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

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 1999

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 1-7746

TRANSOCEAN OFFSHORE INC.
(Exact name of registrant as specified in its charter)

CAYMAN ISLANDS	N/A
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

4 GREENWAY PLAZA HOUSTON, TEXAS	77046
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (713) 232-7500

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 [X] No [ ]

As of July 31, 1999, 100,563,304 ordinary shares, par value $.01 per share, of Transocean Offshore Inc. were outstanding.

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TRANSOCEAN OFFSHORE INC.

INDEX TO FORM 10-Q

QUARTER ENDED JUNE 30, 1999

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The condensed consolidated financial statements of Transocean Offshore Inc. and consolidated subsidiaries included herein have been prepared, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and notes normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. These financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 1998. When used herein the term "Company" means Transocean Offshore Inc., a Cayman Islands exempted company limited by shares, its consolidated subsidiaries and its predecessors, unless the context indicates otherwise.

TRANSOCEAN OFFSHORE INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	1999	1998	1999	1998
	(In thousands, except per share data)			
Operating Revenues	$235,565	$251,577	$541,924	$509,890
Costs and Expenses				
Operating and maintenance	120,236	114,549	266,827	246,497
Depreciation and amortization	32,294	28,103	64,295	56,181
General and administrative	7,341	7,723	14,010	14,691
	159,871	150,375	345,132	317,369
Operating Income	75,694	101,202	196,792	192,521
Other Income (Expense), Net				
Equity in earnings of joint ventures	3,312	2,557	6,536	4,890
Interest income	698	1,084	1,246	1,952
Interest expense, net of amounts capitalized	(551)	(5,575)	(2,939)	(12,682)
Gain on termination of cash flow sharing agreement	--	(96)	--	21,290
Other, net	817	(362)	(770)	853
	4,276	(2,392)	4,073	16,303
Income Before Income Taxes	79,970	98,810	200,865	208,824
Income Taxes	23,591	29,149	59,255	61,603
Net Income	$ 56,379	$ 69,661	$141,610	$147,221
Earnings Per Share				
Basic	$0.56	$0.70	$ 1.41	$ 1.47
Diluted	$0.56	$0.69	$ 1.41	$ 1.46
Weighted Average Shares Outstanding				
Basic	100,359	100,082	100,344	99,879
Diluted	100,818	101,006	100,786	100,854
Dividends Paid Per Share	$ 0.03	$ 0.03	$ 0.06	$ 0.06

See accompanying notes.

TRANSOCEAN OFFSHORE INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	June 30, 1999	December 31, 1998
	(In thousands, except share data)	
ASSETS		
Cash and Cash Equivalents	$ 55,384	$ 69,453
Accounts Receivable	177,572	217,494
Deferred Income Taxes	11,255	--
Materials and Supplies	35,219	33,928
Prepayments	5,946	9,596
Costs Incurred on Drilling Services Projects in Progress	--	31,161
Total Current Assets	285,376	361,632
Property and Equipment	2,908,285	2,659,020
Less Accumulated Depreciation	584,198	530,949
Property and Equipment, net	2,324,087	2,128,071
Goodwill, net	666,280	675,243
Investments in and Advances to Joint Ventures	35,818	55,544
Other Assets	21,035	30,453
Total Assets	$3,332,596	$3,250,943
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accounts Payable	$ 44,269	$ 40,939
Accrued Income Taxes	120,907	58,711
Current Portion of Long-Term Debt	27,868	18,672
Deferred Income Taxes	--	1,420
Other Current Liabilities	60,012	72,679
Total Current Liabilities	253,056	192,421
Long-Term Debt	701,471	813,953
Deferred Income Taxes	234,415	229,979
Other Long-Term Liabilities	29,709	35,947
Total Long-Term Liabilities	965,595	1,079,879
Preference Shares, $0.10 par value; 50,000,000 shares authorized, none issued and outstanding	--	--
Ordinary Shares, $0.01 par value; 150,000,000 shares authorized, 100,563,304 shares issued and outstanding at June 30, 1999, and 104,335,127 shares issued, including shares in treasury, and 100,551,127 shares outstanding at December 31, 1998	1,043	1,043
Less Ordinary Shares in Treasury, at cost; 3,784,000 shares at December 31, 1998	--	(144,297)
Additional Paid-in Capital	1,390,623	1,535,201
Retained Earnings	722,279	586,696
Total Shareholders' Equity	2,113,945	1,978,643
Total Liabilities and Shareholders' Equity	$3,332,596	$3,250,943

See accompanying notes.

TRANSOCEAN OFFSHORE INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30, 1999	Six Months Ended June 30, 1998
	(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 141,610	$ 147,221
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	64,295	56,181
Deferred income taxes	(8,238)	21,029
Equity in earnings of joint ventures	(6,536)	(4,890)
Gain on disposal of assets	(21)	(3,735)
Deferred income, net	(4,432)	(4,901)
Deferred expenses, net	3,859	3,096
Other, net	6,160	6,964
Changes in operating assets and liabilities		
Accounts receivable	38,046	(33,111)
Accounts payable	3,911	(13,548)
Income taxes receivable/payable, net	62,196	13,000
Other current assets	32,837	(1,191)
Other current liabilities	(13,278)	(9,755)
Net Cash Provided by Operating Activities	320,409	176,360
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(252,556)	(241,736)
Proceeds from disposal of assets, net	1,912	6,440
Joint ventures and other investments	26,254	3,394
Net Cash Used in Investing Activities	(224,390)	(231,902)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net borrowings (repayments) on revolving credit facility	(100,900)	45,200
Dividends paid	(6,028)	(6,015)
Repayment of notes payable	(2,307)	(2,308)
Proceeds from issuance of ordinary shares under stock-based compensation plans	772	6,661
Other, net	(1,625)	(479)
Net Cash Provided by (Used in) Financing Activities	(110,088)	43,059
Net Decrease in Cash and Cash Equivalents	(14,069)	(12,483)
Cash and Cash Equivalents at Beginning of Period	69,453	54,225
Cash and Cash Equivalents at End of Period	$ 55,384	$ 41,742

See accompanying notes.

NOTE 1 - GENERAL

BASIS OF CONSOLIDATION - The accompanying condensed consolidated financial statements of the Company have been prepared without audit in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X of the Securities and Exchange Commission. Accordingly, pursuant to such rules and regulations, these financial statements do not include all disclosures required by generally accepted accounting principles for complete financial statements. Operating results for the three and six month periods ended June 30, 1999 are not necessarily indicative of the results that may be expected for the year ended December 31, 1999. In connection with the preparation of these financial statements, management was required to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues, expenses and disclosure of contingent liabilities. Actual results could differ from such estimates. The accompanying condensed consolidated financial statements and notes thereto should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 1998.

SUPPLEMENTARY CASH FLOW INFORMATION - Cash payments for interest and income taxes, net were $26.7 million and $5.3 million, respectively, for the six months ended June 30, 1999 and $27.7 million and $28.7 million, respectively, for the six months ended June 30, 1998. Non-cash financing activities for the six months ended June 30, 1999 included $144.3 million for the cancellation of treasury shares (see Note 6). This has been reflected in the condensed consolidated balance sheets as a decrease in Additional Paid-In Capital.

GOODWILL - Goodwill is amortized on a straight-line basis over 40 years (the period when benefits are expected to be derived). Accumulated amortization as of June 30, 1999 and December 31, 1998 totaled $51.7 million and $42.7 million, respectively.

CAPITALIZED INTEREST - Interest costs for the construction and upgrade of qualifying assets are capitalized. The Company capitalized interest costs on construction work in progress of $11.6 million and $21.3 million for the three and six months ended June 30, 1999 and $8.4 million and $15.0 million in the corresponding periods of 1998.

RECLASSIFICATIONS - Certain reclassifications have been made to prior period amounts to conform with the current period's presentation.

INTERIM FINANCIAL INFORMATION - The financial statements reflect all adjustments which are, in the opinion of management, necessary for a fair statement of the results for the interim periods. Such adjustments are considered to be of a normal recurring nature unless otherwise identified.

NEW ACCOUNTING PRONOUNCEMENTS - In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133, Accounting for Derivative Instruments and Hedging Activities. In June 1999, the FASB issued SFAS No. 137, Accounting for Derivative Instruments and Hedging Activities--Deferral of the Effective Date of FASB 133 to delay the required effective date for adoption of SFAS 133 to fiscal years beginning after June 15, 2000. Because of the Company's limited use of derivatives to manage its exposure to fluctuations in foreign exchange rates and interest rates, management does not anticipate that the adoption of the new statement will have a material effect on the results of operations or the financial position of the Company. The Company will adopt SFAS No. 133 as of January 1, 2001.

NOTE 2 - UPGRADE AND EXPANSION OF DRILLING FLEET

The Company's investments in its existing fleet and previously announced fleet additions continue to require significant capital expenditures. Capital expenditures totaled $252.6 million during the six months ended June 30, 1999.

The following table summarizes actual and projected expenditures (including capitalized interest) for the Company's major construction projects.

(Expenditures in millions)	Discoverer Enterprise	Discoverer Spirit	Discoverer Deep Seas
Cumulative at December 31, 1998	$ 302	$124	$ 106
Actual for the six months ended June 30, 1999	87	83	49
Cumulative at June 30, 1999	389	207	155
Projected through completion	40	140	190
Projected Total Costs	$ 429	$347	$ 345

NOTE 3 - DEBT

Debt is comprised of the following:

	June 30, 1999	December 31, 1998
	(In thousands)	
Revolving Credit Facility	$219,100	$320,000
Project Financing Agreement	186,990	186,990
8.00% Debentures, net of discount	199,256	199,243
7.45% Notes	100,000	100,000
6.90% Notes Payable	23,077	25,384
Other	916	1,008
Total Debt	729,339	832,625
Less Current Maturities	27,868	18,672
Total Long-Term Debt	$701,471	$813,953

Project Financing Agreement - In connection with the construction of the Discoverer Enterprise and the completed upgrade of the Transocean Amirante, the Company's wholly owned subsidiary, Transocean Enterprise Inc., entered into a project financing agreement effective December 27, 1996 with a group of banks led by ABN AMRO Bank, N.V., as agent (the "Project Financing Agreement"). Approximately $323 million is available in two tranches for drawdowns during the construction period. The first tranche of approximately $62.9 million is to be repaid upon completion of construction and acceptance of the two rigs by Amoco Production Company ("Amoco"). It bears an interest rate of LIBOR plus 0.35 percent. The Company expects to lend Transocean Enterprise Inc. the necessary funds to repay the $62.9 million through borrowings under the Revolving Credit Facility; accordingly, the $62.9 million due in 1999 was not classified as current because it is the intent of management to refinance such amount on a long-term basis. The second tranche of approximately $259.9 million (of which $124.1 million in borrowings were outstanding as of June 30, 1999) bears an interest rate of LIBOR plus 0.85 percent during the construction period and is convertible to term financing upon completion of construction and acceptance of the two rigs by Amoco. The term financing, which is to be paid out of cash flows from the two rigs, matures over a period of five years. Amoco has contracted the Transocean Amirante for a period of up to five years and the Discoverer Enterprise for a period of five years following their respective acceptance dates. The Company expects the term financing to consist of borrowings under a lease securitization facility provided by the agent at a floating interest rate (which has been converted to a fixed rate by the interest rate swap transactions described below) plus a margin of 0.36 percent for amounts fully amortized by cash flows from the Amoco contracts and a margin of 0.62 percent for the remaining amounts, if any.

The Project Financing Agreement originally required acceptance of the two drilling units by Amoco, repayment of the first tranche and conversion of the second tranche to term financing no later than December 31, 1998. Although the Transocean Amirante was accepted by Amoco and commenced operations in July 1997, the Discoverer Enterprise is not expected to be completed until the third quarter of 1999 due to construction delays. As a result, during December 1998, Transocean Enterprise Inc. amended the Project Financing Agreement to extend the outside date for acceptance of the Discoverer Enterprise, repayment of the first tranche and conversion of the second tranche to term financing from December 31, 1998 to August 31, 1999. The Company expects that the Project Financing Agreement will be further amended to extend such outside date to October 31, 1999.

During June 1999, Transocean Enterprise Inc. amended the terms of its interest rate swap transactions, which effectively lock in a fixed interest rate for the term financing under the Project Financing Agreement, to adjust the payment schedule for the anticipated construction delays. In connection with the amendment, the fixed rate Transocean Enterprise Inc. will pay increased from an average of 6.583 percent to 6.7025 percent. The net unrealized loss on the interest rate swaps was approximately $4.5 million as of June 30, 1999.

NOTE 4 - EARNINGS PER SHARE

The reconciliation of the numerator and denominator used for the computation of basic and diluted earnings per share is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	1999	1998	1999	1998
	(In thousands, except per share data)			
Net Income for basic and diluted earnings per share	$ 56,379	$ 69,661	$141,610	$147,221
Weighted-average shares for basic earnings per share	100,359	100,082	100,344	99,879
Effect of dilutive securities				
Employee stock options and unvested stock grants	459	924	442	975
Adjusted weighted-average shares and assumed conversions for diluted earnings per share	100,818	101,006	100,786	100,854
Basic earnings per share	$ 0.56	$ 0.70	$ 1.41	$ 1.47
Diluted earnings per share	$ 0.56	$ 0.69	$ 1.41	$ 1.46

NOTE 5 - SEGMENTS

The Company has two reportable segments: Mobile Units and Drilling Services. The Mobile Units segment primarily operates drilling rigs for customers, principally at a contractually determined price per day (dayrate). Drilling Services primarily involves providing personnel and equipment other than rigs for oil and gas exploration and production on either a dayrate or fixed price basis. For both segments, performance is evaluated based on operating income before general and administrative expenses.

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

	Three Months Ended June 30, 1999	Three Months Ended June 30, 1998	Six Months Ended June 30, 1999	Six Months Ended June 30, 1998
	(In thousands)			
OPERATING REVENUES				
Mobile Units				
U.S. Gulf of Mexico	$ 91,021	$ 64,801	$187,075	$136,256
Europe	92,993	112,628	206,771	223,107
Other Western Hemisphere	32,941	40,169	66,216	66,093
Other Eastern Hemisphere	4,888	16,026	12,649	31,266
Total Mobile Units	221,843	233,624	472,711	456,722
Drilling Services	13,722	17,953	69,213	53,168
TOTAL OPERATING REVENUES	$235,565	$251,577	$541,924	$509,890
OPERATING INCOME (LOSS) (A)				
Mobile Units				
U.S. Gulf of Mexico	$ 56,078	$ 38,499	$117,074	$ 79,843
Europe	7,205	39,081	47,902	76,148
Other Western Hemisphere	21,838	21,875	42,410	37,961
Other Eastern Hemisphere	(410)	10,085	1,411	15,746
Other (b)	(3,511)	(3,600)	(7,534)	(5,051)
Total Mobile Units	81,200	105,940	201,263	204,647
Drilling Services	2,211	3,308	10,293	3,203
Total Operating Income for Reportable Segments	83,411	109,248	211,556	207,850
Corporate Expenses	(7,717)	(8,046)	(14,764)	(15,329)
TOTAL OPERATING INCOME	75,694	101,202	196,792	192,521
Equity in earnings of joint ventures	3,312	2,557	6,536	4,890
Interest income	698	1,084	1,246	1,952
Interest expense, net of amounts capitalized	(551)	(5,575)	(2,939)	(12,682)
Gain on termination of cash flow sharing agreement	--	(96)	--	21,290
Other, net	817	(362)	(770)	853
OTHER INCOME (EXPENSE), NET	4,276	(2,392)	4,073	16,303
INCOME BEFORE INCOME TAXES	$ 79,970	$ 98,810	$200,865	$208,824

(a) After depreciation and amortization expense.
(b) Other includes operations and engineering overhead expenses not allocated to geographic areas of operations.

NOTE 6 - CORPORATE REORGANIZATION

Effective May 14, 1999, the Company completed a corporate reorganization that resulted in it becoming a Cayman Islands corporation rather than a Delaware corporation ("Transocean-Delaware"), which had no material effect on the condensed consolidated financial statements of the Company. In the reorganization, each share of Transocean-Delaware's common stock was converted into one ordinary share of the Company and all treasury shares were cancelled.

NOTE 7 - PROPOSED BUSINESS COMBINATION

On July 12, 1999, the Company announced the signing of a definitive merger agreement (the "Merger Agreement") among the Company, Sedco Forex Merger Subsidiary, Ltd., a wholly owned subsidiary of the Company ("Merger Sub"), Schlumberger Limited ("Schlumberger") and Sedco Forex Holdings Limited, a wholly owned subsidiary of Schlumberger ("Sedco Forex"). On the same date, Schlumberger and Sedco Forex separately entered into a definitive distribution agreement (the "Distribution Agreement"). Pursuant to the Merger Agreement and the Distribution Agreement, Sedco Forex, which constitutes or will constitute a substantial portion of the offshore contract drilling business of Schlumberger, will be spun off to the stockholders of Schlumberger (the "Distribution"), and promptly merged with and into Merger Sub (the "Merger"), thereby becoming a wholly-owned subsidiary of the Company. The Schlumberger stockholders will receive shares of the Company in exchange for their shares of Sedco Forex in the Merger. The Distribution and the Merger are expected to be free of U.S. federal income taxes.

Following the Distribution and the Merger, Schlumberger stockholders will own 52 percent of the diluted shares in the combined company, which will be renamed "Transocean Sedco Forex Inc." The diluted ratio of ownership in the share capital of the resulting company is fixed by the Merger Agreement and not subject to adjustment. Based on the outstanding diluted share count of the Company on June 30, 1999 (approximately 101 million shares), Schlumberger stockholders would receive approximately 109 million shares in the combined company. Using the Schlumberger shares outstanding on June 30, 1999, Schlumberger stockholders would receive approximately one newly issued Transocean Sedco Forex share for every five Schlumberger shares held. The 109 million shares to be issued in the Merger would be valued at approximately $3.2 billion using the average of the closing prices of the Company's ordinary shares over the seven-day period commencing three days before July 12, 1999, the date on which the Merger was announced. The Merger will be accounted for as a purchase, with Sedco Forex as the accounting acquiror.

At the effective time of the Merger, Sedco Forex will have approximately $435 million in debt, subject to adjustment based on agreed levels of working capital and capital expenditures, among other matters. Transocean Sedco Forex will be required to refinance all or a substantial portion of this amount immediately following the Merger.

The transactions described above have been approved, as appropriate, by the board of directors of each of the Company and Schlumberger and are expected to close by December 31, 1999, subject to the approval of the shareholders of both companies, various regulatory approvals, registration of the shares to be issued in the Merger with the Securities and Exchange Commission, and other customary closing conditions.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following information should be read in connection with the information contained in the Company's consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 1998. When used herein the term "Company" means Transocean Offshore Inc., a Cayman Islands exempted company limited by shares, its consolidated subsidiaries and its predecessors, unless the context indicates otherwise.

OVERVIEW

Transocean Offshore Inc. is a leading international provider of deepwater and harsh-environment contract drilling services for oil and gas wells. The Company currently owns, has ownership interests in or operates 29 mobile offshore drilling rigs. Transocean's fleet consists of seven fourth-generation semisubmersibles, thirteen second- and third-generation semisubmersibles, three drillships, including the Discoverer Enterprise which is currently undergoing sea trials, and six jackup rigs. The Company also has under construction two additional Discoverer Enterprise-class drillships, to be named Discoverer Spirit and Discoverer Deep Seas. The Company contracts these drilling rigs, related equipment and work crews primarily on a dayrate basis to drill offshore wells. The Company also provides additional drilling services, including international turnkey drilling, coiled tubing drilling and integrated drilling services to customers worldwide.

OPERATING RESULTS

Comparative data relating to the Company's operating revenues and operating income by segment and geographic area follows. In the table and related discussion below, the "Mobile Units" segment primarily consists of the results of operations for drilling rigs operated for customers, primarily at a contractually determined price per day (dayrate). The "Drilling Services" segment primarily includes results from providing personnel and equipment other than rigs for oil and gas exploration and production on either a dayrate or fixed price basis.

	Three Months Ended June 30, 1999	Three Months Ended June 30, 1998	Six Months Ended June 30, 1999	Six Months Ended June 30, 1998
	(In thousands)			
OPERATING REVENUES				
Mobile Units				
U.S. Gulf of Mexico	$ 91,021	$ 64,801	$187,075	$136,256
Europe	92,993	112,628	206,771	223,107
Other Western Hemisphere	32,941	40,169	66,216	66,093
Other Eastern Hemisphere	4,888	16,026	12,649	31,266
Total Mobile Units	221,843	233,624	472,711	456,722
Drilling Services	13,722	17,953	69,213	53,168
TOTAL OPERATING REVENUES	$235,565	$251,577	$541,924	$509,890
OPERATING INCOME (LOSS) (a)				
Mobile Units				
U.S. Gulf of Mexico	$ 56,078	$ 38,499	$117,074	$ 79,843
Europe	7,205	39,081	47,902	76,148
Other Western Hemisphere	21,838	21,875	42,410	37,961
Other Eastern Hemisphere	(410)	10,085	1,411	15,746
Other (b)	(3,511)	(3,600)	(7,534)	(5,051)
Total Mobile Units	81,200	105,940	201,263	204,647
Drilling Services	2,211	3,308	10,293	3,203
Total Operating Income for Reportable Segments	83,411	109,248	211,556	207,850
Corporate Expenses	(7,717)	(8,046)	(14,764)	(15,329)
TOTAL OPERATING INCOME	75,694	101,202	196,792	192,521
Equity in earnings of joint ventures	3,312	2,557	6,536	4,890
Interest income	698	1,084	1,246	1,952
Interest expense, net of amounts capitalized	(551)	(5,575)	(2,939)	(12,682)
Gain on termination of cash flow sharing agreement	--	(96)	--	21,290
Other, net	817	(362)	(770)	853
OTHER INCOME (EXPENSE), NET	4,276	(2,392)	4,073	16,303
INCOME BEFORE INCOME TAXES	$ 79,970	$ 98,810	$200,865	$208,824

(a) After depreciation and amortization expense.
(b) Other includes operations and engineering overhead expenses not allocated to geographic areas of operations.

QUARTER ENDED JUNE 30, 1999, COMPARED TO QUARTER ENDED JUNE 30, 1998

Net income for the three months ended June 30, 1999 was $56.4 million or $0.56 per share, diluted, compared to $69.7 million or $0.69 per share, diluted, for the three months ended June 30, 1998, a decrease of $13.3 million or $0.13 per share, diluted. The decrease for 1999 as compared to 1998 resulted primarily from decreases in rig utilization, caused by depressed exploration and production spending levels, higher operating and maintenance costs and higher depreciation expense, partially offset by higher other income.

Revenues were $235.6 million for the three months ended June 30, 1999, compared to $251.6 million for the three months ended June 30, 1998, a decrease of $16.0 million or 6.4 percent. Operating income was $75.7 million for the three months ended June 30, 1999 compared to $101.2 million for the three months ended June 30, 1998, a decrease of $25.5 million or 25.2 percent. The decrease in revenues for the three months ended June 30, 1999 resulted primarily from decreased utilization from the three months ended June 30, 1998, while the decrease in operating income resulted primarily from decreased utilization, higher operating and maintenance costs and higher depreciation expense.

Revenues and operating income from Mobile Units decreased for the three months ended June 30, 1999 compared to the three months ended June 30, 1998. Fleetwide rig utilization decreased to 81 percent for the three months ended June 30, 1999 from 98 percent for the three months ended June 30, 1998, reflecting the fact that six rigs were idle for all or part of the second quarter of 1999. The average dayrate for the Company's semisubmersible drilling rigs and drillships was approximately $128,100 for the three months ended June 30, 1999, compared to approximately $116,900 for the three months ended June 30, 1998, an increase of 9.6 percent. This increase slightly offsets the effect of decreased utilization. The average dayrate for the Company's jackup rigs decreased 47 percent as compared to the prior year quarter.

In the U.S. Gulf of Mexico, the increase in revenues and operating income resulted from higher average dayrates earned for the three months ended June 30, 1999, as well as from the results of one rig working in the region that had been in the shipyard undergoing a conversion in the three months ended June 30, 1998. In Europe, the decreases in revenues and operating income resulted from decreased utilization due to three rigs, which worked the entire three months ended June 30, 1998, being idle for all or part of the three months ended June 30, 1999, as well as higher downtime and maintenance expenses on one rig that underwent a scheduled survey during the 1999 period. In Other Western Hemisphere, the decrease in revenues and operating income resulted from one rig working in the U.S. Gulf of Mexico during the three months ended June 30, 1999 that had worked in the region a portion of the three months ended June 30, 1998, and from one semisubmersible moving to the U.S. Gulf of Mexico that had worked in the region the entire three months ended June 30, 1998. These negative variances are partially offset by an increase in the average dayrates during the three months ended June 30, 1999. In Other Eastern Hemisphere, the significant decrease in revenues and operating income resulted from lower average dayrates and utilization. Two jackup rigs that had worked the entire three months ended June 30, 1998 were idle the entire three months ended June 30, 1999.

Revenues and operating income from Drilling Services decreased for the three months ended June 30, 1999 compared to the three months ended June 30, 1998. This decrease is primarily the result of lower daywork activity relating to the turnkey drilling project in Mexico, which was completed in the three months ended June 30, 1999, a lower level of activity in Europe and no drilling services activity in India during the 1999 period.

Depreciation and amortization expense increased by $4.2 million for the three months ended June 30, 1999 over the three months ended June 30, 1998. The increase was due primarily to additional depreciation resulting from the capitalization of property and equipment associated with the Company's completed major upgrade and construction projects.

Other income, net increased to $4.3 million for the three months ended June 30, 1999 compared to Other expense, net of $2.4 million for the three months ended June 30, 1998. Net interest expense decreased for the three months ended June 30, 1999 due primarily to the increased capitalization of interest on the Company's construction projects.

Income tax expense decreased by $5.6 million due primarily to lower pre-tax earnings for the three months ended June 30, 1999 compared to the three months ended June 30, 1998. The Company's effective tax rate remained the same for the three months ended June 30, 1999 compared to the three months ended June 30, 1998, and was lower than the U.S. Statutory rate due primarily to the permanent reinvestment of earnings of certain foreign operations.

SIX MONTHS ENDED JUNE 30, 1999, COMPARED TO SIX MONTHS ENDED JUNE 30, 1998

Net income for the six months ended June 30, 1999 was $141.6 million or $1.41 per share, diluted, compared to $147.2 million or $1.46 per share, diluted, for the six months ended June 30, 1998, a decrease of $5.6 million or $0.05 per share, diluted. The decrease for the six months ended June 30, 1999 resulted primarily from a decrease in rig utilization caused by depressed exploration and production spending levels, higher operating and maintenance costs and higher depreciation expense, partially offset by an increase in average dayrates and lower net interest expense. In the six months ended June 30, 1998, the Company recognized a one-time $21.3 million pre-tax gain ($13.8 million after tax or $0.14 per share, diluted) on the termination of a cash flow sharing agreement with Global Marine Inc. ("Global Marine").

Revenues were $541.9 million for the six months ended June 30, 1999, compared to $509.9 million for the six months ended June 30, 1998, an increase of $32.0 million or 6.3 percent. Operating income was $196.8 million for the six months ended June 30, 1999 compared to $192.5 million for the six months ended June 30, 1998, an increase of $4.3 million or 2.2 percent. The increase in revenues and operating income for the six months ended June 30, 1999 resulted primarily from higher revenues and operating income from the turnkey drilling services operations in Mexico, which were completed in the second quarter of 1999, and increased dayrates from the six months ended June 30, 1998.

Revenues from Mobile Units increased while operating income decreased for the six months ended June 30, 1999, compared to the six months ended June 30, 1998. The average dayrate for the Company's semisubmersible drilling rigs and drillships was approximately $130,200 for the six months ended June 30, 1999, compared to approximately $114,700 for the six months ended June 30, 1998, an increase of 13.5 percent. One rig worked in the six months ended June 30, 1999 that had been in the shipyard undergoing a conversion during the prior year period. Partially offsetting these increases, the Company's fleetwide rig utilization decreased to 85 percent for the six months ended June 30, 1999 from 98 percent for the six months ended June 30, 1998.

In the U.S. Gulf of Mexico, the significant increase in revenues and operating income for the six months ended June 30, 1999, resulted primarily from including the results of one additional rig that was in the shipyard undergoing a conversion during the six months ended June 30, 1998 and the results of another rig for the entire six months ended June 30, 1999, compared to a portion for the six months ended June 30, 1998. In Europe, decreases in revenues and operating income resulted from decreased utilization due to three rigs being idle all or a portion of the six months ended June 30, 1999, as well as higher downtime and maintenance expenses on one rig that underwent a survey in the six months ended June 30, 1999. These rigs worked the entire six months ended June 30, 1998. In Other Western Hemisphere, the increase in revenues resulted primarily from higher average dayrates, while the increase in operating income resulted primarily from lower operating and maintenance expenses due partially to the fact that one semisubmersible that had worked in the region during the six months ended June 30, 1998 was working in the U.S. Gulf of Mexico during the six months ended June 30, 1999. In Other Eastern Hemisphere, the significant decrease in revenues and operating income resulted from lower average dayrates and utilization. Two rigs that had worked the entire six months ended June 30, 1998 were idle for all or a portion of the six months ended June 30, 1999.

Revenues and operating income from Drilling Services increased for the six months ended June 30, 1999, compared to the six months ended June 30, 1998. This increase primarily reflects higher revenues and operating income from turnkey and subsequent daywork operations associated with the turnkey drilling project in Mexico.

Depreciation and amortization expense increased by $8.1 million for the six months ended June 30, 1999, compared to the six months ended June 30, 1998. The increase was due primarily to additional depreciation resulting from the capitalization of property and equipment associated with the Company's completed major upgrade and construction projects.

Other income, net decreased to $4.1 million for the six months ended June 30, 1999, compared to Other income, net of $16.3 million for the six months ended June 30, 1998. Net interest expense decreased significantly for the six months ended June 30, 1999, compared to the six months ended June 30, 1998 primarily due to the increased capitalization of interest on the Company's construction projects. In addition, the six months ended June 30, 1998 include a $21.3 million pre-tax gain on the termination of a cash flow sharing agreement with Global Marine.

Income tax expense decreased by $2.3 million due primarily to lower pre-tax earnings for the six months ended June 30, 1999, compared to the six months ended June 30, 1998. The Company's effective tax rate remained the same for the six months ended June 30, 1999 compared to the six months ended June 30, 1998 and was lower than the U.S. Statutory rate due primarily to the permanent reinvestment of earnings of certain foreign operations.

MARKET OUTLOOK

Rig utilization for the second quarter 1999 averaged 81 percent (versus 90 percent, first quarter 1999) fleetwide and 87 percent (versus 93 percent, first quarter 1999) for the Company's 20 fully owned and active floating drilling units. The decrease in fleetwide utilization was primarily due to three additional rigs, the Transocean John Shaw, the Transocean 97 and the Shelf Explorer, becoming idle upon the expiration of existing contracts in the second quarter, and to the Polar Pioneer being in the shipyard for 37 days for a scheduled survey. Average dayrates during the second quarter of 1999 declined to $111,500 (versus $117,500, first quarter 1999) fleetwide and $128,100 (versus $132,100, first quarter 1999) for the Company's floaters, due primarily to the Transocean Richardson, the Transocean 96 and the Transocean Nordic commencing new lower-rate contracts during the second quarter. As of June 30, 1999, the Company had 69% of its fleet days committed for the remainder of 1999 (including the Discoverer Enterprise, which is expected to be placed in service during the third quarter of 1999) and 44% for the year 2000.

Reduced exploration and development activity, resulting from the sustained period of low oil prices from late 1997 through early 1999 and industry consolidation over the same time period, continued in the second quarter despite the upturn in prices since February 1999. Rig availability has also increased as a result of expiring contracts and construction by drilling contractors of new rigs that are capable of competing with the Company's deepwater and harsh-environment rigs. This decline in exploration and development activity and increased rig availability has created a highly competitive market for contract drilling services, with corresponding reductions in utilization and dayrates for all classes of offshore rigs.

Oil prices have continued to rally from lows experienced in 1998 and have recently reached prices in excess of $20 per barrel, a level not seen since early 1997. This increase suggests that there could be an improving long-term fundamental outlook for the offshore drilling business. The Company has recently experienced an increase in customer inquiries in all of its principal market areas, but this has not yet led to increases in dayrates or rig utilization. It is expected that in the near term, customers will continue a cautious approach to exploration and development spending until these commodity price gains prove to be sustainable.

The Company's efforts to secure contracts for its drilling units becoming available due to contract expirations have been and will continue to be adversely affected by continuing market weakness. Some units have been contracted at lower rates in order to secure work and others have been stacked. As of July 31, 1999, three of the Company's jackups and three semisubmersibles were stacked. However, the Company has been successful in securing a 30-month contract for the Discoverer Seven Seas, announced in June 1999, and shorter-term work for three other rigs coming off contract and for two stacked rigs, the Transocean John Shaw and the Shelf Explorer. In addition to the loss of revenues associated with stacking rigs, the Company has incurred and may incur additional expenses associated with severance and related payments to rig operating personnel made redundant as a result of idled rigs.

LIQUIDITY AND CAPITAL RESOURCES

SOURCES AND USES OF CASH

Cash flows provided by operations were $320.4 million for the six months ended June 30, 1999, compared to $176.4 million for the six months ended June 30, 1998, an increase of $144.0 million. The increase in cash provided by operations was primarily due to increases provided by net working capital components, partially offset by lower cash flows from net income in the 1999 period over the 1998 period.

Cash flows used in investing activities in the first six months of 1999 were $224.4 million, compared to $231.9 million in the first six months of 1998. The Company received $26.3 million of capital distributions in respect of an equity investment in the first six months of 1999 compared to $3.3 million received in the first six months of 1998. Partially offsetting these distributions received, capital expenditures increased by $10.8 million in the first six months of 1999 as compared to the first six months of 1998.

Cash flows used in financing activities were $110.1 million in the first six months of 1999, compared to cash flows provided by financing activities of $43.1 million in the first six months of 1998. The increase in cash used in financing activities was primarily due to net repayments on the revolving line of credit during the first six months of 1999 compared to net borrowings during the first six months of 1998.

CAPITAL EXPENDITURES

The Company's investments in its existing fleet and previously announced fleet additions continue to require significant capital expenditures. Capital expenditures totaled $253 million during the six months ending June 30, 1999 and are expected to be approximately $310 million during the remainder of the year, including amounts that will be spent on the construction of the deepwater drillships Discoverer Enterprise, Discoverer Spirit and Discoverer Deep Seas.

The following table summarizes actual and projected expenditures (including capitalized interest) for the Company's major construction projects.

(Expenditures in millions)	Discoverer Enterprise	Discoverer Spirit	Discoverer Deep Seas
Cumulative at December 31, 1998	$302	$124	$106
Actual for the six months ended June 30, 1999	87	83	49
Cumulative at June 30, 1999	389	207	155
Projected--July 1, 1999 through December 31, 1999	40	120	115
Projected--2000	--	20	75
Projected Total Costs	$429	$347	$345

The amounts shown for the Discoverer Enterprise include certain costs not expected to be incurred in connection with the construction of the Discoverer Spirit and Discoverer Deep Seas, including: engineering design costs that will not be repeated because the Discoverer Spirit and Discoverer Deep Seas are the same design as the Discoverer Enterprise; lifting and other construction costs that will be contracted on a lump sum rather than a time and materials basis; incremental capitalized interest and administrative costs attributable to project delays, some of which were due to weather and other factors beyond the control of the Company; and costs and delays associated with commissioning and testing several items of drilling equipment that are based on new designs or technology. The Discoverer Enterprise is expected to be completed during the third quarter of 1999; the Discoverer Spirit and the Discoverer Deep Seas are expected to be completed in the first and third quarters of 2000, respectively.

As with any major construction 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 modification of the design, actual terms of awarded contracts, weather, exchange rates, shipyard labor conditions and the market demand for components and resources required for drilling unit construction. The Company intends to fund the cash requirements relating to these capital commitments through available cash balances, borrowings under the Credit Agreement referred to below and other commercial bank or capital market financings, including potential public offerings under the Company's shelf registration statement (discussed below) and, in the case of the Discoverer Enterprise, financing under the Project Financing Agreement referred to below.

MERGERS AND ACQUISITIONS

The Company, from time to time, reviews possible mergers and acquisitions of businesses and drilling units, and may in the future make significant capital commitments for such purposes. Any such transaction could involve the payment by the Company of a substantial amount of cash and the issuance of a substantial number of ordinary shares. The Company would expect to fund the cash requirements of any such transaction through cash balances on hand, the incurrence of additional debt, sales of assets or ordinary shares, or a combination thereof. See "--Proposed Business Combination".

AUTHORIZED STOCK REPURCHASE

In May 1997, the Company's Board of Directors authorized the repurchase of up to $200 million worth of its ordinary shares from time to time on the open market or in privately negotiated transactions. After purchases made during 1997, approximately $105 million remains available under this authority. The Board of Directors, from time to time, reviews the possibility of repurchasing ordinary shares in light of prevailing share prices and the financial position of the Company.

DEBT

Project Financing Agreement - In connection with the construction of the Discoverer Enterprise and the completed upgrade of the Transocean Amirante, the Company's wholly owned subsidiary, Transocean Enterprise Inc., entered into a project financing agreement effective December 27, 1996 with a group of banks led by ABN AMRO Bank, N.V., as agent (the "Project Financing Agreement"). Approximately $323 million is available in two tranches for drawdowns during the construction period. The first tranche of approximately $62.9 million is to be repaid upon completion of construction and acceptance of the two rigs by Amoco Production Company ("Amoco"). It bears an interest rate of LIBOR plus 0.35 percent. The Company expects to lend Transocean Enterprise Inc. the necessary funds to repay the $62.9 million through borrowings under the Revolving Credit Facility. The second tranche of approximately $259.9 million (of which $124.1 million in borrowings were outstanding as of June 30, 1999) bears an interest rate of LIBOR plus 0.85 percent during the construction period and is convertible to term financing upon completion of construction and acceptance of the two rigs by Amoco. The term financing, which is to be paid out of cash flows from the two rigs, matures over a period of five years. Amoco has contracted the Transocean Amirante for a period of up to five years and the Discoverer Enterprise for a period of five years following their respective acceptance dates. The Company expects the term financing to consist of borrowings under a lease securitization facility provided by the agent at a floating interest rate (which has been converted to a fixed rate by the interest rate swap transactions described below) plus a margin of 0.36 percent for amounts fully amortized by cash flows from the Amoco contracts and a margin of 0.62 percent for the remaining amounts, if any.

The Project Financing Agreement originally required acceptance of the two drilling units by Amoco, repayment of the first tranche and conversion of the second tranche to term financing no later than December 31, 1998. Although the Transocean Amirante was accepted by Amoco and commenced operations in July 1997, the Discoverer Enterprise is not expected to be completed until the third quarter of 1999 due to construction delays. As a result, during December 1998, Transocean Enterprise Inc. amended the Project Financing Agreement to extend the outside date for acceptance of the Discoverer Enterprise, repayment of the first tranche and conversion of the second tranche to term financing from December 31, 1998 to August 31, 1999. The Company expects that the Project Financing Agreement will be further amended to extend such outside date to October 31, 1999.

During June 1999, Transocean Enterprise Inc. amended the terms of its interest rate swap transactions, which effectively lock in a fixed interest rate for the term financing under the Project Financing Agreement, to adjust the payment schedule for the anticipated construction delays. In connection with the amendment, the fixed rate Transocean Enterprise Inc. will pay increased from an average of 6.583 percent to 6.7025 percent. The net unrealized loss on the interest rate swaps was approximately $4.5 million as of June 30, 1999.

Credit Agreement - The Company entered into a credit agreement dated as of July 30, 1996 with a group of banks led by ABN AMRO Bank, N.V. (the "Credit Agreement"). The Credit Agreement, as subsequently amended, provides for borrowing by the Company under a revolving credit facility in the amount of $540 million (the "Revolving Credit Facility"). Loans under the Credit Agreement bear interest, at the option of the Company, at a base rate or LIBOR plus a margin (0.25 percent at June 30, 1999) that varies depending on the Company's funded debt to total capital ratio or its public senior unsecured debt rating. The Credit Agreement requires compliance with various restrictive covenants, including an interest coverage ratio, which could limit the Company's ability to pay dividends in the future. The Credit Agreement has a maturity date of July 2002. As of June 30, 1999, $286.7 million was available for borrowings under the Revolving Credit Facility.

LETTERS OF CREDIT

The Company had letters of credit outstanding at June 30, 1999 totaling $34.2 million, including $28.6 million relating to a legal dispute with Kvaerner Installasjon a.s. See Part II. Item 1. Legal Proceedings. The remaining $5.6 million guarantees various insurance and contract bidding activities.

SHELF REGISTRATION

The Company has filed with the Securities and Exchange Commission (the "SEC") a $450 million shelf registration statement on Form S-3 for the proposed offering from time to time of senior or subordinated debt securities, preferred stock, common stock and warrants to purchase debt securities, preferred stock, common stock or other securities. A recently filed amendment to this registration statement has not yet been declared effective by the SEC.

DERIVATIVE INSTRUMENTS

The Company enters into a variety of derivative financial instruments in connection with the management of its exposure to fluctuations in foreign exchange rates and interest rates. The Company does not enter into derivative transactions for speculative purposes; however, for accounting purposes certain transactions may not meet the current criteria for hedge accounting.

Gains and losses on foreign exchange derivative instruments, which qualify as accounting hedges, are deferred and recognized when the underlying foreign exchange exposure is realized. Gains and losses on foreign exchange derivative instruments, which do not qualify as hedges for accounting purposes, are recognized currently based on the change in market value of the derivative instruments. At June 30, 1999 and 1998, the Company did not have any foreign exchange derivative instruments not qualifying as hedges.

The Company uses interest rate swap agreements to effectively convert a portion of its floating rate debt to a fixed rate basis, reducing the impact of interest rate changes on future income. Interest rate swaps are designated as a hedge of underlying future interest payments. The interest rate differential to be received or paid on the swaps is recognized over the lives of the swaps as an adjustment to interest expense. At June 30, 1999, the net unrealized loss on open interest rate swaps was approximately $4.5 million.

SOURCES OF LIQUIDITY

The Company believes that its cash and cash equivalents, cash generated from operations, borrowings available under its Credit Agreement, Project Financing Agreement and access to other financing sources will be adequate to meet its anticipated short-term and long-term liquidity requirements, including scheduled debt repayments and capital expenditures for new rig construction and upgrade projects.

NEW ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133 Accounting for Derivative Instruments and Hedging Activities. In June 1999, the FASB issued SFAS No. 137, Accounting for Derivative Instruments and Hedging Activities--Deferral of the Effective Date of FASB 133 to delay the required effective date for adoption of SFAS 133 to fiscal years beginning after June 15, 2000. Because of the Company's limited use of derivatives to manage its exposure to fluctuations in foreign exchange rates and interest rates, management does not anticipate that the adoption of the new statement will have a significant effect on the results of operations or the financial position of the Company. The Company will adopt SFAS 133 as of January 1, 2001.

CORPORATE REORGANIZATION

On May 13, 1999, the stockholders approved a corporate reorganization that resulted in the Company becoming a Cayman Islands corporation rather than a Delaware corporation. In the reorganization, which was effected May 14, 1999, (i) Transocean Offshore Inc., a Delaware corporation ("Transocean-Delaware"), merged with and into Transocean Offshore (Texas) Inc., a Texas corporation ("Transocean-Texas"), (ii) following, such merger, Transocean-Texas converted to and registered by way of continuation as a Cayman Islands exempted company limited by shares named "Transocean Offshore Inc." and (iii) following such conversion and continuation, the Company contributed a significant portion of its assets to a newly formed Delaware subsidiary. The Company believes the reorganization will give it greater flexibility in seeking to lower its worldwide effective corporate income tax rate and allow it to restructure its business to improve operational efficiencies, including improved worldwide cash management. In addition, the Company anticipates that the reorganization may increase its access to international capital markets, broaden its investor base by making its securities more attractive to non-U.S. investors and may result in a more favorable corporate structure for expansion of its current business through creation of foreign joint ventures and future acquisition opportunities. In the reorganization, each share of Transocean-Delaware's common stock was converted into one ordinary share of the Company. The shares of the Company are listed on the New York Stock Exchange under "RIG," the same symbol under which the Transocean-Delaware common stock was previously listed.

PROPOSED BUSINESS COMBINATION

On July 12, 1999, the Company announced the signing of a definitive merger agreement (the "Merger Agreement") among the Company, Sedco Forex Merger Subsidiary, Ltd., a wholly owned subsidiary of the Company ("Merger Sub"), Schlumberger Limited ("Schlumberger") and Sedco Forex Holdings Limited, a wholly owned subsidiary of Schlumberger ("Sedco Forex"). On the same date, Schlumberger and Sedco Forex separately entered into a definitive distribution agreement (the "Distribution Agreement"). Pursuant to the Merger Agreement and the Distribution Agreement, Sedco Forex, which constitutes or will constitute a substantial portion of the offshore contract drilling business of Schlumberger, will be spun off to the stockholders of Schlumberger (the "Distribution"), and promptly merged with and into Merger Sub (the "Merger"), thereby becoming a wholly-owned subsidiary of the Company. The Schlumberger stockholders will receive shares of the Company in exchange for their shares of Sedco Forex in the Merger. The Distribution and the Merger are expected to be free of U.S. federal income taxes.

Following the Distribution and the Merger, Schlumberger stockholders will own 52 percent of the diluted shares in the combined company, which will be renamed "Transocean Sedco Forex Inc." The diluted ratio of ownership in the share capital of the resulting company is fixed by the Merger Agreement and not subject to adjustment. Based on the outstanding diluted share count of the Company on June 30, 1999 (approximately

101 million shares), Schlumberger stockholders would receive approximately 109 million shares in the combined company. Using the Schlumberger shares outstanding on June 30, 1999, Schlumberger stockholders would receive approximately one newly issued Transocean Sedco Forex share for every five Schlumberger shares held. The 109 million shares to be issued in the Merger would be valued at approximately $3.2 billion using the average of the closing prices of the Company's ordinary shares over the seven-day period commencing three days before July 12, 1999, the date on which the Merger was announced. The Merger will be accounted for as a purchase, with Sedco Forex as the accounting acquiror.

At the effective time of the Merger, Sedco Forex will have approximately $435 million in debt, subject to adjustment based on agreed levels of working capital and capital expenditures, among other matters. Transocean Sedco Forex will be required to refinance all or a substantial portion of this amount immediately following the Merger.

The transactions described above have been approved, as appropriate, by the board of directors of each of the Company and Schlumberger and are expected to close by December 31, 1999, subject to the approval of the shareholders of both companies, various regulatory approvals, registration of the shares to be issued in the Merger with the Securities and Exchange Commission, and other customary closing conditions.

YEAR 2000 ISSUE

The Company has instituted a plan to address the Year 2000 issue for its computer systems, microprocessors, operational and control systems and other significant computer-based devices and applications. It is possible that certain of these systems will not be able to process dates beginning in the year 2000, as many such systems are based on storing two digits to identify a particular year rather than a full four digits and are not designed to take into account the start of a new century. In addition, like every other business enterprise, the Company is at risk from year 2000 failures on the part of its major business counterparts, including suppliers and service providers, as well as potential failures in public and private infrastructure services, including electricity, water, gas, transportation and communications.

The Company's Year 2000 plan focuses on Year 2000 compliance in two distinct areas--(i) rig-based operational systems and control devices and (ii) all other business, financial and engineering systems, including third-party systems upon which the Company may rely. The Company's efforts are directed towards areas that are reasonably within its control. The plan is being implemented under the direction of senior management by the Company's information systems and technology personnel and operations personnel with appropriate expertise. The five phases of the Company's plan--inventory, assessment, remediation, testing and verification, and contingency planning--are in varying stages of completion, and ultimate completion of the plan is expected by December 31, 1999.

Inventory - The Company conducted a survey of computer systems, computer-controlled equipment, control systems, and electronic devices, including equipment with embedded microprocessors, onboard each rig to identify those systems and devices to be reviewed for Year 2000 compliance. With respect to business, financial and engineering systems, the Company surveyed all of its internal hardware and software systems worldwide. Key third-party businesses whose year 2000 failures would most significantly impact the Company were identified. The inventory phase is substantially complete.

Assessment - Once each at-risk system or device was identified, users were asked to assess how critical the system or device is to the safety and operations of the Company. For rig-based systems, the Company has requested letters of compliance from its third-party vendors and suppliers for all at-risk items identified in the survey and, in addition, is conducting its own tests where possible to verify compliance. The assessment phase for rig-based systems, applications and devices is approximately 95 percent complete. With respect to business, financial and engineering systems, letters of compliance have been requested from all vendors of standard systems, and the Company is conducting tests of selected systems to provide an enhanced degree of confidence for Year 2000 compliance. The assessment phase for these systems is substantially complete. Compliance information has been obtained from the Company's third-party vendors and suppliers for a majority of the identified systems or devices.

Remediation - Critical systems and devices identified by the survey that are likely to be affected by the Year 2000 issue are in the process of being modified or replaced. A number of these systems and devices had already been identified for renewal or replacement in connection with the Company's ongoing maintenance programs. In some cases, systems or equipment are covered by warranties, while other vendors are providing software upgrades at minimal costs. The Company believes its Year 2000 compliance plan has adequately identified and addressed Year 2000 issues with respect to critical operational and safety systems and devices. With respect to business, financial and engineering systems, replacement or modification of known non-compliant systems has commenced. The remediation phase is approximately 90 percent complete with respect to rig-based systems, applications and devices and is approximately 75 percent complete with respect to business, financial and engineering systems. The Company's remediation phase is expected to be substantially completed by October 31, 1999 except for the replacement of the maintenance/purchasing/inventory system on certain European rigs, which is scheduled for the fourth quarter of 1999. To the extent that certain of these rigs are not operating in the fourth quarter of 1999, or are not anticipated to operate in the first quarter of 2000, the Company may choose to delay the replacement of this system until such rigs are returned to service. Any such delay is not expected to have a material impact on the results of operations of the Company.

Testing and Verification - The testing and verification phase includes establishing a test environment, performing systems testing (with third parties if necessary) and verifying the results. The verification process entails having experienced personnel review test results, computer screens and printouts against pre-established criteria to ensure system or device compliance. In the case of program logic chips, access to internal programs is frequently not possible; however, a review of program diagrams is completed to determine if any date or time dependency exists. All internal systems and devices identified as critical operational and safety systems and devices, along with critical business hardware and software systems are being tested. With respect to rig-based systems, the Company has instituted an ongoing compliance procedure that starts with the results of the initial survey followed by analysis, vendor participation, corrective action, testing and continuous reappraisal. Testing and verification is currently underway and is expected to continue throughout 1999. The Company has received compliance information and has successfully completed testing of its corporate and field-based accounting software systems. The Company has initiated written and telephonic communications with key third-party businesses as well as public and private providers of infrastructure services to ascertain and evaluate their efforts in addressing Year 2000 compliance. Although there have been no indications that such third-party providers have significant Year 2000 compliance issues, there can be no assurance that such companies will not experience compliance problems.

Contingency Planning - The Company has developed or, in some cases, is still in the process of developing specific contingency plans for critical operational and business systems and devices in the event of Year 2000-related disruptions. The Company's rig-based operations manuals also include documented policies and procedures in the event of an emergency or equipment failure. The effect of significant Year 2000 disruptions with direct suppliers of materials and supplies needed for ongoing rig operations is being considered. An overall corporate contingency plan will be compiled with input from both operations personnel and information systems and technology personnel and is expected to be completed in the fourth quarter of 1999.

The Company believes that the reasonably likely worst case scenario is that there will be some localized disruptions of systems that will affect individual business and operations processes, facilities or suppliers for a short time rather than systemic or long-term problems affecting its business operations as a whole. The Company's drilling units are composed of many stand-alone systems provided by a wide diversity of manufacturers. As such, the Company believes the risk of a failure that would affect the functionality or safety of the fleet is minimal, and the Company does not believe that the Year 2000 issue will have a significant effect on the operations of its drilling units.

The Company's contingency planning efforts are being designed to identify systems or other aspects of its business or that of its suppliers that it believes would be most likely to experience Year 2000 problems, as well as those business operations in which a localized disruption could have the potential for causing a wider problem by interrupting the flow of materials or data. Because there is uncertainty as to which activities may be affected and the exact nature of the problems that may arise, the contingency planning efforts will focus on minimizing the scope and duration of any disruptions by having sufficient personnel and other resources in place to permit a flexible response to specific problems as they may arise.

Costs - The Company has expended approximately $0.9 million through June 30, 1999 and expects additional expenditures of approximately $2 million to complete implementation of its Year 2000 plan, some of which will be capitalized. The Company does not separately track the internal costs of employees who are not working full-time on the Company's Year 2000 plan.

Although the Company's failure to implement fully its Year 2000 compliance plan or the occurrence of an unexpected Year 2000 problem could result in the disruption of normal business activities or operations and have a material adverse effect on the Company's results of operations, liquidity or financial condition, based upon the work performed to date and the anticipated completion of the plan during December 1999, the Company does not believe that such matters will have a material adverse effect. During the remainder of 1999, the Company will continue its efforts described above to address potential disruptions in areas where the Company's operations rely on third parties. In particular, the Company's operations in international locations could be at a greater risk of being adversely affected by the failure of third-party businesses to adequately address the Year 2000 problem. While such failure could affect the operations of the Company, either directly or indirectly, in a significant manner, the Company cannot estimate either the likelihood or the potential cost of such failures.

The nature and focus of the Company's efforts to address the Year 2000 problem may be revised periodically as interim goals are achieved or new issues are identified.

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 Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Statements to the effect that the Company or management "anticipates," "believes," "estimates," "expects," "predicts," or "projects" a particular result or course of events, or that such result or course of events "may" or "should" occur, and similar expressions, are also intended to identify forward-looking statements. Forward-looking statements in this quarterly report include, but are not limited to, statements involving expected capital expenditures, liquidity requirements, financial arrangements, the timing of completion of capital projects, the Company's plans and expectations with regard to Year 2000 issues, the Company's expectations with regard to market outlook, the proposed business combination between the Company and Sedco Forex, and the anticipated effects of the reorganization of the Company as a Cayman Islands corporation. Such statements are subject to numerous risks, uncertainties and assumptions, including but not limited to uncertainties relating to the level of activity in offshore oil and gas exploration, development and production (particularly in deepwater and harsh-environment regions), exploration success by producers, oil and gas prices, work stoppages by Spanish shipyard workers, competition and market conditions in the contract drilling industry, delays or cost overruns on construction projects, the ability to enter into and the terms of future contracts, risks inherent in turnkey contracts, the availability of qualified personnel, the outcome of periodic wage negotiations with unions representing certain Norwegian offshore workers, operating hazards, political and other uncertainties inherent in foreign operations (including exchange and currency fluctuations), the impact of governmental laws and regulations, the adequacy of sources of liquidity, the effect of litigation and contingencies, the success of the Company in implementing its Year 2000 compliance plan, the failure of financial and other service providers to be Year 2000 compliant on a timely basis, and other factors discussed in this quarterly report and in the Company's other filings with the Securities and Exchange Commission. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those indicated.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources--Debt--Project Financing Agreement" and "--Liquidity and Capital Resources--Derivative Instruments."

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company has certain claims pending involving a dispute of work performance by and amounts owed to the Kvaerner shipyard in Norway and contested tax assessments by the municipality of Rio de Janeiro, Brazil. These matters have been previously discussed and reported in the Company's Annual Report on Form 10-K for the year ended December 31, 1998. There have been no material developments in these previously reported matters.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

Effective May 14, 1999, the Company completed a corporate reorganization that resulted in the Company becoming a Cayman Islands corporation rather than a Delaware corporation. A description of the reorganization and of the Company's ordinary shares is included in the Company's Proxy Statement/Prospectus filed with the Securities and Exchange Commission on April 12, 1999 and its Current Report on Form 8-K dated May 14, 1999.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

At the Annual Meeting of Stockholders on May 13, 1999 there were represented in person or by proxy 84,314,847 shares out of 100,560,300 entitled to vote as of the record date, constituting a quorum. Two matters were submitted to a vote of stockholders. The first matter submitted was the approval of the reorganization and the approval and adoption of the Agreement and Plan of Merger and Conversion attached to and described in the Proxy Statement/Prospectus relating to the meeting. See "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations--Corporate Reorganization". Of those shares represented in person or by proxy, 65,945,101 were eligible to vote on this matter with the remainder of such shares representing broker non-votes. The reorganization was approved and the Agreement and Plan of Merger and Conversion was approved and adopted by the stockholders with 63,910,038 shares voting for approval and adoption, 1,657,879 voting against and 377,184 abstaining from voting.

The second matter was the election of Class III Directors as set forth in the Company's Proxy Statement/Prospectus relating to the meeting. With respect to such election, the following number of votes were cast as to the Class III Director nominees: Robert J. Lanigan, 84,047,260 votes for and 267,587 votes withheld; Max L. Lukens, 84,067,880 votes for and 246,967 votes withheld; and W. Dennis Heagney, 84,069,080 votes for and 245,767 votes withheld.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

The following exhibits are filed in connection with this Report:

NUMBER	DESCRIPTION
*3.1	Memorandum of Association of the Company (incorporated by reference to Annex B to the Proxy Statement/Prospectus included in the Company's Registration Statement on Form S-4 (Registration No. 333-75899)).
*3.2	Articles of Association of the Company (incorporated by reference to Annex C to the Proxy Statement/Prospectus included in the Company's Registration Statement on Form S-4 (Registration No. 333-75899)).
*4.1	Second Supplemental Indenture dated as of May 14, 1999 between the Company and Chase Bank of Texas, National Association, as trustee (incorporated by reference to Exhibit 4.5 to the Company's Post-Effective Amendment No. 1 to Registration Statement on Form S-3 (Registration No. 333-59001-99)).
10.1	Form of Employment Agreements dated May 14, 1999 between J. Michael Talbert, W. Dennis Heagney, Robert L. Long, Jon C. Cole, Donald R. Ray, Eric B. Brown, Barbara S. Koucouthakis and Alan A. Broussard, individually, and Transocean Offshore Inc.
*10.2	Amendment No. 1 to Employee Stock Purchase Plan of the Company dated as of May 14, 1999 (incorporated by reference to Exhibit 4.4 to the Company's Post-Effective Amendment No. 1 to Registration Statement on Form S-8 (Registration No. 333-58203-99)).
*10.3	Amendment No. 1 to Long Term Incentive Plan of the Company dated as of May 14, 1999 (incorporated by reference to Exhibit 4.4 to the Company's Post-Effective Amendment No. 1 to Registration Statement on Form S-8 (Registration No. 333-58211-99)).
27.1	Financial Data Schedule.

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* Incorporated by reference as indicated.

(b) Reports on Form 8-K

The Company filed a Current Report on Form 8-K on May 17, 1999 reporting under Item 5. thereof the completion of the corporate reorganization of the Company and including as an exhibit the press release relating thereto.

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 August 10, 1999.

TRANSOCEAN OFFSHORE INC.

By: /s/ Robert L. Long

Robert L. Long
Senior Vice President
(Principal Financial Officer)

By: /s/ Barbara S. Koucouthakis

Barbara S. Koucouthakis
Vice President and Controller
(Principal Accounting Officer)

EMPLOYMENT AGREEMENT

AGREEMENT by and between Transocean Offshore Deepwater Drilling Inc., a Delaware corporation (the "Company"), Transocean Offshore Inc., a Cayman Islands exempted company limited by shares (the "Parent"), and ___________________ (the "Executive"), dated as of the 14th day of May, 1999.

The Parent is the successor to Transocean Offshore Inc., a Delaware corporation ("Transocean-Delaware"), as a result of the transactions contemplated by the Agreement and Plan of Merger and Conversion between Transocean-Delaware and Transocean Offshore (Texas) Inc. dated as of March 12, 1999. This Agreement replaces a similar prior agreement between the Executive and Transocean-Delaware, which prior agreement is superseded and revoked as of the execution and effectiveness of this Agreement. This Agreement will take effect at 10:49 p.m. (Houston, Texas, time) on May 14, 1999. The Boards of Directors of the Company and the Parent (the "Boards") have determined that it is in the best interests of the Company, the Parent and their shareholders to assure that the Company will have the continued dedication of the Executive, notwithstanding the possibility, threat or occurrence of a Change of Control (as defined below). The Boards believe it is imperative to diminish the inevitable distraction of the Executive by virtue of the personal uncertainties and risks created by a pending or threatened Change of Control and to encourage the Executive's full attention and dedication to the Company currently and in the event of any threatened or pending Change of Control, and to provide the Executive with compensation and benefits arrangements upon a Change of Control which ensure that the compensation and benefits expectations of the Executive will be satisfied and which are competitive with those of other corporations. Therefore, in order to accomplish these objectives, the Boards have caused the Company and the Parent to enter into this Agreement.

NOW, THEREFORE, IT IS HEREBY AGREED AS FOLLOWS:

1. Certain Definitions.

(a) The "Effective Date" shall mean the first date during the Change of Control Period (as defined in Section 1(b)) on which a Change of Control (as defined in Section 2) occurs. Anything in this Agreement to the contrary notwithstanding, if a Change of Control occurs and if the Executive's employment with the Company is terminated prior to the date on which the Change of Control occurs, and if it is reasonably demonstrated by the Executive that such termination of employment (i) was at the request of a third party who has taken steps reasonably calculated to effect a Change of Control or (ii) otherwise arose in connection with or anticipation of a Change of Control, then for all purposes of this Agreement the "Effective Date" shall mean the date immediately prior to the date of such termination of employment.

(b) The "Change of Control Period" shall mean the period commencing on the date hereof and ending on the third anniversary of the date hereof; provided, however, that commencing on the date one year after the date hereof, and on each annual anniversary of such date (such date and each annual anniversary thereof shall be hereinafter referred to as the "Renewal Date"), unless previously terminated, the Change of Control Period shall be automatically extended so as to terminate three years from such Renewal Date, unless at least 60 days prior to the Renewal Date the Company shall give notice to the Executive that the Change of Control Period shall not be so extended.

2. Change of Control. For the purpose of this Agreement, a "Change of Control" shall mean:

(a) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (i) the then outstanding ordinary shares of the Parent (the "Outstanding Parent Ordinary Shares") or (ii) the combined voting power of the then outstanding voting securities of the Parent entitled to vote generally in the election of directors (the "Outstanding Parent Voting Securities"); provided, however, that for purposes of this subsection (a), the following acquisitions shall not constitute a Change of Control: (i) any acquisition directly from the Parent, (ii) any acquisition by the Parent, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Parent or any corporation or other entity controlled by the Parent or (iv) any acquisition by any corporation or other entity pursuant to a transaction which complies with clauses (i), (ii) and (iii) of subsection (c) of this Section 2; or

(b) Individuals who, as of the date hereof, constitute the Board of the Parent (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board of the Parent; provided, however, that for purposes of this Section 2 any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Parent's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board of the Parent; or

(c) Consummation of a scheme of arrangement, reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Parent (a "Business Combination"), in each case, unless, following such Business Combination, (i) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Parent Ordinary Shares and Outstanding Parent Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of, respectively, the then outstanding ordinary shares or shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation or other entity resulting from such Business Combination (including, without limitation, a corporation or other entity which as a result of such transaction owns the Parent or all or substantially all of the Parent's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Parent Ordinary Shares and Outstanding Parent Voting Securities, as the case may be, (ii) no Person (excluding any corporation or other entity resulting from such Business Combination or any employee benefit plan (or related trust) of the Parent or such corporation or other entity resulting from such Business Combination) beneficially owns, directly or indirectly, 20% or more of, respectively, the then outstanding ordinary shares or shares of common stock of the corporation or other entity resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation or other entity except to the extent that such ownership existed prior to the Business Combination and (iii) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board of the Parent, providing for such Business Combination; or

(d) Approval by the shareholders of the Parent of a complete liquidation or dissolution of the Parent.

3. Employment Period. The Company hereby agrees to continue the Executive in its employ, and the Executive hereby agrees to remain in the employ of the Company subject to the terms and conditions of this Agreement, for the period

commencing on the Effective Date and ending on the third anniversary of such date (the "Employment Period").

4. Terms of Employment.

(a) Position and Duties.

(i) During the Employment Period, (A) the Executive's position (including status, offices, titles and reporting requirements), authority, duties and responsibilities shall be at least commensurate in all material respects with the most significant of those held, exercised and assigned at any time during the 120-day period immediately preceding the Effective Date and (B) the Executive's services shall be performed at the location where the Executive was employed immediately preceding the Effective Date or any office or location less than 35 miles from such location.

(ii) During the Employment Period, and excluding any periods of vacation and sick leave to which the Executive is entitled, the Executive agrees to devote reasonable attention and time during normal business hours to the business and affairs of the Company and, to the extent necessary to discharge the responsibilities assigned to the Executive hereunder, to use the Executive's reasonable best efforts to perform faithfully and efficiently such responsibilities. During the Employment Period it shall not be a violation of this Agreement for the Executive to (A) serve on corporate, civic or charitable boards or committees, (B) deliver lectures, fulfill speaking engagements or teach at educational institutions and (C) manage personal investments, so long as such activities do not significantly interfere with the performance of the Executive's responsibilities as an employee of the Company in accordance with this Agreement. It is expressly understood and agreed that, to the extent that any such activities have been conducted by the Executive prior to the Effective Date, the continued conduct of such activities (or the conduct of activities similar in nature and scope thereto) subsequent to the Effective Date shall not thereafter be deemed to interfere with the performance of the Executive's responsibilities to the Company.

(b) Compensation.

(i) Base Salary. During the Employment Period, the Executive shall receive an annual base salary ("Annual Base Salary"), which shall be paid at a monthly rate, at least equal to twelve times the highest monthly base salary paid or payable, including any base salary which has been earned but deferred, to the Executive by the Company and its affiliated companies in respect of the twelve-month period immediately preceding the month in which the Effective Date occurs. During the Employment Period, the Annual Base Salary shall be reviewed no more than 12 months after the last salary increase awarded to the Executive prior to the Effective Date and thereafter at least annually. Any increase in Annual Base Salary shall not serve to limit or reduce any other obligation to the Executive under this Agreement. Annual Base Salary shall not be reduced after any such increase and the term Annual Base Salary as utilized in this Agreement shall refer to Annual Base Salary as so increased. As used in this Agreement, the term "affiliated companies" shall include any company controlled by, controlling or under common control with the Company.

(ii) Annual Bonus. In addition to Annual Base Salary, the Executive shall be awarded, for each fiscal year ending during the Employment Period, an annual bonus (the "Annual Bonus") in cash at least equal to the Executive's highest bonus under the Company's Performance Award and Cash Bonus Plan, or any comparable bonus under any predecessor or successor plan, for the last three full fiscal years prior to the Effective Date (annualized in the event that the Executive was not employed by the Company for the whole of such fiscal year) (the "Recent Annual Bonus"). Each such Annual Bonus shall be paid no later than the end of the third month of the fiscal year next following the fiscal year for which the Annual Bonus is awarded, unless the Executive shall elect to defer the receipt of such Annual Bonus.

(iii) Incentive, Savings and Retirement Plans. During the Employment Period, the Executive shall be entitled to participate in all incentive, savings and retirement plans, practices, policies and programs applicable generally to other peer executives of the Company and its affiliated companies, but in no event shall such plans, practices, policies and programs provide the Executive with incentive opportunities (measured with respect to both regular and special incentive opportunities, to the extent, if any, that such distinction is applicable), savings opportunities and retirement benefit opportunities, in each case, less favorable, in the aggregate, than the most favorable of those provided by the Company and its affiliated companies for the Executive under such plans, practices, policies and programs as in effect at any time during the 120-day period immediately preceding the Effective Date or if more favorable to the Executive, those provided generally at any time after the Effective Date to other peer executives of the Company and its affiliated companies.

(iv) Welfare Benefit Plans. During the Employment Period, the Executive and/or the Executive's family, as the case may be, shall be eligible for participation in and shall receive all benefits under welfare benefit plans, practices, policies and programs provided by the Company and its affiliated companies (including, without limitation, medical, prescription, dental, disability, employee life, group life, accidental death and travel accident insurance plans and programs) to the extent applicable generally to other peer executives of the Company and its affiliated companies, but in no event shall such plans, practices, policies and programs provide the Executive with benefits which are less favorable, in the aggregate, than the most favorable of such plans, practices, policies and programs in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, those provided generally at any time after the Effective Date to other peer executives of the Company and its affiliated companies.

(v) Expenses. During the Employment Period, the Executive shall be entitled to receive prompt reimbursement for all reasonable expenses incurred by the Executive in accordance with the most favorable policies, practices and procedures of the Company and its affiliated companies in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies.

(vi) Fringe Benefits. During the Employment Period, the Executive shall be entitled to fringe benefits, including, without limitation, tax and financial planning services, payment of club dues, and, if applicable, use of an automobile and payment of related expenses, in accordance with the most favorable plans, practices, programs and policies of the Company and its affiliated companies in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies.

(vii) Office and Support Staff. During the Employment Period, the Executive shall be entitled to an office or offices of a size and with furnishings and other appointments, and to exclusive personal secretarial and other assistance, at least equal to the most favorable of the foregoing provided to the Executive by the Company and its affiliated companies at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as provided generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies.

(viii) Vacation. During the Employment Period, the Executive shall be entitled to paid vacation in accordance with the most favorable plans, policies, programs and practices of the Company and its affiliated companies as in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies.

5. Termination of Employment.

(a) Death or Disability. The Executive's employment shall terminate automatically upon the Executive's death during the Employment Period. If the Company determines in good faith that the Disability of the Executive has occurred during the Employment Period (pursuant to the definition of Disability set forth below), it may give to the Executive written notice in accordance with Section 12(b) of this Agreement of its intention to terminate the Executive's employment. In such event, the Executive's employment with the Company shall terminate effective on the 30th day after receipt of such notice by the Executive (the "Disability Effective Date"), provided that, within the 30 days after such receipt, the Executive shall not have returned to full-time performance of the Executive's duties. For purposes of this Agreement, "Disability" shall mean the absence of the Executive from the Executive's duties with the Company on a full-time basis for 180 consecutive business days as a result of incapacity due to mental or physical illness which is determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to the Executive or the Executive's legal representative.

(b) Cause. The Company may terminate the Executive's employment during the Employment Period for Cause. For purposes of this Agreement, "Cause" shall mean:

(i) The willful and continued failure of the Executive to perform substantially the Executive's duties with the Company or one of its affiliates (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to the Executive by the Parent Board (as defined herein) or the Chief Executive Officer of the Company which specifically identifies the manner in which the Parent Board or Chief Executive Officer believes that the Executive has not substantially performed the Executive's duties; or

(ii) The willful engaging by the Executive in illegal conduct or gross misconduct which is materially and demonstrably injurious to the Parent.

For purposes of this provision, no act or failure to act, on the part of the Executive, shall be considered "willful" unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive's action or omission was in the best interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Parent Board or upon the instructions of the Chief Executive Officer or a senior officer of the Company or Parent or based upon the advice of counsel for the Company or Parent shall be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Company. The cessation of employment of the Executive shall not be deemed to be for Cause unless and until there shall have been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Parent Board at a meeting of the Parent Board called and held for such purpose (after reasonable notice is provided to the Executive and the Executive is given an opportunity, together with counsel, to be heard before the Parent Board), finding that, in the good faith opinion of the Parent Board, the Executive is guilty of the conduct described in subparagraph (i) or (ii) above, and specifying the particulars thereof in detail. As used in this Section, "Parent Board" means the board of directors of the Parent, except that in the event that the Parent no longer owns 50% of the outstanding voting securities of the Company, then Parent Board shall mean the Board of Directors of the Company.

(c) Good Reason. The Executive's employment may be terminated by the Executive for Good Reason. For purposes of this Agreement, "Good Reason" shall mean:

(i) The assignment to the Executive of any duties inconsistent in any respect with the Executive's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as contemplated by Section 4(a) of this Agreement, or any other action by the Company which results in a diminution in such position, authority, duties or responsibilities, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive;

(ii) Any failure by the Company to comply with any of the provisions of Section 4(b) of this Agreement, other than an isolated, insubstantial and inadvertent failure not occurring in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive;

(iii) The Company's requiring the Executive to be based at any office or location other than as provided in Section 4(a)(i)(B) hereof or the Company's requiring the Executive to travel on Company business to a substantially greater extent than required immediately prior to the Effective Date;

(iv) Any purported termination by the Company of the Executive's employment otherwise than as expressly permitted by this Agreement; or

(v) Any failure by the Company to comply with and satisfy Section 11(c) of this Agreement.

For purposes of this Section 5(c), any good faith determination of "Good Reason" made by the Executive shall be conclusive. Anything in this Agreement to the contrary notwithstanding, a termination by the Executive for any reason during the 30-day period immediately following the first anniversary of the Effective Date shall be deemed to be a termination for Good Reason for all purposes of this Agreement.

(d) Notice of Termination. Any termination by the Company for Cause, or by the Executive for Good Reason, shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 12(b) of this Agreement. For purposes of this Agreement, a "Notice of Termination" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated and (iii) if the Date of Termination (as defined below) is other than the date of receipt of such notice, specifies the termination date (which date shall be not more than thirty days after the giving of such notice). The failure by the Executive or the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason or Cause shall not waive any right of the Executive or the Company, respectively, hereunder or preclude the Executive or the Company, respectively, from asserting such fact or circumstance in enforcing the Executive's or the Company's rights hereunder.

(e) Date of Termination. "Date of Termination" means (i) if the Executive's employment is terminated by the Company for Cause, or by the Executive for Good Reason, the date of receipt of the Notice of Termination or any later date specified therein, as the case may be, (ii) if the Executive's employment is terminated by the Company other than for Cause or Disability, the Date of Termination shall be the date on which the Company notifies the Executive of such termination and (iii) if the Executive's employment is terminated by reason of death or Disability, the Date of Termination shall be the date of death of the Executive or the Disability Effective Date, as the case may be.

6. Obligations of the Company upon Termination.

(a) Good Reason; Other Than for Cause, Death or Disability. If, during the Employment Period, the Company shall terminate the Executive's employment other than for Cause or Disability or the Executive shall terminate employment for Good Reason:

(i) The Company shall pay to the Executive in a lump sum in cash within 30 days after the Date of Termination the aggregate of the following amounts:

A. The sum of (1) the Executive's Annual Base Salary through the Date of Termination to the extent not theretofore paid, (2) the product of (x) the higher of (i) the Recent Annual Bonus and (ii) the Annual Bonus paid or payable, including any bonus or portion thereof which has been earned but deferred (and annualized for any fiscal year consisting of less than twelve full months or during which the Executive was employed for less than twelve full months), for the most recently completed fiscal year during the Employment Period, if any (such higher amount being referred to as the "Highest Annual Bonus") and (y) a fraction, the numerator of which is the number of days in the current fiscal year through the Date of Termination, and the denominator of which is 365 and (3) any compensation previously deferred by the Executive (together with any accrued interest or earnings thereon) and any accrued vacation pay, in each case to the extent not theretofore paid (the sum of the amounts described in clauses (1), (2), and (3) shall be hereinafter referred to as the "Accrued Obligations"); and

B. The amount equal to the product of (1) three and (2) the sum of (x) the Executive's Annual Base Salary and (y) the Highest Annual Bonus; and

C. An amount equal to the excess of (a) the actuarial equivalent of the benefit under the Company's qualified defined benefit retirement plan (the "Retirement Plan") (utilizing actuarial assumptions no less favorable to the Executive than those in effect under the Company's Supplemental Retirement Plan immediately prior to the Effective Date and assuming benefits commence at age 65), and any excess or supplemental retirement plan in which the Executive participates (together, the "SERP") which the Executive would receive if the Executive's employment continued for three years after the Date of Termination assuming for this purpose that all accrued benefits are fully vested, and, assuming that the Executive's compensation in each of the three years is that required by Section 4(b)(i) and Section 4(b)(ii), over (b) the actuarial equivalent of the Executive's actual benefit (paid or payable), if any, under the Retirement Plan and the SERP as of the Date of Termination;

(ii) Should the Executive move his residence in order to pursue other business opportunities within three years of the Date of Termination (or until his normal retirement date, whichever is sooner), the Company shall reimburse him for any expenses incurred in that relocation (including taxes payable on the reimbursement) which are not reimbursed by another employer; provided, however, that the Executive shall be entitled to such reimbursement with respect to only one such relocation, the Executive shall be entitled to specify the relocation for which reimbursement hereunder is to be made. Benefits under this provision will include the assistance, at no cost to the Executive, in selling his home and other assistance which was customarily provided to executives transferred within the Company or between the Company and its affiliated companies prior to the Effective Date;

(iii) For three years after the Executive's Date of Termination, or such longer period as may be provided by the terms of the appropriate plan, program, practice or policy, the Company shall continue benefits to the Executive and/or the Executive's family at least equal to those which would have been provided to them in accordance with the plans, programs, practices and policies described in Section 4(b)(iv) of this Agreement if the Executive's employment had not been terminated or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies and their families, provided, however, that if the Executive becomes reemployed with another employer and is eligible to receive medical or other welfare benefits under another employer provided plan, the medical and other welfare benefits described herein shall be secondary to those provided under such other plan during such applicable period of eligibility. For purposes of determining eligibility (but not the time of commencement of benefits) of the Executive for retiree benefits pursuant to such plans, practices, programs and policies, the Executive shall be considered to have remained employed until three years after the Date of Termination and to have retired on the last day of such period;

(iv) The Company shall, at its sole expense as incurred, provide the Executive with outplacement services the scope and provider of which shall be selected by the Executive in his sole discretion; and

(v) To the extent not theretofore paid or provided, the Company shall timely pay or provide to the Executive any other amounts or benefits required to be paid or provided or which the Executive is eligible to receive under any plan, program, policy or practice or contract or agreement of the Company and its affiliated companies (such other amounts and benefits shall be hereinafter referred to as the "Other Benefits").

(b) Death. If the Executive's employment is terminated by reason of the Executive's death during the Employment Period, this Agreement shall terminate without further obligations to the Executive's legal representatives under this Agreement, other than for payment of Accrued Obligations and the timely payment or provision of Other Benefits. Accrued Obligations shall be paid to the Executive's estate or beneficiary, as applicable, in a lump sum in cash within 30 days of the Date of Termination. With respect to the provision of Other Benefits, the term Other Benefits as utilized in this Section 6(b) shall include, without limitation, and the Executive's estate and/or beneficiaries shall be entitled to receive, benefits at least equal to the most favorable benefits provided by the Company and affiliated companies to the estates and beneficiaries of peer executives of the Company and such affiliated companies under such plans, programs, practices and policies relating to death benefits, if any, as in effect with respect to other peer executives and their beneficiaries at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive's estate and/or the Executive's beneficiaries, as in effect on the date of the Executive's death with respect to other peer executives of the Company and its affiliated companies and their beneficiaries.

(c) Disability. If the Executive's employment is terminated by reason of the Executive's Disability during the Employment Period, this Agreement shall terminate without further obligations to the Executive, other than for payment of Accrued Obligations and the timely payment or provision of Other Benefits. Accrued Obligations shall be paid to the Executive in a lump sum in cash within 30 days of the Date of Termination. With respect to the provision of Other Benefits, the term Other Benefits as utilized in this Section 6(c) shall include, and the Executive shall be entitled after the Disability Effective Date to receive, disability and other benefits at least equal to the most favorable of those generally provided by the Company and its affiliated companies to disabled executives and/or their families in accordance with such plans, programs, practices and policies relating to disability, if any, as in effect generally with respect to other peer executives and their families at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive and/or the Executive's family, as in effect at any time thereafter generally with respect to other peer executives of the Company and its affiliated companies and their families.

(d) Cause; Other than for Good Reason. If the Executive's employment shall be terminated for Cause during the Employment Period, this Agreement shall terminate without further obligations to the Executive other than the obligation to pay to the Executive (x) his Annual Base Salary through the Date of Termination, (y) the amount of any compensation previously deferred by the Executive, and (z) Other Benefits, in each case to the extent theretofore unpaid. If the Executive voluntarily terminates employment during the Employment Period, excluding a termination for Good Reason, this Agreement shall terminate without further obligations to the Executive, other than for Accrued Obligations and the timely payment or provision of Other Benefits. In such case, all Accrued Obligations shall be paid to the Executive in a lump sum in cash within 30 days of the Date of Termination.

7. Non-exclusivity of Rights. Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any plan, program, policy or practice provided by the Company or any of its affiliated companies and for which the Executive may qualify, nor, subject to Section 12(f), shall anything herein limit or otherwise affect such rights as the Executive may have under any contract or agreement with the Company or any of its affiliated companies. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan, policy, practice or program of, or any contract or agreement with the Company or any of its affiliated companies at or subsequent to the Date of Termination shall be payable in accordance with such plan, policy, practice or program, or contract or agreement except as explicitly modified by this Agreement.

8. Full Settlement. The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company or its affiliated companies may have against the Executive or others. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement and such amounts shall not be reduced whether or not the Executive obtains other employment. The Company agrees to pay as incurred, to the full extent permitted by law, all legal fees and expenses which the Executive may reasonably incur as a result of any contest (regardless of the outcome thereof) by the Company, the Executive or others of the validity or enforceability of, or liability under, any provision of this Agreement or any guarantee of performance thereof (including as a result of any contest by the Executive about the amount of any payment pursuant to this Agreement), plus in each case interest on any delayed payment at the applicable Federal rate provided for in Section 7872(f)(2)(A) of the Internal Revenue Code of 1986, as amended (the "Code").

9. Certain Additional Payments by the Company.

(a) Anything in this Agreement to the contrary notwithstanding and except as set forth below, in the event it shall be determined that any payment or distribution by the Company, the Parent and any affiliated company to or for the benefit of the Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this Section 9) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties are incurred by the Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), then the Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments. Notwithstanding the foregoing provisions of this Section 9(a), if it shall be determined that the Executive is entitled to a Gross-Up Payment, but that the Payments do not exceed 110% of the greatest amount (the "Reduced Amount") that could be paid to the Executive such that the receipt of Payments would not give rise to any Excise Tax, then no Gross-Up Payment shall be made to the Executive and the Payments, in the aggregate, shall be reduced to the Reduced Amount.

(b) Subject to the provisions of Section 9(c), all determinations required to be made under this Section 9, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment, and the assumptions to be utilized in arriving at such determination, shall be made by Ernst & Young, L.L.P. or such other certified public accounting firm as may be designated by the Executive (the "Accounting Firm") which shall provide detailed supporting calculations both to the Company and the Executive within 15 business days of the receipt of notice from the Executive that there has been a Payment, or such earlier time as is requested by the Company. In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting the Change of Control, the Executive shall appoint another nationally recognized accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any Gross-Up Payment, as determined pursuant to this Section 9, shall be paid by the Company to the Executive within five days of the receipt of the Accounting Firm's determination. Any determination by the Accounting Firm shall be binding upon the Company and the Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("Underpayment") consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies pursuant to Section 9(c) and the Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Executive.

(c) The Executive shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment. Such notification shall be given as soon as practicable but no later than ten business days after the Executive is informed in writing of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. The Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which it gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall:

(i) Give the Company any information reasonably requested by the Company relating to such claim;

(ii) Take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company;

(iii) Cooperate with the Company in good faith in order effectively to contest such claim; and

(iv) Permit the Company to participate in any proceedings relating to such claim;

provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 9(c), the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs the Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Executive, on an interest-free basis and shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(d) If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 9(c), the Executive becomes entitled to receive any refund with respect to such claim, the Executive shall (subject to the Company's complying with the requirements of Section 9(c)) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 9(c), a determination is made that the Executive shall not be entitled to any refund with respect to such claim and the Company does not notify the Executive in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

10. Confidential Information. The Executive shall hold in a fiduciary capacity for the benefit of the Company all secret or confidential information, knowledge or data relating to the Company or any of its affiliated companies, and their respective businesses, which shall have been obtained by the Executive during the Executive's employment by the Company or any of its affiliated companies and which shall not be or become public knowledge (other than by acts by the Executive or representatives of the Executive in violation of this Agreement). After termination of the Executive's employment with the Company, the Executive shall not, without the prior written consent of the Company or as may otherwise be required by law or legal process, communicate or divulge any such information, knowledge or data to anyone other than the Company and those designated by it. In no event shall an asserted violation of the provisions of this

Section 10 constitute a basis for deferring or withholding any amounts otherwise payable to the Executive under this Agreement.

11. Successors.

(a) This Agreement is personal to the Executive and without the prior written consent of the Company and the Parent shall not be assignable by the Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and the Parent and their respective successors and assigns.

(c) The Company and the Parent will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company or the Parent to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company or the Parent would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" and "Parent" shall mean the Company and the Parent as hereinbefore defined and any respective successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

12. Miscellaneous.

(a) THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF DELAWARE, WITHOUT REFERENCE TO PRINCIPLES OF CONFLICT OF LAWS. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. This Agreement may not be amended or modified otherwise than by a written agreement executed by the parties hereto or their respective successors and legal representatives.

(b) All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive:

If to the Company:

Transocean Offshore Deepwater Drilling Inc.
4 Greenway Plaza
Houston, Texas 77046

Attention: General Counsel

If to the Parent:

Transocean Offshore Inc.
4 Greenway Plaza
Houston, Texas 77046

Attention: General Counsel

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

(c) The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

(d) The Company may withhold from any amounts payable under this Agreement such Federal, state, local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.

(e) The Executive's or the Company's failure to insist upon strict compliance with any provision of this Agreement or the failure to assert any right the Executive or the Company may have hereunder, including, without limitation, the right of the Executive to terminate employment for Good Reason pursuant to Section 5(c)(i)-(v) of this Agreement, shall not be deemed to be a waiver of such provision or right or any other provision or right of this Agreement.

(f) The Executive and the Company acknowledge that, except as may otherwise be provided under any other written agreement between the Executive and the Company, the employment of the Executive by the Company is "at will" and, subject to Section 1(a) hereof, prior to the Effective Date, the Executive's employment and/or this Agreement may be terminated by either the Executive or the Company at any time prior to the

Effective Date, in which case the Executive shall have no further rights under this Agreement. From and after the Effective Date, this Agreement shall supersede any other agreement between the parties with respect to the subject matter hereof.

13. Guarantee. The Parent hereby absolutely, irrevocably and unconditionally guarantees the full payment and performance of all obligations of the Company under this Agreement as same may hereafter be amended from time to time by Executive and Company. Parent's guarantee and undertakings hereunder shall continue in force until all of Company's obligations under this Agreement and all of Parent's obligations have been duly performed.

IN WITNESS WHEREOF, the Executive has hereunto set the Executive's hand and, pursuant to the authorization from their respective Boards of Directors, the Parent and the Company have caused these presents to be executed in their name on their behalf, all as of the day and year first above written.

[Executive]

TRANSOCEAN OFFSHORE INC.

By:

TRANSOCEAN OFFSHORE
DEEPWATER DRILLING INC.

By:

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