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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark one)

☑ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2020

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 001-38373

Transocean Ltd.

(Exact name of registrant as specified in its charter)

Switzerland	**98-0599916**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
Turmstrasse 30 **Steinhausen, Switzerland**	**6312**
(Address of principal executive offices)	(Zip Code)

+41 (41) 749-0500
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol	Name of each exchange on which registered
Shares, CHF 0.10 par value	RIG	New York Stock Exchange
0.50% Exchangeable Senior Bonds due 2023	RIG/23	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

As of April 23, 2020, 614,577,294 shares were outstanding.

TRANSOCEAN LTD. AND SUBSIDIARIES
INDEX TO QUARTERLY REPORT ON FORM 10-Q
QUARTER ENDED MARCH 31, 2020

PART I. FINANCIAL INFORMATION

Item I. Financial Statements

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

	Three months ended March 31,	
	2020	2019
Contract drilling revenues	$ 759	$ 754
Costs and expenses		
Operating and maintenance	540	508
Depreciation and amortization	206	217
General and administrative	43	49
	789	774
Loss on impairment	(168)	—
Gain (loss) on disposal of assets, net	(1)	7
Operating loss	(199)	(13)
Other income (expense), net		
Interest income	9	10
Interest expense, net of amounts capitalized	(160)	(166)
Loss on retirement of debt	(57)	(18)
Other, net	12	8
	(196)	(166)
Loss before income tax benefit	(395)	(179)
Income tax benefit	(4)	(8)
Net loss	(391)	(171)
Net income attributable to noncontrolling interest	1	—
Net loss attributable to controlling interest	$ (392)	$ (171)
Loss per share		
Basic	$ (0.64)	$ (0.28)
Diluted	$ (0.64)	$ (0.28)
Weighted-average shares outstanding		
Basic	614	611
Diluted	614	611

See accompanying notes.

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

	Three months ended March 31,	
	2020	2019
Net loss	$ (391)	$ (171)
Net income attributable to noncontrolling interest	1	—
Net loss attributable to controlling interest	(392)	(171)
Components of net periodic benefit costs before reclassifications	(9)	7
Components of net periodic benefit costs reclassified to net loss	2	—
Other comprehensive income (loss) before income taxes	(7)	7
Income taxes related to other comprehensive income	—	—
Other comprehensive income (loss)	(7)	7
Other comprehensive income attributable to noncontrolling interest	—	—
Other comprehensive income (loss) attributable to controlling interest	(7)	7
Total comprehensive loss	(398)	(164)
Total comprehensive income attributable to noncontrolling interest	1	—
Total comprehensive loss attributable to controlling interest	$ (399)	$ (164)

See accompanying notes.

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

	March 31, 2020	December 31, 2019
Assets		
Cash and cash equivalents	$ 1,483	$ 1,790
Accounts receivable, net of allowance of $2 at March 31, 2020	654	654
Materials and supplies, net of allowance of $127 at March 31, 2020 and December 31, 2019	459	479
Restricted cash accounts and investments	531	558
Other current assets	164	159
Total current assets	3,291	3,640
Property and equipment	23,935	24,281
Less accumulated depreciation	(5,355)	(5,434)
Property and equipment, net	18,580	18,847
Contract intangible assets	560	608
Deferred income taxes, net	20	20
Other assets	1,000	990
Total assets	$ 23,451	$ 24,105
Liabilities and equity		
Accounts payable	$ 244	$ 311
Accrued income taxes	41	64
Debt due within one year	581	568
Other current liabilities	728	781
Total current liabilities	1,594	1,724
Long-term debt	8,576	8,693
Deferred income taxes, net	277	266
Other long-term liabilities	1,529	1,555
Total long-term liabilities	10,382	10,514
Commitments and contingencies		
Shares, CHF 0.10 par value, 639,674,422 authorized, 142,365,398 conditionally authorized, 617,970,525 issued and 614,545,303 outstanding at March 31, 2020, and 639,674,422 authorized, 142,365,398 conditionally authorized, 617,970,525 issued and 611,871,374 outstanding at December 31, 2019	60	59
Additional paid-in capital	13,431	13,424
Accumulated deficit	(1,691)	(1,297)
Accumulated other comprehensive loss	(331)	(324)
Total controlling interest shareholders' equity	11,469	11,862
Noncontrolling interest	6	5
Total equity	11,475	11,867
Total liabilities and equity	$ 23,451	$ 24,105

See accompanying notes.

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

	Three months ended March 31,	
	2020	2019
Shares		
Balance, beginning of period	$ 59	$ 59
Issuance of shares under share-based compensation plans	1	—
Balance, end of period	$ 60	$ 59
Additional paid-in capital		
Balance, beginning of period	$ 13,424	$ 13,394
Share-based compensation	8	9
Issuance of shares under share-based compensation plans	(1)	—
Other, net	—	(7)
Balance, end of period	$ 13,431	$ 13,396
Accumulated deficit		
Balance, beginning of period	$ (1,297)	$ (67)
Net loss attributable to controlling interest	(392)	(171)
Effect of adopting accounting standards updates	(2)	25
Balance, end of period	$ (1,691)	$ (213)
Accumulated other comprehensive loss		
Balance, beginning of period	$ (324)	$ (279)
Other comprehensive income (loss) attributable to controlling interest	(7)	7
Effect of adopting accounting standards update	—	(24)
Balance, end of period	$ (331)	$ (296)
Total controlling interest shareholders' equity		
Balance, beginning of period	$ 11,862	$ 13,107
Total comprehensive loss attributable to controlling interest	(399)	(164)
Share-based compensation	8	9
Other, net	(2)	(6)
Balance, end of period	$ 11,469	$ 12,946
Noncontrolling interest		
Balance, beginning of period	$ 5	$ 7
Total comprehensive income attributable to noncontrolling interest	1	—
Balance, end of period	$ 6	$ 7
Total equity		
Balance, beginning of period	$ 11,867	$ 13,114
Total comprehensive loss	(398)	(164)
Share-based compensation	8	9
Other, net	(2)	(6)
Balance, end of period	$ 11,475	$ 12,953

See accompanying notes.

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

	Three months ended March 31,	
	2020	2019
Cash flows from operating activities		
Net loss	$ (391)	$ (171)
Adjustments to reconcile to net cash provided by operating activities:		
Contract intangible asset amortization	48	45
Depreciation and amortization	206	217
Share-based compensation expense	8	9
Loss on impairment	168	—
(Gain) loss on disposal of assets, net	1	(7)
Loss on retirement of debt	57	18
Deferred income tax expense (benefit)	10	(19)
Other, net	18	11
Changes in deferred revenues, net	5	1
Changes in deferred costs, net	(11)	(1)
Changes in other operating assets and liabilities, net	(167)	(154)
Net cash used in operating activities	(48)	(51)
Cash flows from investing activities		
Capital expenditures	(107)	(52)
Proceeds from disposal of assets, net	1	12
Investments in unconsolidated affiliates	(6)	(60)
Proceeds from maturities of unrestricted and restricted investments	—	123
Net cash provided by (used in) investing activities	(112)	23
Cash flows from financing activities		
Proceeds from issuance of debt, net of discounts and issue costs	743	540
Repayments of debt	(909)	(616)
Other, net	(9)	(15)
Net cash used in financing activities	(175)	(91)
Net decrease in unrestricted and restricted cash and cash equivalents	(335)	(119)
Unrestricted and restricted cash and cash equivalents, beginning of period	2,349	2,589
Unrestricted and restricted cash and cash equivalents, end of period	$ 2,014	$ 2,470

See accompanying notes.

TRANSOCEAN LTD. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1—BUSINESS

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 March 31, 2020, we owned or had partial ownership interests in and operated a fleet of 41 mobile offshore drilling units, including 28 ultra-deepwater floaters, 12 harsh environment floaters and one midwater floater. As of March 31, 2020, we were constructing two ultra-deepwater drillships.

NOTE 2—SIGNIFICANT ACCOUNTING POLICIES

Presentation—We prepared our accompanying unaudited condensed consolidated financial statements in accordance with accounting principles generally accepted in the United States ("U.S.") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X of the U.S. Securities and Exchange Commission (the "SEC"). Pursuant to such rules and regulations, these financial statements do not include all disclosures required by accounting principles generally accepted in the U.S. for complete financial statements. The condensed consolidated financial statements reflect all adjustments, which are, in the opinion of management, necessary for a fair presentation of financial position, results of operations and cash flows for the interim periods. Such adjustments are considered to be of a normal recurring nature unless otherwise noted. Operating results for the three months ended March 31, 2020, are not necessarily indicative of the results that may be expected for the year ending December 31, 2020, or for any future period. The accompanying condensed consolidated financial statements and notes thereto should be read in conjunction with the audited consolidated financial statements and notes thereto as of December 31, 2019 and 2018, and for each of the three years in the period ended December 31, 2019, included in our annual report on Form 10-K filed on February 18, 2020.

Accounting estimates—To prepare financial statements in accordance with accounting principles generally accepted in the U.S., we must 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 credit losses, allowance for excess and obsolete materials and supplies, property and equipment, intangibles, leases, income taxes, contingencies, share-based compensation and postemployment benefit plans. We base our estimates and assumptions on historical experience and other factors that we believe are reasonable. 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.

NOTE 3—ACCOUNTING STANDARDS UPDATE

Recently adopted accounting standards

Financial instruments – credit losses—Effective January 1, 2020, we adopted 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. Our accounts receivable represent consideration earned for performing services in various countries for our customers, including integrated oil companies, government-owned or government-controlled oil companies and other independent oil companies, the majority of which currently have corporate family investment grade credit ratings. We established procedures to apply the requirements of the accounting standards update using the loss-rate method by reviewing our historical credit losses and evaluating future expectations, and we recorded the initial estimated allowance with a corresponding entry to accumulated deficit. Our adoption did not have a material effect on our condensed consolidated statements of financial position, operations or cash flows or on the disclosures contained in our notes to condensed consolidated financial statements.

NOTE 4—UNCONSOLIDATED AFFILIATES

Investments—We hold investments in various partially owned, unconsolidated companies. In the three months ended March 31, 2020 and 2019, we made an aggregate cash contribution of $6 million and $59 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 March 31, 2020 and December 31, 2019, the aggregate carrying amount of our investment in Orion, representing a 33.0 percent ownership interest, was $166 million and $164 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 operational 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 marketing services agreement for the marketing of the rig. Prior to the rig's placement into service, we also engaged in certain related party transactions with Orion under a shipyard care agreement for the construction of the rig and other matters related to its completion and delivery. In the three months ended March 31, 2020 and 2019, we received an aggregate cash payment of $5 million and $13 million, respectively, 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 March 2021. In the three months ended March 31, 2020, we recognized and paid rent expense of $5 million, recorded in operating and maintenance costs, under the bareboat charter agreement. At March 31, 2020 and December 31, 2019, we had receivables of $35 million and $26 million, respectively, recorded in other current assets, and payables of $7 million and $9 million, respectively, recorded in other current liabilities, due from or to all unconsolidated affiliates.

NOTE 5—REVENUES

Overview—The duration of our performance obligation varies by contract. As of March 31, 2020, the drilling contract with the longest expected remaining duration, excluding unexercised options, extends through February 2028. 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 three months ended March 31, 2020 and 2019, we recognized pre-operating costs of $9 million and $2 million, respectively. At March 31, 2020 and December 31, 2019, the unrecognized pre-operating costs to obtain contracts was $44 million and $34 million, respectively, recorded in other assets. In the three months ended March 31, 2019, we recognized revenues of $10 million for performance obligations satisfied in previous periods, related to certain revenues recognized on a cash basis.

Disaggregation—We recognized revenues as follows (in millions):

	Three months ended March 31, 2020					Three months ended March 31, 2019				
	U.S.	Norway	Brazil	Other	Total	U.S.	Norway	Brazil	Other	Total
Ultra-deepwater floaters	$ 287	$ —	$ 59	$ 182	$ 528	$ 314	$ —	$ 26	$ 136	$ 476
Harsh environment floaters	—	207	—	13	220	—	181	—	77	258
Deepwater floaters	—	—	—	—	—	—	—	6	—	6
Midwater floaters	—	—	—	11	11	—	—	—	14	14
Total revenues	$ 287	$ 207	$ 59	$ 206	$ 759	$ 314	$ 181	$ 32	$ 227	$ 754

Contract liabilities—We recognize contract liabilities, recorded in other current liabilities and other long-term liabilities, for mobilization, contract preparation, paid pre-operating standby time, 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):

	March 31, 2020	December 31, 2019
Deferred contract revenues, recorded in other current liabilities	$ 113	$ 100
Deferred contract revenues, recorded in other long-term liabilities	421	429
Total contract liabilities	$ 534	$ 529

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

	Three months ended March 31,	
	2020	2019
Total contract liabilities, beginning of period	$ 529	$ 486
Decrease due to recognition of revenues for goods and services	(41)	(37)
Increase due to goods and services transferred over time	46	38
Total contract liabilities, end of period	$ 534	$ 487

NOTE 6—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):

	Three months ended March 31,	
	2020	2019
Construction work in progress, beginning of period	$ 753	$ 632
Capital expenditures		
Newbuild construction program	50	14
Other equipment and construction projects	57	38
Total capital expenditures	107	52
Changes in accrued capital additions	(24)	(17)
Property and equipment placed into service	(62)	(20)
Construction work in progress, end of period	$ 774	$ 647

Impairments of assets held and used—During the three months ended March 31, 2020, we identified indicators that the carrying amounts of our asset groups may not be recoverable. Such indicators included recent significant declines in commodity prices and the market value of our stock, a reduction of expected demand for our drilling services as our customers announced reductions of capital investments in response to commodity prices and a reduction of projected dayrates. As a result of our testing, we determined that the carrying amount of our midwater floater was impaired. In the three months ended March 31, 2020, we recognized a loss of $31 million ($0.05 per diluted share), which had no tax effect, associated with the impairment of our midwater floater. We measured the fair value of the drilling unit in this asset group by applying the market approach, using 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 other observable inputs, representative of a Level 2 fair value measurement, including the marketability of the rig and prices of comparable rigs that may be sold for scrap value.

Impairments of assets held for sale—In the three months ended March 31, 2020, we recognized an aggregate loss of $137 million ($136 million, or $0.23 per diluted share, net of tax), associated with the impairment of the harsh environment floaters *Polar Pioneer* and *Songa Dee* and the midwater floaters *Sedco 711* and *Sedco 714*, along with related assets, which we determined were impaired at the time 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.

Dispositions—During the three months ended March 31, 2019, in connection with our efforts to dispose of non-strategic assets, we completed the sale of the deepwater floaters *Jack Bates* and *Transocean 706* and the midwater floater *Songa Delta*, along with related assets. In the three months ended March 31, 2019, we received aggregate net cash proceeds of $11 million and recognized an aggregate net gain of $1 million, which had no tax effect, associated with the disposal of these assets. In the three months ended March 31, 2019, we received aggregate net cash proceeds of $1 million and recognized an aggregate net gain of $6 million associated with the disposal of assets unrelated to rig sales.

Assets held for sale—At March 31, 2020, the aggregate carrying amount of our assets held for sale, including the harsh environment floaters *Polar Pioneer* and *Songa Dee* and the midwater floaters *Sedco 711* and *Sedco 714*, along with related assets, was $5 million, recorded in other current assets. At December 31, 2019, we had no assets classified as held for sale.

NOTE 7—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	
	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
6.50% Senior Notes due November 2020	$ 198	$ 206	$ 198	$ 206
6.375% Senior Notes due December 2021	184	222	184	221
5.52% Senior Secured Notes due May 2022	178	200	176	198
3.80% Senior Notes due October 2022	187	190	186	189
0.50% Exchangeable Bonds due January 2023	863	863	862	862
5.375% Senior Secured Notes due May 2023	519	525	513	518
9.00% Senior Notes due July 2023	—	714	—	701
5.875% Senior Secured Notes due January 2024	626	667	616	656
7.75% Senior Secured Notes due October 2024	420	420	412	412
6.25% Senior Secured Notes due December 2024	437	437	430	430
6.125% Senior Secured Notes due August 2025	501	534	492	525
7.25% Senior Notes due November 2025	750	750	738	737
7.50% Senior Notes due January 2026	750	750	743	743
6.875% Senior Secured Notes due February 2027	550	550	541	541
8.00% Senior Notes due February 2027	750	—	743	—
7.45% Notes due April 2027	88	88	86	86
8.00% Debentures due April 2027	57	57	57	57
7.00% Notes due June 2028	300	300	306	306
7.50% Notes due April 2031	588	588	585	585
6.80% Senior Notes due March 2038	1,000	1,000	992	991
7.35% Senior Notes due December 2041	300	300	297	297
Total debt	9,246	9,361	9,157	9,261
Less debt due within one year				
6.50% Senior Notes due November 2020	198	206	198	206
5.52% Senior Secured Notes due May 2022	89	88	88	87
3.80% Senior Notes due October 2022	5	—	5	—
5.375% Senior Secured Notes due May 2023	32	16	29	14
5.875% Senior Secured Notes due January 2024	83	83	79	79
7.75% Senior Secured Notes due October 2024	60	60	58	58
6.25% Senior Secured Notes due December 2024	62	62	60	60
6.125% Senior Secured Notes due August 2025	66	66	64	64
Total debt due within one year	595	581	581	568
Total long-term debt	$ 8,651	$ 8,780	$ 8,576	$ 8,693

Scheduled maturities—At March 31, 2020, the scheduled maturities of our debt were as follows (in millions):

	Total
Years ending March 31,	
2021	$ 595
2022	606
2023	1,466
2024	1,020
2025	516
Thereafter	5,043
Total principal amount of debt	9,246
Total debt-related balances, net	(89)
Total carrying amount of debt	$ 9,157

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 June 22, 2023. The Secured Credit Facility is guaranteed by Transocean Ltd. and certain wholly owned subsidiaries. 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 March 31, 2020, 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 March 31, 2020, we had no borrowings outstanding, $7 million of letters of credit issued, and we had $1.3 billion of available borrowing capacity under the Secured Credit Facility.

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. As of March 31, 2020, the interest rate in effect for the 6.375% senior notes due December 2021, 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.

Exchangeable bonds—The 0.50% exchangeable senior bonds due January 30, 2023 (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.

Debt issuances

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.

Senior secured notes—On February 1, 2019, we issued $550 million aggregate principal amount of 6.875% senior secured notes due February 2027 (the "6.875% Senior Secured Notes"), and we received aggregate cash proceeds of $539 million, 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.

Debt retirements

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"). 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 ended March 31, 2020, we recognized a loss of $65 million associated with the retirement of debt.

Repurchases—During the three months ended March 31, 2020, we repurchased in the open market debt securities with aggregate principal amounts as follows (in millions):

	Three months ended March 31, 2020
6.50% Senior Notes due November 2020	$ 8
6.375% Senior Notes due December 2021	38
3.80% Senior Notes due October 2022	3
5.375% Senior Secured Notes due May 2023	6
Aggregate principal amount retired	$ 55
Aggregate cash payment	$ 46
Aggregate net gain	$ 8

TRANSOCEAN LTD. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—continued
(Unaudited)

Tender offers—On February 5, 2019, we completed cash tender offers to purchase certain notes (the "2019 Tendered Notes"). We received valid tenders from holders of aggregate principal amounts of the 2019 Tendered Notes as follows (in millions):

	Three months ended March 31, 2019
6.50% Senior Notes due November 2020	$ 57
6.375% Senior Notes due December 2021	63
3.80% Senior Notes due October 2022	190
9.00% Senior Notes due July 2023	200
Aggregate principal amount retired	$ 510
Aggregate cash payment	$ 522
Aggregate net loss	$ (18)

NOTE 8—INCOME TAXES

Tax provision and rate—In the three months ended March 31, 2020 and 2019, our effective tax rate was 1.1 percent and 4.5 percent, respectively, based on loss before income tax benefit. In the three months ended March 31, 2020 and 2019, the effect of various discrete period tax items was a net tax benefit of $20 million and $25 million, respectively. In the three months ended March 31, 2020, such discrete items included the carryback of net operating losses in the U.S. as a result of the Coronavirus Aid, Relief, and Economic Security Act, which included the release of valuation allowances previously recorded, as well as settlements and expirations of various uncertain tax positions, gains and losses on currency exchange rates and changes in valuation allowances. In the three months ended March 31, 2019, such discrete items included the reversal of various uncertain tax provisions and adjustments to our valuation allowance. In the three months ended March 31, 2020 and 2019, our effective tax rate, excluding discrete items, was (9.5) percent and (10.6) percent, respectively, based on loss before income tax expense.

Tax returns—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 condensed consolidated statement of financial position or results of operations, although it may have a material adverse effect on our condensed 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 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 2014, the Brazilian tax authorities issued an additional tax assessment for the years 2009 and 2010, and in June 2014, we filed protests with the Brazilian tax authorities for these tax assessments. In the years ended December 31, 2018 and 2019, a portion of each of the two cases was favorably closed. As of March 31, 2020, the remaining aggregate tax assessment was for BRL 730 million, equivalent to approximately $140 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 condensed 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 condensed consolidated statement of financial position, results of operations or cash flows.

TRANSOCEAN LTD. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS—continued
(Unaudited)

NOTE 9—LOSS PER SHARE

The numerator and denominator used to compute loss per share were as follows (in millions, except per share data):

	Three months ended March 31,			
	2020		2019	
	Basic	Diluted	Basic	Diluted
Numerator for loss per share				
Net loss attributable to controlling interest	$ (392)	$ (392)	$ (171)	$ (171)
Denominator for loss per share				
Weighted-average shares outstanding	613	613	610	610
Effect of share-based awards and other equity instruments	1	1	1	1
Weighted-average shares for per share calculation	614	614	611	611
Loss per share	$ (0.64)	$ (0.64)	$ (0.28)	$ (0.28)

In the three months ended March 31, 2020 and 2019, we excluded from the calculation 11.1 million and 12.1 million share-based awards, respectively, since the effect would have been anti-dilutive. In the three months ended March 31, 2020 and 2019, we excluded from the calculation 84.0 million shares issuable upon conversion of the Exchangeable Bonds since the effect would have been anti-dilutive.

NOTE 10—CONTINGENCIES

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. Most claims, both civil and criminal, brought 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 March 31, 2020 and December 31, 2019, the remaining liability for estimated loss contingencies that we believe are probable and for which a reasonable estimate can be made was $124 million, 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"), which was approved by the MDL Court on February 15, 2017. 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. At March 31, 2020 and December 31, 2019, the remaining cash balance in the escrow account was $125 million, recorded in restricted cash accounts and investments.

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 March 31, 2020, 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 condensed 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 March 31, 2020, the subsidiary was a defendant in approximately 201 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 condensed 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 condensed 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, and known potential legal claims that are likely to be asserted, to have a material adverse effect on our condensed consolidated statement of financial position, results of operations or cash flows.

NOTE 11—FINANCIAL INSTRUMENTS

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

	March 31, 2020		December 31, 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	$ 1,483	$ 1,483	$ 1,790	$ 1,790
Restricted cash and cash equivalents	531	531	558	558
Long-term debt, including current maturities	9,157	5,001	9,261	8,976
Derivative instruments, assets	—	—	1	1
Derivative instruments, liabilities	5	5	—	—

We estimated the fair value of each class of financial instruments by applying the following methods and assumptions:

Cash and cash equivalents—Our cash and cash equivalents are primarily invested in demand deposits, short-term time deposits and money market funds. The carrying amount of our cash and cash equivalents represents the historical cost, plus accrued interest, which approximates fair value because of the short maturities of the instruments.

Restricted cash and cash equivalents—Our restricted cash and cash equivalents, which are subject to restrictions due to collateral requirements, legislation, regulation or court order, are primarily invested in demand deposits, short-term time deposits and money market funds. The carrying amount of our restricted cash and cash equivalents represents the historical cost, plus accrued interest, which approximates fair value because of the short maturities of the instruments.

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.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

FORWARD-LOOKING INFORMATION

The statements included in this quarterly 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 quarterly report include, but are not limited to, statements about the following subjects:

- the effect, impact, potential duration or other implications of the recent outbreak of a novel strain of coronavirus ("COVID-19") and the dispute over production levels among major oil and gas producing countries and any expectations we may have with respect thereto;
- 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 for 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 the current 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 quarterly report are identifiable by use of the following words and other similar expressions:

- anticipates
- believes
- budgets
- could
- estimates
- expects
- forecasts
- intends
- may
- might
- plans
- predicts
- projects
- scheduled
- should

Such statements are subject to numerous risks, uncertainties and assumptions, including, but not limited to:

- those described under "Item 1A. Risk Factors" included in Part I of our annual report on Form 10-K for the year ended December 31, 2019 and in Part II of this quarterly report on Form 10-Q;
- the effects of public health threats, pandemics and epidemics, such as the recent outbreak of COVID-19, and the adverse impact thereof on our business, financial condition and results of operations, including, but not limited to, our growth, operating costs, supply chain, labor availability, logistical capabilities, customer demand for our services and industry demand generally, our liquidity, the price of our securities and trading markets with respect thereto, our ability to access capital markets, and the global economy and financial markets generally;
- the effects of actions by, or disputes among or between, members of the Organization of Petroleum Exporting Countries, such as the Kingdom of Saudi Arabia, and other oil and natural gas producing countries, such as Russia, with respect to production levels or other matters related to the prices of oil and natural gas;
- 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 quarterly report and in our other filings with the U.S. Securities and Exchange Commission ("SEC"), which are available free of charge on the SEC website at *www.sec.gov*.

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

BUSINESS

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 April 23, 2020, we owned or had partial ownership interests in and operated 41 mobile offshore drilling units, including 28 ultra-deepwater floaters, 12 harsh environment floaters and one midwater floater. As of April 23, 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. We believe our drilling fleet is one of the most versatile fleets in the world, consisting of drillships and semisubmersible floaters used in support of offshore drilling activities and offshore support services on a worldwide basis.

Our contract drilling services operations are geographically dispersed in oil and gas exploration and development areas throughout the world. Although rigs can be moved from one region to another, the cost of moving rigs and the availability of rig-moving vessels may cause the supply and demand balance to fluctuate somewhat between regions. Still, significant variations between regions do not tend to persist long term because of rig mobility. Our fleet operates in a single, global market for the provision of contract drilling services. The location of our rigs and the allocation of resources to operate, build or upgrade our rigs are determined by the activities and needs of our customers.

SIGNIFICANT EVENTS

Debt issuance—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. See "—Liquidity and Capital Resources—Sources and uses of liquidity."

Early debt retirement—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"). 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 ended March 31, 2020, we recognized a loss of $65 million associated with the retirement of debt. See "—Operating Results" and "—Liquidity and Capital Resources—Sources and uses of liquidity."

In the three months ended March 31, 2020, we repurchased in the open market $55 million aggregate principal amount of certain of our debt securities. We made an aggregate cash payment of $46 million and recognized an aggregate net gain of $8 million associated with the retirement of such debt. See "—Operating Results" and "—Liquidity and Capital Resources—Sources and uses of liquidity."

Impairments—In the three months ended March 31, 2020, we recognized an aggregate loss of $137 million associated with the impairment of two harsh environment floaters and two midwater floaters, along with related assets, which we determined were impaired at the time we classified the assets as held for sale. See "—Operating Results."

In the three months ended March 31, 2020, as a result of impairment testing, we determined that the remaining drilling rig and related assets in our midwater floater asset group were impaired, and we recognized a loss of $31 million associated with the impairment of these held and used assets. See "—Operating Results".

OUTLOOK

Drilling market—For the last several quarters, the demand for our drilling services steadily increased and contract durations and dayrates substantially improved in all geographic market sectors. This momentum was interrupted by the economic disruption associated with the global outbreak of COVID-19, the significant decline of commodity prices spurred by production disputes among major oil-producing countries, and oil price declines subsequently exacerbated by concerns that global storage capacity would be inadequate to accommodate anticipated surpluses.

Actions taken by governmental authorities, nongovernmental organizations, businesses and individuals around the world to slow the COVID-19 pandemic and associated consumer behavior have negatively impacted forecasted global economic activity, thereby resulting in lower demand for crude oil. This has created a current and forecasted oversupply, precipitating the recent steep decline in oil prices and an increase in oil price volatility. As a result, many of our customers have reduced capital expenditures for the remainder of 2020 resulting in several previously sanctioned offshore projects being either delayed or cancelled. Additionally, some customers are deferring final investment decisions on certain pending projects in part, we speculate, because such projects may not provide satisfactory economic returns at current oil price levels. It is unclear how long these deferrals will persist. These actions have an adverse impact on our near-term market outlook.

Given the rapid pace of global developments with both the COVID-19 pandemic and the direct and indirect effect of production disputes among, and corrective actions taken by, major oil-producing countries, the extent to which the offshore drilling industry will be impacted is currently unclear. We anticipate that volatile market conditions will persist in the near term as these global developments evolve, and we believe that the challenging conditions are, at least in the near term, reversing the positive trends experienced in 2019, adversely affecting the demand for our services and increasing the risk of contract cancellations, renegotiations, early terminations and contract option

periods remaining unexercised. As the negative effects of these global events eventually subside, and oil prices improve and stabilize, we believe the long-term prospects of the offshore drilling floater market will be positive, especially for the highest specification vessels. The structural efficiency gains achieved by the offshore oil and gas industry in the past five years have substantially improved the economics of offshore development projects, and we believe such efficiency gains will make these projects attractive again when the commodity prices sufficiently recover from the current levels.

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 April 16, 2020, the uncommitted fleet rates for the remainder of 2020 and each of the four years in the period ending December 31, 2024 were as follows:

	2020	2021	2022	2023	2024
Uncommitted fleet rate					
Ultra-deepwater floaters	62 %	71 %	83 %	83 %	83 %
Harsh environment floaters	47 %	52 %	63 %	80 %	98 %
Midwater floaters	100 %	100 %	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:

	April 16, 2020	February 14, 2020	April 17, 2019
Contract backlog		(In millions)	
Ultra-deepwater floaters	$ 6,936	$ 7,282	$ 8,480
Harsh environment floaters	2,662	2,836	3,565
Midwater floaters	—	45	85
Total contract backlog	$ 9,598	$ 10,163	$ 12,130

We believe our industry-leading contract backlog sets us apart from the competition. 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.

The outbreak of COVID-19 and the recent precipitous drop in oil prices could have significant adverse consequences for the financial condition of our customers and suppliers. This may result in contract cancellations, early terminations, customers seeking price reductions or more favorable economic terms, a reduced ability to ultimately collect receivables, or entry into lower dayrate contracts or having to idle, stack or retire more of our rigs.

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:

	Three months ended		
	March 31, 2020	December 31, 2019	March 31, 2019
Average daily revenue			
Ultra-deepwater floaters	$ 332,600	$ 336,800	$ 339,900
Harsh environment floaters	$ 303,100	$ 307,700	$ 286,300
Midwater floaters	$ 112,600	$ 119,400	$ 88,600
Total fleet average daily revenue	$ 314,900	$ 317,700	$ 306,500

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:

	Three months ended		
	March 31, 2020	December 31, 2019	March 31, 2019
Revenue efficiency			
Ultra-deepwater floaters	97 %	98 %	100 %
Harsh environment floaters	89 %	94 %	94 %
Midwater floaters	87 %	91 %	92 %
Total fleet average revenue efficiency	94 %	96 %	98 %

Revenue efficiency measures our ability to ultimately convert our contractual opportunities into revenues. 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:

	Three months ended		
	March 31, 2020	December 31, 2019	March 31, 2019
Rig utilization			
Ultra-deepwater floaters	61 %	56 %	47 %
Harsh environment floaters	63 %	76 %	80 %
Midwater floaters	39 %	33 %	40 %
Total fleet average rig utilization	60 %	61 %	56 %

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

Three months ended March 31, 2020 compared to the three months ended March 31, 2019

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.

	Three months ended March 31,			
	2020	2019	Change	% Change
	(In millions, except day amounts and percentages)			
Operating days	2,419	2,450	(31)	(1)%
Average daily revenue	$ 314,900	$ 306,500	$ 8,400	3 %
Revenue efficiency	94 %	98 %		
Rig utilization	60 %	56 %		
Contract drilling revenues	$ 759	$ 754	$ 5	1 %
Operating and maintenance expense	(540)	(508)	(32)	(6)%
Depreciation and amortization expense	(206)	(217)	11	5 %
General and administrative expense	(43)	(49)	6	12 %
Loss on impairment	(168)	—	(168)	nm
Gain (loss) on disposal of assets, net	(1)	7	(8)	nm
Operating loss	(199)	(13)	(186)	nm
Other income (expense), net				
Interest income	9	10	(1)	(10)%
Interest expense, net of amounts capitalized	(160)	(166)	6	4 %
Loss on retirement of debt	(57)	(18)	(39)	nm
Other, net	12	8	4	50 %
Loss before income tax benefit	(395)	(179)	(216)	nm
Income tax benefit	4	8	(4)	(50)%
Net loss	$ (391)	$ (171)	$ (220)	nm

"nm" means not meaningful.

Contract drilling revenues—Contract drilling revenues increased for the three months ended March 31, 2020, compared to the three months ended March 31, 2019, primarily due to the following: (a) approximately $35 million resulting from the reactivations of two ultra-deepwater floaters in Brazil, (b) approximately $30 million resulting from increased dayrates, (c) approximately $20 million resulting from a harsh environment floater that we placed into service in August 2019 and (d) approximately $5 million resulting from customer reimbursables. These increases were partially offset by the following decreases: (a) approximately $40 million resulting from lower activity, (b) approximately $30 million resulting from lower revenue efficiency and (c) approximately $15 million resulting from rigs sold or classified as held for sale.

Costs and expenses—Operating and maintenance costs and expenses increased for the three months ended March 31, 2020, compared to the three months ended March 31, 2019, primarily due to the following: (a) approximately $30 million resulting from the reactivations of two ultra-deepwater floaters in Brazil, (b) approximately $30 million resulting from the harsh environment floater that we placed into service in August 2019, (c) approximately $5 million for customer reimbursables and (d) approximately $5 million resulting from severance costs. Additionally, in the three months ended March 31, 2020, we incurred approximately $2 million in personnel and related costs associated with our mitigation efforts related to the COVID-19 outbreak. These increases were partially offset by the following decreases: (a) approximately $25 million resulting from lower activity and reduced shipyard costs, (b) approximately $10 million resulting from rigs sold or classified as held for sale and (c) approximately $5 million resulting from lower onshore personnel costs.

Depreciation and amortization expense decreased for the three months ended March 31, 2020, compared to the three months ended March 31, 2019, primarily due to rigs sold or classified as held for sale subsequent to March 31, 2019.

General and administrative costs and expenses decreased for the three months ended March 31, 2020, compared to the three months ended March 31, 2019, primarily due to the following: (a) $6 million resulting from costs recognized in the prior-year period related to the integration of Ocean Rig UDW Inc. and (b) $4 million resulting from reduced legal and professional fees, partially offset by (c) $2 million resulting from increased costs related to our cybersecurity program.

Loss on impairment of assets—In the three months ended March 31, 2020, we recognized a loss on impairment related to the following: (a) an aggregate net loss of $137 million associated with certain assets that we determined were impaired at the time we classified them as held for sale and (b) a loss of $31 million associated with the impairment of our midwater floater asset group.

Other income and expense—Interest expense, net of amounts capitalized, decreased in the three months ended March 31, 2020, compared to the three months ended March 31, 2019, primarily due to a decrease of $27 million resulting from the retirement of debt, partially offset by an increase of $23 million resulting from debt issued subsequent to March 31, 2019.

In the three months ended March 31, 2020, we recognized a loss of $65 million associated with the retirement of the fully redeemed 9.00% Senior Notes. Partially offsetting the loss, we recognized an aggregate net gain of $8 million associated with the retirement of $55 million aggregate principal amount of our debt securities repurchased in the open market. In the three months ended March 31, 2019, we recognized a loss of $18 million associated with the retirement of notes validly tendered in the tender offers made in the prior-year period.

Income tax expense—In the three months ended March 31, 2020 and 2019, our effective tax rate was 1.1 percent and 4.5 percent, respectively, based on loss before income tax benefit. In the three months ended March 31, 2020 and 2019, the effect of various discrete period tax items was a net tax benefit of $20 million and $25 million, respectively. In the three months ended March 31, 2020, such discrete items included the carryback of net operating losses in the U.S. as a result of the Coronavirus Aid, Relief, and Economic Security Act which included the release of valuation allowances previously recorded, as well as settlements and expirations of various uncertain tax positions, gains and losses on currency exchange rates and changes in valuation allowances. In the three months ended March 31, 2019, such discrete items included the reversal of various uncertain tax provisions and adjustments to our valuation allowance. In the three months ended March 31, 2020 and 2019, our effective tax rate, excluding discrete items, was (9.5) percent and (10.6) percent, respectively, based on loss before income tax expense.

Due 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 three months ended March 31, 2020, 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, and the U.K. 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.

LIQUIDITY AND CAPITAL RESOURCES

Sources and uses of cash

At March 31, 2020, we had $1.5 billion in unrestricted cash and cash equivalents and $531 million in restricted cash and cash equivalents. In the three months ended March 31, 2020, our primary source of cash was net cash proceeds from the issuance of debt. Our primary uses of cash were as follows: (a) repayments of debt, (b) capital expenditures and (c) net cash used in our operating activities.

	Three months ended March 31,		
	2020	2019	Change
	(In millions)		
Cash flows from operating activities			
Net loss	$ (391)	$ (171)	$ (220)
Non-cash items, net	516	274	242
Changes in operating assets and liabilities, net	(173)	(154)	(19)
	$ (48)	$ (51)	$ 3

Net cash used in operating activities for the three months ended March 31, 2020, compared to the three months ended March 31, 2019 was not significantly changed.

	Three months ended March 31,		
	2020	2019	Change
	(In millions)		
Cash flows from investing activities			
Capital expenditures	$ (107)	$ (52)	$ (55)
Proceeds from disposal of assets, net	1	12	(11)
Investments in unconsolidated affiliates	(6)	(60)	54
Proceeds from unrestricted and restricted short-term investments	—	123	(123)
	$ (112)	$ 23	$ (135)

Net cash used in investing activities increased primarily due to (a) proceeds from maturities of short-term investments in the three months ended March 31, 2019 with no comparable activity in the three months ended March 31, 2020 and (b) increased capital expenditures, partially offset by (c) reduced investments in unconsolidated affiliates.

	Three months ended March 31,		
	2020	2019	Change
	(In millions)		
Cash flows from financing activities			
Proceeds from issuance of debt, net of discounts and issue costs	$ 743	$ 540	$ 203
Repayments of debt	(909)	(616)	(293)
Other, net	(9)	(15)	6
	$ (175)	$ (91)	$ (84)

Net cash used in financing activities increased primarily due to (a) increased cash used to repay debt, partially offset by (b) greater net cash proceeds from the issuance of the 8.00% Senior Notes in the three months ended March 31, 2020 compared to the net cash proceeds from the issuance of the 6.875% senior secured notes due February 2027 (the "6.875% Senior Secured Notes") in the three months ended March 31, 2019.

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 expected liquidity needs, among other factors, we may continue to use a portion of our cash on hand, 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.

The effects of the COVID-19 outbreak and the recent oil price decline could have significant adverse consequences for general economic, financial and business conditions, as well as for our business and financial position and the business and financial position of our customers and suppliers and may, among other things, impact our ability to generate cash flows from operations, access the capital markets on acceptable terms or at all, and affect our future need or ability to borrow under our Secured Credit Facility. In addition to our potential sources of funding, the effects of such global events may impact our liquidity or need to alter our allocation or sources of capital, implement further cost reduction measures and change our financial strategy. Although the COVID-19 outbreak and the recent oil price decline could have a broad range of effects on our sources and uses of liquidity, the ultimate effect thereon, if any, will depend on future developments, which cannot be predicted at this time.

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 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 June 22, 2023. 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 April 23, 2020, we had no borrowings outstanding, $7 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

On February 1, 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.

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 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.

Early debt retirement—On January 17, 2020, we provided a notice to redeem in full our outstanding 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. In the three months ended March 31, 2020, we repurchased in the open market $55 million aggregate principal amount of our debt securities for an aggregate cash payment of $46 million.

On February 5, 2019, we completed cash tender offers to purchase certain notes (the "2019 Tendered Notes"). We received valid tenders from holders of $510 million aggregate principal amount of the 2019 Tendered Notes, and we made an aggregate cash payment of $522 million to settle the 2019 Tendered Notes. In the year ended December 31, 2019, we repurchased in the open market $434 million aggregate principal amount of our debt securities for an aggregate cash payment of $449 million.

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 three months ended March 2020 and in the year ended December 31, 2019, we made an aggregate cash contribution of $6 million and $74 million, respectively, to Orion. Additionally, in the year ended December 31, 2019, we made an aggregate cash contribution of $3 million to certain companies that are involved in researching and developing technology to improve operational efficiency and reliability and to increase automation, sustainability and safety in drilling and other activities.

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 a total of $212 million, and in exchange, the two classes of plaintiffs agreed to release all respective claims against us. On February 15, 2017, the U.S. District Court for the Eastern District of Louisiana (the "MDL Court") entered a final order and judgment approving the PSC Settlement Agreement. As required under the PSC Settlement Agreement, we made a cash deposit of $212 million into an escrow account established by the MDL Court for the settlement. In August 2019, the MDL Court released $33 million from the escrow account to make payments to the plaintiffs.

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 April 23, 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.

Contractual obligations—As of March 31, 2020, with exception to the following, there have been no material changes to the contractual obligations as previously disclosed in "Part II. Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in our annual report on Form 10-K for the year ended December 31, 2019:

		Twelve months ending March 31,			
	Total	2021	2022 - 2023	2024 - 2025	Thereafter
			(in millions)		
Contractual obligations					
Debt	$ 9,246	$ 595	$ 2,072	$ 1,536	$ 5,043
Interest on debt	4,345	571	1,024	828	1,922
Total	$ 13,591	$ 1,166	$ 3,096	$ 2,364	$ 6,965

Other commercial commitments—As of March 31, 2020, there have been no material changes to the commercial commitments as previously disclosed in "Part II. Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in our annual report on Form 10-K for the year ended December 31, 2019.

Drilling fleet

Expansion—From time to time, we review possible acquisitions of businesses and drilling rigs and may make significant future capital commitments for such purposes. We may also consider investments related to major rig upgrades, new rig construction, or the acquisition of a rig under construction. We may commit to such investment without first obtaining customer contracts. Any acquisition, upgrade or new rig construction could involve the payment by us of a substantial amount of cash or the issuance of a substantial number of additional shares or other securities. Our failure to secure drilling contracts for rigs under construction could have an adverse effect on our results of operations or cash flows.

In the three months ended March 31, 2020, we made capital expenditures of $107 million, including capitalized interest of $11 million. We only capitalize interest costs during periods in which progress for construction projects continues to be underway. The historical and projected capital expenditures, capitalized interest and other cash or non-cash capital additions for our ongoing major construction projects were as follows:

	Total costs through December 31, 2019	Total costs for the three months ended March 31, 2020	Expected costs for the nine months ending December 31, 2020	For the years ending December 31, 2021	2022	Total estimated costs at completion
			(In millions)			
Deepwater Atlas (a)	$ 329	$ 13	$ 503	$ 80	$ —	$ 925
Deepwater Titan (b)	309	37	151	633	15	1,145
Total	$ 638	$ 50	$ 654	$ 713	$ 15	$ 2,070

(a) *Deepwater Atlas*, an ultra-deepwater drillship under construction at the Jurong Shipyard Pte Ltd. in Singapore does not yet have a drilling contract and is contracted to be delivered in the fourth quarter of 2020. We have estimated that, following the delivery of *Deepwater Atlas*, the costs to mobilize the rig to a location where it may be placed into service will be $40 million and have included such estimated costs in the table above.

(b) *Deepwater Titan*, an ultra-deepwater drillship under construction at the Jurong Shipyard Pte Ltd. in Singapore, is expected to commence operations under its drilling contract in the fourth quarter of 2021. The projected capital additions include estimates for an upgrade for two 20,000 pounds per square inch blowout preventers and other equipment required by our customer.

The ultimate amount of our capital expenditures is partly dependent upon financial market conditions, the actual level of operational and contracting activity, the costs associated with the current regulatory environment and customer requested capital improvements and equipment for which the customer agrees to reimburse us. As with any major shipyard project that takes place over an extended period of time, the actual costs, the timing of expenditures and the project completion date may vary from estimates based on numerous factors, including actual contract terms, weather, exchange rates, shipyard labor conditions, availability of suppliers to recertify equipment and the market demand for components and resources required for drilling unit construction. We intend to fund the cash requirements relating to our capital expenditures through available cash balances, cash generated from operations and asset sales and financing arrangements with banks or other capital providers. We also have available credit under our Secured Credit Facility (see "—Sources and uses of liquidity"). Economic conditions could impact the availability of these sources of funding.

Dispositions—From time to time, we may also review the possible disposition of non-strategic drilling units. Considering recent market conditions, we have committed to plans to sell certain lower-specification drilling units for scrap value. During the three months ended March 31, 2020, we identified four such drilling units that we intend to sell for scrap value. During the year ended December 31, 2019, we identified six such drilling units that we sold for scrap value. We continue to evaluate the drilling units in our fleet and may identify additional lower specification drilling units to be sold for scrap value. During the year ended December 31, 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 net cash proceeds of $64 million.

OTHER MATTERS

Regulatory matters

From time to time, we receive inquiries from governmental regulatory agencies regarding our operations around the world, including inquiries with respect to various tax, environmental, regulatory and compliance matters. To the extent appropriate under the circumstances, we investigate such matters, respond to such inquiries and cooperate with the regulatory agencies. See Notes to Condensed Consolidated Financial Statements—Note 10—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 condensed consolidated statement of financial position, results of operations or cash flows. We file federal and local tax returns in several jurisdictions throughout the world. Tax authorities in certain jurisdictions are examining our tax returns and in some cases have issued assessments. We are defending our tax positions in those jurisdictions. While we cannot predict or provide assurance as to the final outcome of these proceedings, we do not expect the ultimate liability to have a material adverse effect on our condensed consolidated statement of financial position or results of operations, although it may have a material adverse effect on our condensed consolidated cash flows. See Notes to Condensed Consolidated Financial Statements—Note 8—Income Taxes.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our discussion and analysis of our financial condition and results of operations are based upon our condensed consolidated financial statements. This discussion should be read in conjunction with disclosures included in the notes to our condensed consolidated financial statements related to estimates, contingencies and other accounting policies. We disclose our significant accounting policies in Note 2 to our condensed consolidated financial statements in this quarterly report on Form 10-Q and in Note 2 to our consolidated financial statements in our annual report on Form 10-K for the year ended December 31, 2019.

For a discussion of the critical accounting policies and estimates that we use in the preparation of our condensed consolidated financial statements, see “Part II. Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates” in our annual report on Form 10-K for the year ended December 31, 2019. We have discussed the development, selection and disclosure of these critical accounting policies and estimates with the audit committee of our board of directors. As of March 31, 2020 there have been no material changes to the types of judgments, assumptions and estimates upon which our critical accounting policies and estimates are based.

ACCOUNTING STANDARDS UPDATES

For a discussion of the new accounting standards updates that have had or are expected to have an effect on our condensed consolidated financial statements, see Notes to Condensed Consolidated Financial Statements—Note 3—Accounting Standards Update in this quarterly report on Form 10-Q and in our annual report on Form 10-K for the year ended December 31, 2019.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Overview—We are exposed to interest rate risk, primarily associated with our long-term debt, including current maturities. Additionally, we are exposed to currency exchange rate risk related to our international operations. For a complete discussion of our interest rate risk and currency exchange rate risk, see “Part II. Item 7A. Quantitative and Qualitative Disclosures About Market Risk” in our annual report on Form 10-K for the year ended December 31, 2019.

Interest rate risk—The following table presents the principal amounts and related weighted-average interest rates of our long-term debt instruments by contractual maturity date. The following table presents information as of March 31, 2020 for the 12-month periods ending March 31 (in millions, except interest rate percentages):

	Scheduled Maturity Date (a)							
	2021	2022	2023	2024	2025	Thereafter	Total	Fair value
Debt								
Fixed rate (USD)	$ 595	$ 606	$ 1,466	$ 1,020	$ 516	$ 5,043	$ 9,246	$ 5,001
Average interest rate	6.26 %	6.86 %	2.83 %	5.91 %	6.86 %	7.40 %		

At March 31, 2020 and December 31, 2019, the fair value of our outstanding debt was $5.0 billion and $8.9 billion, respectively. During the three months ended March 31, 2020, the fair value of our debt decreased by $3.9 billion due to the following: (a) a decrease of $3.4 billion due to changes in market prices for our outstanding debt, (b) a decrease of $814 million due to the early retirement of debt resulting from the redemption of the 9.00% senior notes due July 2023 and open market repurchases of certain of our debt securities and (c) a decrease of $97 million due to the repayment of debt at scheduled maturities, partially offset by (d) an increase of $344 million due to the issuance of the 8.00% senior notes due February 2027.

Item 4. Controls and Procedures

Disclosure controls and procedures—We carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as defined in the United States ("U.S.") Securities Exchange Act of 1934 (the "Exchange Act"), Rules 13a-15 and 15d-15, as of the end of the period covered by this report. Our disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act is (1) accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, to allow timely decisions regarding required disclosure and (2) recorded, processed, summarized and reported within the time periods specified in the U.S. Securities and Exchange Commission's rules and forms. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of March 31, 2020.

Internal control over financial reporting—There were no changes to our internal control over financial reporting during the quarter ended March 31, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Transocean Ltd. (together with its subsidiaries and predecessors, unless the context requires otherwise, "Transocean," "we," "us," or "our") has 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 our annual report on Form 10-K 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 our annual report on Form 10-K for the year ended December 31, 2019. All such actions, claims, tax and other matters are incorporated herein by reference.

As of March 31, 2020, 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 condensed 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 1A. Risk Factors

Except as disclosed below, there have been no material changes to the risk factors as previously disclosed in "Part I. Item 1A. Risk Factors" in our annual report on Form 10-K for the year ended December 31, 2019; however, the potential effects of the recent outbreak of a novel strain of coronavirus ("COVID-19") discussed below could potentially also impact many of such previously disclosed risk factors.

PUBLIC HEALTH THREATS COULD HAVE SIGNIFICANT ADVERSE CONSEQUENCES FOR OUR BUSINESS AND OPERATIONS.

Public health threats, pandemics and epidemics, such as the recent outbreak of COVID-19, severe influenza, other coronaviruses and other highly communicable viruses or diseases, may impact our operations directly or indirectly, including by disrupting the operations of our business partners, suppliers and customers in ways that could adversely impact our operations. For instance, the recent outbreak of COVID-19 and its development into a pandemic in March 2020 have resulted in various actions by governmental authorities around the world to prevent the spread of COVID-19, such as imposing mandatory closures of all non-essential business facilities, seeking voluntary closures of such facilities and imposing restrictions on, or advisories with respect to, travel, business operations and public gatherings or interactions. In addition, the risk of infection and health risk associated with COVID-19, and the death or illness of many individuals across the globe, is resulting in actions by individuals and companies seeking to curtail the spread of COVID-19, such as companies across the world requiring employees to work remotely, suspending all non-essential travel worldwide for employees, and discouraging employee attendance at in-person work-related meetings, as well as individuals voluntarily social distancing and self-quarantining.

We have taken similar precautionary measures intended to help minimize the risk to our business, employees, customers, suppliers and the communities in which we operate. Our operational employees generally are currently still able to work on site and on our rigs. We have taken comprehensive and global precautionary measures with respect to such operational employees, such as requiring them to verify they have not either experienced any symptoms consistent with COVID-19 or been in close contact with someone showing such symptoms before they are permitted to travel to the work site or rig, quarantining any operational employee on a rig who has shown signs of COVID-19, regardless of whether such employee has been confirmed to be infected, and imposing social distancing requirements in certain areas of the rig, such as in the dining hall and sleeping quarters and are incurring incremental costs. We are also actively assessing and planning for various operational contingencies; however, we cannot guarantee that any actions taken by us, including the precautionary measures noted above, will be effective in preventing either an outbreak of COVID-19 on one or more of our rigs or other adverse effects related to COVID-19. To the extent there is an outbreak of COVID-19 on one or more of our rigs, we may have to temporarily shut down operations of such rig or rigs, which could result in significant downtime or contract termination and have substantial adverse consequences for our business and results of operations. In addition, most of our non-operational employees are now working remotely, which increases various operational risks. For instance, working remotely may increase the risk of security breaches or other cyber incidents or attacks, loss of data, fraud and other disruptions as a consequence of more employees accessing sensitive and critical information from remote locations.

Many governmental authorities across the globe have implemented travel restrictions and mandatory quarantine measures to prevent the spread of COVID-19, and in complying with such governmental actions, we have experienced, and expect to continue to experience, increased difficulties, delays and costs in moving our personnel in and out of, and to work in, the various jurisdictions in which we operate. We may be unable to pass along these increased expenses to our customers. Additionally, disruptions to or restrictions on the

ability of our suppliers, manufacturers and service providers to supply parts, equipment or services in the jurisdictions in which we operate or to progress the construction of our newbuild projects, whether as a result of government actions, labor shortages, the inability to source parts or equipment from affected locations, or other effects related to the COVID-19 outbreak, may have significant adverse consequences on our ability to meet our commitments to customers, including by increasing our operating costs and increasing the risk of rig downtime and could result in contract terminations.

The magnitude and duration of potential social, economic and labor instability resulting from the recent COVID-19 outbreak is uncertain and cannot be estimated at this time as such effects depend on future events that are largely out of our control.

THE RECENT OUTBREAK OF COVID-19 HAS HAD, AND MAY CONTINUE TO HAVE, SIGNIFICANT ADVERSE CONSEQUENCES FOR GENERAL ECONOMIC, FINANCIAL AND BUSINESS CONDITIONS, AS WELL AS FOR OUR BUSINESS AND FINANCIAL POSITION AND THE BUSINESS AND FINANCIAL POSITION OF OUR CUSTOMERS AND SUPPLIERS

The recent outbreak of COVID-19 and the responses of governmental authorities, companies and the self-imposed restrictions by many individuals across the world to stem the spread of the virus have significantly reduced global economic activity, as there has been a dramatic decrease in the number of businesses open for operation and a substantial reduction in the number of people across the world that have been going to work or leaving their house to purchase goods and services. This has also resulted in airlines dramatically cutting back on flights and has reduced the number of cars on the road. As a result, there has also been a sharp reduction in the demand for oil and a precipitous decline in oil prices, and such decline in oil prices has been exacerbated by the recent dispute over production levels among oil-producing countries, the resultant significant increase in production levels by such countries and limited storage capacity for crude oil and refined products.

Concerns over the prolonged negative effects of the COVID-19 outbreak on economic and business prospects across the world have contributed to increased market and oil price volatility and have diminished expectations for the performance of the global economy. These factors, coupled with the prospect of decreased business and consumer confidence and increased unemployment resulting from the COVID-19 outbreak and the recent precipitous oil price decline, have precipitated an economic slowdown and likely a recession. Any such slowdown or recession, or a prolonged period of depressed oil prices, could have significant adverse consequences for the financial condition of our customers or suppliers, and result in reductions to their drilling and production expenditures and delays or cancellations of projects, thus decreasing demand for our services. Such conditions could also result in an increased risk that our customers may seek price reductions or more favorable economic terms for our services, terminate our contracts or otherwise be unable to timely pay outstanding receivables owed to us, or could result in us having to enter into lower dayrate contracts or to idle, stack or retire more of our rigs. Additionally, any early termination payment made in connection with an early contract termination may not fully compensate us for the loss of the contract. Accordingly, the actual amount of revenues earned may be substantially lower than the backlog reported. To the extent our suppliers experience a deterioration in financial condition or operational capability as a result of such depressed market and industry conditions or we or other suppliers incur delays in moving personnel to and from drilling rigs, we may experience disruptions in supply, which could increase our operating costs and increase rig downtime. The occurrence of any such events with respect to our customers, contracts or suppliers could have significant adverse consequence for our business and financial position.

The ultimate extent of the impact of the COVID-19 outbreak on our business and financial position will depend largely on future developments, including the duration, spread or containment of the outbreak, particularly within the geographic locations where we operate, and the related impact on overall economic activity, all of which are highly uncertain at this time. We believe, for example, depressed market and industry conditions could place significant pressure on the liquidity and solvency of many offshore drilling contractors, leading them to pursue restructuring transactions. We are unable to predict the timing or impact of any such restructurings, if completed, on the capital structure and competitive dynamics among offshore drilling companies.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

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)
January 2020	—	$ —	—	$ 3,375
February 2020	—	—	—	3,375
March 2020	—	—	—	3,375
Total	—	$ —	—	$ 3,375

(a) In May 2009, at our annual general meeting, our shareholders approved and authorized our board of directors, at its discretion, to repurchase for cancellation any amount of our shares for an aggregate purchase price of up to CHF 3.5 billion. At March 31, 2020, the authorization remaining under the share repurchase program was for the repurchase of our outstanding shares for an aggregate cost of up to CHF 3.2 billion, equivalent to $3.3 billion. The share repurchase program could be suspended or discontinued by our board of directors or company management, as applicable, at any time. See “Part I. Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Sources and uses of liquidity.”

Item 6. Exhibits

(a) Exhibits

The following exhibits are filed in connection with this quarterly report on Form 10-Q:

Number	Description	Location
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 Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934	Filed herewith
4.2	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
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934 and Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934 and Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Furnished herewith
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Furnished herewith
101	Interactive data files pursuant to Rule 405 of Regulation S-T formatted in Inline Extensible Business Reporting Language: (i) our condensed consolidated balance sheets as of March 31, 2020 and December 31, 2019; (ii) our condensed consolidated statements of operations for the three months ended March 31, 2020 and 2019; (iii) our condensed consolidated statements of comprehensive loss for the three months ended March 31, 2020 and 2019; (iv) our condensed consolidated statements of equity for the three months ended March 31, 2020 and 2019; (v) our condensed consolidated statements of cash flows for the three months ended March 31, 2020 and 2019; and (vi) the notes to condensed consolidated financial statements	Filed herewith
104	The cover page from our quarterly report on Form 10-Q for the quarterly period ended March 31, 2020, formatted in Inline Extensible Business Reporting Language	Filed herewith

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 April 30, 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)

DESCRIPTION OF TRANSOCEAN LTD.'S SECURITIES REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

*As of March 31, 2020, Transocean Ltd. had two classes of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended: registered shares, par value CHF 0.10 per share ("**shares**") and the exchangeable bonds due 2023 ("**Exchangeable Bonds**").*

Description of the Shares

The following description of Transocean Ltd.'s shares is a summary and is subject to the complete text of our Articles of Association, filed as Exhibit 3.1 to our Current Report on Form 8-K (Commission File No. 001-38373) filed on May 13, 2019. We encourage you to read the Articles of Association carefully. In this description, references to "Transocean," "we," "our," and "us" mean Transocean Ltd.

Description of Share Capital

Issued Share Capital. As of March 31, 2020, the registered share capital of Transocean, as registered with the commercial register, was CHF 61,658,167.70, divided into 616,581,677 registered Transocean shares, par value 0.10 Swiss francs per share. The total issued share capital of Transocean, including Transocean shares issued out of Transocean's conditional share capital not yet registered with the commercial register, was 61,797,052.50 Swiss francs, divided into 617,970,525 registered Transocean shares, par value 0.10 Swiss francs per share. The issued Transocean shares are fully paid, non-assessable, and rank pari passu with each other and all other Transocean shares.

General Authorized Share Capital. Pursuant to Article 5 of our Articles of Association, our board of directors is authorized to issue new Transocean shares at any time until May 18, 2020 and thereby increase the stated share capital by a maximum amount of 2,170,388.90 Swiss francs by issuing a maximum of 21,703,889 Transocean shares.

Our board of directors determines the time of the issuance, the issuance price, the manner in which the new Transocean shares have to be paid in, the date from which the new Transocean shares carry the right to dividends and, subject to the provisions of our Articles of Association, the conditions for the exercise of the preemptive rights with respect to the issuance and the allotment of preemptive rights that are not exercised. The board of directors may allow preemptive rights that are not exercised to expire, or it may place such rights or Transocean shares, the preemptive rights in respect of which have not been exercised, at market conditions or use them otherwise in our interest. For further information on preemptive rights with respect to our authorized share capital, see "—Preemptive Rights and Advance Subscription Rights" below.

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 Transocean, and (ii) in partial amounts shall be permissible.

The new Transocean shares shall be subject to the limitations for registration in the share register pursuant to Articles 7 and 9 of Transocean's Articles of Association.

Conditional Share Capital. Article 6 of Transocean's Articles of Association has not yet been updated to reflect the issuance of 1,388,848 shares to satisfy obligations under Transocean's share-based compensation plans. Accordingly, the remaining authority to issue shares out of conditional share capital is limited to a maximum of 142,365,398 shares; these shares may be issued through:

- the exercise of conversion, exchange, option, warrant or similar rights for the subscription of Transocean 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 us or any of our subsidiaries or any of our respective predecessors; or

- in connection with the issuance of Transocean shares, options or other share-based awards to directors, members of our executive management, employees, contractors, consultants or other persons providing services to us or our subsidiaries.

For information on preemptive rights with respect to our conditional share capital, see "—Preemptive Rights and Advance Subscription Rights" below.

Other Classes or Series of Transocean Shares / Non-voting stock (Genussscheine / Partizipationsscheine). The board of directors may not create Transocean shares with increased voting powers without the affirmative resolution adopted by shareholders holding at least two-thirds of the voting rights and an absolute majority of the par value of the Transocean shares, each as represented (in person or by proxy) at a general meeting of the shareholders. Our board of directors may create preferred stock with the vote of a majority of the votes cast at a general meeting of our shareholders (not counting broker non-votes, abstentions and blank or invalid ballots).

Transocean has not issued any non-voting stock to date (*Partizipationsscheine*, *Genussscheine*).

Preemptive Rights and Advance Subscription Rights

Under the Swiss Code of Obligations (the "**Swiss Code**"), the prior approval of a general meeting of shareholders is generally required to authorize, for later issuance, the issuance of Transocean shares, or rights to subscribe for, or convert into, Transocean shares (which rights may be connected to debt instruments or other obligations). In addition, the existing shareholders will have preemptive rights in relation to such Transocean shares or rights in proportion to the respective par values of their holdings. The shareholders may, with the affirmative vote of shareholders holding two-thirds of the voting rights and a majority of the par value of the Transocean shares present or represented at the general meeting and entitled to vote, withdraw or limit the preemptive rights for valid reasons (such as a merger, an acquisition or any of the reasons authorizing the board of directors to withdraw or limit the preemptive rights of shareholders in the context of an authorized capital increase as described below).

If the general meeting of shareholders has approved the creation of authorized or conditional capital, it thereby delegates the decision whether to withdraw or limit the preemptive and advance subscription rights for valid reasons to the board of TOCdirectors. Our Articles of Association provide for this delegation with respect to our authorized and conditional share capital in the circumstances described below under "—General Authorized Share Capital" and "—Conditional Share Capital."

General Authorized Share Capital. At any time until May 18, 2020 and pursuant to Article 5 of Transocean's Articles of Association, the board of directors is authorized to withdraw or limit the preemptive rights with respect to the issuance of Transocean shares from authorized capital if:

- the issue price of the new Transocean shares is determined by reference to the market price;
- the Transocean shares are issued in connection with the acquisition of an enterprise or participations or any part of an enterprise or participations, the financing or refinancing of any such transactions or the financing of our new investment plans;
- the Transocean shares are issued in connection with the intended broadening of the shareholder constituency of Transocean in certain financial or investor markets, for the purposes of the participation of strategic partners, or in connection with the listing of the Transocean shares on domestic or foreign stock exchanges;

- in connection with a placement or sale of Transocean shares, the grant of an over-allotment option of up to 20% of the total number of Transocean shares in a placement or sale of Transocean shares to the initial purchasers or underwriters; or
- for the participation of directors, members of our executive management team, employees, contractors, consultants and other persons performing services for our benefit or the benefit of any of our subsidiaries.

Conditional Share Capital. In connection with the issuance of bonds, notes, warrants or other financial instruments or contractual obligations convertible into or exercisable or exchangeable for Transocean shares, the preemptive rights of shareholders are, pursuant to Article 6 of Transocean's Articles of Association, excluded and the board of directors is authorized to withdraw or limit the advance subscription rights of shareholders in connection with the issuance of bonds, notes, warrants or other securities or contractual obligations convertible into or exercisable or exchangeable for Transocean shares if the issuance is for purposes of financing or refinancing the acquisition of an enterprise or business, parts of an enterprise, participations or investments, or if the issuance occurs in national or international capital markets or through a private placement.

If the advance subscription rights are withdrawn or limited:

- the respective financial instruments or contractual obligations will be issued or entered into at market conditions;
- the conversion, exchange or exercise price, if any, for instruments or obligations will be set with reference to the market conditions prevailing at the date on which the instruments or obligations are issued or entered into; and
- the instruments or obligations may be converted, exercised or exchanged during a maximum period of 30 years.

The preemptive rights and the advance subscription rights of shareholders are excluded with respect to Transocean shares, bonds, notes, warrants or other securities or contractual obligations issued from our conditional share capital to directors, members of executive management, employees, contractors, consultants or other persons providing services to us or any of our subsidiaries.

Dividends and Other Distributions

Under the Swiss Code, dividends may be paid out only if we have sufficient distributable profits from the previous fiscal year, or if we have freely distributable reserves (including contribution reserves, which are also referred to as additional paid-in capital), each as will be presented on our audited annual standalone statutory balance sheet. The affirmative vote of shareholders holding a majority of the votes cast at a general meeting of shareholders (not counting abstentions and blank or invalid ballots) must approve the distribution of dividends. The board of directors may propose to shareholders that a dividend or other distribution be paid but cannot itself authorize the distribution.

Payments out of our share capital (in other words, the aggregate par value of our registered share capital) in the form of dividends are not allowed; however, payments out of registered share capital may be made by way of a par value reduction. Such a par value reduction requires the approval of shareholders holding a majority of the votes cast at the general meeting of shareholders (not counting abstentions and blank or invalid ballots). A special audit report must confirm that claims of our creditors remain fully covered despite the reduction in the share capital recorded in the commercial register. Upon approval by the general meeting of shareholders of the capital reduction, the board of directors must give public notice of the par value reduction resolution in the Swiss Official Gazette of Commerce three times and notify creditors that they may request, within two months of the third publication, satisfaction of or security for their claims.

Under the Swiss Code, if our general reserves amount to less than 20% of our share capital recorded in the commercial register (i.e., 20% of the aggregate par value of our registered capital), then at least 5% of our annual profit must be retained as general reserves. The Swiss Code and our Articles of Association permit us to accrue additional general reserves. In addition, we may be required to create a special reserve on our audited annual standalone statutory balance sheet in the amount of the purchase price of Transocean shares repurchased by us or our subsidiaries, which amount may not be used for dividends or subsequent repurchases.

Swiss companies generally must maintain a separate company, stand-alone "statutory" balance sheet for the purpose of, among other things, determining the amounts available for the return of capital to shareholders, including by way of a distribution of dividends. Our auditor must confirm that a proposal made by the board of directors to shareholders regarding the appropriation of our available earnings or the distribution of freely distributable reserves conforms to the requirements of the Swiss Code and our Articles of Association. Dividends are usually due and payable shortly after the shareholders have passed a resolution approving the payment, but shareholders may also resolve at the annual general meeting of shareholders to pay dividends in quarterly or other installments. Our Articles of Association provide that dividends that have not been claimed within five years after the payment date become our property and are allocated to the general reserves. Dividends paid out of distributable profits or distributable general reserves are subject to Swiss withholding tax, all or part of which can potentially be reclaimed under the relevant tax rules in Switzerland or double taxation treaties concluded between Switzerland and foreign countries. Distributions to shareholders in the form of a par value reduction and distributions out of qualifying additional paid-in capital are not subject to the Swiss federal withholding tax.

Dividends, if declared by us, are expected to be declared, subject to applicable limitations under Swiss law, in U.S. dollars, or in Swiss francs, and shareholders may be given the right to elect to be paid any such dividends in U.S. dollars or Swiss francs. Distribution through a reduction in the par value of the Transocean shares must be declared in Swiss francs; however, shareholders may be provided with the option to elect to be paid in U.S. dollars or Swiss francs.

Repurchases of Transocean Shares

The Swiss Code limits our ability to hold or repurchase our own shares. We and our subsidiaries may only repurchase Transocean shares if and to the extent that sufficient freely distributable reserves are available, as described above under "—Dividends and Other Distributions." The aggregate par value of all of our shares held by us and our subsidiaries may not exceed 10% of the registered share capital. However, we may repurchase our own shares beyond the statutory limit of 10% if the shareholders have passed a resolution at a general meeting of shareholders authorizing the board of directors to repurchase Transocean shares in an amount in excess of 10% and the repurchased Transocean shares are dedicated for cancellation. Any Transocean shares repurchased pursuant to such an authorization will then be cancelled at a general meeting of shareholders upon the approval of shareholders holding a majority of the votes cast at the general meeting. Repurchased Transocean shares held by us or our subsidiaries do not carry any rights to vote at a general meeting of shareholders but are, unless otherwise resolved by our shareholders at a general meeting, entitled to the economic benefits generally associated with the Transocean shares.

General Meetings of Shareholders

The general meeting of shareholders is our supreme corporate body. Ordinary and extraordinary shareholders meetings may be held. Among other things, the following powers will be vested exclusively in the shareholders meeting:

- adoption and amendment of our Articles of Association;
- the annual election of the chairman of the board of directors, the members of the board of directors, the members of the compensation committee of the board of directors, the auditor and the independent proxy;
- approval of the annual management report, the stand-alone statutory financial statements and the consolidated financial statements;

- appropriation of the annual profit shown on our annual stand-alone statutory balance sheet, in particular the distribution of any dividends;
- discharge of the members of the board of directors and the executive management team from liability for business conduct during the previous fiscal year(s) to the extent such conduct is known to the shareholders;
- ratification of the maximum aggregate amounts of compensation of the board of directors and the executive management team;
- subject to certain exceptions, the approval of a business combination with an interested shareholder (as such terms are defined in our Articles of Association); and
- any other resolutions that are submitted to a general meeting of shareholders pursuant to law, our Articles of Association or by voluntary submission by the board of directors (unless a matter is within the exclusive competence of the board of directors pursuant to the Swiss Code).

Notice and Proxy Statements

Under the Swiss Code and our Articles of Association, we must hold an annual, ordinary general meeting of shareholders within six months after the end of our fiscal year for the purpose, among other things, of approving the annual financial statements and the annual management report, the annual election of our chairman of the board of directors, the members of the board of directors, the members of the compensation committee of our board of directors, our auditor and our independent proxy, and the ratification of the maximum aggregate amount of compensation of the board of directors and the executive management team. The invitation to general meetings must be published in the Swiss Official Gazette of Commerce at least 20 calendar days prior to the date of the relevant general meeting of shareholders. The notice of a meeting must state the items on the agenda and the proposals of the board of directors and of the shareholders who requested that a shareholders meeting be held or that an item be included on the agenda and, in case of elections, the names of the nominated candidates. No resolutions may be passed at a shareholders meeting concerning agenda items for which proper notice was not given. This does not apply, however, to proposals made during a shareholders meeting to convene an extraordinary shareholders meeting or to initiate a special investigation. No previous notification will be required for proposals concerning items included on the agenda or for debates as to which no vote is taken.

Annual general meetings of shareholders may be convened by the board of directors or, under certain circumstances, by the auditor. A general meeting of shareholders can be held anywhere.

We expect to set the record date for each general meeting of shareholders on a date not more than 20 calendar days prior to the date of each general meeting and announce the date of the general meeting of shareholders prior to the record date.

Extraordinary General Meetings of Shareholders

An extraordinary general meeting may be called upon the resolution of the board of directors or, under certain circumstances, by the auditor. In addition, the board of directors is required to convene an extraordinary general meeting of shareholders if so resolved by the general meeting of shareholders, or if so requested by shareholders holding an aggregate of at least 10% of the share capital recorded in the commercial register or according to the views expressed in legal writing, which is a persuasive authority in Switzerland, holding Transocean shares with an aggregate par value of CHF 1 million, specifying the items for the agenda and their proposals, or if it appears from the annual stand-alone statutory balance sheet that half of our share capital recorded in the commercial register and legal reserves are not covered by our assets. In the latter case, the board of directors must immediately convene an extraordinary general meeting of shareholders and propose financial restructuring measures.

Agenda Requests

Under our Articles of Association, any shareholder may request that an item be included on the agenda of a general meeting of shareholders. Such shareholder may also nominate one or more directors for election. A request for inclusion of an item on the agenda or a nominee must be in writing and received by us at least 30 calendar days prior to the anniversary date of the proxy statement in connection with our last general meeting of shareholders; provided, however, that if the date of the general meeting of shareholders is more than 30 calendar days before or after the anniversary date of the last annual general meeting of shareholders, such request must instead be made by the tenth calendar day following the date on which we have made public disclosure of the date of the general meeting of shareholders. The request must specify the relevant agenda items and motions, together with evidence of the required Transocean shares recorded in the share register, as well as any other information as would be required to be included in a proxy statement pursuant to the rules of the Securities and Exchange Commission.

Under the Swiss Code, a general meeting of shareholders for which a notice of meeting has been duly published may not be adjourned without publishing a new notice of meeting.

Our annual report, our compensation report pursuant to Swiss law and the auditor's reports must be made available for inspection by the shareholders at our registered office in Steinhausen, Canton of Zug, Switzerland, no later than 20 calendar days prior to the annual general meeting of shareholders. Each shareholder is entitled to request immediate delivery of a copy of these documents free of charge. Shareholders of record will be notified of this in writing.

Voting

Each of our shares carries one vote at a general meeting of shareholders. Voting rights may be exercised by shareholders registered in our share register or by a duly appointed proxy of a registered shareholder (including the independent proxy), which proxy need not be a shareholder. Our Articles of Association do not limit the number of Transocean shares that may be voted by a single shareholder. Shareholders wishing to exercise their voting rights who hold their Transocean shares through a bank, broker or other nominee should follow the instructions provided by such bank, broker or other nominee or, absent instructions, contact such bank, broker or other nominee for instructions. Shareholders holding their Transocean shares through a bank, broker or other nominee will not automatically be registered in our share register. If any such shareholder wishes to be registered in our share register, such shareholder should contact the bank, broker or other nominee through which it holds our shares.

Treasury shares, whether owned by us or one of our majority-owned subsidiaries, will not be entitled to vote at general meetings of shareholders.

Our Articles of Association do not provide for cumulative voting for the election of directors.

Pursuant to our Articles of Association, the shareholders generally pass resolutions by the affirmative vote of a relative majority of the votes cast at the general meeting of shareholders (broker nonvotes, abstentions and blank and invalid ballots will be disregarded), unless otherwise provided by law or our Articles of Association. However, our Articles of Association provide that directors may be elected at a general meeting of shareholders by a plurality of the votes cast by the shareholders present in person or by proxy at the meeting. Our Corporate Governance Guidelines have a majority vote policy that provides that the board may nominate only those candidates for director who have submitted an irrevocable letter of resignation which would be effective upon and only in the event that (1) such nominee fails to receive a sufficient number of votes from shareholders in an uncontested election and (2) the board accepts the resignation following such failure. 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 whether to accept the tendered resignation or reject it. The board must then act on the corporate governance committee's recommendation within 90 days following the shareholder vote. The board must promptly disclose its decision regarding whether or not to accept the nominee's resignation letter.

The acting chair may direct that resolutions and elections be held by use of an electronic voting system. Electronic resolutions and elections are considered equal to resolutions and elections taken by way of a written ballot.

The Swiss Code and/or our Articles of Association require the affirmative vote of at least two-thirds of the voting rights and a majority of the par value of the Transocean shares, each as represented at a general meeting to approve, among other things, the following matters:

..
the amendment to or the modification of the purpose clause in our Articles of Association;
..
the creation or cancellation of Transocean shares with privileged voting rights;
..
the restriction on the transferability of Transocean shares or cancellation thereof;

. .
the restriction on the exercise of the right to vote or the cancellation thereof;
.
an authorized or conditional increase in the share capital;
.
.
an increase in the share capital through (1) the conversion of capital surplus, (2) a contribution in kind, or for purposes of an acquisition of assets, or (3) a grant of special privileges;
..
the limitation on or withdrawal of preemptive rights;
..
a change in our registered office;
..
the conversion of registered Transocean shares into bearer shares and vice versa; and
..
our dissolution.

The same supermajority voting requirements apply to resolutions in relation to transactions among corporations based on Switzerland's Federal Act on Mergers, Demergers, Transformations and the Transfer of Assets (the "**Merger Act**"), including a merger, demerger or conversion of a corporation (other than a cash-out or certain squeeze-out mergers, in which minority shareholders of the company being acquired may be compensated in a form other than through shares of the acquiring company, for instance, through cash or securities of a parent company of the acquiring company or of another company—in such a merger, an affirmative vote of 90% of the outstanding Transocean shares is required). Swiss law may also impose this supermajority voting requirement in connection with the sale of "all or substantially all of our assets" by us. See "—Compulsory Acquisitions; Appraisal Rights" below.

Our Articles of Association require the affirmative vote of at least two-thirds of the Transocean shares entitled to vote at a general meeting to approve the following matters:

- the removal of a serving member of the board of directors;
- any changes to Article 14, paragraph 1 specifying advance notice of proposal requirements;
- any changes to Article 18 specifying vote requirements for resolutions and elections;
- any changes to Article 20, paragraph 2 specifying supermajority vote requirements;
- any changes to Article 21 specifying quorum requirements;

- any changes to Article 22 specifying the number of members of the board of directors;
- any changes to Article 23 specifying the term of the board of directors; and
- any changes to Article 24 specifying the organization of the board of directors and the indemnification provisions for directors and officers.

Our Articles of Association require the affirmative vote of holders of the number of our shares at least equal to the sum of (A) two-thirds of the number of all Transocean shares outstanding and entitled to vote at a general meeting, plus (B) a number of Transocean shares outstanding and entitled to vote at the general meeting that is equal to one-third of the number of Transocean shares held by an interested shareholder, for us to engage in any business combination with an interested shareholder (as those terms are defined in our Articles of Association) and for the amendment of the provisions in our Articles of Association relating to this shareholder approval requirement.

Quorum for General Meetings

The presence of shareholders, in person or by proxy, holding at least a majority of the Transocean shares entitled to vote at the time when the general meeting proceeds to business is generally the required presence for a quorum for the transaction of business at a general meeting of shareholders. However, the presence of shareholders, in person or by proxy, holding at least two-thirds of the share capital recorded in the commercial register at the time when the general meeting proceeds to business is the required presence for a quorum to adopt a resolution to amend, vary, suspend the operation of or cause any of the following provisions of our Articles of Association to cease to apply:

- Article 18—which relates to proceedings and procedures at general meetings;
- Article 19(g)—which relates to business combinations with interested shareholders;
- Article 20—which sets forth the level of shareholder approval required for certain matters;
- Article 21—which sets forth the quorum at a general meeting required for certain matters, including the removal of a serving member of the board of directors; and
- Articles 22, 23 and 24—which relate to the size and the organization of the board of directors, the term of directors and the indemnification provisions for directors and officers.

Additionally, shareholders present, in person or by proxy, holding at least two-thirds of the share capital recorded in the commercial register at the time when the general meeting proceeds to business constitute the required presence for a quorum at a general meeting to adopt a resolution to remove a serving director.TOC

Under the Swiss Code, the board of directors has no authority to waive quorum requirements stipulated in the Articles of Association.

Inspection of Books and Records

Under the Swiss Code, a shareholder has a right to inspect the share register with regard to his, her or its own Transocean shares and otherwise to the extent necessary to exercise his, her or its shareholder rights. No other person has a right to inspect the share register. The books and correspondence of a Swiss company may be inspected with the express authorization of the general meeting of shareholders or by resolution of the board of directors and subject to the safeguarding of the company's business secrets. At a general meeting of shareholders, any shareholder is entitled to request information from the board of directors concerning the affairs of the company. Shareholders may also ask the auditor questions regarding its audit of the company. The board of directors and the auditor must answer shareholders' questions to the extent necessary for the exercise of shareholders' rights and subject to prevailing business secrets or other of our material interests.

Special Investigation

If the shareholders' inspection and information rights as outlined above prove to be insufficient, any shareholder may propose to the general meeting of shareholders that a special commissioner investigate specific facts in a special investigation. If the general meeting of shareholders approves the proposal, we or any shareholder may, within 30 calendar days after the general meeting of shareholders, request the court at our registered office to appoint a special commissioner. If the general meeting of shareholders rejects the request, one or more shareholders representing at least 10% of the share capital or holders of Transocean shares in an aggregate par value of at least 2 million Swiss francs may request, within three months after the general meeting, the court to appoint a special commissioner. The court will issue such an order if the petitioners can demonstrate that the board of directors, any member of our board of directors or one of our officers infringed the law or our Articles of Association and thereby damaged the company or the shareholders. The costs of the investigation would generally be allocated to us and only in exceptional cases to the petitioners.

Compulsory Acquisitions; Appraisal Rights

Swiss companies that undertake business combinations and other transactions that are binding on all shareholders are governed by the Merger Act. A statutory merger or demerger requires that at least two-thirds of the Transocean shares and a majority of the par value of the Transocean shares, each as represented at the general meeting of shareholders, vote in favor of the transaction. Under the Merger Act, a "demerger" may take two forms:

- a legal entity may divide all of its assets and transfer such assets to other legal entities, with the shareholders of the transferring entity receiving equity securities in the acquiring entities and the transferring entity dissolving upon deregistration in the commercial register; or

- a legal entity may transfer all or a portion of its assets to other legal entities, with the shareholders of the transferring entity receiving equity securities in the acquiring entities.

If a transaction under the Merger Act receives all of the necessary consents, all shareholders would be compelled to participate in the transaction. See "—Voting" above.

Swiss companies may be acquired by an acquirer through the direct acquisition of the share capital of the Swiss company. With respect to corporations limited by shares, such as Transocean, the Merger Act provides for the possibility of a so-called "cash-out" or "squeeze-out" merger if the acquirer controls 90% of the outstanding shares. In these limited circumstances, minority shareholders of the company being acquired may be compensated in a form other than through shares of the acquiring company (for instance, through cash or securities of a parent company of the acquiring company or of another company). For business combinations effected in the form of a statutory merger or demerger and subject to Swiss law, the Merger Act provides that if the equity rights have not been adequately preserved or compensation payments in the transaction are unreasonable, a shareholder may request the competent court to determine a reasonable amount of compensation.

In addition, under Swiss law, the sale of "all or substantially all of our assets" by us may require a resolution of the general meeting of shareholders passed by holders of at least two-thirds of the voting rights and a majority of the par value of the Transocean shares, each as represented at the general meeting of shareholders. Whether or not a shareholder resolution is required depends on the particular transaction, including whether the following test is satisfied:

- the company sells a core part of its business, without which it is economically impracticable or unreasonable to continue to operate the remaining business;

- the company's assets, after the divestment, are not invested in accordance with the company's statutory business purpose; and

- the proceeds of the divestment are not earmarked for reinvestment in accordance with the company's business purpose but, instead, are intended for distribution to shareholders or for financial investments unrelated to the company's business.

If all of the foregoing apply, a shareholder resolution would likely be required.

Legal Name; Formation; Fiscal Year; Registered Office

Transocean was initially formed on August 18, 2008. It is incorporated and domiciled in Steinhausen, Canton of Zug, Switzerland, and operates under the Swiss Code as a stock corporation (*Aktiengesellschaft*). Transocean is recorded in the Commercial Register of the Canton of Zug with the registration number CHE-114.461.224. Transocean's fiscal year is the calendar year.

The address of Transocean's registered office is Transocean, Turmstrasse 30, 6312 Steinhausen, Switzerland, and the telephone number at that address is +41 (0)41 749 0500.

Corporate Purpose

Transocean is the parent holding company of the Transocean group. Pursuant to its Articles of Association, its business purpose is to acquire, hold, manage, exploit and sell, whether directly or indirectly, participations in businesses in Switzerland and abroad, in particular in businesses that are involved in offshore contract drilling services for oil and gas wells, oil and gas drilling management services, drilling engineering services and drilling project management services and oil and gas exploration and production activities, and to provide financing for this purpose. Transocean may acquire, hold, manage, mortgage and sell real estate and intellectual property rights in Switzerland and abroad.

Duration and Liquidation

Our Articles of Association do not limit our duration. Under Swiss law, we may be dissolved at any time by a resolution adopted at a general meeting of shareholders, which must be passed by the affirmative vote of holders of at least two thirds of voting rights and an absolute majority of the par value of the Transocean shares, each as represented (in person or by proxy) at the general meeting. Dissolution and liquidation by court order is possible if (1) we become bankrupt or (2) shareholders holding at least 10% of our share capital so request for valid reasons. Under Swiss law, any surplus arising out of liquidation (after the settlement of all claims of all creditors) is distributed in proportion to the paid-up par value of Transocean shares held, but this surplus is subject to Swiss withholding tax of 35%. Our shares carry no privilege with respect to such liquidation surplus.

Uncertificated Shares

Our shares have been issued in uncertificated form in accordance with article 973c of the Swiss Code as uncertificated securities, which have been registered with Computershare, and constitute intermediated securities within the meaning of the Swiss Federal Act on Intermediated Securities. In accordance with article 973c of the Code, Transocean maintains a register of uncertificated securities (*Wertrechtebuch*).

Stock Exchange Listing

The Transocean shares are listed and trade on the NYSE under the symbol "RIG."

No Sinking Fund

The Transocean shares have no sinking fund provisions.

No Liability for Further Calls or Assessments

The Transocean shares that have been issued to date are duly and validly issued, fully paid and nonassessable.

No Redemption and Conversion

The Transocean shares are not convertible into shares of any other class or series or subject to redemption either by us or the holder of the shares.

Transfer and Registration of Transocean Shares

We have not imposed any restrictions applicable to the transfer of our shares, other than the requirement that an acquirer of shares expressly declares to have acquired the shares in its own name and for its own account. Our share register is maintained by Computershare, which acts as transfer agent and registrar. The share register reflects only record owners of our shares. Swiss law does not recognize fractional share interests.

Description of the 2023 Exchangeable Bonds

*The following description of the Exchangeable Bonds is a summary and does not purport to be complete. It is subject to, and qualified by reference to, all of the provisions of the Exchangeable Bonds and the indenture among Transocean Inc. ("**TINC**"), as issuer, Transocean Ltd. ("**Transocean**"), as guarantor, and Computershare Trust Company, N.A. and Computershare Trust Company of Canada, as co-trustees, dated January 30, 2018 (the "**indenture**"). We encourage you to read the indenture for additional information. In this summary, "we," "our" and "us" means TINC, as issuer of the Exchangeable Bonds, and "guarantor" means Transocean, as guarantor of the Exchangeable Bonds, unless, in each case, we indicate otherwise or the context indicates otherwise.*

General

The Exchangeable Bonds are our general unsecured and senior obligations, and are exchangeable into Transocean's Shares as described under "*—Exchange Rights*" below. The Exchangeable Bonds are fully and unconditionally guaranteed on a senior unsecured basis by the guarantor. The Exchangeable Bonds will mature on January 30, 2023.

The Exchangeable Bonds pay cash interest at an annual rate of 0.5% on the principal amount of the Exchangeable Bonds to, but excluding, the next scheduled interest payment date until January 30, 2023. Interest is payable semi-annually in arrears on January 30 and July 30 of each year, to holders of record at the close of business on the preceding January 15 and July 15, respectively. Accrued interest is computed on the basis of a 360-day year composed of twelve 30-day months. In the event of the repurchase by us at the option of the holder of an Exchangeable Bond, interest ceases to accrue on the Exchangeable Bonds under the terms of and subject to the conditions of the indenture.

Any amounts on the Exchangeable Bonds that are payable but not punctually paid or provided for ("**defaulted amounts**") will cease to be payable to the holder of the Exchangeable Bonds on the relevant payment date but will accrue interest per annum at the rate borne by the Exchangeable Bonds, subject to applicable law, from, and including, the relevant payment date. We may elect to pay the defaulted amounts and any interest accrued (i) to the holders of the Exchangeable Bonds as of the close of business on a special record date, which will be not more than 15 days and not less than 10 days prior to the date of our proposed payment of such defaulted amounts or (ii) in any other lawful manner not inconsistent with the requirements of the New York Stock Exchange, or any other securities exchange or automated quotation system on which the Exchangeable Bonds may be listed or designated for trading.

The indenture does not contain any financial covenants or any restrictions on the payment of dividends, the making of investments, the incurrence of indebtedness, the granting of liens or mortgages, or the issuance or repurchase of securities by us. The indenture does not contain any covenants or other provisions to protect holders of the Exchangeable Bonds in the event of a highly leveraged transaction or a fundamental change, except to the extent described under "*—Exchange Rights—Increased Exchange Rate in Connection with Fundamental Changes*" and "*—Repurchase Rights Following Fundamental Change or Tax Event*" below.

As of March 31, 2020, $862,883,000 aggregate principal amount of Exchangeable Bonds were outstanding.

The Exchangeable Bonds are not be subject to a sinking fund provision and are not be subject to defeasance or covenant defeasance under the indenture.

Guarantee

Our obligations under the indenture, including the repurchase obligations resulting from a fundamental change or tax event, are fully and unconditionally guaranteed, on a senior unsecured basis by the guarantor.

The guarantor's obligations under the guarantee are limited to the maximum amount as, after giving effect to all other contingent and fixed liabilities of the guarantor, will result in the guarantor's obligation under the guarantee not constituting a fraudulent transfer or conveyance for purposes of any Bankruptcy Law, the Uniform Fraudulent Conveyance Act, the Uniform Fraudulent Transfer Act or any similar federal or state law.

The Exchangeable Bonds are not obligations of, or guaranteed by, any of our or the guarantor's existing or future subsidiaries.

Ranking/Additional Debt

The Exchangeable Bonds are our general unsecured obligations and rank:

(1) senior in right of payment to all of our existing and future subordinated indebtedness;

(2) equal in right of payment with all of our existing and future unsecured senior indebtedness;

(3) effectively junior in right of payment to all of our existing and future secured indebtedness to the extent of the value of the assets securing such indebtedness; and

(4) structurally subordinated to all secured and unsecured liabilities of our subsidiaries.

The guarantee is a senior unsecured obligation of the guarantor and will rank equally in right of payment with the guarantor's other senior unsecured indebtedness from time to time outstanding.

The indenture does not limit the amount of debt that we or any of our subsidiaries may incur or issue, and it does not restrict transactions between us and our affiliates or dividends and other distributions by us or our subsidiaries. As described under "*—General*," we may issue additional Exchangeable Bonds under the indenture from time to time.

Exchange Rights

General

Unless the Exchangeable Bonds are previously repurchased, holders may exchange their Exchangeable Bonds for Shares at any time prior to the close of business on the business day immediately preceding the maturity date. The initial exchange rate of the Exchangeable Bonds is 97.29756 Shares per $1,000 principal amount of Exchangeable Bonds. The exchange rate is subject to change as described below under "*—Increased Exchange Rate in Connection with a Fundamental Change*," "*—Increased Exchange Rate in Connection with a Tax Event*" and "*—Exchange Rate Adjustments*." A holder may exchange fewer than all of such holder's Exchangeable Bonds so long as the portion of Exchangeable Bonds exchanged is an integral multiple of $1,000 principal amount.

We will satisfy our exchange obligation through delivery by the guarantor of the Shares. See "*—Settlement Upon Exchange*." Upon exchange of an Exchangeable Bond, a holder will not receive any cash payment of interest (unless such exchange occurs between a regular record date and the interest payment date to which it relates and the exchanging holder held the Exchangeable Bonds on that record date), and we will not adjust the exchange rate to account for accrued and unpaid interest. Accordingly, any accrued but unpaid interest will be deemed to be paid in full upon exchange, rather than cancelled, extinguished or forfeited.

Holders of Exchangeable Bonds at the close of business on a regular record date will receive payment of interest payable on the corresponding interest payment date notwithstanding the exchange of such Exchangeable Bonds at any time after the close of business on the applicable regular record date. Exchangeable Bonds surrendered for exchange by a holder after the close of business on any regular record date but prior to the next interest payment date must be accompanied by payment of an amount equal to the interest that the holder on the record date is to

receive on the Exchangeable Bonds; provided, however, that no such payment need be made (1) for exchanges following the regular record date immediately preceding the maturity date, (2) if we have specified a repurchase date following a tax event or fundamental change that is after a record date and on or prior to the next interest payment date or (3) only to the extent of overdue interest, if any overdue interest exists at the time of exchange with respect to such Exchangeable Bonds. No other payments or adjustments for interest will be made upon exchange.

Holders of the Shares issuable upon exchange, if any, will not be entitled to receive any dividends payable to holders of the Shares as of any record time or date before such Shares are delivered to the holder upon exchange of such holder's Exchangeable Bonds.

If a holder has already delivered a repurchase notice as described under "*—Repurchase Rights Following Fundamental Change or Tax Event*" with respect to an Exchangeable Bond, the holder may not surrender that Exchangeable Bond for exchange until the holder has withdrawn the repurchase notice in accordance with the indenture.

Settlement Upon Exchange

To exchange the Exchangeable Bonds, a holder of Exchangeable Bonds in certificated form must deliver an irrevocable, duly completed exchange notice, together with the certificated security, to the exchange agent along with appropriate endorsements and transfer documents, if required, and pay any interest and transfer or similar tax, in each case, if required, and a holder of Exchangeable Bonds in global form must comply with the applicable procedures of the depositary in effect at the time and pay any interest and transfer or similar tax, in each case, if required. The date a holder satisfies these requirements is called the "**exchange date**." The form of exchange notice is attached to the indenture.

Delivery of the Shares upon exchange will be accomplished by book-entry transfer of the required number of Shares through The Depository Trust Company, New York, New York ("**DTC**"). The trustee will initially act as the exchange agent.

Upon exchange of the Exchangeable Bonds, a holder will receive, for each $1,000 principal amount of Exchangeable Bonds exchanged, the Shares at the exchange rate in effect on the exchange date. Cash will be delivered in lieu of any fractional shares. Settlement will occur through the exchange agent on the third business day following the exchange date (or, if the exchange is in connection with a fundamental change, on the fifth business day following the exchange date).

The guarantor's delivery to the holder of the Shares and any cash, if applicable, in settlement as described above will satisfy our exchange obligation.

Increased Exchange Rate in Connection with a Fundamental Change

If the effective date of any fundamental change occurs prior to the maturity date, and a holder elects to exchange its Exchangeable Bonds during the period commencing on such effective date and ending on the business day immediately before the fundamental change repurchase date (the "**fundamental change period**"), then the guarantor will increase the exchange rate for the Exchangeable Bonds surrendered for exchange as described below.

We will notify holders of any such fundamental change and the anticipated effective date in accordance with the procedures outlined in the indenture and described in "*—Repurchase Rights Following Fundamental Change or Tax Event*" below.

The increased exchange rate applicable to any exchange in connection with a fundamental change due to a change of control will be determined as follows:

COCER = OER x (1 +(EP x (c/t))), where

COCER = change of control exchange rate

OER	=	exchange rate otherwise applicable, before giving effect to increase
EP	=	22.50%
c	=	the number of days from and including the date of the change of control to but excluding the maturity date
t	=	the number of days from and including the issue date to but excluding the maturity date

Notwithstanding the foregoing, the increased exchange rate applicable to any exchange in connection with a fundamental change due to a listing failure event will be determined as follows:

LFER	=	OER x (1 +(EP x (c/t))), where
LFER	=	listing failure event exchange rate
OER	=	exchange rate otherwise applicable, before giving effect to increase
EP	=	22.50%
c	=	the number of days from and including the date of the listing failure event to but excluding the maturity date
t	=	the number of days from and including the issue date to but excluding the maturity date

For the avoidance of doubt, if a holder exchanges its Exchangeable Bonds prior to the fundamental change period, then, whether or not such fundamental change occurs, the holder will not be entitled to an increased exchange rate in connection with such fundamental change.

A "**fundamental change**" will be deemed to have occurred at such time after the original issuance of the Exchangeable Bonds when any of the following has occurred:

- a change of control event; or
- a listing failure event.

"**Change of control**" means the occurrence of any of the following:

A. the sale, lease, transfer, conveyance or other disposition (other than by way of merger, amalgamation or statutory plan of arrangement or consolidation), in one or a series of related transactions, of all or substantially all of our and our subsidiaries' or the guarantor's and its subsidiaries' assets, in each case taken as a whole, to any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) other than to us, the guarantor or one of the guarantor's other subsidiaries;

B. the consummation of any transaction (including, without limitation, any merger, amalgamation or statutory plan of arrangement or consolidation) the result of which is that any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of more than 50% of the combined voting power of the guarantor's or our voting stock or other voting stock into which the guarantor's or our voting stock is reclassified, consolidated, exchanged or changed, measured by voting power rather than number of shares;

C. we or the guarantor consolidate, amalgamate, or enter into a statutory plan of arrangement with, or merge with or into, any "person" (as that term is used in Section 13(d)(3) of the Exchange Act), or any person consolidates, amalgamates, or enters into a statutory plan of arrangement with, or merges with or into, us or the guarantor, in any such event pursuant to a transaction in which any of the guarantor's, our or of such other person's outstanding voting stock is converted into or exchanged for cash, securities or other property, other than any such transaction where the shares of our or the guarantor's voting stock outstanding immediately prior to such transaction constitute, or are converted into or exchanged for, voting stock representing more than 50% of the combined voting power of the surviving person immediately after giving effect to such transaction; or

D. the adoption of a plan relating to the guarantor's or our liquidation or dissolution.

Notwithstanding the foregoing, any holding company whose only significant asset is our capital stock or any of our direct or indirect parent companies will not itself be considered a "person" or "group" for purposes of clause B above. Further, notwithstanding the foregoing, no change of control of the guarantor will be deemed to have occurred if at least 90% of the consideration for the Shares (excluding cash payments for fractional shares) in the transaction or transactions otherwise constituting a change of control in respect of the guarantor consist of common stock, ordinary shares, American Depositary Receipts or equivalent capital stock traded on the New York Stock Exchange, The NASDAQ Global Select Market or The NASDAQ Global Market, or any successor to any such market, or which will be so traded when issued or exchanged in connection with the transaction or transactions otherwise constituting a change of control in respect of the guarantor, and as a result of such transaction or transactions, the Exchangeable Bonds become exchangeable, upon the conditions for exchange and actual exchange in accordance with the terms hereof, into such common stock, ordinary shares, American Depositary Receipts or equivalent capital stock.

"**Change of control event**" means (a) in the case of a change of control in respect of us, on any date during the 60-day period (which period will be extended so long as the rating of the Exchangeable Bonds is under publicly announced consideration for a possible downgrade by any of the rating agencies (as defined in the indenture)) (the "**trigger period**") after the earlier of (1) the occurrence of a change of control; or (2) public notice of the occurrence of a change of control or the intention by us to effect a change of control, (i) in the event the Exchangeable Bonds are rated investment grade by at least two of the rating agencies prior to such public notice, the rating of the Exchangeable Bonds by any rating agency shall be below investment grade, (ii) in the event the Exchangeable Bonds are rated below Investment Grade by at least two of the rating agencies prior to such public notice, the rating of the Exchangeable Bonds by any rating agency will be decreased by one or more categories or (iii) the Exchangeable Bonds will not be, or cease to be, rated by at least one of the rating agencies; provided that, in each case, such event is in whole or in part in connection with the change of control and (b) in the case of a change of control in respect of the guarantor, the effective date of such change of control. Notwithstanding the foregoing, no Change of Control Event will be deemed to have occurred in connection with any particular Change of Control unless and until such Change of Control has actually been consummated.

A "**listing failure event**" will be deemed to have occurred at the time after the Exchangeable Bonds are originally issued if the Shares (or any other ordinary shares, common shares or American depositary shares underlying the Exchangeable Bonds) cease to be listed or quoted on any of The New York Stock Exchange, The NASDAQ Global Select Market or The NASDAQ Global Market (or any of their respective successors) and are not listed or quoted on one of The New York Stock Exchange, The NASDAQ Global Select Market or The NASDAQ Global Market (or any of their respective successors) concurrently with such cessation.

Increased Exchange Rate in Connection with a Tax Event

If a tax event occurs prior to the maturity date, and a holder elects to exchange its Exchangeable Bonds during the period commencing on such effective date and ending on the day before the tax event repurchase date (the "**tax event repurchase period**"), then the guarantor will increase the exchange rate for the Exchangeable Bonds surrendered for exchange, as described below.

We will notify holders of any such tax event in accordance with the procedures outlined in the indenture and described in "*—Fundamental Change or Tax Event Requires Us to Repurchase Exchangeable Bonds at the Option of the Holder*" below.

The increase exchange rate applicable to any exchange in connection with a tax event will be determined as follows:

TEER	=	OER x (1 +(EP x (c/t))), where
TEER	=	tax event exchange rate
OER	=	exchange rate otherwise applicable, before giving effect to increase
EP	=	22.50%
c	=	the number of days from and including the date of the tax event to but excluding the maturity date
t	=	the number of days from and including the issue date to but excluding the maturity date

For the avoidance of doubt, if a holder exchanges its Exchangeable Bonds prior to the tax event repurchase period, then, whether or not such tax event occurs, the holder will not be entitled to an increased exchange rate in connection with such tax event.

A "**tax event**" will be deemed to have occurred if, at any time after the Exchangeable Bonds are originally issued, (x) we reasonably determine that (A) as a result of (I) any change in or amendment to the laws or treaties (or any regulations or rulings promulgated thereunder) of any taxing jurisdiction (as defined below), or (II) any change in the official position regarding the application or interpretation of such laws, treaties, regulations or rulings by any legislative body, court, governmental agency or regulatory authority, which change or amendment becomes effective on or after (1) the issue date, in the case of the Cayman Islands or Switzerland, or (2) the date such jurisdiction becomes a taxing jurisdiction, in the case of any other taxing jurisdiction, we, the guarantor or any such successor, as applicable, have or will become obligated to pay, on the next succeeding date on which interest is due, additional amounts pursuant to the indenture with respect to any of the Exchangeable Bonds; or (B) on or after (1) the issue date, in the case of the Cayman Islands or Switzerland, or (2) the date such jurisdiction becomes a taxing jurisdiction, in the case of any other taxing jurisdiction, any action has been taken by any taxing authority of, or any decision has been rendered by a court of competent jurisdiction in a taxing jurisdiction, including any of those actions specified in (A) above, whether or not such action was taken or such decision was rendered with respect to us, the guarantor or any such successor, as applicable, or any change, amendment, application or interpretation will be officially proposed, which in any case, in an opinion of counsel, will result in us, the guarantor or any such successor becoming obligated to pay, on the next succeeding date on which interest is due, additional amounts with respect to any of the Exchangeable Bonds, and, in any such case, we or the guarantor, as applicable, in our business judgment, determine that such obligation cannot be avoided by the use of reasonable measures available to us or the guarantor; and (y) we provide notice to all holders of the Exchangeable Bonds and the trustee and the paying agent no less than 20, and no more than 60, days prior to the earliest date on which we or the guarantor would be obligated to withhold tax resulting from the amendment or change described in (A) or (B) above were a payment in respect of the Exchangeable Bonds then due that we are designating such amendment or change as a tax event.

We are not obligated to designate any event as a tax event. As a result, any development described in clause (x) of the preceding paragraph will not constitute a tax event unless we elect, at our option, to designate it as such. If we declare a tax event, however, and a tax event offer to repurchase pursuant to the indenture, neither we nor the guarantor will thereafter be required to pay related additional amounts in respect of the Exchangeable Bonds. See "*—Tax Additional Amounts*."

Exchange Rate Adjustments

The exchange rate will be adjusted for certain events, as described below, except that we will not make any adjustments to the exchange rate if holders of Exchangeable Bonds have the right to participate (other than in the case of a share split or share combination or a tender or exchange offer), as a result of holding the Exchangeable Bonds, in any of the transactions described below without having to exchange their Exchangeable Bonds:

(1) If the guarantor exclusively issues the Shares as a dividend or distribution on the Shares, or effects a subdivision or combination of the outstanding Shares, the exchange rate will be adjusted based on the following formula:

$$ER' = ER_0 \times \frac{OS'}{OS_0}$$

ER_0	=	the exchange rate in effect immediately prior to the close of business on the record date of such dividend or distribution, or immediately prior to the open of business on the date of the subdivision or combination
ER'	=	the exchange rate in effect immediately after the close of business on such record date or date of subdivision or combination
OS_0	=	the number of Shares outstanding immediately prior to such subdivision or combination
OS	=	the number of Shares that would be outstanding immediately after giving effect to such dividend, distribution, subdivision or combination

Any adjustment made under this paragraph (1) will become effective immediately after the close of business on the record date for such dividend or distribution, or immediately after the open of business on the date for such subdivision or combination, as applicable. If any dividend or distribution of the type described in this paragraph (1) is declared but not so paid or made, the exchange rate will be immediately readjusted, effective as of the date the guarantor's board of directors determines not to pay such dividend or distribution, to the exchange rate that would then be in effect if such dividend or distribution had not been declared.

(2) If the guarantor issues to all or substantially all holders of the Shares, rights, options or warrants (other than in connection with a shareholder rights plan) that allow such holders, for a period ending not more than 45 days after the announcement date of such issuance, to subscribe for or purchase the Shares at a price per Share that is less than the average of the last reported sale prices of the Shares for the ten consecutive trading days ending on the business day immediately preceding the announcement date of such issuance, the exchange rate will be adjusted based on the following formula:

$$ER' = ER_0 \times \frac{OS_0 + X}{OS_0 + Y}$$

where,

ER_0	=	the exchange rate in effect immediately prior to the close of business on the record date for such issuance
ER'	=	the exchange rate in effect immediately after the close of business on such record date
OS_0	=	the number of Shares outstanding immediately prior to the close of business on such record date
X	=	the total number of Shares issuable pursuant to such rights, options or warrants
Y		the number of Shares equal to the aggregate price payable to exercise such rights, options or warrants divided by the average of the last reported sale prices of the Shares for the ten consecutive trading days ending on the trading day immediately preceding the announcement of the issuance of such rights, options or warrants

Any increase made under this paragraph (2) will become effective immediately after the close of business on the record date for such issuance. To the extent that the Shares are not delivered after the expiration of such rights, options or warrants, the exchange rate will be decreased to be the exchange rate that would then be in effect had the increase with respect to the issuance of such rights, options or warrants been made on the basis of delivery of only the number of Shares actually delivered. If such rights, options or warrants are not so issued, the exchange rate will be decreased to the exchange rate that would then be in effect if such record date for such issuance had not occurred.

(3) If the guarantor distributes the Shares, evidences of its indebtedness, other assets or property of the guarantor or rights, options or warrants to acquire the Shares or other securities, to all or substantially all holders of the Shares, excluding (i) dividends, distributions or issuances as to which an adjustment was effected as described in paragraphs (1) or (2) above, (ii) dividends or distributions paid exclusively in cash as to which an adjustment was effected as described in paragraph (4) below, and (iii) spin-offs (as defined below) as to which the provisions set forth below in this paragraph (3) apply (any of such Shares, evidences of indebtedness, other assets or property or rights, options or warrants to acquire the Shares or other securities, the "**distributed property**"), then the exchange rate will be increased based on the following formula:

$$ER' = ER_0 \times \frac{SP_0}{SP_0 - FMV}$$

where,

ER_0	=	the exchange rate in effect immediately prior to the close of business on the record date for such distribution;
ER'	=	the exchange rate in effect immediately after the close of business on such record date;

SP_0 = the average of the last reported sale prices of the Shares over the 10 consecutive trading day period ending on, and including, the trading day immediately preceding the ex-dividend date for the distribution; and

FMV = the fair market value (as determined by the guarantor's Board of Directors) of the distributed property with respect to each outstanding Share on the ex-dividend date for the distribution.

Any increase made as described in this paragraph (3) will become effective immediately after the close of business on the record date for such distribution. If the distribution is not so paid or made, the exchange rate will be decreased to the exchange rate that would then be in effect if the distribution had not been declared. Notwithstanding the foregoing, if the fair market value of the Shares is equal to or greater than SP0, in lieu of the foregoing increase, each holder of Exchangeable Bonds will receive, in respect of each $1,000 principal amount thereof, at the same time and upon the same terms as holders of the Shares receive the distributed property, the amount and kind of distributed property such Holder would have received if the holder owned a number of Shares equal to the exchange rate in effect on the ex-dividend date for the distribution.

With respect to an adjustment as described in this paragraph (3) where there has been a payment of a dividend or other distribution on the Shares or shares of capital stock of any class or series, or similar equity interest, of or relating to one of the guarantor's subsidiaries or other business units, that are, or, when issued, will be, listed or admitted for trading on a U.S. national securities exchange (a "**spin-off**"), the exchange rate will be increased based on the following formula:

$$ER' = ER0 \times \frac{FMV_0 + MP_0}{MP_0}$$

where,

ER_0 = the exchange rate in effect immediately prior to the close of business on the record date for the spin-off;

ER' = the exchange rate in effect immediately after the close of business on the record date for the spin-off;

FMV_0 = the average of the last reported sale prices of the capital stock or similar equity interest distributed to holders of the Shares applicable to one Share over the first 10 consecutive trading day period after, and including, the ex-dividend date of the spin-off (the "**valuation period**"); and

MP_0 = the average of the last reported sale prices of the Shares over the valuation period.

The increase to the exchange rate under the preceding paragraph will occur at the close of business on the record date for the spin-off; provided that if the relevant exchange date occurs during the valuation period, references to "10" in the preceding paragraph will be deemed to be replaced with lesser number of trading days as have elapsed from, and including, the ex-dividend date of the spin-off to, and including, the exchange date in determining the exchange rate.

For purposes of this paragraph (3), rights, options or warrants distributed by the Guarantor to all holders of the Shares entitling them to subscribe for or purchase shares of the Guarantor's Capital Stock, including the Shares (either initially or under certain circumstances), which rights, options or warrants, until the occurrence of a specified event or events (a "**trigger event**"): (i) are deemed to be transferred with such Shares; (ii) are not exercisable; and (iii) are also issued in respect of future issuances of the Shares, will be deemed not to have been distributed for purposes of this paragraph (3) (and no adjustment to the exchange rate under this paragraph (3) will be required) until the occurrence of the earliest trigger event, whereupon such rights, options or warrants will be deemed to have been distributed and an appropriate adjustment (if required) to the exchange rate will be made under this paragraph (3). If any such right, option or warrant, including any such existing rights, options or warrants distributed prior to the date of the indenture, are subject to events, upon the occurrence of which such rights, options or warrants become exercisable to purchase different securities, evidences of indebtedness or other assets, then the date of the occurrence of any and each such event will be deemed to be the date of distribution and record date with respect to new rights, options or warrants with such rights (in which case the existing rights, options or warrants will be deemed to terminate and expire on such date without exercise by any of the holders thereof). In addition, in the event of any distribution (or deemed distribution) of rights, options or warrants, or any trigger event or other event

(of the type described in the immediately preceding sentence) with respect thereto that was counted for purposes of calculating a distribution amount for which an adjustment to the exchange rate under this paragraph (3) was made, (1) in the case of any such rights, options or warrants that have all been redeemed or purchased without exercise by any holders thereof, upon such final redemption or purchase (x) the exchange rate will be readjusted as if such rights, options or warrants had not been issued and (y) the exchange rate will then again be readjusted to give effect to such distribution, deemed distribution or trigger event, as the case may be, as though it were a cash distribution, equal to the per share redemption or purchase price received by a holder or holders of the Shares with respect to such rights, options or warrants (assuming such holder had retained such rights, options or warrants), made to all holders of the Shares as of the date of such redemption or purchase, and (2) in the case of such rights, options or warrants that will have expired or been terminated without exercise by any holders thereof, the exchange rate will be readjusted as if such rights, options and warrants had not been issued.

For purposes of paragraphs (1) and (2) above and this paragraph (3), if any dividend or distribution to which this paragraph (3) is applicable also includes one or both of:

- a dividend or distribution of the Shares to which paragraph (1) above is applicable (the "clause A distribution"); or
- a dividend or distribution of rights, options or warrants to which paragraph (2) above is applicable (the "clause B distribution"),

then, in either case, (1) such dividend or distribution, other than the clause A Distribution and the clause B Distribution, will be deemed to be a dividend or distribution to which this paragraph (3) is applicable (the "**clause C distribution**") and any exchange rate adjustment required by this paragraph (3) with respect to such clause C distribution will then be made, and (2) the clause A distribution and clause B distribution will be deemed to immediately follow the clause C distribution and any exchange rate adjustment required by paragraphs (1) and (2) above and with respect thereto will then be made, except that, if determined by the guarantor (I) the record date of the clause A distribution and the clause B distribution will be deemed to be the record date of the clause C distribution and (II) any Shares included in the clause A distribution or clause B distribution will be deemed not to be "outstanding immediately prior to the close of business on such record date" within the meaning of paragraph (1) above or "outstanding immediately prior to the close of business on such record date" within the meaning of paragraph (2) above.

(4) If any cash dividend or distribution is made to all or substantially all holders of Shares, the exchange rate will be increased based on the following formula:

$$ER' = ER_0 \times \frac{SP_0}{SP_0 - C}$$

where,

- ER_0 = the exchange rate in effect immediately prior to the close of business on the record date for such dividend or distribution;
- ER' = the exchange rate in effect immediately after the close of business on the record date for such dividend or distribution;
- SP_0 = the last reported sale price of the Shares on the trading day immediately preceding the record date for the ex-dividend or distribution;
- C = the amount in cash per share the guarantor distributes to all or substantially all holders of the Shares.

Any increase pursuant to this paragraph (4) will become effective immediately after the close of business on the record date for such dividend or distribution. If such dividend or distribution is not so paid, the exchange rate will be decreased, effective as of the date the guarantor's board of directors determines not to make or pay such dividend or distribution, to be the exchange rate that would then be in effect if the dividend or distribution had not been declared. Notwithstanding the foregoing, if C (as defined above) is equal to or greater than SP_0 (as defined above), in lieu of the foregoing increase, each holder of Exchangeable Bonds will receive, for each $1,000 principal amount

of Exchangeable Bonds, at the same time and upon the same terms as holders of the Shares, the amount of cash that the Holder would have received if the Holder owned a number of the Shares equal to the exchange rate on the ex-dividend date for the cash dividend or distribution.

(5) If the guarantor or any of its subsidiaries makes a payment in respect of a tender offer (which for the avoidance of doubt will not include any open market buybacks or purchases that are not tender offers) or exchange offer for the Shares, to the extent that the cash and value of any other consideration included in the payment per share of

Shares exceeds the average of the last reported sale prices of the Shares over the 10 consecutive trading day period commencing on, and including, the trading day next succeeding the last date on which tenders or exchanges may be made pursuant to such tender or exchange offer, the exchange rate will be increased based on the following formula:

$$ER' = ER_0 \times \frac{AC + (SP' \times OS')}{OS_0 \times SP}$$

where,

- ER_0 = the exchange rate in effect immediately prior to the open of business on the trading day immediately following the trading day next succeeding the date such tender or exchange offer expires;
- ER' = the exchange rate in effect immediately after the open of business on the trading day immediately following the trading day next succeeding the date such tender or exchange offer expires;
- AC = the aggregate value of all cash and any other consideration (as determined by the guarantor's Board of Directors) paid or payable for the Shares purchased or exchanged in the tender or exchange offer;
- OS_0 = the number of Shares outstanding immediately prior to the date such tender or exchange offer expires (prior to giving effect to the purchase of all the Shares accepted for purchase or exchange in the tender or exchange offer);
- OS' the number of Shares outstanding immediately after the date such tender or exchange offer expires (after giving effect to the purchase of all the Shares accepted for purchase or exchange in the tender or exchange offer);
- SP the average of the last reported sale prices of the Shares over the 10 consecutive trading day period ending on, and including, the trading day immediately preceding the date the tender or exchange offer expires; and
- SP' the average of the last reported sale prices of the Shares over the 10 consecutive trading day period commencing on, and including, the trading day next succeeding the date the tender or exchange offer expires.

The increase to the exchange rate under this paragraph (5) will occur at the open of business on the trading day immediately following the trading day next succeeding the date such tender or exchange offer expires; provided that if the relevant exchange date occurs during the 10 trading days immediately following, and including, the trading day next succeeding the expiration date of any tender or exchange offer, references to "10" or "10th" in the preceding paragraph will be deemed replaced with such lesser number of trading days as have elapsed between the date that such tender or exchange offer expires and the exchange date in determining the exchange rate as of such trading day.

Except as stated above, the exchange rate will not be adjusted for the issuance of the Shares or any securities convertible into or exchangeable for the Shares or the right to purchase any of the foregoing.

The guarantor may from time to time, to the extent permitted by law and subject to applicable rules of the New York Stock Exchange or any exchange on which any of the guarantor's securities are then listed, increase the exchange rate of the Exchangeable Bonds by any amount for any period of at least 20 business days. In such case, we will give at least 15 calendar days' notice of such increase. We may make such increases in the exchange rate, in addition to those set forth above, as the guarantor's board of directors deems advisable or to avoid or diminish any income tax

to holders of our ordinary shares resulting from any dividend or distribution of shares (or rights to acquire shares) or from any event treated as such for income tax purposes.

Notwithstanding anything in this section to the contrary, we will not be required to adjust the exchange rate unless the adjustment would result in a change of at least 1% of the exchange rate. However, we will carry forward any adjustments that are less than 1% of the exchange rate and take them into account when determining subsequent adjustments.

In addition, without limiting the generality of any other provision of the Exchangeable Bonds, the exchange rate will not be adjusted:

(1) upon the issuance of any Shares pursuant to any present or future plan providing for the reinvestment of dividends or interest payable on the guarantor's securities and the investment of additional optional amounts in the Shares under any plan;

(2) upon the issuance of any Shares or options or rights to purchase the Shares pursuant to any present or future employee, director, officer or consultant benefit, compensation or stock purchase plan or program of or assumed by the guarantor or any of its subsidiaries;

(3) upon the issuance of any Shares pursuant to any option, warrant, right or exercisable, exchangeable or convertible security not described above and outstanding as of the issue date of the Exchangeable Bonds;

(4) upon the repurchase of any Shares pursuant to an open-market share repurchase program or other buyback transaction that is not a tender or exchange offer of the type described in paragraph (5) above;

(5) solely for a change in the nominal value of the Shares; or

(6) for accrued and unpaid interest, if any.

As a result of any adjustment of the exchange rate, the holders of Exchangeable Bonds may, in certain circumstances, be deemed to have received a distribution that is treated as a dividend for U.S. federal income tax purposes. In certain other circumstances, the absence of an adjustment may result in a taxable dividend to the holders of ordinary shares.

Recapitalizations, Reclassifications and Changes of the Shares

If the guarantor is a party to (1) a recapitalization, reclassification or change of the Shares, (2) a consolidation, merger or combination, (3) a sale, lease or transfer to a third party of the consolidated assets of the guarantor and its subsidiaries or (4) any statutory share exchange, in each case, as a result of which the Shares would be converted into, or exchanged for, stock, other securities, other property or assets, then the exchange rights will be changed into a right to exchange the Exchangeable Bonds into the kind and amount of stock, other securities, other property or assets that a holder would have been entitled to receive if such holder had held a number of ordinary shares equal to the applicable exchange rate in effect immediately prior to the transaction (the "**reference property**"). The amount of cash and any reference property holders receive will be based on the daily exchange values of reference property and the applicable exchange rate, as described above.

If an event described in the immediately preceding paragraph causes the Shares to be converted into, or exchanged for, the right to receive more than a single type of consideration (determined based in part upon any form of shareholder election), then (i) the reference property into which the Exchangeable Bonds will be exchangeable will be deemed to be (x) the weighted average of the types and amounts of consideration received by the holders of the Shares that affirmatively make such an election or (y) if no holders of the Shares affirmatively make such an election, the types and amounts of consideration actually received by the holders of Shares, and (ii) the unit of reference property for purposes of the immediately preceding paragraph will refer to the consideration referred to in clause (i) in this paragraph attributable to one Share.

To the extent that the Exchangeable Bonds become exchangeable into the right to receive cash following an event described above, interest will not accrue on such cash.

If the transaction also constitutes a fundamental change, a holder can alternatively require us to purchase all or a portion of such holder's Exchangeable Bonds as described under "*—Repurchase Rights Following Fundamental Change or Tax Event*" below.

Calculations in Respect of the Exchangeable Bonds

We will be responsible for making all calculations called for under the Exchangeable Bonds. These calculations include, but are not limited to, determinations of the last reported sale prices of the Shares, the accrued interest payable on the Exchangeable Bonds, the tax event repurchase price, the change of control repurchase price, the listing failure event repurchase price and the exchange rate of the Exchangeable Bonds. We will make all these calculations in good faith and, absent manifest error, our calculations shall be final and binding on holders of the Exchangeable Bonds. We will provide a schedule of our calculations to each of the trustee and the exchange agent, and each of the trustee and exchange agent is entitled to rely conclusively on the accuracy of our calculations without independent verification. The trustee will forward our calculations to any holder of the Exchangeable Bonds upon the request of such holder at our cost and expense.

Repurchase Rights Following Fundamental Change or Tax Event

If we undergo a fundamental change or tax event after the first issuance of the Exchangeable Bonds, each holder will have the option to require us to purchase its Exchangeable Bonds on a date of our choosing (the "**repurchase date**") that is not less than 60 business days after the fundamental change (or a longer period if required by applicable law). In the event of a change of control repurchase event, we will pay a purchase price equal to 101% of the principal amount of the holder's Exchangeable Bonds plus accrued and unpaid interest up to but excluding the date of purchase (the "**change of control repurchase price**"). In the event of a listing failure event or tax event, we will pay a purchase price equal to 100% of the principal amount of the holder's Exchangeable Bonds plus accrued and unpaid interest up to but excluding the date of purchase (the "**listing failure event repurchase price**" or "**tax event repurchase price**," as applicable). However, if the repurchase date is after a record date and on or prior to the corresponding interest payment date, the interest will be paid on the interest payment date to the holder of record on the record date. A holder may require us to purchase all or any part of the Exchangeable Bonds so long as the principal amount at maturity of the Exchangeable Bonds being purchased is an integral multiple of $1,000.

Our ability to repurchase Exchangeable Bonds with cash at any time may be limited by the terms of our then existing borrowing agreements. The indenture prohibits us from repurchasing Exchangeable Bonds in connection with the holders' repurchase rights if any event of default under the indenture has occurred and is continuing, except for a default in the payment of the repurchase price with respect to the Exchangeable Bonds. If a fundamental change occurs at a time when we are prohibited from repurchasing the Exchangeable Bonds, we could seek the consent of our lenders to purchase the Exchangeable Bonds or attempt to refinance the debt. If we do not obtain such consent or we are not able to refinance the debt, we would not be permitted to repurchase the Exchangeable Bonds. Our existing borrowing agreements currently do not restrict us from repurchasing the Exchangeable Bonds so long as we remain in compliance with certain financial covenants.

On or before the 20th calendar day after a fundamental change, we will provide notice to the trustee and to each holder of the Exchangeable Bonds of the fundamental change which specifies the terms and conditions and the procedures required for exercise of a holder's right to require us to repurchase its Exchangeable Bonds. Such notice will specify:

(1) the events causing the fundamental change;

(2) the date of such fundamental change;

(3) the last date by which a holder of Exchangeable Bonds may exercise the repurchase right;

(4) the fundamental change repurchase date;

(5) the change of control repurchase price or the listing failure event repurchase price, as applicable;

(6) the name and address of the paying agent and the exchange agent, if applicable;

(7) the exchange rate and any adjustments to the exchange rate;

(8) that Exchangeable Bonds with respect to which a fundamental change purchase notice is given by the holder may be exchanged only if the fundamental change purchase notice has been withdrawn in accordance with the terms of the indenture; and

(9) the procedures that holders must follow to exercise these rights.

No less than 20 and no more than 60 days prior to the earliest date on which we would have to withhold tax in connection with a tax event, we will provide notice to the trustee and to each holder of the Exchangeable Bonds of the tax event which specifies the terms and conditions and the procedures required for exercise of a holder's right to require us to repurchase its Exchangeable Bonds. Such notice will specify:

(1) the events causing the tax event;

(2) the date of such tax event;

(3) the last date by which a holder of Exchangeable Bonds may exercise the repurchase right;

(4) the tax event repurchase date;

(5) the tax event repurchase price;

(6) the name and address of the paying agent and the exchange agent, if applicable;

(7) the exchange rate and any adjustments to the exchange rate;

(8) that Exchangeable Bonds with respect to which a tax event purchase notice is given by the holder may be exchanged only if the tax event purchase notice has been withdrawn in accordance with the terms of the indenture;

(9) the impact of such tax event on our obligation to pay additional amounts; and

(10) the procedures that holders must follow to exercise these rights.

To exercise the repurchase right, a holder of Exchangeable Bonds must deliver, at any time prior to the close of business on the business day immediately preceding the repurchase date specified in our notice, written notice to the paying agent of the holder's exercise of its repurchase right.

The holder may withdraw any written repurchase notice by delivering a written notice of withdrawal to the paying agent prior to the close of business on the business day immediately preceding the repurchase date that states the principal amount of the withdrawn Exchangeable Bonds, the certificate number of the Exchangeable Bonds in the case of a physical bond and the principal amount, if any, of Exchangeable Bonds that remain subject to the original repurchase notice, which must be in principal amounts of $1,000 or an integral multiple of $1,000.

For purposes of defining a fundamental change:

- the terms "person" and "group" have the meanings given to them in Sections 13(d) and 14(d) of the Exchange Act or any successor provisions;

- the term “group” includes any group acting for the purpose of acquiring, holding or disposing of securities within the meaning of Rule 13d-5(b)(1) under the Exchange Act or any successor provision; and

- the term “beneficial owner” is determined in accordance with Rule 13d-3 under the Exchange Act.

Rule 13e-4 under the Exchange Act, as amended, requires the dissemination of certain information to security holders if an issuer tender offer occurs and may apply if the repurchase option becomes available to holders of the Exchangeable Bonds. We will comply with this rule to the extent applicable at that time.

We could, in the future, enter into certain transactions, including certain recapitalizations, that would not constitute a fundamental change with respect to the fundamental change repurchase feature of the Exchangeable Bonds, but that would increase the amount of our outstanding indebtedness or the outstanding indebtedness of our subsidiaries.

No Exchangeable Bonds may be repurchased at the option of holders upon a fundamental change if the principal amount of the Exchangeable Bonds has been accelerated, and such acceleration has not been rescinded, on or prior to such date (except in the case of an acceleration resulting from our default in the payment of the tax event repurchase price, the change of control repurchase price or the listing failure event repurchase price).

The fundamental change repurchase feature of the Exchangeable Bonds may in certain circumstances make it more difficult or discourage a takeover of us or the guarantor. The fundamental change repurchase feature, however, is not the result of our knowledge of any specific effort to accumulate the Shares, to obtain control of us by means of a merger, scheme of arrangement, tender offer solicitation or otherwise, or by management to adopt a series of anti-takeover provisions. Instead, the fundamental change repurchase feature is a standard term contained in securities similar to the Exchangeable Bonds, is limited to specified transactions and may not include other events that might adversely affect our or the guarantor’s financial condition or results of operations.

Consolidation, Merger and Sale of Assets

- We have agreed, for so long as any Exchangeable Bonds remain outstanding, that we will not consolidate with or merge into any entity, or transfer or dispose of all or substantially all of our assets to any entity, unless, among certain other requirements:

- either (a) we or the guarantor is the continuing entity or (b) the continuing entity is organized under the laws of the United States, the District of Columbia, the Cayman Islands, Bermuda, the British Virgin Islands, Cyprus, the Kingdom of the Netherlands, the Grand Duchy of Luxembourg, England, Scotland, Wales, Ireland, or any other jurisdiction that does not adversely affect the rights of any Holder under the indenture in any material respect;

- immediately after giving effect to such transaction or series of transactions, no default or event of default will have occurred and be continuing or would result therefrom; and

- the successor (if not us or the guarantor) expressly assumes our or the guarantor’s, as applicable, covenants and obligations under the indenture.

Additional Covenants

The covenants summarized below will apply to the Exchangeable Bonds.

Ownership of the Company

The guarantor will continue to own (directly or indirectly) 100% of our common equity.

Covenants with Respect to the Shares

The guarantor will keep available at all times (a) conditional share capital to issue and/or (b) the Shares held in treasury by the guarantor or any of its subsidiaries to deliver to holders of the Exchangeable Bonds the full number of Shares issuable or deliverable, as applicable, upon exchange of the Exchangeable Bonds, which Shares will not be subject by law to preemptive rights and in respect of which no contractual preemptive rights will be granted. The guarantor will cause the person in whose name any Shares will be issuable upon exchange to be effectively treated as a stockholder of record of such Shares for purposes of any dividends or distribution payable on the Shares as of the close of business on the relevant exchange date.

The guarantor will not alter its share capital or amend its articles of association if and to the extent such alteration or amendment would have the effect of preventing, hindering or impairing the right of holders of the Exchangeable Bonds to exchange their Exchangeable Bonds for the Shares.

The guarantor undertakes to and covenants with the trustee that in the event of our failing to comply with our obligations pursuant to the provisions described under "*—Exchange Rights—Settlement Upon Exchange*" above, the guarantor will cause us to comply with such obligations.

Required Information

At any time we and the guarantor are not subject to Sections 13 or 15(d) of the Exchange Act, we will, so long as any of the Exchangeable Bonds or the Shares constitute "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, promptly provide to any holder, beneficial owner or prospective purchaser of such Exchangeable Bonds or any such Shares, upon written request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act (or any other provision of Rule 144A, as such rule may be amended from time to time), to facilitate the resale of such Exchangeable Bonds or the Shares pursuant to Rule 144A under the Securities Act, as such rule may be amended from time to time.

We and the guarantor will file with the trustee within fifteen days after the same are required to be filed with the SEC, copies of any documents or reports that we are required to file with the SEC pursuant to Section 13 or 15(d) of the Exchange Act (giving effect to any grace period provided by Rule 12b-25 under the Exchange Act). Any such document or report that we or the guarantor files with the SEC via the SEC's EDGAR system will be deemed to be filed with the trustee for purposes of this paragraph at the time such documents are filed via the EDGAR system.

Delivery of such reports, documents and information to the trustee is for informational purposes only, and the trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including our compliance with any of our covenants (as to which the trustee is entitled to rely exclusively on officers' certificates). The trustee shall not be obligated to monitor or confirm, on a continuing basis or otherwise, our compliance with this required information covenant or the posting of any reports, documents and information on the EDGAR system or any website.

Events of Default

Each of the following will constitute an event of default under the indenture:

- we or the guarantor defaults in the payment of interest on any Exchangeable Bond when due and payable, and the default continues for a period of 30 days;
- we or the guarantor defaults in the payment of the principal (including the tax event repurchase price, change of control repurchase price or listing failure event repurchase price, if applicable) of, or premium on, any Exchangeable Bond when due and payable at maturity, upon required repurchase or otherwise;
- we or the guarantor fails to comply with our respective obligations to exchange the Exchangeable Bonds in accordance with the indenture upon exercise of a holder's exchange right;
- we or the guarantor fails to make an offer in connection with a fundamental change or tax event in accordance with the indenture;
- we or the guarantor fails to comply with any covenant or agreement in the indenture and such default or breach continues for 90 days after we have been given written notice specifying such default or breach and requiring it to be remedied in accordance with the indenture;
- the occurrence of a listing failure event;
- certain events involving bankruptcy, insolvency or liquidation of us or the guarantor; and
- the guarantee ceases to be in full force and effect or is declared null and void in a judicial proceeding, or the guarantor denies or disaffirms its obligations under the indenture.

If an event of default described above will occur and be continuing, the trustee or the holders of at least 25% in aggregate principal amount of the Exchangeable Bonds then outstanding may declare the Exchangeable Bonds due and payable at their principal amount together with accrued interest, and thereupon the trustee may, at its discretion, proceed to protect and enforce the rights of the holders of Exchangeable Bonds by appropriate judicial proceedings. Such declaration may be rescinded and annulled with the written consent of the holders of a majority in aggregate principal amount of the Exchangeable Bonds then outstanding on behalf of all holders of Exchangeable Bonds, subject to the provisions of the indenture. Notwithstanding the foregoing, no such waiver or rescission and annulment will extend to affect any default or event of default resulting from (i) the nonpayment of the principal (including the change of control repurchase price, the listing failure event repurchase price or the tax event repurchase price, if applicable) of, or accrued and unpaid interest on, any Exchangeable Bonds, (ii) failure to repurchase any Exchangeable Bonds when required or (iii) a failure to pay or deliver, as the case may be, the consideration due upon exchange of the Exchangeable Bonds. Further, notwithstanding the foregoing, the guarantor's failure to own (directly or indirectly) 100% of the common equity of us shall constitute an event of default immediately upon such event.

Tax Additional Amounts

We and the guarantor, or any such successor, as applicable, will pay any amounts due with respect to the Exchangeable Bonds without deduction or withholding for any and all present and future withholding taxes, levies, imposts and charges (a "**withholding tax**") imposed by or for the account of the Cayman Islands, Switzerland or any other jurisdiction in which we or the guarantor, or any such successor, as applicable, are resident for tax purposes or any political subdivision or taxing authority of such jurisdiction (the "**taxing jurisdiction**"), unless such withholding or deduction is required by law. If such deduction or withholding is at any time required, we or the

guarantor, or any such successor, as applicable, will (subject to compliance by you with any relevant administrative requirements) pay you additional amounts as will result in your receipt of such amounts as you would have received had no such withholding or deduction been required.

If the taxing jurisdiction requires us to deduct or withhold any of these taxes, levies, imposts or charges, we or the guarantor, or any such successor, as applicable, will (subject to compliance by the holder of Exchangeable Bonds with any relevant administrative requirements) pay these additional amounts in respect of principal amount, redemption price, repurchase price and interest (if any), in accordance with the terms of the Exchangeable Bonds and the indenture, as may be necessary so that the net amounts paid to the holder or the trustee after such deduction or withholding will equal the principal amount, redemption price, repurchase price and interest (if any), on the Exchangeable Bonds. However, none of us or the guarantor, or any such successor, as applicable, will pay additional amounts in the following instances:

(1) if any withholding would not be payable or due but for the fact that (1) the holder (or a fiduciary, settlor, beneficiary of, member or shareholder of, the holder, if the holder is an estate, trust, partnership or corporation), is a domiciliary, national or resident of, or engaging in business or maintaining a permanent establishment or being physically present in, the taxing jurisdiction or otherwise having some present or former connection with the taxing jurisdiction other than the holding or ownership of the Exchangeable Bonds or the collection of principal amount, redemption price, repurchase price and interest (if any), in accordance with the terms of the Exchangeable Bonds and the indenture, or the enforcement of the Exchangeable Bonds or (2) where presentation is required, the Exchangeable Bonds were presented more than 30 days after the date such payment became due or was provided for, whichever is later,

(2) if any withholding tax would not have been imposed but for the failure to comply with certification, information, documentation or other reporting requirements concerning the nationality, residence, identity or connections with the relevant tax authority of the holder or beneficial owner of the Exchangeable Bonds, if this compliance is required by statute or by regulation as a precondition to relief or exemption from such withholding tax,

(3) if any withholding tax would not be payable but for a tax event and we have made a tax event offer to repurchase pursuant to the indenture, or

(4) if any withholding tax is required to be made in respect of payments made to holders of the Exchangeable Bonds resident in Switzerland (including any holders of Exchangeable Bonds who fail to provide required certification, documentation or other information establishing residence outside of Switzerland) pursuant to laws enacted by Switzerland providing for the taxation of payments according to principles similar to those laid down in the draft legislation of the Swiss Federal Council of December 17, 2014, or otherwise changing the Swiss federal withholding tax system from an issuer-based system to a paying agent-based system to which a person other than the issuer is required to withhold tax on any interest payment, or any combination of the instances described in the preceding bullet points.

Notwithstanding anything herein to the contrary, if a holder does not elect to exchange, or cause repurchase of, its Exchangeable Bonds following a tax event, none of us or the guarantor, or any such successor, as applicable, will be required to pay additional amounts with respect to payments made in respect of such Exchangeable Bonds following the tax event repurchase date, and all subsequent payments in respect of such Exchangeable Bonds will be subject to any tax required to be withheld or deducted under the laws of a relevant taxing jurisdiction. The obligation to pay additional amounts to any such holder for payments made on or in periods prior to the tax event repurchase date will remain subject to the exceptions described above.

Satisfaction and Discharge

When (a)(i) all outstanding Exchangeable Bonds have been delivered to the trustee for cancellation; or (ii) we or the guarantor has deposited with the trustee or delivered to holders, as applicable, after the Exchangeable Bonds have become due and payable, whether on the maturity date, any tax event repurchase date, any fundamental change repurchase date, upon exchange or otherwise, cash, the Shares, and any cash in lieu of fractional Shares, solely to satisfy the guarantor’s exchange obligation, sufficient, without consideration of any reinvestment of interest, to pay all of the outstanding Exchangeable Bonds and all other sums due and payable under the indenture by us and the

guarantor; and (b) we have delivered to the trustee an officers' certificate and an opinion of counsel, each stating that all conditions precedent for the satisfaction and discharge of the indenture have been complied with, then the indenture will cease to be of further effect with respect to the Exchangeable Bonds.

Amendments to the Indenture

With the consent of the holders of at least a majority of the aggregate principal amount of the Exchangeable Bonds then outstanding, we, the guarantor and the trustee may enter into supplemental indentures for the purpose of modifying or amending any of the provisions of the indenture or any supplemental indentures thereto, or of modifying in any manner the rights of the holders hereunder or thereunder; provided, however, that, without the consent of each holder of an outstanding Exchangeable Bond affected, no such supplemental indenture shall:

- reduce the principal amount of the then outstanding Exchangeable Bonds whose holders must consent to an amendment, supplement or waiver;
- reduce the principal of or change the fixed maturity of any Exchangeable Bonds;
- reduce the rate of or change the time for payment of interest on any Exchangeable Bond;
- make any change that adversely affects the exchange rights or tax event or fundamental change repurchase rights of the Exchangeable Bonds;
- waive a default or event of default in the payment or delivery, as the case may be, of (i) the principal (including the tax event repurchase price, the change of control repurchase price or the listing event repurchase price, if any) of, (ii) interest on or (iii) any consideration due upon exchange of, the Exchangeable Bonds (except a rescission of acceleration of the Exchangeable Bonds by the holders of at least a majority in aggregate principal amount of the then outstanding Exchangeable Bonds and a waiver of the payment default that resulted from such acceleration);
- make any Exchangeable Bond payable in money other than that stated in the Exchangeable Bond;
- make any change in the provisions of the indenture relating to waivers of past defaults or the rights of holders of Exchangeable Bonds to receive payments of principal of, or interest or premium, if any, on the Exchangeable Bonds;
- adversely alter any of the provisions with respect to a repurchase of the Exchangeable Bonds upon a tax event or fundamental change or waive any payment of the tax event repurchase price, the change of control repurchase price or the listing failure event repurchase price;
- cause the Exchangeable Bonds or the guarantee to become subordinated in right of payment to any other indebtedness of us or the guarantor, as applicable;
- make any change in the amendment and waiver provisions; or
- release the guarantor from its obligations under the guarantee or the indenture, except as permitted by the indenture.

Further, without requiring the consent of any holders, we, the guarantor and the trustee may enter into supplemental indentures for one or more of the following purposes:

- to cure any ambiguity or to correct or supplement any provision in the indenture which may be inconsistent with any other provision in the indenture, provided such action will not adversely affect the interests of the holders of Exchangeable Bonds in any material respect;
- to provide for uncertificated Exchangeable Bonds in addition to or in place of physical bonds or to alter the provisions of the indenture regarding the form of the Exchangeable Bonds (including the related definitions) in a manner that does not adversely affect any holder of Exchangeable Bonds in any material respect;
- to provide for the assumption of our or the guarantor's obligations to the holders under the indenture by a successor company as provided for in the indenture;
- to make any change that would provide any additional rights or benefits to the holders that does not adversely affect the legal rights hereunder of any holder in any material respect, as determined in good faith by us, as evidenced in an officers' certificate, or to surrender any right or power conferred upon us or the guarantor;
- to evidence and provide the acceptance of the appointment of a successor trustee pursuant to the terms of the indenture;
- to add an additional guarantor to the Exchangeable Bonds;
- to increase the exchange rate;
- to provide for the issuance of additional Exchangeable Bonds as permitted under the indenture;
- in connection with any event described under "—Recapitalizations, Reclassifications and Changes of the Shares," to provide that the Exchangeable Bonds are exchangeable into reference property, subject to the provisions of the indenture, and make such related changes to the terms of the Exchangeable Bonds to the extent expressly required; or
- to conform the provisions of the indenture of the Exchangeable Bonds to this "Description of Transocean Exchangeable Bonds."

Global Exchangeable Bonds: Book-Entry Form

The Exchangeable Bonds are represented by one or more global securities. A global security is a special type of indirectly held security. Each global security is deposited with, or on behalf of, DTC and be registered in the name of a nominee of DTC.

Investors may hold interests in the Exchangeable Bonds outside the United States through Euroclear or Clearstream if they are participants in those systems, or indirectly through organizations which are participants in those systems. Euroclear and Clearstream will hold interests on behalf of their participants through customers' securities accounts in Euroclear's and Clearstream's names on the books of their respective depositaries which in turn will hold such positions in customers' securities accounts in the names of the nominees of the depositaries on the books of DTC. All securities in Euroclear or Clearstream are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts.

Ownership of beneficial interests in a global security will be limited to DTC participants (i.e., persons that have accounts with DTC or its nominee) or persons that may hold interests through DTC participants including Euroclear

and Clearstream. Ownership of beneficial interests in a global security will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (except with respect to persons that are themselves DTC participants).

So long as DTC or its nominee is the registered owner of a global security, DTC or the nominee will be considered the sole owner or holder of the Exchangeable Bonds represented by that global security under the indenture. Except as described below, owners of beneficial interests in a global security will not be entitled to have Exchangeable Bonds represented by that global security registered in their names, will not receive or be entitled to receive physical delivery of Exchangeable Bonds in definitive form and will not be considered the owners or holders of the Exchangeable Bonds under the indenture. Principal and interest payments on Exchangeable Bonds registered in the name of DTC or its nominee will be made to DTC or the nominee, as the registered owner. None of us, the guarantor, the trustee, any paying agent or the registrar for the Exchangeable Bonds will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial interests in a global security or for maintaining, supervising or reviewing any records relating to such beneficial interests or with respect to delivery to any participant, member, beneficial owner or other person (other than DTC) of any notice. The laws of some states require that certain purchasers of securities take physical delivery of such securities in definitive form. Those limits and laws may impair the ability to transfer beneficial interests in a global security.

We expect that DTC or its nominee, upon receipt of any payment of principal or interest, will credit immediately the participants' accounts with payments in amounts proportionate to their beneficial interests in the principal amount of the relevant global security as shown on the records of DTC or its nominee. We also expect that payments by participants to owners of beneficial interests in a global security held through those participants will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of those participants.

If DTC is at any time unwilling or unable to continue as a depositary and a successor depositary is not appointed by us within 90 days, we will issue Exchangeable Bonds in definitive form in exchange for the entire global security for the Exchangeable Bonds. In addition, we may at any time choose not to have Exchangeable Bonds represented by a global security and will then issue Exchangeable Bonds in definitive form in exchange for the entire global security relating to the Exchangeable Bonds. In any such instance, an owner of a beneficial interest in a global security will be entitled to physical delivery in definitive form of Exchangeable Bonds represented by the global security equal in principal amount to that beneficial interest and to have the Exchangeable Bonds registered in its name. Exchangeable Bonds so issued in definitive form will be issued as registered Exchangeable Bonds in minimum denominations of $1,000 and integral multiples thereof, unless otherwise specified by us.

Meetings of Holders

Meetings of holders of Exchangeable Bonds may be called at any time for any of the following purposes:

- to give any notice to us or to the trustee or to give any directions to the trustee permitted under the indenture, or to consent to the waiving of any default or event of default under the indenture and its consequences, or to take any other action authorized to be taken by holders of Exchangeable Bonds in respect of an event of default or remedy in respect of an event of default;
- to remove the trustee and nominate a successor trustee pursuant to the indenture;
- to consent to the execution of an indenture or supplemental indenture amending or modifying the indenture; or
- to take any other action authorized to be taken by or on behalf of the holders of any specified aggregate principal amount of Exchangeable Bonds under any other provision of the indenture.

Calls of Meetings

The trustee may at any time call a meeting of holders of Exchangeable Bonds to take any action specified above, to be held at such time and place as the trustee will determine. Notice of every meeting of holders of Exchangeable Bonds, setting forth the time and place of such meeting and in general terms the action proposed to be taken at such meeting and the establishment of any record date, will be delivered to holders of Exchangeable Bonds. Such notice will also be delivered to us, not less than 20 or more than 90 days prior to the date fixed for the meeting.

Any meeting of holders of Exchangeable Bonds will be valid without notice if the holders of all Exchangeable Bonds then outstanding are present in person or by proxy or if notice is waived before or after the meeting by the holders of all Exchangeable Bonds then outstanding, and if we and the trustee are either present by duly authorized representatives or have, before or after the meeting, waived notice.

In case at any time we or the holders of at least 25% of the aggregate principal amount of the Exchangeable Bonds then outstanding will have requested the trustee to call a meeting of holders of Exchangeable Bonds, by written request setting forth in reasonable detail the action proposed to be taken at the meeting, and the trustee will not have delivered the notice of such meeting within 20 days after receipt of such request, then we or such holders may determine the time and the place for such meeting and may call such meeting to take any action described above, by delivering notice thereof as provided in this section.

Qualifications for Voting

To be entitled to vote at any meeting of holders, a person must (a) be a holder of one or more Exchangeable Bonds on the record date pertaining to such meeting and (b) be a person appointed by an instrument in writing as proxy by a holder of one or more Exchangeable Bonds on the record date pertaining to such meeting. The only persons entitled to be present or to speak at any meeting of holders will be the persons entitled to vote at such meeting and their counsel, any representatives of the trustee and its counsel and any of our representatives and our counsel.

Notices

Any notice or communication delivered or to be delivered to a holder of Exchangeable Bonds, so long as the Exchangeable Bonds remain in global form, will be delivered in accordance with the applicable procedures of the depositary and shall be sufficiently given to it if so delivered within the time prescribed. Notices to holders of Exchangeable Bonds in certificated form will be given by mail to the holder’s address as it appears in the Exchangeable Bonds register.

Information Regarding the Co-Trustees

Computershare Trust Company, N.A. and Computershare Trust Company of Canada are co-trustees under the indenture governing the Exchangeable Bonds. Computershare Trust Company, N.A. has also been appointed by us as paying agent, exchange agent, registrar and custodian with regard to the Exchangeable Bonds. The trustee and its affiliates provide and may from time to time in the future provide banking and other services to us in the ordinary course of their business.

Governing Law

The indenture and the Exchangeable Bonds are governed by, and construed in accordance with, the law of the State of New York.

Exhibit 31.1

CEO CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Jeremy D. Thigpen, certify that:

1. I have reviewed this report on Form 10-Q of Transocean Ltd.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: April 30, 2020

/s/ Jeremy D. Thigpen
Jeremy D. Thigpen
President and Chief Executive Officer

Exhibit 31.2

CFO CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Mark L. Mey, certify that:

1. I have reviewed this report on Form 10-Q of Transocean Ltd.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: April 30, 2020

/s/ Mark L. Mey

Mark L. Mey
Executive Vice President and Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 (SUBSECTIONS (a) AND (b) OF SECTION 1350, CHAPTER 63 OF TITLE 18, UNITED STATES CODE)

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), I, Jeremy D. Thigpen, President and Chief Executive Officer of Transocean Ltd., a Swiss corporation (the "Company"), hereby certify, to my knowledge, that:

(1) the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2020 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: April 30, 2020

/s/ Jeremy D. Thigpen
Jeremy D. Thigpen
President and Chief Executive Officer

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) and is not being filed as part of the Report or as a separate disclosure document.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the U.S. Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

CERTIFICATION PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 (SUBSECTIONS (a) AND (b) OF SECTION 1350, CHAPTER 63 OF TITLE 18, UNITED STATES CODE)

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), I, Mark L. Mey, Executive Vice President and Chief Financial Officer of Transocean Ltd., a Swiss corporation (the "Company"), hereby certify, to my knowledge, that:

(1) the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2020 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: April 30, 2020

/s/ Mark L. Mey
Mark L. Mey
Executive Vice President and Chief Financial Officer

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) and is not being filed as part of the Report or as a separate disclosure document.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the U.S. Securities and Exchange Commission or its staff upon request.