Jeremy D. Thigpen</b>	CHF 994,600 USD 1,000,000	CHF 1,765,415 USD 1,775,000	CHF — USD —	CHF 195,190 USD 196,250	CHF 108,310 USD 108,898	CHF 3,063,515 USD 3,080,148
<b>Mark L. Mey</b>	755,896 760,000	912,367 917,320	— —	125,063 125,742	66,542 66,903	1,859,868 1,869,965
<b>Keelan I. Adamson</b>	596,760 600,000	635,549 639,000	— —	86,488 86,957	49,016 49,282	1,367,813 1,375,239
<b>John B. Stobart</b>	333,191 335,000	— —	1,038,018 1,043,654	27,849 28,000	65,346 65,700	1,464,404 1,472,354
Total (CHF)	CHF 2,680,447	CHF 3,313,331	CHF 1,038,018	CHF 434,590	CHF 289,214	CHF 7,755,600
Total (USD)	USD 2,695,000	USD 3,331,320	USD 1,043,654	USD 436,949	USD 290,783	USD 7,797,706

- (a) Bonus represents the amount earned in the year ended December 31, 2019, but not paid as of December 31, 2019.
- (b) Additional compensation for Mr. Stobart includes payment in accordance with the terms of his non-compete agreement.
- (c) Includes employer-paid social taxes and costs of health benefits, such as medical and dental insurance. Through December 31, 2019, Mr. Adamson has accrued benefits of USD 484,083, equivalent to CHF 481,469 under the Transocean Ltd. Pension Equalization Plan and USD 503,517, equivalent to CHF 500,798 under the Transocean U.S. Retirement Plan. Mr. Stobart has accrued benefits of USD 205,373, equivalent to CHF 204,264 under the Transocean Ltd. Pension Equalization Plan and USD 96,694, equivalent to CHF 96,172 under the Transocean U.S. Retirement Plan. Mr. Stobart will be receiving payment for his accrued benefits under the Pension Equalization Plan in January 2020.

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
<b>Jeremy D. Thigpen</b>	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
<b>Mark L. Mey</b>	743,052 760,000	486,328 497,420	— —	161,465 165,148	84,994 86,933	1,475,839 1,509,501
<b>Keelan I. Adamson (d)</b>	228,870 234,090	132,173 135,188	— —	71,380 73,008	19,704 20,154	452,127 462,439
<b>John B. Stobart</b>	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.

**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, 2019 and 2018, 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, 2019										
	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	432,099	CHF 1,753,444	USD 1,762,964	201,613	CHF 1,674,378	USD 1,683,469	324,977	CHF 3,481,102	USD 3,500,002	CHF 6,908,924	USD 6,946,435
Mark L. Mey	166,667	676,329	680,001	77,765	645,831	649,338	125,348	1,342,708	1,349,998	2,664,868	2,679,337
Keelan I. Adamson	111,111	450,885	453,333	51,843	430,551	432,889	83,565	895,135	899,995	1,776,571	1,786,217
John B. Stobart	—	—	—	—	—	—	—	—	—	—	—
Total (CHF)	598,767	CHF 2,880,658	—	331,221	CHF 2,750,760	—	533,890	CHF 5,718,945	—	CHF 11,350,363	—
Total (USD)	—	—	USD 2,896,298	—	—	USD 2,765,696	—	USD 5,749,995	—	—	USD 11,411,989

- (a) We granted stock options, restricted share units and performance share units to the members of our Executive Management Team on February 7, 2019.  
(b) The three-year performance period is January 1, 2019 to December 31, 2021 and is based on our total shareholder return relative to our performance peer group.

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	USD 1,483,551	163,399	CHF 1,466,553	USD 1,500,003	307,557	CHF 3,244,537	USD 3,318,540	CHF 6,161,558	USD 6,302,094
Mark L. Mey	126,880	559,468	572,229	63,025	565,667	578,570	118,629	1,251,463	1,280,007	2,376,598	2,430,806
Keelan I. Adamson (c)	—	—	—	—	—	—	—	—	—	—	—
John B. Stobart	127,350	561,541	574,349	63,259	567,768	580,718	119,069	1,256,104	1,284,755	2,385,413	2,439,822
Total (CHF)	583,177	CHF 2,571,477	—	289,683	CHF 2,599,988	—	545,255	CHF 5,752,104	—	CHF 10,923,569	—
Total (USD)	—	—	USD 2,630,129	—	—	USD 2,659,291	—	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.

**TRANSOCEAN LTD.**  
**COMPENSATION REPORT—continued**

**CREDITS AND LOANS GRANTED TO GOVERNING BODIES**

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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, 2019. At December 31, 2019 and 2018, we had no outstanding credits or loans to active or former members of our Board of Directors, members of our Executive Management Team or to any other related persons.

**COMPENSATION TO FORMER MEMBERS OF OUR BOARD OF DIRECTORS OR OUR EXECUTIVE MANAGEMENT TEAM OR TO RELATED PERSONS**

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During the year ended December 31, 2019 we paid former non-employee Chairman of the Board, Pete Miller, USD 116,458, equivalent to CHF 115,829, representing 2019 prorated fees prior to retirement. Additionally, we paid former Executive Management Team member, John Stobart, USD 1,472,354, equivalent to CHF 1,464,404, which included compensation for his notice period through June 2019 as well as compensation for his non-compete period. These amounts for Mr. Miller and Mr. Stobart are included in the total compensation tables above.

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.

**TRANSOCEAN LTD.**

**CONSOLIDATED FINANCIAL STATEMENTS**  
**For the years ended December 31, 2019, 2018 and 2017**

**TRANSOCEAN LTD. AND SUBSIDIARIES**  
**INDEX TO ANNUAL REPORT**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

<u>Item</u>		<u>Page</u>
<b>PART I</b>		
Item 1.	Business	AR - 2
Item 1A.	Risk Factors	AR - 8
Item 1B.	Unresolved Staff Comments	AR - 21
Item 2.	Properties	AR - 21
Item 3.	Legal Proceedings	AR - 21
Item 4.	Mine Safety Disclosures	AR - 21
<b>PART II</b>		
Item 5.	Market for Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities	AR - 23
Item 6.	Selected Financial Data	AR - 25
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	AR - 26
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk	AR - 40
Item 8.	Financial Statements and Supplementary Data	AR - 41
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	AR - 81
Item 9A.	Controls and Procedures	AR - 81
Item 9B.	Other Information	AR - 81
<b>PART III</b>		
Item 10.	Directors, Executive Officers and Corporate Governance	AR - 82
Item 11.	Executive Compensation	AR - 82
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters	AR - 82
Item 13.	Certain Relationships and Related Transactions, and Director Independence	AR - 82
Item 14.	Principal Accounting Fees and Services	AR - 82
<b>PART IV</b>		
Item 15.	Exhibits and Financial Statement Schedules	AR - 83

## 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 the various geographies in which we operate or our 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;
- debt levels, including impacts of a financial and economic downturn, and interest rates;
- newbuild, upgrade, shipyard and other capital projects, including completion, relinquishment or abandonment, 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, Norway, the United Kingdom (“U.K.”) and the U.S.;
- legal and regulatory matters, including results and effects of current or potential 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 our 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 other filings with the U.S. Securities and Exchange Commission (“SEC”), which are available free of charge on the SEC website at [www.sec.gov](http://www.sec.gov).

The foregoing risks and uncertainties are beyond our ability to control, and in many cases, we cannot predict the risks and uncertainties that could cause our actual results to differ materially from those indicated by the forward-looking statements. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those indicated. All subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by reference to these risks and uncertainties. You should not place undue reliance on forward-looking statements. Each forward-looking statement speaks only as of the date of the particular statement. We expressly disclaim any obligations or undertaking to release publicly any updates or revisions to any forward-looking statement to reflect any change in our expectations or beliefs with regard to the statement or any change in events, conditions or circumstances on which any forward-looking statement is based, except as required by law.

## PART I

### ITEM 1. BUSINESS

#### OVERVIEW

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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 12, 2020, we owned or had partial ownership interests in and operated a fleet of 45 mobile offshore drilling units, consisting of 28 ultra-deepwater floaters, 14 harsh environment floaters and three midwater floaters. As of February 12, 2020, we were constructing two ultra-deepwater drillships.

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

#### DRILLING FLEET

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**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 22 ultra-deepwater drillships that are, and two ultra-deepwater drillships under construction that will be, equipped with our patented dual-activity technology. Dual-activity technology employs structures, equipment and techniques using two drilling stations within a dual derrick to allow these drillships to perform simultaneous drilling tasks in a parallel, rather than a sequential manner, which reduces critical path activity and improves efficiency in both exploration and development drilling. In addition to dynamic positioning thruster systems, dual-activity technology and industry-leading hoisting capacity, our contracted newbuild drillship under construction will be equipped with and our uncontracted 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 21 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.

**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 14, 2020, 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 14, 2020, 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 owned through our 33.0 percent ownership interest in Orion Holdings (Cayman) Limited (together with its subsidiary, “Orion”), and (2) the ultra-deepwater floater *Petrobras 10000*, which is subject to a finance lease through August 2029.

<u>Rig category and name</u>	<u>Specifications</u>	<u>Type</u>	<u>Expected completion</u>	<u>Water depth capacity (in feet)</u>	<u>Drilling depth capacity (in feet)</u>	<u>Contracted location or contracted status</u>
<b>Rigs under construction (2)</b>						
<b>Ultra-deepwater floaters</b>						
Deepwater Atlas	(a) (b) (c) (d)	Drillship	—	12,000	40,000	Uncontracted
Deepwater Titan	(a) (b) (c) (e)	Drillship	4Q 2021	12,000	40,000	U.S. Gulf

- (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.



Rig category and name	Specifications	Type	Year entered service	Water depth capacity (in feet)	Drilling depth capacity (in feet)	Contracted location or standby status
<b>Ultra-deepwater floaters (28)</b>						
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
Deepwater Athena	(a) (b)	Drillship	2014	12,000	40,000	Stacked
Deepwater Asgard	(a) (b) (c)	Drillship	2014	12,000	40,000	U.S. Gulf
Deepwater Invictus	(a) (b) (c)	Drillship	2014	12,000	40,000	U.S. Gulf
Deepwater Skyros	(a) (b)	Drillship	2013	12,000	40,000	Angola
Deepwater Mylos	(a) (b)	Drillship	2013	12,000	40,000	Stacked
Deepwater Champion	(a) (b)	Drillship	2011	12,000	40,000	Stacked
Deepwater Corcovado	(a) (b)	Drillship	2011	10,000	35,000	Brazil
Deepwater Mykonos	(a) (b)	Drillship	2011	10,000	35,000	Brazil
Deepwater Orion	(a) (b)	Drillship	2011	10,000	35,000	Idle
Deepwater Olympia	(a) (b)	Drillship	2011	10,000	35,000	Stacked
Discoverer India	(a) (b) (e)	Drillship	2010	12,000	40,000	Egypt
Discoverer Luanda	(a) (b) (e)	Drillship	2010	7,500	40,000	Stacked
Dhirubhai Deepwater KG2	(a)	Drillship	2010	12,000	35,000	Australia
Discoverer Inspiration	(a) (b) (c) (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) (c) (e)	Drillship	2009	12,000	40,000	Stacked
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
Deepwater Nautilus	(f)	Semisubmersible	2000	8,000	30,000	Brunei

### Harsh environment floaters (14)

Transocean Norge	(a) (f)	Semisubmersible	2019	10,000	40,000	Norwegian N. Sea
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	Idle
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 (3)

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

- (a) Dynamically positioned.
- (b) Patented dual activity.
- (c) Two blowout preventers.
- (d) Designed to accommodate a future upgrade to 20,000 pounds psi blowout preventers.
- (e) Enhanced Enterprise-class rig.
- (f) Moored.
- (g) Dual activity.

## MARKETS

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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 can 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 observed market demand. Consequently, we cannot predict the future percentage of our revenues that will be derived from particular geographic areas. As of February 14, 2020, our drilling fleet, including stacked and idle rigs, but excluding rigs under construction, was located in the Norwegian North Sea (ten units), the U.S. Gulf of Mexico (eight units), Greece (seven units), the U.K. North Sea (five units), Brazil (three units), Canada (two units), Australia (two units), Malaysia (one unit), Angola (one unit), India (one unit), Egypt (one unit), Brunei (one unit), Equatorial Guinea (one unit), Namibia (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 energy companies, including integrated oil companies, independent oil companies and, to a lesser extent, national oil companies 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 energy companies' ability to fund investments in exploration, development and production activities.

Since 2014, 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 development programs. Structural efficiency gains achieved by industry participants in reaction to the downturn have provided customers more incentive to progress exploration and development plans in a lower commodity pricing environment, which resulted in increased customer project sanctioning in 2019. We anticipate this trend of increased project sanctioning to continue in 2020 as our customers continue to realize favorable offshore economics, reducing their sensitivity to market volatility, and increasing their focus on exploration and reserve replacement. Ultimately, as the hydrocarbon supply-demand balance improves, we expect a longer term sustained improvement of oil prices, that is expected to translate into greater demand for our fleet, resulting in further improvement of dayrates.

In markets requiring harsh environment floating drilling rigs, the limited supply of these specialized, high-specification rigs has continued to result in strong utilization and dayrate. In the ultra-deepwater markets, persistently improving supply-demand dynamics is now positively impacting both utilization and dayrates. With an increasing number of projects coming from deepwater and ultra-deepwater basins worldwide, we expect this trend to continue.

We have made concerted efforts since the beginning of the downturn to high-grade our fleet profile by acquiring additional high-specification assets and disposing of lower-specification assets. In the year ended December 31, 2018, we significantly enhanced our high-specification asset portfolio with our acquisitions of Songa Offshore SE("Songa"), a European public company limited by shares, or *societas Europaea*, existing under the laws of Cyprus, and Ocean Rig UDW Inc. ("Ocean Rig"), a Cayman Islands exempted company with limited liability, and our investment in a partial ownership interest in an unconsolidated affiliate that owns the harsh environment floater *Transocean Norge*. During the years ended December 31, 2019, 2018 and 2017, we sold for scrap value eleven, eight and three lower-specification drilling units, respectively.

Our outlook for the offshore drilling sector remains positive, particularly for high-specification assets. Brazil, the U.S. Gulf of Mexico, and West Africa remain key ultra-deepwater market sectors, while Norway represents the largest harsh environment market. Licensing activity demonstrated an increased interest in these areas as energy companies looked to explore and develop new prospects. We expect deepwater oil and gas production will continue to be the primary part of the long-term strategy for energy companies as they strive to replace reserves to meet global demand for energy sources and hydrocarbons. As our customers continue to achieve structural efficiency gains, we anticipate additional offshore projects will be sanctioned. Often, 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 high-specification drilling units. Generally, high-specification rigs are the most modern, technologically advanced class of the offshore fleet and have capabilities that are attractive to energy 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

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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, 2019, our contract backlog was approximately \$10.4 billion, representing a decrease of 17 percent and an increase of 9 percent, respectively, compared to the contract backlog at December 31, 2018 and 2017, which was \$12.5 billion and \$9.5 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**

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We engage in offshore drilling services for most of the leading integrated oil companies or their affiliates, as well as for many government-owned or government-controlled oil companies and other independent oil companies. For the year ended December 31, 2019, our most significant customers were Royal Dutch Shell plc (together with its affiliates, “Shell”), Equinor ASA (together with its affiliates, “Equinor”) and Chevron Corporation (together with its affiliates, “Chevron”), representing approximately 26 percent, 21 percent and 17 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, 2019. Additionally, as of February 14, 2020, the customers with the most significant aggregate amount of contract backlog associated with our drilling contracts were Shell, Equinor and Chevron, representing approximately 49 percent, 26 percent and 13 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**

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We require highly skilled personnel to operate our drilling units. Consequently, we conduct extensive personnel recruiting, training and safety programs. At December 31, 2019, we had approximately 6,600 employees, including approximately 700 persons engaged through contract labor providers. Approximately 47 percent of our total workforce, working primarily in Norway, Brazil, the U.K., Angola 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 sometimes result in strikes and 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

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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. At December 31, 2019, we held interests in certain joint venture companies in the Cayman Islands, Nigeria, Angola, Indonesia and other countries, the most significant of which was our 33.0 percent ownership interest in Orion, an unconsolidated Cayman Islands exempted company formed to construct and own the harsh environment semisubmersible *Transocean Norge*. Certain affiliates of Hayfin Capital Management LLP, own the remaining 67.0 percent ownership interest in Orion not owned by us.

## TECHNOLOGICAL INNOVATION

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We have a long history of technological innovation, including the first dynamically positioned drillship, the first rig to drill year-round in the North Sea, the first semisubmersible rig for year-round sub-Arctic operations, the first 10,000-ft. water depth rated ultra-deepwater drillship and numerous water depth world records over the past several decades. Twenty-two drillships and three semisubmersibles in our existing fleet are, and our two drillships that are under construction will be, equipped with our patented dual-activity technology, which allows our rigs to perform simultaneous drilling tasks in a parallel rather than sequential manner, reducing well construction critical path activities and, thereby, improving efficiency in both exploration and development drilling.

We continue to develop and deploy industry-leading technology in the pursuit of delivering safer, more efficient and environmentally responsible drilling services. In addition to our patented dual-activity drilling technology, two of our drillships under construction will include industry-leading 3 million-pound hook load capability, hybrid power systems for enhanced drill floor equipment reliability, fuel and emissions savings as well as advanced generator protection for power plant reliability. Nine drillships in our existing fleet are, and our two drillships that are under construction will be, outfitted with dual blowout preventers and triple liquid mud systems. In late 2018, we contracted and are outfitting one drillship that is under construction with a dual 20,000 psi blowout preventer and related equipment. Five drillships in our existing fleet are, and our uncontracted drillship that is under construction will be, designed to accept 20,000 psi blowout preventers in the future.

Seven of our harsh environment semisubmersibles are designed and constructed specifically to provide highly efficient performance in the Norwegian North Sea and in the Barents Sea. In 2019, we deployed the world's first hybrid energy storage system aboard a floating drilling unit, the harsh environment floater *Transocean Spitsbergen*, which is the first solution to reduce fuel consumption and emissions while providing enhanced power management reliability. We also continue to develop and invest in technologies designed to optimize our performance and deliver ever better operational integrity through innovations, such as our proprietary fault-resistant and fault-tolerant blowout preventer control system. We have installed automated drilling control systems on one harsh environment floater and are proceeding with five additional harsh environment floaters, which materially improve our ability to safely and efficiently deliver wells to our customers.

We have also deployed our smart equipment analytics tool, which delivers real-time data feeds from equipment and is used to monitor equipment health and inferred emissions and energy consumption. This technology can also identify trends in performance that allow us to systematically optimize equipment maintenance and achieve higher levels of reliability, operational efficiency and sustainability. This data-driven approach, augmented by the size of our fleet, is helping us build a knowledge framework for sustainable process optimization. Additionally, our continued, acute focus on personnel safety has driven development of our HaloGuard system, which will alarm, notify and, if required, halt equipment to avoid injury to personnel who move into danger zones.

We believe our efforts to continuously improve, and effectively use, innovative technologies to meet or exceed our customers' requirements is critical to maintaining our competitive position within the contract drilling services industry by drilling more efficient wells, building greater resilience into our critical operating systems, ensuring the safety of our crews, and reducing fuel consumption and emissions.

## ENVIRONMENTAL RESPONSIBILITY

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We constantly look for new ways to advance our commitment to safely performing our operations while simultaneously safeguarding the environment in which we operate. We assess the environmental impacts of our operations, focusing on the reduction of greenhouse gas emissions, operational discharges and water use, through increasing energy efficiency and waste minimization. Our actions are designed to reduce risk in our current and future operations, to promote sound environmental management practices and to continue to be proactive in managing and reducing our environmental footprint. Our investments and deployment of capital and technology reflect our commitment to improve the energy and emission efficiency of our operations.

When we have decommissioned older and less capable assets, we have demonstrated our commitment to recycle them according to established environmental regulations and guidelines. All the rigs that we have sold for scrap value have been safely and responsibly recycled following protocols established under the Basel Convention and by the International Maritime Organization at the Hong Kong International Convention. Although this greater degree of scrutiny requires more of our resources, we are committed to identifying and deploying sustainable solutions throughout the life cycle of our assets.

Our operations are subject to a variety of international, regional, national, state and local 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. To date, we have not incurred material costs in order to comply with recent environmental regulation, 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—Impact of our compliance with or breach of environmental laws can be costly, expose us to liability and could limit our operations.”

## AVAILABLE INFORMATION

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Our website address is [www.deepwater.com](http://www.deepwater.com). Information contained on or accessible from our website is not incorporated by reference into this annual report and should not be considered a part of this report or any filing that we make with the SEC. We make available on this website free of charge, our annual reports, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports as soon as reasonably practicable after we electronically file those materials with, or furnish those materials to, the SEC. You may also find on our website information related to our corporate governance, board committees and company code of business conduct and ethics. The SEC also maintains a website, [www.sec.gov](http://www.sec.gov), which contains reports, proxy statements and other information regarding SEC registrants, including us. We intend to satisfy the requirement under Item 5.05 of Form 8-K to disclose any amendments to our Code of Integrity and any waiver from any provision of our Code of Integrity by posting such information in the Governance page on our website at [www.deepwater.com](http://www.deepwater.com).

## ITEM 1A. RISK FACTORS

### RISKS RELATED TO OUR BUSINESS

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#### 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 energy sources;
- 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, acts of terrorism, public health threats or other crises.

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 increased 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 14, 2020, we have 15 uncontracted rigs, and these rigs may remain out of service for extended periods of time. We also have one rig under construction that has 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.

#### **OUR CURRENT BACKLOG OF CONTRACT DRILLING REVENUE MAY NOT BE FULLY REALIZED.**

At February 14, 2020, our contract backlog was approximately \$10.2 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, contract preparation, other incentive provisions or reimbursement revenues, which are generally insignificant to our contract drilling revenues. Our contract backlog includes amounts associated with our contracted newbuild unit that is 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 NEWBUILD UNIT.**

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 14, 2020, we have 15 stacked or idle rigs and one rig under construction that does not have a customer drilling contract. We also have 11 existing drilling contracts for our rigs that are currently operating, which are scheduled to expire before December 31, 2020. 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 a drilling contract for our uncontracted newbuild unit, 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 unit, 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 have experienced, and are at continued risk of experiencing, early contract terminations in a weak commodity price environment as operators look to reduce their capital expenditures. Our customers' ability to perform their obligations under their drilling contracts, including their ability to fulfill their indemnity obligations to us, may also be negatively impacted by an economic downturn. Our customers, which include national oil companies, often have significant bargaining leverage over us. If our customers cancel some of our contracts, and we are unable to secure new contracts on a timely basis and on substantially similar terms, or if contracts are suspended for an extended period of time or if a number of our contracts are renegotiated, it could adversely affect our consolidated 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, including environmental requirements, and changes in 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, 2019 and 2018, our total debt was \$9.3 billion and \$10.0 billion, respectively, of which \$3.3 billion and \$2.6 billion, respectively, was secured. We have a bank credit agreement, as amended, that established a \$1.3 billion secured revolving credit facility (the "Secured Credit Facility"), which is currently undrawn, the borrowings under which would also be 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 agreements governing certain of our debt and finance lease or satisfy certain other conditions included in our debt agreements, which could result in our inability to meet requirements for borrowings under our credit agreement or a default under these 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 Condition and Results of Operations—Liquidity and Capital Resources—Sources and uses of liquidity.”

**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.**

Our non-credit enhanced senior unsecured long-term debt (our “Debt Rating”) has been rated 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 Secured Credit Facility;
- 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 Secured Credit Facility 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-owned or government-controlled oil companies and other independent oil companies. For the year ended December 31, 2019, our most significant customers were Shell, Equinor and Chevron, accounting for approximately 26 percent, 21 percent and 17 percent, respectively, of our total contract drilling revenues. As of February 14, 2020, the customers with the most significant aggregate amount of contract backlog were Shell, Equinor and Chevron, representing approximately 49 percent, 26 percent and 13 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.

### **PUBLIC HEALTH THREATS COULD HAVE A MATERIAL ADVERSE EFFECT ON OUR BUSINESS AND RESULTS OF OPERATIONS.**

Public health threats, such as severe influenza, coronaviruses 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 hydrocarbons 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.

### **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 14, 2020, we had under construction two ultra-deepwater drillships. 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. Cost variations may result in, among other things, disputes with the shipyards that construct our drilling units. In addition, delayed delivery of our newbuild units or other rigs undergoing shipyard projects 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.

## **IMPACT OF OUR 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 or delay exploration and development drilling for oil and gas. Offshore drilling in certain areas has been curtailed and, in certain cases, prohibited because of concerns over protection of the environment. A decrease in demand for offshore drilling services due to regulatory restrictions or environmental concerns could have a material adverse effect on our consolidated financial position, results of operations or cash flows. In addition, compliance with environmental laws, regulations and standards, where applicable, may require us to make significant capital expenditures, such as the installation of costly equipment or implementation of 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 maintenance of insurance coverage or other financial assurance of our ability to address pollution incidents. 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, existing laws are changed 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 governmental 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 or production of oil and gas and compliance with any such new or amended legislation or regulations could have an adverse effect on our business or on our consolidated financial position, results of operations or cash flows.

As a contract driller with operations in certain offshore areas, we may be liable for damages and costs incurred in connection with oil spills or disposal of wastes related to those operations, and we may also be subject to significant fines and other liabilities in connection with spills. For example, an oil spill could result in significant liability, including fines, penalties and criminal liability and remediation, restoration or compensation costs for environmental or 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 against 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 on facility or vessel owners or operators, 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 an 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 or natural resource 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 or natural resources 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 or other third parties. 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 IN THE PAST DECADE COULD HAVE AN ADVERSE EFFECT ON OUR BUSINESS AND WORLDWIDE OPERATIONS.**

In the last decade, enhanced governmental safety and environmental requirements applicable to our operations were adopted by U.S. federal agencies 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 actions similar to those implemented by the U.S. related to implementing new safety and environmental regulations in the future. Additionally, some of our customers have elected to voluntarily comply with some or all of the non-mandatory inspections, certification requirements and safety and environmental guidelines on rigs operating outside of the U.S. Gulf of Mexico. Additional U.S. and other 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 and 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 47 percent of our total workforce, primarily employed in Norway, Brazil, the U.K., Angola 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 sometimes result in strikes and 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 and of the current or former officers or directors of any companies we have acquired, 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 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, our business and results of operations could be adversely affected as a result of claims by customers, agents, shareholders, debt holders, other interest holders, current or former employees or other constituents of our company who, in connection with alleged or actual noncompliance with antibribery and related laws, may seek to impose penalties, seek remedies, terminate drilling contracts or take other actions adverse to our interests. Our business and results of operations may be adversely affected if we are required to dedicate significant time and resources to investigate and resolve allegations of misconduct, regardless of the merit of such allegations. Further, disclosure of the subject matter of any investigation could adversely affect our reputation and our ability to obtain new business with potential customers, to retain existing business with our current customers, to attract and retain employees and to access the capital markets.

## **REGULATORY AND VARIOUS OTHER RISKS ASSOCIATED WITH 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, such as 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, by consensus, 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 and the U.S. has initiated the process to withdraw from the agreement, 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. Such attention could also result in other adverse impacts for the oil and gas industry, including further restrictions or bans imposed by lawmakers, lawsuits by governments or third-parties seeking recoveries for damages resulting from the combustion of fuels that may contribute to climate change effects, or reduced interest from investors if they elect in the future to shift some or all of their investments to non-energy related sectors. To the extent financial markets view climate change and greenhouse emissions as a financial risk, this could negatively impact our cost of or access to capital. Because our business depends on the level of activity in the oil and gas industry, existing or future laws, regulations, treaties or international agreements related to greenhouse gases and climate change, or related political, litigation or financial risks, 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 or related risks could result in increased compliance costs or additional operating restrictions, which may have an adverse effect on our business. Further, some experts believe global climate change could increase the frequency and severity of extreme weather conditions, the impacts of which could interfere with our operations, cause damage to our equipment as well as cause other financial and operational impacts, including those that could result from any impact of such conditions on our customers.

### **WE ARE SUBJECT TO INVESTIGATIONS AND 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 and other constituents. Certain of our subsidiaries are named as defendants in numerous lawsuits alleging personal grievances or injury, including 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 investigations and cases involving the Company or our 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 investigations or 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; misappropriation of assets; 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 certain 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.

### **WE MAY NOT REALIZE THE ANTICIPATED BENEFITS OF OUR ACQUISITIONS.**

There is a risk that some or all of the expected benefits of our 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 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 continued success of the acquisitions, including anticipated benefits and cost savings, will depend, in part, on our ability to successfully market the assets 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. Although we expect that the further elimination of duplicative costs, as well as the realization of additional efficiencies related to the integration of the businesses, should allow us to further offset integration-related costs over time, this additional net benefit may not be achieved in the near term, or at all. These costs, as well as other unanticipated costs and expenses, could have an adverse effect on our consolidated financial position, operating results and cash flows. Failure to realize the anticipated further benefits of the acquisitions may impact the financial performance of the combined company.

## **OTHER RISKS**

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### **WE HAVE SIGNIFICANT CARRYING AMOUNTS OF LONG-LIVED ASSETS THAT ARE SUBJECT TO IMPAIRMENT TESTING.**

At December 31, 2019, the carrying amount of our property and equipment was \$18.8 billion, representing 78 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 each of the years ended December 31, 2019, 2018 and 2017, we recognized an aggregate loss of \$578 million, \$999 million and \$1.4 billion, respectively, 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 also recognized 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 or by 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 (the "EU") and the Organization for Economic Co-operation and Development (the "OECD") and has enacted a substantial tax reform effective January 2020. 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 Directives in 2016 and 2017 that required its member states to adopt specific tax reform measures starting in 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 ADVERSE EFFECT 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, 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. SHAREHOLDERS.**

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 such 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. However, 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 and for up to a maximum of 50 percent of a company’s issued share capital. The authorized share capital approved by our shareholders at the May 2018 annual general meeting will expire on May 18, 2020. Our currently available authorized share capital is limited to approximately four percent of our issued share capital as of February 12, 2020. Accordingly, shareholders at our annual general meeting in May 2020 may be requested to approve a renewal and an increase in authorized 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 team 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 four percent of the share capital registered in the commercial register as of February 12, 2020, 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 23 percent of the share capital registered in the commercial register as of February 12, 2020, 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 U.K. WITHDRAWAL FROM THE EU MAY HAVE A NEGATIVE EFFECT ON OUR BUSINESS.**

On January 31, 2020, the U.K. withdrew from the EU and commenced a transition period that is expected to expire on December 31, 2020 during which the trading relationship between the U.K. and the EU will remain the same while the U.K. and the EU negotiate an agreement regarding their future relationship. There is currently no agreement in place regarding the relationships between the U.K. and the EU after the transition period, creating significant uncertainties. These uncertainties, including with respect to the laws and regulations that will apply as the U.K. determines which EU-derived laws to replace or replicate following the withdrawal may affect our U.K. operations, our customers, suppliers and employees and could have adverse effects on the movement of personnel, goods, information and capital. The withdrawal has also given rise to calls for the governments of other EU 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 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. See “—The global nature of our operations involves additional risks.”

#### **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 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 15—Commitments and Contingencies” and “Part II. Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Other Matters—Regulatory Matters” in this annual report for the year ended December 31, 2019. 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 12—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, 2019. All such actions, claims, tax and other matters are incorporated herein by reference.

As of December 31, 2019, 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.

In addition to the legal proceedings described above, we may from time to time identify other matters that we monitor through our compliance program or in response to events arising generally within our industry and in the markets where we do business. We evaluate matters on a case by case basis, investigate allegations in accordance with our policies and cooperate with applicable governmental authorities. Through the process of monitoring and proactive investigation, we strive to ensure no violation of our policies, Code of Integrity or law has, or will, occur; however, there can be no assurance as to the outcome of these matters.

#### **ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

## EXECUTIVE OFFICERS OF THE REGISTRANT

We have included the following information, presented as of February 12, 2020, 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 12, 2020
Jeremy D. Thigpen (a)	President and Chief Executive Officer	45
Keelan Adamson (a)	Executive Vice President and Chief Operations Officer	50
Howard E. Davis	Executive Vice President, Chief Administrative Officer and Chief Information Officer	61
Brady K. Long	Executive Vice President and General Counsel	47
Mark L. Mey (a)	Executive Vice President and Chief Financial Officer	56
David Tonnel	Senior Vice President and Chief Accounting Officer	50

(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. Mr. Adamson also currently serves on the board of the National Ocean Industries Association.

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 Ensco plc, which acquired Pride International, Inc. where he had served as Vice President, General Counsel and Secretary since August 2009. Mr. Long joined Pride International, Inc. in June 2005 as Assistant General Counsel and served as Chief Compliance Officer from June 2006 to February 2009. He was director of Transocean Partners LLC from May 2016 until December 2016. Mr. Long previously practiced corporate and securities law with the law firm of Bracewell LLP. Mr. Long earned a Bachelor of Arts degree from Brigham Young University in 1996, a Juris Doctorate degree from the University of Texas School of Law in 1999 and an Executive LLM in Taxation from New York University in 2019.

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 Chief Accounting Officer. 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 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

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Our shares are listed on the New York Stock Exchange under the ticker symbol "RIG." On February 12, 2020, we had 612,573,158 shares outstanding and 5,415 holders of record of our shares.

#### SHAREHOLDER MATTERS

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##### *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, 2019, the aggregate amount of par value of our outstanding shares was CHF 61 million, equivalent to approximately \$63 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 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 if 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 12, 2020, Transocean Inc., our wholly owned subsidiary, held as treasury shares less than one percent of our issued and outstanding shares as of such date. 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 number of shares held as treasury shares as of February 12, 2020, approximately nine percent of our issued and outstanding 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)	Approximate dollar value of shares that may yet be purchased under the plans or programs (in millions) (a)
October 2019	—	\$ —	—	\$ 3,352
November 2019	—	—	—	3,352
December 2019	—	—	—	3,352
Total	—	\$ —	—	\$ 3,352

- (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 issued and outstanding shares for an aggregate purchase price of up to CHF 3.5 billion. At December 31, 2019, the authorization remaining under the share repurchase program was for the repurchase of our issued and outstanding shares for an aggregate cost of up to CHF 3.2 billion, equivalent to \$3.4 billion. The share repurchase program may 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, 2019 and 2018 and for each of the three years in the period ended December 31, 2019 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, 2017, 2016 and 2015, and for each of the two years in the period ended December 31, 2016 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,				
	2019	2018 (a)	2017	2016 (b)	2015
	(In millions, except per share data)				
<b>Statement of operations data</b>					
Operating revenues	\$ 3,088	\$ 3,018	\$ 2,973	\$ 4,161	\$ 7,386
Operating income (loss)	(721)	(1,251)	(2,505)	1,106	1,365
Net income (loss)	(1,257)	(2,003)	(3,097)	827	897
Net income (loss) attributable to controlling interest	(1,255)	(1,996)	(3,127)	778	865
Per share earnings (loss)					
Basic	\$ (2.05)	\$ (4.27)	\$ (8.00)	\$ 2.08	\$ 2.36
Diluted	\$ (2.05)	\$ (4.27)	\$ (8.00)	\$ 2.08	\$ 2.36
<b>Balance sheet data (at end of period)</b>					
Total assets	\$ 24,105	\$ 25,665	\$ 22,410	\$ 26,889	\$ 26,431
Debt due within one year	568	373	250	724	1,093
Long-term debt	8,693	9,605	7,146	7,740	7,397
Finance lease liability (c)	479	—	—	—	—
Total equity	11,867	13,114	12,711	15,805	15,000
<b>Other financial data</b>					
Cash provided by operating activities	\$ 340	\$ 558	\$ 1,170	\$ 1,980	\$ 3,445
Cash used in investing activities	(268)	(797)	(587)	(1,313)	(1,932)
Cash provided by (used in) financing activities	(312)	(147)	(1,041)	176	(1,809)
Capital expenditures	387	184	497	1,344	2,001
Distributions of qualifying additional paid-in capital	—	—	—	—	381
Per share distributions of qualifying additional paid-in capital	\$ —	\$ —	\$ —	\$ —	\$ 1.05

- (a) In January 2018, we acquired approximately 97.7 percent ownership interest in 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. In December 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.
- (b) In December 2016, Transocean Partners LLC, which previously had a portion of its shares publicly traded on the New York Stock Exchange, completed a merger with one of our subsidiaries and subsequently became our wholly owned subsidiary. To complete the merger, we issued 23.8 million shares from conditional capital.
- (c) Effective January 1, 2019, we reclassified our finance lease liability to no longer be presented in long-term debt (see Part II. Item 8. Financial Statements and Supplementary Data—Notes to Consolidated Financial Statements—Note 3—Accounting Standards Updates).

## 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. The following discussion of our results of operations and liquidity and capital resources includes comparisons for the years ended December 31, 2019 and 2018. For a discussion of comparisons for our results of operations and liquidity and capital resources for the years ended 2018 and 2017, see "Part II. Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" of our annual report on Form 10-K for the year ended December 31, 2018, filed with the United States ("U.S.") Securities and Exchange Commission on February 19, 2019.

### BUSINESS

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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. As of February 12, 2020, we owned or had partial ownership interests in and operated 45 mobile offshore drilling units, including 28 ultra-deepwater floaters, 14 harsh environment floaters and three midwater floaters. As of February 12, 2020, we were constructing two ultra-deepwater drillships.

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

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**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 \$539 million aggregate cash proceeds, net of discount and issue costs. On May 24, 2019, we issued \$525 million aggregate principal amount of 5.375% senior secured notes due May 2023 (the "5.375% Senior Secured Notes"), and we received \$517 million aggregate cash proceeds, net of discount and issue costs. On January 17, 2020, we issued \$750 million aggregate principal amount of 8.00% senior unsecured notes due February 2027 (the "8.00% Senior Notes"), and we received \$743 million aggregate cash proceeds, net of issue costs. See "—Liquidity and Capital Resources—Sources and uses of liquidity."

**Early debt retirement**—During the year ended December 31, 2019, we completed cash tender offers to purchase certain notes (the "2019 Tendered Notes"). In the year ended December 31, 2019, we made an aggregate cash payment of \$522 million to settle the validly tendered 2019 Tendered Notes and recognized a loss of \$18 million associated with the retirement of debt. See "—Liquidity and Capital Resources—Sources and uses of liquidity."

During the year ended December 31, 2019, we repurchased in the open market \$434 million aggregate principal amount of certain of our debt securities. We made an aggregate cash payment of \$449 million and recognized an aggregate net loss of \$23 million associated with the retirement of such debt. See "—Operating Results" and "—Liquidity and Capital Resources—Sources and uses of liquidity."

**Debt redemption**—On January 17, 2020, we provided a notice to redeem in full our outstanding 9.00% senior notes due July 2023 (the "9.00% Senior Notes"), and on February 18, 2020, we made a payment of \$767 million, including the make-whole provision, to redeem the notes and in the three months ending March 31, 2020, we expect to recognize a loss of approximately \$66 million associated with the retirement of debt. See "—Liquidity and Capital Resources—Sources and uses of liquidity."

**Impairments**—In the year ended December 31, 2019, we recognized an aggregate loss of \$583 million primarily associated with the impairment of three ultra-deepwater floaters, along with related assets, which we determined were impaired at the time we classified the assets as held for sale. See "—Operating Results."

**Fleet expansion**—We hold a 33.0 percent interest in Orion Holdings (Cayman) Limited (together with its subsidiary, "Orion"), the company that, through its wholly owned subsidiary, owns the harsh environment floater *Transocean Norge*. In August 2019, Orion completed construction of the rig and placed it into service. One of our subsidiaries operates the rig under a short-term bareboat charter to complete a six-well drilling contract for one of our customers. See "—Liquidity and Capital Resources—Drilling fleet."

In October 2019, we agreed with Samsung Heavy Industries Co., Ltd. (“SHI”) to cancel the construction contracts for two ultra-deepwater drillships in exchange for the parties terminating their respective obligations and liabilities under the contracts and our subsidiaries releasing to SHI their respective interests in the rigs. See “—Liquidity and Capital Resources—Drilling fleet.”

**Dispositions**—During the year ended December 31, 2019, we completed the sale of six ultra-deepwater floaters, one harsh environment floater, two deepwater floaters and two midwater floaters, along with related assets, and we received \$64 million in aggregate net cash proceeds. See “—Operating Results” and “—Liquidity and Capital Resources—Drilling fleet.”

**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 in the year ended December 31, 2019, we amended the terms of the agreement to, among other changes, increase the borrowing capacity to \$1.3 billion. See “—Liquidity and Capital Resources—Sources and uses of liquidity.”

## OUTLOOK

**Drilling market**—Our view of the offshore drilling floater market is positive and continues to improve, especially for the highest specification vessels. Contracting activity has strengthened, as both fixture durations and dayrates are increasing. In the past five years, the offshore oil and gas industry has achieved structural efficiency gains that have substantially improved the economics of offshore development projects. These efficiency gains have resulted in project break-even oil prices in the range of \$40 per barrel or below in many operating basins, which compares increasingly favorably to onshore shale prospects, and positively impacts our customers’ investment decisions.

Markets requiring high-specification harsh environment floating drilling rigs continue to see high utilization of the active fleet. Over the past year, opportunities have steadily increased for our drilling services, and we have recently observed escalating dayrates in almost all jurisdictions. In particular, we have seen a marked tightening in global demand for ultra-deepwater drilling rigs, especially in the Americas and Australia where dayrates continue to climb. As utilization for ultra-deepwater floaters grows, active supply is approaching full utilization in many regions, and tender activity has increased. As a result, we are seeing some of the highest dayrates since the beginning of the downturn in 2014, particularly for the latest generation and highest capability units. We expect this trend to continue through 2020 and beyond.

As of February 14, 2020, our contract backlog was \$10.2 billion compared to \$10.8 billion as of October 17, 2019. The risks of drilling project delays, contract renegotiations and contract terminations and cancellations have diminished as oil prices have improved and stabilized.

**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 14, 2020, the uncommitted fleet rates for each of the five years in the period ending December 31, 2024 were as follows:

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
<b>Uncommitted fleet rate</b>					
Ultra-deepwater floaters	50 %	71 %	83 %	83 %	83 %
Harsh environment floaters	45 %	64 %	68 %	83 %	98 %
Midwater floaters	71 %	98 %	100 %	100 %	100 %

## PERFORMANCE AND OTHER KEY INDICATORS

**Contract backlog**—Contract backlog is defined as the maximum contractual operating dayrate multiplied by the number of days remaining in the firm contract period, excluding revenues for mobilization, demobilization, contract preparation, other incentive provisions or reimbursement revenues, which are not expected to be significant to our contract drilling revenues. 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.

The contract backlog for our fleet was as follows:

	<u>February 14, 2020</u>	<u>October 17, 2019</u>	<u>February 11, 2019</u>
<b>Contract backlog</b>		(In millions)	
Ultra-deepwater floaters	\$ 7,282	\$ 7,643	\$ 8,404
Harsh environment floaters	2,836	3,074	3,716
Midwater floaters	45	60	97
Total contract backlog	<u>\$ 10,163</u>	<u>\$ 10,777</u>	<u>\$ 12,217</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 contracted newbuild unit that is 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.

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 operations commence.

At February 14, 2020, the contract backlog and average contractual dayrates for our fleet were as follows:

	Total	For the years ending December 31,				Thereafter
		2020	2021	2022	2023	
<b>Contract backlog</b>						
(In millions, except average dayrates)						
Ultra-deepwater floaters	\$ 7,282	\$ 1,624	\$ 1,299	\$ 858	\$ 860	\$ 2,641
Harsh environment floaters	2,836	952	765	704	377	38
Midwater floaters	45	42	3	—	—	—
Total contract backlog	<u>\$ 10,163</u>	<u>\$ 2,618</u>	<u>\$ 2,067</u>	<u>\$ 1,562</u>	<u>\$ 1,237</u>	<u>\$ 2,679</u>
<b>Average contractual dayrates</b>						
Ultra-deepwater floaters	\$ 420,000	\$ 325,000	\$ 420,000	\$ 471,000	\$ 471,000	\$ 471,000
Harsh environment floaters	\$ 396,000	\$ 348,000	\$ 419,000	\$ 432,000	\$ 428,000	\$ 415,000
Midwater floaters	\$ 130,000	\$ 130,000	\$ 130,000	\$ —	\$ —	\$ —
Total fleet average	<u>\$ 409,000</u>	<u>\$ 325,000</u>	<u>\$ 418,000</u>	<u>\$ 453,000</u>	<u>\$ 457,000</u>	<u>\$ 471,000</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 may be available to our customers under certain circumstances.

**Average daily revenue**—Average daily revenue is defined as contract drilling revenues, excluding revenues for contract terminations, reimbursements and contract intangible amortization, 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,		
	2019	2018	2017
<b>Average daily revenue</b>			
Ultra-deepwater floaters	\$ 337,900	\$ 356,700	\$ 472,400
Harsh environment floaters	\$ 298,500	\$ 296,400	\$ 235,900
Deepwater floaters	\$ —	\$ 186,700	\$ 195,200
Midwater floaters	\$ 118,400	\$ 99,900	\$ 95,600
High-specification jackups	\$ —	152,900	143,900
Total fleet average daily revenue	<u>\$ 313,400</u>	<u>\$ 296,200</u>	<u>\$ 321,300</u>

Our average daily revenue fluctuates relative to market conditions and our revenue efficiency. The average daily revenue may be affected by revenues for lump sum bonuses or demobilization fees received from our customers. Our total fleet average daily revenue is also affected by the mix of rig classes being operated, as deepwater floaters, midwater floaters and high-specification jackups are typically contracted at lower dayrates compared to ultra-deepwater floaters and harsh environment floaters. We no longer operate deepwater floaters or high-specification jackups. 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, 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 for 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,		
	2019	2018	2017
<b>Revenue efficiency</b>			
Ultra-deepwater floaters	99 %	96 %	96 %
Harsh environment floaters	95 %	94 %	96 %
Deepwater floaters	— %	94 %	94 %
Midwater floaters	99 %	98 %	96 %
High-specification jackups	— %	100 %	101 %
Total fleet average revenue efficiency	97 %	95 %	96 %

Our revenue efficiency rate varies due to revenues earned under alternative contractual dayrates, such as a waiting-on-weather rate, repair rate, standby rate, force majeure rate or zero rate, that may apply under certain circumstances. Our revenue efficiency rate is also affected by incentive performance bonuses or penalties. 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,		
	2019	2018	2017
<b>Rig utilization</b>			
Ultra-deepwater floaters	51 %	48 %	39 %
Harsh environment floaters	78 %	82 %	73 %
Deepwater floaters	— %	93 %	73 %
Midwater floaters	37 %	41 %	38 %
High-specification jackups	— %	97 %	61 %
Total fleet average rig utilization	58 %	59 %	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. Accordingly, our rig utilization can increase when idle or stacked units are removed from our drilling fleet.

## OPERATING RESULTS

### Year ended December 31, 2019 compared to the year ended December 31, 2018

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.

	December 31,		Change	% Change
	2019	2018		
	(In millions, except day amounts and percentages)			
Operating days	9,872	9,706	166	2 %
Average daily revenue	\$ 313,400	\$ 296,200	\$ 17,200	6 %
Revenue efficiency	97 %	95 %		
Rig utilization	58 %	59 %		
Contract drilling revenues	\$ 3,088	\$ 3,018	\$ 70	2 %
Operating and maintenance expense	(2,140)	(1,799)	(341)	(19)%
Depreciation and amortization expense	(855)	(818)	(37)	(5)%
General and administrative expense	(193)	(188)	(5)	(3)%
Loss on impairment	(609)	(1,464)	855	58 %
Loss on disposal of assets, net	(12)	—	(12)	nm
Operating loss	(721)	(1,251)	530	42 %
Other income (expense), net				
Interest income	43	53	(10)	(19)%
Interest expense, net of amounts capitalized	(660)	(620)	(40)	(6)%
Loss on retirement of debt	(41)	(3)	(38)	nm
Other, net	181	46	135	nm
Loss before income tax expense	(1,198)	(1,775)	577	33 %
Income tax expense	(59)	(228)	169	74 %
Net loss	\$ (1,257)	\$ (2,003)	\$ 746	37 %

“nm” means not meaningful.

**Contract drilling revenues**—Contract drilling revenues increased for the year ended December 31, 2019 compared to the year ended December 31, 2018 primarily due to the following: (a) approximately \$265 million resulting from operations acquired in the Ocean Rig UDW Inc. (“Ocean Rig”), a Cayman Islands exempted company with limited liability and Songa Offshore SE (“Songa”), a European public company limited by shares, or societias Europaea, existing under the laws of Cyprus acquisitions, (b) approximately \$95 million resulting from the reactivation of two rigs, (c) approximately \$65 million resulting from higher revenue efficiency and (d) approximately \$65 million resulting from the operations of a newbuild ultra-deepwater drillship and a harsh environment semisubmersible placed into service in 2018 and 2019, respectively. These increases were partially offset by the following: (a) approximately \$190 million resulting from rigs sold or classified as held for sale, (b) approximately \$125 million resulting from contract early terminations and cancellations recognized in the year ended December 31, 2018, (c) approximately \$65 million resulting from reduced activity and (d) approximately \$45 million resulting from lower dayrates.

**Costs and expenses**—Operating and maintenance expense increased for the year ended December 31, 2019 compared to the year ended December 31, 2018, primarily due to the following: (a) approximately \$265 million resulting from operations acquired in the Ocean Rig acquisition, including the reactivation of two rigs, (b) approximately \$90 million resulting from shipyard activities, (c) approximately \$45 million resulting from operations of a newbuild ultra-deepwater drillship and a harsh environment semisubmersible placed into service in 2018 and 2019, respectively and (d) approximately \$40 million resulting from the reactivation of two rigs. These increases were partially offset by a decrease of approximately \$95 million resulting from rigs sold or classified as held for sale.

Depreciation and amortization expense increased for the year ended December 31, 2019, compared to the year ended December 31, 2018, primarily due to approximately \$80 million resulting from the rigs acquired in the Songa and Ocean Rig acquisitions, partially offset by approximately \$43 million resulting from rigs sold or classified as held for sale.

General and administrative expense increased for the year ended December 31, 2019, compared to the year ended December 31, 2018, primarily due to the following: (a) approximately \$10 million resulting from personnel and other costs related to Ocean Rig recognized in the year ended December 31, 2019, (b) approximately \$9 million resulting from increased legal and professional fees (c) approximately \$7 million resulting from increased rent expense and (d) approximately \$4 million resulting from recovery of legal fees recognized in the year ended December 31, 2018. These increases were partially offset by the following decreases: (a) approximately \$24 million resulting from acquisition costs recognized in the year ended December 31, 2018 and (b) approximately \$4 million resulting from reduced personnel costs, primarily related to the early retirement of certain personnel in the year ended December 31, 2018.

**Loss on impairment or disposal of assets**—In the year ended December 31, 2019, we recognized an aggregate loss of \$583 million, primarily associated with certain assets that we determined were impaired at the time we classified them as held for sale, and

an aggregate loss of \$26 million associated with the impairment of right-of-use assets and leasehold improvements. In the year ended December 31, 2018, we recognized an aggregate loss of \$999 million associated with certain assets that we determined were impaired at the time we classified them as held for sale and a loss of \$462 million associated with the impairment of goodwill.

In the year ended December 31, 2019, we recognized an aggregate gain of \$4 million associated with the sale of six ultra-deepwater floaters, one harsh environment floater, two deepwater floaters and two midwater floaters, along with related assets. 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, 2019 and 2018, we recognized an aggregate loss of \$16 million and \$7 million, respectively, associated with the disposal of assets unrelated to rig sales.

**Other income and expense**—Interest expense, net of amounts capitalized, increased in the year ended December 31, 2019, compared to the year ended December 31, 2018, primarily due to an increase of approximately \$147 million primarily resulting from debt issued subsequent to January 1, 2018, partially offset by a decrease of approximately \$104 million resulting from the retirement of debt as a result of scheduled maturities, the purchase of the 2019 Tendered Notes and our open market repurchases.

In the year ended December 31, 2019, we recognized a net loss on retirement of debt as follows: (a) \$18 million resulting from retirement of the validly tendered 2019 Tendered Notes and (b) \$23 million resulting from open market repurchases of \$434 million aggregate principal amount of our debt securities.

Other income, net, increased in the year ended December 31, 2019, compared to the year ended December 31, 2018, primarily due to the following: (a) a gain of \$132 million resulting from termination of construction contracts in the year ended December 31, 2019 and (b) an net increase of \$41 million resulting from currency exchange rate changes, \$18 million of which resulted from reduced losses recognized on undesignated currency derivative instruments. Partially offsetting these increases was (a) reduced income of \$34 million from our dual-activity patent and (b) reduced income of \$6 million from non-service components of net periodic benefit costs.

**Income tax expense**—In the years ended December 31, 2019 and 2018, our effective tax rate was (4.9) percent and (12.8) percent, respectively, based on loss before income tax expense. In the years ended December 31, 2019 and 2018, the effect of the various discrete period tax items represented a net tax benefit of \$150 million and a net tax expense of \$143 million, respectively. In the year ended December 31, 2019, such discrete items included a U.S. tax law change, settlements and expirations of various uncertain tax positions and adjustments to our deferred taxes for operating structural changes made in the U.S. In the year ended December 31, 2018, such discrete items were primarily related to the U.S. transition tax on non-U.S. earnings. In the years ended December 31, 2019 and 2018, our effective tax rate, excluding discrete items, was (30.7) percent and (29.2) percent, respectively, based on loss before income tax expense. Our effective tax rate decreased in the year ended December 31, 2019 compared to the year ended December 31, 2018, primarily due to the recognition of significant uncertain tax benefits, partially offset by increased tax expense related to the adoption of a new operating structure, which will reduce our exposure to the U.S. base erosion and anti-abuse tax and other cash taxes in the U.S. To a lesser extent, our effective tax rate decreased due to changes in the relative blend of income from operations in certain jurisdictions.

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, 2019, 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 the U.S., Switzerland, the United Kingdom (“U.K.”) and Norway. Our rig operating structures further complicate our tax calculations, especially in instances where we have more than one operating structure for the 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 12—Income Taxes.

## LIQUIDITY AND CAPITAL RESOURCES

### Sources and uses of cash

At December 31, 2019, we had \$1.8 billion in unrestricted cash and cash equivalents and \$558 million in restricted cash and cash equivalents. In the year ended December 31, 2019, 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 short-term investments. Our primary uses of cash were as follows: (a) repayments of debt, (b) capital expenditures and (c) investments in unconsolidated affiliates.

	Years ended December 31,		Change
	2019	2018	
	(In millions)		
<b>Cash flows from operating activities</b>			
Net loss	\$ (1,257)	\$ (2,003)	\$ 746
Non-cash items, net	1,898	2,432	(534)
Changes in operating assets and liabilities, net	(301)	129	(430)
	<u>\$ 340</u>	<u>\$ 558</u>	<u>\$ (218)</u>

Net cash provided by operating activities decreased primarily due to increased operating costs resulting from rig reactivations and increased cash interest payments.

	Years ended December 31,		Change
	2019	2018	
	(In millions)		
<b>Cash flows from investing activities</b>			
Capital expenditures	\$ (387)	\$ (184)	\$ (203)
Proceeds from disposal of assets, net	70	43	27
Cash paid in business combinations, net of unrestricted and restricted cash acquired	—	(883)	883
Investments in unconsolidated affiliates	(77)	(107)	30
Proceeds from unrestricted and restricted short-term investments, net of deposits	123	334	(211)
Other, net	3	—	3
	<u>\$ (268)</u>	<u>\$ (797)</u>	<u>\$ 529</u>

Net cash used in investing activities decreased primarily due to (a) net cash paid to acquire Songa and Ocean Rig in the year ended December 31, 2018 with no comparable activity in the current year, (b) reduced investments in unconsolidated affiliates, partially offset by (c) reduced proceeds from maturities of unrestricted and restricted investments, net of deposits, and (d) increased capital expenditures.

	Years ended December 31,		Change
	2019	2018	
	(In millions)		
<b>Cash flows from financing activities</b>			
Proceeds from issuance of debt, net of discounts and issue costs	\$ 1,056	\$ 2,054	\$ (998)
Repayments of debt	(1,325)	(2,105)	780
Proceeds from investments restricted for financing activities	—	26	(26)
Payments to terminate derivative instruments	—	(92)	92
Other, net	(43)	(30)	(13)
	<u>\$ (312)</u>	<u>\$ (147)</u>	<u>\$ (165)</u>

Net cash used in financing activities increased primarily due to (a) reduced cash proceeds from the issuance of the 6.875% Senior Secured Notes and the 5.375% Senior Secured Notes in the year ended December 31, 2019 compared to net cash proceeds from the issuance of 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") and the 7.25% senior notes due November 2025 (the "7.25% Senior Notes") in the year ended December 31, 2018, partially offset by (b) decreased cash used to repay debt and (c) cash paid to terminate certain derivative instruments assumed in the Songa acquisition in the year ended December 31, 2018 with no comparable activity in the current year.

## 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. We have generated positive cash flows from operating activities over recent years and, although we cannot provide assurances, we currently expect that such cash flows will continue to be positive over the next year. However, among other factors, if the drilling market deteriorates, or if we experience poor operating results, or if we incur expenses to, for example, reactivate, stack or otherwise assure the marketability of our fleet, cash flows from operations may be reduced or negative.

**Secured Credit Facility**—In June 2018, we entered into a bank credit agreement, which established our \$1.0 billion Secured Credit Facility, and in the year ended December 31, 2019, we amended the terms of the agreement to, among other changes, increase the borrowing capacity to \$1.3 billion and add to and clarify the lender parties and their respective commitments under the facility. The Secured Credit Facility 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 secured by, among other things, a lien on the ultra-deepwater floaters *Deepwater Asgard*, *Deepwater Invictus*, *Deepwater Orion*, *Deepwater Skyros*, *Dhirubhai Deepwater KG2* 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 Secured Credit Facility 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. Under the agreements governing certain of our debt and finance lease, we are also subject to various covenants, 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, the agreements governing our senior secured notes, our finance 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 12, 2020, we had no borrowings outstanding, \$9 million of letters of credit issued, and we had \$1.3 billion of available borrowing capacity under the Secured Credit Facility.

**Debt issuances**—On January 17, 2020, we issued \$750 million aggregate principal amount of our 8.00% Senior Notes, and we received aggregate cash proceeds of \$743 million, net of issue costs. We may redeem all or a portion of the 8.00% Senior Notes on or prior to February 1, 2023 at a price equal to 100 percent of the aggregate principal amount plus a make-whole provision, and subsequently, at specified redemption prices.

In February 2019, we issued \$550 million aggregate principal amount of 6.875% Senior Secured Notes, and we received aggregate cash proceeds of \$539 million, net of discount and 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 on or prior to February 1, 2022 at a price equal to 100 percent of the aggregate principal amount plus a make-whole provision, and subsequently, at specified redemption prices.

In May 2019, we issued \$525 million aggregate principal amount of 5.375% Senior Secured Notes, and we received aggregate cash proceeds of \$517 million, net of discount and issue costs. The indenture that governs the 5.375% Senior Secured Notes contains covenants that, among other things, limit the ability of our subsidiaries that own or operate the collateral rigs *Transocean Endurance* and *Transocean Equinox* to declare or pay dividends to their affiliates. We may redeem all or a portion of the 5.375% Senior Secured Notes on

or prior to May 15, 2021 at a price equal to 100 percent of the aggregate principal amount plus a make-whole provision, and subsequently, 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 6.125% Senior Secured Notes (together with the 5.875% Senior Secured Notes, the “2018 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 on or prior to July 15, 2021 and August 1, 2021, respectively, at a price equal to 100 percent of the aggregate principal amount plus a make-whole provision and subsequently, at specified redemption prices.

In October 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 on or prior to November 1, 2021 at a price equal to 100 percent of the aggregate principal amount plus a make-whole provision, and subsequently, at specified redemption prices.

We will be required to redeem our senior secured 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.

**Early debt retirement**—On January 17, 2020, we provided a notice to redeem in full our outstanding 9.00% Senior Notes. On February 18, 2020, we made a payment of \$767 million, including the make-whole provision, to redeem the 9.00% Senior Notes, and in the three months ending March 31, 2020, we expect to recognize a loss of approximately \$66 million associated with the retirement of debt.

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 the year ended December 31, 2019, as a result of the 2019 Tender Offers, we made an aggregate cash payment of \$522 million to settle the validly tendered 2019 Tendered Notes. In the years ended December 31, 2019 and 2018, we repurchased in the open market \$434 million and \$95 million aggregate principal amount of our debt securities, respectively, for an aggregate cash payment of \$449 million and \$95 million, respectively.

In connection with the Songa acquisition, we assumed rights and obligations under certain credit agreements and a subscription agreement establishing two term loan facilities and a bond facility. In the year ended December 31, 2018, we made an aggregate cash payment of \$1.59 billion to repay the borrowings under the facilities and terminated the underlying credit agreements and subscription agreement. We also assumed the indebtedness related to two bond loans and we assumed the rights and obligations under a credit agreement for a secured borrowing facility. In the year ended December 31, 2018, we made an aggregate cash payment equivalent to \$67 million to repay the two bond loans and the borrowings outstanding under the secured borrowing facility, and we terminated the underlying credit agreement.

**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 as partial consideration for the acquisition of Songa shares. Additionally, we issued \$863 million aggregate principal amount of 0.50% exchangeable senior bonds due January 30, 2023 (the “Exchangeable Bonds”) as partial consideration for the acquisition of Songa shares and partial settlement of certain Songa indebtedness. Holders of the Exchangeable Bonds may convert the notes into shares of Transocean Ltd. at any time prior to maturity at a 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.

**Investments in unconsolidated affiliates**—We hold a 33.0 percent ownership interest in Orion, the company that owns the harsh environment floater *Transocean Norge*. In the years ended December 2019 and 2018, we made an aggregate cash contribution of \$74 million and \$91 million, respectively, to Orion. Additionally, in the years ended December 31, 2019 and 2018, we made an aggregate cash contribution of \$3 million and \$16 million, respectively, in certain companies that are involved in researching and developing technology to improve efficiency and reliability and to increase automation, sustainability and safety in drilling and other activities.

**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, we filed a settlement agreement (the “PSC Settlement Agreement”) in which we agreed to pay to two classes of plaintiffs a total of \$212 million in exchange for a release from all claims against us for damages related to the Macondo well incident. On February 15, 2017, the U.S. District Court for the Eastern District of Louisiana (the “MDL Court”) entered a final order and judgment approving the PSC Settlement Agreement, which is no longer subject to

appeal, and we subsequently made the required cash deposits into escrow accounts established for settlement. In the years ended December 31, 2019 and 2018, the MDL Court released \$33 million and \$58 million, respectively, from the escrow account to make payments to plaintiffs. At December 31, 2019, the aggregate balance of our escrow account was \$125 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 12, 2020, 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, 2019, our contractual obligations stated at face value, were as follows:

	Total	For the years ending December 31,			Thereafter
		2020	2021 - 2022	2023 - 2024	
(in millions)					
<b>Contractual obligations</b>					
Debt	\$ 9,361	\$ 581	\$ 1,243	\$ 3,170	\$ 4,367
Interest on debt	4,307	590	1,059	767	1,891
Finance lease liability	682	71	142	142	327
Operating lease liabilities	201	16	26	24	135
Purchase obligations	1,116	1,067	49	—	—
Service agreement obligations	1,035	110	237	253	435
Total (a)	\$ 16,702	\$ 2,435	\$ 2,756	\$ 4,356	\$ 7,155

(a) As of December 31, 2019, our defined benefit pension and other postemployment plans represented an aggregate liability of \$351 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 14—Postemployment Benefit Plans.

As of December 31, 2019, our unrecognized tax benefits related to uncertain tax positions represented a liability of \$175 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 12—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, 2019, the aggregate cash collateral held by banks for letters of credit and surety bonds was \$10 million. The obligations that are the subject of these standby letters of credit and surety bonds are primarily geographically concentrated in Brazil, India and Spain. 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, 2019, these obligations stated in U.S. dollar equivalents and their time to expiration were as follows:

	Total	For the years ended December 31,			Thereafter
		2020	2021 - 2022	2023 - 2024	
(in millions)					
<b>Other commercial commitments</b>					
Standby letters of credit	\$ 19	\$ 19	\$ —	\$ —	\$ —
Surety bonds	113	2	12	99	—
Total	\$ 132	\$ 21	\$ 12	\$ 99	\$ —

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, 2019, the captive insurance company held cash and cash equivalents of \$116 million, and such balance is expected to range from \$50 million to \$136 million through December 31, 2020. The balance of actual cash and cash equivalents held by the captive insurance company varies,





## RELATED PARTY TRANSACTIONS

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We engage in certain related party transactions with Orion under a management services agreement for the operation and maintenance of the harsh environment floater *Transocean Norge* and a shipyard care agreement for the construction of the rig. In the year ended December 31, 2019, we received an aggregate cash payment of \$96 million, primarily related to the commissioning, preparation and mobilization of *Transocean Norge* under the shipyard care agreement. We also lease the rig under a short-term bareboat charter agreement, which is now expected to expire in late 2020. In the year ended December 31, 2019, we recognized rent expense of \$8 million, recorded in operating and maintenance costs, and made an aggregate cash payment of \$6 million under the bareboat charter agreement. In the year ended December 31, 2019, with other unconsolidated affiliates, we made an aggregate cash payment of \$7 million for capital expenditures, primarily for equipment to improve reliability and reduce emissions, and \$4 million for research and development, recorded in general and administrative costs. See Notes to Consolidated Financial Statements—Note 5—Unconsolidated Affiliates.

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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**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, allowance for excess and obsolete materials and supplies, 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. Our annual tax provision is based on expected taxable income, statutory rates, tax laws and tax planning opportunities available to us in the various jurisdictions in which we operate. 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.

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, 2019 and 2018, our unrecognized tax benefits were approximately \$369 million and \$514 million, respectively.

We are 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 distribute 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.

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. We continually evaluate strategies that could allow for the future utilization of our deferred tax assets. 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. During the years ended December 31, 2019 and 2018, in evaluating the projected realizability of our deferred tax assets, we considered our consolidated cumulative loss incurred over the recent three-year period, 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 12—Income Taxes.

**Property and equipment**—The recognition of our property and equipment, consisting primarily of offshore drilling rigs and related equipment, requires us to apply judgment related to estimates and assumptions for cost capitalization, useful lives and salvage values of our rigs. At December 31, 2019 and 2018, the carrying amount of our property and equipment was \$18.8 billion and \$20.4 billion, respectively, representing 78 percent and 80 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 of, and depreciation expense for, 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, 2019, a hypothetical one-year increase in the useful lives of all of our rigs would cause a decrease in our annual depreciation expense of approximately \$49 million and a hypothetical one-year decrease would cause an increase in our annual depreciation expense of approximately \$40 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 mobilize rigs from an oversupplied region to a more lucrative and undersupplied region 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 years ended December 31, 2019, 2018 and 2017, we recognized a loss of \$578 million, \$999 million and \$1.4 billion, respectively, associated with the impairment of assets that we determined were impaired at the time we classified such assets as held for sale. 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. See Notes to Consolidated Financial Statements—Note 7—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. At December 31, 2019 and 2018, the remaining liability for estimated loss contingencies that we believe are probable and for which a reasonable estimate can be made was \$124 million and \$158 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 15—Commitments and Contingencies.

## ACCOUNTING STANDARDS UPDATES

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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.

## OTHER MATTERS

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### *Regulatory matters*

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 15—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 12—Income Taxes.

## 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
	2020	2021	2022	2023	2024	Thereafter		
<b>Debt</b>								
Fixed rate (USD)	\$ 581	\$ 633	\$ 610	\$ 2,316	\$ 854	\$ 4,367	\$ 9,361	\$ 8,976
Average interest rate	6.29 %	6.90 %	6.15 %	4.85 %	6.47 %	7.28 %		

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

At December 31, 2019 and 2018, the fair value of our debt, presented above was \$8.9 billion and \$9.2 billion, respectively. During the year ended December 31, 2019, the fair value of our debt decreased by \$236 million due to the following: (a) a decrease of approximately \$913 million due to the completion of cash tender offers to purchase certain notes on February 5, 2019 and open market repurchases of certain of our debt securities, (b) a decrease of approximately \$544 million due to the reclassification of finance lease contract to lease liabilities and (c) a decrease of \$346 million due to the repayment of debt in scheduled installments, partially offset by (d) an increase of approximately \$1.1 billion due to the issuance of the 6.875% Senior Secured Notes and the 5.375% Senior Secured Notes and (e) an increase of approximately \$448 million due to changes in market prices for our outstanding debt. See Notes to Consolidated Financial Statements—Note 10—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 21—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, 2019. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission, as described in *Internal Control-Integrated Framework*, as published in 2013. Based on this assessment, management believes that the Company maintained effective internal control over financial reporting as of December 31, 2019.

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, 2019, 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, 2019, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2019 and 2018, and the related consolidated statements of operations, comprehensive loss, equity and cash flows for each of the three years in the period ended December 31, 2019, and the related notes and financial statement schedule listed in the Index at Item 15(a) and our report dated February 18, 2020, 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 18, 2020

## 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, 2019 and 2018, the related consolidated statements of operations, comprehensive loss, equity and cash flows for each of the three years in the period ended December 31, 2019, 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, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, 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, 2019, 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 18, 2020, 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.

### Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

#### **Income Taxes**

##### *Description of the Matter*

As discussed in Notes 2 and 12 to the consolidated financial statements, the Company operates in multiple jurisdictions through a complex operating structure and is subject to applicable tax laws, treaties or regulations in each jurisdiction where it operates. The Company's provision for income taxes is based on the tax laws and rates applicable in each jurisdiction. The Company recognizes tax benefits they believe are more likely than not to be sustained upon examination by the taxing authorities based on the technical merits of the position.

Auditing management's provision for income taxes and related deferred taxes is complex because of the Company's multi-national operating structure. In addition, a higher degree of auditor judgment was required to evaluate the Company's deferred tax provision as a result of the Company's interpretation of tax law in each jurisdiction across its multiple subsidiaries.



*How We Addressed  
the Matter in Our Audit*

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's income tax provision process, including controls over management's review of the identification and valuation of deferred income taxes and changes in tax laws and regulations that may impact the Company's deferred income tax provision.

Our audit procedures also included, among others, (i) obtaining an understanding of the Company's overall tax structure, evaluating changes in the Company's tax structure that occurred during the year as well as changes in tax law, and assessing the interpretation of those changes under the relevant jurisdiction's tax law; (ii) utilizing tax resources with appropriate knowledge of local jurisdictional laws and regulations; (iii) evaluating the completeness and accuracy of deferred income taxes, and (iv) assessing the reasonableness of the Company's valuation allowance on deferred tax assets, including projections of taxable income from the future reversal of existing taxable temporary differences.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 1999.  
Houston, Texas  
February 18, 2020



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To the General Meeting of

**Transocean Ltd., Steinhausen**

Zurich, February 18, 2020

## **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, 2019 and 2018, and the related consolidated statements of operations, comprehensive loss, equity, cash flows, and notes to the consolidated financial statements for each of the three years in the period ended December 31, 2019 (pages AR-47 – AR-80). In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2019 and 2018, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, 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.

### **Critical audit matters**

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

### **Income Taxes**

*Description of the Matter*

As discussed in Notes 2 and 12 to the consolidated financial statements, the Company operates in multiple jurisdictions through a complex operating structure and is subject to applicable tax laws, treaties or regulations in each jurisdiction where it operates. The Company's provision for income taxes is based on the tax laws and rates applicable in each jurisdiction. The Company recognizes tax benefits they believe are more likely than not to be sustained upon examination by the taxing authorities based on the technical merits of the position.

Auditing management's provision for income taxes and related deferred taxes is complex because of the Company's multi-national operating structure. In addition, a higher degree of auditor judgment was required to evaluate the Company's deferred tax provision as a result of the Company's interpretation of tax law in each jurisdiction across its multiple subsidiaries.

*How We Addressed the Matter in Our Audit*

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's income tax provision process, including controls over management's review of the identification and valuation of deferred income taxes and changes in tax laws and regulations that may impact the Company's deferred income tax provision.

Our audit procedures also included, among others, (i) obtaining an understanding of the Company's overall tax structure, evaluating changes in the Company's tax structure that occurred during the year as well as changes in tax law, and assessing the interpretation of those changes under the relevant jurisdiction's tax law; (ii) utilizing tax resources with appropriate knowledge of local jurisdictional laws and regulations; (iii) evaluating the completeness and accuracy of deferred income taxes, and (iv) assessing the reasonableness of the Company's valuation allowance on deferred tax assets, including projections of taxable income from the future reversal of existing taxable temporary differences.

### **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/ Reto Hofer  
Licensed audit expert  
(Auditor in charge)

/s/ Ralph Petermann  
Certified public accountant

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

	Years ended December 31,		
	2019	2018	2017
<b>Contract drilling revenues</b>	\$ 3,088	\$ 3,018	\$ 2,731
Other revenues	—	—	242
	3,088	3,018	2,973
<b>Costs and expenses</b>			
Operating and maintenance	2,140	1,799	1,389
Depreciation and amortization	855	818	832
General and administrative	193	188	156
	3,188	2,805	2,377
Loss on impairment	(609)	(1,464)	(1,498)
Loss on disposal of assets, net	(12)	—	(1,603)
<b>Operating loss</b>	(721)	(1,251)	(2,505)
<b>Other income (expense), net</b>			
Interest income	43	53	43
Interest expense, net of amounts capitalized	(660)	(620)	(491)
Loss on retirement of debt	(41)	(3)	(55)
Other, net	181	46	5
	(477)	(524)	(498)
Loss before income tax expense	(1,198)	(1,775)	(3,003)
Income tax expense	59	228	94
<b>Net loss</b>	(1,257)	(2,003)	(3,097)
Net income (loss) attributable to noncontrolling interest	(2)	(7)	30
<b>Net loss attributable to controlling interest</b>	\$ (1,255)	\$ (1,996)	\$ (3,127)
<b>Loss per share</b>			
Basic	\$ (2.05)	\$ (4.27)	\$ (8.00)
Diluted	\$ (2.05)	\$ (4.27)	\$ (8.00)
<b>Weighted-average shares outstanding</b>			
Basic	612	468	391
Diluted	612	468	391

See accompanying notes.

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

	Years ended December 31,		
	2019	2018	2017
<b>Net loss</b>	\$ (1,257)	\$ (2,003)	\$ (3,097)
Net income (loss) attributable to noncontrolling interest	(2)	(7)	30
<b>Net loss attributable to controlling interest</b>	(1,255)	(1,996)	(3,127)
Components of net periodic benefit costs before reclassifications	(25)	6	—
Components of net periodic benefit costs reclassified to net loss	4	5	21
Other comprehensive income (loss) before income taxes	(21)	11	21
Income taxes related to other comprehensive income	—	—	(28)
<b>Other comprehensive income (loss)</b>	(21)	11	(7)
Other comprehensive income attributable to noncontrolling interest	—	—	—
<b>Other comprehensive income (loss) attributable to controlling interest</b>	(21)	11	(7)
<b>Total comprehensive loss</b>	(1,278)	(1,992)	(3,104)
Total comprehensive income (loss) attributable to noncontrolling interest	(2)	(7)	30
<b>Total comprehensive loss attributable to controlling interest</b>	\$ (1,276)	\$ (1,985)	\$ (3,134)

See accompanying notes.

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

	December 31,	
	2019	2018
<b>Assets</b>		
Cash and cash equivalents	\$ 1,790	\$ 2,160
Accounts receivable, net	654	604
Materials and supplies, net	479	474
Restricted cash accounts and investments	558	551
Other current assets	159	159
Total current assets	3,640	3,948
Property and equipment	24,281	25,811
Less accumulated depreciation	(5,434)	(5,403)
Property and equipment, net	18,847	20,408
Contract intangible assets	608	795
Deferred income taxes, net	20	66
Other assets	990	448
Total assets	\$ 24,105	\$ 25,665
<b>Liabilities and equity</b>		
Accounts payable	\$ 311	\$ 269
Accrued income taxes	64	70
Debt due within one year	568	373
Other current liabilities	781	746
Total current liabilities	1,724	1,458
Long-term debt	8,693	9,605
Deferred income taxes, net	266	64
Other long-term liabilities	1,555	1,424
Total long-term liabilities	10,514	11,093
<b>Commitments and contingencies</b>		
Shares, CHF 0.10 par value, 639,674,422 authorized, 142,365,398 conditionally authorized, 617,970,525 issued and 611,871,374 outstanding at December 31, 2019, and 638,285,574 authorized, 143,754,246 conditionally authorized, 610,581,677 issued and 609,649,291 outstanding at December 31, 2018	59	59
Additional paid-in capital	13,424	13,394
Accumulated deficit	(1,297)	(67)
Accumulated other comprehensive loss	(324)	(279)
Total controlling interest shareholders' equity	11,862	13,107
Noncontrolling interest	5	7
Total equity	11,867	13,114
Total liabilities and equity	\$ 24,105	\$ 25,665

See accompanying notes.

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

	Years ended December 31,			Years ended December 31,		
	2019	2018	2017	2019	2018	2017
	Quantity			Amount		
<b>Shares</b>						
Balance, beginning of period	610	391	389	\$ 59	\$ 37	\$ 36
Issuance of shares under share-based compensation plans	2	3	2	—	—	1
Issuance of shares in acquisition transactions	—	216	—	—	22	—
Balance, end of period	612	610	391	\$ 59	\$ 59	\$ 37
<b>Additional paid-in capital</b>						
Balance, beginning of period				\$ 13,394	\$ 11,031	\$ 10,993
Share-based compensation				37	45	41
Issuance of shares in acquisition transactions				—	2,101	—
Equity component of convertible debt instruments				—	172	—
Acquisition of redeemable noncontrolling interest				—	53	—
Allocated capital for transactions with holders of noncontrolling interest				—	(3)	—
Other, net				(7)	(5)	(3)
Balance, end of period				\$ 13,424	\$ 13,394	\$ 11,031
<b>Retained earnings (accumulated deficit)</b>						
Balance, beginning of period				\$ (67)	\$ 1,929	\$ 5,056
Net loss attributable to controlling interest				(1,255)	(1,996)	(3,127)
Effect of adopting accounting standards updates				25	—	—
Balance, end of period				\$ (1,297)	\$ (67)	\$ 1,929
<b>Accumulated other comprehensive loss</b>						
Balance, beginning of period				\$ (279)	\$ (290)	\$ (283)
Other comprehensive income (loss) attributable to controlling interest				(21)	11	(7)
Effect of adopting accounting standards update				(24)	—	—
Balance, end of period				\$ (324)	\$ (279)	\$ (290)
<b>Total controlling interest shareholders' equity</b>						
Balance, beginning of period				\$ 13,107	\$ 12,707	\$ 15,802
Total comprehensive loss attributable to controlling interest				(1,276)	(1,985)	(3,134)
Share-based compensation				37	45	41
Issuance of shares in acquisition transactions				—	2,123	—
Equity component of convertible debt instruments				—	172	—
Acquisition of redeemable noncontrolling interest				—	53	—
Allocated capital for transactions with holders of noncontrolling interest				—	(3)	—
Other, net				(6)	(5)	(2)
Balance, end of period				\$ 11,862	\$ 13,107	\$ 12,707
<b>Noncontrolling interest</b>						
Balance, beginning of period				\$ 7	\$ 4	\$ 3
Total comprehensive income (loss) attributable to noncontrolling interest				(2)	(2)	1
Recognition of noncontrolling interest in business combination				—	33	—
Acquisition of noncontrolling interest				—	(31)	—
Allocated capital for transactions with holders of noncontrolling interest				—	3	—
Balance, end of period				\$ 5	\$ 7	\$ 4
<b>Total equity</b>						
Balance, beginning of period				\$ 13,114	\$ 12,711	\$ 15,805
Total comprehensive loss				(1,278)	(1,987)	(3,133)
Share-based compensation				37	45	41
Issuance of shares in acquisition transactions				—	2,123	—
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)	—
Other, net				(6)	(5)	(2)
Balance, end of period				\$ 11,867	\$ 13,114	\$ 12,711

See accompanying notes.

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

	Years ended December 31,		
	2019	2018	2017
<b>Cash flows from operating activities</b>			
Net loss	\$ (1,257)	\$ (2,003)	\$ (3,097)
Adjustments to reconcile to net cash provided by operating activities:			
Contract intangible asset amortization	187	112	—
Depreciation and amortization	855	818	832
Share-based compensation expense	37	45	41
Loss on impairment	609	1,464	1,498
Loss on disposal of assets, net	12	—	1,603
Loss on retirement of debt	41	3	55
Gain on termination of construction contracts	(132)	—	—
Deferred income tax expense (benefit)	248	(16)	89
Other, net	41	6	55
Changes in deferred revenues, net	43	(139)	33
Changes in deferred costs, net	(33)	34	54
Changes in other operating assets and liabilities, net	(311)	234	7
<b>Net cash provided by operating activities</b>	<b>340</b>	<b>558</b>	<b>1,170</b>
<b>Cash flows from investing activities</b>			
Capital expenditures	(387)	(184)	(497)
Proceeds from disposal of assets, net	70	43	350
Investments in unconsolidated affiliates	(77)	(107)	—
Cash paid in business combinations, net of cash acquired	—	(883)	—
Proceeds from maturities of unrestricted and restricted investments	123	507	—
Deposits to unrestricted investments	—	(173)	(450)
Other, net	3	—	10
<b>Net cash used in investing activities</b>	<b>(268)</b>	<b>(797)</b>	<b>(587)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issuance of debt, net of discounts and issue costs	1,056	2,054	1,144
Repayments of debt	(1,325)	(2,105)	(2,284)
Proceeds from investments restricted for financing activities	—	26	102
Payments to terminate derivative instruments	—	(92)	—
Other, net	(43)	(30)	(3)
<b>Net cash used in financing activities</b>	<b>(312)</b>	<b>(147)</b>	<b>(1,041)</b>
<b>Net decrease in unrestricted and restricted cash and cash equivalents</b>	<b>(240)</b>	<b>(386)</b>	<b>(458)</b>
Unrestricted and restricted cash and cash equivalents, beginning of period	2,589	2,975	3,433
<b>Unrestricted and restricted cash and cash equivalents, end of period</b>	<b>\$ 2,349</b>	<b>\$ 2,589</b>	<b>\$ 2,975</b>

See accompanying notes.



**TRANSOCEAN LTD. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1—BUSINESS**

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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, 2019, we owned or had partial ownership interests in and operated a fleet of 45 mobile offshore drilling units, including 28 ultra-deepwater floaters, 14 harsh environment floaters and three midwater floaters. As of December 31, 2019, we were constructing two ultra-deepwater drillships.

**NOTE 2—SIGNIFICANT ACCOUNTING POLICIES**

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**Accounting estimates**—To prepare financial statements in accordance with accounting principles generally accepted in the U.S., we are required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosures of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates and assumptions, including those related to our allowance for doubtful accounts, allowance for excess and obsolete materials and supplies, 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 within equity on our consolidated balance sheets the ownership interests attributable to parties with noncontrolling interests in our consolidated subsidiaries, and we separately present net income attributable to such parties on our consolidated statements of operations. See Note 5—Unconsolidated Affiliates and Note 16—Equity.

**Business combinations**—We apply the acquisition method of accounting for business combinations, under which we record the acquired assets and assumed liabilities at fair value and recognize goodwill to the extent the consideration transferred exceeds the fair value of the net assets acquired. To the extent the fair value of the net assets acquired exceeds the consideration transferred, we recognize a bargain purchase gain. We estimate the fair values of the acquired assets and assumed liabilities as of the date of the acquisition, and our estimates are subject to adjustment through completion, which is in each case within one year of the acquisition date, 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. 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 4—Business Combinations and Note 8—Goodwill and Other Intangibles.

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

**Contract intangibles**—We recognize contract intangible assets and liabilities related to acquired executory contracts, such as drilling contracts and construction contracts. 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 amortize the carrying amount of the drilling contract intangible assets using the straight-line method over the expected remaining contract period as a reduction of contract drilling revenues. At December 31, 2019 and 2018, the aggregate carrying amount of our drilling contract intangible assets was \$608 million and \$795 million, respectively. The construction contract intangible liabilities represent the amount by which the remaining payments due under the acquired contracts were above market construction rates for similar drilling units, measured as of the acquisition date. Upon cancellation of the construction contracts, we eliminated the contract intangible liabilities with a corresponding adjustment to earnings. See Note 4—Business Combinations and Note 8—Goodwill and Other Intangibles.

**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 11—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 contract period. We recognize losses for loss contracts as such losses are incurred. We recognize revenues for demobilization over the contract period unless otherwise constrained. We recognize revenues 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 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 contract period. We 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 6—Revenues.

**Share-based compensation**—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 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 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. See Note 17—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, 2019, 2018 and 2017, we capitalized interest costs of \$38 million, \$37 million and \$116 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, 2019, 2018 and 2017, we recognized a net gain of \$2 million, a net loss of \$38 million and a net loss of \$6 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. 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

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

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 12—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 integrated oil companies, government-owned or government-controlled oil companies and other independent 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. See Note 3—Accounting Standards Updates.

**Materials and supplies**—We record materials and supplies at their average cost less an allowance for excess and obsolete items. We estimate the allowance for excess and obsolete items based on historical experience and expectations for future use of the materials and supplies. At December 31, 2019 and 2018, our allowance for excess and obsolete items was \$127 million and \$134 million, respectively.

**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, 2019, the aggregate carrying amount of our restricted cash accounts and investments was \$558 million, recorded in current assets. 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. See Note 10—Debt, Note 15—Commitments and Contingencies and Note 20—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, 2019, we had no assets classified as held for sale. At December 31, 2018, the aggregate carrying amount of our assets held for sale, recorded in other current assets, was \$25 million. See Note 7—Drilling Fleet.

**Property and equipment**—The recognition of our property and equipment, consisting primarily of offshore drilling rigs and related equipment, requires us to apply judgment related to estimates and assumptions for cost capitalization, useful lives and salvage values of our rigs. These estimates and assumptions are based on both historical experience and expectations regarding future industry conditions and operations. At December 31, 2019, the aggregate carrying amount of our property and equipment represented approximately 78 percent of our total assets.

We capitalize expenditures for newbuilds, renewals, replacements and improvements, including capitalized interest, if applicable, and we recognize the expense for maintenance and repair costs as incurred. For newbuild construction projects, we also capitalize the initial preparation, mobilization and commissioning costs incurred until the drilling unit is placed into service. Upon sale or other disposition of an asset, we recognize a net gain or loss on disposal of the asset, which is measured as the difference between the net carrying amount of the asset and the net proceeds received. We compute depreciation using the straight-line method after allowing for salvage values.

The estimated original useful lives of our drilling units range from 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

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

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, including property and equipment and right-of-use assets, 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 7—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.

At December 31, 2019 and 2018, our pension and other postemployment benefit plan obligations represented an aggregate liability of \$351 million and \$362 million, respectively, and an aggregate asset of \$42 million and \$47 million, respectively, representing the funded status of the plans. In the years ended December 31, 2019, 2018 and 2017, aggregate net periodic benefit costs were income of \$3 million, income of \$9 million and costs of \$5 million, respectively. See Note 14—Postemployment Benefit Plans.

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

### **NOTE 3—ACCOUNTING STANDARDS UPDATES**

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#### ***Recently adopted accounting standards***

**Leases**—Effective January 1, 2019, we adopted the accounting standards update that requires lessees to recognize a right-of-use asset and lease liability for virtually all leases and updates previous accounting standards for lessors to align certain requirements with the updates to the revenue recognition accounting standards. We applied the transition method that required us to recognize right-of-use assets, recorded in other assets, and lease liabilities, recorded in other current liabilities and other long-term liabilities, as of the date of our adoption with no adjustment to prior periods. We applied the package of practical expedients that permitted us to carry forward historical lease classifications. For our drilling contracts, we recognize revenues based on the predominant component, which is the service component. As of January 1, 2019, for the finance leases under which we are the lessee, we reclassified to other assets \$528 million, representing the unamortized right-of-use asset previously recorded in property and equipment, and we reclassified an aggregate remaining lease liability of \$511 million, including \$32 million and \$479 million recorded in other current liabilities and other long-term liabilities, respectively, previously recorded in debt due within one year and debt. As of January 1, 2019, for operating leases under which we are the lessee, we recorded a non-cash adjustment to recognize an aggregate right-of-use asset of \$95 million, recorded in other assets, and a corresponding aggregate remaining lease liability of \$133 million, including \$15 million and \$118 million recorded in other current liabilities and other long-term liabilities, respectively. We have accounted for lease and non-lease components of our operating leases as a single component. We have not recognized right-of-use assets or lease liabilities for our short-term leases. Our adoption did not have and is not expected in the future to have a material effect on our consolidated statements of financial position, operations or cash flows. See Note 9—Leases.

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

**Other comprehensive income**—Effective January 1, 2019, we adopted the accounting standards update that allows for a reclassification from accumulated other comprehensive loss to accumulated deficit for stranded tax effects resulting from legislation commonly referred to as the Tax Cuts and Jobs Act (the “2017 Tax Act”). As of January 1, 2019, as a result of our adoption, we recorded an increase of \$24 million to accumulated deficit with a corresponding decrease to accumulated other comprehensive loss.

**Recently issued accounting standards**

**Financial instruments – credit losses**—Effective 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 is effective for annual reporting periods beginning after December 15, 2019, including interim periods within those annual periods. We have established our approach to apply 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 Offshore SE (“Songa”), a European public company limited by shares, or *societas Europaea*, existing under the laws of Cyprus, and Ocean Rig UDW Inc. (“Ocean Rig”), a Cayman Islands exempted company with limited liability. On January 30, 2018, we acquired an approximate 97.7 percent ownership interest in Songa. On December 5, 2018, we acquired Ocean Rig in a merger transaction. We believe both acquisitions further strengthen our position as a leader in providing ultra-deepwater and harsh environment drilling services by adding additional high-value assets, and the Songa acquisition, supported by significant contract backlog, also strengthens our footprint in harsh environment operating areas. In the years ended December 31, 2018 and 2017, in connection with our acquisitions, we incurred acquisition costs of \$24 million and \$4 million, respectively, recorded in general and administrative costs and expenses.

We 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):

	<u>Years ended December 31,</u>	
	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)

**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):

	<u>Total</u>
<b>Consideration transferred</b>	
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	<u>\$ 2,545</u>

**Assets and liabilities**—The fair values of assets acquired and liabilities assumed, measured as of December 5, 2018, were as follows (in millions):

	<u>Total</u>
<b>Assets acquired</b>	
Cash and cash equivalents	\$ 152
Accounts receivable	76
Property and equipment	2,205
Drilling contract intangible assets	275
Other assets	115
<b>Liabilities assumed</b>	
Accounts payable and other current liabilities	71
Construction contract intangible liabilities	132
Other long-term liabilities	54
Net assets acquired	<u>\$ 2,566</u>

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

In the year ended December 31, 2019, we completed our estimates of the fair values of the assets and liabilities. In the years ended December 31, 2019 and 2018, we recognized a gain of \$11 million and \$10 million, respectively, recorded in other, net, for a cumulative gain of \$21 million 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.

**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 0.50% exchangeable senior bonds due January 30, 2023 (the “Exchangeable Bonds”), comprised of \$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
<b>Consideration transferred</b>	
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

**Assets and liabilities**—The fair values of assets acquired, liabilities assumed and noncontrolling interest, measured as of January 30, 2018, were as follows (in millions):

	Total
<b>Assets acquired</b>	
Cash and cash equivalents	\$ 113
Accounts receivable	115
Other current assets	80
Property and equipment	2,414
Goodwill	462
Contract intangible assets	632
<b>Liabilities assumed</b>	
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. The goodwill resulting from the business combination was attributed to synergies and intangible assets that did not qualify for separate recognition. 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

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

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—UNCONSOLIDATED AFFILIATES**

**Investments**—We hold investments in various partially owned, unconsolidated companies. In the years ended December 31, 2019 and 2018, we made an aggregate cash contribution of \$74 million and \$91 million, respectively, to Orion Holdings (Cayman) Limited (together with its subsidiary, “Orion”), a Cayman Islands company that, through its wholly owned subsidiary, owns the harsh environment floater *Transocean Norge*. At December 31, 2019 and 2018, the aggregate carrying amount of our investment in Orion, representing a 33.0 percent ownership interest, was \$164 million and \$91 million, respectively, recorded in other assets using the equity method of accounting. We also invest in certain companies that are involved in researching and developing technology to improve efficiency and reliability and to increase automation, sustainability and safety in drilling and other activities.

**Related party transactions**—We engage in certain related party transactions with Orion under a management services agreement for the operation and maintenance of the harsh environment floater *Transocean Norge* and a shipyard care agreement for the construction of the rig. In the year ended December 31, 2019, we received an aggregate cash payment of \$96 million, primarily related to the commissioning, preparation and mobilization of *Transocean Norge* under the shipyard care agreement. We also lease the rig under a short-term bareboat charter agreement, which is now expected to expire in late 2020. In the year ended December 31, 2019, we recognized rent expense of \$8 million, recorded in operating and maintenance costs, and made an aggregate cash payment of \$6 million under the bareboat charter agreement. In the year ended December 31, 2019, we made an aggregate cash payment of \$7 million to other unconsolidated affiliates, primarily capital expenditures for equipment to improve reliability and reduce emissions, and \$4 million for research and development, recorded in general and administrative costs. At December 31, 2019, we had receivables of \$26 million, recorded in other current assets, and payables of \$9 million, recorded other current liabilities, due from or to all unconsolidated affiliates. At December 31, 2018, we had receivables of \$7 million, recorded in other current assets, due from all unconsolidated affiliates.

**NOTE 6—REVENUES**

**Overview**—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. These services represent a single performance obligation under our drilling contracts with customers that is satisfied over time.

The duration of our performance obligation varies by contract. At December 31, 2019, the drilling contract with the longest expected remaining duration, excluding unexercised options, extends through February 2028. In the year ended December 31, 2019, we recognized revenues of \$10 million for performance obligations satisfied in previous periods due to certain revenues recognized on a cash basis. In the year ended December 31, 2018, we recognized revenues of \$174 million for performance obligations satisfied in previous periods, primarily related to revenues for a customer’s contract termination and certain revenues recognized on a cash basis.

To obtain contracts with our customers, we incur pre-operating costs to prepare a rig for contract and deliver or mobilize the rig to the drilling location. We defer such pre-operating costs and recognize the costs on a straight-line basis, consistent with the general pace of activity, in operating and maintenance costs over the estimated contract period. In the years ended December 31, 2019, 2018 and 2017, we recognized pre-operating costs of \$18 million, \$45 million and \$45 million, respectively. At December 31, 2019 and 2018, the unrecognized pre-operating costs to obtain contracts was \$34 million and \$2 million, respectively, recorded in other assets.

**Disaggregation**—We recognized revenues as follows (in millions):

	Year ended December 31, 2019				
	U.S.	Norway	Brazil	Other	Total
Ultra-deepwater floaters	\$ 1,264	\$ —	\$ 119	\$ 574	\$ 1,957
Harsh environment floaters	—	775	—	294	1,069
Deepwater floaters	—	—	6	1	7
Midwater floaters	—	—	—	55	55
Total revenues	<u>\$ 1,264</u>	<u>\$ 775</u>	<u>\$ 125</u>	<u>\$ 924</u>	<u>\$ 3,088</u>

	Year ended December 31, 2018				
	U.S.	Norway	Brazil	Other	Total
Ultra-deepwater floaters	\$ 1,496	\$ —	\$ 26	\$ 266	\$ 1,788
Harsh environment floaters	—	651	—	323	974
Deepwater floaters	—	—	84	40	124
Midwater floaters	—	—	—	74	74
High-specification jackups	—	—	—	58	58
Total revenues	<u>\$ 1,496</u>	<u>\$ 651</u>	<u>\$ 110</u>	<u>\$ 761</u>	<u>\$ 3,018</u>

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

	Year ended December 31, 2017				
	U.S.	Norway	Brazil	Other	Total
Ultra-deepwater floaters	\$ 1,519	\$ —	\$ 235	\$ 294	\$ 2,048
Harsh environment floaters	8	83	—	365	456
Deepwater floaters	—	—	100	44	144
Midwater floaters	—	—	—	153	153
High-specification jackups	—	—	—	172	172
Total revenues	<u>\$ 1,527</u>	<u>\$ 83</u>	<u>\$ 335</u>	<u>\$ 1,028</u>	<u>\$ 2,973</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,	
	2019	2018
Deferred contract revenues, recorded in other current liabilities	\$ 100	\$ 87
Deferred contract revenues, recorded in other long-term liabilities	429	399
Total contract liabilities	<u>\$ 529</u>	<u>\$ 486</u>

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

	Years ended December 31,	
	2019	2018
Total contract liabilities, beginning of period	\$ 486	\$ 625
Decrease due to recognition of revenues for goods and services	(114)	(239)
Increase due to goods and services transferred over time	157	100
Total contract liabilities, end of period	<u>\$ 529</u>	<u>\$ 486</u>

## NOTE 7—DRILLING FLEET

**Construction work in progress**—The changes in our construction work in progress, including capital expenditures and other capital additions, were as follows (in millions):

	Years ended December 31,		
	2019	2018	2017
Construction work in progress, beginning of period	\$ 632	\$ 1,392	\$ 2,171
Capital expenditures			
Newbuild construction program	129	75	397
Other equipment and construction projects	258	109	100
Total capital expenditures	387	184	497
Changes in accrued capital additions	20	4	(23)
Construction work in progress impaired	(5)	—	—
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)
Other property and equipment	(281)	(73)	(68)
Construction work in progress, end of period	<u>\$ 753</u>	<u>\$ 632</u>	<u>\$ 1,392</u>

**Impairments of assets held and used**—During the year ended December 31, 2017, we identified indicators that the asset groups in our contract drilling services reporting unit may not be recoverable. In the year ended December 31, 2017, such indicators included a significant decline in commodity prices and the market value of our stock, a reduction of projected dayrates and a further extension of 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. 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.

**Impairments of assets held for sale**—In the year ended December 31, 2019, we recognized an aggregate loss of \$578 million (\$0.94 per diluted share), which had no tax effect, associated with the impairment of the ultra-deepwater floaters *Discoverer Deep Seas*,



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

*Discoverer Enterprise* and *Discoverer Spirit*, along with related assets, which we determined were impaired at the time we classified the assets as 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 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 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, 2019, in connection with our efforts to dispose of non-strategic assets, we completed the sale of the ultra-deepwater floaters *Deepwater Frontier*, *Deepwater Millennium*, *Discoverer Deep Seas*, *Discoverer Enterprise*, *Discoverer Spirit* and *Ocean Rig Paros*, the harsh environment floater *Eirik Raude*, the deepwater floaters *Jack Bates* and *Transocean 706* and the midwater floaters *Actinia* and *Songa Delta*, along with related assets. In the year ended December 31, 2019, we received aggregate net cash proceeds of \$64 million and recognized an aggregate net gain of \$4 million, which had no tax effect, associated with the disposal of these assets. In the year ended December 31, 2019, we received aggregate net cash proceeds of \$6 million and recognized an aggregate net loss of \$16 million associated with the disposal of assets unrelated to rig sales.

During the year ended December 31, 2018, 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, 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 and 2017, excluding our loss on the disposal of these assets, our operating results included income of \$44 million and \$65 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 (\$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.

**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.

## **NOTE 8—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 7—Drilling Fleet). We identified the impairment of these assets as an indicator that our goodwill may be impaired. In the year ended December 31, 2018, as a result of our interim goodwill impairment test, 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.

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

**Finite-lived intangible assets and liabilities**—The gross carrying amount and accumulated amortization of our drilling contract intangible assets were as follows (in millions):

	Year ended December 31, 2019			Year ended December 31, 2018		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
<b>Drilling contract intangible assets</b>						
Balance, beginning of period	\$ 907	\$ (112)	\$ 795	\$ —	\$ —	\$ —
Acquisition	—	—	—	907	—	907
Amortization	—	(187)	(187)	—	(112)	(112)
Balance, end of period	\$ 907	\$ (299)	\$ 608	\$ 907	\$ (112)	\$ 795

We recognized drilling contract intangible amortization 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, 2019, the estimated future amortization of contract intangible assets was as follows (in millions):

Years ending December 31,	Total
2020	\$ 190
2021	190
2022	171
2023	52
2024	5
Total carrying amount of contract intangible assets	\$ 608

In connection with our acquisition of Ocean Rig, we acquired contracts related to the construction of two ultra-deepwater drillships *Ocean Rig Santorini* and *Ocean Rig Crete*. At December 31, 2018, the gross carrying amount of our construction contract liabilities was \$132 million. In October 2019, we agreed with Samsung Heavy Industries Co., Ltd. (“SHI”) to cancel the construction contracts for the drillships in exchange for the parties terminating their respective obligations and liabilities under the construction contracts and our subsidiaries releasing to SHI their respective interests in the rigs. As a result, in the three months ended December 31, 2019, we eliminated the construction contract intangible liabilities and recognized income of \$132 million, recorded in other income, net.

## NOTE 9—LEASES

Our operating leases are principally for office space, storage facilities, operating equipment and land. At December 31, 2019, our operating leases had a weighted average discount rate of 6.3 percent and a weighted-average remaining lease term of 13.8 years.

Our finance lease for the ultra-deepwater drillship *Petrobras 10000*, which is scheduled to expire in August 2029, has an implicit interest rate of 7.8 percent and requires scheduled payments of \$6 million monthly through expiration, after which we have the right and obligation to acquire the drillship from the lessor for one dollar. In the year ended December 31, 2019, we recognized expense of \$21 million, recorded in depreciation and amortization, associated with the amortization of the right of use asset.

The components of our lease costs were as follows (in millions):

	Year ended December 31, 2019
<b>Lease costs</b>	
Operating lease costs	\$ 25
Short-term lease costs	13
Finance lease costs, amortization of right-of-use assets	21
Finance lease costs, interest on lease liabilities	39
Total lease costs	\$ 98

In the year ended December 31, 2019, we recognized a loss of \$26 million, with no tax effect, associated with the impairment of right-of-use assets and leasehold improvements for certain office facilities that we had vacated or had committed to sublease.

Supplemental cash flow information for our leases was as follows (in millions):

	Year ended December 31, 2019
<b>Cash paid for amounts included in the measurement of lease liabilities:</b>	
Operating cash flows from operating leases	\$ 19
Operating cash flows from finance lease	39
Financing cash flows from finance lease	32

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

At December 31, 2019, the aggregate future minimum rental payments for our leases were as follows (in millions):

	Operating leases	Finance lease
<b>Years ending December 31,</b>		
2020	\$ 16	\$ 71
2021	12	71
2022	14	71
2023	12	71
2024	12	71
Thereafter	135	327
Total future minimum rental payment	201	682
Less amount representing imputed interest	(72)	(203)
Present value of future minimum rental payments	129	479
Less current portion, recorded in other current liabilities	(13)	(35)
Long-term lease liabilities, recorded in other long-term liabilities	\$ 116	\$ 444

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

**NOTE 10—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, 2019	December 31, 2018	December 31, 2019	December 31, 2018
6.50% Senior Notes due November 2020 (a)	\$ 206	\$ 286	\$ 206	\$ 288
6.375% Senior Notes due December 2021 (a)	222	328	221	327
5.52% Senior Secured Notes due May 2022 (b)	200	282	198	280
3.80% Senior Notes due October 2022 (a)	190	411	189	408
0.50% Exchangeable Bonds due January 2023 (a)	863	863	862	862
5.375% Senior Secured Notes due May 2023 (d)	525	—	518	—
9.00% Senior Notes due July 2023 (c)	714	1,250	701	1,221
5.875% Senior Secured Notes due January 2024 (d)	667	750	656	735
7.75% Senior Secured Notes due October 2024 (d)	420	480	412	469
6.25% Senior Secured Notes due December 2024 (d)	437	500	430	489
6.125% Senior Secured Notes due August 2025 (d)	534	600	525	588
7.25% Senior Notes due November 2025 (c)	750	750	737	736
7.50% Senior Notes due January 2026 (c)	750	750	743	742
6.875% Senior Secured Notes due February 2027 (d)	550	—	541	—
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 (e)	300	300	306	306
Finance lease contract due August 2029	—	511	—	511
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
<b>Total debt</b>	<b>9,361</b>	<b>10,094</b>	<b>9,261</b>	<b>9,978</b>
Less debt due within one year				
6.50% Senior Notes due November 2020 (a)	206	—	206	—
5.52% Senior Secured Notes due May 2022 (b)	88	83	87	81
5.375% Senior Secured Notes due May 2023 (d)	16	—	14	—
5.875% Senior Secured Notes due January 2024 (d)	83	83	79	79
7.75% Senior Secured Notes due October 2024 (d)	60	60	58	58
6.25% Senior Secured Notes due December 2024 (d)	62	62	60	60
6.125% Senior Secured Notes due August 2025 (d)	66	66	64	63
Finance lease contract due August 2029	—	32	—	32
<b>Total debt due within one year</b>	<b>581</b>	<b>386</b>	<b>568</b>	<b>373</b>
<b>Total long-term debt</b>	<b>\$ 8,780</b>	<b>\$ 9,708</b>	<b>\$ 8,693</b>	<b>\$ 9,605</b>

- (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 or rigs. See “—Debt issuances—Senior secured notes.”
- (e) The subsidiary issuer of the registered notes is a wholly owned indirect subsidiary of Transocean Inc. Transocean Inc. has provided a full and unconditional guarantee of the notes and debentures.

See Note 23—Subsequent Events.

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

**Scheduled maturities**—At December 31, 2019, the scheduled maturities of our debt were as follows (in millions):

Years ending December 31,	Total
2020	\$ 581
2021	633
2022	610
2023	2,316
2024	854
Thereafter	4,367
Total principal amount of debt	9,361
Total debt-related balances, net	(100)
Total carrying amount of debt	\$ 9,261

**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 5.52% senior secured notes due May 2022 (the “5.52% Senior Secured Notes”), the 5.375% Senior Secured Notes due May 2023 (the “5.375% Senior Secured Notes”), the 5.875% senior secured notes due January 2024 (the “5.875% Senior Secured Notes”), the 7.75% senior secured notes due October 2024, the 6.25% senior secured notes due December 2024, the 6.125% senior secured notes due August 2025 (the “6.125% Senior Secured Notes”) and the 6.875% senior secured notes due February 2027 (the “6.875% 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.

**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. At December 31, 2019, the interest rate in effect for the 6.375% senior notes due December 2021, the 3.80% senior notes due October 2022 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”), and in May, July, September and December 2019, we amended the terms of the Secured Credit Facility to, among other changes, increase the borrowing capacity to \$1.3 billion and add to and clarify the lender parties and their respective commitments under the facility. The Secured Credit Facility 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*, *Deepwater Orion*, *Deepwater Skyros*, *Dhirubhai Deepwater KG2* and *Discoverer Inspiration* and the harsh environment floaters *Transocean Barents* and *Transocean Spitsbergen*, the aggregate carrying amount of which was \$4.4 billion at December 31, 2019. 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, 2019, based on the credit rating of the Secured Credit Facility on that date, the Secured Credit Facility Margin was 2.875 percent and the facility fee was 0.625 percent. At December 31, 2019, we had no borrowings outstanding, \$13 million of letters of credit issued, and we had \$1.3 billion of available borrowing capacity under the Secured Credit Facility.

**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 on or prior to November 1, 2021 at a price equal to 100 percent of the aggregate principal amount plus a make-whole provision, and subsequently, 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

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

redeem all or a portion of the 7.50% Senior Notes on or prior to January 15, 2021 at a price equal to 100 percent of the aggregate principal amount plus a make-whole provision, and subsequently, at specified redemption prices.

**Senior secured notes**—On February 1, 2019, we issued \$550 million aggregate principal amount of 6.875% Senior Secured Notes, and we received approximately \$539 million aggregate cash proceeds, net of discount and issue costs. 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. Additionally, we were required to deposit \$19 million in restricted cash accounts to satisfy debt service requirements. We are required to pay semiannual installments of (a) interest only through August 2021 and (b) principal and interest thereafter. We may redeem all or a portion of the 6.875% Senior Secured Notes on or prior to February 1, 2022 at a price equal to 100 percent of the aggregate principal amount plus a make-whole provision, and subsequently, at specified redemption prices.

On May 24, 2019, we issued \$525 million aggregate principal amount of 5.375% Senior Secured Notes, and we received approximately \$517 million aggregate cash proceeds, net of discount and issue costs. The 5.375% Senior Secured Notes are secured by the assets and earnings associated with the harsh environment floaters *Transocean Endurance* and *Transocean Equinox* and the equity of the wholly owned subsidiaries that own or operate the collateral rigs. Additionally, we were required to deposit \$14 million in restricted cash accounts to satisfy debt service requirements. We are required to pay semiannual installments of (a) interest only through May 2020 and (b) principal and interest thereafter. We may redeem all or a portion of the 5.375% Senior Secured Notes on or prior to May 15, 2021 at a price equal to 100 percent of the aggregate principal amount plus a make-whole provision, and subsequently, at specified redemption prices.

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. Additionally, 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. We may redeem all or a portion of the 5.875% Senior Secured Notes or the 6.125% Senior Secured Notes on or prior to July 15, 2021 or August 1, 2021, respectively, at a price equal to 100 percent of the aggregate principal amount plus a make-whole provision, and subsequently, at specified redemption prices.

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 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.

At December 31, 2019 and 2018, we had an aggregate amount of \$386 million and \$347 million, respectively, deposited in restricted cash accounts to satisfy debt service and working capital requirements for the senior secured notes. At December 31, 2019, the aggregate carrying amount of rigs encumbered for the senior secured notes, including *Deepwater Conqueror*, *Deepwater Pontus*, *Deepwater Proteus*, *Deepwater Thalassa*, *Deepwater Poseidon*, *Transocean Enabler*, *Transocean Encourage*, *Transocean Endurance* and *Transocean Equinox*, was \$6.3 billion. At December 31, 2018, the aggregate carrying amount of rigs encumbered for the senior secured notes, including *Deepwater Conqueror*, *Deepwater Pontus*, *Deepwater Proteus*, *Deepwater Thalassa*, *Transocean Enabler* and *Transocean Encourage*, was \$4.4 billion. We will be required to redeem the senior secured 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 respective 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.

**Debt assumptions and repayments**

In connection with the Songa acquisition, we assumed the rights and obligations under certain credit agreements, a subscription agreement and bond loan agreements. In the year ended December 31, 2018, we made an aggregate cash payment equivalent to \$1.65 billion to repay the debt obligations outstanding under these agreements, and we terminated the underlying agreements.

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

**Debt retirements**

**Repurchases and repayments**—During the three years ended December 31, 2019, we repurchased in the open market debt securities with aggregate principal amounts as follows (in millions):

	Years ended December 31,		
	2019	2018	2017
2.50% Senior Notes due October 2017	—	—	62
6.00% Senior Notes due March 2018	—	—	354
7.375% Senior Notes due April 2018	—	—	83
6.50% Senior Notes due November 2020	23	—	15
6.375% Senior Notes due December 2021	43	—	10
3.80% Senior Notes due October 2022	32	95	33
9.00% Senior Notes due July 2023	336	—	—
Aggregate principal amount retired	<u>\$ 434</u>	<u>\$ 95</u>	<u>\$ 557</u>
Aggregate cash payment	\$ 449	\$ 95	\$ 564
Aggregate net loss	\$ (23)	\$ —	\$ (7)

**Tender offers**—On February 5, 2019, we completed cash tender offers to purchase up to \$700 million aggregate principal amount of certain notes (the “2019 Tendered Notes”). On July 11, 2017, we completed cash tender offers to purchase up to \$1.5 billion aggregate principal amount of certain notes (the “2017 Tendered Notes”). During the years ended December 31, 2019 and 2017, we received valid tenders from holders of aggregate principal amounts of the 2019 Tendered Notes and 2017 Tendered Notes as follows (in millions):

	Years ended December 31,	
	2019	2017
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	57	207
6.375% Senior Notes due December 2021	63	213
3.80% Senior Notes due October 2022	190	—
9.00% Senior Notes due July 2023	200	—
Aggregate principal amount retired	<u>\$ 510</u>	<u>\$ 1,219</u>
Aggregate cash payment	\$ 522	\$ 1,269
Aggregate net loss	\$ (18)	\$ (48)

**Scheduled maturities and installments**—In the years ended December 31, 2019, 2018 and 2017, we made cash payments of \$354 million, \$257 million and \$299 million to repay other indebtedness in scheduled 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 the aggregate principal amount.

**NOTE 11—DERIVATIVE INSTRUMENTS**

**Forward exchange contracts**—At December 31, 2019, we held undesignated forward exchange contracts, extending through March 2020, with an aggregate notional payment amount of \$46 million and an aggregate notional receive amount of NOK 405 million, representing a weighted average exchange rate of NOK 8.90 to \$1. 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 years ended December 31, 2019 and 2018, we recognized a loss of \$3 million and \$10 million, respectively, recorded in other, net, associated with undesignated forward exchange contracts. At December 31, 2019 and 2018, the undesignated forward exchange contracts represented an asset of \$1 million and a liability of \$6 million, respectively, recorded in other current assets and other current liabilities, respectively.

**Currency swaps**—In connection with the Songa acquisition, we acquired undesignated currency swaps to receive Norwegian kroner in exchange for paying U.S. dollars at a fixed exchange rate. On the acquisition date, the aggregate fair value of the currency swaps represented a liability of \$81 million. In the year ended December 31, 2018, we made an aggregate cash payment of \$92 million in connection with the settlement and termination of the currency swaps, and we recognized a loss of \$11 million, recorded in other, net.

**Interest rate swaps**—In connection with the Songa acquisition, we acquired undesignated 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 the year ended December 31, 2018, we received aggregate cash proceeds of \$18 million in connection with the settlement and termination of the interest rate swaps, and we recognized a gain of \$4 million, recorded in other, net.

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

**NOTE 12—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. In the years ended December 31, 2019, 2018 and 2017, our effective tax rate was (4.9) percent, (12.8) percent and (3.1) percent, respectively, based on loss before income tax expense. 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,		
	2019	2018	2017
Current tax expense (benefit)	\$ (189)	\$ 244	\$ 5
Deferred tax expense (benefit)	248	(16)	89
Income tax expense	<u>\$ 59</u>	<u>\$ 228</u>	<u>\$ 94</u>

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,		
	2019	2018	2017
Income tax benefit at Swiss federal statutory rate	\$ (94)	\$ (139)	\$ (235)
Earnings subject to rates different than the Swiss federal statutory rate	189	(86)	(30)
Effect of operating structural changes in the U.S.	98	—	—
Changes in valuation allowance	37	67	162
Losses on impairment	35	114	241
Deemed profits taxes	22	8	16
Base erosion and anti-abuse tax	21	33	—
Withholding taxes	11	8	14
Currency revaluation of Norwegian assets	5	11	1
Effect of U.S. tax reform	—	104	66
Litigation matters, primarily related to the Macondo well incident	—	—	(70)
Benefit from foreign tax credits	(8)	(5)	(15)
Changes in unrecognized tax benefits, net	(268)	117	(56)
Other, net	11	(4)	—
Income tax expense	<u>\$ 59</u>	<u>\$ 228</u>	<u>\$ 94</u>

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

	December 31,	
	2019	2018
<b>Deferred tax assets</b>		
Net operating loss carryforwards	\$ 571	\$ 479
Interest expense limitation	77	76
Accrued payroll expenses not currently deductible	45	49
Deferred income	41	26
Loss contingencies	38	40
United Kingdom charter limitation	36	30
Tax credit carryforwards	22	11
Accrued expenses	16	44
Other	24	13
Valuation allowance	(716)	(681)
Total deferred tax assets	<u>154</u>	<u>87</u>
<b>Deferred tax liabilities</b>		
Depreciation	(361)	(62)
Contract intangible amortization	(23)	(22)
Other	(16)	(1)
Total deferred tax liabilities	<u>(400)</u>	<u>(85)</u>
<b>Deferred tax assets (liabilities), net</b>	<u>\$ (246)</u>	<u>\$ 2</u>



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

At December 31, 2019 and 2018, our deferred tax assets included U.S. foreign tax credit carryforwards of \$22 million and \$11 million, respectively, which will expire between 2020 and 2028. The deferred tax assets related to our net operating losses were generated in various worldwide tax jurisdictions. At December 31, 2019, our net deferred tax assets related to our net operating loss carryforwards included \$354 million, which do not expire and \$217 million, which will expire beginning between 2020 and 2037. At December 31, 2018, our net deferred tax assets related to our net operating loss carryforwards included \$307 million, which do not expire and \$172 million, which will expire beginning between 2021 and 2038. In the year ended December 31, 2019, our deferred tax liabilities for depreciation increased primarily as a result of certain operating structural changes that we made in the U.S.

As of December 31, 2019, our consolidated cumulative loss incurred over the recent three-year period represented significant objective negative evidence for the evaluation of the realizability 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, 2019 and 2018, due to uncertainty of realization, we had a valuation allowance of \$716 million and \$681 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, which are not indefinitely reinvested or that will not be indefinitely reinvested in the future. At December 31, 2019, we had \$254 million of unremitted earnings which we consider to be indefinitely reinvested. If we were to make a distribution from the unremitted earnings of these subsidiaries, we would be subject to taxes payable of \$13 million. If our expectations were to change regarding future tax consequences, we may be required to record additional deferred taxes that could have a material effect on our consolidated statement of financial position, results of operations or cash flows.

**Unrecognized tax benefits**—The changes 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,		
	2019	2018	2017
Balance, beginning of period	\$ 408	\$ 222	\$ 274
Additions for prior year tax positions	6	172	17
Additions for current year tax positions	144	29	13
Reductions related to statute of limitation expirations and changes in law	(138)	(8)	(13)
Reductions for prior year tax positions	(66)	(7)	(68)
Reductions due to settlements	(19)	—	(1)
Balance, end of period	<u>\$ 335</u>	<u>\$ 408</u>	<u>\$ 222</u>

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,	
	2019	2018
Unrecognized tax benefits, excluding interest and penalties	\$ 335	\$ 408
Interest and penalties	34	106
Unrecognized tax benefits, including interest and penalties	<u>\$ 369</u>	<u>\$ 514</u>

In the years ended December 31, 2019, 2018 and 2017, we recognized, as a component of our income tax provision, income of \$72 million, expense of \$13 million and income of \$9 million, respectively, related to interest and penalties associated with our unrecognized tax benefits. As of December 31, 2019, if recognized, \$175 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, 2020, 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 introduced changes to U.S. tax law, such as, among others, a transition tax, a federal income tax rate reduction and a base erosion and anti-abuse tax. We recognized the income tax effect of the 2017 Tax Act in accordance with Staff Accounting Bulletin No. 118, which provides guidance for the application of accounting standards for income taxes in the reporting period in which the 2017 Tax Act was enacted. The one-time transition tax applied to certain unremitted earnings and profits of our non-U.S. subsidiaries that are owned by U.S. subsidiaries. In the year ended December 31, 2018, we completed the evaluation of our unremitted earnings and profits for which the necessary information was not previously available, and we recorded income tax expense of \$120 million for estimated transition taxes and \$16 million for the utilization of estimated foreign tax credits. In the years ended December 31, 2019 and 2018, we recognized income tax expense of \$21 million and \$33 million, respectively, related to the bareboat charter structure of our U.S. operations, a significant portion of which 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 reduced federal income tax rate.

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

**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.

**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. During the years ended December 31, 2018 and 2019, a portion of two cases were favorably closed. As of December 31, 2019, the remaining aggregate tax assessment was for BRL 676 million, equivalent to approximately \$168 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 13—LOSS PER SHARE**

The computation of basic and diluted loss per share was as follows (in millions, except per share data):

	Years ended December 31,					
	2019		2018		2017	
	Basic	Diluted	Basic	Diluted	Basic	Diluted
<b>Numerator for loss per share</b>						
Net loss attributable to controlling interest	\$ (1,255)	\$ (1,255)	\$ (1,996)	\$ (1,996)	\$ (3,127)	\$ (3,127)
<b>Denominator for loss per share</b>						
Weighted-average shares outstanding	611	611	467	467	391	391
Effect of share-based awards and other equity instruments	1	1	1	1	—	—
Weighted-average shares for per share calculation	612	612	468	468	391	391
<b>Loss per share</b>	<u>\$ (2.05)</u>	<u>\$ (2.05)</u>	<u>\$ (4.27)</u>	<u>\$ (4.27)</u>	<u>\$ (8.00)</u>	<u>\$ (8.00)</u>

In the years ended December 31, 2019, 2018 and 2017, we excluded from the calculation 12.0 million, 10.6 million and 4.7 million share-based awards, respectively, since the effect would have been anti-dilutive. In the years ended December 31, 2019 and 2018, we excluded from the calculation 84.0 million and 77.2 million shares, respectively, issuable upon conversion of the Exchangeable Bonds since the effect would have been anti-dilutive.

**NOTE 14—POSTEMPLOYMENT BENEFIT PLANS**

**Defined benefit pension and other postemployment benefit plans**

**Overview**—As of December 31, 2019 we had defined benefit plans in the U.S., the United Kingdom (“U.K.”), and Norway. As of December 31, 2019, in the U.S., we had three funded and three unfunded defined benefit plans (the “U.S. Plans”). As of December 31, 2019, in the U.K., we had one funded defined benefit plan (the “U.K. Plan”). As of December 31, 2019, in Norway, we had four funded and two unfunded defined benefit plans (the “Norway Plans”), all of which were group pension schemes with life insurance companies. 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. Benefits under the U.S. Plans and the U.K. Plan have ceased accruing. We maintain the respective pension obligations under such plans until they have been fully satisfied.

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

**Assumptions**—We estimated our benefit obligations using the following weighted-average assumptions:

	December 31, 2019			December 31, 2018		
	U.S.	Non-U.S.	OPEB	U.S.	Non-U.S.	OPEB
	Plans	Plans	Plans	Plans	Plans	Plans
Discount rate	3.27 %	2.13 %	2.39 %	4.31 %	2.86 %	3.56 %
Compensation trend rate	na	2.25 %	na	na	2.75 %	na

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

	Year ended December 31, 2019			Year ended December 31, 2018			Year ended December 31, 2017		
	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	4.32 %	2.86 %	3.56 %	3.68 %	2.49 %	2.93 %	4.26 %	2.69 %	3.08 %
Expected rate of return	6.20 %	4.39 %	na	6.21 %	4.72 %	na	6.31 %	4.79 %	na
Compensation trend rate	na	2.75 %	na	na	2.50 %	na	na	2.25 %	na

“na” means not applicable.

**Net periodic benefit costs**—Net periodic benefit costs recognized included the following components (in millions):

	Year ended December 31, 2019				Year ended December 31, 2018				Year ended December 31, 2017			
	U.S.	Non-U.S.	OPEB	Total	U.S.	Non-U.S.	OPEB	Total	U.S.	Non-U.S.	OPEB	Total
	Plans	Plans	Plans		Plans	Plans	Plans		Plans	Plans	Plans	
<b>Net periodic benefit costs</b>												
Service cost	\$ —	\$ 7	\$ —	\$ 7	\$ —	\$ 7	\$ —	\$ 7	\$ 3	\$ 3	\$ —	\$ 6
Interest cost	63	10	1	74	61	10	1	72	65	11	—	76
Expected return on plan assets	(71)	(17)	—	(88)	(72)	(19)	—	(91)	(74)	(20)	—	(94)
Special termination benefits	—	—	—	—	—	—	1	1	—	—	—	—
Settlements and curtailments	1	2	—	3	—	(1)	(4)	(5)	—	13	—	13
Actuarial loss, net	3	—	—	3	8	1	—	9	5	1	1	7
Prior service gain, net	—	—	(2)	(2)	—	—	(2)	(2)	—	—	(3)	(3)
Net periodic benefit costs (income)	<u>\$ (4)</u>	<u>\$ 2</u>	<u>\$ (1)</u>	<u>\$ (3)</u>	<u>\$ (3)</u>	<u>\$ (2)</u>	<u>\$ (4)</u>	<u>\$ (9)</u>	<u>\$ (1)</u>	<u>\$ 8</u>	<u>\$ (2)</u>	<u>\$ 5</u>

**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, 2019				Year ended December 31, 2018			
	U.S.	Non-U.S.	OPEB	Total	U.S.	Non-U.S.	OPEB	Total
	Plans	Plans	Plans		Plans	Plans	Plans	
<b>Change in projected benefit obligation</b>								
Projected benefit obligation, beginning of period	\$ 1,527	\$ 338	\$ 17	\$ 1,882	\$ 1,680	\$ 379	\$ 19	\$ 2,078
Assumed projected benefit obligation	—	—	—	—	—	29	—	29
Actuarial (gains) losses, net	202	45	1	248	(145)	(45)	(2)	(192)
Service cost	—	7	—	7	—	7	—	7
Interest cost	63	10	1	74	61	10	1	72
Currency exchange rate changes	—	14	—	14	—	(21)	—	(21)
Benefits paid	(72)	(19)	(2)	(93)	(69)	(19)	(2)	(90)
Settlements	(24)	—	—	(24)	—	(3)	—	(3)
Plan amendment	—	—	—	—	—	1	—	1
Special termination benefit	—	—	—	—	—	—	1	1
Projected benefit obligation, end of period	<u>1,696</u>	<u>395</u>	<u>17</u>	<u>2,108</u>	<u>1,527</u>	<u>338</u>	<u>17</u>	<u>1,882</u>
<b>Change in plan assets</b>								
Fair value of plan assets, beginning of period	1,189	378	—	1,567	1,343	393	—	1,736
Fair value of acquired plan assets	—	—	—	—	—	22	—	22
Actual return on plan assets	272	39	—	311	(87)	(6)	—	(93)
Currency exchange rate changes	—	16	—	16	—	(22)	—	(22)
Employer contributions	4	16	2	22	2	13	2	17
Benefits paid	(72)	(19)	(2)	(93)	(69)	(19)	(2)	(90)
Settlements	(24)	—	—	(24)	—	(3)	—	(3)
Fair value of plan assets, end of period	<u>1,369</u>	<u>430</u>	<u>—</u>	<u>1,799</u>	<u>1,189</u>	<u>378</u>	<u>—</u>	<u>1,567</u>
<b>Funded status, end of period</b>	<u>\$ (327)</u>	<u>\$ 35</u>	<u>\$ (17)</u>	<u>\$ (309)</u>	<u>\$ (338)</u>	<u>\$ 40</u>	<u>\$ (17)</u>	<u>\$ (315)</u>
<b>Balance sheet classification, end of period:</b>								
Pension asset, non-current	\$ —	\$ 42	\$ —	\$ 42	\$ —	\$ 47	\$ —	\$ 47
Pension liability, current	(1)	(1)	(3)	(5)	(3)	(1)	(3)	(7)
Pension liability, non-current	(326)	(6)	(14)	(346)	(335)	(6)	(14)	(355)
Accumulated other comprehensive loss (income), before taxes	304	84	(12)	376	307	64	(15)	356
<b>Accumulated benefit obligation, end of period</b>	<u>\$ 1,696</u>	<u>\$ 385</u>	<u>\$ 17</u>	<u>\$ 2,098</u>	<u>\$ 1,527</u>	<u>\$ 328</u>	<u>\$ 17</u>	<u>\$ 1,872</u>

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

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, 2019				December 31, 2018			
	U.S. Plans	Non-U.S. Plans	OPEB Plans	Total	U.S. Plans	Non-U.S. Plans	OPEB Plans	Total
Projected benefit obligation	\$ 1,696	\$ 56	\$ 17	\$ 1,769	\$ 1,527	\$ 26	\$ 17	\$ 1,570
Fair value of plan assets	1,369	49	—	1,418	1,189	20	—	1,209

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, 2019				December 31, 2018			
	U.S. Plans	Non-U.S. Plans	OPEB Plans	Total	U.S. Plans	Non-U.S. Plans	OPEB Plans	Total
Accumulated benefit obligation	\$ 1,696	\$ 1	\$ 17	\$ 1,714	\$ 1,527	\$ 3	\$ 17	\$ 1,547
Fair value of plan assets	1,369	—	—	1,369	1,189	—	—	1,189

The amounts in accumulated other comprehensive loss (income) that have not been recognized were as follows (in millions):

	December 31, 2019				December 31, 2018			
	U.S. Plans	Non-U.S. Plans	OPEB Plans	Total	U.S. Plans	Non-U.S. Plans	OPEB Plans	Total
Actuarial loss, net	\$ 304	\$ 84	\$ 2	\$ 390	\$ 307	\$ 63	\$ 1	\$ 371
Prior service cost, net	—	—	(14)	(14)	—	1	(16)	(15)
Accumulated other comprehensive loss (income), before taxes	\$ 304	\$ 84	\$ (12)	\$ 376	\$ 307	\$ 64	\$ (15)	\$ 356

The amounts in accumulated other comprehensive loss (income) expected to be recognized as components of net periodic benefit costs are as follows (in millions):

	Year ending December 31, 2020			
	U.S. Plans	Non-U.S. Plans	OPEB Plans	Total
Actuarial loss, net	\$ 9	\$ 1	\$ —	\$ 10
Prior service cost, net	—	—	(2)	(2)
Total amount expected to be recognized	\$ 9	\$ 1	\$ (2)	\$ 8

**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. The weighted-average target and actual allocations of the investments for the funded Transocean Plans were as follows:

	December 31, 2019				December 31, 2018			
	Target allocation		Actual allocation		Target allocation		Actual allocation	
	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans	U.S. Plans	Non-U.S. Plans
Equity securities	50 %	24 %	51 %	27 %	50 %	34 %	50 %	32 %
Fixed income securities	50 %	60 %	49 %	56 %	50 %	51 %	50 %	52 %
Other investments	— %	16 %	— %	17 %	— %	15 %	— %	16 %
Total	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %

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

The investments for the funded Transocean Plans were categorized as follows (in millions):

	December 31, 2019								
	Significant observable inputs			Significant other observable inputs			Total		
	U.S. Plans	Non-U.S. Plans	Transocean Plans	U.S. Plans	Non-U.S. Plans	Transocean Plans	U.S. Plans	Non-U.S. Plans	Transocean Plans
<b>Mutual funds</b>									
U.S. equity funds	\$ 480	\$ —	\$ 480	\$ 1	\$ —	\$ 1	\$ 481	\$ —	\$ 481
Non-U.S. equity funds	216	—	216	5	115	120	221	115	336
Bond funds	656	—	656	6	240	246	662	240	902
Total mutual funds	<u>1,352</u>	<u>—</u>	<u>1,352</u>	<u>12</u>	<u>355</u>	<u>367</u>	<u>1,364</u>	<u>355</u>	<u>1,719</u>
<b>Other investments</b>									
Cash and money market funds	5	4	9	—	—	—	5	4	9
Property collective trusts	—	—	—	—	20	20	—	20	20
Investment contracts	—	—	—	—	51	51	—	51	51
Total other investments	<u>5</u>	<u>4</u>	<u>9</u>	<u>—</u>	<u>71</u>	<u>71</u>	<u>5</u>	<u>75</u>	<u>80</u>
<b>Total investments</b>	<u>\$ 1,357</u>	<u>\$ 4</u>	<u>\$ 1,361</u>	<u>\$ 12</u>	<u>\$ 426</u>	<u>\$ 438</u>	<u>\$ 1,369</u>	<u>\$ 430</u>	<u>\$ 1,799</u>

	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
<b>Mutual funds</b>									
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>
<b>Other investments</b>									
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>
<b>Total investments</b>	<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>

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, 2019, 2018 and 2017, we made an aggregate contribution of \$22 million, \$17 million and \$15 million, respectively, to the Transocean Plans and the OPEB Plans using our cash flows from operations. In the year ending December 31, 2020, we expect to contribute \$18 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 projected benefits payments were as follows (in millions):

Years ending December 31,	U.S. Plans	Non-U.S. Plans	OPEB Plans	Total
	2020	\$ 79	\$ 8	\$ 3
2021	79	8	3	90
2022	81	8	3	92
2023	82	9	2	93
2024	82	10	3	95
2025 - 2029	419	59	3	481

**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

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

December 31, 2019, 2018 and 2017, we recognized expense of \$52 million, \$50 million and \$43 million, respectively, related to our defined contribution plans.

**NOTE 15—COMMITMENTS AND CONTINGENCIES**

***Purchase and service agreement obligations***

We have purchase obligations with shipyards and other contractors related to our newbuild construction programs. We also have long-term service agreements with original equipment manufacturers to provide services and parts, primarily 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 subject to actual operating activity. At December 31, 2019, 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
2020	\$ 1,067	\$ 110
2021	49	117
2022	—	120
2023	—	124
2024	—	129
Thereafter	—	435
Total	<u>\$ 1,116</u>	<u>\$ 1,035</u>

***Letters of credit and surety bonds***

At December 31, 2019 and 2018, we had outstanding letters of credit totaling \$19 million and \$31 million, respectively, issued under various committed and uncommitted credit lines provided by banks to guarantee various contract bidding, performance activities and customs obligations. At December 31, 2019 and 2018, we also had outstanding surety bonds totaling \$113 million and \$84 million, respectively, to secure customs obligations related to the importation of our rigs and certain performance and other obligations. At December 31, 2019 and 2018, the aggregate cash collateral held by institutions to secure our letters of credit and surety bonds was \$10 million and \$5 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. Litigation, including civil and criminal claims, 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 which has now been resolved or is pending release of funds from escrow. We will vigorously defend against any actions not resolved by our previous settlements and pursue any and all defenses available.

At December 31, 2019 and 2018, the remaining liability for estimated loss contingencies that we believe are probable and for which a reasonable estimate can be made was \$124 million and \$158 million, respectively, recorded in other current liabilities, the majority of which is related to the settlement agreement that we and the Plaintiff Steering Committee filed with the MDL Court in May 2015 (the “PSC Settlement Agreement”). On February 15, 2017, the MDL Court entered a final order and judgment approving the PSC Settlement Agreement. Through the PSC Settlement Agreement, we agreed to pay a total of \$212 million to be allocated between two classes of plaintiffs in exchange for a release of all respective claims each class has against us. As required under the PSC Settlement Agreement, we deposited the settlement amount into an escrow account established by the MDL Court. In August 2019 and November 2018, the MDL Court released \$33 million and \$58 million, respectively, from the escrow account to make payments to the plaintiffs. At December 31, 2019 and 2018, the remaining cash balance in the escrow account was \$125 million and \$156 million, respectively, recorded in restricted cash accounts and investments.

**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 (“NIMASA”), 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. In June 2019, the Court of Appeal of Nigeria ruled the suits had been properly dismissed, confirming that offshore drilling rigs are not subject to the surcharges of the Cabotage Act. NIMASA has not appealed this ruling, and the deadline for appeal has passed. While we cannot provide assurance that NIMASA will not attempt to challenge the ruling in the future, 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.

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

**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, 2019, 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, 2019, the subsidiary was a defendant in approximately 185 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, 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 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 hazardous substances at various 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. It is difficult to quantify the potential cost of environmental matters and remediation obligations. Liability is strict and can be joint and several.

One of our subsidiaries was 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, under a participation agreement with the U.S. Environmental Protection Agency (the "EPA") and the U.S. Department of Justice, to settle our potential liabilities by remediating the site. The remedial action for the site was completed in 2006. Our share of the ongoing operating and maintenance costs has been insignificant, and we do not expect any additional potential liabilities to be material. Resolutions of other claims by the EPA, the involved state agency or PRPs are at various stages of investigation. Nevertheless, based on 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, the potential claims in Alhambra, California, for which tests detected no contaminants, 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 16—EQUITY**

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**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, 2019 and 2018, our subsidiary held 6.1 million and 0.9 million shares, respectively.

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

**Accumulated other comprehensive loss**—The changes in accumulated other comprehensive loss, presented net of tax, for our defined benefit pension plans were as follows (in millions):

	Years ended December 31,	
	2019	2018
Balance, beginning of period	\$ (279)	\$ (290)
Other comprehensive income (loss) before reclassifications	(25)	6
Reclassifications to net loss	4	5
Other comprehensive income (loss), net	(21)	11
Effect of adopting accounting standards update	(24)	—
Balance, end of period	<u>\$ (324)</u>	<u>\$ (279)</u>

**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.

## NOTE 17—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, 2019, we had 32.7 million shares authorized and 7.4 million shares available to be granted under the Long-Term Incentive Plan. At December 31, 2019, the total unrecognized compensation cost related to our unvested share-based awards was \$42 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, 2019:

	Number of units	Weighted-average grant-date fair value per unit
Unvested at January 1, 2019	4,077,992	\$ 10.40
Granted	3,044,494	8.33
Vested	(2,224,030)	10.40
Forfeited	(178,878)	9.01
Unvested at December 31, 2019	<u>4,719,578</u>	<u>\$ 9.11</u>

During the year ended December 31, 2019, the vested restricted share units had an aggregate grant-date fair value of \$23 million. During the years ended December 31, 2018 and 2017, we granted 2,521,939 and 1,921,029 service-based units, respectively, with a per unit weighted-average grant-date fair value of \$9.67 and \$13.03, respectively. During the years ended December 31, 2018 and 2017, we had 2,087,141 and 1,867,970 service-based units, respectively, that vested with an aggregate grant-date fair value of \$27 million and \$28 million, respectively.



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

**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, 2019:

	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, 2019	3,767,483	\$ 21.56	6.84	\$ —
Granted	1,594,528	8.35	—	—
Forfeited	(201,596)	30.93	—	—
Expired	(295,990)	60.33	—	—
Outstanding at December 31, 2019	4,864,425	\$ 14.48	7.34	\$ —
Vested and exercisable at December 31, 2019	2,212,911	\$ 20.88	5.85	\$ —

During the year ended December 31, 2019, the granted stock options had a per option weighted-average grant-date fair value of \$4.09. During the year ended December 31, 2019, the vested stock options had an aggregate grant-date fair value of \$10 million. At December 31, 2019 and 2018, there were outstanding unvested stock options to purchase 2,651,514 and 2,166,969 shares, respectively. During the years ended December 31, 2018 and 2017, we granted stock options to purchase 1,249,266 and 877,231 shares, respectively, with a per option weighted-average grant-date fair value of \$9.18 and \$6.46, respectively. During the years ended December 31, 2018 and 2017, the vested stock options had an aggregate grant-date fair value of \$6 million and \$2 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, 2019:

	Number of units	Weighted-average grant-date fair value per unit
Unvested at January 1, 2019	1,763,794	\$ 12.93
Granted	1,067,316	10.77
Vested	(676,098)	16.25
Forfeited	(73,393)	3.02
Unvested at December 31, 2019	2,081,619	\$ 10.78

During the year ended December 31, 2019, the vested performance-based units had an aggregate grant-date fair value of \$11 million. During the years ended December 31, 2018 and 2017, we granted 1,074,054 and 689,740 performance-based units, respectively, with a per unit weighted-average grant-date fair value of \$10.79 and \$16.25, respectively. During the years ended December 31, 2018 and 2017, the vested performance-based units had an aggregate grant-date fair value of \$11 million and \$7 million, respectively.

**NOTE 18—SUPPLEMENTAL BALANCE SHEET INFORMATION**

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

	December 31,	
	2019	2018
<b>Other current liabilities</b>		
Accrued payroll and employee benefits	\$ 207	\$ 182
Accrued interest	169	184
Accrued taxes, other than income	73	69
Finance lease liability	35	—
Operating lease liabilities	13	—
Deferred revenues	100	87
Contingent liabilities	180	213
Other	4	11
Total other current liabilities	\$ 781	\$ 746

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

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

	December 31,	
	2019	2018
<b>Other long-term liabilities</b>		
Postemployment benefit plan obligations	\$ 346	\$ 355
Finance lease liability	444	—
Operating lease liabilities	116	—
Income taxes payable	179	476
Deferred revenues	429	399
Construction contract intangible liability	—	132
Other	41	62
Total other long-term liabilities	<u>\$ 1,555</u>	<u>\$ 1,424</u>

**NOTE 19—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,		
	2019	2018	2017
<b>Changes in other operating assets and liabilities</b>			
Decrease in accounts receivable	\$ 87	\$ 180	\$ 230
(Increase) decrease in other assets	(30)	3	(37)
Decrease in accounts payable and other current liabilities	(21)	(154)	(115)
(Decrease) increase in other long-term liabilities	(34)	80	(13)
Change in income taxes receivable / payable, net	(303)	125	(58)
Change in receivables from / payables to affiliates, net	(10)	—	—
	<u>\$ (311)</u>	<u>\$ 234</u>	<u>\$ 7</u>

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

	Years ended December 31,		
	2019	2018	2017
<b>Certain cash operating activities</b>			
Cash payments for interest	\$ 648	\$ 570	\$ 486
Cash payments for income taxes	121	151	124
<b>Non-cash investing and financing activities</b>			
Capital additions, accrued at end of period (a)	\$ 48	\$ 30	\$ 20
Issuance of shares in business combinations (b)	—	2,112	—
Issuance of debt in business combination (c)	—	1,026	—

- (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 7—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.

**NOTE 20—FINANCIAL INSTRUMENTS**

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

	December 31, 2019		December 31, 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	\$ 1,790	\$ 1,790	\$ 2,160	\$ 2,160
Restricted cash and cash equivalents	558	558	429	429
Restricted investments	—	—	123	123
Long-term debt, including current maturities	9,261	8,976	9,978	9,212
Derivative instruments, assets	1	1	—	—
Derivative instruments, liabilities	—	—	6	6

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

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.

**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, 2019, the aggregate carrying amount of such restricted cash and cash equivalents was \$558 million, recorded in current assets. 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.

**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 current assets.

**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 21—RISK CONCENTRATION**

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**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 and debt. 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 and occasional use of forward exchange contracts. Our primary currency exchange rate risk management strategy involves structuring customer contracts to provide for payment in both U.S. dollars and local currency. The payment portion denominated in local currency is based on anticipated local currency requirements over the contract term. Due to various factors, including customer acceptance, local banking laws, national content requirements, other statutory requirements, local currency convertibility and the impact of inflation on local costs, actual local currency needs may vary from those anticipated in the customer contracts, resulting in partial exposure to currency exchange rate risk. The currency exchange effect resulting from our international operations generally has not had a material impact on our operating results.

**Credit risk**—Financial instruments that potentially subject us to concentrations of credit risk are primarily cash and cash equivalents, short-term investments and trade receivables, both current and long-term. We generally maintain our cash, cash equivalents and short-term investments in time deposits at commercial banks with high credit ratings or mutual funds, which invest exclusively in high-quality money market instruments. We limit the amount of exposure to any one institution and do not believe we are exposed to any significant credit risk.

We earn our revenues by providing our drilling services to integrated oil companies, government-owned or government-controlled oil companies and other independent oil companies. Our receivables are dispersed in various countries. 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, 2019, we had approximately 6,600 employees, including approximately 700 persons engaged through contract labor providers. Approximately 47 percent of our total workforce, working primarily in Norway, Brazil, the U.K., Angola 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 sometimes result in strikes and could result in higher personnel

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

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 22—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, presented by country in which they were earned, were as follows (in millions):

	Years ended December 31,		
	2019	2018	2017
<b>Operating revenues</b>			
U.S.	\$ 1,264	\$ 1,496	\$ 1,527
Norway	775	651	83
Brazil	125	110	335
Other countries (a)	924	761	1,028
<b>Total operating revenues</b>	<b>\$ 3,088</b>	<b>\$ 3,018</b>	<b>\$ 2,973</b>

- (a) Other countries represents the aggregate value for countries in which we operate that individually had operating revenues representing less than 10 percent of consolidated operating revenues earned.

Long-lived assets, presented by country in which they were located, were as follows (in millions):

	December 31,	
	2019 (a)	2018
<b>Long-lived assets</b>		
U.S.	\$ 6,259	\$ 6,257
Norway	3,203	3,260
Greece	2,760	1,103
Other countries (b)	7,194	9,788
<b>Total long-lived assets</b>	<b>\$ 19,416</b>	<b>\$ 20,408</b>

- (a) The aggregate carrying amount includes the combined total of our property and equipment and our right-of-use assets.  
(b) Other countries represents the aggregate value for 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 presented. 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. Although we are organized under the laws of Switzerland, we have minimal assets in Switzerland, and we do not conduct any operations or have operating revenues in Switzerland.

**Major customers**—For the year ended December 31, 2019, Royal Dutch Shell plc (together with its affiliates, “Shell”), Equinor ASA (together with its affiliates, “Equinor”) and Chevron Corporation (together with its affiliates, “Chevron”) accounted for approximately 26 percent, 21 percent and 17 percent, respectively, of our consolidated operating revenues. For the year ended December 31, 2018, Shell, Chevron and 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. accounted for approximately 29 percent, 17 percent and 14 percent, respectively, of our consolidated operating revenues.

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

**NOTE 23—SUBSEQUENT EVENTS**

**Priority guaranteed senior unsecured notes**—On January 17, 2020, we issued \$750 million aggregate principal amount of 8.00% senior unsecured notes due February 2027 (the “8.00% Senior Notes”), and we received aggregate cash proceeds of \$743 million, net of issue costs. The 8.00% Senior Notes are fully and unconditionally guaranteed by Transocean Ltd. and certain wholly owned subsidiaries of Transocean Inc. Such notes rank equal in right of payment to all of our existing and future unsecured unsubordinated obligations and rank structurally senior to the extent of the value of the assets of the subsidiaries guaranteeing the notes. We may redeem all or a portion of the 8.00% Senior Notes on or prior to February 1, 2023 at a price equal to 100 percent of the aggregate principal amount plus a make-whole provision, and subsequently, at specified redemption prices. The indenture that governs the 8.00% Senior Notes contains covenants that, among other things, limit our ability to incur certain liens on our drilling units without equally and ratably securing the notes, engage in certain sale and lease-back transactions covering any of our drilling units, allow our subsidiaries to incur certain additional debt, and consolidate, merge or enter into a scheme of arrangement qualifying as an amalgamation.

**Debt redemption**—On January 17, 2020, we provided a notice to redeem in full our outstanding 9.00% Senior Notes. On February 18, 2020, we made a payment of \$767 million, including the make-whole provision, to redeem the 9.00% Senior Notes, and in the three months ending March 31, 2020, we expect to recognize a loss of approximately \$66 million associated with the retirement of debt.

**NOTE 24—QUARTERLY RESULTS (UNAUDITED)**

	Three months ended			
	March 31,	June 30,	September 30,	December 31,
	(In millions, except per share data)			
<b>2019</b>				
Operating revenues	\$ 754	\$ 758	\$ 784	\$ 792
Operating loss (a)	(13)	(27)	(607)	(74)
Net loss (a)	(171)	(206)	(825)	(55)
Net loss attributable to controlling interest (a)	(171)	(208)	(825)	(51)
Per share loss				
Basic	\$ (0.28)	\$ (0.34)	\$ (1.35)	\$ (0.08)
Diluted	\$ (0.28)	\$ (0.34)	\$ (1.35)	\$ (0.08)
Weighted-average shares outstanding				
Basic	611	612	613	613
Diluted	611	612	613	613
<b>2018</b>				
Operating revenues	\$ 664	\$ 790	\$ 816	\$ 748
Operating loss (b)	(4)	(917)	(305)	(25)
Net loss (b)	(212)	(1,139)	(409)	(243)
Net loss attributable to controlling interest (b)	(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

- (a) Third quarter included an aggregate loss of \$583 million, primarily associated with the impairment of certain drilling units and other equipment classified as assets held for sale and \$26 million associated with the impairment of certain right-of-use assets and leasehold improvements related to our leases. First quarter, second quarter, third quarter and fourth quarter included an aggregate loss of \$41 million associated with the retirement of debt. First quarter and second quarter included a bargain purchase gain of \$11 million associated with the Ocean Rig acquisition. Fourth quarter included a gain of \$132 million associated with the termination of construction contracts for two ultra-deepwater drillships.
- (b) 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 the 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.

## **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, 2019.

**Internal control over financial reporting**—There has been no change to our internal control over financial reporting during the quarter ended December 31, 2019 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 2020 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, 2019. 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-41
Reports of Independent Registered Public Accounting Firm	AR-42
Report of Statutory Auditor on the Consolidated Financial Statements	AR-45
Consolidated Statements of Operations	AR-47
Consolidated Statements of Comprehensive Loss	AR-48
Consolidated Balance Sheets	AR-49
Consolidated Statements of Equity	AR-50
Consolidated Statements of Cash Flows	AR-51
Notes to Consolidated Financial Statements	AR-52

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)

		Additions			
Balance at beginning of period	Charge to cost and expenses	Charge to other accounts -describe	Deductions -describe	Balance at end of period	
<b>Year ended December 31, 2017</b>					
Reserves and allowances deducted from asset accounts:					
Allowance for excess and obsolete materials and supplies	153	24	—	36 (a)	141
Valuation allowance on deferred tax assets	412	162	—	—	574
<b>Year ended December 31, 2018</b>					
Reserves and allowances deducted from asset accounts:					
Allowance for excess and obsolete materials and supplies	141	12	—	19 (a)	134
Valuation allowance on deferred tax assets	574	67	40 (b)	—	681
<b>Year ended December 31, 2019</b>					
Reserves and allowances deducted from asset accounts:					
Allowance for excess and obsolete materials and supplies	134	3	—	10 (a)	127
Valuation allowance on deferred tax assets	681	37	—	2 (c)	716

- (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.
- (c) Amount related to adjustments to other deferred tax assets with valuation allowances.



### (3) Exhibits

The following exhibits are filed or furnished, as indicated, or incorporated by reference to the location indicated:

Number	Description	Location
2.1	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 May 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	Description of Shares of Transocean Ltd.	Filed with our Annual Report on Form 10-K for the year ended December 31, 2019
4.2	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
4.3	Increase of Commitments and First Amendment to Credit Agreement, dated May 13, 2019, among Transocean Inc., the lenders and issuing banks parties thereto, Citibank, N.A., as administrative agent, and for the limited purposes set forth therein, Transocean Ltd. and certain of its subsidiaries	Exhibit 10.1 to Transocean Ltd.'s Current Report on Form 8-K (Commission File No. 001-38373) filed on May 13, 2019
4.4	Increase of Commitments, Second Amendment to Credit Agreement and First Amendment to Guaranties, dated July 15, 2019, among Transocean Inc., the lenders and issuing banks parties thereto, Citibank, N.A., as administrative agent, and for the limited purposes set forth therein, Transocean Ltd. and certain of its subsidiaries	Exhibit 10.1 to Transocean Ltd.'s Current Report on Form 8-K (Commission File No. 001-38373) filed on July 15, 2019
4.5	Curative Agreement, dated September 24, 2019, between Transocean Inc. and Citibank, N.A., as administrative agent for the lenders under the Credit Agreement dated June 22, 2018, as amended	Exhibit 10.2 to Transocean Ltd.'s Quarterly Report on Form 10-Q (Commission File No. 001-38373) for the quarter ended September 30, 2019
4.6	Increase of Commitments and Third Amendment to Credit Agreement, dated December 23, 2019, among Transocean Inc., the lenders and issuing banks parties thereto, Citibank, N.A., as administrative agent, and for the limited purposes set forth therein, Transocean Ltd. and certain of its subsidiaries	Filed with our Annual Report on Form 10-K for the year ended December 31, 2019
4.7	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
4.8	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
4.9	First Supplemental Indenture, dated April 15, 2019, by and among Transocean Pontus Limited, Wells Fargo Bank, National Association, as trustee and collateral agent, and the Note Parties, supplementing the Indenture dated as of July 20, 2018	Exhibit 4.4 to Transocean Ltd.'s Quarterly Report on Form 10-Q (Commission File No. 001-38373) for the quarter ended March 31, 2019
4.10	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
4.11	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
4.12	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
4.13	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
4.14	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
4.15	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

Number	Description	Location
4.16	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
4.17	Officers' Certificate establishing the terms of the 7.375% Notes due April 15, 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
4.18	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
4.19	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
4.20	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
4.21	Third Supplemental Indenture, dated as of July 29, 2019, among Global Marine Inc, Transocean Inc. and Wilmington Trust Company, as trustee, relating to Debt Securities of Global Marine Inc.	Exhibit 4.1 to Transocean Ltd.'s Current Report on Form 8-K (Commission File No. 001-38373) filed on July 29, 2019
4.22	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
4.23	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
4.24	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
4.25	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
4.26	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
4.27	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
4.28	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
4.29	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
4.30	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
4.31	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
4.32	First Supplemental Indenture, dated April 15, 2019, by and among Transocean Phoenix 2 Limited, Wells Fargo Bank, National Association, as trustee and collateral agent, and the Note Parties supplementing the Indenture dated as of October 19, 2016	Exhibit 4.2 to Transocean Ltd.'s Quarterly Report on Form 10-Q (Commission File No. 001-38373) for the quarter ended March 31, 2019
4.33	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
4.34	First Supplemental Indenture, dated April 15, 2019, by and among Transocean Proteus Limited, Wells Fargo Bank, National Association, as trustee and collateral agent, and the Note Parties, supplementing the Indenture dated as of October 19, 2016	Exhibit 4.3 to Transocean Ltd.'s Quarterly Report on Form 10-Q (Commission File No. 001-38373) for the quarter ended March 31, 2019
4.35	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

Number	Description	Location
4.36	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. 001-38373) filed on January 30, 2018
4.37	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. 001-38373) filed on January 30, 2018
4.38	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. 001-38373) filed on January 30, 2018
4.39	Indenture, dated October 25, 2018, among Transocean Inc., the guarantors party thereto and Wells Fargo Bank, National Association, as trustee	Exhibit 4.32 to Transocean Ltd.'s Annual Report on Form 10-K (Commission File No. 001-38373) filed on February 19, 2019
4.40	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
4.41	Indenture, dated May 24, 2019, by and among Transocean Sentry 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 May 29, 2019
4.42	Indenture, dated January 17, 2020, 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. 001-38373) filed on January 17, 2020
* 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	Form of 2004 Performance-Based Nonqualified Share Option Award Letter	Exhibit 10.2 to Transocean Inc.'s Current Report on Form 8-K (Commission File No. 333-75899) filed on February 15, 2005
* 10.10	Form of 2004 Director Deferred Unit Award	Exhibit 10.4 to Transocean Inc.'s Current Report on Form 8-K (Commission File No. 333-75899) filed on February 15, 2005
* 10.11	Form of 2008 Director Deferred Unit Award	Exhibit 10.20 to Transocean Ltd.'s Annual Report on Form 10-K (Commission File No. 000-53533) for the year ended December 31, 2008
* 10.12	Form of 2009 Director Deferred Unit Award	Exhibit 10.19 to Transocean Ltd.'s Annual Report on Form 10-K (Commission File No. 000-53533) for the year ended December 31, 2009
* 10.13	Terms and Conditions of 2013 Director Deferred Unit Award	Exhibit 10.14 to Transocean Ltd.'s Annual Report on Form 10-K (Commission File No. 000-53533) for the year ended December 31, 2015
* 10.14	Terms and Conditions of 2014 Director Deferred Unit Award	Exhibit 10.15 to Transocean Ltd.'s Annual Report on Form 10-K (Commission File No. 000-53533) for the year ended December 31, 2015
* 10.15	Terms and Conditions of 2015 Director Restricted Share Unit Award	Exhibit 10.16 to Transocean Ltd.'s Annual Report on Form 10-K (Commission File No. 000-53533) for the year ended December 31, 2015

Number	Description	Location
* 10.16	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
* 10.17	Terms and Conditions of 2015 Executive Equity Award	Exhibit 10.20 to Transocean Ltd.'s Annual Report on Form 10-K (Commission File No. 000-53533) for the year ended December 31, 2015
10.18	Terms and Conditions of the July 2008 Nonqualified Share Option Award	Exhibit 10.2 to Transocean Inc.'s Annual Report on Form 10-Q (Commission File No. 333-75899) for the quarter ended June 30, 2008
* 10.19	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
* 10.20	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
* 10.21	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
10.22	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
* 10.23	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
* 10.24	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
* 10.25	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
* 10.26	1997 Long-Term Incentive Plan	GlobalSantaFe Corporation's Registration Statement on Form S-8 (No. 333-7070) filed June 13, 1997
* 10.27	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
* 10.28	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
* 10.29	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
* 10.30	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
* 10.31	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
* 10.32	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
* 10.33	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
* 10.34	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
* 10.35	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

Number	Description	Location
* 10.36	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
* 10.37	Transocean U.S. Supplemental Savings Plan	Exhibit 10.44 to Transocean Ltd.'s Annual Report on Form 10-K (Commission File No. 000-53533) for the year ended December 31, 2008
10.38	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
* 10.39	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
10.40	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
* 10.41	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
* 10.42	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
10.43	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
10.44	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
10.45	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
* 10.46	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
* 10.47	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.
* 10.48	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
* 10.49	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
* 10.50	Amended and Restated Performance Award and Cash Bonus Plan of Transocean Ltd.	Filed with our Annual Report on Form 10-K for the year ended December 31, 2019
21	Subsidiaries of Transocean Ltd.	Filed with our Annual Report on Form 10-K for the year ended December 31, 2019
23.1	Consent of Ernst & Young LLP	Filed with our Annual Report on Form 10-K for the year ended December 31, 2019
24	Powers of Attorney	Filed with our Annual Report on Form 10-K for the year ended December 31, 2019
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed with our Annual Report on Form 10-K for the year ended December 31, 2019
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed with our Annual Report on Form 10-K for the year ended December 31, 2019
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, 2019

Number	Description	Location
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, 2019
101	Interactive data files pursuant to Rule 405 of Regulation S-T formatted in Inline Extensible Business Reporting Language: (i) our consolidated balance sheets as of December 31, 2019 and December 31, 2018; (ii) our consolidated statements of operations for the years ended December 31, 2019, 2018 and 2017; (iii) our consolidated statements of comprehensive loss for the years ended December 31, 2019, 2018 and 2017; (iv) our consolidated statements of equity for the years ended December 31, 2019, 2018 and 2017; (v) our consolidated statements of cash flows for the years ended December 31, 2019, 2018 and 2017; and (vi) the notes to consolidated financial statements	Filed with our Annual Report on Form 10-K for the year ended December 31, 2019
104	The cover page from our annual report on Form 10-K for the year ended December 31, 2019, formatted in Inline Extensible Business Reporting Language	Filed with our Annual Report on Form 10-K for the year ended December 31, 2019

\* 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 18, 2020.

TRANSOCEAN LTD.

By: /s/ Mark L. Mey  
Mark L. Mey  
Executive Vice President and Chief Financial Officer  
(Principal Financial Officer)

By: /s/ David Tonnel  
David Tonnel  
Senior Vice President and Chief Accounting Officer  
(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 18, 2020.

<u>Signature</u>	<u>Title</u>
<hr/> * <hr/> <b>Chadwick C. Deaton</b>	Chairman of the Board of Directors
<hr/> /s/ Jeremy D. Thigpen <hr/> <b>Jeremy D. Thigpen</b>	President and Chief Executive Officer (Principal Executive Officer)
<hr/> /s/ Mark L. Mey <hr/> <b>Mark L. Mey</b>	Executive Vice President and Chief Financial Officer (Principal Financial Officer)
<hr/> /s/ David Tonnel <hr/> <b>David Tonnel</b>	Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)
<hr/> * <hr/> <b>Glyn A. Barker</b>	Director
<hr/> * <hr/> <b>Vanessa C.L. Chang</b>	Director
<hr/> * <hr/> <b>Frederico F. Curado</b>	Director
<hr/> * <hr/> <b>Tan Ek Kia</b>	Director
<hr/> * <hr/> <b>Vincent J. Intrieri</b>	Director
<hr/> * <hr/> <b>Samuel Merksamer</b>	Director
<hr/> * <hr/> <b>Frederick W. Mohn</b>	Director
<hr/> * <hr/> <b>Edward R. Muller</b>	Director
<hr/> By: /s/ David Tonnel <hr/> <b>(Attorney-in-Fact)</b>	

**TRANSOCEAN LTD.**

**STATUTORY FINANCIAL STATEMENTS**  
**For the years ended December 31, 2019 and 2018**





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To the General Meeting of  
**Transocean Ltd., Steinhausen**

Zurich, February 18, 2020

## **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, 2019.

### **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, 2019 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.

<b>Area of emphasis</b>	<p><b><i>Impairment assessment of investments in subsidiaries</i></b></p> <p>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.</p> <p>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.</p> <p>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.</p> <p><i>See Note 3 to these financial statements for Transocean Ltd.'s disclosures related to investment in subsidiaries.</i></p>
<b>Our audit response</b>	<p>Our audit procedures related to the key audit matter of the impairment assessment of investments in subsidiaries included the following procedures:</p> <p>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.</p> <p>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.</p> <p>We performed procedures to assess the valuation models for evidence of management bias considering contrary evidence from third party analyst reports and press releases.</p> <p>Our audit procedures did not lead to any reservations regarding the impairment assessment of investments in subsidiaries.</p>

**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/ Reto Hofer  
 Licensed audit expert  
 (Auditor in charge)

/s/ Ralph Petermann  
 Certified public accountant

**TRANSOCEAN LTD.**  
**STATEMENTS OF OPERATIONS**  
(In thousands)

	<b>Years ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>Income</b>		
Guarantee fee income	CHF 1,450	CHF 921
Financial income	86	49
<b>Total income</b>	<b>1,536</b>	<b>970</b>
<b>Costs and expenses</b>		
General and administrative	13,193	19,873
Depreciation	2	26
Gain on disposal of assets	(6)	—
(Gain) loss on currency exchange	(560)	21,924
Financial expense	42,698	12,106
<b>Total costs and expenses</b>	<b>55,327</b>	<b>53,929</b>
Loss on impairment	(1,325,013)	(378,031)
Direct taxes	191	(189)
<b>Net loss for the year</b>	<b>CHF (1,378,613)</b>	<b>CHF (431,179)</b>

See accompanying notes.

**TRANSOCEAN LTD.**  
**BALANCE SHEETS**  
(in thousands)

	December 31,			
	2019		2018	
<b>Assets</b>				
Cash	CHF	2,107	CHF	53,837
Receivables from subsidiaries		6,026		21,600
Other current assets		1,090		1,302
Total current assets		9,223		76,739
Investment in subsidiaries		8,413,863		9,739,216
Property and equipment		1,193		1,392
Less accumulated depreciation		1,193		1,390
Property and equipment, net		—		2
Other non-current assets		1,000		99
Total non-current assets		8,414,863		9,739,317
Total assets	CHF	8,424,086	CHF	9,816,056
<b>Liabilities and shareholders' equity</b>				
Accounts payable to subsidiaries	CHF	—	CHF	8,459
Interest payable to subsidiaries		12,670		7,453
Other current liabilities		221		960
Total current liabilities		12,891		16,872
Long-term interest bearing notes payable to subsidiary		2,060,923		2,156,663
Long-term lease liabilities		590		—
Deferred gains on foreign exchange translation		29,294		1,341
Total non-current liabilities		2,090,807		2,158,004
Share capital		61,797		61,058
Statutory capital reserves from capital contribution		11,953,444		11,903,340
Statutory capital reserves from capital contribution for shares held by subsidiaries		79,973		72,995
Free capital reserves from capital contribution		1,500,000		1,500,000
Accumulated loss				
Accumulated loss brought forward from previous years		(5,896,213)		(5,465,034)
Net loss for the year		(1,378,613)		(431,179)
Total shareholders' equity		6,320,388		7,641,180
Total liabilities and shareholders' equity	CHF	8,424,086	CHF	9,816,056

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, 2019 and 2018, we had less than 10 full-time employees.

**NOTE 2—SIGNIFICANT ACCOUNTING POLICIES**

**Presentation**—We have prepared our unconsolidated statutory financial statements in accordance with the accounting principles as set out in Art. 957 to Art. 963b, of the Swiss Code of Obligations (the “CO”). Since we have prepared our consolidated financial statements in accordance with U.S. generally accepted accounting standards, a recognized accounting standard, we have, in accordance with the CO, elected to forego presenting the statement of cash flows, the additional disclosures and the management report otherwise required by the CO. Our financial statements may be influenced by the creation and release of excess reserves.

**Currency**—We maintain our accounting records in U.S. dollars and translate them into Swiss francs for statutory reporting purposes. We translate into Swiss francs our assets and liabilities that are denominated in non-Swiss currencies using the year-end currency exchange rates, except prior-year transactions for our investments in subsidiaries and our shareholders’ equity, which are translated at historical exchange rates. We translate into Swiss francs our income statement transactions that are denominated in non-Swiss currencies using the average currency exchange rates for the year.

Our principal exchange rates were as follows:

	Average exchange rates for the years ended December 31,		Exchange rates at December 31,	
	2019	2018	2019	2018
CHF / USD	0.99	0.98	0.97	0.98
CHF / GBP	1.27	1.31	1.28	1.25
CHF / NOK	0.11	0.12	0.11	0.11

We recognize realized currency exchange and translation gains and losses arising from business transactions and net unrealized currency exchange and translation losses in current period earnings. We defer net unrealized currency exchange and translation gains.

**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.

**Leases**—Effective January 1, 2019, for our consolidated financial statements, we adopted the accounting standards update that requires lessees to recognize a right-of-use asset and lease liability for virtually all leases, and we have applied this update for our unconsolidated statutory financial statements as permitted under the CO. We applied the transition method that required us to recognize right-of-use assets, recorded in other assets, and lease liabilities, recorded in other current liabilities and other long-term liabilities, as of the date of our adoption with no adjustment to prior periods. As of January 1, 2019, for our operating lease under which we are the lessee, we recorded a non-cash adjustment to recognize a right-of-use asset of CHF 1 million and a corresponding remaining lease liability of less than CHF 1 million recorded in other long-term liabilities. We elected to account for lease and non-lease components of operating leases as a single component. We elected not to recognize right-of-use assets or lease liabilities for short-term leases. Our adoption did not have and is not expected in the future to have a material effect on our statements of financial position and, operations or cash flows. At December 31, 2019, we had an operating lease for office space, which had a discount rate of 6.3 percent and a remaining lease term of 9.5 years. The aggregate future minimum rental payments in amount of less than CHF 1 million

**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,			
					2019		2018	
Transocean Inc.	Holding	Cayman Islands	100%	USD 3,192	CHF 8,413,755	CHF 9,739,108		
Transocean Management Services GmbH	Management and administration	Switzerland	90%	CHF 20	CHF 108	CHF 108		

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”). The Exchangeable Bonds may be converted at any time prior to the maturity date at an exchange rate of 97.29756 of our shares per USD 1,000 note, equivalent to a conversion price of USD 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. On March 28, 2018, immediately after completing these transactions, we contributed all shares of Songa to Transocean Inc.

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.

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.

**Impairments**—In the years ended December 31, 2019 and 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 1.3 billion and CHF 378 million, respectively, associated with the impairment of our investment in Transocean Inc.

**Principal indirect investments**—Our principal indirect investments in subsidiaries were as follows:

December 31, 2019			December 31, 2018		
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 Entities Holdings GmbH	Switzerland	100%	Transocean Entities Holdings GmbH	Switzerland	100%
Transocean Financing GmbH	Switzerland	100%	Transocean Financing GmbH	Switzerland	100%
Transocean Guardian Limited	Cayman Islands	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 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 Pontus Limited	Cayman Islands	100%
Transocean Poseidon Limited	Cayman Islands	100%	Transocean Poseidon Limited	Cayman Islands	100%

**TRANSOCEAN LTD.**  
**NOTES TO STATUTORY FINANCIAL STATEMENTS—continued**

December 31, 2019			December 31, 2018		
Company name	Domicile	Ownership and voting interest	Company name	Domicile	Ownership and voting interest
Transocean Proteus Limited	Cayman Islands	100%	Transocean Proteus Limited	Cayman Islands	100%
Transocean Sentry Limited	Cayman Islands	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, 2019, we formed Transocean Sentry Limited in connection with the issuance of senior secured notes for the purpose of partially financing the construction or acquisition of the collateral rigs. 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 to partially finance the construction or acquisition of the respective collateral rig or rigs, and we formed Transocean Oceanus Holdings Limited in connection with the acquisition of Ocean Rig. See Note 7—Guarantees and Commitments.

**NOTE 4—SHAREHOLDERS' EQUITY**

**Overview**—Changes in our shareholder's equity were as follows (in thousands):

	Share capital		Statutory capital reserves		Free reserves		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, 2017	394,802	CHF 39,480	CHF 11,403,842	CHF 71,639	CHF —	CHF (5,465,034)	CHF —	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 —	CHF 7,641,180	
Share issuance to Transocean Inc.	7,389	739	57,082	—	—	—	—	57,821	
Own share transactions	—	—	(6,978)	6,978	—	—	—	—	
Net loss	—	—	—	—	—	(1,378,613)	—	(1,378,613)	
Balance at December 31, 2019	617,971	61,797	11,953,444	79,973	1,500,000	(7,274,826)	—	6,320,388	

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, 2019 and 2018, Transocean Inc. withheld 864,716 and 118,547 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. See Note 5—Own Shares.

**Authorized share capital**—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 approved an authorized share capital in the amount of CHF 3 million, authorizing the issuance of a maximum of 27.7 million fully paid-in shares with a par value of CHF 0.10 per share at any time until May 18, 2020. In May 2019, our board of directors approved the issuance of 6.0 million of our shares, par value CHF 0.10 each, out of authorized share capital at an issue price of USD 7.59 each, equivalent to CHF 7.68 each, and an aggregate value of USD 46 million, equivalent to CHF 46 million. We issued the shares to Transocean Inc. to be held to satisfy obligations under our share-based compensation plans. At December 31, 2019, the board of directors' remaining authority to issue shares out of authorized share capital is limited to a maximum of 21.7 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<sup>ter</sup> 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

**TRANSOCEAN LTD.**  
**NOTES TO STATUTORY FINANCIAL STATEMENTS—continued**

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<sup>bis</sup> 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 the advance subscription rights of shareholders are excluded. In the year ended December 31, 2019, no options were exercised. 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.

In March 2019, we and Transocean Inc. entered into an option agreement, pursuant to which we granted Transocean Inc. the right to acquire 12.0 million shares from us to satisfy obligations under our share-based compensation plans. On March 7, 2019, Transocean Inc. partially exercised its right under the option agreement and paid to us USD 12 million, equivalent to CHF 12 million, and we issued to Transocean Inc. 1.4 million of our shares out of conditional share capital. At December 31, 2019, the board of directors' remaining authority to issue shares out of conditional share capital is limited to a maximum of 142.4 million shares.

**NOTE 5—OWN SHARES**

**Overview**—The following is a summary of changes in the registered shares 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, 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%
Transfers under share-based compensation plans	(2,245)		
Issuance of shares to Transocean Inc.	7,389		
Balance at December 31, 2019	6,067	617,971	0.98%

**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, 2019, 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**—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, 2019 and 2018, we transferred 2.2 million and 2.6 million shares, respectively, at historical cost, from the own shares held by Transocean Inc. to satisfy obligations under our share-based compensation plans. In the years ended December 31, 2019 and 2018, we received cash proceeds of CHF 7 million and CHF 1 million, respectively, for own shares transferred in exchange for equity awards exercised or withheld for taxes under our share-based compensation plans.

In December 2018, Transocean Inc. made a cash payment of CHF 1 million to its indirect subsidiary, Transocean Partners Holdings Ltd., to acquire its holdings of 95,380 of our shares. At December 31, 2019 and 2018, Transocean Inc. held 6.1 million and 0.9 million of our shares, respectively.



**TRANSOCEAN LTD.**  
**NOTES TO STATUTORY FINANCIAL STATEMENTS—continued**

**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, 2019			December 31, 2018		
Name	Number of shares	Percentage of issued share capital	Name	Number of shares	Percentage of issued share capital
BlackRock, Inc.	55,848	9.13%	The Vanguard Group.	48,850	8.01%
The Vanguard Group	53,335	8.72%	BlackRock, Inc.	46,561	7.64%
PRIMECAP Management Company	50,622	8.27%	PRIMECAP Management Company	33,892	5.56%
Frederik W. Mohn / Perestroika AS	33,163	5.42%	Frederik W. Mohn / Perestroika AS	33,137	5.44%

**Own shares**—At December 31, 2019 and 2018, indirectly through Transocean Inc., we held 6.1 million and 0.9 million registered shares, respectively, representing 1.0 percent and 0.2 percent, respectively, of our issued share capital. See Note 5—Own Shares.

**Shares held by members of our board of directors**—The number of shares held, including shares privately held, by members of our board of directors was as follows:

Name	December 31, 2019		December 31, 2018	
	Vested shares and unvested share units	Stock options and conversion rights	Vested shares and unvested share units	Stock options
Chadwick C. Deaton	148,420	—	82,896	—
Glyn A. Barker	109,611	—	87,902	—
Vanessa C.L. Chang	129,581	—	91,596	—
Frederico F. Curado	102,339	—	76,154	—
Tan Ek Kia	111,849	—	85,664	—
Vincent J. Intrieri	107,579	—	81,394	—
Samuel J. Merksamer	108,315	—	82,130	—
Frederick W. Mohn (a)	33,162,879	34,619,736	33,136,694	34,619,736
Edward R. Muller	127,465	—	101,280	—
Jeremy D. Thigpen	1,847,934	1,212,621	1,483,755	780,522
Merrill A. "Pete" Miller, Jr. (b)	—	—	107,734	—
<b>Total</b>	<b>35,955,972</b>	<b>35,832,357</b>	<b>35,417,199</b>	<b>35,400,258</b>

- a) Mr. Mohn and his affiliates hold conversion rights associated with the Exchangeable Bonds.  
b) Mr. Miller retired as Chairman of the Board of Directors, effective May 9, 2019.

**Shares held by members of our 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, 2019					December 31, 2018				
	Number of shares held	Number of granted share units vesting in 2020	Number of granted share units vesting in 2021	Number of granted share units vesting in 2022	Total shares and share units	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
Jeremy D. Thigpen	679,983	466,860	446,648	67,205	1,660,696	430,285	325,052	399,656	54,467	1,209,460
Mark L. Mey	326,877	181,816	172,279	25,922	706,894	223,316	137,309	155,895	21,009	537,529
Keelan I. Adamson	133,255	94,651	111,273	17,281	356,460	85,898	67,259	77,370	10,427	240,954
John B. Stobart (a)	—	59,318	—	—	59,318	—	99,016	57,225	—	156,241
<b>Total</b>	<b>1,140,115</b>	<b>802,645</b>	<b>730,200</b>	<b>110,408</b>	<b>2,783,368</b>	<b>739,499</b>	<b>628,636</b>	<b>690,146</b>	<b>85,903</b>	<b>2,144,184</b>

- a) Effective June 1, 2018, Mr. Stobart was no longer designated as a member of the executive management team. On July 1, 2019, on his date of termination, a prorated portion of restricted share units were released. On December 31, 2020, a prorated portion of his 2018 performance share units will vest based on actual performance and will be released in early 2021.

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 2017 to 2019, which are expected to be issued in the first quarter of 2020.

**TRANSOCEAN LTD.**  
**NOTES TO STATUTORY FINANCIAL STATEMENTS—continued**

**Stock options held by members of the executive management team**—The members of our executive management team held vested and unvested stock options as follows:

Name	December 31, 2019					December 31, 2018				
	Number of granted stock options vested and outstanding	Number of granted stock options vesting in 2020	Number of granted stock options vesting in 2021	Number of granted stock options vesting in 2022	Total vested and unvested stock options	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
Jeremy D. Thigpen	488,684	326,222	253,682	144,033	1,212,621	228,510	260,174	182,189	109,649	780,522
Mark L. Mey	203,006	129,185	97,850	55,556	485,597	96,696	106,310	73,630	42,294	318,930
Keelan I. Adamson	123,926	73,580	58,027	37,037	292,570	72,678	51,248	36,543	20,990	181,459
John B. Stobart (a)	203,841	—	—	—	203,841	135,706	106,732	—	—	242,438
<b>Total</b>	<b>1,019,457</b>	<b>528,987</b>	<b>409,559</b>	<b>236,626</b>	<b>2,194,629</b>	<b>533,590</b>	<b>524,464</b>	<b>292,362</b>	<b>172,933</b>	<b>1,523,349</b>

a) Effective June 1, 2018, Mr. Stobart was no longer designated as a member of the executive management team. On July 1, 2019, on the date of termination, his unvested options were forfeited. On August 29, 2019, his vested options granted in 2013 were forfeited in accordance with the terms and conditions of the award. The remaining vested options are exercisable through June 29, 2020.

**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, 2019		December 31, 2018	
	Number of share units granted	Value of share units	Number of share units granted	Value of share units
Board members	250,004	CHF 1,897,230	170,250	CHF 2,268,760
Executive management team	2,143,354	15,446,372	925,092	9,253,924
Employees	16,558	137,513	14,364	128,921
<b>Total</b>	<b>2,409,916</b>	<b>CHF 17,481,115</b>	<b>1,109,706</b>	<b>CHF 11,651,605</b>

## NOTE 7—GUARANTEES, CONTINGENCIES AND COMMITMENTS

**Transocean Inc. and certain indirect subsidiaries' debt obligations**—Transocean Inc., Transocean Guardian Limited, Transocean Phoenix 2 Limited, Transocean Pontus Limited, Transocean Poseidon Limited, Transocean Proteus Limited and Transocean Sentry Limited 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 agreed to guarantee certain of these debt securities or other credit arrangements in exchange for a guarantee fee from our subsidiaries. With certain exceptions under the indentures of the debt securities issued by our subsidiaries, we are not subject to significant restrictions on our ability to obtain funds from our consolidated subsidiaries by dividends, loans or return of capital distributions. At December 31, 2019 and 2018, the aggregate carrying amount of debt that we have guaranteed was USD 8.8 billion and USD 8.9 billion, respectively, equivalent to approximately CHF 8.5 billion and CHF 8.7 billion, respectively. In the years ended December 31, 2019 and 2018, we recognized guarantee fee income of CHF 1 million and less than CHF 1 million, respectively. 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, 2019 and 2018, our guarantee for the lease obligation was less than USD 1 million.

**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, 2019 and 2018, Transocean Inc. held 6.1 million and 0.9 million of our shares, respectively.

We and Transocean Inc., as the borrower and lender, respectively, entered into a credit agreement dated June 1, 2011, establishing a USD 2.0 billion revolving credit facility. At December 31, 2019 and 2018, we had borrowings of USD 67 million and USD 134 million, respectively, equivalent to approximately CHF 65 million and CHF 132 million, respectively, outstanding under the revolving credit facility at a rate of 3.0 percent.

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

**TRANSOCEAN LTD.**  
**NOTES TO STATUTORY FINANCIAL STATEMENTS—continued**

a first supplemental indenture in the principal amount of USD 9 million. At December 31, 2019 and 2018, the outstanding principal of the exchangeable note was USD 863 million, equivalent to approximately CHF 835 million and CHF 847 million, respectively. Exchangeable loan notes may be converted at any time prior to the maturity date at an exchange rate of 97.29756 shares per USD 1,000 note, equivalent to a conversion price of USD 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.

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, 2019 and 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, 2019 and 2018, we recognized such costs of CHF 1 million and CHF 2 million, respectively, recorded in general and administrative costs and expenses.

### **NOTE 9—SUBSEQUENT EVENTS**

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**Subsidiary debt obligations**—On January 17, 2020, Transocean Inc. issued USD 750 million aggregate principal amount of 8.00% senior unsecured notes due February 2027, for which we provided a full and unconditional guarantee. On February 18, 2020, Transocean Inc. made a payment to redeem in full the 9.00% senior notes due July 2023, which had USD 714 million aggregate principal amount outstanding at December 31, 2019 and for which we had provided a full and unconditional guarantee.

## BOARD OF DIRECTORS

**Chadwick C. Deaton**  
Chair Transocean Ltd.

**Glyn A. Barker**  
Former Vice Chair – U.K. PwC LLP

**Vanessa C.L. Chang**  
Former Director and Shareholder of EL & EL Investments

**Frederico F. Curado**  
Chief Executive Officer, Ultrapar S.A.

**Vincent J. Intriери**  
Founder and CEO of VDA Capital Management LLC

**Samuel J. Merksamer**  
Partner, Caligan Partners, L.P.

**Frederik W. Mohn**  
Former Director and Chair Songa Offshore SE  
Owner and Managing Director of Perestroika AS

**Edward R. Muller**  
Former Chair, Chief Executive Officer and President GenOn Energy, Inc.;  
Former Vice Chair, NRG Energy, Inc.

**Tan Ek Kia**  
Former Chair 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

### Registered Address

Transocean Ltd.  
Turmstrasse 30  
CH-6312  
Steinhausen, Switzerland  
Phone: +41 (41) 749-0500

### Transfer Agent and Registrar

Computershare  
www.computershare.com  
Online inquiries: www-us.computershare.com/investor/contact

### Shareholder inquiries:

Computershare  
P.O. Box 505000  
Louisville, Kentucky 40233-5000  
1-877-397-7229  
+1 201-680-6570 (for callers outside the United States)

### Overnight correspondence:

Computershare  
462 South 4th Street  
Suite 1600  
Louisville, Kentucky 40233-5000

### Proxy solicitor

Georgeson LLC  
1290 Avenue of the Americas, 9th Floor  
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 2019 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.

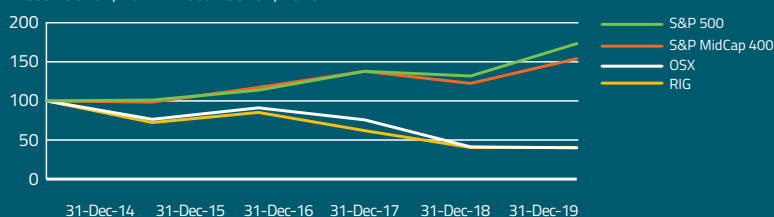
NYSE (USD)	2019		2018	
	HIGH	LOW	HIGH	LOW
First Quarter	9.69	6.54	12.40	8.70
Second Quarter	9.79	5.28	14.16	9.36
Third Quarter	6.77	3.76	14.34	10.40
Fourth Quarter	7.09	3.98	14.47	6.19

### Performance Graph<sup>1</sup>

The graph below compares the cumulative total shareholder return of our shares, the Standard & Poor's 500 Stock Index ("S&P 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, 2014, and that all dividends were reinvested on the date of payment.

### Indexed Cumulative Total Shareholder Return

December 31, 2014 - December 31, 2019



DATE	DEC-14	DEC-15	DEC-16	DEC-17	DEC-18	DEC-19
S&P 500	\$100.00	\$101.37	\$113.49	\$138.26	\$132.19	\$173.80
S&P 400 Mid Cap	\$100.00	\$97.82	\$118.10	\$137.26	\$122.03	\$153.96
OSX Index	\$100.00	\$76.62	\$91.16	\$75.48	\$41.35	\$41.12
RIG	\$100.00	\$71.77	\$85.45	\$61.92	\$40.23	\$39.89

<sup>1</sup>The above Performance Graph and related information shall not be deemed "soliciting material" or to be "filed" with the SEC, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933 or Securities Exchange Act of 1934, each as amended, except to the extent that we specifically incorporate it by reference into such filing.



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